

The Transportation Law Firm

### Broker Liability Considerations For Joint Carrier/Broker Enterprises

Nathaniel Saylor Partner, Scopelitis Katie Feary-Gardner Partner, Scopelitis Nathaniel G. Saylor

Partner

nsaylor@scopelitis.com
317.637.1777





## Restructuring Brokerage & Carrier Operations

Katie Feary-Gardner

Partner

kfeary-gardner@scopelitis.com

317.637.1777





# Broker Liability and Joint Carrier/Broker Operations

Corporate Structure Considerations





## Lopez v. Metrogistics LLC 2023 WL 3165973 (Cal. Ct. App. 2023)



- Court admitted that Metrogistics was authorized as a broker whose business was arranging for transportation
- BOL showed the transporting carrier as "Carrier", not Metrogistics
- Customer agreement said that the "contracted carrier" (not Metrogistics) would maintain cargo insurance



- Held out as a "Nationwide carrier"
- Advertising with tractor trailers showing company's name and phone number
- Website referenced "transportation services"
- Customer agreement never used the word "broker"
- Court cited to facts that Metrogistics reserved the right to approve the carrier's insurer, that Metrogistics paid the carrier directly, and that the carrier not compete with Metrogistics.



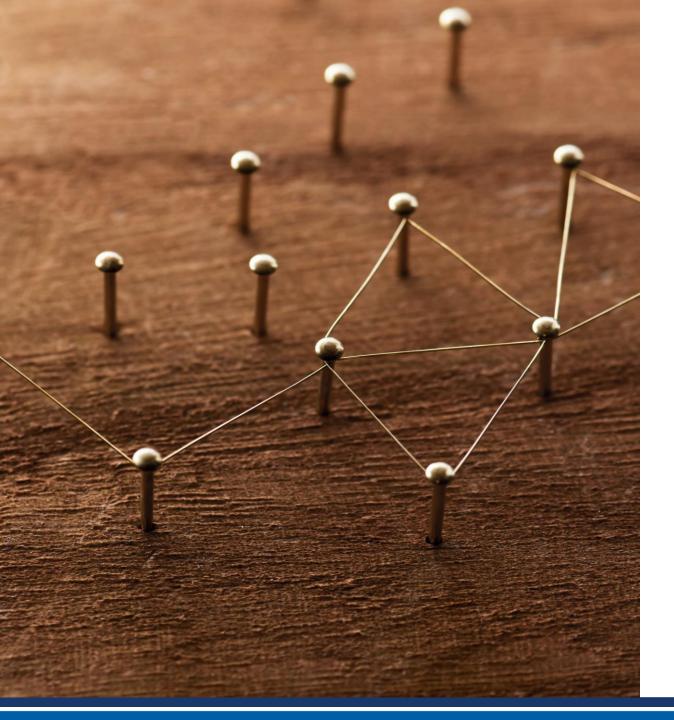
"We reverse. The ambiguities in Metrogistics' contracts with the shipper and other evidence make clear that triable issues remain as to whether Metrogistics acted as a motor carrier and accordingly owed plaintiffs a nondelegable duty."



How can you insulate brokerage from carrier risk?







Form new entity to house brokerage operations

Core carrier assets separating from brokerage assets

- **Customer contracts**
- A/R
- Customer accounts
- Sales personnel
- Carrier vetting team
- Carrier dispatch













### Setting up New Brokerage Co



NEW COMMERCIAL DOCUMENTS



**BILLING** 



CORPORATE DOCUMENTS



**EMPLOYEES** 



#### So, why restructure?







#### Some veil piercing factors

Same officers, one decisionmaker

Undercapitalized

No intercompany agreements

No corporate formalities

No employees

No arms-length terms















- Common contract provisions (and how the plaintiff will use them)
  - "Carrier shall"
    - Provide qualified and properly licensed drivers
    - Provide safe equipment
    - Ensure all equipment is operated by safe and properly licensed drivers
    - Ensure that all transportation operations are performed in accordance with applicable laws and motor carrier safety regulations
    - Indemnify against acts and omissions of its "subcontractors" and "independent contractors"



