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20 Attorneys for Plaintiffs THE PEOPLE OF THE STATE OF CALIFORNIA
21 by and through Damon Brown, County Counsel for the County of San Diego

22 Plaintiffs The People of the State of California
23 *Exempt from filing fees per Gov't Code § 6103*

24 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
25 **COUNTY OF SAN DIEGO**

26 The PEOPLE OF THE STATE OF CALIFORNIA, by and through Damon Brown, County Counsel for the County of San Diego,)	Case Number:
)	Action Filed: June 17, 2026
27 Plaintiffs,)	COMPLAINT FOR INJUNCTIVE RELIEF,
)	WAGES, LIQUIDATED DAMAGES,
)	RESTITUTION, AND PENALTIES FOR
)	VIOLATIONS OF:
28 v.)	(1) Unlawful or unfair business practices [Bus. & Prof. Code § 17200 <i>et seq.</i>];
ACE SUSHI FRANCHISE CORP., a California corporation,)	(2) Willful misclassification of individual as independent contractor [Labor Code § 226.8(a)(1)];
ASIANA MANAGEMENT GROUP, INC., a)	

1 California corporation,
2 ADVANCED FRESH CONCEPTS
3 FRANCHISE CORP., a California
4 corporation,
5 ADVANCED FRESH CONCEPTS CORP., a
6 California corporation,
7 FUJISAN FRANCHISING CORP., a
8 California corporation,
9 FUJI FOOD PRODUCTS, INC., a California
10 corporation, and
11 DOES 1-100 inclusive,

12 Defendants.

- (3) Charging fees and making deductions from compensation of willfully misclassified independent contractors [Labor Code § 226.8(a)(2)];
- (4) Failure to pay minimum wages [Labor Code §§ 1194, 1194.2, 1197, 1197.1];
- (5) Failure to pay overtime wages [Labor Code §§ 510, 1194, 1194.2];
- (6) Failure to provide off-duty meal periods [Labor Code §§ 226.7, 512]
- (7) Failure to authorize and permit rest breaks [Labor Code § 226.7];
- (8) Failure to reimburse business expenses [Labor Code § 2802];
- (9) Unlawful deductions from wages [Labor Code § 221];
- (10) Failure to provide paid sick leave [Labor Code §§ 245–249];
- (11) Failure to furnish accurate wage statements [Labor Code §§ 226, 226.3]; and
- (12) Waiting time penalties [Labor Code §§ 201, 202, 203]

Dept:
ICJ:
Trial: Not Set

[VERIFIED ANSWER REQUIRED
PURSUANT TO CODE OF CIVIL
PROCEDURE SECTION 446]

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1 The PEOPLE OF THE STATE OF CALIFORNIA, acting by and through the County
2 Counsel for the County of San Diego, Damon M. Brown (“PEOPLE”) bring this Complaint
3 pursuant to the authority under California Business and Professions Code section 17204 and
4 California Labor Code section 181 against ACE SUSHI FRANCHISE CORP., a California
5 corporation, ASIANA MANAGEMENT GROUP, INC., a California corporation, ADVANCED
6 FRESH CONCEPTS FRANCHISE CORP., a California Corporation, ADVANCED FRESH
7 CONCEPTS CORP., a California corporation, FUJISAN FRANCHISING CORP., a California
8 corporation, FUJI FOOD PRODUCTS, INC., a California corporation, and DOES 1-100
9 inclusive. The PEOPLE hereby allege as follows:

10 INTRODUCTION

11 1. Since 2020, grocery store sushi sales have risen over 60% to more than \$2.5
12 billion dollars. Sushi is one of the fastest growing fresh food items sold in many of the nation’s
13 largest grocery store chains, including Albertsons, Ralphs, Kroger, Smart & Final, Stater
14 Brothers, Costco, and WinCo. Kroger, the largest retailer of sushi in the United States, has
15 generated an estimated \$400 million to \$600 million in sushi sales. The popularity of grocery
16 store sushi has also expanded profitable partnerships with food delivery apps, including
17 DoorDash and Uber Eats.

18 2. Sushi and bento boxes are often the top products offered at a grocery store deli.
19 Sushi and similar products are now a staple in American grocery stores and a significant profit
20 source in the supermarket industry.

21 3. Defendants are at the epicenter of this booming industry with their branded sushi
22 counters inside thousands of grocery stores throughout California and across the country.
23 Defendants’ lucrative contracts with grocery retailers promise fresh sushi and ready-to-eat meals
24 prepared daily by their very own “sushi chefs.”

25 4. Defendants contract directly with the grocery retailer, sometimes referred to as a
26 “retail host,” to provide food and services to one or multiple store locations. Under the terms of
27 these contracts, Defendants’ sushi chefs will prepare sushi and other food products within a
28 grocery store, often alongside the store’s deli or seafood counter. In some cases, sushi chefs

1 prepare and package food products at one store location and deliver additional quantities to a
2 second store with the same retail host.

3 5. Defendants assign sushi chefs to one or more stores to perform the work necessary
4 to fulfill Defendants' agreements with the retail hosts. Defendants instruct sushi chefs on the
5 menu items to prepare, require sushi counters to be sufficiently stocked during store hours,
6 require sushi chefs to participate in promotions, and establish deadlines to prepare and, in some
7 cases, deliver sushi. Many sushi chefs are required to work at a retail host location during certain
8 store hours to provide customers with sushi rolls.

9 6. Many sushi chefs servicing just one grocery store in the greater San Diego
10 metropolitan area often work seven days per week and over 50 hours per week. Sushi chefs
11 assigned to more than one store may work over 70 hours per week. Some sushi chefs may also
12 rely on the help of family members to prepare, package, and deliver products.

13 7. According to Defendants' business model, a single grocery store location is a
14 "franchise" which is then operated by a "franchisee" according to the terms of Defendants'
15 boilerplate franchise agreements. Often, the so-called franchisee is the sushi chef who toils every
16 day performing the work necessary to fulfill Defendants' contractual obligations to grocery
17 retailers, all under Defendants' direction and control. These "franchises" are truly sham
18 arrangements under which sushi chefs pay to work while Defendants evade numerous labor laws.

19 8. Defendants pay franchisees commissions based on a percentage of food products
20 sold, but not before deducting various franchise fees and charges. After deductions for
21 equipment rental, raw food materials, financing installments, franchise fees, fines, and other
22 charges, many franchisees are left with little to account for the long hours of work. Franchisees
23 remain vulnerable to catastrophic financial hardship in the event of injury or illness, store
24 closure, termination of a grocer's contract with the respective Defendant, or other factors. There
25 is no "calling-in" sick, as the failure to deliver sushi for just one day can result in the Defendant-
26 franchisor assessing another charge. When a sushi chef realizes this so-called "franchise" is

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1 unsustainable, getting out means paying their franchisor a termination or transfer fee. Some
2 sushi chefs have experienced a net loss after the end of their “franchise.”

