

S 219236

SUPREME COURT
FILED

Case No.

JUN 11 2014

IN THE SUPREME COURT OF THE
STATE OF CALIFORNIA

Frank A. McGuire Clerk
Deputy

MAUREEN DESAULLES,

Plaintiff / Appellant,

v.

COMMUNITY HOSPITAL OF THE MONTEREY PENINSULA,

Defendant / Respondent /
Petitioner

Court of Appeal of the State of California, Sixth District
Case No. H038184
Superior Court of the State of California, County of Monterey
Case No. M85528

PETITION FOR REVIEW

Attorney for Defendant / Respondent /
Petitioner
COMMUNITY HOSPITAL OF THE
MONTEREY PENINSULA

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I. ISSUE PRESENTED

Do settlement proceeds qualify as a “net monetary recovery” under Code of Civil Procedure Section 1032, subdivision (a)(4)?

II. INTRODUCTION: WHY REVIEW SHOULD BE GRANTED

Under Code of Civil Procedure Section 1032 (“Section 1032”), subdivision (a)(4), a party with a “net monetary recovery” is a prevailing party entitled to recover costs “as a matter of right.” In this case, the Sixth District Court of Appeal ruled in a published decision that proceeds obtained *in a settlement* qualify as a “net monetary recovery” under Section 1032. The Court of Appeal’s opinion directly conflicts with existing case law, creates a split of authority on an issue of importance to the courts and litigants, and creates uncertainty with respect to costs procedures. It was exactly this type of uncertainty that the Legislature sought to avoid when it enacted Section 1032. (*Chinn v. KMR Property Management* (2008) 166 Cal.App.4th 175, 189 [the current version of Section 1032 was enacted in 1986 “to simplify the ... procedure for determining ... costs, thereby relieving court congestion and easing judicial workload.”]) Supreme Court review is needed in this case to resolve this decisional conflict and to ensure that the legislative goal of maintaining clear procedural rules for determining costs is preserved.

Prior to the Court of Appeal’s ruling, the law was clear that settlement proceeds did *not* qualify as a “net monetary recovery” under Section 1032. The court in *Chinn v. KMR Property Management, supra*, examined the legislative history of Section 1032 and found that “[c]onstruing the term ‘net monetary recovery’ in context, we conclude that the Legislature did not intend to include settlement proceeds received by the plaintiff in exchange for a dismissal in favor of the defendant.” (*Chinn, supra*, 166 Cal.App.4th at 188.) The *Chinn* ruling ensures the internal consistency of Section 1032. Under Section 1032, and pursuant to well-

established case law, “a defendant in whose favor a dismissal is entered” is a prevailing party. (See e.g. *Santisas v. Goodin* (1998) 17 Cal.4th 599, 606; *Cano v. Glover* (2006) 143 Cal.App.4th 326, 331.) The *Chinn* court reasoned that allowing the term “net monetary recovery” to include settlement proceeds “would lead to an absurd result” because both a settling plaintiff who received settlement proceeds and a settling defendant who obtained a dismissal, would be entitled to an award of costs. (*Chinn, supra*, 166 Cal.App.4th at 189.) By ruling that settlement proceeds do not qualify as a net monetary recovery, the court in *Chinn* ensured a procedural framework for determining costs awards that was coherent, consistent with case law, and consistent with the legislative goal of simplifying costs procedures. The *Chinn* decision, and the procedural framework it created, was accorded further support by this Court’s holding in *Goodman v. Lozano* (2010) 47 Cal.4th 1327. In that case, the Court made clear that Section 1032’s net monetary recovery analysis looks only to the actual monetary value of the judgment itself and does not take into account overall success of the plaintiff through settlement.

The decisional conflict created by the Sixth District Court of Appeal’s opinion upsets the balance and the procedural simplicity created by *Chinn* and other decisions. By providing the basis for *two* parties to a settlement to assert prevailing party status, the ruling will lead to disputes over costs issues and will create further complexities in the law as courts are forced to choose one prevailing party in circumstances where case law supports a finding of two prevailing parties. This is sure to further burden an already overburdened court system. Supreme Court review is needed to resolve the decisional conflict the Court of Appeal’s decision creates, to help effectuate the Legislature’s goal of simplifying costs procedures, and to aide in the administration of justice and ensure that court congestion is minimized.

III. STATEMENT OF FACTS

A. Background Facts

Plaintiff Maureen deSaulles, (“plaintiff”), worked as a registrar for defendant Community Hospital of the Monterey Peninsula (the “Hospital”) from March 2005 to July 2006. (Joint Appendix, (“JA”), 151, 177.) She initiated an action against the Hospital on July 17, 2007 alleging that the Hospital failed to accommodate her disability. (JA 1-40.) Plaintiff’s alleged disability prevented her from being around ill people. (JA 60-61.) It is undeniable that being around ill people is an essential function of a registrar position in a hospital. (JA 202.) Despite the difficulty of accommodating such a restriction, the Hospital attempted to accommodate plaintiff and found accommodations that included an open position that had no patient contact. (JA 26-27.) Plaintiff rejected the accommodations and instead brought a civil action alleging a first cause of action for failure to accommodate, a second cause of action for retaliation, a third cause of action for breach of implied contract, a fourth cause of action for breach of the covenant of good faith, a fifth cause of action for emotional distress, a sixth cause of action for “punitive damages,” and a seventh cause of action for termination in violation of public policy. (JA 1-40, 171.) Plaintiff’s second through seventh cause of action were based largely on her first cause of action and her claim that she was not reasonably accommodated.

The Hospital filed a motion for summary judgment and requested that the trial court dismiss the action because it was undisputed that the Hospital had offered plaintiff a reasonable accommodation. (JA 37-38.) The trial court dismissed plaintiff’s main cause of action for failure to accommodate, but allowed her to proceed to trial on the other claims. (JA 39-40.) At trial, the Hospital filed a motion in limine seeking to preclude plaintiff from introducing any evidence at trial regarding the Hospital’s alleged failure to accommodate since that claim had been summarily

adjudicated in the Hospital's favor. (JA 185-186.) The trial court granted the motion, which effectively precluded plaintiff from establishing her second, fifth, sixth, and seventh causes of action at trial. The trial court therefore adjudicated those causes of action in the Hospital's favor. (JA 185-186.)

The parties then entered into a settlement agreement whereby plaintiff agreed to, and did, dismiss with prejudice her two remaining causes of action in exchange for payment of \$23,500. (JA 185; 141; Attachment 2.) Plaintiff's dismissals terminated the action in the trial court. The settlement only concerned plaintiff's two contract claims and plaintiff retained her right to appeal the claims adjudicated by the trial court. (JA 98) The parties further agreed to hold off on filing any motions or memorandums of costs pending any appeals. (JA 99, 276.) The settlement served the Hospital's litigation purposes by eliminating the costs of trial and effectively providing the Hospital with exactly what it would have obtained had it prevailed at trial: dismissal with prejudice of plaintiff's two remaining claims. Moreover, and with respect to the issue of costs, this procedure was permitted under controlling appellate case law. Under *Chinn, supra*, settlement proceeds do not qualify as a "net monetary recovery" in determining the prevailing party in an action. Accordingly, under *Chinn*, it was not possible for plaintiff to claim that the settlement sum she received automatically entitled her to costs as a prevailing party.

The trial court then issued a judgment based on the summary judgment ruling, the rulings at trial, and the voluntary dismissals, which provided that "[p]laintiff recover nothing from defendant." (JA 276; Attachment 2.)

Plaintiff filed an appeal challenging the trial court's rulings and the Court of Appeal denied the appeal in its entirety. (JA 144-223.)

Thereafter both parties filed a memorandum of costs. (JA 49-69; JA

82-86.) Each party moved to strike the other's costs. (JA 87-115; JA 119-21.) On January 18, 2012, the trial court exercised its discretion to strike plaintiff's costs and award the Hospital its costs. (JA 377-378; Reporter's Transcript 7:6-14; Attachment 2.)

Plaintiff then appealed the costs award to the Court of Appeal arguing that the ruling in *Chinn* should be rejected and that the amount that she received in settlement made her the prevailing party for purposes of costs.

B. The Court of Appeal's Decision

On May 2, 2014, the Court of Appeal issued a published decision expressly rejecting the *Chinn* case and reversing the costs award to the Hospital. The Court of Appeal ruled that contrary to the holding in *Chinn*, a settlement payment may qualify as a net monetary recovery under Section 1032. (Typed opn. p. 19; Attachment 1) The holding is contrary not only to *Chinn*, but to other cases as well that, together with *Chinn*, have established a clear procedural framework for resolving costs issues.

The court in *Chinn* analyzed the legislative history of Section 1032 and determined that by enacting Section 1032, the Legislature intended to exclude settlement proceeds from the definition of "net monetary recovery." (*Chinn, supra*, 166 Cal.App.4th at 189-190.) The Court of Appeal in this case rejected *Chinn* and held that "we disagree with *Chinn's* view that a settlement payment can never qualify as a net monetary recovery under Section 1032, subdivision (a)(4) when an action is dismissed." (Typed opn. p. 19) The Court of Appeal's ruling rests on its finding that there is "nothing" in the language of Section 1032 that "requires a trial court to disregard a settlement payment as a 'net monetary recovery.'" (Typed opn. p. 19)

In addition to being contrary to *Chinn*, the Court of Appeal's opinion conflicts with case law that holds that a defendant who obtains a dismissal

as a result of a settlement is the prevailing party under Section 1032. There exists a long line of cases that hold that a defendant who obtains a dismissal is the prevailing party, regardless of whether the dismissal is voluntary or entered as part of a settlement. (*Cano v. Glover* (2006) 143 Cal.App.4th 326, 331; *Great Western Bank v. Converse Consultants, Inc.* (1997) 58 Cal.App.4th 609, 612-614; *Crib Retaining Walls, Inc. v. NBS/Lowry, Inc.* (1996) 47 Cal.App.4th 886; *City of Industry v. Gordon* (1972) 29 Cal.App.3d 90, 93; *Spinks v. Superior Court* (1915) 26 Cal.App. 793, 795.) By permitting plaintiffs who provide dismissals in exchange for settlement sums to claim prevailing party status, the Court of Appeal's decision creates decisional conflict with these cases as well as *Chinn*.

IV. LEGAL DISCUSSION

A. SUPREME COURT REVIEW IS NECESSARY TO RESOLVE THE DECISIONAL CONFLICT CREATED BY THE COURT OF APPEAL'S OPINION AND TO HELP CLARIFY COSTS PROCEDURES UNDER SECTION 1032.

1. **The *Chinn* holding that settlement funds fail to qualify as a net monetary recovery is consistent with the law, legislative intent, and the goals of simplifying and streamlining procedures for determining costs.**

The *Chinn* decision created a procedural framework for analyzing costs issues that is consistent with legislative intent, case law, and the goals of simplifying procedures for determining costs. By rejecting *Chinn* and creating decisional conflict, the Court of Appeal's opinion undermines this framework and diminishes the clarity that the Legislature sought to create when it enacted Section 1032. The result will be more disputes over costs and more work for courts.

