

Calif. High Court Ruling Outlines Limits On PAGA Actions

By **Bradley Hamburger, Ryan Azad and Matt Getz** (January 23, 2024, 12:44 PM EST)

On Jan. 18, the California Supreme Court issued an important decision in *Estrada v. Royalty Carpet Mills Inc.*[1] detailing how trial courts should manage the adjudication of complex claims under California's Labor Code Private Attorneys General Act, or PAGA.[2]

Estrada held that courts may not dismiss PAGA claims outright on the ground that the claims could not be tried manageably, but also emphasized that courts have many other tools at their disposal to manage and narrow complex PAGA actions.

Estrada is a significant development in PAGA litigation and provides a valuable road map for future cases. It clarifies that courts can limit the evidence plaintiffs may offer at trial in support of their PAGA claims and can narrow overbroad or unspecific PAGA claims through pretrial rulings. And it leaves open the possibility of due process challenges by defendants in the PAGA context.

How did we get here?

PAGA allows employees aggrieved by Labor Code violations to seek penalties based on not just violations they experienced, but also violations other employees experienced. Employees often bring such representative or nonindividual PAGA claims seeking penalties based on the experiences of other employees alongside class claims asserted on behalf of those employees.

PAGA claims often implicate highly individualized issues relating to what each employee experienced, which can make those claims impossible to resolve in a manageable trial. Over time, a conflict developed in decisions by California courts of appeal over how courts can go about managing complex PAGA actions.

One decision from the Second Appellate District in 2021, *Wesson v. Staples the Office Superstore LLC*, held that trial courts have inherent authority to ensure that PAGA claims can be tried manageably and to dismiss claims for lack of manageability.[3] But in 2022, the Fourth Appellate District in *Estrada* held that trial courts lack inherent authority to dismiss PAGA claims as unmanageable.[4]

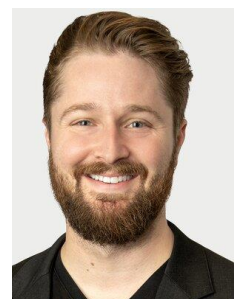
The California Supreme Court granted review in *Estrada* to resolve that conflict and address how trial courts should approach managing complex PAGA cases.



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Courts may not dismiss PAGA claims as unmanageable.

In Estrada, the California Supreme Court held that trial courts do not have the inherent authority to dismiss PAGA claims on manageability grounds. Although courts have discretionary power to dismiss claims with prejudice, that power is generally limited to circumstances in which a plaintiff fails to prosecute or brings sham claims. And the court found no historical or statutory support for a broader power to dismiss claims on judicial-economy grounds.

The court also rejected the employer's analogy to the class action context, in which courts routinely deny certification of class claims that could not be tried manageably.

It explained that PAGA and class actions have structural and historical differences that justify different treatment. And it cautioned that "where the Legislature has provided for certain procedures in one context, courts generally lack inherent authority to apply the procedure in an inapposite context."^[5]

But courts have many other tools to manage PAGA litigation.

The court in Estrada repeatedly emphasized, however, that "trial courts may use a vast variety of tools to efficiently manage PAGA claims" and that those tools "remain undisturbed" by its decision.^[6] The court identified several of those tools, though it also explained that its discussion was "illustrative rather than exhaustive."^[7]

Courts can place limits on evidence.

The court underscored that its decision "does not preclude trial courts from limiting the types of evidence a plaintiff may present" to ensure "that a PAGA claim can be effectively tried."^[8] For instance, courts can place reasonable limits on "witness testimony and other forms of evidence" to ensure a manageable trial, even if doing so necessarily limits the "number of violations" that can be proved "and the amount of penalties to assess" as a result.^[9]

Limiting the presentation of evidence will be an important case-management tool in future PAGA cases. If a plaintiff seeks penalties based on individualized violations suffered by many employees, and if it would be impracticable for the court to take evidence on each of those asserted violations, the court may "limit the evidence to be presented" and, in doing so, "limit the scope of the PAGA claim" itself, according to the California Supreme Court's Estrada ruling.^[10]

The court cautioned that courts' inherent authority to limit the presentation of evidence should "encourage plaintiffs' counsel to be prudent in their approach to PAGA claims" and to seek penalties only for alleged violations that could be manageably decided at trial.^[11]

PAGA claims can be narrowed via motions practice.

Estrada further cautioned that if plaintiffs asserted PAGA claims in "an overbroad or unspecific manner," such that they could not manageably prove liability "as to all or most employees," the claims may be limited through demurrers, motions for summary judgment and motions for judgment notwithstanding the verdict.^[12]

As a result of this new guidance, defendants will not have to wait until trial to urge a court to place

reasonable limits on how a PAGA plaintiff seeks to prove her case. Estrada makes clear that defendants can instead seek to limit PAGA actions through pretrial motions practice.

Courts have a duty to resolve due process challenges.

Finally, the court was careful not to "foreclose the possibility" that, if a trial court's adjudication of PAGA claims "so abridged the defendant's right to present a defense," the defendant could assert a successful due process claim.[13] In noting that reserved issue, the court reiterated that, in the PAGA context no less than in the class action context, defendants have a due process right to develop and present proof in support of their defenses.

The court left for future cases what sorts of evidentiary rulings would violate a PAGA defendant's due process rights.

Although the court noted that defendants do not have an "unfettered right" to "present the testimony of an unlimited number of individual employees,"[14] it also identified examples of rulings that would raise serious due process concerns — for instance, any ruling that effectively prevents a defendant from impeaching or undercutting the expert model through which a plaintiff seeks to prove their claims.

Conclusion

The California Supreme Court's opinion in Estrada recognizes "the challenges presented by complex cases" under PAGA but makes clear that courts have "various case management tools" they may use "to ensure that these cases are efficiently, fairly, and effectively tried." [15] Although PAGA plaintiffs no longer face the risk of outright dismissal if they assert unmanageable claims, that does not mean they will be permitted to press such unmanageable claims through trial.

Going forward, the focus in PAGA cases will be on how claims should be narrowed to ensure that any trial is feasible, and defendants facing unfocused PAGA actions should use the road map provided in Estrada to develop their litigation strategy.

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[1] Estrada v. Royalty Carpet Mills, Inc., No. S274340 (Cal. Jan. 18, 2024).

[2] California Lab. Code §§ 2698 et seq.

[3] Wesson v. Staples the Office Superstore, LLC, 68 Cal. App. 5th 746 (2021).

[4] Estrada v. Royalty Carpet Mills, Inc., 76 Cal. App. 5th 685 (2022).

[5] Estrada, slip op. 8.

[6] Estrada, slip op. 2, 40.

[7] Estrada, slip op. 43 n.39.

[8] Estrada, slip op. 42.

[9] Estrada, slip op. 42–43.

[10] Estrada, slip op. 43.

[11] Estrada, slip op. 43.

[12] Estrada, slip op. 43.

[13] Estrada, slip op. 44.

[14] Estrada, slip op. 38.

[15] Estrada, slip op. 45.