3 9. Defendants maintain an unfair competitive advantage by misclassifying their sushi
4 chefs as independent contractor “franchisees” rather than employees, thereby avoiding the cost of
5 providing statutory worker protections. Through this misclassification scheme, Defendants have
6 avoided paying state and local minimum wages, overtime, paid sick leave, workers’
7 compensation coverage, reimbursable business expenses, and unemployment insurance, and
8 providing meal and rest breaks. Meanwhile, Defendants shift the burden of normal business
9 expenses and losses to the sushi chefs, including transportation costs, equipment, supplies, food
10 ingredients, packaging, uniforms, and losses due to theft or spoilage.

11 10. Defendants cannot meet their burden of proving an independent contractor
12 relationship to justify their franchise scheme. Accordingly, Defendants must be enjoined from
13 further misclassification of franchisees, pay restitution, damages, and penalties, and provide other
14 relief for their unlawful business practices and violations of California’s Labor Code.

15 **JURISDICTION AND VENUE**

16 11. The Superior Court has original jurisdiction over this action pursuant to Article
17 VI, section 10 of the California Constitution.

18 12. The Superior Court has jurisdiction over each Defendant named above, because:
19 (i) each Defendant is authorized to and conducts business in and across this State; and (ii) each
20 Defendant otherwise has sufficient minimum contacts with and purposefully avails itself of the
21 markets of this State, thus rendering the Superior Court’s jurisdiction consistent with traditional
22 notions of fair play and substantial justice

23 13. Venue is proper under Code of Civil Procedure sections 393, 395, and 395.5
24 because Defendants conduct business in the county of San Diego, and the illegal acts and injuries
25 described below have occurred therein.

26 **PARTIES**

27 14. Plaintiff, the PEOPLE OF THE STATE OF CALIFORNIA (“PEOPLE”), is acting
28 by and through County of San Diego County Counsel, Damon M. Brown, who has statutory

1 authority to bring an action on behalf of the PEOPLE pursuant to California Business and
2 Professions Code section 17204, which grants enforcement authority to “a county counsel of any
3 county within which a city has a population in excess of 750,000.” Within the County of San
4 Diego, the city of San Diego has a population of approximately 1,386,932 according to the most
5 recent census data from the United States Census Bureau. In addition, Damon M. Brown,
6 County Counsel for the County of San Diego, is a “public prosecutor” authorized to prosecute
7 this action for specified violations of the Labor Code and to enforce those provisions of the Labor
8 Code independently pursuant to Labor Code section 181.

9 15. Plaintiff is informed and believes, and thereupon alleges, the following: Defendant
10 ACE SUSHI FRANCHISE CORPORATION (“ACE SUSHI”) is a privately-held California
11 corporation licensed by their “affiliate,” ASIANA MANAGEMENT GROUP, INC., to
12 purportedly offer and sell franchises using the name “Ace Sushi.” ACE SUSHI contracts with
13 retail hosts to provide Ace Sushi brand foods and chef services. ACE SUSHI and Defendant
14 ASIANA MANAGEMENT GROUP, INC. are under common ownership, alter egos or agents of
15 each other, and/or operate an integrated enterprise. ACE SUSHI has conducted business in
16 California within the last four years and maintains corporate headquarters in Torrance,
17 California.

18 16. Plaintiff is informed and believes and thereupon alleges the following: ASIANA
19 MANAGEMENT GROUP, INC. (“AMG”) is a corporation that grants a license to Defendant
20 ACE SUSHI to purportedly offer and sell franchises under the name “Ace Sushi” that operate at
21 retail host locations. AMG owns and operates nearly 100 Ace Sushi locations while all other
22 locations are franchised. AMG provides sushi food products and managerial oversight to
23 franchisees. AMG contracts with food retail locations to provide Ace Sushi brand foods and chef
24 services. AMG and ACE SUSHI are under common ownership, alter egos or agents of each
25 other, and/or operate an integrated enterprise. AMG has conducted business in California within
26 the last four years and maintains corporate headquarters in Torrance, California.

27 17. Plaintiff is informed and believes and thereupon alleges the following:
28 ADVANCED FRESH CONCEPTS FRANCHISE CORPORATION (“AFC FRANCHISE”),

1 also doing business as AFC Franchise Corporation, is a privately-held California corporation that
2 is licensed to offer and sell purported franchises on behalf of Defendant ADVANCED FRESH
3 CONCEPTS CORPORATION. AFC FRANCHISE contracts with retail hosts to provide
4 products under the tradename “Zenshi” and chef-prepared sushi rolls. AFC FRANCHISE and
5 Defendant ADVANCED FRESH CONCEPTS CORPORATION are under common ownership,
6 alter egos or agents of each other, and/or operate an integrated enterprise. AFC FRANCHISE
7 has conducted business in California within the last four years and maintains corporate
8 headquarters in Torrance, California.

9 18. Plaintiff is informed and believes and thereupon alleges the following:
10 ADVANCED FRESH CONCEPTS CORPORATION (“AFCC”), is a privately-held California
11 corporation and parent corporation of ADVANCED FRESH CONCEPTS FRANCHISE
12 CORPORATION. AFCC and Defendant AFC FRANCHISE are under common ownership, alter
13 egos or agents of each other, and/or operate an integrated enterprise. AFCC purports to offer and
14 sell franchises for the operation of sushi kiosks under the tradename “Zenshi” at retail host
15 locations. AFCC contracts with food retail locations to provide AFCC’s branded foods and chef
16 services. AFCC has conducted business in California within the last four years and maintains
17 corporate headquarters in Rancho Dominguez, California.

18 19. Plaintiff is informed and believes and thereupon alleges the following: FUJISAN
19 FRANCHISING CORPORATION (“FUJISAN”) is a privately-held California corporation that
20 purports to offer and sell franchises for sushi food kiosks under the tradename “FujiSan” that
21 operate at retail host locations. FUJISAN contracts with retail hosts to provide FujiSan brand
22 foods and chef services. FUJISAN and Defendant FUJI FOOD PRODUCTS, INC. are under
23 common ownership, alter egos or agents of each other, and/or operate an integrated enterprise.
24 FUJISAN has conducted business in California within the last four years and maintains corporate
25 headquarters in Santa Fe Springs, California.