In 1986, the Legislature enacted the current version of Section 1032. In its current form, Section 1032 defines "prevailing party" as a party "with

a net monetary recovery, a defendant in whose favor a dismissal is entered, a defendant where neither plaintiff nor defendant obtains any relief, and a defendant as against those plaintiffs who do not recover any relief against that defendant.” (*Chinn, supra*, 166 Cal.App.4th at 187.) Section 1032 provides that costs are available as “a matter of right” when the prevailing party is within one of these four categories. (*Chinn, supra*, 166 Cal.App.4th at 188.)

“The purpose of the 1986 legislation, which was sponsored by the California Judges Association (CJA), was to streamline the rules and procedures on the award of litigation costs, which were deemed ‘hard to find and hard to follow.’” (*Goodman v. Lozano* (2010) 47 Cal.4th 1327, 1335 (citations omitted); see also *Wakefield v. Bohlin* (2006) 145 Cal.App.4th 963, 996 (dis. Opn. of Mihara, J.) [The “overriding purpose” of the 1986 legislation was to “eliminate confusion.”].) The Senate Committee on Judiciary noted that the purpose of the legislation was “to consolidate the relevant law governing recovery of costs and to simplify the present procedure for determining these costs, thereby relieving court congestion and easing judicial workload.” (*Chinn, supra*, 166 Cal.App.4th 189.) The decision in *Chinn* helped establish a procedural framework for analyzing costs that was in line with these legislative goals.

The court in *Chinn* reviewed the history of costs statutes in California and explained that earlier statutes “codified case law interpreting a voluntary dismissal as a judgment in the defendant’s favor” that entitled the defendant to costs. (*Chinn, supra*, 166 Cal.App.4th 187.) The court cited legislative history that stated that the 1986 legislation was not intended to change that rule and explained that “[n]othing in the background materials accompanying the proposed amendment mentioned settlement proceeds or suggested the definition of ‘prevailing party’ in section 1032 would change existing law to permit an award of costs to a

plaintiff following a dismissal.” (*Chinn, supra*, 166 Cal.App.4th at 190.) In fact, Section 1032 expressly provides that “a defendant in whose favor a dismissal is entered” is a prevailing party for purposes of Section 1032. This is true regardless of whether the dismissal is voluntary or involuntary. (*Santisas v. Goodin* (1998) 17 Cal.4th 599, 606 [defendant entitled to costs under Section 1032 after plaintiff voluntarily dismissed action.].) It is true regardless of whether the dismissal is with prejudice or without prejudice. (*Cano v. Glover* (2006) 143 Cal.App.4th 326, 331 [“Defendant is entitled to costs regardless of whether the dismissal is with or without prejudice.”].) And it is true regardless of whether the dismissal comes about by way of a settlement. (*Great Western Bank v. Converse Consultants, Inc.* (1997) 58 Cal.App.4th 609, 612-614; *Crib Retaining Walls, Inc. v. NBS/Lowry, Inc.* (1996) 47 Cal.App.4th 886, 890.)

The *Chinn* court reasoned that allowing the term “net monetary recovery” to include settlement proceeds “would lead to an absurd result, as both plaintiff and defendants would be entitled to an award of costs as a matter of right.” (*Chinn, supra*, 166 Cal.App. 4th at 188.) The court therefore concluded that “[c]onstruing the term ‘net monetary recovery’ in context, we conclude that the Legislature did not intend to include settlement proceeds received by the plaintiff in exchange for a dismissal in favor of the defendant.” (*Chinn, supra*, 166 Cal.App.4th at 188, 190.) In addition to being consistent with legislative history and case law, and by ensuring internal consistency within Section 1032, this ruling created a procedural framework for analyzing costs that is simple and straightforward: Defendants who obtain dismissals are prevailing parties and plaintiffs cannot claim prevailing party status by virtue of receipt of settlement amounts. This rule not only aides in the resolution of costs issues before the courts but it facilitates settlement of cases between parties by creating a clear, concise rule with respect to costs at settlement.

This framework, moreover, was implicitly endorsed by the California Supreme Court in *Goodman v. Lozano* (2010) 47 Cal.4th 1327. In *Goodman*, the plaintiffs sought joint damages from multiple defendants. The plaintiffs settled with several defendants for \$230,000 and at trial obtained a verdict of \$146,000 against the remaining defendants. (*Goodman, supra*, 47 Cal.4th at 1331.) Pursuant to the mandatory provisions of Code of Civil Procedure Section 877, (not applicable here), the trial court offset the damage award with the settlement funds plaintiffs received from the other defendants, resulting in a judgment of \$0. (*Goodman, supra*, 47 Cal.4th at 1331-1332.) The Supreme Court ruled that the plaintiffs were not entitled to costs under Section 1032 because they did not obtain a “net monetary recovery.” (*Goodman, supra*, 47 Cal.4th at 1333-1338.) If settlement funds were included in the term “net monetary recovery,” the *Goodman* plaintiffs would necessarily have been the prevailing parties because they obtained a settlement of \$230,000. Instead, the Court looked to the final judgment alone to determine net monetary recovery. (*Goodman, supra*, 47 Cal.4th at 1333-1338.)

The *Goodman* case offers further support for the *Chinn* holding by providing a definition of the term “net monetary recovery” that *cannot* include amounts obtained by settlement. The Court made clear that the term “net monetary recovery” was to be given its common meaning. (*Goodman, supra*, 47 Cal.4th at 1333 citing *Wakefield v. Bohlin* (2006) 145 Cal.App.4th 963, 992 (dis. Opn. of Mihara, J.)) And the common meaning of “recovery” is to recover *by verdict, decree, or judgment*. (Random House Unabridged Dictionary 1613 (2nd ed. 1993) [“Recovery” is “the obtaining of right to something by verdict or judgment of a court of law”]; Black’s Law Dictionary 1302 (8th ed. 2004) [defining recovery as ‘an amount awarded in or collected from a judgment or decree’]; *Gebelein v. Irvin* (1992) 231 Ill. App. 3d 1011, 1014 [defining “recovery” as “‘[t]he

restoration or vindication of a right existing in a person, by the formal judgment or decree of a competent court....to have judgment, to obtain a favorable or final judgment, to obtain in any legal manner in contrast to voluntary payment.”] [emphasis in original]; *Gallagher v. Manatee County* (Fla. App. 2006) 927 So.2d 914, 917 [“*Recovery* means ‘the obtaining of right to something by verdict or judgment of a court of law’].) A plaintiff who obtains money by settlement does not gain or recover money by judgment or “by legal process”; a plaintiff who obtains money by settlement obtains money by way of *voluntary agreement* with an opposing party. Accordingly, settlement sums do not fall within the common meaning of the term “net monetary recovery.”

The *Chinn* court’s holding that the term “net monetary recovery” excludes settlement proceeds is consistent with legislative intent and case law, and creates a clear, uncomplicated framework within which to analyze costs issues. The Court of Appeal’s ruling in this case undercuts this framework and creates decisional conflict that will lead to confusion and disputes over costs.

2. The Court of Appeal’s finding that settlement proceeds qualify as a “net monetary recovery” will diminish the clarity of Section 1032, lead to disputes over the resolution of costs issues, and will increase the workload of an already overburdened and underfunded judiciary.

The Court of Appeal’s ruling and its reasoning permit parties who obtain settlement sums to claim costs as a matter of right. The holding creates conflict not just within the case law, but within Section 1032 itself, as it means that both plaintiffs and defendants can claim prevailing party status as a matter of right when a case is dismissed as part of a settlement. This conflict creates a lack of clarity in the law that will lead to disputes over costs issues. And these disputes will further complicate the law as

courts attempt to choose one prevailing party in circumstances where the case law permits two.

The Court of Appeal's holding and its reasoning are broad and create decisional conflict not just with *Chinn* but also with the Supreme Court's decision in *Goodman*. Without specific citation, the Court of Appeal stated that though the Supreme Court in *Goodman* "did not mention *Chinn*, we believe it implicitly rejected *Chinn's* narrow construction of 'net monetary recovery' as not including settlement payments." (Typed opn. p. 19) But the Court in *Goodman* never mentioned *Chinn* because it never analyzed whether settlement proceeds *standing alone* constitute a "net monetary recovery"; rather, the Court analyzed whether *settlement offsets* affected the determination of whether a party had a "net monetary recovery" at trial. These are two wholly separate issues and conflating them leads to conflicting results. Doing so means that at the same time the Court in *Goodman* held that settlement offsets *prohibited* the plaintiff in that case from being a party with a "net monetary recovery," the plaintiff could claim, based on the receipt of settlement proceeds, that it *was* the party with a net monetary recovery. In fact, as explained above, far from rejecting the holding in *Chinn*, the *Goodman* decision implicitly supports the *Chinn* holding because it makes clear that Section 1032's net monetary recovery analysis looks only to the actual monetary value of the *judgment* itself and does not take into account overall success of the plaintiff through settlement.

As further support for its position, the Court of Appeal stated that "[u]nder the pre-1986 version of section 1032, case law established that a settling party could be awarded costs even if the settlement agreement is silent as to costs." (Typed opn. pp. 11-12, 19.) But this is not supported by the cited cases. The cases cited involve consent *judgments*. *Rappenecker v. Sea-Land Service, Inc.* (1979) 93 Cal.App.3d 256, involved the

permissibility of allowing costs after a plaintiff accepted a Section 998 offer by a defendant *to allow judgment to be taken*. The court held that the resulting judgment could result in a costs award to the plaintiff. Nothing about this ruling is contrary to *Chinn* because nothing in *Chinn* prohibits a plaintiff from obtaining costs after gaining a favorable judgment.¹

The Court of Appeal's rule that settlement proceeds qualify as net monetary recovery is also inherently difficult to apply. In reaching its conclusion, the Court of Appeal distinguished between settlements "accomplished through legal process" and other settlements. (Typed opn. p. 16.) The Court of Appeal found that in this case, the settlement was obtained through legal process, and therefore amounted to a net monetary recovery, because it was achieved on the day of trial orally before the court. (Typed opn. p. 16.) As explained above, this definition of the terms "to gain by legal process" and "recovery" conflicts with the standard legal definition of these terms, which refer to "[t]he restoration or vindication of a right existing in a person, by the formal judgment or decree of a competent court.... in contrast to voluntary payment." (*Gebelein, supra*, 231 Ill. App. 3d at 1014 (emphasis added).) The Court of Appeal's definition of "net monetary recovery," moreover, will also lead to disputes regarding whether settlements obtained in other contexts—such as during mandatory settlement conferences, or through judicial mediation programs, or after a civil complaint is filed—are settlements "accomplished through legal process" and therefore need to be placed in a category separate from other settlements for purposes of determining costs.

¹ In *Folsom v. Butte County Assn. of Governments* (1982) 32 Cal.3d 668, 677, another case cited by the Court of Appeal, the court followed *Rappenecker* and only reaffirmed that costs and fees may be allowed following entry of a consent decree or consent judgment. (*Folsom, supra*, 32 Cal. At 677-678.)

