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Employment

Massachusetts Federal Court Grants Summary Judgment on Franchisees' Independent Contractor Claims

A federal court in Massachusetts granted a franchisor's motion for summary judgment, determining that the franchisor did not employ its franchisees because they did not perform services for the franchisor. *Patel v. 7-Eleven*, 2022 WL 4540981 (D. Mass. Sept. 28, 2022).

A federal court in Massachusetts granted a franchisor's motion for summary judgment, determining that the franchisor did not employ its franchisees because they did not perform services for the franchisor. *Patel v. 7-Eleven*, 2022 WL 4540981 (D. Mass. Sept. 28, 2022). A group of 7-Eleven franchisees brought a putative class action against 7-Eleven alleging that the franchisor had misclassified them as independent contractors instead of employees in violation of the Massachusetts Independent Contractor Law and had therefore violated the Massachusetts Wage Act. In its motion for summary judgment, 7-Eleven argued that the Independent Contractor Law did not apply because the franchisees could not meet its threshold requirement of showing that they performed services for 7-Eleven. The plaintiffs argued that they had performed services like working full time in the store and operating 24 hours a day, in addition to preparing and submitting cash reports—actions beneficial to 7-Eleven and promised under the franchise agreements. 7-Eleven responded that these were not “services” because they were not performed in exchange for payment. Rather, it was 7-Eleven who provided services to its franchisees in exchange for franchise fees.

The court agreed with 7-Eleven, even in light of the Independent Contractor Law's liberal construction of the term “service.” The court remarked that a legitimate franchise relationship involves a certain mutuality of economic interests between the franchisor and franchisees, but this mutuality is not sufficient to show that franchisees provide services to a franchisor. As a result, the court granted 7-Eleven's motion for summary judgment and denied the plaintiffs' motion for summary judgment, along with their motion for class certification.

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