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Employment

Federal Court in California Denies Plaintiffs Summary Judgment on Joint Employer Claim

A federal district court in California has denied in part a plaintiff's unusual motion for summary judgment on whether a franchisor and its franchisees were joint employers of the franchisees' delivery drivers. *Campanelli v. ImageFIRST Healthcare Laundry Specialists, Inc.*, 2018 WL 934545 (N.D. Cal. Feb. 16, 2018). ImageFIRST businesses provide industrial laundry service for companies in the healthcare industry. Campanelli brought a putative class action on behalf of ImageFIRST delivery drivers against the franchisor, 17 ImageFIRST franchisees, and another 10 locations "affiliated" with the franchisor through common ownership. Campanelli moved for summary judgment on the issue of whether the franchisor was a joint employer of all delivery drivers, and therefore liable for FLSA violations. Due to a procedural issue, the court declined to rule on the motion with respect to the franchisees.

With respect to the franchisor's affiliate entities, the court denied the motion. Campanelli argued that the common ownership of the affiliates and the franchisor caused the drivers of each to be joint employees. The court disagreed, noting that no employee of an affiliate made deliveries for the franchisor, nor did any franchisor employee directly supervise any affiliate's driver. Since Campanelli also alleged that the affiliates were economically dependent on the franchisor, the court queried whether the affiliates and franchisor might be vertical joint employers of the drivers. In a typical vertical joint relationship, a company contracts for workers who are directly employed by an intermediary. The court noted that the affiliate stores share owners, directors, and officers with the franchisor, and use common employment and hiring documentation, employment policies and training materials—each pointing towards a joint employment arrangement. However, the court declined to find vertical joint employment because of the affiliates' separate local store management. Each affiliate store's manager controlled that store's business operations, including drivers' routes and work schedules. Even though there was common ownership between the affiliates and the corporate franchisor entity, the separate management and supervisory structures at the affiliate store level precluded a finding of joint employment on summary judgment.

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