Ultimately, the Court of Appeal's decision rests on its conclusion that the *language* in Section 1032 contains "nothing [that] requires a trial court to disregard a settlement payment as a 'net monetary recovery.'" (Typed opn. p. 19) This ruling has broad implications that are contrary to legislative intent and case law. If, as the Court of Appeal held, "nothing in section 1032 requires a trial court to disregard a settlement payment as a 'net monetary recovery,'" then a plaintiff in receipt of settlement funds can claim prevailing party status as a party with a net monetary recovery even when the defendant obtains a dismissal. In fact, the Court of Appeal makes this clear in its ruling. (Typed opn. p. 19 ["we disagree with *Chinn's* view that a settlement payment can never qualify as a net monetary recovery under Section 1032, subdivision (a)(4) *when an action is dismissed*"] [emphasis added] and Typed opn. pp. 19-20 ["[a]lthough Employer obtained a dismissal for its payment, ... we see no reason why this settlement payment does not fall within *Goodman's* interpretation of 'net monetary recovery.'"]) This holding therefore leads directly to the possibility of two settling parties being prevailing parties as a matter of right. And this, in turn, will lead to disputes over the issue of costs and further decisional conflicts as courts grapple with the conflict created by this decision.

In the instant action, for example, to find that there was only one prevailing party, the Court of Appeal was forced to create decisional conflict in addition to that created with *Chinn*. The plaintiff in this case received no redress from the trial court and the Hospital obtained a judgment that specifically provided that "[p]laintiff recover nothing from defendant." This made the Hospital a prevailing party under Section 1032 because, under Section 1032, a defendant is a prevailing party as a matter of right when the plaintiff recovers no "relief" against the defendant. Under existing case law, the term "relief" as it is used in Section 1032 refers to

“assistance, redress or benefit *from the court*” rather than sums received voluntarily through settlement. (*Childers v. Edwards* (1996) 48 Cal.App.4th 1544, 1549 [emphasis added].) Because of the Court of Appeal’s ruling that a plaintiff who obtains settlement proceeds is a prevailing party, the Court of Appeal faced a situation in which there were two potential prevailing parties: the plaintiff who obtained settlement proceeds and the Hospital, based on plaintiff’s failure to obtain any relief from the trial court. To resolve this conflict, and find that there was only one prevailing party, the Court of Appeal was forced to create further decisional conflict by ruling that the receipt of settlement proceeds constitutes “relief” for purposes of Section 1032. (Typed opn. p. 26)

The Court of Appeal’s ruling broadly permits parties who obtain settlement proceeds to claim costs as a matter of right. This ruling creates decisional conflict and creates fertile soil for more legal conflicts and more disputes over the issue of costs. Supreme Court review of this decision is necessary to resolve the dispute between this case and the *Chinn* case and to ensure clarity in the law with respect to costs procedures.

V. CONCLUSION

Section 1032 was enacted in 1986 “to simplify the ... procedure for determining ... costs, thereby relieving court congestion and easing judicial workload.” (*Chinn, supra*, 166 Cal.App.4th at 189.) By ruling that settlement proceeds do not qualify as a net monetary recovery, the *Chinn* ruling ensured that a procedural framework for determining costs awards was in place that was consistent with the statute, case law, and the legislative goal of simplifying costs procedures. The Court of Appeal’s opinion in this case directly conflicts with *Chinn* and provides the basis for *two* parties to a settlement to assert prevailing party status *as a matter of right*. As such, the opinion creates a decisional conflict that will complicate the resolution of costs matters both in the courts and between parties

seeking to settle cases. And the disputes generated by this conflict will further burden an already overburdened and underfunded court system.

Supreme Court review is necessary to resolve the decisional conflict the Court of Appeal's decision creates, to help effectuate the Legislature's intent of simplifying and clarifying costs procedures, and to aide in the administration of justice and ensure that court congestion is minimized. For these reasons, and those set forth above, the Hospital respectfully requests the Court grant this petition.

Dated: June 11, 2014

FENTON & KELLER

By: 

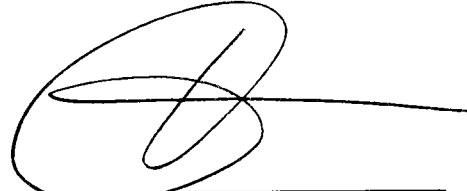
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MONTEREY PENINSULA

CERTIFICATION RE WORD COUNT

I, Christopher E. Panetta, hereby certify pursuant to Rule of Court 8.504(d)(1) that the number of words contained in this Petition for Review is 4,536 words.

Dated: June 11, 2014

FENTON & KELLER

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By: _____

Christopher E. Panetta
Attorneys for Defendant / Respondent /
Petitioner COMMUNITY HOSPITAL
OF THE MONTEREY PENINSULA



COPY

CERTIFIED FOR PUBLICATION

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

SIXTH APPELLATE DISTRICT

MAUREEN DESAULLES,

Plaintiff and Appellant,

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Defendant and Respondent.

H038184
(Monterey County
Super. Ct. No. M85528)

Court of Appeal - Sixth App. Dist.
FILED

MAY - 2 2014

MICHAEL J. YERLY, Clerk

By _____
DEPUTY

I. INTRODUCTION

Dismissal of a civil complaint is said to be voluntary when requested by the plaintiff and involuntary when ordered by the court. A dismissal may be partial, as in this case, where plaintiff Maureen deSaulles (Employee) agreed to dismiss two of her seven causes of action with prejudice in exchange for a payment of \$23,500 from defendant Community Hospital of the Monterey Peninsula (Employer). A civil judgment may also be described as voluntary when entered by stipulation or involuntary when entered by the court after either a judicial decision or a jury verdict.

When an action ends in any of these ways, if the parties have not otherwise agreed on who will pay the costs of litigation, one party may be deemed the prevailing party entitled to mandatory costs. In this appeal by Employee challenging a costs award to Employer, both sides claim entitlement to mandatory costs.

Mandatory costs are governed by Code of Civil Procedure section 1032.¹ As revised in 1986 (Stats. 1986, ch. 377, §§ 5, 6, p. 1578), section 1032 states: “(b) Except as otherwise expressly provided by statute, a prevailing party is entitled as a matter of right to recover costs in any action or proceeding.” Section 1032, subdivision (a)(4) (subdivision (a)(4)) provides a nonexclusive definition of “ ‘prevailing party,’ ” listing four categories. Three of the categories apply only to defendants, namely “a defendant in whose favor a dismissal is entered, a defendant where neither plaintiff nor defendant obtains any relief, and a defendant as against those plaintiffs who do not recover any relief against that defendant.” (Subd. (a)(4).) Only one category – “the party with a net monetary recovery” – is applicable to both defendants and plaintiffs.

Employee characterizes Employer’s settlement payment to her as a net monetary recovery, while Employer says that settlement payments must be disregarded under *Chinn v. KMR Property Management* (2008) 166 Cal.App.4th 175 (*Chinn*). Without separately appealing, Employer contends that it is a defendant in whose favor a dismissal was entered, and also contends that, as the judgment provides that Employee “recover nothing,” it is a defendant against whom Employee recovered no relief.

The trial court awarded costs of \$12,731.92 to Employer in the exercise of its discretion, as a trial court may do when costs are not mandatory. “When any party recovers other than monetary relief and in situations other than as specified, the ‘prevailing party’ shall be as determined by the court, and under those circumstances, the court, in its discretion, may allow costs or not” (Subd. (a)(4).)

This appeal requires us to determine whether either party was entitled to mandatory costs. As we will explain, the case ended in three stages without a trial on the merits. Employer did not obtain a favorable dismissal of the action, but did obtain a

¹ Unspecified section references are to the Code of Civil Procedure.

judgment denying Employee relief. However, Employer obtained the judgment by making a settlement payment that can be considered a net monetary recovery by Employee. As section 1032 does not contemplate both sides prevailing, the trial court exercised discretion in awarding costs. We will reverse the order awarding costs to Employer and denying costs to Employee, determining that, since the parties' settlement was silent regarding costs, Employer's payment of \$23,500 triggered mandatory costs as a "net monetary recovery" under the plain language of the statute.

II. PROCEDURAL HISTORY

A. PREJUDGMENT PROCEEDINGS

Employee was hired in February 2005 as a part-time patient business services registrar. Employee began complaining about her work shift assignments to the emergency room in June 2005. Employer placed Employee on a leave of absence in January 2006 and terminated her employment in July 2006.

In July 2007, Employee filed a complaint alleging that Employer had: (1) failed to accommodate Employee's physical disability or medical condition (susceptibility to infection as a result of cancer); (2) retaliated against Employee for exercising her rights under California's Fair Employment and Housing Act; (3) breached implicit conditions of an employment contract; (4) breached an implied covenant of good faith and fair dealing; (5) negligently and (6) intentionally inflicted emotional distress; and (7) wrongfully terminated Employee in violation of public policy.

On August 1, 2008, the trial court entered a nine-page order ruling on Employer's alternative motions for summary judgment or summary adjudication. The court denied summary judgment, but granted Employer's motion for summary adjudication of the first cause of action alleging a failure to accommodate. The trial court found triable factual issues as to the remaining causes of action and denied summary adjudication of those claims.

Based on the summary adjudication, Employer filed several in limine motions. After hearing argument on September 2, 2008, the trial court orally granted motions in limine numbered 1, 8, and 11, specifically precluding argument by Employee “that [Employer] failed to accommodate [Employee’s] disability or to engage the interactive process or that [Employee] was harassed, discriminated or retaliated against in connection[] with any claims of failure to accommodate or failure to engage the interactive process,” or “regarding [Employee’s] safety complaints, retaliation on union issues ... ” and excluding “evidence of discrimination or failure to accommodate or retaliation claims against [Employer] based on failure to accommodate or engage in the interactive process or make complaints about failure to accommodate or engage in the interactive process.”

At the conclusion of those rulings and before a jury panel was called, the parties placed the following settlement on the record: “[I]n consideration for dismissal with prejudice of the two claims of breach of contract and breach of covenant, Defendant will pay Plaintiff within 10 days \$23,500.” Defense counsel “will prepare a judgment on the remaining claims which references the dismissal with prejudice and which preserves the right of appeal of the rulings of this court on the remaining causes of action” “[T]he parties will not file any motions or memoranda for costs or attorney fees[,] holding off until the completion of the appeal”

B. THE JUDGMENT AND POST-JUDGMENT COSTS CLAIMS

On October 6, 2008, pursuant to the settlement, Employee filed a request for dismissal with prejudice of the breach of contract and breach of covenant claims. On January 6, 2009, the trial court entered an amended judgment which stated: “Having considered the arguments, oral and written, of all the parties, the records and file herein, and the pre-trial motions and oppositions thereto filed herein, and having granted defendant’s Motion in Limine No. 1 to Preclude Any Argument That Defendant Failed to

Accommodate Plaintiff's Disability or to Engage in the Interactive Process, or That Plaintiff Was Harassed, Discriminated or Retaliated Against in Connection Therewith, the Court finds that plaintiff will be unable to introduce any evidence that would establish plaintiff's second cause of action for retaliation, her fifth and sixth causes of action for intentional and negligent infliction of emotional distress, or her seventh cause of action for wrongful termination in violation of public policy; and, [¶] The Court having previously granted summary adjudication of Plaintiff's first cause of action for failure to accommodate; and, [¶] The parties having settled plaintiff's third cause of action for breach of implied in fact contract and fourth cause[] of action for breach of the covenant of good faith and fair dealing, IT IS HEREBY ADJUDGED that, [¶] 1. Plaintiff recover nothing from defendant; and [¶] 2. The Parties shall defer seeking any recovery of costs and fees on this Judgment coming final after the time for all appeals."

