

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Iniguez v. ONTRAC LOGISTICS, INC.

No. 24-cv-05854-JD (N.D. Cal. Apr. 10, 2025) · No. 24-cv-05854-JD · Decided April 10, 2025

SUMMARY

The United States District Court for the Northern District of California remands Maritza Iniguez’s employment-law action against OnTrac Logistics and individual defendants to Alameda County Superior Court. The court concludes that defendants did not establish fraudulent joinder of the nondiverse individual defendants by clear and convincing evidence, but denies Iniguez’s request for attorney fees and sanctions.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	James Donato
JURISDICTION	United States District Court for the Northern District of California
DECIDED	April 10, 2025
DOCKET	24-cv-05854-JD
DISPOSITION	remanded
PROCEDURAL POSTURE	Defendants removed plaintiff's California state-law employment action to federal court on the basis of diversity jurisdiction. Plaintiff moved to remand, arguing that the individual California defendants were not fraudulently joined and therefore destroyed complete diversity.
STANDARD OF REVIEW	On a motion to remand, the removing party bears the burden of establishing federal jurisdiction. Alleged fraudulent joinder must be shown by clear and convincing evidence, and the court asks whether there is any nontrivial possibility that a state court could find that the complaint states a claim against a nondiverse defendant.
PRECEDENTIAL VALUE	unpublished district court order; persuasive authority only

TOPICS

- subject matter jurisdiction
- civil procedure
- wage and hour
- flsa
- employment law

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the individual California defendants were fraudulently joined so that their citizenship could be disregarded for purposes of diversity jurisdiction.
2. Whether the record established that there was no possibility that Iniguez could state a wage-and-hour claim against any nondiverse individual defendant under California Labor Code section 558.1.
3. Whether Iniguez was entitled to attorney fees under 28 U.S.C. § 1447(c) because of the removal.
4. Whether sanctions were warranted under Federal Rule of Civil Procedure 11.

HOLDINGS

1. The individual California defendants were not shown to have been fraudulently joined because the complaint alleged a nontrivial possibility that at least Mendoza could be liable under California Labor Code section 558.1. Their citizenship therefore could not be disregarded, complete diversity was absent, and remand was required.
2. Iniguez was not entitled to attorney fees incurred in connection with removal and remand because the record did not show that defendants lacked an objectively reasonable basis for removal.
3. Rule 11 sanctions were not warranted on the record.

KEY QUOTATIONS

“There is a “strong presumption against removal jurisdiction,”” (Opinion at 2)

“short of proving that the plaintiff committed actual fraud in pleading jurisdictional facts, a defendant urging fraudulent joinder must show that the non-diverse party who was joined in the action cannot be liable on any theory.” (Opinion at 2-3)

“If there is any possibility above the trivial or frivolous that the plaintiff can state a claim against the non-diverse defendant, “the federal court must find that the joinder was proper and remand the case to the state court.”” (Opinion at 3)

“The jurisdictional inquiry is not the same as a Rule 12(b)(6) review.” (Opinion at 4)

“Removal is not objectively unreasonable solely because the removing party’s arguments lack merit” (Opinion at 5)

FACTUAL BACKGROUND

Iniguez, a California resident, sued her former employer OnTrac and seven OnTrac employees, all alleged to be California residents. Her wage-and-hour claims against the individual defendants arose under California Labor Code sections 201, 203, 226, and 226.7, and she alleged that at least one individual defendant, Mendoza, was a managing agent or otherwise personally involved in policies resulting in the alleged violations. Defendants submitted a conclusory declaration stating that the individual defendants were not owners, officers, directors, or managing agents and did not participate in creating or developing OnTrac's meal- and rest-break policies.

PROCEDURAL HISTORY

Maritza Iniguez filed suit in Alameda County Superior Court against OnTrac Logistics, Inc. and seven OnTrac employees, asserting disability discrimination, retaliation, wrongful termination, and wage-and-hour claims. Defendants removed the action under 28 U.S.C. § 1332(a)(1), asserting that the individual California defendants were sham defendants whose citizenship should be disregarded. The district court granted remand to the Alameda County Superior Court, denied attorney fees, and declined to impose Rule 11 sanctions.

DISPOSITION

remanded

REMAND INSTRUCTIONS

The action is remanded to the Superior Court of the State of California, County of Alameda. Each side shall bear its own costs and fees connected with the removal and remand proceedings.

