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California's Labor Laws Apply to Work Performed by Non-California Residents in California

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The Issue: Must a company employing non-residents of California to work mostly outside of California abide by California overtime pay laws and other California Labor Code requirements for work these non-resident employees perform in California?

The Answer: Yes, employers of non-California residents must abide by the California Labor Code when these non-resident employees perform work in California, even when these non-resident employees perform most of their work outside of California.

The Case: Three employees of Oracle Corporation sought to bring a class action against Oracle to recover overtime pay under the California Labor Code. Two of these employees were residents of Colorado and the third employee was a resident of Arizona. These employees, and hundreds of others in the putative class, were employed by Oracle as "Instructors" to travel throughout the United States training customers on the use of Oracle software. They worked primarily in their home states, but occasionally traveled to California to perform training work in California. Under California law, these employees would be entitled to overtime pay for work that did not qualify for overtime pay under their home states' laws or federal law.

The Analysis: Because the lawsuit was brought in a federal court sitting in California, California's choice-of-law rules apply. Applying these choice-of-law rules, California overtime law applies to work performed in California by non-residents because California law is materially different than the other potentially applicable laws; California has a clear interest in applying its labor laws to all work performed within its boundaries; and the states of the employees' residences (Colorado and Arizona) have no interest in applying their minimum wage laws to work performed by their residents in California. Applying California law does not violate the Due Process Clause of the U. S. Constitution because there are sufficient contacts with California to make the application of California law neither arbitrary nor fundamentally unfair. Applying California law does not violate the Dormant Commerce Clause of the U. S. Constitution because California has chosen to treat out-of-state residents equally with its own.

The Other Issue Decided: Plaintiffs also sought to recover under California's unlawful business practices law for alleged violations of federal overtime law for work performed outside of California. The trial court dismissed this claim and the appellate court affirmed this dismissal. The Legislature did not intend California's unfair business practices law to have force or operation beyond the boundaries of the state.

Was This a Close Call? Yes. The federal trial court ruled in favor of Oracle, granting Oracle summary judgment on all three of the employees' claims. The federal appellate court reversed the trial court on the two claims seeking overtime pay under California law for work performed in California, and affirmed the trial court in dismissing the third claim for overtime pay under federal law for work performed outside of California.

Citations: *Sullivan v. Oracle Corporation* 2008 DJDAR 16630, (filed November 6, 2008); California Labor Code section 510(a); California Business and Professions Code section 17200 et seq.