Employee filed an appeal from the amended judgment, and this court affirmed the judgment in an unpublished opinion filed on June 29, 2011.²

After this court issued a remittitur, Employer filed a memorandum in the trial court seeking costs of \$11,918.87. Employee filed a memorandum seeking costs of \$14,839.71 and a motion to strike Employer's memorandum, asserting that Employer was not the prevailing party. Employer responded with a motion to strike Employee's memorandum, asserting that Employee was not the prevailing party. Each side filed opposition to the other's motion to tax costs.

After a hearing, the trial court stated, "The Court believes it can exercise its discretion in determining which party did prevail, and because [Employer] prevailed on significant causes of action and thereafter entered into a settlement on the remaining

² On our own motion we have taken judicial notice of the record in the previous appeal. (*DeSaulles v. Community Hospital of the Monterey Peninsula* (June 29, 2011, H033906) [nonpub. opn.])

costs, the Court finds that [Employer] is the prevailing party.”³ The trial court awarded Employer costs of \$12,731.92, which added \$813.05 to the amount sought in Employer’s memorandum for costs of the first appeal. The trial court denied Employee’s request for costs.

III. STATUTORY SCHEME

The California Supreme Court has summarized the statutory scheme for awarding costs to the prevailing party. “Unless otherwise provided by statute, a ‘prevailing party’ is entitled to recover costs in any action or proceeding ‘as a matter of right.’ (§ 1032, subd. (b); § 1033.5, subd. (a)(10)(A)-(C) [allowable costs under § 1032 include attorney fees authorized by contract, statute, or law].) ‘Prevailing party’ for purposes of section 1032(a)(4) is defined as including: ‘[1] the party with a net monetary recovery, [2] a defendant in whose favor a dismissal is entered, [3] a defendant where neither plaintiff nor defendant obtains any relief, and [4] a defendant as against those plaintiffs who do not recover any relief against that defendant.’ If a party recovers anything other than monetary relief and in situations not specified above, a trial court shall determine the prevailing party and use its discretion to determine the amount and allocation of costs, if any. (*Ibid.*; *Michell v. Olick* (1996) 49 Cal.App.4th 1194, 1198 [prevailing party is ‘entitled to costs as a matter of right; the trial court has no discretion to order each party to bear his or her own costs’].)” (*Goodman v. Lozano* (2010) 47 Cal.4th 1327, 1333 (*Goodman*).)⁴

³ The trial court did not state it was exercising its discretion under *Chinn*, as Employee claimed at oral argument.

⁴ Section 1032 states: “(a) As used in this section, unless the context clearly requires otherwise: [¶] (1) ‘Complaint’ includes a cross-complaint. [¶] (2) ‘Defendant’ includes a cross-defendant or a person against whom a complaint is filed. [¶] (3) ‘Plaintiff’ includes a cross-complainant or a party who files a complaint in intervention. [¶] (4) ‘Prevailing party’ includes the party with a net monetary recovery, a defendant in whose favor a dismissal is entered, a defendant where neither plaintiff nor

(Continued)

The parties agree that under the current statute, a trial court has no discretion to deny costs completely when an award is mandatory, though it may exercise discretion over the amount awarded. (*Acosta v. SI Corp.* (2005) 129 Cal.App.4th 1370, 1375-1376; *Michell v. Olick, supra*, 49 Cal.App.4th 1194, 1197-1198; see *Goodman, supra*, 47 Cal. 4th 1327, 1338, fn. 4; *Lincoln v. Schurgin* (1995) 39 Cal.App.4th 100, 105 [costs discretionary when no party qualifies for mandatory award].) Accordingly, in ruling on a request for costs a trial court must determine whether an award is mandatory based on one and only one party “prevailing” according to a statutory definition.

IV. APPEALABILITY

“[S]ince the question of appealability goes to our jurisdiction, we are dutybound to consider it on our own motion.” (*Olson v. Cory* (1983) 35 Cal.3d 390, 398; *Nguyen v. Calhoun* (2003) 105 Cal.App.4th 428, 436 (*Nguyen*).)

Section 904.1, subdivision (a)(1) provides that a judgment is appealable if it is not an interlocutory judgment. Subdivision (a)(2) provides that “an order made after a judgment made appealable by paragraph (1)” is appealable.

Lakin v. Watkins Associated Industries (1993) 6 Cal.4th 644 (*Lakin*) explained at page 651, “Despite the inclusive language of Code of Civil Procedure section 904.1, subdivision (b), not every postjudgment order that follows a final appealable judgment is

defendant obtains any relief, and a defendant as against those plaintiffs who do not recover any relief against that defendant. When any party recovers other than monetary relief and in situations other than as specified, the ‘prevailing party’ shall be as determined by the court, and under those circumstances, the court, in its discretion, may allow costs or not and, if allowed may apportion costs between the parties on the same or adverse sides pursuant to rules adopted under Section 1034. [¶] (b) Except as otherwise expressly provided by statute, a prevailing party is entitled as a matter of right to recover costs in any action or proceeding. [¶] (c) Nothing in this section shall prohibit parties from stipulating to alternative procedures for awarding costs in the litigation pursuant to rules adopted under Section 1034.”

appealable. To be appealable, a postjudgment order must satisfy two additional requirements.” (Fn. omitted.) One requirement “is that the issues raised by the appeal from the order must be different from those arising from an appeal from the judgment.” (*Lakin, supra*, at p. 651.) The other requirement is the postjudgment order must “affect the judgment or relate to its enforcement.” (*Id.* at p. 654.) The court explained that an “order denying attorney fees is not preliminary to future proceedings and will not become subject to appeal after a future judgment. Rather, it resembles the orders we have held appealable. It affects the judgment or relates to its enforcement in that it finally determines the rights of the parties arising from the judgment.” (*Ibid.*) In finding the order before it appealable, *Lakins* found support in cases that had “expressly or impliedly held appealable similar postjudgment orders concerning costs, interest, and attorney fees,” including *Norman I. Krug Real Estate Investments, Inc. v. Praszker* (1990) 220 Cal.App.3d 35 (*Praszker*). (*Lakins, supra*, at p. 654.) The court in *Praszker* flatly stated, “A postjudgment order which awards or denies costs or attorney’s fees is separately appealable.” (*Praszker, supra*, at p. 46.)

In *Nguyen, supra*, at page 436, this court stated, “Under the ‘one final judgment’ rule, an order or judgment that fails to dispose of all claims between the litigants is not appealable under Code of Civil Procedure section 904.1, subdivision (a). ‘[A]n appeal cannot be taken from a judgment that fails to complete the disposition of all the causes of action between the parties even if the causes of action disposed of by the judgment have been ordered to be tried separately, or may be characterized as “separate and independent” from those remaining.’ (*Morehart v. County of Santa Barbara* (1994) 7 Cal.4th 725, 743)”

We requested supplemental briefing discussing the applicability of the final judgment rule and the decision in *City of Gardena v. Rikuo Corp.* (2011) 192 Cal.App.4th 595 (*Rikuo Corp.*). *Rikuo Corp.* discussed the requirement that a final judgment must completely dispose of the matter in controversy. The judgment in that

case appeared to do so, as “the consent judgment expressly provide[d] that it was intended to resolve all of the issues in controversy between the parties, including the manner in which disputes over the cost of remediation would be resolved.” (*Id.* at p. 603.) In settling an eminent domain case, the parties agreed that the trial court retained jurisdiction to apportion expenses of remediating contaminated property. (*Id.* at pp. 598–599.) The property owner later filed an appeal from a partial determination of expenses. The appellate court determined that the order was not appealable as a postjudgment order. A postjudgment order is appealable when it follows a judgment made appealable under section 904.1, subdivision (a)(1). (*Id.* at p. 601.) However, the judgment was a consent judgment that was not appealable. (*Id.* at pp. 600–601.)

The appellate court concluded, alternatively, that even if the judgment was appealable because it left open an unsettled issue of remediation expenses for the court to determine, then the challenged order was not appealable because the judgment was not yet final. “[E]ven after entry of those orders, there were issues remaining between the parties concerning further costs of remediation and the entitlement to the remainder of the deposit.” (*Id.* at p. 602.)

Employer argues that Employee seeks recognition as prevailing on her contract claims, which were resolved by settlement. Because Employee consented to dismiss these two causes of action, “no appeal lies from a costs award based on a nonappealable consent judgment.” Employer contends that in settling her contract claims, Employee “settled all issues, including costs issues, concerning those claims.”

Employee points out that *Rikuo Corp.* was distinguished by *Ruiz v. California State Automobile Association Inter-Insurance Bureau* (2013) 222 Cal.App.4th 596 (*Ruiz*) because the settlement agreement in *Ruiz* did not dispose of all issues, but “expressly left open the amounts of the attorney fees and incentive payment, and provided that those amounts would be set by the trial court, up to a specified maximum.” (*Id.* at p. 606.) *Ruiz* concluded that *Rikuo Corp.* was distinguishable “where the Agreement expressly

contemplated further court proceedings and a separate ruling on the attorney fee and incentive payment issues" (*Ibid.*)

We conclude that our situation is like *Ruiz* and not *Rikuo Corp.* Employee agreed to dismiss her remaining two contract claims in exchange for a settlement payment in order to facilitate an appeal of the court's rulings on her remaining claims. The settlement did not dispose of all of Employee's claims. The settlement further contemplated presentation of claims for costs and fees to the trial court upon conclusion of the earlier appeal. We properly treated the original judgment as appealable and the later order on competing costs claims is also appealable.

V. ANALYSIS

When a costs award or the amount of costs is not mandatory but discretionary, the award is reviewed for an abuse of discretion. However, whether the undisputed facts mandate a costs award is a question of law for de novo review. (*Goodman, supra*, 47 Cal.4th 1327, 1332; *Kim v. Euromotors West/The Auto Gallery* (2007) 149 Cal.App.4th 170, 176.)

As both sides claim entitlement to mandatory costs, we first consider whether the facts of the case fit squarely into any of the statutory definitions of "prevailing party."

A. EMPLOYEE'S ENTITLEMENT TO MANDATORY COSTS

Employee argues on appeal that she is due mandatory costs because Employer's settlement payment of \$23,500 qualifies as a "net monetary recovery."

1. DOES A PARTY PREVAIL WHEN AN ACTION IS SETTLED?

Nothing in section 1032 indicates that there can be no prevailing party when an action has been dismissed or a judgment entered based on full or partial settlement. Section 1032 has no provision like that in Civil Code section 1717, subdivision (b)(2), concerning an award of attorney fees provided for by contract: "Where an action has

been voluntarily dismissed or dismissed pursuant to a settlement of the case, there shall be no prevailing party for purposes of this section.”⁵

Under the pre-1986 version of section 1032, case law established that a settling party could be awarded costs even if the settlement agreement is silent as to costs. The leading case is *Rappenecker v. Sea-Land Service, Inc.* (1979) 93 Cal.App.3d 256 (*Rappenecker*), which concluded that plaintiffs could be awarded costs after obtaining compromise judgments under section 998.⁶ The appellate court reasoned that a compromise judgment still qualified as a judgment under former section 1032. (*Rappenecker, supra*, at pp. 263-264.)

