

California Supreme Court Decides That Individual Settlements Do Not Bar Pursuing Related PAGA Claims

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On March 12, 2020, the California Supreme Court in *Kim v. Reins International California Inc.* determined that an individual employee who released his individual claims nonetheless retained standing to pursue his claims under California's Private Attorney General Act ("PAGA"). The decision reversed summary judgment in favor of Reins International that held that the individual lacked standing to pursue the PAGA claim after settling his individual claims.

The California Supreme Court found that the individual was still aggrieved under PAGA and thus retained standing to pursue PAGA claims. The high court found that the definition of aggrieved employee covered "any person who was employed by the alleged violator and against whom one or more of the alleged violations was committed." The court continued that the definition did not "require the employee to claim that any economic injury resulted from the alleged violations" and indicated "that PAGA standing is not inextricably linked to the plaintiff's own injury." Therefore, an individual settlement that makes the plaintiff whole does not remove the individual from the definition of an aggrieved employee.

Procedurally, Reins International successfully forced all non-PAGA claims brought by the former employee to arbitration through an arbitration agreement. Reins International then leveraged the arbitration proceeding to obtain the settlement of the individual claims. The California Supreme Court opined that Reins International presented the employee with a "Hobson's choice" to accept a statutory offer of settlement (i.e., an offer of judgment) that would have shifted costs to the employee if he was unable to obtain a judgment at arbitration more favorable than the settlement offer. The court stated that it was "hardly fair play" for Reins International to use the offer of judgment to leverage a settlement that allowed it to escape PAGA liability.

Thus, in this decision, the California Supreme Court reflects hostility towards the procedural advantages of (1) arbitration agreements, (2) offers of judgment, and (3) settlement agreements.

With other states considering PAGA-like statutes (see our prior analysis [here](#)), the effects of this decision could be far-reaching. If you have any questions, please contact a member of [Benesch's Labor & Employment Practice Group](#).

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