- Other issues Plaintiffs will use to Cause Confusion
  - Shared work force- Carrier employees doing the work of the brokerage
  - Not documenting intercompany transactions including payment flow





- All is not lost
  - Venue matters/judge matters
- Any restructuring is better than no restructuring
  - No way to protect carrier assets/revenue from broker liability if single entity



- But even if you don't restructure . . .
  - o 2024 Florida case
- Facts
  - Joint carrier/broker entity
  - Contract allowed carrier to broker
  - Contract said that carrier was liable for persons operating vehicles
    - Carrier argued this provision was to benefit the customer, not third parties
- Defendant won summary judgment on vicarious liability claim
- Court held defendant was not statutorily liable for underlying carrier's driver



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The Transportation Law Firm

### Emerging Technologies Highlight

Shannon Cohen Partner, Scopelitis

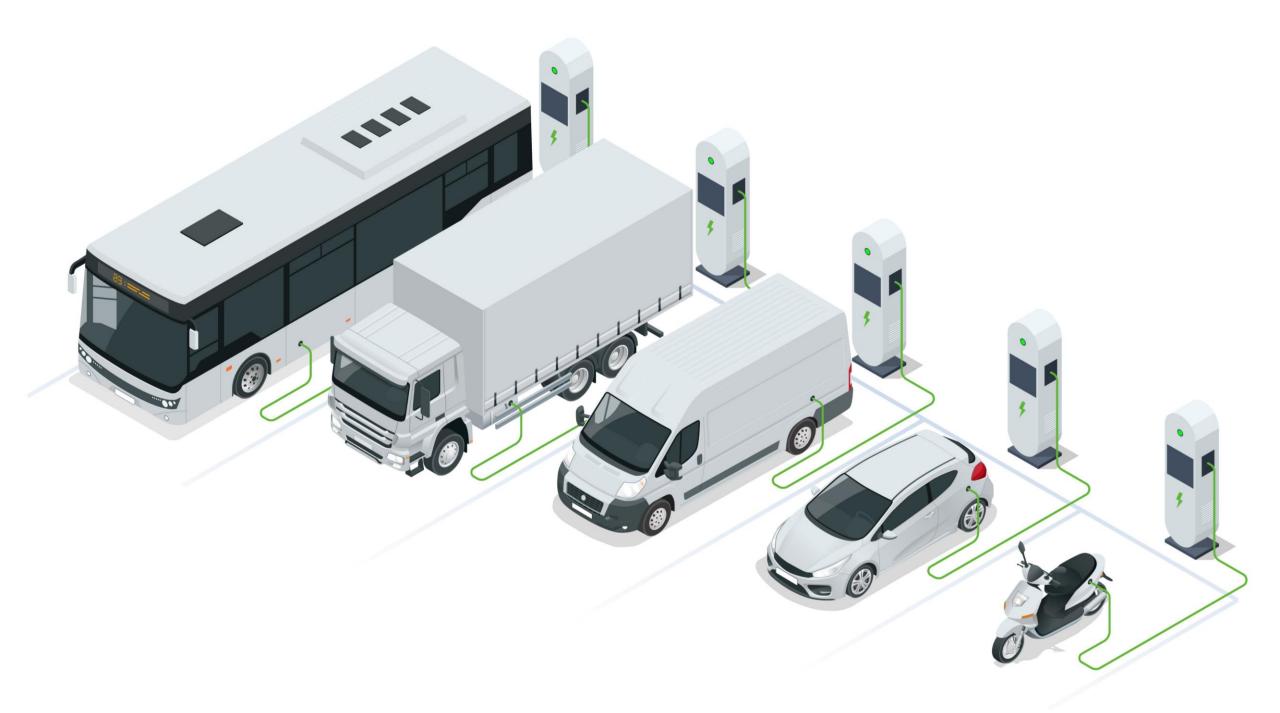
#### **Emerging Technologies**

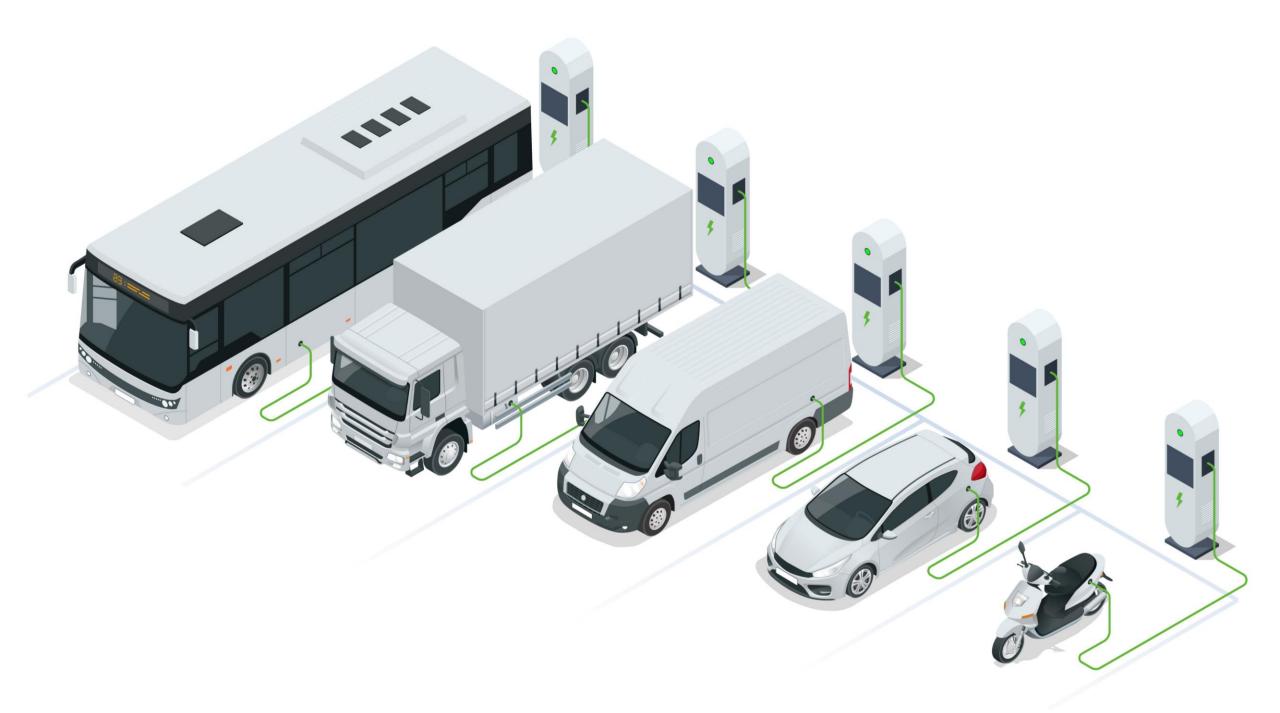
Shannon M. Cohen

Partner
scohen@scopelitis.com
317.637.1777























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The Transportation Law Firm

#### Labor & Employment

2024 Scopelitis Transportation Law Seminar April 14 - 16, 2024

David Robinson Partner A. Jack Finklea

Partner

Donald Vogel

Partner