In *Folsom v. Butte County Assn. of Governments* (1982) 32 Cal.3d 668 (*Folsom*), the central question was whether a settlement agreement operated “as a merger and bar of all preexisting claims, depriving the trial court of jurisdiction to award costs and statutory attorney fees. (Code Civ. Proc., §§ 1032, 1021.5.)” (*Folsom, supra*, at p. 671;

⁵ Subdivision (b)(2), added to Civil Code section 1717 in 1981 (Stats. 1981, ch. 888, § 1, p. 3399; *Santisas v. Goodin* (1998) 17 Cal.4th 599, 614), “codified the holding of *International Industries, Inc. v. Olen* [(1978)] 21 Cal.3d 218 [*Olen*].” (*Hsu v. Abbata* (1995) 9 Cal.4th 863, 873.) *Olen, supra*, 21 Cal.3d 218 rejected “any rule that permits a defendant to automatically recover fees when the plaintiff has voluntarily dismissed before trial” because there can be diverse reasons for a dismissal. (*Id.* at p. 224.) “Although a plaintiff may voluntarily dismiss before trial because he learns that his action is without merit, obviously other reasons may exist causing him to terminate the action. For example, the defendant may grant plaintiff – short of trial – all or substantially all relief sought, or the plaintiff may learn the defendant is insolvent, rendering any judgment hollow Moreover, permitting recovery of attorney fees by defendant in all cases of voluntary dismissal before trial would encourage plaintiffs to maintain pointless litigation in moot cases or against insolvent defendants to avoid liability for those fees.” (*Ibid.*)

⁶ The Legislature has made special provisions in section 998 to encourage settlement by restricting costs recovery when an offer of compromise is unreasonably rejected. Section 998 authorizes the making of a settlement offer by either side and provides consequences for the rejection of such an offer.

fn. omitted.) Citing *Rappenecker, Folsom* stated that “costs are allowed, absent the parties’ express agreement to the contrary, following entry of a consent decree.” (*Id.* at p. 677.) “Therefore, absent affirmative agreement of the parties to the contrary, the trial court retains jurisdiction after the filing of a compromise agreement to entertain a cost bill.” (*Id.* at p. 679.)⁷

While these cases establish that costs can be awarded after a settlement that is silent about costs, nothing in these cases discusses whether such costs are mandatory or discretionary. Cases after the 1986 revision of section 1032 do not resolve whether a settlement payment qualifies as a “net monetary recovery” for purposes of a mandatory award.

Section 1032, subdivision (c) authorizes parties to make their own agreements regarding the responsibility for costs. By negative implication, when there is no agreement on this topic, the other provisions of section 1032 for a costs award apply.

2. IS “NET MONETARY RECOVERY” LIMITED TO RECOVERY BY JUDGMENT?

The “net monetary recovery” definition of prevailing party was added in the 1986 revision of section 1032. “[F]ormer section 1032 provided that costs are allowed for either a plaintiff or a defendant ‘upon a judgment in his favor’ in various specified actions and, in other actions not specified, the trial court might award costs in its discretion. (Former § 1032, subs. (a)–(c), as amended by Stats. 1957, ch. 1172, § 1,

⁷ In *Folsom, supra*, 32 Cal.3d 668, the settlement agreement did not require a payment from the defendants to the plaintiff. Instead, it required government agencies “to establish four transit systems.” (*Id.* at p. 671.) *Folsom* did determine that a party could be regarded as “successful” and entitled to attorney fees under section 1021.5 (private attorney general theory) for enforcing an important public right by way of settlement. (*Id.* at pp. 681-687.) However, it is established that the test for a “successful party” under section 1021.5 differs from the definition of a “prevailing party” in section 1032. (*Ventas Finance I, LLC v. California Franchise Tax Bd.* (2008) 165 Cal.App.4th 1207, 1234.)

p. 2464.)” (*Goodman, supra*, 47 Cal.4th 1327, 1335.) Although the former statute did not expressly require a calculation of the net monetary recovery, case law has long required assessing the “net result of the judgment” when a plaintiff and a defendant have each recovered on claims against the other.

Shelley v. Hart (1931) 112 Cal.App. 231 (*Shelley*) was the leading case holding that the defendant was entitled to an award of costs when “[t]he net result of the judgment” was “favorable to the defendant.” (*Id.* at p. 243.) In *Shelley*, the plaintiff sued for breach of contract because a truck he purchased did not perform as promised, and the defendant cross-complained for nonpayment of the purchase price. (*Id.* at pp. 237–238.) The plaintiff was awarded \$1,500, while the defendant was awarded \$2,500, yielding a net of \$1,000 to the defendant, who was awarded costs on that basis. (*Id.* at p. 243.)⁸

Does “net monetary recovery” include amounts received through settlement? We have found no definitive authority, but we do find guidance in *Goodman, supra*, 47 Cal.4th 1327, which interpreted the 1986 amendment of section 1032 to determine the continued viability of this court’s decision in *Wakefield v. Bohlin* (2006) 145 Cal.App.4th 963 (*Wakefield*), in which a plaintiff who obtained a trial award was regarded as prevailing, even though the trial award was effectively reduced to zero due to offsetting settlement payments from other defendants. In *Goodman*, home buyers sued for construction defects and eventually obtained a trial award of \$146,000 against the sellers, but a zero net judgment due to \$230,000 settlements received from the home

⁸ The net result of the judgment test was extended to where neither side prevailed at trial in *Gerstein v. Smirl* (1945) 70 Cal.App.2d 238, 240–241, and that opinion was quoted with approval by *Schrader v. Neville* (1949) 34 Cal.2d 112, 115. *McLarand, Vasquez & Partners, Inc. v. Downey Savings & Loan Assn.* (1991) 231 Cal.App.3d 1450 reviewed the legislative history of the 1986 revision of section 1032 and found no legislative intent to overturn *Schrader* or to change existing law. (*Vasquez, supra*, at p. 1455.)

builder and other defendants being credited against the trial award. The trial court concluded that the home sellers were prevailing parties entitled to fees and costs. (*Goodman, supra*, at p. 1331.) The Court of Appeal agreed, as did the Supreme Court.

In expressly disapproving of the majority opinion in *Wakefield*, the high court reasoned: “The common meaning of the word “net” is “free from all charges or deductions” or “to get possession of: GAIN [*sic*].” (Merriam-Webster’s Collegiate Dict. (10th ed. 1993) p. 780 (*Webster’s*)). The word “monetary” obviously means “relating to money.” (*Webster’s*, at p. 750.) The word “recover” means “to gain by legal process” or “to obtain a final legal judgment in one’s favor.” (*Webster’s*, at p. 977.) Thus the common meaning of the phrase “the party with a net monetary recovery” is the party who gains money that is “free from . . . all deductions.” [¶] A plaintiff who obtains a verdict against a defendant that is offset to zero by settlements with other defendants does not gain any money free from deductions. Such a plaintiff *gains nothing* because the deductions reduce the verdict to zero.’ (*Wakefield, supra*, 145 Cal.App.4th 963, 992 (dis. opn. of Mihara, J.))” (*Goodman, supra*, 47 Cal.4th 1327, 1333-1334.)

The court noted that this interpretation is consistent with section 877. “Under section 877, subdivision (a), a plaintiff’s settlement with a defendant serves to ‘reduce the *claims* against’ the remaining codefendants. (§ 877, subd. (a), italics added; [citation].) . . . Thus, any reduction for prior settlements is made *before* the entry of judgment. [Citation.] . . . Accordingly, when a plaintiff’s prior settlement is more than the award received at trial, the plaintiff ultimately recovers nothing. [Citation.] In other words, the net recovery is zero.” (*Goodman, supra*, 47 Cal.4th at pp. 1334–1335; fn. omitted.)

Goodman considered the legislative history of the 1986 revision and reasoned that the replacement of the phrase “judgment in his favor” with “the party with a net monetary recovery” was intended to reject the results of *Ferraro v. Southern Cal. Gas Co.* (1980) 102 Cal.App.3d 33 (*Ferraro*) and *Syverson v. Heitmann* (1985) 171 Cal.App.3d 106

(*Syverson*).⁹ (*Goodman, supra*, 47 Cal.4th 1327, 1335–1337.) *Goodman* pointed out that the history “did not refer to the definition of a ‘prevailing party.’ The legislative history reveals instead that at the time current section 1032 was reenacted, the ‘existing statutes d[id] not fully explain the concept of the “prevailing party,”’ and that a ‘comprehensive definition’ was necessary to ‘further eliminate confusion.’ (Rep. on Sen. Bill No. 654, *supra*, at pp. 1, 3.)” (*Goodman, supra*, 47 Cal.4th at p. 1336.) “[W]hile section 1032’s legislative history does not specifically address the precise question before us, it is nonetheless consistent with the conclusion that the meaning of ‘net monetary recovery’ (§ 1032(a)(4)) is not controlled by those cases construing the prior version of section 1032.” (*Id.* at p. 1337; fn. omitted.)

The conclusion of *Goodman* was that the plaintiff was not entitled to costs as a matter of right, not that an award of costs to the plaintiff was precluded by the statute. “Our holding today is simply that a plaintiff whose damage award is offset to zero by a prior settlement does not *categorically* qualify as a prevailing party (‘the party with a net monetary recovery’) as a matter of law.” (*Goodman, supra*, 47 Cal.4th 1327, 1338, fn. 4.) *Goodman* treated a settlement payment as an offset against a monetary recovery in

⁹ *Ferraro* had held that a plaintiff may obtain a favorable judgment against a nonsettling defendant for costs purposes even though the final judgment is reduced to zero by virtue of offsetting payments by settling defendants. In that case, a judgment of zero dollars in damages was entered following a jury verdict of \$91,081.12 in the plaintiffs’ favor due to deductions for previous settlements. (*Ferraro, supra*, 102 Cal.App.3d at p. 37.) As against the nonsettling defendant, the plaintiffs “certainly were the prevailing party in the lawsuit and the fact that the Gas Company did not have to actually pay them any damages was due not to any deficiency in their case, but due to circumstances not directly stemming from the issues regarding liability as litigated between the parties.” (*Id.* at p. 52.)

Ferraro was followed by *Syverson*, in which the court agreed with the plaintiff “that, while he will not recover damages from defendant, he received a favorable verdict with respect to liability, entitling him to costs.” (*Syverson, supra*, 171 Cal.App.3d at p. 112.)

a judgment, but did not discuss whether the payment itself qualified the plaintiff as a prevailing party against the settling defendants.

Our facts present legal issues not discussed in *Goodman*, but its analysis of the phrase “net monetary recovery” is nevertheless helpful. The court’s interpretation is broad enough to include obtaining an amount of money either by a favorable judgment or otherwise by legal process.

At oral argument, Employer disputed that a settlement payment is a recovery by legal process. In the circumstances of this case, when the parties agreed on the day of trial to settle two causes of action and stipulated to settlement “orally before the court” (§ 664.6),¹⁰ we regard the settlement as accomplished through legal process. We need not speculate about settlements in dissimilar circumstances.