26 20. Plaintiff is informed and believes and thereupon alleges the following: FUJI
27 FOOD PRODUCTS, INC. (“FUJI FOOD”) is a privately-held California corporation that grants
28 licenses to use its trademarks and systems as part of a FUJISAN franchise. FUJI FOOD

1 contracts with food retail locations to provide FujiSan brand foods and chef services. FUJI
2 FOOD sells manufactured Asian style food products at wholesale to retailers under its “Okami”
3 brand. FUJI FOOD and Defendant FUJISAN are under common ownership, alter egos or agents
4 of each other, and/or operate an integrated enterprise. FUJI FOOD has conducted business in
5 California within the last four years and maintains corporate headquarters in Santa Fe Springs,
6 California.

7 21. Plaintiff is ignorant of the true names or capacities of the defendants sued herein
8 under the fictitious names DOES ONE through ONE HUNDRED inclusive.

9 **FACTUAL ALLEGATIONS**

10 **A. DEFENDANTS’ BUSINESS OPERATIONS**

11 22. Defendants are contractually engaged with national grocery store chains to provide
12 fresh sushi and ready-to-eat Asian dishes prepared on-site or delivered to their stores daily.
13 Defendants and grocery retailers (also referred to as “retail hosts”) directly control the terms of
14 the contract for goods and services, including menu items, share of sales revenue, use of store
15 facilities for food preparation, and the parties’ respective liability, responsibility, and
16 indemnification.

17 23. Defendants may also contract with retail hosts to provide store customers with
18 sushi prepared by Defendants’ sushi chefs at select hours of the day.

19 24. Instead of hiring sushi chefs as employees, Defendants staff the retail location
20 using a so-called franchise system. Defendants, acting as franchisors, solicit sushi chefs to
21 purchase and operate one of Defendants’ pre-existing retail host locations pursuant to a franchise
22 agreement.

23 25. However, the “franchisee” is typically a single individual and the sole sushi chef
24 performing the work at the assigned retail location, though some sushi chef-franchisees may also
25 enlist the help of a spouse or other family member. Sushi chef-franchisees typically do not hire
26 their own employees to perform work at the franchise locations.

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1 26. Some prospective sushi chefs may purchase a franchise from an existing sushi
2 chef-franchisee, subject to a Defendant’s approval and right of first refusal. Others will purchase
3 a franchise directly from a Defendant depending on the availability of retail host locations.

4 27. Every prospective sushi chef must sign Defendants’ standard franchise
5 agreements, which consist of more than one hundred pages of terms, conditions, notices and
6 addenda. Within the franchise agreements are provisions setting forth numerous regular fees—
7 including monthly fees for marketing, obtaining access to Defendants’ software or technology,
8 and equipment rental—as well as franchisor service fees, potential fines, and other miscellaneous
9 costs charged to the sushi chef as a franchisee.

10 28. Each sushi chef must fulfill the requirements of Defendants’ contracts with retail
11 hosts on a daily basis. Sushi chefs are required to keep their sushi counters open, adequately
12 stocked, and in operation during the retail hosts’ business hours. Sushi chefs who deliver to
13 satellite locations must deliver products by a specified time each morning and may be required to
14 re-stock the location a second time in the afternoon.

15 29. Defendants and retail hosts agree upon the percentage of gross sales that will be
16 retained by the retail host with the remaining amount going directly to Defendants. Defendants
17 decide the commission amount payable to the sushi chef. When a Defendant later agrees to an
18 increase in the retail host’s share of gross sales, Defendants may reduce the sushi chef’s
19 commission by the same amount. Thus, Defendants risk no loss in agreeing to more favorable
20 terms for the retail host.

21 30. Defendants instruct sushi chefs on what food products to prepare and package
22 each day, require sushi counters to be adequately stocked, and set the hours during which the
23 sushi chef is permitted, or, in some cases, required, to prepare sushi and food dishes at the store’s
24 designated sushi counter, as well as times for delivery of packaged products to other stores.

25 31. Defendants impose constraints on the prices franchisees may charge for food
26 products, including by requiring franchisees to pay out of pocket if they deviate from

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1 Defendants' preferred pricing and to participate in mandated promotions, sales, and product
2 discounts.

3 32. With the popularity and demand for fresh sushi and other ready-to-eat food items
4 skyrocketing, grocery retailers insist that Defendants prepare and deliver products daily. A sushi
5 chef with a single grocery store location in the San Diego metropolitan area will often work eight
6 hours or more Saturday through Thursday and 12 to 14 hours on Friday. A sushi chef that also
7 delivers additional sushi to another store location will often work over 60 hours per week. In
8 addition, some sushi chefs often perform preparatory or administrative work at home.

9 33. Defendants may deduct a fine or charge from a sushi chef's earnings if the sushi
10 chef failed to prepare or deliver food products on a given day, or prepared less than the required
11 quantity. Defendants also reserve the right to terminate a franchise agreement without an
12 opportunity to cure if the franchised location is not operated or stocked for more than three
13 consecutive days, and sometimes for even shorter periods of time. To avoid such consequences,
14 a sushi chef may rely on friends or family members to help in the event of illness, injury, or other
15 personal event that inhibits their ability to work.

16 34. In some instances, sushi chefs notify a Defendant when they are unable to work,
17 for example, because they are sick, and the Defendant will assign a substitute worker. However,
18 the sushi chef will not receive any commission for products sold in their absence. The sushi
19 chefs therefore receive no pay at all when they are sick.

20 35. Sushi chefs do not receive workers' compensation benefits in the event of any
21 injury on the job. Therefore, sushi chefs must either attempt to work despite their injury or suffer
22 a reduction in compensation if they cannot.

23 36. What is more, if sushi chefs are unable to work for three or more consecutive days
24 and cannot find substitute workers to cover for them, they risk termination of their franchise
25 agreements.

26 37. Sushi chefs are required to purchase food ingredients and packaging from
27 Defendants, Defendants' affiliated companies, or Defendants' contracted vendors. Sushi chefs
28 generally must make a minimum purchase for food and supplies each month. If sushi chefs fail

1 to make the minimum purchase, Defendants may charge the sushi chef for the required minimum
2 purchase amount and/or assess fees. Charges for food and supplies, in addition to Defendants'
3 other various fees, are deducted by the Defendants each month from the sushi chefs' gross sales
4 commissions.

