

The California Supreme Court – July 1, 2022

by Faisal Zubairi, Jill Gutierrez, and Jessica M. Leano

Yesterday, the California Supreme Court issued the following decision:

Grande v. Eisenhower Medical Center, No. S261247: In this case, a staffing agency arranged for a nurse to work at a hospital. The nurse sued the staffing agency for violating the Labor Code and Unfair Competition Law but did not name the hospital as a defendant. The nurse settled her claims with the staffing agency as part of a putative class action, and the court entered judgment upon that settlement. The nurse then sued the hospital based on the exact same allegations, and the hospital claimed that because of the first judgment, claim preclusion precluded the nurse's suit against the hospital. The superior court disagreed. In a bench ruling, it held that claim preclusion did not apply because the hospital and staffing agency were not in privity. The hospital petitioned for writ of mandate in the Court of Appeal. The Court of Appeal agreed that the nurse's settlement with the staffing agency did not release the same claims against the hospital. The hospital then sought California Supreme Court review.

The Court affirmed in a published decision. It first reaffirmed that claim preclusion can only be asserted as a defense by a party to the first action, or someone in privity with a party to the first action. The hospital was not a party to the first action. Further, the Court found no privity between the hospital and the staffing agency for several reasons. There was no privity because the hospital and the staffing agency had "different legal interests." Nor could claim preclusion be based on a claimed indemnification or agency relationship between litigants with different legal interests.

In addition, the Court suggested in dicta that "there is a strong argument" that an agreement giving rise to a judgment should control the preclusive effect of that judgment. Here, the underlying settlement agreement giving rise to the judgment included the staffing agency and its various affiliates and agents in the definition of "Released

Related People

- Faisal Zubairi
- Jill Gutierrez
- Jessica M. Leano

Related Capabilities

- Appellate

Parties,” but did not include the staffing agency’s clients generally or the hospital specifically. Because the settlement agreement giving rise to the judgment did not include the hospital or any group with which the hospital was affiliated (e.g., staffing agency clients), the hospital did not fit within the release. Therefore, the hospital was not in privity for purposes of claim preclusion. The Court expressly stated that future litigants could specify that the releases extend to staffing agency clients – if that result is intended – to avoid this issue.