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PERSPECTIVE

## California Court of Appeal refuses to cut large award of attorney's fees and costs despite low damage recovery

By John-Paul S. Deol

In the evolving landscape of employment law in California, the case of *Elinton Gramajo v. Joe's Pizza on Sunset Inc. et al.* emerges as a significant development with wide-ranging implications for both employers and employees. This case was brought by Elinton Gramajo, a former pizza delivery driver for Joe's Pizza. Gramajo sued his employer for violations of the California Labor Code, specifically those pertaining to minimum and overtime wages.

Gramajo's case went all the way to jury, resulting in an award of \$7,659.93, reflecting damages for unpaid minimum wages, unpaid overtime wages, statutory interest, waiting time penalties, liquidated damages, and statutory penalties. Subsequently, Gramajo sought attorney fees of \$296,920 and costs of \$26,932.84 under Labor Code section 1194(a), which traditionally supports prevailing employees in recovering reasonable litigation expenses.

The trial court rejected Gramajo's request for fees and costs in its entirety, attributing the denial to an excessive, overzealous litigation approach and a misalignment between the efforts expended and the very modest monetary recovery. The trial court emphasized that the request was grossly dispro-



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portionate to the success achieved and criticized counsel's presentation of the case as an unlimited civil proceeding, rather than a limited jurisdiction case.

The Court of Appeal overturned the trial court's decision, emphasizing that employees victorious in actions to recover unpaid minimum and overtime wages are

inherently entitled to their reasonable litigation costs and attorneys' fees under Labor Code section 1194(a), irrespective of the actual amount recovered. On the one hand, this ruling marks a critical affirmation of employee rights. On the other hand, it may embolden lawyers to over-litigate smaller lawsuits in order to obtain large

fee awards at the end of a case, regardless of how successful they were in obtaining a large verdict.

The Court of Appeal analyzed the interplay between Labor Code section 1194(a) and Code of Civil Procedure section 1033(a), the latter granting trial courts discretion to deny costs to plaintiffs who recover an amount within a limited

civil case threshold but who instead opt to file their matter as an unlimited civil case. In the end, the appellate court favored the policy underlying the Labor Code over the provision in the Code of Civil Procedure.

For employees, the decision reaffirms their entitlement to recover reasonable litigation costs (including attorneys' fees) in wage and hour disputes, a principle intended to mitigate the financial risk for workers seeking to enforce their rights under labor laws, no matter how small the dispute. Employers will certainly see a steady increase in demand letters and subsequent lawsuits as employees and their counsel become more confident in pursuing seemingly insignificant damages awards.

For employers, the substantial likelihood of an award of costs and fees, even in the face of a minimal recovery of damages, may influence settlement negotiations and the resolution of labor disputes outside of court. Employers will need to think twice before litigating even small cases, lest they risk paying multiples of the ultimate damages award in fees and costs. Employers will need to prepare to settle disputes early and be pragmatic in assessing potential claims to avoid the escalation of disputes. Employers should prepare for the possibility that, even if they largely prevail on the amount of damages awarded in wage and hour disputes, the financial impact of taking the case to trial may be ultimately crippling due to the po-

tential award of attorney fees and costs to prevailing employees. This is, of course, in addition to the costs and fees they will themselves incur in simply litigating their defense.

The policy rationale underlying the court's decision reflects a broader legislative intent to prioritize worker rights in California. By reinforcing the mandate for attorney fees and costs for prevailing employees, the court focused on the importance of access to justice and the effective enforcement of California labor laws. Ultimately, the ruling enhances the protective mechanisms available to workers, ensuring that the pursuit of past-due wages, in whatever amount, is not overshadowed by the threat of overwhelming legal costs.

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