Sara Pettinger Partner Steven Stanaszak Partner

#### Noncompete Agreements: An Ever-Shifting Landscape

David D. Robinson

Partner

drobinson@scopelitis.com
317.637.1777





### Early Judicial Disfavor



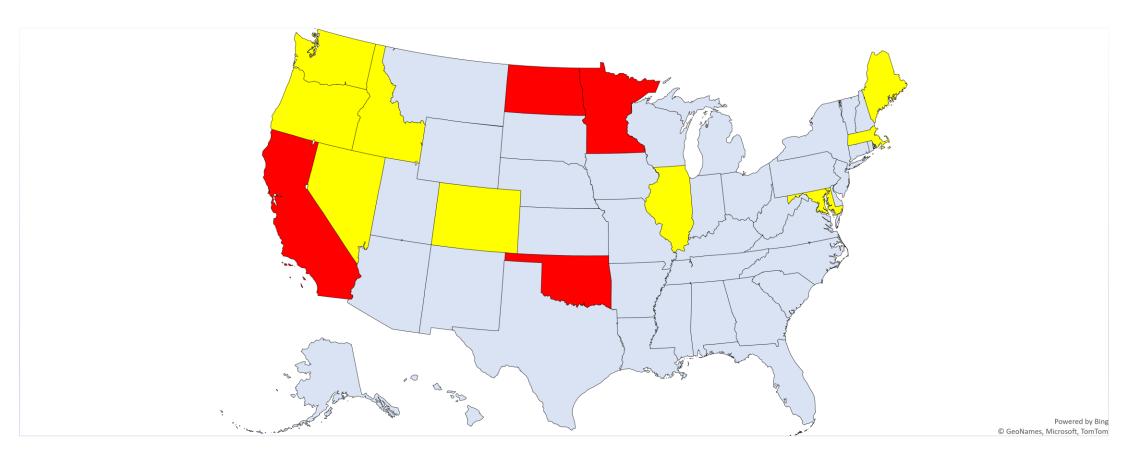


#### Modern Legislative Restrictions





# States That Have Enacted Bans or Restrictions





## Federal Agency Attacks





# Whistleblower Protections and Driver Fatigue

A. Jack Finklea

Partner

jfinklea@scopelitis.com

317.637.1777





#### So Your Driver Is Late for a Pick Up





## Whoa There, Trigger





#### But He Just Wants To Get Out of Driving!





#### What Did the Driver Actually Say?





#### What Did the Driver Actually Say?







## So, What Can We Do?

# BOTTOM LINE

#### NLRB Updates - The Bad Gets Worse

Donald J. Vogel

Partner

dvogel@scopelitis.com

312.255.7200







## Biden walks picket line

"I meant what I said when I said I'm going to be...the most pro-union president in American history. And I make no apologies for it."















#### Handbooks Under Attack

- If employee could reasonably interpret rule to have coercive meaning
- If Rule has reasonable tendency to chill employee's section 7 rights



#### Handbooks Under Attack

- If employee could reasonably interpret rule to have coercive meaning
- If Rule has reasonable tendency to chill employee's section 7 rights







#### Systemic Enforcement by the EEOC - What Can Employers Expect?

Sari Pettinger

Partner

spettinger@scopelitis.com

312.255.7200





















## Cruising with Caution: Balancing Dash Cams and Privacy

Steven F. Stanaszak

Partner
sstanaszak@scopelitis.com
414.219.8502







## Decreased Collision Frequency

60% reduction in the number of incidents when implementing a dashcam solution with driver feedback.







#### **Decreased Accident-Related Costs**

- operations
- legal
- insurance
- customer support
- delayed delivery or service
- human resources



### HELLO IAM...

ALAWYER







#### **David Cox**

Sunday, October 30, 2022 at 4:14 pm

I've had forward cams for 8 years and driver facing for over 2 years. I haven't had to change my behavior or be different. I see them both as positives. You'll not have to be grilled by insurance companies. They'll have seen the video, no questions needed.



#### **Bobby Bibbs**

Monday, October 31, 2022 at 9:25 am

Ok. Why in the hell would you create another avenue for an attorney to attack? Oh right screw the driver. Find anyway you can to put this on the driver. Let's put them in the sleeper. At what point do you hire and train drivers to behave correctly. Nuclear verdicts are a product of our society, of "oh they have insurance. They can afford it mentality." We need reform in the courts. Just go ahead and fire all drivers and go automous. Profit is all your dream. Thx for destroying an industry.





