UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Zhou v. Chai

No. 21-cv-06067-AMO (N.D. Cal. May 1, 2025) · No. 21-cv-06067-AMO · Decided May 1, 2025

SUMMARY

The United States District Court for the Northern District of California denied without prejudice Plaintiffs' motion to approve a proposed settlement of Private Attorneys General Act claims. The court identified deficiencies in the calculation of pay periods and maximum penalties, the justification for discounting the alleged liability, and the treatment of wage-statement penalties. The court vacated the scheduled hearing and permitted Plaintiffs to file a renewed motion within 30 days.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Araceli Martinez-Olguin
JURISDICTION	United States District Court for the Northern District of California
DECIDED	May 1, 2025
DOCKET	21-cv-06067-AMO
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiffs moved for approval of a proposed settlement of claims for civil penalties under the California Private Attorneys General Act. The district court denied the motion without prejudice and vacated the scheduled hearing.
STANDARD OF REVIEW	The court evaluates a proposed PAGA settlement to determine whether it is fair, reasonable, and adequate in view of PAGA's purposes and the parties' respective litigation risks.
PRECEDENTIAL VALUE	Unpublished district-court order; precedential status unknown.

TOPICS

wage and hour · employment law · civil procedure · remedies

PRACTICE AREAS

employment law · wage and hour · civil procedure · remedies

QUESTIONS PRESENTED

1. Whether the proposed PAGA settlement should be approved as fair, reasonable, and adequate.
2. Whether Plaintiffs adequately calculated the relevant PAGA pay periods and maximum potential liability.
3. Whether Plaintiffs adequately justified the proposed 95% reduction in maximum PAGA liability for the minimum-wage and overtime claims.
4. Whether Plaintiffs adequately justified limiting the wage-statement penalties to a single $250 initial penalty per employee rather than accounting for subsequent violations.

HOLDINGS

1. A proposed PAGA settlement may be approved only when the court can determine that it is fair, reasonable, and adequate in view of PAGA's purposes and the parties' respective litigation risks. Because Plaintiffs' motion did not provide sufficient information to make that determination, approval was denied without prejudice.
2. A PAGA settlement motion must provide sufficiently clear calculations of the relevant pay periods and maximum potential liability and must explain the basis for any material reduction from maximum exposure.
3. A PAGA settlement motion must explain why the proposed penalty for wage-statement violations is limited to an initial violation penalty and does not account for potentially applicable subsequent-violation penalties.

KEY QUOTATIONS

> *"Because the motion contains several deficiencies, as discussed below, the Court DENIES the motion without prejudice and VACATES the May 8, 2025 hearing."* (slip op. at 1)

> *"Plaintiffs' motion suffers from several deficiencies which prevent the Court from determining whether the settlement is fair and adequate in view of the purpose and policies of the PAGA statute while taking into account the parties' respective litigation risks."* (slip op. at 2)

> *"the Court cannot find that a proposed PAGA settlement is fair and adequate where the proposed reduction in PAGA liability did not adequately reflect the parties' respective risks"* (slip op. at 2)

> *"a trial court should evaluate a PAGA settlement to determine whether it is fair, reasonable, and adequate in view of PAGA's purposes to remediate present labor law violations, deter future ones, and to maximize enforcement of state labor laws."* (slip op. at 2-3)

FACTUAL BACKGROUND

Plaintiffs alleged that Defendants failed to pay minimum wages and overtime to three cooks and failed to furnish accurate itemized wage statements to nine former employees. The proposed settlement provided $5,475 in PAGA penalties, including $3,225 for the minimum-wage and overtime claims and $2,250 for the wage-statement claim. Plaintiffs proposed substantial discounts from the asserted maximum exposure, but the motion did not adequately explain the calculations, litigation risks, or justification for limiting wage-statement penalties to one initial violation per employee.

PROCEDURAL HISTORY

Plaintiffs brought a representative PAGA action alleging minimum-wage, overtime, and inaccurate wage-statement violations. They sought approval of a settlement providing $5,475 in PAGA penalties, with 75% payable to the California Labor and Workforce Development Agency and 25% distributed to aggrieved employees. The court found multiple deficiencies in the settlement presentation, including inadequate calculations of the relevant pay periods and maximum exposure, insufficient support for the proposed discount, and inadequate justification for the wage-statement penalty, and denied approval without prejudice.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand was ordered. Plaintiffs may file a renewed settlement-approval motion within 30 days addressing the identified deficiencies. If they do not, the parties must file a joint status report within 45 days proposing how the litigation should proceed.

CASES CITED

- O’Connor v. Uber Technologies, Inc., 201 F. Supp. 3d 1110, 1135 (N.D. Cal. 2016)
- Moniz v. Adecco USA, Inc., 72 Cal. App. 5th 56, 77 (2021)
- Turrieta v. Lyft, Inc., 16 Cal. 5th 664, 708-10 (2024)

OPINION

Zhou v. Chai

PER CURIAM.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

YUE ZHOU, et al., Case No. 21-cv-06067-AMO Plaintiffs,

ORDER DENYING MOTION FOR

v. APPROVAL OF PAGA SETTLEMENT

WITHOUT PREJUDICE

SIN KIONG CHAI, et al., Re: Dkt. No. 115 Defendants. This is a representative action brought pursuant to the California Private Attorneys General Act (“PAGA”) in which Plaintiffs seek approval of a settlement of PAGA penalty claims. Motion (“Mot.”) (ECF 115). Because the motion contains several deficiencies, as discussed below, the Court DENIES the motion without prejudice and VACATES the May 8, 2025 hearing. In the Third Amended