CASES CITED

- Kokkonen v. Guardian Life Ins. Co. of Am., 511 U.S. 375, 377 (1994)
- Dole v. Verisk Analytics, Inc., No. 22-cv-06625-JD, 2023 WL 2985116, at *1 (N.D. Cal. Apr. 17, 2023)
- Hansen v. Grp. Health Coop., 902 F.3d 1051, 1057 (9th Cir. 2018)
- Hawaii ex rel. Louie v. HSBC Bank Nev., N.A., 761 F.3d 1027, 1034 (9th Cir. 2014)
- California v. AbbVie Inc., 390 F. Supp. 3d 1176, 1180 (N.D. Cal. 2019)
- Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 109 (1941)
- Geisse v. Bayer HealthCare Pharms. Inc., No. 17-cv-07026-JD, 2019 WL 1239854, at *2 (N.D. Cal. Mar. 18, 2019)
- Grancare, LLC v. Thrower by and Through Mills, 889 F.3d 543, 548-50 (9th Cir. 2018)
- Hunter v. Philip Morris USA, 582 F.3d 1039, 1046 (9th Cir. 2009)
- Hamilton Materials, Inc. v. Dow Chem. Corp., 494 F.3d 1203, 1206 (9th Cir. 2007)
- White v. Ultramar, Inc., 21 Cal. 4th 563, 573 (1999)
- Usher v. White, 64 Cal. App. 5th 883, 886 (2021)
- Martin v. Franklin Capital Corp., 546 U.S. 132, 141 (2005)
- Lussier v. Dollar Tree Stores, Inc., 518 F.3d 1062, 1065 (9th Cir. 2008)
- Jordan v. Nationstar Mortg. LLC, 781 F.3d 1178, 1184 (9th Cir. 2015)

OPINION

1 UNITED STATES DISTRICT COURT 2 NORTHERN DISTRICT OF CALIFORNIA 3 4
MARITZA V. INIGUEZ, Case No. 24-cv-05854-JD 5 Plaintiff, ORDER RE REMAND v. 6 7
ONTRAC LOGISTICS, INC., et al., Defendants. 8 9 10 Plaintiff Maritza Iniguez sued her former
employer OnTrac Logistics, Inc. (OnTrac) and 11 seven OnTrac employees, alleging California

state law claims of disability discrimination, 12 retaliation, and wrongful termination, among other claims.

See Dkt. No. 1-3 (Compl.). Iniguez 13 originally filed the case in Alameda County Superior Court, and defendants removed the action to 14 this Court on an allegation of traditional diversity jurisdiction under 28 U.S.C. § 1332(a)(1). Dkt. 15 No. 1. Iniguez asks for a remand to state court. Dkt. No. 12.

The parties' familiarity with the 16 record is assumed, and the case is remanded to state court. 17 The parties agree that Iniguez and OnTrac have diverse citizenship. See Dkt. No. 1; Dkt. 18 No. 12 at 3. They disagree about the effect of the individual defendants -- Sergio Mendoza, Mark 19 Mohead, Eugene Granadosin, Marie Sadler, Terri Hart, David Madlock, and Traci Blackwell -- 20 who, like Iniguez, are California residents.

See Compl. ¶¶ 3, 5-11.1 The individual defendants are 21 named in the eighth, ninth, tenth, and eleventh causes of action for violations of the California 22 Labor Code §§ 201, 203, 226, and 226.7, for failure to provide meal breaks, rest breaks, accurate 23 wage statements, and timely wages following discharge. Compl. ¶¶ 134-72. Defendants say the 24 individual defendants are sham defendants who were fraudulently joined and whose citizenship 25 should consequently be disregarded for jurisdictional purposes.

See Dkt. No. 1 at 5-9. 26 27 1 Iniguez also named fifty "Doe Defendants," Compl. ¶ 12, but the "citizenship of defendants sued 1 The governing standards for the remand motion are well established. As in all federal 2 cases, the foundational principle is that the jurisdiction of the federal courts is limited to what is 3 authorized by the Constitution and statute.

Kokkonen v. Guardian Life Ins. Co. of Am., 511 U.S. 4 375, 377 (1994). "Diversity jurisdiction arises when a plaintiff sues a citizen of a different state 5 over an amount in controversy exceeding \$75,000." Dole v. Verisk Analytics, Inc., No. 22-cv- 6 06625-JD, 2023 WL 2985116, at *1 (N.D. Cal. Apr. 17, 2023) (citing 28 U.S.C. § 1332(a)). "An 7 out-of-state defendant may remove to federal court 'any civil action brought in a State court of 8 which the district courts of the United States have original jurisdiction.'" Id. (quoting 28 U.S.C. 9 § 1441(a)). "A plaintiff may move to remand the action to state court if the case was improperly 10 removed because of a lack of subject-matter jurisdiction." Id. (citing 28 U.S.C. § 1447(c)).

