

**BLOGS**  
Employment

## California Federal Court Holds Franchisees Are Not Employees of Franchisor

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A federal court in California has recently ruled that a group of former 7-Eleven franchisees were not employees of 7-Eleven. *Haitayan v. 7-Eleven, Inc.*, 2021 WL 4078727 (C.D. Cal. Sept. 8, 2021). Four former 7-Eleven franchisees brought wage and hour claims against 7-Eleven claiming that 7-Eleven owed them millions of dollars in unreimbursed expenses because they were employees and not independent contractors of 7-Eleven. 7-Eleven denied the claims on the basis of the franchise relationship and a two-day bench trial was held.

Following trial, the court concluded that the former franchisees were independent contractors and not employees. Under applicable California law, the key factor was the level of control 7-Eleven retained over the franchisees. The court found the evidence at trial established that the former franchisees exercised their own judgment in determining, among other things: what products they would carry and their pricing; how to organize the store; what promotions to take part in; the scheduling, hiring, and firing of employees; and their own schedules and pay at their stores. The court further observed that the former franchisees held themselves out as business owners; they were not subject to the control of a 7-Eleven field consultant; their success was directly tied to their business savvy in operating their franchises; their income was entirely dependent on the profits they generated in operating their franchises; and 7-Eleven's core business is franchising, not operating convenience stores. Based on the foregoing, the court concluded that the circumstances weighed in favor of finding the former franchisees were independent contractors and not employees of 7-Eleven, and the court ruled in favor of 7-Eleven on all claims.

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