3. THE SETTLEMENT PAYMENT HERE QUALIFIES AS A NET MONETARY RECOVERY

In this case, Employer’s settlement payment may be regarded as Employee’s net monetary recovery, while Employer argues that it is due mandatory costs for obtaining a partial dismissal in its favor in exchange for its payment and later a judgment denying Employee any relief on the remaining causes of action. We agree with the Second District Court of Appeal in *Chinn, supra*, 166 Cal.App.4th 175 that the Legislature can not have intended to identify both parties as prevailing and due *mandatory* costs, as this would lead to an unreasonable, if not absurd, result. (*Id.* at p. 188.) Two issues were presented on appeal in *Chinn* after a tenant had dismissed with prejudice her tort claims

¹⁰ Section 664.6 provides: “If parties to pending litigation stipulate, in a writing signed by the parties outside the presence of the court or orally before the court, for settlement of the case, or part thereof, the court, upon motion, may enter judgment pursuant to the terms of the settlement. If requested by the parties, the court may retain jurisdiction over the parties to enforce the settlement until performance in full of the terms of the settlement.”

against the property manager and property owner of her apartment complex in exchange for their settlement payment to her of \$23,500.¹¹ (*Id.* at p. 181.) One was whether the trial court erred in denying the tenant attorney fees as the prevailing party under her lease. The appellate court reversed and remanded for a determination “whether there is a prevailing party for the purpose of an award of attorney fees based on a pragmatic assessment of the extent to which [the plaintiff and defendant] realized their objectives through the settlement.” (*Id.* at p. 193.)

The other issue in *Chinn, supra*, 166 Cal.App.4th 175 was whether the trial court erred in not awarding the tenant enough costs as the prevailing party. The appellate court concluded that the defendants were actually the prevailing parties under section 1032 and due a mandatory costs award. After observing the absurdity of awarding mandatory costs to both sides, the court reasoned that it was not a situation other than as specified. “We recognize that ‘in situations other than specified,’ the trial court has discretion to award costs under section 1032. However, a net monetary recovery and a dismissal in the defendant’s favor are not situations other than specified; they are both specified situations. If the Legislature had intended more than one party to qualify as a prevailing party under the mandatory cost award provision, it easily could have provided for the trial court to exercise discretion to award costs in the event that more than one party qualified as a prevailing party.” (*Chinn, supra*, at p. 189.)¹²

¹¹ The settlement in *Chinn* was coincidentally the same amount as in our case.

¹² In reaching this conclusion, *Chinn, supra*, 166 Cal.App.4th at page 189 disagreed with dictum in *On-Line Power, Inc. v. Mazur* (2007) 149 Cal.App.4th 1079 (*Mazur*). In a case that was remanded for other reasons, *Mazur* directed the trial court to exercise its discretion to determine the prevailing party when “both parties achieved” prevailing party status under section 1032, thus arguably falling “into the ‘situation other than as specified’ category” (*Id.* at p. 1087.)

Chinn, supra, 166 Cal.App.4th 175 resolved the conflict by “[c]onstruing the term ‘net monetary recovery’ in context,” concluding that “the Legislature did not intend to include settlement proceeds received by the plaintiff in exchange for a dismissal in favor of the defendant. The definition of prevailing party provided in section 1032 requires the court to award costs as a matter of right in specified situations. By precluding consideration of settlement proceeds as a ‘net monetary recovery’ when a dismissal is entered in favor of the defendant, only one party qualifies for a mandatory award of costs, consistent with the prior law.” (*Id.* at p. 188.) The court concluded that the property owner and management company, “as defendants with a dismissal entered in their favor, were the prevailing parties for the purposes of an award of costs as a matter of right under section 1032.” (*Id.* at p. 190.)

As indicated, *Chinn* described its interpretation of the current version of section 1032 as a continuation of law existing under the earlier version of the statute. The court stated, “The legislative history of Senate Bill No. 654 (1985-1986 Reg. Session) does not indicate any change in the law to consider settlement proceeds or provide costs to a plaintiff after a dismissal.” (*Chinn, supra*, 166 Cal.App.4th 175, 189.) After reviewing some of the legislative history, the court reiterated, “Nothing in the background materials accompanying the proposed amendment mentioned settlement proceeds or suggested the definition of ‘prevailing party’ in section 1032 would change existing law to permit an award of costs to a plaintiff following a dismissal.” (*Id.* at p. 190.)

When presented with a situation similar to our case, *Chinn* reconciled the competing claims by simply deeming settlement proceeds disqualified as a net monetary recovery where a dismissal was also involved. While we agree that the Legislature did not intend to identify opposing parties as both due mandatory costs, we cannot subscribe to *Chinn*’s other reasoning.

Employer relies on *Chinn* as requiring the trial court to discount the amount Employee received from Employer by way of settlement. Employer contends, like the

defendants in *Chinn*, it obtained a favorable dismissal. As we will explain, however, the partial dismissal in this case does not establish Employer as a prevailing party. Our case is factually distinguishable from *Chinn*. But more fundamentally, we disagree with *Chinn*'s view that a settlement payment can never qualify as a net monetary recovery under section 1032, subdivision (a)(4) when an action is dismissed. Contrary to Employer's argument, nothing in section 1032 requires a trial court to disregard a settlement payment as a "net monetary recovery."

Chinn implied that prior law precluded a plaintiff's recovery of costs following a dismissal. This position overlooked the holding of *Rappenecker*, which upheld costs awards to plaintiffs based on their recovery of settlement payments pursuant to compromise judgments. We note, however, that *Chinn* did rely on *Rappenecker* among other cases in reversing a denial of attorney fees to the plaintiff, concluding that the plaintiff might be deemed a prevailing party for purposes of attorney fees. (*Chinn, supra*, at pp. 184–185.)

Two years after *Chinn*, *Goodman* observed that, while there is no clear indication of the legislative intent regarding settlement payments, use of the phrase "net monetary recovery" did reflect an intent to change the law regarding the impact of settlement payments on a plaintiff's net monetary recovery from a nonsettling defendant. While *Goodman* did not mention *Chinn*, we believe it implicitly rejected *Chinn*'s narrow construction of "net monetary recovery" as not including settlement payments.

When costs are sought under section 1032, subdivision (a)(4), a trial court must determine whether one and only one party fits a statutory definition of prevailing party. From Employee's perspective, though one of her seven causes of action succumbed to a partial summary judgment and four more causes of action were eliminated by motions in limine, she was ultimately paid \$23,500 to dismiss her remaining two causes of action on the eve of trial. Although Employer obtained a dismissal for its payment, except for the unpersuasive reasoning of *Chinn*, we see no reason why this settlement payment does not

fall within *Goodman's* interpretation of "net monetary recovery." Accordingly, the trial court should have recognized Employee as entitled to mandatory costs under the statutory definition of "prevailing party."

B. EMPLOYER'S ENTITLEMENT TO MANDATORY COSTS

1. DID EMPLOYER OBTAIN A FAVORABLE DISMISSAL?

Employer has insisted in briefing and oral argument that it is due mandatory costs as "a defendant in whose favor a dismissal is entered" (subd. (a)(4)) and that the dispositions in this case are tantamount to a dismissal.

Our review of the record discloses that the trial court never entered a judgment expressly dismissing the action. Employee did file a dismissal with prejudice of the two remaining causes of action after the trial court eliminated her other five causes of action in two stages.¹³ On August 1, 2008, the trial court summarily adjudicated the failure to accommodate cause of action and denied summary adjudication of the remaining causes of action. That ruling did not purport to dismiss that cause of action. On September 2, 2008, the trial court granted motions in limine precluding evidence and argument

¹³ Voluntary dismissals are authorized by section 581 in the following situations.

"(b) An action may be dismissed in any of the following instances:

"(1) With or without prejudice, upon written request of the plaintiff to the clerk, filed with papers in the case, or by oral or written request to the court at any time before the actual commencement of trial, upon payment of the costs, if any.

"(2) With or without prejudice, by any party upon the written consent of all other parties.

"... [¶]

"(c) A plaintiff may dismiss his or her complaint, or any cause of action asserted in it, in its entirety, or as to any defendant or defendants, with or without prejudice prior to the actual commencement of trial."

concerning various claims, but the order sustaining the motions in limine did not purport to dismiss the other four causes of action.¹⁴

Section 581 lists a number of situations authorizing involuntary dismissal of an action or cause of action, not including summary adjudication or a successful in limine motion.¹⁵ In response to our request for supplemental briefing, Employer accurately

¹⁴ The granting of the motions in limine was tantamount to a summary adjudication on the four causes of action for retaliation, intentional and negligent infliction of emotional distress, and wrongful termination. (Cf. *R & B Auto Center, Inc. v. Farmers Group, Inc.* (2006) 140 Cal.App.4th 327, 350.) This court has previously cautioned against using in limine motions as a substitute for other dispositive motions described in the Code of Civil Procedure. (*Amtower v. Photon Dynamics, Inc.* (2008) 158 Cal.App.4th 1582, 1593.) As noted in our prior opinion, Employee has not made an issue of the procedure employed in this case. (*DeSaulles v. Community Hospital of the Monterey Peninsula, supra*, p. 75, fn. 29.)

¹⁵ Section 581 provides for involuntary dismissals by the court in a number of situations. The complaint may be dismissed when a demurrer is sustained without leave to amend (§ 581, subd. (f)(1)), a complaint is not amended within the time allowed after demurrer was sustained with leave to amend (§ 581, subd. (f)(2)), or a motion to strike the entire complaint is granted (§ 581, subs. (f)(3), (4)).

The complaint may be dismissed entirely or as to a defendant when the forum is inconvenient (§§ 581, subd. (h), 418.10, subd. (a)(2)), the plaintiff has not advanced the litigation within the time periods required by Chapter 1.5 (beginning with section 583.110) (§ 581, subd. (g)), or a party fails to appear for trial (§ 581, subd. (l)).

Alternatively, the “ ‘action’ ” may be dismissed when the plaintiff has not advanced the litigation within the time periods required by Chapter 1.5 (beginning with section 583.110) (§ 581, subd. (b)(4)) or any party fails to appear for trial (§ 581, subs (b)(3), (5)).

Dismissal is mandatory in two cases. “(d) Except as otherwise provided in subdivision (e), the court shall dismiss the complaint, or any cause of action asserted in it, in its entirety or as to any defendant, with prejudice, when upon the trial and before the final submission of the case, the plaintiff abandons it.

“(e) After the actual commencement of trial, the court shall dismiss the complaint, or any causes of action asserted in it, in its entirety or as to any defendants, with prejudice, if the plaintiff requests a dismissal, unless all affected parties to the trial consent to dismissal without prejudice or by order of the court dismissing the same without prejudice on a showing of good cause.”

points out that section 581 is not exclusive. A trial court's "limited, inherent discretionary power" to dismiss civil claims with prejudice is recognized in case law (see *Lyons v. Wickhorst* (1986) 42 Cal.3d 911, 915, and cases there cited) and in section 581, subdivision (m): "The provisions of this section shall not be deemed to be an exclusive enumeration of the court's power to dismiss an action or dismiss a complaint as to a defendant." (Stats. 1993, ch. 456, § 9, p. 2529.) We find nothing in the record reflecting that the trial court exercised its inherent authority to dismiss this action. A ruling should not be regarded as a dismissal unless it reflects an explicit or implicit intent to dismiss an action or cause of action.

