Updates
April 26, 2022
Ninth Circuit Applies Integrated Enterprise Doctrine to ADA Claims

As a matter of first impression, on April 7, 2022, a U.S. Court of Appeals for the Ninth Circuit panel held that two related employers may be treated as one integrated employer to meet the 15-employee headcount threshold under the Americans with Disabilities Act (ADA). In *Buchannan v. Watkins & Letofsky, LLP*, the Ninth Circuit reversed a district court judgment in favor of Watkins & Letofsky, a Nevada limited liability partnership (W&L Nevada), and found that a plaintiff can bring a claim under the ADA if they can establish that the defendant is so interconnected with another employer that the two form an integrated enterprise, and the integrated enterprise collectively has at least 15 employees. The court applied the same four-factor test used in the Title VII context to determine that two separate entities comprised an integrated enterprise.

The Ninth Circuit Opinion

The plaintiff in *Buchannan* brought discrimination and retaliation claims against her employer, W&L Nevada, for allegedly failing to accommodate her medical conditions by requiring her to work over 20 hours per week and retaliating after a request for time off by placing her on indefinite leave. The plaintiff alleged that the employer's actions violated the ADA and argued that although W&L Nevada did not have 15 employees, the ADA nevertheless applied since the managing partners of the firm also managed and controlled Watkins & Letofsky, a California limited liability partnership (W&L California), and together the two entities had over 15 employees. The district court rejected the plaintiff's argument citing the language of the ADA which defines "employer" as a "person engaged in an industry affecting commerce who has 15 or more employees." 42 U.S.C § 12111(5)(A).

The Ninth Circuit reversed the district court and held that W&L Nevada and W&L California comprised an integrated enterprise under the ADA. In overruling the district court's decision, the Ninth Circuit observed that Title VII has a similar 15-employee requirement, but when a defendant has fewer than 15 employees, a plaintiff can bring a statutory claim if they can establish that the defendant is "so interconnected with another employer that the two form an integrated enterprise." The panel also noted that the statutory scheme and language of the ADA and Title VII are "identical in many respects," since both statutes define employers as entities with 15 or more employees and both statutes incorporate similar powers, remedies, and procedures. The panel thus concluded that, since Title VII and the ADA both include the same 15-employee threshold and statutory enforcement scheme, the integrated enterprise doctrine used in the Title VII context "applies equally under the ADA."

The Four-Factor Test to Determine an Integrated Enterprise Under the ADA

To determine whether two entities are so interconnected that they form an integrated enterprise, the Ninth Circuit considers the following factors: (1) interrelation of operations, (2) common management, (3) centralized control of labor relations, and (4) common ownership or financial control.

Analyzing the entities of W&L Nevada and W&L California, the panel found that the two W&L offices shared many administrative operations, including a shared website, email template footer, toll-free phone number, Internal Revenue Service (IRS) taxpayer identification number, and employee roster.

The panel also observed that the two offices were managed by the same individuals who handled all significant employment matters, including hiring and firing of employees, employee discipline, performance evaluation, scheduling, and compensation. Further, the two managing partners owned both offices which raised "a clear inference of common financial control." Accordingly, the panel found that "all four factors suggest an integrated enterprise."

Practical Considerations

The Ninth Circuit's decision imposes potentially significant consequences on closely related entities with fewer than 15 employees. Employers that maintain separate but related entities should work with experienced employment counsel to ensure ADA compliance.

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