## BEST PRACTICES FOR PRIVACY COMPLIANCE STRATEGY

- KNOW WHAT THE DEVICE IS DOING CONFIGURATION IS KEY
  - It's not just about inward and outward cam choices
  - Audio, video, Al algorithms, in-cab alerting and more
  - Is the manufacturer reserving rights to use content for its purposes
- GIVE NOTICE AND OBTAIN WRITTEN CONSENT
  - Driver consent is key. Consider decals with the cameras to put drivers and vehicle occupants (or potentially people outside the vehicle) on notice that it's a recording device.
- CONSIDER FURTHER NOTICES
  - Consider putting references to the use of cameras in privacy policies, carrier contracts and consumer contracts.
- THE CAMERAS WORK BEST WITH COACHING
  - Make sure you have a workable plan to review and coach drivers.
- BE AWARE OF STATE-SPECIFIC PRIVACY STATUTES SUCH AS IL & CA
  - Modify your policies and procedures based on where your fleet operates.



#### TRANSPARENCY IN PURPOSE IS KEY







David Robinson

Partner

Scopelitis Law Firm

drobinson@scopelitis.com



A. Jack Finklea

Partner

Scopelitis Law Firm

jfinklea@scopelitis.com



Partner
Scopelitis Law Firm
dvogel@scopelitis.com



Sari Pettinger
Partner
Scopelitis Law Firm
spettinger@scopelitis.com



Steven F. Stanaszak

Partner

Scopelitis Law Firm
sstanaszak@scopelitis.com



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## LEASE PURCHASE HIGHLIGHT





## Lease Purchase Programs

Jeff Jackson

Partner

jjackson@scopelitis.com

317.637.1777















## Lease Purchase Program - Best Practices

✓ Do not facilitate OO purchases/leases of equipment in:

