



Last-Minute Court Ruling Sees Truckers Spared From California Misclassification Law

Insights

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A federal judge took a pause from his New Year's Eve revelries to hand a big victory to California truckers, blocking the state's new misclassification law from impacting them before the January 1 effective date arrived. While this maneuver doesn't directly help gig economy companies in the state – who became subject to AB-5's ABC test immediately upon the stroke of midnight – it could be a sign of good things to come.

The California Trucking Association was the first group to file a legal challenge to AB5 a few months ago. They noted that the imposition of the ABC test – which would classify them as employees unless they could show that they performed work outside the usual course of the hiring entity's business, among other things – would end their ability to continue in as owner-operators and decimate the industry. It would deprive over 70,000 independent truckers of their ability to work. Their main legal argument: that AB5 is preempted by the commerce and supremacy clauses of the Constitution and the Federal Aviation Administration Authorization Act (FAAAA).

On December 31, a federal judge agreed with them and granted a temporary restraining order blocking AB-5 as it applies to the California trucking industry. Judge Roger Benitez concluded that the trucking association proved that it is likely to succeed on the merits of the lawsuit, and that truck drivers would suffer irreparable harm if the law took effect while the litigation is ongoing. Specifically, he said, the association showed that Prong B of the ABC test – requiring workers to perform work “outside the usual course” of the business to be classified as contractors – “is likely preempted by the FAAAA because AB-5 effectively mandates that motor carriers treat owner-operators as employees, rather than as the independent contractors that they are.” The parties now have some breathing room to fully litigate the issues without the ABC test being applied to truck drivers, and a final resolution will work itself out in the court system over the coming weeks and months. The next court hearing is set for January 13.

That's good news for truck drivers...but what does this mean for gig economy companies? For now, it has zero impact on the average gig company that utilizes an independent contractor workforce. AB-5 took immediate effect when the calendar turned to 2020 yesterday. However, it may sway the federal court judge who will be asked to rule on a similar request for gig economy companies. Just a few days ago, Uber and Postmates filed suit seeking the law to be declared invalid as it applies to them and other companies. Perhaps seeing another court take such a dramatic step will help make other courts feel more comfortable in temporarily blocking the law for other industries. The next

other courts feel more comfortable in temporarily blocking the law for other industries. The next domino to fall might in another lawsuit, this one filed by [freelance writers and other similar artists](#) who believe that AB-5 unfairly punishes them. We'll keep an eye on these two cases – and the trucker lawsuit – and provide updates as warranted.

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