

FEBRUARY 12, 2024 | WAGE & HOUR COMPLIANCE

California Supreme Court Resolves Split Among Courts of Appeal, Finding Trial Courts Do Not Have the “Inherent Authority” to Strike a PAGA Claim Based on Manageability

By [Andrea Chavez](#)

On January 18, 2024, the California Supreme Court made a significant ruling in the case of *Estrada v. Royalty Carpet Mills, Inc.*, finding that the trial court lacked the inherent authority to dismiss a California’s Private Attorneys General Act (PAGA) claim based on manageability grounds. Manageability considerations are often used in the class action context, but the Supreme Court has now found it has no applicability in the PAGA context. 

PAGA provides for civil penalties for various Labor Code violations and authorizes “aggrieved employees,” acting as private attorneys general, to recover those penalties. A PAGA plaintiff will often seek penalties for violations involving aggrieved employees other than the PAGA plaintiff. Civil penalties recovered on a PAGA claim are split between the state and aggrieved employees, with 75 percent going to state labor law enforcement agency and 25 percent going to aggrieved employees.

“Manageability” in this context refers to a factor utilized in determining whether a class in a class action may be certified, specifically looking at whether issues pertaining to individual putative class members may be fairly and efficiently adjudicated. Prior to the *Estrada* case, employers would often argue that class action-based manageability requirements should be imposed on PAGA actions, with varying levels of success in court.

In the *Estrada* case, a handful of employees brought claims under PAGA and class action claims for purported meal period violations, among other wage and hour claims, against their employer, Royalty Carpet Mills. Initially, the trial court certified several classes, including a meal period subclasses, but later decertified the “meal period” subclasses on the grounds that there were too many individualized issues to support class treatment. The trial court then dismissed the meal break PAGA claim based on manageability for anyone other than the named plaintiffs. The Court of Appeal reversed this decision.

The Supreme Court granted Royalty Carpet Mills’ petition for review to resolve the split in the Courts of Appeal as to whether trial courts have inherent authority to strike a PAGA claim on manageability grounds. The Supreme

Court found trial courts lack such inherent authority. The Court emphasized that trial courts do not generally possess a broad inherent authority to dismiss claims, but also that it is not appropriate for trial courts to strike PAGA claims by employing class action manageability requirements.

The Supreme Court drew several distinctions between PAGA and class action claims, noting PAGA actions exhibit virtually none of the procedural characteristics of class actions. For example, unlike class actions, where a plaintiff can raise a multitude of claims because he or she represents a multitude of absent individuals, a PAGA plaintiff represents a single entity, the Labor and Workforce Development Agency, which has a multitude of claims. The due process rights of third parties are not paramount because PAGA actions do not adjudicate individually held claims. There is also no predominance of common issues requirement in PAGA actions. The Court did concede that “certain characteristics of some PAGA claims, occasioned by the statute’s broad standing rules and the lack of need for common proof or class certification, may present trial courts with challenges in ensuring that a defendant’s due process rights are preserved,” but declined to express an opinion on what these circumstances may be. *Id.*

The Supreme Court further noted that trial courts have “numerous tools” that can be used to manage complex cases generally, including PAGA cases. The Court mentioned using statistical methods “designed to reveal generalized characteristics of a population.” It also highlighted the trial court’s authority to restrict the types of evidence a plaintiff can present or employ other measures to ensure an effective trial of a PAGA claim and to rule on substantive issues, including those on demurrer, or on motions for summary judgment or judgment notwithstanding the verdict.

The *Estrada* ruling is a further blow to employers in their ability to defend themselves against PAGA claims.

Next Steps

Case strategy for PAGA claims will be increasingly important. Employers should more heavily utilize the “numerous tools” mentioned above, while also focusing on any potential due process arguments that the Supreme Court may still find viable.