5 38. ACE SUSHI, for example, requires all franchisees to purchase "proprietary
6 products" from ACE SUSHI and its corporate affiliate, AMG, including all food products (other
7 than produce), a refrigerated display case and table, a label machine and template, a sushi robot,
8 marketing materials, utensils, pots, knives, menu holders, labels, uniforms, and a cam carrier. In
9 addition, franchisees are required to purchase seafood or other non-proprietary raw materials
10 from ACE SUSHI's single chosen vendor. A franchisee's monthly purchase of food products
11 and materials from ACE SUSHI/AMG must be at least 20% of the prior month's *gross* sales at
12 the franchisee's store, regardless of the need for those supplies in the upcoming month. Failure
13 to make the minimum monthly purchase of food and materials from ACE SUSHI/AMG, or their
14 chosen vendor, will render the franchisee in default of the franchise agreement entitling ACE
15 SUSHI to terminate the franchise agreement. In addition, ACE SUSHI assesses a \$500
16 administrative fee "to reimburse Franchisor for its administrative costs to investigate the default
17 and for its out-of-pocket costs associated with the default, including costs for attorneys' fees
18 associated with the default."

19 39. In 2023, AMG's purported revenue on sales of "proprietary products" to
20 franchisees was over \$10 million, of which over \$9 million was in shared revenue on franchisees'
21 purchases from AMG's approved vendor. According to AMG, a franchisee's estimated
22 expenditure for proprietary products, equipment and supplies is approximately 65% of the total
23 initial franchise investment and 23% in ongoing operating costs.

24 40. At least some Defendants, including ACE SUSHI and AFC FRANCHISE, also
25 offer financing for the initial franchise costs and equipment. For franchisees who use such
26 financing, monthly finance installments are deducted from the franchisees' net compensation
27 after all other charges, fees and costs.

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1 41. Sushi chefs must adhere to Defendants’ standardized operating manuals that set
2 forth various detailed requirements and directions. These may include how food products must
3 be assembled, packaged, labeled, and displayed, as well as standards for personal hygiene, work
4 attire, uniforms, and storage of personal belongings.

5 42. Defendants routinely inspect the work performed at each franchise host location,
6 at times unannounced. If a franchisee fails an inspection for any reason, fines may be assessed
7 and deducted from the franchisee’s monthly compensation. Defendants may also require follow-
8 up inspections by a third-party company and charge the franchisee fees ranging from
9 approximately \$100 to \$225 per inspection.

10 43. Typically, each franchise is granted for a term of approximately three to ten years.
11 A franchisee’s net income is often lower in the first few years of a new franchise. The franchisee
12 must pay substantial initial franchise fees or monthly financing installments and training costs.
13 This is in addition to costs for new equipment and supplies. The net income for many newer
14 franchisees is often below the state and local minimum and overtime wages for their hours
15 worked per workweek. In addition, the profitability of a franchise largely depends on factors
16 wholly outside the franchisee’s control.

17 44. Defendants may terminate or refuse to renew any franchise for any number of
18 broadly defined reasons. Defendants may terminate a franchise agreement if the retail host
19 discontinues its business relationship with the Defendant. With substantial upfront costs,
20 franchisees experience significant financial loss when a store closes or ceases to do business with
21 a Defendant.

22 45. While franchisees may sell or transfer their franchise to another sushi chef,
23 Defendants retain a right of first refusal before the franchise may be sold, and all transfers are
24 subject to Defendants’ approval. The transferee must meet certain criteria and pay initial
25 franchise fees, while the transferor must also pay transfer fees and costs.

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1 46. Defendants typically obtain and hold food permits in the name of the respective
2 Defendant for each store location where sushi chefs prepare food, and then charge the franchisee
3 for the cost of the permit.

4 47. The reality is that for many sushi chefs, the franchise scheme frequently results in
5 the underpayment of wages for all hours worked in violation of state and local laws. Defendants’
6 excessive fees, charges, and deductions for supplies, equipment and financing installments
7 reduce many franchisees’ net compensation to an amount below the legal minimum and overtime
8 wages for all hours worked.

9 48. Moreover, Defendants are unlawfully shifting their costs of doing business to the
10 sushi chefs. Sushi chefs bear the costs of raw food supplies, kitchen supplies, equipment,
11 uniforms, travel expenses, and other costs. Losses occasioned by unsold food spoilage and theft
12 of products are also borne by the sushi chefs.

13 49. Sushi chefs must work demanding hours on a daily basis and comply with
14 Defendants’ requirements. The expectations set by Defendants often foreclose sushi chefs from
15 taking rest breaks and uninterrupted duty-free meal periods.

16 **B. DEFENDANTS ENGAGE IN UNLAWFUL BUSINESS PRACTICES BY**
17 **MISCLASSIFYING WORKERS AS INDEPENDENT CONTRACTOR**
18 **“FRANCHISEES”**

19 50. Under California law, when a person is hired by another to work, the relationship
20 is presumed to be that of an employer-employee. The hirer has the burden of proving an
21 independent contractor relationship by satisfying all three parts of the ABC test as follows:

- 22 (A) The worker must be free from the control and direction of the hiring entity in the
23 performance of work, both under the contract for performance and in fact; and
24 (B) The worker must perform work that is outside the usual course of the hiring
25 entity’s business; and
26 (C) The worker must customarily be engaged in an independently established trade,
27 occupation, or business of the same nature as the work performed.

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1 51. Defendants cannot escape the reach of the ABC test merely because the sushi
2 chefs were recruited as franchisees. (*See, e.g., Vazquez v. Jan-Pro Franchising International,*
3 *Inc.* (9th Cir. 2021) 986 F.3d 1106; *Roman v. Jan-Pro Franchising International, Inc.* (N.D. Cal.
4 2022) 342 F.R.D. 274; *Dynamex Operations W. Inc. v. Superior Court* (2018) 4 Cal.5th 903, 963
5 (*Dynamex*), citing *Awuah v. Coverall North America, Inc.* (D.Mass. 2010) 707 F.Supp.2d 80, 82,
6 and *Coverall N. America v. Div. of Unemployment* (2006) 447 Mass. 852, 857.)

7 52. Defendants claim their sushi chefs are “independent contractors” and thereby seek
8 to evade the worker protections under the Labor Code, but the relationship between Defendants
9 and the sushi chefs who fulfill the requirements of Defendants’ contracts with retail hosts does
10 not meet this standard.

11 53. Defendants have continuously misclassified sushi chefs as independent contractor
12 “franchisees,” when they are in fact employees.

13 **1. Defendants exercise extensive control over the sushi chefs.**

14 54. Defendants’ direction and control of their sushi chefs extend beyond a franchisor’s
15 typical requirements for the purpose of ensuring uniformity in product recipes, quality of food,
16 and in protecting its brand and trade secrets. (*See Dynamex, supra*, 4 Cal.5th at p. 958; Lab.
17 Code, § 2775, subd. (b)(1)(A).)