Employer argues that the failure to label a judgment a dismissal is not determinative, relying on *Schisler v. Mitchell* (1959) 174 Cal.App.2d 27, which held that a judgment ordering the plaintiff to take nothing was appealable although the trial court did not order a dismissal after sustaining a demurrer without leave to amend. (*Id.* at p. 29.)

Here, a judgment was eventually entered providing that Employee "recover nothing" from Employer. That judgment recited the earlier dispositions of the various causes of action, beginning with the summary adjudication, then the sustaining of motions in limine, and finally "[t]he parties having settled plaintiff's third cause of action for breach of implied in fact contract and fourth cause[] of action for breach of the covenant of good faith and fair dealing" The judgment did not mention Employee's dismissal with prejudice or the settlement payment and reflects no intent to dismiss any causes of action. Indeed, it appears intended to facilitate appellate review of the earlier rulings, as it deferred requests for costs and fees until after the time for all appeals.

Section 581d states in pertinent part: "A written dismissal of an action shall be entered in the clerk's register and is effective for all purposes when so entered. [¶] All dismissals ordered by the court shall be in the form of a written order signed by the court and filed in the action and those orders when so filed shall constitute judgments and be

effective for all purposes" This statute may be only applicable to dismissals specifically authorized by section 581 (*Lavine v. Jessup* (1957) 48 Cal.2d 611, 615–616) (*Lavine*), but it suggests that the proper form of a dismissal is to order dismissal. (*Boonyarit v. Payless Shoesource, Inc.* (2006) 145 Cal.App.4th 1188, 1192–1193 (*Boonyarit*)).¹⁶ Employer contends that the dismissal in this case was pursuant to the trial court's inherent authority and not pursuant to a particular provision in section 581.

While Employee dismissed two causes of action in exchange for a settlement payment, the trial court itself did not dismiss any causes of action. It makes sense to mandate costs under subdivision (a)(4) only when a dismissal ends the action against a defendant and not when a voluntary dismissal leaves the plaintiff with pending claims against that defendant. Under the pre-1986 version of section 1032, courts had determined that a plaintiff who obtained a favorable judgment was entitled to costs, even if some of the plaintiff's claims failed at trial or were withdrawn. (*Sierra Water & Mining Co. v. Wolff* (1904) 144 Cal. 430, 433-434 [plaintiffs recovered only part of land sought]; *Western Concrete Structures Co. v. James I. Barnes Const. Co.* (1962) 206 Cal.App.2d 1, 11 [judgment favored plaintiff though defendant defeated some causes of action].) *Fox v. Hale & Norcross Silver-Mining. Co.* (1898) 122 Cal. 219 (*Fox*) stated that "[t]he prevailing party is entitled to costs incurred by him[,] whether his recovery be for the whole or a portion of his claim, or whether his claim be made up of one or several

¹⁶ *Boonyarit, supra*, 145 Cal.App.4th 1188 involved an ineffective request by the plaintiff to dismiss six of 16 defendants in connection with filing an amended complaint. Because the plaintiff improperly completed the dismissal form, it was rejected by the court clerk. (*Id.* at p. 1190-1191.) Section 581, subdivision (c), authorizes a plaintiff to request dismissal of defendants prior to the commencement of trial. The court relied on section 581d for guidance as to the form of such a voluntary dismissal (*Boonyarit, supra*, at p. 1192) without indicating that in cases not covered by section 581, section 581d is inapplicable. (*Lavine, supra*, 48 Cal.2d 611, 616.)

causes of action.” (*Id.* at p. 223.)¹⁷ At oral argument, Employer conceded that subdivision (a)(4) does not mandate costs in the case of a partial dismissal when the plaintiff retains live claims.

The summary adjudication did not end the action in Employer’s favor. The sustaining of in limine motions did not end the action in Employer’s favor, as two causes of action remained for trial. The case ended without a trial on the merits because Employee agreed to dismiss her remaining two causes of action, but the judgment entered did not purport to dismiss the entire action. The judgment was intended by its terms to preserve Employee’s right to appeal the court’s rulings on her other claims. Employee did indeed appeal in an ultimately unsuccessful attempt to resurrect those causes of action.

Employee voluntarily dismissed two causes of action and a judgment was entered on the remaining causes. Employer obtained at most a partial voluntary dismissal, which we conclude did not, without more, trigger a mandatory costs award to Employer. In

¹⁷ We have not found authority under the former statute awarding costs to a plaintiff who recovered damages at trial after the voluntary or involuntary dismissal of a cause of action, but *Fox* comes very close. That plaintiff initially obtained a judgment awarding \$210,197.50 on a claim of overpaying the actual costs of milling ores and an additional \$789,618.00 on a claim of fraudulent milling. (*Fox, supra*, 122 Cal. at p. 220.) An appeal resulted in a reversal of the award on the fraud claim and a retrial of that cause of action, after which the plaintiff was awarded \$417,683.00 on the second cause of action. (*Id.* at p. 221.) A second appeal was taken, and after a hearing was held, the plaintiff filed a release of all claims on the second cause of action and asked the California Supreme Court to affirm the judgment on the first cause of action. (*Ibid.*) The high court sustained the release, ordered the judgment modified, and rejected the defendants’ contention that they were the prevailing parties on the withdrawn cause of action in view of the rule that the plaintiff’s partial recovery made it the prevailing party. (*Id.* at p. 223.) *Fox* did not involve a dismissal of a cause of action in the trial court, but the plaintiff’s release of one cause of action was like a dismissal.

contrast, the defendants in *Chinn, supra*, 166 Cal.App.4th 175 obtained a *complete* dismissal of the plaintiff's *action* in exchange for their settlement payment.

2. DID EMPLOYEE RECOVER NO RELIEF AGAINST EMPLOYER?

The amended judgment provides that "Plaintiff recover nothing from defendant." At least superficially this fits the category of "a defendant as against those plaintiffs who do not recover any relief against that defendant," and Employer so argues in its response to our request for supplemental briefing.

We observe that section 1032 distinguishes among different forms of relief. A "net monetary recovery" is one form of relief mandating costs, but the statute also contemplates nonmonetary relief. One issue in *Friends of the Trails v. Blasius* (2000) 78 Cal.App.4th 810 (*Blasius*) was whether the plaintiffs had recovered any type of relief. They had "sought to quiet title to a public easement for recreational purposes" and "also sought injunctive and declaratory relief." (*Id.* at p. 819.) The defendants were property owners and an irrigation district, which used a road easement over the property to maintain a ditch. (*Id.* at p. 818.) The plaintiffs obtained a declaration by the trial court that a public easement had been created (*id.* at pp. 819-820), but the judgment also stated, " 'No relief is granted in favor of plaintiffs against [the irrigation district].'" (*Id.* at p. 820.) Nevertheless, the trial court awarded costs to the plaintiffs against the irrigation district. (*Ibid.*)

On appeal the irrigation district contended that it was the prevailing party under section 1032, subdivision (a)(4), based on the judgment provision denying plaintiffs relief. (*Blasius, supra*, 78 Cal.App.4th 810, 839.) The appellate court rejected the argument, stating "the meaning of that recital is that the court was rejecting the [plaintiffs'] request for affirmative relief against [the irrigation district], i.e., reiterating the [irrigation district] easement or granting injunctive relief. Notwithstanding the recital, in the circumstances of this case, the court could find that relief had been granted

in favor of [the plaintiffs] against [the irrigation district] on the quiet title claim. (See Code Civ. Proc., § 761.030, subd. (b) [‘If the defendant disclaims in the answer any claim, or suffers judgment to be taken without answer, the plaintiff shall not recover costs’]; see generally *Hsu v. Abbara* (1995) 9 Cal.4th 863, 877 [‘We agree that *in determining litigation success*, courts should respect substance rather than form, and to this extent should be guided by “equitable considerations.” For example, a party who is denied direct relief on a claim may nonetheless be found to be a prevailing party [under Civ. Code, § 1717] if it is clear that the party has otherwise achieved its main litigation objective.’ (Original italics.).]) [¶] We conclude that the trial court did not err in determining that this was a case where [plaintiffs] recovered ‘other than monetary relief as to [the irrigation district] and in awarding costs against [the irrigation district].’ (*Blasius, supra*, 78 Cal.App.4th 810, 839.)

Employer, like the irrigation district in *Blasius*, contends it is due mandatory costs based on the judgment provision that Employee shall “recover nothing.” *Blasius* illustrates that a costs award should be based on all aspects of a lawsuit’s final disposition rather than on an isolated phrase in the judgment. The judgment in this case provided that Employee shall recover nothing and also recited that the parties had settled two of the seven causes of action. But the judgment failed to mention that Employee was paid \$23,500 in exchange for dismissing those causes of action. This was not a case where Employee recovered no relief. Employer does not qualify under this definition of prevailing party.

If Employer had qualified as a “prevailing party,” this case could be among the “situations other than as specified” for purposes of awarding mandatory costs. (§ 1032, subd. (a)(4).) However, because we conclude that Employer was not a prevailing party under the statute, the case did not present the trial court with occasion to exercise discretion to determine which party prevailed based on the merits of the case. When only one party fits a “prevailing party” definition, section 1032 operates mechanically to

mandate costs and does not afford the trial court discretion to decide the issue in light of the circumstances, such as by discounting a nuisance settlement. Of course, parties can avoid this mechanical approach by taking care to provide for costs in their settlements. But it is not for this court to rewrite the statute to provide for discretion where it does not now exist.

VI. DISPOSITION

The order awarding costs to Employer and denying costs to Employee is reversed.

Grover, J.

WE CONCUR:

Rushing, P.J.

Márquez, J.

deSaulles v Community Hospital of the Monterey Peninsula

H038184

Trial Court:	Monterey County Superior Court Superior Court No. M85528
Trial Judge:	Hon. Lydia Villarreal
Counsel for Plaintiff/Appellant:	Henry Joachim Josefsberg
Counsel for Defendant/Respondent:	Christopher Edward Panetta Fenton & Keller



ATTORNEY OR PARTY WITHOUT ATTORNEY (Name and Address): <u>Henry J. Josefsberg, Esq., SBN 136772</u> 110 West Ocean Boulevard, Suite 611 Long Beach, California 90802	TELEPHONE NO.: (562) 436-9401	FOR COURT USE ONLY <h1 style="text-align: center;">FILED</h1> <p style="text-align: center;">OCT 06 2008</p> CONNIE MAZZEI CLERK OF THE SUPERIOR COURT DEPUTY <u>J. NICHOLSON</u>
ATTORNEY FOR (Name): <u>Plaintiff Maureen deSaulles</u> Insert name of court and name of judicial district and branch court, if any: <u>Monterey County Superior - Monterey Branch</u>		CASE NUMBER: <p style="text-align: center;">M85528</p>
PLAINTIFF/PETITIONER: <u>Maureen deSaulles</u> DEFENDANT/RESPONDENT: <u>Community Hospital of the Monterey Peninsul</u>		
REQUEST FOR DISMISSAL <input type="checkbox"/> Personal Injury, Property Damage, or Wrongful Death <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other <input type="checkbox"/> Family Law <input type="checkbox"/> Eminent Domain <input checked="" type="checkbox"/> Other (specify): <u>Employment</u>		
- A conformed copy will not be returned by the clerk unless a method of return is provided with the document. -		

1. TO THE CLERK: Please dismiss this action as follows:

- a. (1) With prejudice (2) Without prejudice
- b. (1) Complaint (2) Petition
- (3) Cross-complaint filed by (name): _____ on (date): _____
- (4) Cross-complaint filed by (name): _____ on (date): _____
- (5) Entire action of all parties and all causes of action
- (6) Other (specify):* CA 3 [Breach of Contract] ; CA4 [Breach of Covenant] only - per settlement

Date: September 11, 2008

Henry J. Josefsberg, Esq. -- SBN 136772

(TYPE OR PRINT NAME OF ATTORNEY PARTY WITHOUT ATTORNEY)

*If dismissal requested is of specified parties only of specified causes of action only, or of specified cross-complaints only, so state and identify the parties, causes of action, or cross-complaints to be dismissed.

