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New Ohio Law Protects Corporate Franchisors from Liability for Certain Workplace Violations of its Franchisees

The joint-employer doctrine determines the circumstances in which one company can be held liable for the workplace violations of another related company. In the franchise industry, the doctrine determines the liability of a franchisor for violations of laws committed by its franchisees. Whether or not a franchisor is liable as a joint-employer has been a tricky question requiring in-depth legal analysis. Currently, there is uncertainty surrounding the national joint-employer standard. However, Ohio has now provided the franchise industry with a clear answer as related to certain Ohio laws.

Ohio enacted [H.B. 494](#) which will provide greater clarity and protection for franchisors in Ohio. Effective March 20, 2019, the new law amends the definition of employer to exclude franchisors from the list of employers that can be held liable for violations of Ohio's Minimum Fair Wage Standards Law, the Bimonthly Pay Law, the Workers' Compensation Law, the Unemployment Compensation Law, and the Income Tax Law.

Under H.B. 494, the franchisor will not be held liable for a franchisee's violations of the enumerated laws unless the franchisor expressly agreed in writing or if the franchisor "exercises a type or degree of control over the franchisee or the franchisee's employees that is not customarily exercised by a franchisor for the purpose of protecting the franchisor's trademark, brand, or both."

As a result, franchisees in Ohio should continue to ensure compliance with the Ohio laws listed above, as well as all state and federal employment laws. Franchisors, on the other hand, should take note that the law only extends protection for violation of the laws enumerated in H.B. 494—and does not extend, for example, to

violations of federal employment laws or violations of the Ohio Civil Rights Act committed by its franchisees.

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