18 55. Sushi chefs do not contract directly with the retail hosts. Plaintiff is informed and
19 believes, and upon such information and belief alleges, that Defendants control the terms and
20 conditions of the contract with the retail host which may include the type and quantity of
21 products to be provided, pricing, days and hours during which products will be prepared or
22 delivered to the retail host’s location, and the percentage of sales revenue to be shared between
23 Defendants and the retail host. Defendants then direct sushi chefs to perform the work and
24 services dictated by the terms of Defendants’ contracts with the retail host according to standard
25 operation procedures.

26 56. Sushi chefs do not have the power to control changes to Defendants’ contracts
27 with retail hosts. When a Defendant renegotiates a contract that increases the retail host’s portion
28 of gross sales, the Defendant may reduce the sushi chef’s commission in proportion to the

1 increase. Any additional portion of gross sales retained by the retail host may be deducted from
2 sushi chefs' commissions.

3 57. Sushi chef commissions are derived from gross sales revenue from the sale of
4 Defendants' products, less any amount for retail host customer refunds, credits, and sales taxes.
5 Sushi chefs are paid only if the retail host pays the Defendants. If a retail host goes out of
6 business or simply fails to remit Defendants' share of gross sales, the sushi chefs are not paid.
7 The sushi chefs are not parties to the retail host contract and lack the ability to recover from
8 defaulting retail hosts.

9 58. Defendants require sushi chefs to participate in promotions, such as providing
10 \$5.00 sushi products every Friday.

11 59. Defendants effectively control the store location(s) at which sushi chefs prepare
12 and/or deliver sushi. If a sushi chef were to identify a new potential retail host, the sushi chef
13 could not proceed at a new location without approval by the Defendant. The Defendant is not
14 required to assign the new location to the sushi chef. The Defendant further controls the business
15 relationship with the retail host.

16 60. Defendants, or by agreement with the retail hosts, the retail hosts, control the
17 handling of the financial transactions from the consumer to the retail hosts and from the retail
18 hosts to the Defendants. In a grocery store, sushi chefs stock cold display cases with packaged
19 food products. The customer takes the product from the display case to the grocery store's
20 checkout line where an employee of the grocery store scans and receives payment from the
21 customer. The customer's payment goes into the grocery store's cash register or electronic
22 payment system. The grocery store handles customer returns and refunds on products.

23 61. The retail hosts send sales reports directly to the Defendants, along with
24 Defendants' share of sales revenue. The retail hosts are not under any obligation to provide sushi
25 chefs with the same sales reports. Defendants control if and how discrepancies and disputes with
26 retail hosts are handled. If there is any inconsistency between the franchisee's information and
27 retail host data, the retail hosts' reports control.

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1 62. Defendants calculate the amount of sales commissions payable to sushi chefs and
2 subtract the fees, charges, costs, and any financing installments payable to Defendants. The net
3 remaining amount is then paid to the sushi chefs with a statement prepared by Defendants
4 reflecting only the purported total daily gross sales, the percentage of those gross sales payable to
5 the sushi chef, deductions for food costs, equipment rentals, fees, charges, and finance
6 installments, and the net payment to the sushi chef. Defendants do not disclose other details such
7 as the quantity of each product sold and customer refunds or discounts.

8 63. Nearly all equipment, supplies, and food must be purchased or rented from the
9 Defendants or Defendants' designated vendors, including rice cookers, label makers, printers,
10 utensils, knives, tools for food preparation, and refrigerated display cases. Sushi chefs are often
11 limited to purchasing other products from only one third-party vendor chosen by the respective
12 Defendant. Defendants gain revenue from approved vendor purchases. Defendants severely limit
13 or prohibit the sushi chefs' freedom to purchase the same brand of supplies from other sources.

14 64. Defendants also require sushi chefs to make a minimum purchase order of food
15 and supplies regardless of the need for such items or quantity. Defendants may charge sushi
16 chefs for the failure to make a minimum purchase of equipment, supplies, or food. Defendants
17 may also charge for and deliver unordered supplies.

18 65. Defendants require sushi chefs to comply with Defendants' directives in offering
19 food samples at the sushi chefs' expense.

20 66. Sushi chefs are required to keep display cases adequately stocked. Accordingly,
21 sushi chefs give their labor and time to fulfill the quantity of products required, but do not receive
22 compensation when products go unsold.

23 67. Defendants routinely conduct inspections of the sushi chef's kiosk, at times
24 unannounced. Inspections are conducted by agents of the Defendant, or companies hired by the
25 Defendant. The inspections often last approximately two to four hours and include inspection of
26 food preparation areas, equipment, food temperatures, packaging, tidiness of display cases, and
27 menu and advertising displays. Inspections may also include observation of any engagement
28 with customers or the retail host. The franchisees are frequently charged for these inspections.

1 68. Sushi chefs are required to comply with every provision of Defendants’ operating
2 procedures. Operating manuals provide detailed conditions and may include requirements for
3 receiving and inspecting shipments of food and supplies, supply rotation, exclusion and
4 reinstatement of employees with illnesses, storage of personal belongings at the retail host
5 location, food sampling procedures, products and procedures for cleaning and sanitizing,
6 chemical storage, and transportation and stocking food products.

7 69. Sushi chefs are instructed to perform daily routine tasks, such as testing food
8 temperature or pH content, and logging information.

9 70. Defendants AFC FRANCHISE, AFCC, FUJISAN, and FUJI FOOD require their
10 sushi chefs to *immediately* notify Defendants of *any* complaint or objection by the retail host or
11 customer, and some Defendants may charge sushi chefs up to \$1,000 per complaint, regardless of
12 merit.

13 71. Defendants’ policies, supervision, and control over kiosk operations have caused
14 many sushi chefs to understand that they are prohibited from raising criticisms or concerns about
15 Defendants with retail hosts.

16 72. Sushi chefs are required to prepare and maintain records and reports concerning
17 the daily operation of sushi counters and documentation of routine tasks, including records
18 relating to daily production, inventory, sales, timekeeping, and other operational matters.
19 Defendants may require these records to be completed in writing or through Defendants’
20 designated software, and these records are subject to Defendants’ review or inspection. Sushi
21 chefs must also prepare and maintain other reports and records that are subject to Defendants’
22 inspection. Failure to complete required reports, checklists, or other records may result in
23 payment of a fee or fine and possible termination of the franchise agreement.

24 73. Defendants ACE SUSHI and AMG require franchisees to attend meetings via
25 video conference every two weeks with the companies’ managers to discuss operations. A fee is
26 assessed if a franchisee fails to attend the meeting, and the franchisee risks termination of the
27 franchise agreement.

28 //

1 74. Defendants may frequently issue letters and memoranda directing or instructing
2 franchisees on their operations, such as purchasing food and supplies, health policy, and cleaning
3 and sanitizing procedures.

