UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

# Shannon Prince v. Appleton Auto LLC

No. No. 20-1106, United States Court of Appeals for the Seventh Circuit (October 21, 2020)

## SUMMARY

**Topics:** Title VII – employer definition (15-employee threshold); corporate veil piercing for employee aggregation; affiliated entities; Wisconsin veil-piercing law. **Holding:** Affirmed summary judgment for defendants. Applecars, LLC had fewer than 15 employees and was not an "employer" under Title VII. Plaintiff failed to show grounds to pierce the corporate veil to aggregate employees of affiliated dealerships; operational integration and common ownership alone are insufficient where corporate formalities (separate accounts, records, tax filings) are maintained.

## CASE DETAILS

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| COURT | United States Court of Appeals for the Seventh Circuit |
| WRITING FOR THE COURT | Flaum; Sykes; Rovner |
| JURISDICTION | Federal |
| DECIDED | October 21, 2020 |
| DOCKET | No. 20-1106 |
| DISPOSITION | affirmed |
| PROCEDURAL POSTURE | Appeal from the United States District Court for the Eastern District of Wisconsin, No. 18-cv-1465, Nancy Joseph, Magistrate Judge. Plaintiff appealed the grant of summary judgment in favor of defendants. |
| STANDARD OF REVIEW | de novo |
| PRECEDENTIAL VALUE | Published |
| PARTIES | Shannon C. Prince v. Appleton Auto, LLC, et al. |

## TOPICS

title vii · employment discrimination · summary judgment · civil procedure · standard of review · corporate law

## PRACTICE AREAS

Employment Law · Civil Rights · Corporate Law

## QUESTIONS PRESENTED

1. Whether the court should pierce the corporate veil of the affiliated dealerships to aggregate their employees for Title VII coverage

## HOLDINGS

1. The corporate veil of the affiliated dealerships cannot be pierced to aggregate employees for Title VII coverage because the defendants maintained corporate formalities and there was no evidence of fraud or misuse of corporate form.

## KEY QUOTATIONS

> *“Congress exempted small businesses from the strictures of Title VII. The statute only applies to an 'employer,' which it defines as 'a person engaged in an industry affecting commerce who has fifteen or more employees for each working day in each of twenty or more calendar weeks in the current or preceding calendar year.'”* (5)

> *“The first situation is where, the traditional conditions being present for 'piercing the veil' to allow a creditor, voluntary or involuntary, of one corporation to sue a parent or other affiliate, the parent or affiliates of the plaintiff's employer would be liable for the employer's debts.”* (6)

> *“Why should it make a difference if the integration takes the form instead of common ownership, so that the tiny employer gets his pension plan, his legal and financial advice, and his payroll function from his parent corporation without contractual formalities, rather than from independent contractors? That is all that's involved in the cases before us.”* (7)

> *“Though the operations of these two small businesses were in some ways combined, their identities were separate enough that piercing the veil between affiliates would be inappropriate here.”* (8)

> *“Piercing the corporate veil is appropriate only when applying the corporate fiction would accomplish some fraudulent purpose, operate as a constructive fraud, or defeat some strong equitable claim.”* (9)

> *“The corporate veil is pierced, when it is pierced, not because the corporate group is integrated … but (in the most common case) because it has neglected forms intended to protect creditors from being confused about whom they can look to for the payment of their claims.”* (13)

## FACTUAL BACKGROUND

Prince worked as a salesman for Applecars, LLC, a used car dealership in Appleton, Wisconsin, for several months in 2017 until he was fired. Applecars was affiliated with four other dealerships throughout Wisconsin, each independently owned by separate LLCs, with Robert McCormick owning a majority or outright share in each. The dealerships shared management services from Capital M, Inc., including marketing, financial, accounting, and payroll, and had a single website, but each maintained separate bank accounts, financial records, tax filings, and corporate formalities.

## PROCEDURAL HISTORY

Prince initially filed a Wisconsin state law administrative complaint, which he withdrew in favor of filing this action in federal court. The EEOC issued a Right to Sue letter. The parties consented to a magistrate judge. The magistrate judge granted defendants' motion for summary judgment, finding that Applecars was not an 'employer' under Title VII because it had fewer than fifteen employees. Prince timely appealed.

### DISPOSITION

affirmed

### CASES CITED

- Papa v. Katy Industries, Inc., 166 F.3d 937 (7th Cir. 1999)
- Bridge v. New Holland Logansport, Inc., 815 F.3d 356 (7th Cir. 2016)
- Hansen v. Fincantieri Marine Grp., LLC, 763 F.3d 832 (7th Cir. 2014)
- Fontana Builders, Inc. v. Assurance Co. of Am., 882 N.W.2d 398 (Wis. 2016)
- Parker v. Scheck Mechanical Corp., 772 F.3d 502 (7th Cir. 2014)
- Wiebke v. Richardson & Sons, Inc., 265 N.W.2d 571 (Wis. 1978)