Complaint (“TAC”), ECF 20, Plaintiffs seek PAGA penalties for Defendants’ (1) failure to pay minimum wage pursuant to Cal. Lab. Code § 1197.1(a) as to the three cooks; (2) failure to pay overtime pursuant to Cal. Lab. Code § 558 and Industrial Welfare Commission Order 5-2001 as to the three cooks; and (3) failure to furnish an accurate itemized wage statement pursuant Cal. Lab. Code, § 226.3 as to all nine former employees.[1] Mot. at 5 (citing TAC). The proposed settlement provides for PAGA penalties in the amount of $5,475. Id. at 6. By statute, 75% of that amount – $4,106.25 – will be distributed to the California Labor and Workforce Development Agency (“LWDA”). Id. at 3; see also Cal. Lab. Code § 2699(i). The Plaintiffs’ motion acknowledges, as held in this Court’s prior order, that Plaintiffs’ fourth claim – failure remaining 25% – $1,368.75 – will be allocated among the “aggrieved employees,” which the proposed settlement agreement defines as “employees who worked for Defendants from July 25, 2020 through December 6, 2022.” Id. at 4. Plaintiffs calculate that there were 124 weeks within the PAGA period, 62 of which were biweekly pay periods. Id. at 5. As to the first claim of minimum wage violations, Plaintiffs assert that Defendants’ maximum exposure to PAGA penalties is $46,050 [=($100x1+$250x61)x3]. Mot. at 6. As to the second claim concerning overtime wages, Plaintiffs assert that Defendants’ maximum exposure to PAGA penalties is $18,450 [=($50x1+$100x61)x3]. Id. Plaintiffs therefore calculate that the maximum exposure to PAGA penalties for these two claims is $64,500 [=$46,050 + $18,450]. Plaintiffs assert that “5% of the maximum exposure [as to claims one and two] will be appropriate and sufficient to serve the penalty purposes.” Id. Thus, Plaintiffs suggest PAGA penalties for these two claims in the amount of $3,225 [=5%x$64,500]. As to the third claim concerning wage statements, the PAGA statute allows for a penalty of $250 per employee per pay period for the initial violation, and $1,000 per pay period for each subsequent violation. Cal. Lab. Code § 226.3. Plaintiffs do not identify Defendants’ maximum exposure to PAGA penalties as to claim three. Mot. at 5-6. Rather, Plaintiffs assert that, to avoid an unjust or oppressive result pursuant to Cal. Lab. Code § 2699(e)(2), one initial $250 penalty for each nine employees will be “appropriate and sufficient to serve the penalty purposes.” Id. at 6. Thus, Plaintiffs suggest liability of $2,250 [=$250x9] as to claim three. Plaintiffs’ motion suffers from several deficiencies which prevent the Court from determining whether the settlement is fair and adequate in view of the purpose and policies of the PAGA statute while taking into account the parties’ respective litigation risks. See O’Connor v. Uber Technologies, Inc., 201 F. Supp. 3d 1110, 1135 (N.D. Cal. 2016). First, Plaintiffs’ calculation of the number of relevant pay periods and asserted duration of the proposed PAGA period suffer from the same deficiencies identified in the Court’s order denying in part Plaintiffs’ motion for summary judgment: failure to make clear whether its figures exclude penalties extending beyond an employee’s termination and failure to tabulate the number Second, Plaintiffs’ assertion that a 95% discount of the maximum PAGA liability as to claims one and two is warranted “[g]iven the questions of proof and the fact that the Court already denied Plaintiffs’ [m]otion for summary judgement on [the] PAGA claims,” is insufficient. For example, although Plaintiffs reference “questions of proof,” they do not discuss the significance of the Court’s prior order adopting a magistrate judge’s report and recommendation for discovery sanctions against Defendants, which included the Court making several factual findings in Plaintiffs’ favor (ECF 90). See O’Connor, 201 F. Supp. 3d at 1135 (holding that the Court cannot find that a proposed PAGA settlement is fair and adequate where the proposed reduction in PAGA liability did not adequately reflect the parties’ respective risks). Third, Plaintiffs’ motion fails to identify Defendants’ maximum PAGA exposure as to claim three, or to provide sufficient justification for the proposal of limiting the penalty to a one- time $250 penalty per employee, rather than also seeking the $1,000 penalty for subsequent violations. See Cal. Lab. Code § 226.3. Plaintiffs’ assertion that “because wage statement omissions are based on a technicality and the restaurant has already been sold,” Mot. at 10, does not sufficiently address how the drastic reduction in the PAGA penalty serves PAGA’s purposes. See Moniz v. Adecco USA, Inc., 72 Cal. App. 5th 56, 77 (2021) (“[A] trial court should evaluate a PAGA settlement to determine whether it is fair, reasonable, and adequate in view of PAGA’s purposes to remediate present labor law violations, deter future ones, and to maximize enforcement of state labor laws.”), overruled in part on other grounds by Turrieta v. Lyft, Inc.,16 Cal. 5th 664, 708-10 (2024).

Because of these deficiencies, the Court DENIES Plaintiffs’ motion. If Plaintiffs can remedy the deficiencies outlined above, they may file a renewed motion within 30 days of this order. In addition to addressing the issues set forth above, and why the settlement should be approved under the governing legal standard, any renewed motion must: • Set forth why the proposed discounts on the maximum value of the PAGA claims is appropriate, which can be addressed by supplying appropriate comparator cases adopting such a discount. settlement agreement. Should Plaintiffs elect to not file a renewed approval motion within 30 days, the parties must file a joint status report within 45 days, with a proposal for how this litigation should proceed. In light of the foregoing, the Court VACATES the motion hearing scheduled for May 8, 2025. IT IS SO ORDERED. Dated: May 1, 2025 = cok

ARACELI MARTINEZ-OLGUIN

United States District Judge © = Z