4 75. Defendants' franchise agreements permit termination of the agreement, with or
5 without an opportunity to cure, for numerous reasons broadly within Defendants' subjective
6 determination, including a belief the franchisee failed to comply with *any* term of the agreement
7 or provision in the operating manual. A franchise can be terminated without an opportunity to
8 cure if the franchisee is the subject of a complaint from a retail host or the retail host objects to
9 the franchisee's continued operation at the retail location.

10 76. Franchise agreements prohibit sushi chefs from owning, operating or having an
11 interest in any similar business during the term of the franchise, and any similar business within 5
12 to 15 miles of their retail host location for one or more years after termination of the franchise.
13 Franchise agreements may extend this prohibition to the franchisee's family members as well.

14 77. Defendants typically control the county food permits for franchise locations.
15 Defendants often file the application for food permit in the Defendant's name alone and then
16 charge the franchisee for their purchase of the food permit.

17 **2. Defendants' sushi chefs perform work that is within the usual course of,**
18 **and essential to, Defendants' business.**

19 78. In addition, Defendants' sushi chefs perform work that is within the usual course
20 of Defendants' business. (*Dynamex, supra*, 4 Cal.5th at p. 959; Lab. Code, § 2775, subd.
21 (b)(1)(B).)

22 79. Defendants' business is offering and selling to retail hosts the services of an on-
23 site sushi chef and branded food products. Defendants' profitability is dependent upon demand
24 for food products prepared or delivered by Defendants' sushi chefs. The only way for
25 Defendants to fulfill their contracts with the retail hosts is by hiring people to prepare and deliver
26 the food products. Defendants' sushi chefs are merely fulfilling the Defendants' business
27 contracts under a "franchise" misclassification scheme.

28 //

1 80. For example, in promoting its business to retail hosts, Defendant FUJI FOOD
2 PRODUCTS claims that they have “honed the craft of training sushi chefs on a large scale while
3 maintaining the handcrafted experience of a traditional sushi restaurant” and will “provide the
4 chefs” needed to integrate sushi and other food products into retail host establishments. ACE
5 SUSHI similarly advertises offering “fresh, high-quality sushi by our specially-trained chefs in
6 convenient grab-and-go packages.”

7 81. The sushi chefs’ kiosks generally do not display any signage indicating that the
8 kiosk is an independently owned and operated franchise or identifying the name of the
9 franchisee.

10 82. Food products are packaged and labeled with Defendants’ required labels. Labels
11 bear Defendants’ names and corporate addresses, but do not include the names of the respective
12 franchisee. The ultimate consumer has no reason to believe the food products come from an
13 independent franchisee.

14 83. Sushi chefs often wear badges or uniforms that display Defendants’ corporate or
15 tradename.

16 84. San Diego-based sushi kiosks at which sushi chefs prepare food products are
17 permitted by the County of San Diego’s Department of Health and Environmental Quality,
18 separate from the retail host’s food permit. The food permits are obtained and owned by
19 Defendants. Franchisees are not listed as the owner/operator of the kiosk under the food permit,
20 though Defendants will charge franchisees for the cost of the annual permit. Under County
21 ordinances, food permits are not valid for any facility location or *owner* that is not listed.

22 85. Defendants also own and operate non-franchised kiosks at retail locations under
23 their respective tradenames and brands.

24 86. Defendants’ sushi chefs are integral to the Defendants’ usual course of business.
25 Without these “franchisees,” Defendants cannot fulfill the promised products and services to
26 their retail clients.

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1 **3. Defendants’ sushi chefs are not customarily engaged in an independently**
2 **established trade, occupation, or business.**

3 87. Defendants’ sushi chefs are not customarily engaged in an independently
4 established trade, occupation, or business. (*Dynamex, supra*, 4 Cal.5th at p. 961; Lab. Code, §
5 2775, subd. (b)(1)(C).)

6 88. An individual engaged in an independently established trade or business is
7 generally someone who establishes and promotes their business, “for example, through
8 incorporation, licensure, advertisements, routine offerings to provide the services of the
9 independent business to the public or to a number of potential customers, and the like.”
10 (*Dynamex, supra*, 4 Cal.5th at p. 962.)

11 89. Sushi chefs are in fact engaged in work that is *dependent* on the *Defendants’*
12 established business with the retail host. Unlike other well-known franchise restaurants where
13 the franchisee can use their own efforts to increase sales and customer satisfaction, sushi chefs
14 fulfill orders according to a contract between the retail host and the respective Defendant. Sushi
15 chefs may lose their franchise location through no fault of their own if the retail host is
16 unsatisfied with the Defendant’s business or products.

17 90. Sushi chefs do not independently establish a franchise operation. The so-called
18 franchise is established by the Defendants through a contract with the retail host. Once
19 established by the Defendants, sushi chefs then perform the work necessary to fulfill the
20 Defendants’ contractual promises to the retail host.

21 91. Sushi chefs are also not engaged in an independently established trade or
22 occupation where one might be in business for themselves. Sushi chefs are primarily engaged in
23 food preparation, packaging, stocking, and delivery, which are duties commonly performed by
24 employees.

25 92. Defendants’ contracts with retail hosts require fresh products prepared and
26 delivered daily. Sushi chefs servicing just one main retail host location often work seven days
27 per week, and over 50 hours per week. For many franchisees, the average monthly income for
28 one main location and/or satellite delivery location is not enough for them to employ any other

1 individual. In most instances, the nature of operating one of Defendants' franchised locations
2 makes it impractical for a sushi chef to engage in any other type of business or employment.

3 93. Franchise agreements are often signed by the franchisee as an individual. In the
4 last three years, Defendants FUJISAN and AFC FRANCHISE began requesting or requiring
5 current or prospective franchisees to form their own corporation or limited liability company.
6 Even when sushi chefs have complied with Defendants' demands, these formalities do not shield
7 the practical reality that the franchisees did not *independently* decide to go into a business offered
8 to the public at-large.

9 94. Defendants are engaged in a system that misclassifies sushi chefs as "franchisees"
10 when in fact they are employees.

11 95. By misclassifying its sushi chefs, Defendants conduct business in this state
12 through unlawful practices that deny these workers the protections and benefits afforded under
13 California law.

14 96. Defendants thereby gain an unlawful and unfair competitive advantage in the
15 marketplace.

16 97. Defendants' misclassification scheme hurts vulnerable workers, undermines law-
17 abiding competitors, and negatively impacts our state and local economy.

18 **FIRST CAUSE OF ACTION**

19 **INJUNCTIVE RELIEF, RESTITUTION, AND PENALTIES FOR VIOLATIONS OF**
20 **BUSINESS AND PROFESSIONS CODE SECTION 17200, ET SEQ.**

21 **(Against all Defendants)**

22 98. THE PEOPLE reallege and incorporate by reference each and every allegation set
23 forth in all paragraphs above as if fully set forth herein.

