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California Court of Appeal Affirms Judgment in Stadium Workers' Labor Code §201 Suit

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A California Court of Appeal ruled in favor of firm client, the San Francisco Baseball Associates LLC (the San Francisco Giants) in a lawsuit where a plaintiff asserted a novel theory that the Giants failed to immediately pay him "final" wages due at "discharge" – i.e., at the end of every homestand, season, and between-season-events held at the Giants stadium – purportedly in violation of California Labor Code §§ 201 and 203.

Background on the Case

In November 2015, plaintiff Melendez, a security guard, filed suit against the Giants, claiming that the Giants violated §§ 201 and 203 of the California Labor Code because 1) he and other "day of game" employees who were "intermittently" employed, were "discharged" at the end of each homestand, baseball season and other inter-season event held at Giants stadium; and 2) the Giants failed to immediately pay these employees their "final" wages at the time of each such "discharge" (occurring at least a dozen (or more) times per season).

Plaintiff's underlying theory was ostensibly based on: (1) Labor Code §201, which provides that when an employer "discharges" an employee, all final wages earned and unpaid at the time of discharge are due and payable "immediately"; and (2) the ruling of the California Supreme Court in *Smith v. Superior Court (L'Oreal)*, 123 Cal.App.4th 128 (2006), in which the Supreme Court found that, where an employee is hired for a specified assignment or period of time, they are deemed "discharged" at the conclusion of such assignment or time period.

The Giants initially asserted that the claim was preempted by Section 301 of the Labor Management Relations Act ("LMRA") given that the term (i.e., duration) of the employees' employment was a matter of contract between the parties, and the terms and conditions of that contract was memorialized in a collective bargaining agreement ("CBA"), which required the claim to be submitted to grievance arbitration under the parties' CBA. Despite early success before the Court of Appeal on this issue, the California Supreme Court reversed, finding that (1) while the CBA was "relevant" to the inquiry, there was no LMRA preemption; and (2) the merits of the underlying dispute, which the Court was not going to address, was an issue of first impression and both parties had presented "credible arguments" as to interpretation of Labor Code § 201. (*See* Melendez v. San Francisco Baseball Associates LLC)

Within months of that decision, on January 1, 2020, the California Legislature unanimously enacted section Labor Code §201.8, which specified that for "events employees" employed by a professional baseball team, the *completion of a specific job assignment or time period does not, by itself, constitute a "discharge" or termination of employment under Section 201*, and that payment of wages to such employees are deemed timely when paid on the next payday. Both parties agreed that this statute ended Plaintiff's claims, but they disputed whether it

applied to Plaintiff's existing claims. In June 2021, the trial court ruled in favor of the Giants, finding that the Legislature "changed" the law by enacting Section 201.8 but intended it to apply *retroactively* to all existing causes of action from the date of its enactment. As a result, the trial court dismissed all of Plaintiff's claims, with prejudice. Later that year, the plaintiff appealed the decision.

On March 7, 2024, the California Court of Appeal affirmed the trial court's ruling on alternative grounds, agreeing with the Giants and holding that Section 201.8 *clarified* existing law, as evidenced by the timing of the legislation (so shortly after the Supreme Court's ruling in *Melendez*), the circumstances giving rise to the legislation, and through its legislative history (which expressly referenced the Giants' litigation, Plaintiff's new theory, the uncertainties and challenges caused by it and that the legislation intended to clarify the law on these issues). Having found Section 201.8 to be a clarification, the Court of Appeal did not reach the issue of retroactivity.

This ruling vindicates the Giants' positions that: (1) their ongoing relationship with their employees is not arbitrarily terminated at the end of every homestand, season or inter-season event (a dozen or more times a year), which would also not only generate confusion for the Giants' employees but also impose significant practical challenges on the Giants; and (2) the Giants' practice of paying their employees on regular pay day for their work during any given pay period – rather than on an arbitrary day imposed by operation of law a few days earlier – is not only correct but fully compliant with California law.

The Sheppard Mullin team that represented the Giants was led by Labor & Employment partners Babak Yousefzadeh and Brian Fong and associate John Ellis.

Click here to read the opinion.

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