

California wage laws don't apply to offshore drilling rigs, high court says

By Tricia Gorman

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A unanimous U.S. Supreme Court has ruled that the federal Fair Labor Standards Act, rather than California wage laws, governs the compensation of employees working on offshore drilling platforms along the outer continental shelf.

Parker Drilling Management Services Ltd. v. Newton, No. 18-389, 139 S. Ct. 1881 (U.S. June 10, 2019).

The OCS is governed by federal law, with state law playing a "supporting role" only when "there is a gap in federal law's coverage," Justice Clarence Thomas wrote for the court in the June 10 opinion.



"The court's ruling creates greater legal certainty and relieves administrative burden for companies with employees on the OCS to the extent it holds they are subject only to the FLSA," said Baker Donelson attorney Jennifer Anderson.

The decision vacates a 9th U.S. Circuit Court of Appeals ruling that said a class action accusing Parker Drilling Management Ltd. of violating California wage laws could proceed.

'GREATER LEGAL CERTAINTY'

Baker Donelson attorney Jennifer Anderson, noting a significant increase in wage-related class-action litigation against employers in recent years, said the ruling should help resolve the compensation question for oil companies with facilities on the OCS.

"The court's ruling creates greater legal certainty and relieves administrative burden for companies with employees on the OCS to the extent it holds they are subject only to the FLSA," Anderson said.

Anderson, who was not involved in the case, stressed that the high court's decision applies only to employees on the OCS and does not affect their FLSA rights. It also does not apply to differences between federal and state laws for land-based workers and other employees not on the OCS, she said.

"However, this ruling should bring an end to offshore workers' state wage-and-hour law class actions against their employers, at least for now," she added.

WAGE-AND-HOUR CLAIMS

The case stemmed from state law wage claims filed by former Parker Drilling employee Brian Newton, who worked on a drilling platform located more than 3 miles off the coast of Santa Barbara, California.

Newton alleged the company violated California labor law by failing to provide off-duty 30-minute meal breaks and to pay him overtime for hours he spent on standby during his 14-day shifts on the platform, among other claims.

After Parker Drilling removed the case to federal court, U.S. District Judge R. Gary Klausner of the Central District of California granted the company judgment on the pleadings, finding that only federal law applies on the platforms along the OCS, so Newton could not pursue state law claims. *Newton v. Parker Drilling Mgmt. Servs. Inc.*, No. 15-cv-2517, 2015 WL 12645746 (C.D. Cal. Aug. 1, 2015).

Under the Outer Continental Shelf Lands Act, state law only applies to fill "a significant void or gap" in federal law, according to the District Court opinion. Since the FLSA is comprehensive, there is no gap and thus no need to apply California law, Judge Klausner said.

Newton appealed and a panel of the 9th U.S. Circuit Court of Appeals reversed the ruling, finding that the OCSLA permits the

use of state laws if they are “applicable and not inconsistent with ... federal laws.” *Newton v. Parker Drilling Mgmt. Servs. Ltd.*, 881 F.3d 1078 (9th Cir. 2018).

FEAR OF ‘MASSIVE LIABILITY’

In its certiorari petition to the Supreme Court, Parker Drilling argued the 9th Circuit’s decision opens companies that operate on the OCS to “massive liability” even if they have complied with federal law.

The 9th Circuit also set up a conflict with a nearly 50-year-old decision by the 5th U.S. Circuit Court of Appeals in *Continental Oil Co. v. London Steam-Ship Owners’ Mutual Insurance Association Ltd.*, 417 F.2d 1030 (5th Cir. 1969), which established state law application on the OCS only in instances when federal law does not address a conflict, the company said.

‘CLOSE QUESTION’

The high court determined in this “close question of statutory interpretation” that the history of the OCSLA and its own precedent supports the 5th Circuit’s interpretation of the law.

Looking at the statutory language, the court said “state laws can be ‘applicable and not inconsistent’ with federal law ... only if federal law does not address the relevant issue.”

As a result, California’s minimum-wage and overtime provisions, which allow for wider benefits than the FLSA, do not apply on the OCS, the court said.

The court remanded the case to the 9th Circuit for consideration of Newton’s claims unrelated to state wage law.

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