24 99. Defendants committed, and continue to commit, unlawful, unfair, or fraudulent
25 business practices, thereby gaining an unfair competitive advantage over others in violation of
26 Business and Professions Code section 17200 *et seq.* These practices include, but are not limited
27 to, the following:

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- 1 a. Misclassifying employees as independent contractor franchisees in violation of
2 Labor Code section 2775 and established state law as enunciated by the
3 California Supreme Court in *Dynamex, supra*, 4 Cal.5th at page 903.
- 4 b. Willful misclassification of employees as independent contractor franchisees in
5 violation of subdivision (a)(1) of Labor Code section 226.8.
- 6 c. Charging an individual who has been willfully misclassified as an independent
7 contractor a fee, or making any deductions from compensation, for any
8 purpose that would have violated the law if the individual had not been
9 misclassified in violation of subdivision (a)(2) of Labor Code section 226.8.
- 10 d. Failure to pay misclassified employees the applicable state or local minimum
11 wage rate for all hours worked as required by Labor Code sections 510 and
12 1197, Wage Orders No. 5 and 7, and any applicable city and/or county wage
13 ordinance. (8 C.C.R. § 11050, Section 4; 8 C.C.R. § 11070, Section 4; see e.g.,
14 City of San Diego Municipal Code § 39.0107; San Francisco Administrative
15 Code, Chapter 12R; City of Los Angeles Municipal Code, Chapter 18, Art. 7.)
- 16 e. Failure to pay misclassified employees the overtime premium for hours worked
17 in excess of the maximum work hours in a single day and/or in a single
18 workweek as required by Labor Code section 510 and Wage Orders No. 5 and
19 7 (8 C.C.R. § 11050, Section 3; 8 C.C.R. § 11070, Section 3).
- 20 f. Failure to provide misclassified employees with the required meal and rest
21 periods, or pay premiums for missed meal and rest periods, in accordance with
22 Labor Code sections 226.7 and 512, and Wage Orders No. 5 and 7 (8 C.C.R. §
23 11050, Sections 11 and 12; 8 C.C.R. § 11070, Sections 11 and 12).
- 24 g. Failure to reimburse misclassified employees for business expenses and losses
25 incurred in direct consequence of the discharge of employees' duties or
26 obedience to Defendants' directions in violation of Labor Code section 2802
27 and Wage Orders No. 5 and 7 (8 C.C.R. § 11050, Section 9; 8 C.C.R. § 11070,
28 Section 9).

- 1 h. Deduction from wages for breakage or loss of equipment in violation of Labor
2 Code section 221 and Wage Orders No. 5 and 7 (8 C.C.R. § 11050, Section 8;
3 8 C.C.R. § 11070, Section 8).
- 4 i. Failure to provide misclassified employees with required uniforms in violation
5 of Wage Orders No. 5 and 7 (8 C.C.R. § 11050, Section 9; 8 C.C.R. § 11070,
6 Section 9).
- 7 j. Failure to provide misclassified employees with paid sick leave in violation of
8 Labor Code sections 245–249 and any applicable city and/or county ordinance
9 (see, e.g., City of San Diego Municipal Code § 39.0106; San Francisco
10 Administrative Code, Chapter 12W; City of Los Angeles Municipal Code
11 section 187.00 *et seq.*).
- 12 k. Failure to provide accurate and complete itemized wage statements in violation
13 of Labor Code section 226.
- 14 l. Withholding or deducting from the compensation of misclassified employees,
15 and requiring applicants for employment misclassified as a franchise to pay,
16 any fee for, or cost of, pre-employment medical or physical examinations in
17 violation of Labor Code section 222.5.
- 18 m. Failure to secure the payment of compensation for misclassified employees
19 through insurance or other allowable means in violation of Labor Code section
20 3700.
- 21 n. Failure to pay unemployment insurance taxes for misclassified employees in
22 violation of Unemployment Insurance Code section 976.
- 23 o. Failure to withhold and remit State Disability Insurance taxes for misclassified
24 employees in violation of Unemployment Insurance Code section 986.
- 25 p. Failure to provide an employer-sponsored retirement plan or qualified
26 retirement savings arrangement in violation of California Government Code
27 section 100000 *et seq.*

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1 q. Failure to make health care expenditures on behalf of misclassified employees
2 in violation of any local city and/or county ordinance (see, e.g., San Francisco
3 Administrative Code, Chapter 14).

4 r. Requiring misclassified employees to sign an agreement containing
5 noncompete clauses in violation of California Business & Professions Code
6 section 16600 *et seq.*

7 100. THE PEOPLE request relief as described below.

8 **SECOND CAUSE OF ACTION**

9 **WILLFUL MISCLASSIFICATION OF AN INDIVIDUAL AS AN INDEPENDENT**
10 **CONTRACTOR**

11 **LABOR CODE SECTION 226.8(a)(1)**

12 **(Against all Defendants)**

13 101. THE PEOPLE reallege and incorporate by reference each and every allegation set
14 forth in all paragraphs above as if fully set forth herein.

15 102. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
16 Labor Code section 181, to enforce Labor Code section 226.8 by seeking damages and civil
17 penalties for willful misclassification of a worker as an independent contractor. A public
18 prosecutor with enforcement authority pursuant to section 17204 of the Business and Professions
19 Code may bring an action pursuant to Labor Code section 181 to redress violations occurring
20 outside the public prosecutor's geographic jurisdiction, but within the state of California.

21 103. Defendants have willfully misclassified and continue to willfully misclassify sushi
22 chefs as independent contractor franchisees in violation of Labor Code section 226.8.

23 104. THE PEOPLE request relief as described below.

24 **THIRD CAUSE OF ACTION**

25 **CHARGING FEES AND MAKING DEDUCTIONS FROM COMPENSATION OF**
26 **WILLFULLY MISCLASSIFIED INDEPENDENT CONTRACTORS**

27 **LABOR CODE SECTION 226.8(a)(2)**

28 **(Against all Defendants)**

1 112. Labor Code section 1194 entitles an employee receiving less than the legal
2 minimum wage to recover the unpaid balance of the full amount of the minimum wage, including
3 interest thereon, reasonable attorneys' fees, and costs of suit.

4 113. Labor Code section 1194.2 entitles an employee receiving less than the legal
5 minimum wage to recover liquidated damages in an amount equal to the wages unlawfully
6 unpaid and interest thereon.

7 114. Defendants have failed to pay their sushi chefs the applicable minimum wages for
8 all hours worked at locations in San Diego County and throughout the State of California.

