Monday, August 1, 2022

The U.S. District Court for the Central District of California recently handed a win to employees seeking to bring multiple wage and hour claims in a lawsuit. That case, Ayala v. U.S. Xpress Enterprises, Inc., involved a class action brought by drivers for a transport services company (USX). According to the drivers, the company violated California wage and hour laws by paying drivers by the length of the trip rather than by the time employees spent on each trip.

USX provides transporting services, including truckload shipping. Its truckload drivers haul customers’ cargo to various locations in the contiguous United States.
USX pays for some of their work based on the approximate delivery distance, rather than on the number of hours worked. California law considers such a flat pay system to constitute a “piece-rate” method of payment. Under California law, workers paid via such a method must also be compensated for “nonproductive time separate from any piece-rate compensation.”

As is often the case in complex litigation, the company attempted to streamline the matter by seeking to dismiss one portion of the case. Specifically, the employer filed a motion to dismiss the workers’ claim under California’s Unfair Competition Law (UCL). To that end, the company argued that the UCL claim sought remedies that were redundant and already covered by the relief sought in other portions of the lawsuit, namely the drivers’ labor code claim for wage and hour violations.

Here’s why this move was important. For UCL claims, the only available remedy is to require a company to repay workers for any amounts withheld as a result of alleged wage and hour violations. This payback is called restitution and, in the law, is known as an “equitable remedy.” When a federal court hears a claim in equity like the UCL claim, in this case, it is generally obliged to first conclude that more traditional legal remedies (involving monetary damages) are not applicable. This principle of either equitable or legal remedies comes from the 2020 Ninth Circuit Court of Appeals ruling in the Sonner v. Premier Nutrition Corp. case.

The Sonner case stands for the proposition that a federal court may not award equitable remedies to a plaintiff under a UCL claim if another cause of action in the complaint provides adequate legal remedies. USX, therefore, relied on Sonner to argue that the UCL claim should be dismissed because the drivers’ labor code claims provide them with legal remedies in the form of compensation due to the company’s alleged violation of California wage and hour laws.

In its decision, however, the USX trial court rejected the company’s argument and concluded that another Ninth Circuit’s 2020 ruling—in Moore v. Mars Petcare US Inc. —applied here. Specifically, Moore found that despite the general “legal or equitable” rule, the UCL in particular permits cumulative relief (meaning an employee can seek remedies under the UCL and other statutory claims that would otherwise provide for an adequate remedy at law—i.e., California’s labor code). Accordingly, the USX drivers were permitted to maintain both their UCL and wage and hour claims.

While the procedural issues at play here are complicated, the bottom line is that the court’s order serves as a win for California workers looking to bring multiple claims for wage and hour violations. Although employers facing such lawsuits typically look for ways to get claims thrown out early in the litigation, employers should reconsider any attempt to dismiss UCL claims that typically find their way into workers’ lawsuits.

The takeaway for employers is that class action wage and hour litigation is a complex and expensive minefield, especially in states with laws like California’s. Regular audits to ensure compliance with all aspects of the law are a smart investment. Employers with questions regarding the court’s decision in Ayala and its ramifications should consult with experienced employment counsel.