

## *Jackson v. Eagle KMC L.L.C.*

**Full Citation:** *Jackson v. Eagle KMC L.L.C.*, 431 P.3d 1197 (Ariz. 2019).

**Date Filed:** January 2, 2019

**Opinion's Author:** Justice Gould

**Joined By:** Chief Justice Bales, Justices Pelander, Timmer, Bolick, Lopez, and Judge Eckerstrom.

*Practitioners: For quick reference, please see the "Issue" and "Holding" sections.*

**Facts:** Stephanie Jackson, a South Carolina resident, was employed as a semi-truck driver for Drivers Management, LLC ("DM"), a Nebraska Company. DM contracted with Eagle KMC, LLC ("Eagle"), an Arizona company, to provide training for Jackson in Arizona. In February 2014, Jackson was a passenger in a semi-truck driven by an Eagle employee. Jackson was injured when the Eagle employee rolled the semi-truck while driving in Arizona. She subsequently applied for and received workers' compensation in Nebraska. DM, which is self-insured for workers' compensation, paid Jackson's benefits.

In February 2016, Jackson filed a personal injury action in Arizona<sup>1</sup> against Eagle, the driver, and the registered owner of the semi-truck, alleging several claims, including strict liability, negligence, and "statutory violations." DM was also named as a defendant due to Nebraska state law.

**Procedural History:** This case is before the Arizona Supreme Court. Eagle filed a motion to dismiss (later converted into a motion for summary judgment) arguing that Jackson had no legal interest in the action pursuant to A.R.S. section 23-1023(B). The superior court granted summary judgment in favor of Eagle, reasoning that the above statute applied, and thus Jackson had no legal interest in the action.

The court of appeals reversed. Relying on *Quiles v. Heflin Steel Supply Co.*<sup>2</sup>, the court found that the statute did not apply to Jackson's claim because the workers' compensation issues at hand were handled in Nebraska, and therefore the law of that State governs this cause of action.

The Arizona Supreme Court granted review of the choice of law issue.

**Issue:** A.R.S. section 23-1023(B) provides, among other things, that if a person entitled to compensation under Arizona's workers' compensation laws does not file an action against a third person who caused the injury within one year of the action accruing, the action is deemed to be assigned to the employer or the worker's compensation insurer.<sup>3</sup> Does Arizona's automatic assignment provision in this statute apply to actions against a third-

---

<sup>1</sup> This filing was done just a few days before Arizona's two-year statute of limitations expired.

<sup>2</sup> 699 P.2d 1304 (Ariz. Ct. App. 1985).

<sup>3</sup> See ARIZ. REV. STAT. ANN. § 23-1023(B).

party tortfeasor when an injured employee receives workers' compensation benefits under another state's laws?

**Holding:** No. Because Jackson received workers' compensation benefits in Nebraska, that state's law regarding assignment applies to her claims against Eagle in this action. Thus, because Nebraska does not have an automatic assignment provision, Jackson has a legal interest in those claims.

**Disposition:** The court of appeals' opinion is vacated, the superior court's grant of summary judgment is reversed, and the case is remanded to the superior court for further proceedings.

**Rule:** Arizona's automatic assignment provisions in A.R.S. section 23-1023(B) does not apply when an employee receives workers' compensation benefits under another state's laws. Rather, the law of the state in which an employee's workers' compensation is paid determines the assignment rights of the employer and employee.

**Reasoning:**

- **Case law and other support.** In *Quiles*, the court of appeals held that “[w]hen compensation has been paid[,] the law of the state of compensation should govern third-party actions including the nature and extent of lien subrogation, and assignment rights.”<sup>4</sup> The Arizona Supreme Court continued to approve *Quiles*.<sup>5</sup> This rule is also supported by the Restatement (Second) of Conflict of Laws<sup>6</sup> as well as several other jurisdictions who follow this rule.<sup>7</sup>
- **A.R.S. section 23-904(C) does not apply.** Eagle held the position that section 23-904(C) “effectively overruled” *Quiles*.<sup>8</sup> Eagle argued “unless a third-party is ‘exempt’ under this section, Arizona workers’ compensation law applies. Eagle assert[ed] that because Jackson does not qualify for an exemption . . . she is subject to the automatic assignment provision in section 23-1023(B) and therefore has no legal interest in this action.”<sup>9</sup>

The Arizona Supreme Court did not need to determine this issue because they found the exemption statute to be irrelevant to the choice of law issue in this case.<sup>10</sup> The court found that section 23-904(C) does not apply to assignment rights of employees and employers in the context of a third-party claim.<sup>11</sup> Instead, the court found this statute to apply when an out-of-state employee who is injured in Arizona is “exempt

---

<sup>4</sup> *Jackson v. Eagle KMC LLC*, 431 P.3d 1197, 1199 (citing *Quiles*, 699 P.2d at 1308).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*; see RESTATEMENT (SECOND) OF CONFLICTS OF LAWS § 185 (AM. LAW INST. 1971) (stating that the law of the state in which compensation is paid governs employee claims against third-party tortfeasors).

<sup>7</sup> Illinois, Missouri, New York, and Ohio.

<sup>8</sup> *Jackson*, 431 P.3d at 1199.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

from” workers’ compensation benefits in Arizona.<sup>12</sup> Looking at the legislative history of the statute, the court found that the statute’s purpose was to address the payment of workers’ compensation benefits for workers who may be eligible to receive benefits in Arizona and another state.<sup>13</sup> Therefore, section 23-904(C) does not abrogate the rule set forth in *Quiles*.<sup>14</sup>

---

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 1200.