



BLOGS
Employment

Federal Court Dismisses Franchisee Allegations of Unjust Enrichment Under Connecticut Anti-Kickback Statute

A federal court in Connecticut concluded that material disputes of fact precluded deciding whether a franchisor had misclassified its franchisees as independent contractors, but nevertheless dismissed the plaintiffs claim for unjust enrichment based on a Connecticut anti-kickback statute. *Mujo v. Jani-King Int'l, Inc.*, 2019 WL 7037794 (D. Conn. Dec. 12, 2019). Mujo, on behalf of a class of over 100 Jani-King franchisees, alleged that Jani-King was unjustly enriched in violation of a Connecticut statute that prohibits employers from demanding any sum of money from any person upon the understanding that the sum is necessary to secure or continue employment. The franchisees alleged that the franchise fees they paid to Jani-King constituted such prohibited sums of money. Their unjust enrichment claim was premised on the argument that Jani-King had unlawfully classified the franchisees as independent contractors rather than employees. Jani-King moved for summary judgment on the unjust enrichment claim arguing that its franchisees could not be classified as employees because of their status as franchisees, which Jani-King viewed as mutually exclusive with being an employee.

In determining employment classifications, Connecticut applies the ABC test under which a court focuses on (A) the purported employers "right to control the means and methods of work," (B) whether the services performed are either outside the purported employer's "usual course of business" or "places of business," and (C) whether the putative employee is customarily engaged in an independently established business of the same nature as that involved in the service performed. Although Jani-King had to meet all three prongs of this test to defeat a presumption of employment, the court concluded that a material dispute of fact precluded resolution of any of the prongs at summary judgment. Nevertheless, the court ultimately dismissed the unjust enrichment claim because the record lacked the evidence necessary to create a genuine issue of fact that the plaintiffs paid Jani-King fees beyond the value of the franchise agreement. In short, the plaintiffs had not shown that any of the amounts they allege they were required to pay as a condition of continued employment were different from legitimate fees owed under a franchise agreement, which were presumptively valid under Connecticut law. Accordingly, the Court granted summary judgement and dismissed the plaintiffs' unjust enrichment claim.

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