

**BLOGS**

Employment

## California Federal Court Concludes that Franchisees Are not Entitled to Unpaid Overtime Wages

In another case involving the classifications of franchisees, a federal court in California granted a franchisor's summary judgment motion in part, holding that the franchisees were not entitled to unpaid overtime wages, but allowed claims to proceed based on alleged misclassification of franchisees as independent contractors. *Haitayan, v. 7-Eleven, Inc.*, Case No. CV 17-7454 DSF (C.D. Cal. Feb. 19, 2020). The plaintiffs are 7-Eleven franchisees who claimed that 7-Eleven should have classified them as employees rather than independent contractors. The franchisees brought six claims against 7-Eleven stemming from the alleged misclassification relating to unpaid overtime and unpaid business expense reimbursements. 7-Eleven moved for summary judgment on the unpaid overtime and unreimbursed expense claims, and the franchisees moved for summary judgment on the misclassification claim.

The court denied the franchisees' motion, concluding that under the ABC test adopted by the California Supreme Court in *Dynamex Operations West, Inc. v. Superior Court*, 416 P.3d 1 (Cal. 2018), the issue of classification of workers is a fact-specific analysis, so the franchisees' claims ultimately required a fact determination. There were factual disputes as to whether the franchisees engaged in work outside the usual course of 7-Eleven's business, which 7-Eleven claimed included selling franchises, leasing property and equipment, and licensing its marks and operating system, business activities in which the franchisees did not engage. The court did conclude, however, that 7-Eleven was entitled to summary judgment on the overtime claims. The franchisees claimed that 7-Eleven should have known that they were working overtime because it could remotely view footage of the stores from its surveillance cameras. 7-Eleven maintained that the franchisees failed to present any evidence they worked overtime or that it had actual or constructive notice that they were working overtime. The franchisees failed to keep records of the hours spent at their stores and never gave 7-Eleven information about the time spent operating the business. Therefore, the court determined that the franchisees were not entitled to overtime pay and granted 7-Eleven's motion for summary judgment on that issue.

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