There 11 is a "strong presumption against removal jurisdiction," Hansen v. Grp. Health Coop., 902 F.3d 12 1051, 1057 (9th Cir. 2018) (internal quotation and citation omitted), and any doubt about removal 13 weighs in favor of remand, see Hawaii ex rel. Louie v. HSBC Bank Nev., N.A., 761 F.3d 1027, 14 1034 (9th Cir. 2014). "Principles of federalism, comity, and respect for the state courts also 15 counsel strongly in favor of scrupulously confining removal jurisdiction to the

precise limits that 16 Congress has defined.” *California v. AbbVie Inc.*, 390 F. Supp. 3d 1176, 1180 (N.D.

Cal. 2019) 17 (citing *Shamrock Oil & Gas Corp. v. Sheets*, 313 U.S. 100, 109 (1941)). 18 The burden of establishing removal is even heavier when a defendant is said to have been 19 fraudulently joined to defeat jurisdiction. “There are two ways to establish fraudulent joinder: 20 ‘(1) actual fraud in the pleading of jurisdictional facts, or (2) inability of the plaintiff to establish a 21 cause of action against the non-diverse party in state court.’” *Geisse v. Bayer HealthCare Pharms.*

22 Inc., No. 17-cv-07026-JD, 2019 WL 1239854, at *2 (N.D. Cal. Mar. 18, 2019) (quoting *Grancare, 23 LLC v. Thrower by and Through Mills*, 889 F.3d 543, 548 (9th Cir. 2018)) (internal citation 24 omitted). “[S]hort of proving that the plaintiff committed actual fraud in pleading jurisdictional 25 facts, a defendant urging fraudulent joinder must show that the non-diverse party who was joined 26 in the action cannot be liable on any theory.” *Id.* (quoting *Grancare*, 889 F.3d at 548) (internal 27 quotation omitted). “Our circuit has emphasized that this inquiry is not the same as the Rule 1 “It has a lower bar and requires only that there is a possibility that a state court would find that the 2 complaint states a cause of action against any of the [non-diverse] defendants.” *Id.* (quoting 3 *Grancare*, 889 F.3d at 549) (internal quotation omitted) (emphasis in original). “This means that 4 the joinder of a non-diverse party will not necessarily be deemed fraudulent even if the claim 5 could be dismissed.” *Id.* (quoting *Grancare*, 889 F.3d at 549). “In effect, the ‘possibility’ 6 standard is akin to the ‘wholly insubstantial and frivolous standard for dismissing claims under 7 Rule 12(b)(1).’” *Id.* (quoting *Grancare*, 889 F.3d at 549-50).

If there is any possibility above the 8 trivial or frivolous that the plaintiff can state a claim against the non-diverse defendant, “the 9 federal court must find that the joinder was proper and remand the case to the state court.” *Hunter 10 v. Philip Morris USA*, 582 F.3d 1039, 1046 (9th Cir. 2009) (quotations and citation omitted). 11 There is a “‘general presumption against [finding] fraudulent joinder,’” which adds to the 12 usual presumption against removal in all cases under Section 1332(a) and imposes a particularly 13 heavy burden on the defendant to prove.

Grancare, 889 F.3d at 548 (quoting *Hunter*, 582 F.3d at 14 1046). The defendant has some leeway to present facts outside the complaint, but the complaint is 15 usually the best guide in determining whether joinder was fraudulent, and in any event the 16 defendant must prove fraudulent joinder by clear and convincing evidence. *Id.* at 549; *Hamilton 17 Materials, Inc. v. Dow Chem.*

Corp., 494 F.3d 1203, 1206 (9th Cir. 2007). 18 Here, the possibility of the individual defendants’ liability for Iniguez’s wage-and-hour 19 claims turns on Section 558.1 of the California Labor Code. As the Section states: 20 (a) Any employer or other person acting on behalf of an employer, 21 who violates, or causes to be violated, any provision regulating minimum wages or hours and

days of work in any order of the 22 Industrial Welfare Commission, or violates, or causes to be violated, Sections 203, 226, 226.7, 1193.6, 1194, or 2802, may be held liable 23 as the employer for such violation.

24 (b) For purposes of this section, the term “other person acting on behalf of an employer” is limited to a natural person who is an 25 owner, director, officer, or managing agent of the employer, and the term “managing agent” has the same meaning as in subdivision (b) 26 of Section 3294 of the Civil Code. 27 Iniguez says that the individual defendants were directors, officers, or managing agents of 1 independent authority and judgment over decisions that ultimately determine corporate policy.” 2 White v. Ultramar, Inc., 21 Cal. 4th 563, 573 (1999).

