



Tax Reduction Letter

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Nationwide Mutual Insurance Co. v. Darden

503 U.S. 318 (1992)

Contracts between petitioners Nationwide Mutual Insurance Co. et al. and respondent Darden provided, among other things, that Darden would sell only Nationwide policies, that Nationwide would enroll him in a company retirement plan for agents, and that he would forfeit his entitlement to plan benefits if, within a year of his termination and 25 miles of his prior business location, he sold insurance for Nationwide's competitors. After his termination, Darden began selling insurance for those competitors. Nationwide charged that Darden's new business activities disqualified him from receiving his retirement plan benefits, for which he then sued under the Employee Retirement Income Security Act of 1974 (ERISA). The District Court granted summary judgment to Nationwide on the ground that Darden was not a proper ERISA plaintiff because, under common law agency principles, he was an independent contractor rather than, as ERISA requires, an "employee," a term the Act defines as "any individual employed by an employer." Although agreeing that he "most probably would not qualify as an employee" under traditional agency law principles, the Court of Appeals reversed, finding the traditional definition inconsistent with ERISA's policy and purposes, and holding that an ERISA plaintiff can qualify as an "employee" simply by showing (1) that he had a reasonable expectation that he would receive benefits, (2) that he relied on this expectation, and (3) that he lacked the economic bargaining power to contract out of benefit plan forfeiture provisions. Applying this standard, the District Court found on remand that Darden had been Nationwide's "employee," and the Court of Appeals affirmed.

Held:

1. The term "employee" as used in ERISA incorporates traditional agency law criteria for identifying master servant relationships. Where a statute containing that term does not helpfully define it, this Court presumes that Congress means an agency law definition unless it clearly indicates otherwise. See, e. g., *Community for Creative Non Violence v. Reid*, 490 U.S. 730, 739-740. ERISA's nominal definition of "employee" is completely circular and explains nothing, and the Act contains no other provision that either gives specific guidance on the term's meaning or suggests that construing it to incorporate traditional agency law principles would thwart the congressional design or lead to absurd results. Since the multifactor common law test here adopted, see, e. g., *id.*, at 751-752, contains no shorthand formula for determining who is an "employee," all of the incidents of the employment relationship must be assessed and weighed with no one factor being decisive. *NLRB v. Hearst Publications, Inc.*, 332 U.S. 111; *United States v. Silk*, 331 U.S. 704; *Rutherford Food Corp. v. McComb*, 331 U.S. 722, distinguished. Pp. 4-9.

2. The case is remanded for a determination whether Darden qualifies as an "employee" under traditional agency law principles. P. 9.

922 F. 2d 203, reversed and remanded.

Souter, J., delivered the opinion for a unanimous Court.