

A man contracted with a moving company to ship household goods from the man's old home in State A to his new home in State B.

A federal statute provides that all liability of an interstate mover to a shipper for loss of or damage to the shipper's goods in transit is governed exclusively by the contract between them. The statute also requires the mover to offer a shipper at least two contracts with different levels of liability.

In full compliance with that federal statute, the moving company offered the man a choice between two shipping agreements that provided different levels of liability on the part of the moving company. The more expensive contract provided that the moving company was fully liable in case of loss or damage. The less expensive contract limited the moving company's liability in case of loss or damage to less than full value. The man voluntarily signed the less expensive contract, fixing the moving company's liability at less than the full value of the shipment.

The moving company's truck was involved in an accident in State B. The accident was entirely a product of the negligence of the moving company's driver. The man's household goods were destroyed. In accordance with the contract, the moving company reimbursed the man for less than the full value of the goods.

The man then brought suit against the moving company under the tort law of State B claiming that he was entitled to be reimbursed for the full value of the destroyed goods. The moving company filed a motion to dismiss.

In this suit, what action should the court take?

- A. Deny the motion to dismiss, because it is unconstitutional for a federal statute to authorize the moving company to contract out of any degree of liability for its own negligence.
- B. Deny the motion to dismiss, because the full faith and credit clause of the Constitution requires that state tort law be given effect.
- C. Dismiss the case, because the contractual relationship between the man and the moving company is governed by the obligation of contracts clause of the Constitution.
- D. Dismiss the case, because the federal statute governing liability of interstate carriers is the supreme law of the land and preempts state tort law.

Explanation:

The federal government and states share many **powers**, so they often regulate the same subject matter. But under the supremacy clause, the **U.S. Constitution, federal laws, and treaties** are the **supreme law of the land**. As a result, they **preempt** (ie, supersede) **conflicting state laws**, state constitutions, and local laws.

Here, the man and the moving company entered into a contract that *limited* the moving company's liability. The man then sued under state tort law to hold the moving company *fully* liable. But a ruling in the man's favor would conflict with a federal statute requiring that such disputes be governed exclusively by their contract. And since the federal statute is the supreme law of the land and preempts state tort law, the court should dismiss the case.

(Choice A) The federal statute *can* authorize the moving company to contract out of any degree of liability for its own negligence. This is because the **commerce clause** gives Congress extensive power to regulate nearly any activity involving two or more states—including an interstate mover's degree of liability.

(Choice B) The Article IV full faith and credit clause requires states to respect public acts, records, and judicial proceedings of all other states. But it does not require courts to give effect to state laws that conflict with federal law (as seen here).

(Choice C) The **contracts clause** restricts the ability of *state* legislatures to *impair* existing contracts. But this clause does not apply to Congress or *federal* statutes that *enforce* existing contracts (as seen here).

Educational objective:

Under the supremacy clause, the U.S. Constitution, federal laws, and treaties preempt conflicting state laws, state constitutions, and local laws.

References

- U.S. Const. art. VI, cl. 2 (supremacy clause).
- *Allis-Chalmers Corp. v. Lueck*, 471 U.S. 202, 210–11 (1985) (holding that a federal law governing contracts preempts a conflicting state law on the same subject).
- 16A Am. Jur. 2d Constitutional Law § 235 (2019) (discussing tests to determine if there is a conflict between federal and state law).

Copyright © 1995 by the National Conference of Bar Examiners. All rights reserved.

Copyright © UWorld. All rights reserved.

Supremacy Clause