Arizona

**Arkansas** 

California

Colorado

Connecticut

**Illinois** 

Kansas

Louisiana

Maryland

Michigan

Minnesota

**New Jersey** 

**Oklahoma** 

Oregon

Pennsylvania

**South Carolina** 

Virginia

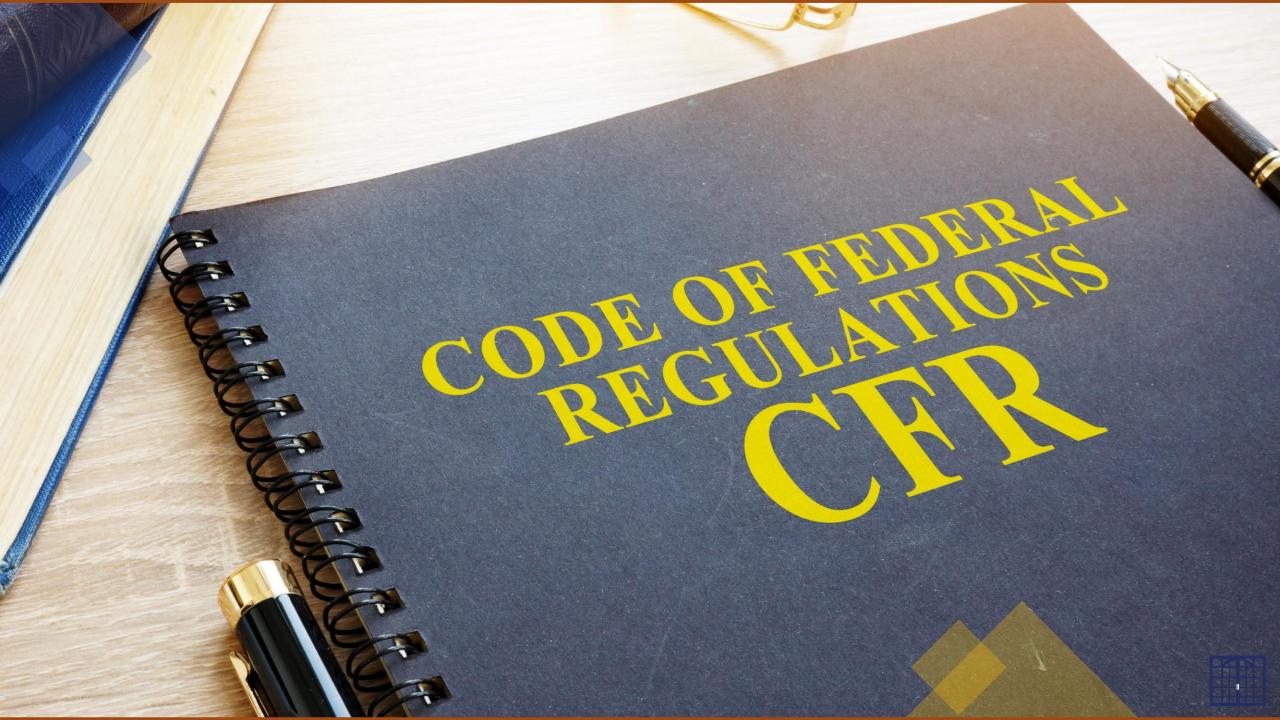
West Virginia

Wisconsin









# KEF7 IN MINIO II

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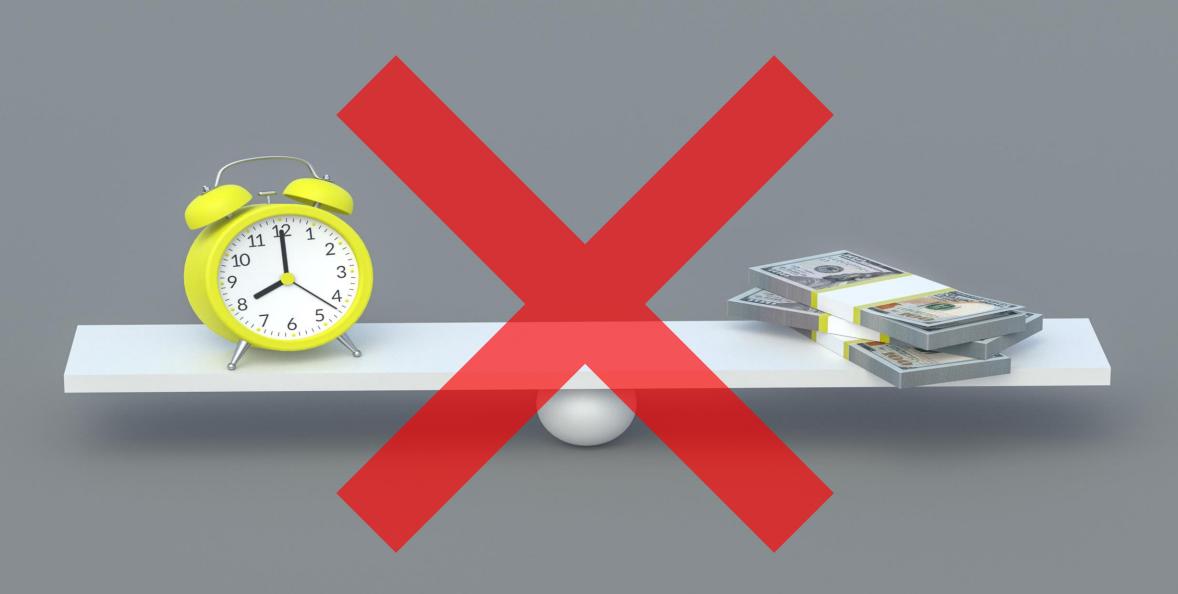
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## Owner-Operator Update



- 1. Opportunity for Profit or Loss
- 2. Investment
- 3. Degree of Permanence
- 4. Control
- 5. Integral Part of Business
- 6. Skill and Initiative



















































