

Clackamas Gastroenterology Associates, P.C. v. Wells
538 U.S. 440 (2003)

Facts

Four physician-shareholders owned and operated the Clackamas Medical Clinic as a professional corporation. It regularly employed about 14 employees other than themselves. One of the former employees, Deborah Wells, sued the clinic for discrimination under the Americans with Disabilities Act (ADA). The Clinic claimed that the ADA did not apply to it because it had fewer than 15 employees.

Procedure

This is an appeal to the United States Supreme Court. The District Court for the District of Oregon granted the Clinic's motion for summary judgment. The Ninth Circuit Court of Appeals reversed and remanded.

Issue(s)

Should the four physician-shareholders of the medical clinic (a professional corporation) be considered "employees" for purposes of meeting the statutory minimum number of employees under the ADA?

Discussion

The ADA applies only to employers with at least 15 "employees." Because the Clinic regularly employed no more than 14 other people, whether the physician-shareholders were considered to be employees was extremely important. The district court granted the Clinic's motion for summary judgment, holding that the four doctors "were more analogous to partners in a partnership than to shareholders in a corporation" and therefore were not employees for purposes of the ADA. The court adopted the "economic realities" test used by the Seventh Circuit.

The Ninth Circuit Court of Appeals reversed, agreeing with the Second Circuit approach, which had rejected the "economic realities" test. It refused to let the Clinic get the "best of both possible worlds" by allowing it to keep its corporate status, but to hide behind a partnership-like shield in order to avoid liability for discrimination. It held that the physicians were employees and that the Clinic was subject to the ADA.

The Supreme Court, in resolving the split in the circuits, focused on the common law notion of control in determining whether there was a master-servant relationship. The Court listed six factors that should be used to determine whether these physician-shareholders are "employees" for purposes of the ADA:

1. "Whether the organization can hire or fire the individual or set the rules and regulations of the individual's work."
2. "Whether and, if so, to what extent the organization supervises the individual's work."
3. "Whether the individual reports to someone higher in the organization."
4. "Whether and, if so, to what extent the individual is able to influence the organization."
5. "Whether the parties intended that the individual be an employee, as expressed in written agreements or contracts."

6. "Whether the individual shares in the profits, losses, and liabilities of the corporation."

The Court remanded the case back to the district court for further proceedings consistent with its opinion.

Dissent

The dissenting opinion (of Justices Ginsburg and Breyer) would have held that the physicians were, in fact, employees of the Clinic. It would not have permitted the physicians to avoid liability for discrimination. It stated that the physician-shareholders, when acting as clinic doctors, fit the definition of employees.