

PYNQ Logistics Services, Inc. v. FedEx Ground Package Systems, Inc.

United States District Court (Northern District of California)

About PYNQ

The Plaintiff, PYNQ Logistics Systems, Inc. is a women-minority owned small business, doing business in California and Oregon, serviced FedEx Ground routes out of FedEx Ground's Arcata, California and Brookings, Oregon stations.

About FedEx Ground

FedEx Ground is an interstate motor carrier engaged in providing small package pick-up, transportation, and delivery throughout the United States and Canada. In the United States FedEx Ground operates under a US Department of Transportation license. FedEx Ground, a subsidiary of FedEx Corporation, headquartered in Memphis, Tennessee. FedEx Ground operates a network of over 700 sortation and distribution facilities. FedEx Ground does not deliver packages directly, instead this "Last Mile" of FedEx Ground's Package and Delivery (P&D) Services, is conducted through a fleet of more than 100,000 vehicles owned or leased by a network of small businesses that FedEx Ground calls "Independent Service Providers" or ("ISPs").

These ISPs service the various FedEx Ground "Routes", which FedEx Ground calls "Contracted Service Areas" or ("CSAs").

About the Legal Complaint

PYNQ, a small company that was contracted with FedEx Ground to deliver packages in rural coastal communities near the California-Oregon border lost its business as a result of unfair treatment and deceptive practices that are widespread and embedded throughout the delivery giant's business model, according to a lawsuit filed in the U.S. District Court for the Northern District of California on November 14, 2023.

The complaint alleges that FedEx Ground's conduct rises to a level that the Federal Racketeer Influenced and Corrupt Organizations Act ("RICO") applies, along with allegations of violating California's Unfair Competition Law, fraud, and negligent

misrepresentation, among others. The lawsuit was filed by Possinger Law Group, PLLC of Woodinville, WA and Berman North, LLP, San Francisco, CA.

The legal complaint ([PYNQ Logistics Services, Inc. v. FedEx Ground Package Systems, Inc.](#)) seeks among other things to establish that the relationship between FedEx Ground and PYNQ is that of an employer-employee and not as an independent contractor because of the near complete control exerted by FedEx Ground over PYNQ and approximately 4,500 other delivery contractors in FedEx Ground's system, which is contrary to laws governing contract operators and functions as an illegal scheme, the lawsuit alleges.

"We believe FedEx Ground engages in business activities in relation to its contractors that would be patently illegal under employment law in most states where FedEx Ground operates," stated Jeffrey Possinger, the lead counsel for the plaintiff.

FedEx Ground Package Systems allegedly deceives and harms its contract delivery carriers by exerting unfair control and concealing or misrepresenting its operating policies in ways that make it nearly impossible to meet the company's delivery standards. The company allegedly makes arbitrary decisions about whether to continue contracting with its independent delivery service providers or dropping them, which results in crippling financial losses to the delivery service providers, that are required make significant financial investments in order to work for FedEx Ground.

The complaint, filed in Federal Court, describes how PYNQ Logistics Services acquired and operated FedEx Ground delivery routes based out of FedEx stations located in Brookings, OR and Arcata, CA. The contractor invested over a million dollars to be able service these routes, purchasing and maintaining a fleet of delivery vehicles, hiring drivers and paying for all operating costs, including fuel and insurance for the exclusive benefit of FedEx Ground. As an integral part of FedEx Ground's system, the company was required to follow all of FedEx Ground's various operating procedures, many of which were not disclosed at the time of contracting, which effectively allowed FedEx Ground to control all aspects of the contractor's operations. Only after entering into its contract did PYNQ discover that many of the operating procedures were not disclosed, unfairly applied, or subject to change without notice. The suit alleges that the FedEx Ground system and its policies are used to control nearly all business activities of its contractors, while simultaneously shifting nearly all business risk to these contractors."

If FedEx Ground managers decide that a delivery contractor is not meeting the company's ever-changing standards, they could terminate the contract, leaving the company with little or no recourse, according to the Complaint. PYNQ lost its contracts and was immediately replaced by another contractor, that FedEx Ground had already been working with to replace PYNQ, at the same time that FedEx Ground had been leading PYNQ to believe it was contacts were to be renewed, the complaint states.

FedEx Ground has created an abusive and illegal business system that it conceals through a deliberate use of arbitration clauses, confidentiality agreements, retaliatory litigation, and other related business practices to effectively silence its contractors and hide these practices from the public as well as from prospective new contractors that are constantly being recruited into FedEx Ground's business system, according to the Complaint.

The legal complaint seeks monetary damages, civil penalties, and an end to FedEx Ground's alleged illegal business practices.

Case Updates

- Case Filed (11-14-2023)