

Management Alert



Massachusetts SJC Strikes a Blow to Massachusetts Independent Contractor Statute

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Seyfarth Synopsis: The Massachusetts Supreme Judicial Court recently held that the FAAAA preempts the second prong of the Massachusetts Independent Contractor Statute as applied to certain delivery drivers. Although the Court limited the scope of its decision, the decision is nonetheless helpful for motor carriers using (or considering using) independent contractors to transport property.

On December 16th, in *Chambers et al. v. RDI Logistics, Inc.*, the Massachusetts Supreme Judicial Court (“SJC”) ruled that the Federal Aviation Administration Authorization Act of 1994 (“FAAAA”) preempts the second (and most burdensome) prong of the Massachusetts independent contractor statute (“IC Statute”) as applied to certain delivery drivers.

Background

In 1994, Congress enacted the FAAAA in an effort to deregulate the trucking industry. Congress equipped the FAAAA with a broad preemption clause, which preempts any state law relating to price, route, or service of any motor carrier with respect to the transportation of property. This broad preemptive power was designed to serve two goals: (1) to ensure efficient, innovative, and low-priced transportation services; and (2) to sweep aside the “patchwork” of state laws that would undermine this purpose.

The IC Statute assumes that all workers are employees, regardless of the titles and tax forms that parties use to define their working relationships, unless the company can satisfy every prong of its three-prong test. The three prongs are:

- (1) the worker is free from direction and control under the parties’ contract and in fact;
- (2) the worker provides services outside the company’s *usual course of business*; and
- (3) the worker is customarily engaged in an independently established trade, occupation, profession, or business.

In *Chambers*, a group of furniture delivery drivers claimed that Defendant, a furniture delivery company, misclassified them as independent contractors instead of employees. Defendant sought summary judgment, arguing that the FAAAA preempts the IC Statute for two reasons: (1) the second prong of the IC Statute essentially requires motor carriers to provide services using employees rather than independent contractors; and (2) enforcement of Plaintiffs’ misclassification claims would have an impermissible impact on motor carriers’ services. The trial court granted Defendant’s motion and dismissed Plaintiffs’ claims. Plaintiffs sought direct appellate review with the SJC.

The SJC's Decision

On appeal, the SJC considered whether FAAAA preemption applies to the IC Statute. The SJC held that, in this case, the second prong of the IC Statute “impermissibly draws the [IC Statute] into the gravitational pull of the FAAAA’s preemption.” The SJC reasoned that a delivery driver of a motor carrier will necessarily be performing services within the “usual course of business” of that motor carrier whenever a court concludes that delivery services are part of the motor carrier’s usual course of business. Thus, the second prong would effectively require the motor carrier to use employees rather than independent contractors, which likely would have a significant impact on the motor carrier’s services by raising the costs of providing those services. Accordingly, the SJC held that the FAAAA preempts the second prong of the IC Statute.

The SJC, however, declined to topple the entire IC Statute. Instead, the SJC held that the second prong of the IC Statute is severable. In other words, Defendant must satisfy the first and third prongs of the IC Statute, but not the second prong. The SJC rejected Defendant’s argument that the FAAAA preempts the entire IC Statute. In so holding, the SJC reasoned that the first and third prongs’ effect on the services provided by motor carriers, while existent, is too remote and tenuous to trigger the FAAAA’s preemption.

Impact for Businesses

Chambers is a helpful decision for motor carriers that utilize independent contractors to transport property. However, the SJC was careful to limit the scope of the *Chambers* decision, stating that entities other than motor carriers will be unaffected by the ruling. Also, motor carriers that transport property must still satisfy the first and third prongs of the IC Statute.

Whether a company is a motor carrier or some other business, the IC Statute remains among the most onerous of its kind in the country. Any business that utilizes independent contractors (or considers the use of independent contractors) should carefully evaluate the risks and consult with experienced legal counsel.

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