



News & Types: Employment, Labor & Benefits Update

California Court of Appeals Confirms that One Class Action is Enough

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Practices: Employment, Labor & Benefits

EXECUTIVE SUMMARY

The California Court of Appeal's decision in *Shine v. Williams-Sonoma* reiterates that all claims relating to payments to employees for working time should be brought in the same class action, and that settlement agreements that refer to the settlement of "all claims" will ordinarily be read to mean all claims. Consequently, once an employer settles a class action concerning wage claims covering a certain time period with its employees, that employer should be free of wage litigation concerning the same time period.

In the recent decision of *Shine v. Williams-Sonoma, Inc.*, No. B277513 (Cal. App. May 29, 2018), the California Court of Appeal affirmed the dismissal of a class action lawsuit seeking the recovery of wage payments against an employer who had previously settled wage claims with a class of plaintiffs for the same time period. The earlier lawsuit had concerned allegations of unpaid overtime pay, minimum wages, and missed meal and rest periods (for which the class of employees sought daily premium payments). In order to maximize their financial recovery, the employees' lawyers also sought additional penalties due to the fact that wage statements would be rendered incorrect once the "correct" amounts of past wages were determined, as well as penalties under the Private Attorneys General Act (PAGA) of 2004, and restitution under California's Unfair Competition Law. The employer (Williams-Sonoma) settled the first lawsuit, agreeing to dismissal with prejudice.

After the first lawsuit was dismissed, several lawyers located another employee willing to lead a second class against the same employer for the same time period. The lawyers for this new employee, who had shared in the pay-out from the first class action, argued that the employee's claim for reporting-time pay was a new and different claim from the claims in the first class action. The Court of Appeal disagreed with this argument in short order, finding that this was merely another facet of payment of wages, the same "primary right" implicated in the first class action. Under California's *res judicata* doctrine, it is possible to bring a second lawsuit for claims arising out of the same series of events if the two lawsuits implicate different "primary rights" of the claimant. However, in this case, it has been well established that most categories of payments to employees for work constitute the same primary right to payment of wages.

Since the court found the employee's second class action lawsuit barred by *res judicata*, the employee's lawyers next argued that the employer had waived *res judicata* protection as to the new claim in the parties' settlement agreement for the first lawsuit. The Court of Appeals again disagreed, finding that the settlement agreement covered "all claims" relating to wages, and should be read in this manner to allow for efficient settlement.

Action Steps: Case law in California allows for employers to waive the protection of *res judicata* once a lawsuit is settled and dismissed if the parties' settlement agreement provides that certain claims may be filed in the future. Employers should be careful to ensure that their settlement agreements cover all types of claims being asserted by employees in a class action or risk the expense of another lawsuit regarding wage payments for the same working time period.

*Under California law, reporting-time pay is a penalty that may be payable to an employee who reports for work as scheduled but is either given no work or less than half of the scheduled working time.