

National Basketball Association. v. Williams

45 F.3d 684 (2nd Cir. 1995)

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For nearly 30 years, the National Basketball Association teams ("NBA teams") have bargained as a multiemployer bargaining unit with the NBA Players Association ("NBAPA"), the exclusive bargaining representative of all players. During negotiations over a new collective bargaining agreement ("CBA") in April and May of 1994, the NBAPA demanded the elimination of the following provisions in the previous CBA: the college draft, the right of first refusal, and the revenue sharing/salary cap system.

The NBAPA refused to negotiate further with the NBA teams until the previous CBA formally expired, so the NBA teams sought declaratory relief against the NBAPA. The NBA teams sought two declarations: 1) that the continued imposition of the disputed provisions of the CBA would not violate the antitrust laws because that imposition is governed solely by the labor laws and is exempt from antitrust liability under the nonstatutory exemption to the antitrust laws; and 2) that the disputed provisions are lawful even if the antitrust laws apply. The NBAPA counterclaimed, alleging that the CBA provisions in dispute were a violation of the Sherman Antitrust Act since they were not longer part of an unexpired CBA. The NBAPA appealed the District Court's dismissal of the NBAPA's counterclaim and granted declaratory relief to the NBA teams.

The NBAPA's position was that multiemployer groups, such as NBA teams, should be barred from using economic force to obtain the desired terms of employment. Thus, by the NBA teams acting collectively to impose terms of employment after the expiration of the CBA, the NBAPA claims that NBA teams are committing a violation of the Sherman Act. The NBAPA have rested their claim upon the classic principles of antitrust law. Antitrust law holds that absent justification under the Rule of Reason or some defense, employers who compete for labor may not agree among themselves to purchase that labor only on certain specified terms and conditions.

The NBA teams' defense to the NBAPA claim was two-fold: 1) the NBAPA claim should be defeated by the legislative scheme governing labor relations and collective bargaining, and 2) even if the antitrust laws do apply, the provisions in dispute survive scrutiny under the Rule of Reason. The Rule of Reason allows the courts to use a balancing approach in order to determine the effects of alleged antitrust behavior. Here, the NBA teams argue that the efficiencies in the disputed provisions allow competitive athletic balance among NBA teams, which outweighs their effect on competition for services of the NBAPA.

The court stated that antitrust laws do not prohibit employers from acting jointly in bargaining with a common union. The court acknowledged that multiemployer bargaining was commonplace and essentially unchallenged long before the passage of federal labor laws. Further, the court reasoned that labor laws embody a conscious congressional decision to permit multiemployer organizations to bargain hard and use economic force to resolve disputes with unions over terms and conditions of employment.

Thus, the court held that the NBAPA's position was inconsistent with the antitrust law intent, and collided head-on with the labor laws' endorsement of multiemployer

collective bargaining. The court did not address the various arguments regarding the Rule of Reason.

This holding illustrates the judicial support for multiemployer bargaining units. Because the nature, history, and purposes of multiemployer bargaining are entrenched in the American business arena, employers must jointly establish and maintain a unified front in dealing with unions. The lack of a successful antitrust challenge to (and congressional action restricting) multiemployer bargaining for over a century indicates that going forward, similar cases and controversies will be upheld in favor of employers that bargain together against employee unions.