Publications

Punitive Damages Ruled Not Recoverable for California Labor Code Violations

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Reversing a jury verdict awarding punitive damages to a former golf course employee, the California Court of Appeal has held that such damages cannot be recovered for claims under the California Labor Code for unpaid wages, minimum wage violations, meal and rest breaks violations, and pay stub violations under the "new right-exclusive remedy doctrine." Brewer v. Premier Golf Properties, No. 050686 (Cal. Ct. App. Dec. 3, 2008). This doctrine provides that where a statute creates new rights and obligations, the express statutory remedy generally is exclusive. Punitive damages also were unavailable because they are ordinarily limited to actions "not arising from contract." Because the plaintiff’s claims arose from rights based on her employment contract, the court concluded, punitive damages were not available.

Plaintiff Christine Brewer worked as a waitress at a restaurant at a golf course and was paid an hourly wage, plus tips. In 2002, the defendant purchased the golf course with plans to update the facilities. A new food and beverage manager decided to change the restaurant from a coffee shop to a steak house and to open a snack bar on the golf course. Following these changes, the plaintiff was offered the position at the snack bar, which she accepted. Shortly after her reassignment, the plaintiff injured her back while performing her duties and took a leave absence. Thereafter, the employer closed the snack bar. Upon her return from leave, the plaintiff asked to return to her former position on the afternoon shift in the restaurant. Because the employer had hired other waitresses for that shift, it assigned her to the morning shift. After approximately one month, the plaintiff again asked to be assigned to the afternoon shift, but the employer refused. The plaintiff subsequently resigned.

The plaintiff sued the employer for various California Labor Code violations. A jury found in favor of the plaintiff and awarded her $956.10 for unpaid wages and $195,000 as punitive damages. The jury also awarded $2,646 for meal period violations, $3,314.25 for rest period violations, and $19,300 in penalties. The parties filed motions for judgment notwithstanding the verdict or a new trial. The trial court conditionally granted the employer's motion for a new trial on the grounds of excessive damages, unless the plaintiff agreed to a reduced punitive damages award of $75,000. The plaintiff accepted the reduced award without waiving her appellate rights, and the parties appealed.

Reviewing the law on punitive damages, the appeals court found the availability of such damages was constrained by the "new right-exclusive remedy doctrine." Under this doctrine, where a statute creates new rights not previously existing in the common law, "the express statutory remedy is deemed to be the exclusive remedy available for statutory violations, unless it is inadequate."

The employer argued that the Labor Code provisions created new rights not previously existing at common law; thus, the new right-exclusive remedy doctrine precluded a punitive damages award. The court agreed with the employer and rejected the plaintiff's argument that the statutory remedy and penalties for such violations were inadequate. The plaintiff sought and recovered the maximum $4,000 penalty for pay stub violations, a penalty of $15,300 for overtime violations, as well as damages for meal and rest period violations, which satisfied the law. Accordingly, the court held that the plaintiff was not entitled to recover punitive damages on her Labor Code claims.

The court then stated that, even if the remedies in the Labor Code were not exclusive, the plaintiff could not recover punitive damages because such damages ordinarily are limited to those actions "not arising from contract." The court found that the Labor Code provisions governing meal and rest

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breaks, minimum wages, and accurate pay stubs constituted obligations arising from the plaintiff's employment contract. Accordingly, the court concluded that the breach of an obligation arising out of an employment contract, even when the obligation is implied in law, does not support tort recoveries or punitive damages.

This case provides welcome news to employers confronting litigation involved Labor Code violations. In litigating claims involving unpaid wages, meal or rest period violations, or paystub violations, employers should consider moving to strike such claims early in the case, thereby removing a significant obstacle to settlement.

To avoid such litigation in the first instance, employers should develop clear policies covering meal and rest periods and enforce them, inform employees to take their breaks, and audit payroll records to ensure that employees are compensated at the correct wage and overtime rates. Jackson Lewis attorneys can assist employers in conducting such audits and in developing strategies to address wage and hour litigation.

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