

California High Court's PAGA Decision Curtails Manageability Defense

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Highlights

The California Supreme Court ruled Private Attorneys General Act (PAGA) claims cannot be dismissed due to “manageability” concerns

Trial courts can use existing case management tools for efficient PAGA trials

Employers should ensure labor code compliance to mitigate risks of complex PAGA litigation

The California Supreme Court’s recent decision in [*Estrada v. Royalty Carpet Mills, Inc.*](#) removes manageability as a viable basis for dismissal of California Private Attorneys General Act (PAGA) claims, distinguishing those claims from class actions where such a factor may be crucial for certification. This ruling not only underscores the procedural and legislative distinctions between class actions and representative PAGA actions, but also signals a broader implication for employers in managing and defending against California Labor Code violations within the context of PAGA.

This ruling clarifies that while trial courts cannot strike PAGA claims purely for being unmanageable, they retain the discretion to employ various case management tools to ensure trials are conducted efficiently and within the bounds of due process, offering a nuanced path forward in complex labor code enforcement.

The Case at a Glance

A group of plaintiffs filed a class action suit against their former employer for alleged labor code violations, including claims under PAGA for failing to provide legally required first and second meal periods. While the trial court initially certified a class, after hearing evidence at trial, it decertified the meal period claims due to the prevalence of individual issues.

In the same order, it also dismissed the PAGA claims associated with those meal-period violations for all individuals except the named plaintiffs, citing manageability concerns as the primary reason. Specifically, the court identified “employee choice” as a significant factor regarding the taking of meal breaks. The plaintiffs appealed the trial court’s decertification order and its judgment dismissing the

PAGA claims on manageability grounds.

The conflicting precedents that led to the California Supreme Court's review in *Estrada* centered on the question of whether trial courts possess the inherent authority to dismiss PAGA claims on the basis of manageability.

The court held that trial courts do not possess the inherent authority to dismiss PAGA claims due to manageability concerns. In doing so, among other things, the court explained that PAGA is structurally different from the class action mechanism, and thus trial courts cannot graft class action manageability requirements onto PAGA claims. Moreover, while the court agreed that employers have a due process right to present affirmative defenses, that right is not without limit. Rather, trial courts are given discretion regarding how to adjudicate such defenses as long as a defendant is able to “introduce its own evidence, both to challenge the plaintiffs’ showing and to reduce overall damages.” Regardless, the court found that the defendant failed to show a due process violation in this case.

The court further explained that courts already possessed the necessary tools to manage complex PAGA cases, providing several examples of such tools. First, the court noted that use of “[r]epresentative testimony, surveys, and statistical analysis, along with other types of evidence are available as tools to render manageable determination of the extent of liability.” Next, the court explained that trial courts may also limit the types of evidence a plaintiff may present to ensure a PAGA claim is efficiently tried. Finally, the court said that a trial court may pare down claims via substantive rulings on demurrer, summary judgment, or a judgment notwithstanding the verdict.

In short, the Supreme Court held that to make complex PAGA claims manageable for trial, trial courts must utilize existing case management tools because trial courts lack the inherent authority to dismiss such claims on manageability grounds alone.

Key Takeaways for California Employers

For California employers, this decision necessitates a reevaluation of how they approach labor code compliance and litigation. Notably, its far-reaching implications are:

- Because PAGA actions can encompass a wide range of allegations and are not limited by manageability, employers should ensure comprehensive compliance with employment laws to minimize the risk of violations that could lead to PAGA lawsuits.
- Employers should consider working closely with legal counsel to navigate the complexities of PAGA litigation to develop robust defense strategies tailored to this new legal landscape and existing case management tools.
- Recognizing the difference between PAGA and class action litigation is essential for effective management and mitigation of legal risks.

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