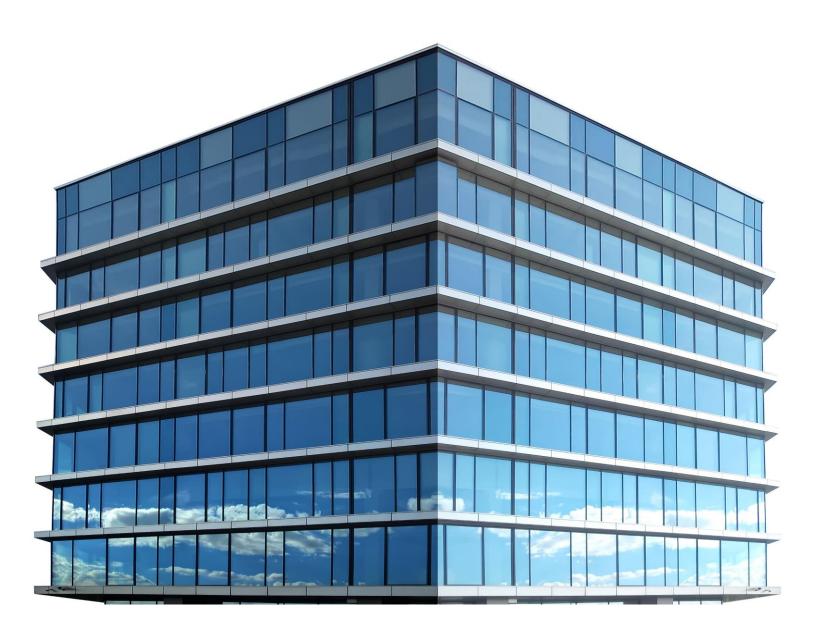








## **OWNER-OPERATOR CORPORATION**





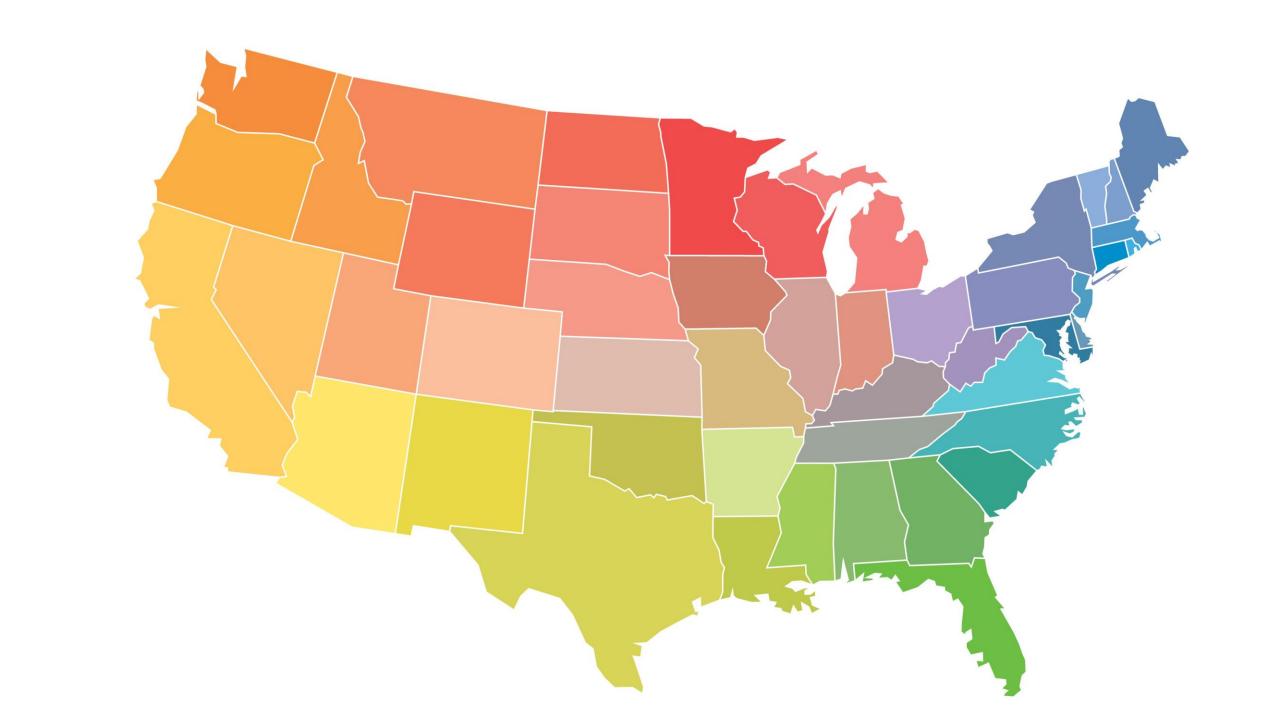


















## **Questions?**



Greg Feary
President & Managing Partner
Scopelitis Law Firm
gfeary@scopelitis.com



