

State Court versus Federal Court. What's the Dif?

UFAA recently shared news about a new class action lawsuit filed in California state court on behalf of several Farmers agents and all similarly situated agents. Several UFAA members have asked, "Why was this filed in state court instead of federal court?"

To be clear, UFAA is not funding or sponsoring the class action. We are just sharing news. We do not know why in fact the decision was made to file where they did. Lots of strategy goes into those decisions, and that strategy is confidential between the attorneys and their clients.

Here are some factors to keep in mind that may have played into the decision. First, understand that the state court system and the federal system are two independent, separate systems. State courts construe and enforce state law, and federal courts construe and enforce federal law. Federal law, and federal courts, are "superior" to state courts only where a state law conflicts with federal law and the United States Constitution.

In certain circumstances, courts can exercise "concurrent" jurisdiction such that a federal court might decide a dispute under state law, or vice versa. But the normal course, and the bias within the law, is to leave state law questions to state courts, especially if the parties are all from the same state as the law in question.

In the recently filed class action, the plaintiffs allege that Farmers violated two different provisions of California state law: Labor Code Section 2802 (failure to reimburse employment expenses) and Business and Professions Code Section 17200 (violation of unfair competition law). Because the claims arise under California law, and because both the plaintiffs and Farmers reside in California, it seems logical that the attorneys chose to file in California state court.

Just because the case is pending in California and concerns California law, agents across the country will still want to pay attention. To rule for the plaintiffs, the court will need to decide that Farmers misclassified the plaintiffs as independent contractors instead of employees. A favorable decision on that question could have huge ramifications in similar or future actions across the country. Moreover, if Farmers loses, they will likely need to modify their conduct dramatically. And if they modify it in California, it will be administratively necessary to do the same across the country.