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### **California Court of Appeal Holds Individual Wage and Hour Arbitration Award Precludes Subsequent PAGA Action**

By: [Michelle Brookfield](#) and Spencer Adler

A recent ruling in California's Second District Court of Appeal has reaffirmed the importance of having employees sign comprehensive arbitration agreements. In *Rodriguez v. Lawrence Equipment, Inc.*, 2024 WL 4719479, -- Cal.Rptr.3d – (Oct. 10, 2024), Julian Rodriguez, a disgruntled employee, filed a series of wage-and-hour claims against his employer (Labor Code claims), Lawrence Equipment, Inc. In addition, Rodriguez sought civil penalties and wages under the Private Attorneys General Act (PAGA) premised on Lawrence's alleged violation of California's wage and hour laws. Since Rodriguez signed an arbitration agreement with Lawrence, the trial court ordered the individual Labor Code claims to be arbitrated and stayed the PAGA action until resolution of the arbitration. Ultimately, the arbitrator found in favor of Lawrence and against Rodriguez on all of the alleged Labor Code violations.

Once the arbitration award was final, Rodriguez pursued his PAGA action in state court. Lawrence then moved to dismiss the PAGA claims based on the legal doctrine of collateral estoppel, which precludes the re-litigation of previously decided issues. The trial court granted Lawrence's motion and fully dismissed Rodriguez's PAGA claim, finding that the arbitrator previously found that Lawrence did not commit any of the alleged Labor Code violations and thus Rodriguez was not an "aggrieved employee," and Rodriguez's PAGA claims "echoed" his individual Labor Code claims. Accordingly, collateral estoppel precluded the re-litigation of the same issues. The Court of Appeal affirmed the trial court's decision.

This ruling is a substantial victory for employers who seek to limit their exposure to costly PAGA actions. It has been unclear whether California courts would allow an arbitration award for alleged Labor Code violations to preclude employees from bringing PAGA claims. Employee-side attorneys have argued that since PAGA actions are brought by an employee in a representative capacity instead of an individual capacity, an arbitration award for individual claims should not affect a related PAGA action. California's Second District Court of Appeal has now decided this issue: employees will not get a second shot to re-litigate the same Labor Code issues already settled in an individual matter through arbitration as a PAGA representative. It remains to be seen how other California District Courts of Appeal will decide this issue.



### **Recommendation Going Forward**

Many employers benefit from maintaining comprehensive arbitration agreements with their employees. It is important to regularly reassess your arbitration agreements to ensure they are valid and binding and that their scope includes the wide range of Labor Code issues employees may pursue in litigation, in addition to other employment-related claims.

If you have any questions about the impact of this decision, please feel free to contact the attorneys listed below:



**Michelle Brookfield**

Senior Counsel  
(858) 351-6800  
MBrookfield@buchalter.com



**Spencer Adler**

Attorney  
(619) 219-5428  
SAdler@buchalter.com