Braden Core
Partner
Scopelitis Law Firm
bcore@scopelitis.com



Kelli Block
Partner
Scopelitis Law Firm
kblock@scopelitis.com



Allie Boyd

Partner

Scopelitis Law Firm
aboyd@scopelitis.com





The Transportation Law Firm

## Unclaimed Property Highlight

Kelli M. Block *Partner* 

### **Unclaimed Property**

Kelli M. Block

Partner

kblock@scopelitis.com
317.637.1777

















The Transportation Law Firm

# Warehousing Trends

Scopelitis Seminar April 15, 2024

Kevin M. Phillips

Partner

Eric J. Meyers

Partner

## Warehouse Legal Liability

Retained counsel for International Warehouse Logistics Association (IWLA), Global Cold Chain Alliance (GCCA) and International Association of Refrigerated Warehouses (IARW).

- Drafting, negotiating, and reviewing warehousing contracts and documents
- Business Disputes
- Recovery of unpaid storage charges
  - Instituting and enforcing the warehouse lien
- Lender Lien Waivers/Bailee Agreements
- Product damage claims
  - Infestations of products involving multiple distribution centers
  - Claims involving chemical contamination of food-grade products
  - Food spoliation
  - Cross contamination
- Improper record keeping
- Inventory shortage claims against distribution centers



## Contract and Litigation Trends

- Payment Terms, Payment Disputes, Term and Termination Issues
- Timely Notice of Claims
- Piercing the Corporate Veil
- Choice of Law/Venue Provisions
- 4PL
- Warehouse Lien Preservation/Enforcement
- Defending Against Customer Claims
- Record Retention
- Infestation
- Demurrage
- Automation and Systems Integration
- Data Privacy









# CONTRACT

	20	
	day of	(First Party) (Second Party)
THIS AGREEMENT made this		(Second Party)
and between		
and		

### BY AND BETWEEN

the OWNER:

And the CONTRACTOR

### WITNESSETH:

generally described as follows; WHEREAS it is the intent of the Owner to make improvements at

NOW THEREFORE in consideration of the mutual covenants hereinafter set forth, OWNER and CONTRACTOR agree as hereinafter referred to as the Project. follows:

It is hereby mutually agreed that for and in consideration of the payments as provided for herein to the CONTRACTOR by the OWNER CONTRACTOR should find the funds by the owner by t It is hereby mutually agreed that for and in consideration of the payments as provided for herein to the CONTRACTOR shall faithfully furnish all necessary labor, equipment, and material and shall fully by the OWNER, CONTRACTOR shall faithfully turnish all necessary labor, equipment, and material and shall faithfully turnish all necessary labor, equipment, and material and shall faithfully turnish all necessary work to complete the Project in strict accordance with this Contract Agreement and the Contract

CONTRACTOR agrees that the Contract Documents consist of the following: this Agreement, General Provisions, CONTRACTOR agrees that the Contract Documents consist of the following: this Agreement, General Provisions, Supplementary Provisions, Specifications, Drawings, all issued addenda, Notice-to-Bidders, Instructions-to-Bidders, Proposal and associated attachments, Performance Bond, Payment Bond, Wage Rate Determination, Insurance Article 2 - Contract Documents Proposal and associated attachments, Performance Bond, Payment Bond, Wage Kate Determination, Insurance certificates, documents incorporated by reference, documents incorporated by attachment, and all OWNER authorized charges and an incorporated by reference, documents incorporated by attachment, and all OWNER authorized certificates, documents incorporated by reference, documents incorporated by attachment, and all OWNER authorized change orders issued subsequent to the date of this agreement. All documents comprising the Contract Documents are change orders issued subsequent to the date of this agreement. All documents comprising the Contract Docu-complementary to one another and together establish the complete terms, conditions and obligations of the complementary to one another and together establish the complete terms, conditions and obligations of the CONTRACTOR. All said Contract Documents are incorporated by reference into the Contract Agreement as if fully rewritten herein or attached thereto.

When Can an Insurer Deny a Claim for Untimely Notice?















# TERMINATION

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