

Articles

"California Supreme Court Agrees Employees Are Entitled to More Time to Bring Wage Claims"

Employer Alert

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Employees enjoyed a significant win with the recent ruling rendered by the California Supreme Court in a wage claim case brought by a former employee seeking compensation for unpaid breaks and rest periods. At issue was the interpretation of California Labor Code section 226.7 which provides, among other things, that if an employer fails to provide an employee a meal period or rest period, the employer shall pay the employee one additional hour of pay. In an unanimous ruling, the court was convinced that, collectively, the language, purpose, and legislative history of Labor Code section 226.7 intended the provision to *compensate* employees for their injuries rather than to *penalize* employers for wage violations. This distinction was crucial to the plaintiff's case because a claim to recover wages is subject to a three-year statute of limitations whereas a claim for penalties is subject to a one-year statute of limitations. The court's ruling in favor of the three-year statute of limitations meant the plaintiff's wage claim for unpaid breaks and rest periods was not barred by limitations.

In *Murphy v. Kenneth Cole Productions, Inc.*, Cal., No. S140308, April 16, 2007, John Paul Murphy worked as a store manager in a Kenneth Cole Productions ("KCP") retail clothing store. Following his employment, Murphy filed a wage claim with the Labor Commissioner seeking unpaid overtime and waiting time penalties. Murphy claims that he was unaware he could also make a claim for rest and meal period and itemized pay statement violations. The Labor Commissioner issued a decision in Murphy's favor. KCP filed a notice for de novo review with the San Francisco Superior Court. On appeal, Murphy, having retained counsel, also asserted claims for meal and rest period and itemized pay statement violations. KCP objected to the introduction of new claims but the trial court overruled the objections. The trial court awarded judgment in favor of Murphy as to all of his claims. In doing so, the trial court exercised jurisdiction over Murphy's new claims and applied a three-year statute of limitations on Murphy's claim for meal and rest period violations.

KCP appealed from the judgment arguing that the court erred in addressing claims for meal and rest period and itemized pay statement violations that had not been previously raised before the Labor Commission and that the payments ordered for the meal and rest period violations were penalties, and thus subject to a one-year statute of limitations. The court of appeals reversed the trial court, ruling that the payments assessed for meal and rest period violations were penalties subject to a one-year statute of limitations and that claims may not be raised for the first time on de novo appeal from a Labor Commission hearing.

The Supreme Court, however, reversed these portions of the appellate court's decision. With respect to providing a three-year limitation period, the high court's decision was based largely on its determination that the legislature intended section 226.7 first and foremost to compensate employees for their injuries, not to penalize employers. Further, the Supreme Court concluded that permitting trial courts to exercise jurisdiction over the entire wage dispute, including related wage claims not raised before the Labor Commissioner, is consistent with the trial courts' broad discretion in adjudicating claims at trial.