(SIGNATURE) 

Attorney or party without attorney for:
 Plaintiff/Petitioner Defendant/Respondent
 Cross-complainant

2. TO THE CLERK: Consent to the above dismissal is hereby given.**

Date: September 11, 2008

Christopher E. Panetta, Esq.

(TYPE OR PRINT NAME OF ATTORNEY PARTY WITHOUT ATTORNEY)

** If a cross-complaint or Response (Family Law) seeking affirmative relief is on file, the attorney for cross-complainant (respondent) must sign this consent if required by Code of Civil Procedure section 581 (i) or (j).

(SIGNATURE) 

Attorney or party without attorney for:
 Plaintiff/Petitioner Defendant/Respondent
 Cross-complainant

(To be completed by clerk)

3. Dismissal entered as requested on (date): _____
4. Dismissal entered on (date): OCT 06 2008 as to only (name): 1a(i) b(6) As to CA3 and CA4 only.
5. Dismissal not entered as requested for the following reasons (specify): _____
6. a. Attorney or party without attorney notified on (date): OCT 06 2008
 b. Attorney or party without attorney not notified. Filing party failed to provide
 a copy to conformed means to return conformed copy

Date: OCT 06 2008 CONNIE MAZZEI, by J. NICHOLSON, Deputy

1 CHRISTOPHER E. PANETTA (Bar No. 175127)
 2 AMBER D. PASSNO (Bar No. 224298)
 3 FENTON & KELLER
 4 A Professional Corporation
 5 2801 Monterey-Salinas Highway
 6 Post Office Box 791
 7 Monterey, CA 93942
 Telephone: 831-373-1241
 Facsimile: 831-373-7219

FILED

JAN 06 2009

CONNIE MAZZEI
 CLERK OF THE SUPERIOR COURT
 DEPUTY

Alina Oliver

6 Attorneys for Defendant
 7 COMMUNITY HOSPITAL OF THE MONTEREY
 8 PENINSULA

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF MONTEREY

11 MAUREEN deSAULLES,
 12 Plaintiff,

v.

14 COMMUNITY HOSPITAL OF THE
 15 MONTEREY PENINSULA; and DOES
 1-25,
 16 Defendant.

CASE NO. M 85528

Amended
 [PROPOSED] JUDGMENT

Date of Filing: July 17, 2007
 Trial Date: September 2, 2008

18 This action came on regularly for trial on September 2, 2008 in Department 17 of the
 19 Superior Court, the Honorable Kay T. Kingsley presiding. Henry J. Josefsberg appeared as
 20 attorney for plaintiff MAUREEN deSAULLES ("plaintiff"), and Christopher E. Panetta of
 21 Fenton & Keller appeared as attorney for defendant COMMUNITY HOSPITAL OF THE
 22 MONTEREY PENINSULA ("defendant").

23 Having considered the arguments, oral and written, of all the parties, the records and file
 24 herein, and the pre-trial motions and oppositions thereto filed herein, and having granted
 25 defendant's Motion in Limine No. 1 to Preclude Any Argument That Defendant Failed to
 26 Accommodate Plaintiff's Disability or to Engage in the Interactive Process, or That Plaintiff Was
 27 Harassed, Discriminated or Retaliated Against in Connection Therewith, the Court finds that
 28 plaintiff will be unable to introduce any evidence that would establish plaintiff's second cause of

1 action for retaliation, her fifth and sixth causes of action for intentional and negligent infliction
2 of emotional distress, or her seventh cause of action for wrongful termination in violation of
3 public policy; and,

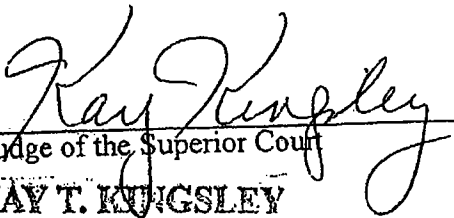
4 The Court having previously granted summary adjudication of Plaintiff's first cause of
5 action for failure to accommodate; and,

6 The parties having settled plaintiff's third cause of action for breach of implied in fact
7 contract and fourth causes of action for breach of the covenant of good faith and fair dealing,

8 IT IS HEREBY ADJUDGED that,

- 9 1. Plaintiff recover nothing from defendant; and
10 2. The Parties shall defer seeking any recovery of costs and fees on this Judgment
11 coming final after the time for all appeals.

12
13 Dated: ~~September~~ Jan. 6, 2008 (LTC)

14
15
16 
17 Judge of the Superior Court
KAY T. KINGSLEY

18 Dated: Jan. ~~September~~ __, 2008

19 APPROVED AS TO FORM AND CONTENT

20
21
22 _____
23 Henry J. Josefsberg, Esq.
24 Attorney for Plaintiff MAUREEN deSAULLES
25
26
27
28

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FILED
JAN 13 2012
CONNIE MAZZEI
CLERK OF THE SUPERIOR COURT
DEPUTY
V. Stolorow

6 Attorneys for Defendant COMMUNITY
7 HOSPITAL OF THE MONTEREY PENINSULA

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF MONTEREY

11 MAUREEN DESAULLES,
12 Plaintiff,
13 v.
14 COMMUNITY HOSPITAL OF THE
15 MONTEREY PENINSULA,
16 Defendant.

CASE NO. M85528

~~PROPOSED~~ ORDER GRANTING
DEFENDANT'S MOTION TO STRIKE
PLAINTIFF'S MEMORANDUM OF
COSTS IN ITS ENTIRETY AND
DENYING PLAINTIFF'S MOTION TO
TAX OR STRIKE COSTS

17
18 The motion of Defendant COMMUNITY HOSPITAL OF THE MONTEREY
19 PENINSULA ("Community Hospital") for an order to strike the Memorandum of Costs of
20 Plaintiff MAUREEN DESAULLES and the motion of Plaintiff for an order to tax or strike
21 Community Hospital's Memorandum of Costs came for hearing in Department 15 of this Court
22 on December 2, 2011. Christopher E. Panetta appeared on behalf of Community Hospital.
23 Henry J. Josefsberg appeared on behalf of Plaintiff MAUREEN DESAULLES ("Plaintiff").

24 Having read the motions, the memoranda and the declarations filed by the parties, and
25 having heard argument of counsel, the Court finds that Plaintiff is not entitled to costs pursuant
26 to Code of Civil Procedure section 1032. The Court further finds that Community Hospital is
27 entitled to costs pursuant to Code of Civil Procedure section 1032, as stated in Community
28 Hospital's Memorandum of Costs filed on October 7, 2011, in the amount of \$11,918.87.

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THEREFORE, IT IS ORDERED that Community Hospital's motion for an order to strike the Memorandum of Costs of Plaintiff MAUREEN DESAULLES be granted.

IT IS FURTHER ORDERED that Plaintiff's motion for an order to tax or strike Community Hospital's Memorandum of Costs be denied and that Community Hospital be awarded \$11,918.87 in costs.

As Plaintiff did not contest Community Hospital's Memorandum of Costs on Appeal filed on October 7, 2011, in the amount of \$813.05, Plaintiff is further therefore ordered to pay Community Hospital \$813.05 in costs on appeal.

Date: December ____, 2011

Judge of the Superior Court

Approved as to form:

Henry J. Josefsberg
Attorney for Plaintiff MAUREEN
DESAULLES

1 THEREFORE, IT IS ORDERED that Community Hospital's motion for an order to
2 strike the Memorandum of Costs of Plaintiff MAUREEN DESAULLES be granted.

3 IT IS FURTHER ORDERED that Plaintiff's motion for an order to tax or strike
4 Community Hospital's Memorandum of Costs be denied and that Community Hospital be
5 awarded \$11,918.87 in costs.

6 As Plaintiff did not contest Community Hospital's Memorandum of Costs on Appeal
7 filed on October 7, 2011, in the amount of \$813.05, Plaintiff is further therefore ordered to pay
8 Community Hospital \$813.05 in costs on appeal.

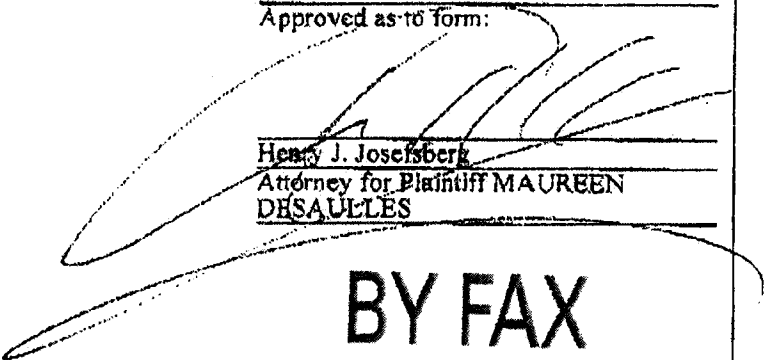
9 Date: ~~December~~, 2011

10
11 JAN 13 2012

12 LYDIA M. VILLARREAL

13 Judge of the Superior Court

14
15 Approved as to form:

16
17 
18 Henry J. Josephsberg
19 Attorney for Plaintiff MAUREEN
20 DESAULLES

21 BY FAX

22
23
24
25
26
27 M 85578

PROOF OF SERVICE

I, Sarah E. Kelly, declare:

I am a resident of the State of California and over the age of eighteen years, and not a party to the within action; my business address is 2801 Monterey-Salinas Highway, Post Office Box 791, Monterey, CA 93942. On June 11, 2014, I served the within document(s):

PETITION FOR REVIEW

placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Monterey, California addressed as set forth below.

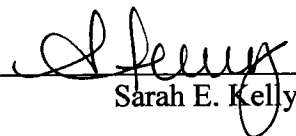
Attorney for Petitioner
Henry J. Josefsberg, Esq.
110 West Ocean Boulevard, Suite 611
Long Beach, CA 90802

Clerk of the Court
Monterey County Superior Court
1200 Aguajito Road
Monterey, CA 93940
(for delivery to the Honorable Lydia M. Villarreal)

Clerk of the Court
Sixth District Court of Appeals
333 West Santa Clara Street, Suite 1060
San Jose, CA 95113

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on June 11, 2014, at Monterey, California.



Sarah E. Kelly