To be held individually liable under Labor 3 Code Section 558.1, which went into effect on January 1, 2016, a person acting on behalf of an 4 employer must have had “personal involvement in the enumerated violations in section 558.1; or, 5 absent personal involvement, ha[d] sufficient participation in the activities of the employer -- 6 including, for example, over those responsible for the alleged wage and hour violations -- such 7 that the [person] may be deemed to have contributed to, and thus have ‘cause[d]’ such violations.” 8 Usher v. White, 64 Cal. App.

5th 883, 886 (2021). 9 The allegations of facts in the complaint with respect to these elements are a bit 10 perfunctory. See Compl. ¶¶ 5-11. Plaintiff says, for example, that “[u]pon information and belief, 11..., at all relevant times, Defendant MENDOZA was a ‘managing agent’ and/or ‘supervisor’ 12 within the meaning of Code of Civil Procedure § 3294(b) and Civil Government Code 13 § 12926(r),” and that Mendoza “is or was an employee, agent, servant, supervisor, managing 14 agent, owner, partner, joint venturer, director, and/or officer of Defendant [OnTrac].” Id. ¶ 5.

15 But defendant’s proffer in response, namely the declaration of Michael Hishmeh, OnTrac’s 16 Director of HR Business Partners, is purely conclusory. See Dkt. No. 13-1. For each of the seven 17 individual defendants, Hishmeh makes the same boilerplate recitation that the employee “played 18 no role in the creation or development of OnTrac’s meal and rest break policies and has no 19 authority to amend these policies,” and the employee “is not and has never been an owner, officer, 20 director, or managing agent of OnTrac.” Id. ¶ 3 (Mendoza), ¶ 4 (Granadosin), ¶ 5 (Madlock), 21 ¶ 6 (Mohead), ¶ 7 (Sadler), ¶ 8 (Blackwell), ¶ 9 (Hart).

22 This will not do for purposes of removal. The jurisdictional inquiry is not the same as a 23 Rule 12(b)(6) review. Iniguez need meet only a “lower bar [that] requires only that there is a 24 possibility that a state court would find that the complaint states a cause of action against any of 25 the [non-diverse] defendants.” Geisse, 2019 WL 1239854, at *2 (quotations omitted).

Iniguez has 26 crossed that bar. Her complaint alleges, for example, that defendant Mendoza’s “substantial 27 independent authority and judgment affected company policies and practices

pertaining to meal 1 wage statements,” and his “involvement in company policies resulted in Labor Code violations 2 || that Plaintiff suffered, including code sections pertaining to meal breaks, rest breaks, minimum 3 || wage payments, overtime payments, timely payment, and itemized wage statements.” Compl. § 5.

4 || Iniguez also alleges that Mendoza was “personally involved in the purported violation of one or 5 || more of the enumerated provisions.” Jd. OnTrac’s conclusory declaration fails to refute these 6 || allegations by clear and convincing evidence, and instead confirms that Mendoza was “employed 7 as an Operations Manager at the Fremont, California facility.” Dkt.

No. 13-1 4 3. 8 Consequently, this is not a record that supports the conclusion that Iniguez has no chance 9 || of recovering against any of the individual defendants. Removal to federal court was improper, 10 || and the case is ordered remanded to the Superior Court of the State of California, County of 11 || Alameda. 28 U.S.C § 1447(c). 12 Iniguez’s request for attorney fees is denied.

Dkt. No. 12 at 8-10. Under 28 U.S.C. 5 13 § 1447(c), “[a]n order remanding the case may require payment of just costs and any actual 14 || expenses, including attorney fees, incurred as a result of the removal.” “Absent unusual 3 15 circumstances, courts may award attorney’s fees under § 1447(c) only where the removing party a 16 || lacked an objectively reasonable basis for seeking removal.” *Martin v. Franklin Cap.*

Corp., 546 3 17 U.S. 132, 141 (2005). Removal is not objectively unreasonable solely because the removing 18 || party’s arguments lack merit, and whether to award costs and expenses is within the Court’s 19 discretion. See *Lussier v. Dollar Tree Stores, Inc.*, 518 F.3d 1062, 1065 (9th Cir. 2008); *Jordan v. 20 Nationstar Mort. LLC*, 781 F.3d 1178, 1184 (9th Cir.

2015). 21 On the record just discussed, an award of attorney’s fees is not warranted under 28 U.S.C. 22 § 1447(c). There is also no good cause to impose sanctions under Federal Rule of Civil Procedure 23 11. Each side will bear its own costs and fees in connection with the removal and remand 24 || proceedings. 25 IT IS SO ORDERED. 26 || Dated: April 10, 2025 27 28 JAMEYPONATO Unitedffttates District Judge