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## Calif. Ruling Clears Up Pay Stub Rules For Company Names

By **Kirsten Gallacher** (January 17, 2020, 2:32 PM EST)

California has very specific and numerous wage statement requirements that employers must follow.[1] Litigation based on alleged violations of these requirements has increased in recent years, likely spawned by massive verdicts such as the decision in *Magadia v. Wal-Mart Associates Inc.* issued by the U.S. District Court of the Northern District of California requiring Wal-Mart Stores Inc. to pay nearly \$102 million for noncompliant employee wage statements.[2]



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In particular, California Labor Code Section 226(a) specifies nine items that must be included in a wage statement, one of which is "the name and address of the legal entity that is the employer" set forth in Section 226(a)(8). While an employer's name may appear at first blush to be straightforward, interpretation of this requirement — in particular, an employer's use of a name other than the complete name as registered with the California secretary of state — is raising interesting, and potentially costly, questions for employers.

In *Noori v. Countrywide Payroll & HR Solutions Inc.*, the California Court of Appeal's Third Appellate District recently held a wage statement bearing an unregistered acronym for an out-of-state, fictitious business name of the employer did not comply with Section 226(a)(8)'s employer name requirement.[3]

Mohammed Noori sued his former employer, Countrywide Payroll & HR Solutions for, among other things, failure to comply with Section 226(a)(8)'s requirement to include the "name ... of the legal entity that is the employer." Noori alleged that Countrywide's furnishing of wage statements that listed the employer of record as CSSG — an abbreviation for Countrywide Staffing Solutions Group — violated Section 226(a)(8). Noori further alleged CSSG was not registered with the California secretary of state but rather was a fictitious business name for Countrywide Payroll & HR Solutions in other states.

The trial court found that the wage statements provided to Noori, as a matter of law, complied with Section 226(a)(8)'s requirement to include the employer's name.

However, the court of appeal reversed, finding the unregistered acronym for an out-of-state, fictitious business name was insufficient to comply with the employer's name requirement under Section 226(a)(8) as a matter of law.[4] The court reasoned that CSSG is not Countrywide's registered name, nor is it a minor truncation of Countrywide's name.

Rather, the court found that CSSG is a construct, corresponding to Countrywide Staffing Solutions Group that may or may not have meaning to Countrywide employees, and Noori alleged that he thought he was working for a different entity whose worksite he reported to, and could not promptly and easily determine the employer's name from the wage statement alone.

The court held, for purposes of surviving a demurrer, the use of the unregistered acronym CSSG did not satisfy Section 226(a)(8)'s requirement to provide the employer's name as a matter of law and reversed the trial court's decision.

## Guidance

In reaching its decision, the Noori court provided important guidance on the contours of what has — and what has not — been found to comply with Section 226(a)(8)'s requirement that the wage statement list "the name ... of the legal entity that is the employer."

First, the court held the statute does not expressly require that the employer state its complete name or its name as registered with the California secretary of state.[5] Second, an employer's use of a fictitious business name can satisfy the statute.

For example, use of YRC Freight, a California-registered fictitious business name, instead of the legal corporate name YRC Inc., did not violate the statute.[6] The Noori court also observed that "use of an acronymic name that is the registered fictitious business name is proper." [7]

Third, minor truncations of the employer's name have been found to satisfy Section 226(a)(8)'s name requirement. For example, use of Spherion Pacific Work LLC, instead of Spherion Pacific Workforce LLC,[8] as well as Farmland Mutual Insurance Co., rather than the registered name Farmland Mutual Insurance Company,[9] did not violate the statute.

In contrast, however, more severe truncations or alterations of an employer's name — in particular, use of a shortened name or abbreviation that renders the name confusing or unintelligible — can violate the statute, particularly where confusion might ensue, as the Noori court observed.[10] For example, an employer's use of First Transit alongside a logo, instead of First Transit Transportation LLC, may violate the statute where a different entity called First Transit Inc. also exists.[11]

More recently, use of Walmart alongside a logo for the truncated version of employer Wal-Mart Stores Inc. was found to violate Section 226(a)(8) where multiple, separate entities share the same initial word "Walmart" as well as the same address, rendering the employer's name confusing and unintelligible.[12]

## Limiting Exposure Under California's Private Attorneys General Act

Failure to comply with the specific requirements on wage statements as outlined in Section 226(a), including the employer's name requirement of Section 226(a)(8), can result in significant exposure for the employer. Therefore, it is important for an employer, particularly in California, to review wage statements to ensure compliance. With respect to the employer's name, employers should evaluate whether the entity listed as the employer on the employee wage statement complies with Section 226(a)(8)'s requirement, particularly in light of the guidance provided above.

Proactive review — and correction, if necessary — of the employer's name can significantly limit an employer's exposure for claims based on alleged violations of Section 226(a)(8). In addition to cutting off potential exposure for a statutory claim, such proactive measures can significantly limit exposure for penalties under California's Private Attorneys General Act, as an alleged violation of Section 226(a)(8) is curable under PAGA, Labor Code Section 2699.3(c).

To that end, an ounce of prevention in ensuring the employer name listed on the wage statement is compliant with Section 226(a)(8) could undoubtedly be worth a pound of cure, particularly for potential PAGA claims.


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[1] Cal. Labor Code § 226(a).

[2] **Magadia v. Wal-Mart Associates Inc.**,  et al. (N.D. Cal. 2019) 384 F.Supp.3d 1058.


[3] The case is **Mohammed Noori v. Countrywide Payroll & HR Solutions, Inc.** , (Cal. App. 3d Dist. Dec. 26, 2019) No. C084800, 2019 WL 7183403, ---Cal.Rptr.---, at \*4 (Murray, J.) ("Noori") This article does not address other issues raised in the case.

[4] Noori, *supra*, 2019 WL 7183403, ---Cal.Rptr.---, at \*4-5.

[5] *Id.* at \*4.

[6] **Savea v. YRC Inc.**  (2019) 34 Cal.App.5th 173, 180.

[7] Noori, *supra*, 2019 WL 7183403, ---Cal.Rptr.---, at \*4.

[8] **Elliot v. Spherion Pacific Work, LLC**  (C.D. Cal. 2008) 572 F.Supp.2d 1169, 1179.

[9] **Mejia v. Farmland Mutual Insurance Company**  (E.D. Cal., June 26, 2018, No. 2:17-cv-00570TLN-KJN), 2018 WL 3198006, at \*5.

[10] Noori, *supra*, 2019 WL 7183403, ---Cal.Rptr.---, at \*4.

[11] **Clarke v. First Transit, Inc.** (C.D. Cal., Nov. 4, 2010, No. CV-07-6476 GAF (MANX), 2010 WL 11459323.

[12] **Mays v. Wal-Mart Stores, Inc.**  (C.D. Cal. 2019) 354 F. Supp. 3d 1136, 1144.

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