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California Supreme Court rejects manageability as a basis to strike PAGA claims

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Takeaway: On January 18, 2024, the California Supreme Court resolved a conflict between California's Private Attorneys General Act (PAGA) and the "manageability" concept used by courts to evaluate whether class certification would be proper. *Estrada v. Royalty Carpet Mills, Inc.*, --- P.3d ----, No. S274340, 2024 WL 188863 (Cal. Jan. 18, 2024). By holding manageability does not constitute a basis for striking PAGA claims, the *Estrada* case eliminated another defense that had been used by employers to fend off some PAGA claims and allowed PAGA claims to proceed even when trial of those claims would be too unmanageable to proceed as a class action.

In *Estrada*, a group of former employees brought class action claims against their former employer, Royalty Carpet Mills ("Royalty"), including claims related to Royalty's alleged failures to provide statutorily required meal periods. 2024 WL 188863. at *2. After initially certifying several classes and holding a bench trial on the class claims, the trial court decertified the "meal period" subclasses because "there were too many individualized issues to support class treatment." *Id.* The trial court also dismissed the PAGA claim seeking penalties based on the meal break violations as to everyone other than the named plaintiffs "as being unmanageable." *Id.* Plaintiffs appealed, and the Court of Appeals reversed the trial court's order decertifying the meal period subclasses and dismissing the meal break-related PAGA claim. *Id.* at *3.

The Supreme Court granted review to resolve a split in the Courts of Appeals as to whether a trial court has "inherent authority" to strike a PAGA claim on manageability grounds. *Id.* at *1. After reviewing background principles regarding courts' inherent authority, PAGA, and manageability (*id.* at *3-5), the *Estrada* court first ruled that courts lack inherent authority to dismiss any claims based on manageability (*id.* at *5-9).

The Supreme Court then turned to the "narrower" argument of whether courts can dismiss PAGA claims on manageability grounds "just as they do with class claims." *Id.* at *9. The *Estrada* court explained the procedural and legislative distinctions between class actions and representative PAGA actions. Class actions consist of claims of numerous aggrieved individuals (in the employment context, hundreds or even thousands of employees) represented by an individual named plaintiff. To certify a class, the named plaintiff must demonstrate that the class members share enough in common and their claims are similar enough that it would be more effective to litigate the claims together in a single action than in many individual actions. The "manageability" of the case is part of this inquiry and the court has the inherent authority to refuse to certify or decertify a class action if it would be unmanageable. *Id.* at *9-10.

On the other hand, "PAGA claims are effectively administrative enforcement actions" and that the purpose of the law is "to maximize the enforcement of labor laws." *Id.* at *10-11. In a PAGA action, the representative plaintiff represents the State's interest in enforcing its labor code, not the interests of

individual aggrieved employees. PAGA does not expressly require the same intensive inquiry that Courts undertake before certifying traditional class actions. In fact, it is not even necessary for the named plaintiff in a PAGA action to have actually suffered the harm for which penalties are sought. The law permits a single individual to seek penalties based on violations that "vary widely in nature," which allows for multiple unrelated claims to be brought in the same action. *Id.* at *14. Thus, the Supreme Court concluded that the intermediate appellate court "properly determined that a trial court's authority to limit *class* claims on manageability grounds does not support the conclusion that trial courts also possess inherent authority to strike *PAGA* claims on manageability grounds." *Id.* at *145.

Before *Estrada*, defense attorneys in PAGA actions had argued that the same intensive inquiry employed by courts in class action suits should be undertaken in PAGA actions, many of which share the same large-scale manageability concerns as class action claims. Employers contended that, as with named plaintiffs in class actions, PAGA plaintiffs should be required to establish that common issues among the absent employees predominate or that a representative action would be the superior method of adjudication as opposed to individual trials. The *Estrada* court acknowledged some similarities between the two types of actions but concluded California's legislature did not authorize the striking of claims on manageability grounds when it drafted PAGA. But the Supreme Court reiterated that courts have various tools to manage complex litigation, including the court's broad authority to manage discovery. *Id.* at *17.