ARTICLE OF THE MONTH

California Federal Court Deals Further Damage to Federal Pre-emption for Logistics Companies

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Shipping and logistics companies often employ truck and freight drivers as independent contractors for business purposes, including to limit liability. But despite these attempts, there is a concerted effort in many states to treat this as a distinction without a difference and guarantee employment-related rights and benefits to drivers who are termed 'independent contractors.' The State of California employs what is colloquially known as the "ABC Test," codified in Section 2775 of the California Labor Code.

The ABC test considers three primary factors: 1) **A**utonomy – assessing whether the alleged worker acts independently as opposed to at the direction and control of the employing entity; 2) Business Uniqueness – that the worker himself is performing work that is outside the normal course of business of the employment entity; and **3) C**ustomary Engagement – whether the worker is conducting regular and established business in the same field but not with the potential employer. If the 'employer' or hiring entity cannot satisfy all three prongs in its favor, then the individual in question is considered an employee under the law and not an independent contractor.

In *Espinosa v. Ceva Freight, LLC*, Case No. 2:23-cv-00659-ODW, 2025 U.S. Dist. LEXIS 254020 (C.D. Cal Dec. 3, 2025), the United States Federal District Court for the Central District of California recently considered this issue as it applies to CEVA Logistics, a global logistics and supply chain company headquartered in France. CEVA Logistics employs over 100,000 workers with current revenue projections in the range of $15 to $20 billion per year. Prior to 2016, CEVA contracted with drivers directly, but, in or about late 2016 and early 2017, CEVA essentially outsourced this responsibility to Cargomatic. The drivers in question were required to establish a 'doing business as' entity and license for transportation of commercial property to then contract with Cargomatic, which, in turn, supplied drivers to CEVA.

Despite this hiring apparatus, CEVA still arranged pickups and deliveries, though Cargomatic was then responsible to "arrange, coordinate, and fulfill shipment of CEVA's customers' freight to its final destination." The Court went out of its way to focus on CEVA's website in that it provided "exceptional end-to-end supply chain solutions . . ., [p]ick-up and delivery services . . . [,] and maintained [over a thousand] trained and uniformed drivers." See id. at *4. The Court further noted that drivers submit paperwork to CEVA confirming delivery and CEVA fully controlled customer invoicing and payment collection as to the drivers' deliveries.

CEVA sought to argue that the ABC Test was inapplicable, relying on a California Appellate decision in *Henderson v. Equilon Enterprises, LLC,* 40 Cal. App. 5th 1111, 253 Cal. Rptr. 3d 738 (2019), where that court declined to hold Shell responsible as a joint employer in an action against Shell and operators of Shell-branded gas stations. The *Espinosa* Court reasoned that, not only was this not a joint employer situation, it was controlled by the Ninth Circuit's findings in *Vazquez v. Jan-Pro Franchising Int'l*, 10 Cal. 5th 944, 948, 273 Cal. Rptr. 3d 741, 478 P.3d 1207 (9th Cir. 2021), which, in confirming the applicability of the test, actually cited a Massachusetts case that addressed an almost identical strategy of terminating the contracts with the drivers and re-establishing the relationship through a third-party entity. CEVA further argued the issue of federal pre-emption, but, unfortunately, no Courts have determined that these labor and employment standards conflict with the FMCSA, and the *Espinosa Court* noted that, in fact, district courts have held that they do not frustrate Congress's intentions to control interstate commerce. See Espinosa, 2025 U.S. Dist. LEXIS 254020 at *22 (citing *W. States Trucking Ass'n v. Schoorl*, 377 F. Supp. 3d 1056, 1072-73 (E.D. Cal. 2019).

CEVA sought to further argue that the FMCSA entitled it to summary judgment as to Prong B because, if the District Court found that CEVA could *not* satisfy the prong, it would essentially allow California Labor Law to override federal law. The Court summarily rejected these arguments. Though noting that Congress has in the past disapproved of certain regulatory laws in California, it found no evidence or support that Congress had specifically disapproved of the ABC test under Section 2775. See id. at 34. In finding that the work performed by plaintiffs did *not* fall outside the scope of CEVA's regular business, the Court moved on to a factual assessment of the record as it applied to Prong B.

The reality for logistics companies such as CEVA is that, when confronted with laws like the ABC test, it must obtain relief through federal preemption. Though the *Espinosa* Court conducts a thorough and comprehensive analysis, it is difficult to argue that freight drivers are involved in a unique business venture from the third-party logistics company organizing and setting the exact deliveries those drivers are making. It is unsurprising that the District Court found that the factors it assessed when analyzing Prong B weighed "decisively" in the plaintiffs' favor and ultimately concluded that CEVA is unable to successfully satisfy the ABC test.

Ultimately, the *Espinosa* matter will actually continue to trial because the Court determined an issue of fact remains as to whether CEVA can enjoy a business-to-business exception that would insulate CEVA before the applicability of the ABC test. However, if CEVA is unsuccessful on that issue at the time of trial, the second part of the liability analysis has already been decided in the plaintiffs' favor.

The continued blurring of the lines with issues as to federal pre-emption and reliance on the FMSCA or other pre-emptive issues, such as the recent circuit split as to broker liability, further illustrates that companies involved in interstate commerce as to the transport of property and passengers alike cannot so easily separate themselves from drivers or incidents by merely creating another link in the employment chain. For all intents and purposes, the courts are motivated to hold companies accountable for what these courts interpret as the manner in which the companies portray themselves to the public. The courts are sending a message – you are what you say you are – and we should be mindful of this trend as it continues to develop.