

**THIRD CIRCUIT COURT OF APPEALS RULES TRUCKERS' STATE WAGE CLASS ACTION CLAIMS NOT PREEMPTED BY FEDERAL LAW**

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The Third Circuit Court of Appeals in *Alejandro Lupian, et al. v. Joseph Cory Holdings, LLC* recently held that a class action brought by plaintiff truck drivers who alleged that expenses were improperly deducted from their wages by the defendant motor carrier could proceed and the action was not preempted by the Federal Aviation Administration Authorization Act (the "FAAAA").

In *Lupian*, the contracts between the plaintiff truck drivers and the defendant motor carrier purported to establish that the drivers would work as independent contractors, although the drivers claimed that the realities of their relationship with the defendant made them employees under the Illinois Wage Payment and Collection Act (the "IWPCA") at issue in the case. Under the contracts, the defendant motor carrier was permitted to take chargebacks for any expense or liability that the drivers had agreed to bear. As such, the defendant motor carrier routinely deducted such expenses – for insurance, truck rentals, uniforms, and damaged goods – from the truck drivers' regular paychecks without any contemporaneous written consent on their behalf. Plaintiff truck drivers initiated the action under the IWPCA (and alternatively alleged similar violations of New Jersey state wage law) alleging that defendants' actions in deducting monies from their compensation without their contemporaneous written consent violated the IWPCA. Defendant filed a motion to dismiss the plaintiffs' claims on the grounds that the FAAAA preempted any state wage law such as the IWPCA.

Circuit Court Judge Michael Chagares wrote on behalf of the Court in *Lupian* that "the purpose of the FAAAA's preemption clause is to prohibit states from effectively re-regulating the trucking industry and to promote 'maximum reliance on competitive market forces.' The preemption clause undoubtedly applies, for example, to state laws directly restricting the types of goods that can be carried by trucks, tariffs, and barriers to entry. But state law may also be preempted if it has an indirect effect. This intent is patent in the FAAAA insofar as the preemption clause employs the phrase 'related to' immediately before a price, route, or service of any motor carrier."



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Turning to the facts of the case, Judge Chagares continued “wage laws like the IWPCA are a prime example of an area of traditional state regulation, and this Court does not lightly conclude that such laws are superseded. Moreover, such laws are a part of the backdrop that motor carriers and all business owners must face in conducting their affairs.” The Court in *Lupian* focused on the fact that the IWPCA did not single out trucking firms, and it only concerned the relationship agreements between employers and employees. The Court stated “while the fact that the IWPCA does not regulate affairs between employers and customers is not dispositive, it does demonstrate that the operation of the IWPCA is steps away from the type of regulation the FAAAA’s preemption clause sought to prohibit.”

The Court in *Lupian* concluded that the IWPCA did not affect the defendant motor carrier’s business to the extent that the FAAAA would be impinged. Specifically, the Court stated “we conclude that the IWPCA does not have a significant impact on carrier rates, routes, or services of a motor carrier and does not frustrate the FAAAA’s deregulatory objectives, as the impact of the IWPCA is too tenuous, remote, and peripheral to fall within the scope of the FAAAA preemption clause.” The Court denied the defendant motor carrier’s motion to dismiss and held that plaintiff drivers’ IWPCA related wage claims were not preempted and could proceed against the defendant motor carrier.

In light of the Third Circuit Court’s ruling in *Lupian*, it is important that trucking firms and motor carriers are fully aware of the requirements of prevailing state wage laws and that they comply with such laws particularly with respect to the drafting and exercising of their rights under their independent contractor agreements.

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