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Settlement Of Individual Claims Does Not Strip An Employee Of PAGA Standing

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In a blow to California employers, the California Supreme Court ruled that an employee's settlement of his own Labor Code claims does not deprive the plaintiff of standing to bring a claim under the California Private Attorneys General Act (PAGA).

In *Kim v. Reins International California, Inc.*, the court held that the plaintiff still had standing based upon PAGA's plain language, the statute's underlying purpose, and the legislature's intent. The court also pointed out that the parties' resolution of the plaintiff's individual claims by settlement had expressly excluded the plaintiff's PAGA claims.

Looking first to the language of the statute, the court explained that to be an "aggrieved employee," PAGA requires only two elements be satisfied. The plaintiff must be someone "who was employed by the alleged violator" and "against whom one or more of the alleged violations was committed." The court found that the plaintiff employee in this case easily satisfied both requirements because the defendant employed him, and he alleged that he had suffered at least one Labor Code violation.

The court went on to reject the defendant's arguments that the plaintiff's standing was defeated because the plaintiff's injury had been redressed through settlement. The court explained that "[t]he Legislature defined PAGA standing in terms of violations, not injury." As such, the plaintiff's settlement of

his individual claims “did not nullify” the alleged PAGA violations. The court also noted that the plain language of the statute does not require that an employee claim that any economic injury resulted from the alleged violations. Nor, for standing purposes, does the statute require that the named plaintiff must have experienced each and every violation experienced by the employees he seeks to represent.

According to the court, the purpose of the PAGA statute bolstered this conclusion. It emphasized that a named plaintiff in a PAGA claim acts on behalf of the state, because the state can “deputize anyone it likes” to pursue a PAGA claim. The court concluded that requiring a named plaintiff in a PAGA claim to establish actual injury would run contrary to the remedial purpose of the statute.

As a final point, in the instant decision, the court rejected the employer’s claim preclusion argument. The court noted that the parties’ previous settlement specifically excluded the PAGA claims, and thus those claims had not yet been resolved.

This case could create new issues for employers and employees who seek to resolve claims on an individual basis. For this reason, it is smart to review your settlement agreements with counsel along with the scope of the claims that are being released.