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California AB5 Update: Federal Appeals Court Denies Request To Stay District Court's Preliminary Injunction

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While the transportation and logistics world has naturally been occupied with rapidly developing circumstances surrounding the COVID-19 crisis, the United States Court of Appeals for the Ninth Circuit has delivered a welcome interim victory to motor carriers in California.

On March 30, 2020, the U.S. Court of Appeals issued a decision denying a request made by the International Brotherhood of Teamsters (the "Teamsters") to stay the preliminary injunction that currently enjoins the enforcement of California Assembly Bill No. 5 ("AB5") against motor carriers in California. By way of background, AB5 would mandate employee status for any driver performing services in the usual course of a hiring entity's business. Thus, AB5 would, if enforced, make it impossible for motor carriers to utilize owner-operators and would, instead, force classification of all drivers as employees.

On January 16, 2020, Judge Roger Benitez of the United States District Court for the Southern District of California issued a decision granting a preliminary injunction precluding enforcement of AB5 with respect to motor carriers in the State of California. Specifically, Judge Benitez ruled that AB5 is preempted by the Federal Aviation Administration Authorization Act. The Teamsters are appealing the district court's decision and had hoped that the federal appellate court would issue a stay of the injunction pending the appeal, functionally reversing Judge Benitez' decision before hearing the appeal on its merits. Tellingly, even though the injunction operates against the State of California, and the State of California is also appealing Judge Benitez' decision, the State of California did not join in the Teamsters' request for a stay. Fortunately, the federal appellate court concluded that the Teamsters had not made an adequate showing that the Teamsters would be irreparably injured absent a stay, that a stay would not substantially injure the other parties, or that a stay would be in the public interest.

In short, while the appeal will continue, the federal appellate court's decision is welcome news for California motor carriers and their customers because operations may continue without fear of any enforcement action under AB5 pending the outcome of the appeal on the merits.

For any questions related to AB5, please contact a member of Benesch's Transportation & Logistics Practice Group.

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