

Supreme Court of California Holds Trial Courts Lack Inherent Authority to Dismiss Unmanageable PAGA Claims

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In *Estrada v. Royalty Carpet Mills, Inc.*, No. S274340, 2024 WL 188863 (Cal. Jan. 18, 2024), the Supreme Court of California resolved a split among the Courts of Appeal regarding whether trial courts possess inherent authority to dismiss California Labor Code Private Attorneys General Act (“PAGA”) claims based on their lack of manageability and held that courts lack such authority. The employer in *Estrada* contended that the PAGA claim brought against it was unmanageable because it involved a substantial number of individual issues and would require testimony from a vast number of individuals. This decision takes a potentially potent tool for defending against PAGA claims away from defendant employers and may encourage plaintiffs to pursue the broadest possible PAGA claims.

PAGA allows aggrieved employees to file lawsuits to recover civil penalties on behalf of themselves, other employees and the State of California for Labor Code violations. Claims brought under PAGA do not need to meet requirements for certification of a class action. Rather, to seek civil penalties on behalf other allegedly aggrieved employees, a PAGA plaintiff only must show that he or she experienced at least one violation of the California Labor Code. The default penalty amount under PAGA is \$100 per employee per pay period for an initial Labor Code violation, and \$200 per employee per pay period for each subsequent violation.

In *Wesson v. Staples the Office Superstore, LLC* (2021) 68 Cal.App.5th 746, California Court of Appeal held that trial courts have inherent authority to ensure that PAGA claims are manageable at trial and can dismiss with prejudice PAGA claims that cannot be tried fairly and efficiently. The decision in *Wesson* conflicted with that by the Court of Appeal in *Estrada* (2022) 76 Cal.App.5th 685, which rejected a manageability requirement.

In rejecting a manageability requirement, the Supreme Court of California in *Estrada* identified several reasons for its decision. First, the Court rejected the defendant’s argument that trial courts possess inherent authority to dismiss any type of claim to promote judicial economy. The Court explained that inherent authority to dismiss claims with prejudice is “tightly circumscribed” and generally applies only to frivolous claims, in circumstances where there is egregious litigation misconduct or when there is a failure to prosecute. Second, the Court rejected the defendant’s

argument that the manageability requirement applicable to class action litigation also should apply to PAGA claims. The Court concluded that applying a manageability requirement to PAGA claims would be inconsistent with the structural differences between PAGA claims and class action claims – specifically that PAGA claims lack formal class certification requirements. It also reasoned that applying a manageability requirement would impede the effectiveness of PAGA actions, which were intended to remedy “systemic underenforcement” of the Labor Code. Lastly, the Court concluded that due process concerns do not support broad trial court authority to strike PAGA claims on grounds of manageability. The Court noted, however, that its Opinion did not address whether, and if so, what, circumstances could ever support striking PAGA claims to preserve a defendant’s due process rights.

Further, the Court notes, “trial courts have numerous tools that can be used to manage complex cases generally, and PAGA cases in particular, that do not involve striking a PAGA claim.” Rather than describe those tools in detail, however, the Court’s Opinion refers to a Judicial Council of California publication addressing the subject. The Opinion then notes that presentation of representative evidence (such as sampling and statistical surveys) and limiting evidence a plaintiff may present at trial are tools that may be used to ensure a PAGA claim may be tried effectively.

This Opinion likely disappoints defendant employers who sought to use a manageability requirement as a tool to challenge broad PAGA claims. California employers should continue closely to monitor their wage and hour practices to limit potential Labor Code violations that can give rise to PAGA claims resulting in substantial liability.

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