9 115. As a direct and proximate result of Defendants' violations, the sushi chefs have
10 been deprived of wages due in amounts to be determined at trial, and Defendants are liable to pay
11 these amounts, plus interest thereon, liquidated damages, attorneys' fees and costs, and other
12 such legal and equitable relief as the Court deems just and proper.

13 116. THE PEOPLE request relief as described below.

14 **FIFTH CAUSE OF ACTION**
15 **FAILURE TO PAY OVERTIME WAGES**
16 **LABOR CODE SECTIONS 510, 1194, 1194.2**
17 **(Against all Defendants)**

18 117. THE PEOPLE reallege and incorporate by reference each and every allegation set
19 forth in all paragraphs above as if fully set forth herein.

20 118. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
21 Labor Code section 181, to enforce Labor Code sections 510 and 1194 *et seq.* A public
22 prosecutor with enforcement authority pursuant to section 17204 of the Business and Professions
23 Code may bring an action pursuant to Labor Code section 181 to redress violations occurring
24 outside the public prosecutor's geographic jurisdiction, but within the state of California.

25 119. At all times relevant to this complaint, Defendants were required to pay their sushi
26 chefs overtime compensation at a rate of one and one-half times their regular rate of pay when
27 they worked more than eight hours in a workday, more than 40 hours in a week, or on a seventh
28 consecutive day, pursuant to Labor Code sections 510, 1194, 1194.2, and IWC Wage Order Nos.

1 5 and 7. Defendants were further required to pay their sushi chefs at a rate of twice their regular
2 pay for all hours worked in excess of 12 consecutive hours in a single workday, pursuant to
3 Labor Code section 510 and IWC Wage Order Nos. 5 and 7.

4 120. Defendants have failed to pay, and continue to fail to pay, their sushi chefs proper
5 overtime compensation for hours worked in excess of eight hours per day, more than 40 hours in
6 a work week, and/or on the seventh consecutive day of work at locations in San Diego County
7 and throughout the State of California.

8 121. As a direct and proximate result of Defendants' violations, the sushi chefs have
9 been deprived of overtime compensation in amounts to be determined at trial, and Defendants are
10 liable to pay these amounts, plus interest thereon, attorneys' fees and costs, and other such legal
11 and equitable relief as the Court deems just and proper.

12 122. THE PEOPLE request relief as described below.

13 **SIXTH CAUSE OF ACTION**

14 **FAILURE TO PROVIDE MEAL PERIODS**

15 **LABOR CODE SECTIONS 226.7, 512**

16 **(Against all Defendants)**

17 123. THE PEOPLE reallege and incorporate by reference each and every allegation set
18 forth in all paragraphs above as if fully set forth herein.

19 124. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
20 Labor Code section 181, to enforce Labor Code sections 226.7 and 512. A public prosecutor
21 with enforcement authority pursuant to section 17204 of the Business and Professions Code may
22 bring an action pursuant to Labor Code section 181 to redress violations occurring outside the
23 public prosecutor's geographic jurisdiction, but within the state of California.

24 125. At all times relevant to this complaint, Defendants were required to provide their
25 sushi chefs with uninterrupted, duty-free meal periods of not less than 30 minutes for shifts
26 exceeding five hours, and a second meal period of 30 minutes for shifts exceeding ten hours,
27 pursuant to Labor Code section 512 and IWC Wage Order Nos. 5 and 7.

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1 126. Defendants have failed to provide, and continue to fail to provide, their sushi chefs
2 with compliant meal periods at locations in San Diego County and throughout the State of
3 California.

4 127. Because Defendants have failed to provide their sushi chefs with compliant meal
5 periods, Defendants are liable to pay one additional hour of pay at the sushi chefs' regular rate of
6 compensation for each workday that the proper meal periods were not provided, pursuant to
7 Labor Code section 226.7.

8 128. THE PEOPLE request relief as described below.

9 **SEVENTH CAUSE OF ACTION**

10 **FAILURE TO AUTHORIZE AND PERMIT REST BREAKS**

11 **LABOR CODE SECTION 226.7**

12 **(Against all Defendants)**

13 129. THE PEOPLE reallege and incorporate by reference each and every allegation set
14 forth in all paragraphs above as if fully set forth herein.

15 130. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
16 Labor Code section 181, to enforce Labor Code section 226.7. A public prosecutor with
17 enforcement authority pursuant to section 17204 of the Business and Professions Code may bring
18 an action pursuant to Labor Code section 181 to redress violations occurring outside the public
19 prosecutor's geographic jurisdiction, but within the state of California.

20 131. At all times relevant to this complaint, Defendants were required to provide their
21 sushi chefs with rest periods of not less than ten minutes for every four hours worked or major
22 fraction thereof, pursuant to IWC Wage Order No. 7, section 12 and IWC Wage Order No. 5,
23 section 12. Labor Code section 226.7 requires employers to provide paid rest periods to
24 employees.

25 132. Defendants have failed to authorize and permit, and continue to fail to authorize
26 and permit, their sushi chefs to take a ten-minute paid rest period for each four hours of work or
27 major fraction thereof.

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1 140. Defendants have failed to indemnify or in any manner reimburse their sushi chefs
2 for these expenditures and losses. By misclassifying their sushi chefs as “independent
3 contractors,” and further by requiring their sushi chefs to pay expenses and cover losses that they
4 incurred in direct consequence of the discharge of their duties for Defendants and/or in obedience
5 to Defendants’ direction, Defendants have violated and continue to violate Labor Code section
6 2802.

7 141. As a direct and proximate result of Defendants’ conduct, the sushi chefs have
8 suffered substantial losses in amounts to be determined at trial, and Defendants are liable to pay
9 those amounts, as well as interest, costs, attorneys’ fees, and any applicable penalties, pursuant to
10 Labor Code section 2802.

11 142. THE PEOPLE request relief as described below.

12 **NINTH CAUSE OF ACTION**

13 **UNLAWFUL DEDUCTIONS FROM WAGES**

14 **LABOR CODE SECTION 221**

15 **(Against all Defendants)**

16 143. THE PEOPLE reallege and incorporate by reference each and every allegation set
17 forth in all paragraphs above as if fully set forth herein.

18 144. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
19 Labor Code section 181, to enforce Labor Code section 221. A public prosecutor with
20 enforcement authority pursuant to section 17204 of the Business and Professions Code may bring
21 an action pursuant to Labor Code section 181 to redress violations occurring outside the public
22 prosecutor’s geographic jurisdiction, but within the state of California.

23 145. At all times relevant to this complaint, Labor Code section 221 prohibited
24 Defendants from collecting or receiving any part of wages due to sushi chefs.

25 146. Defendants violated Labor Code section 221 by unlawfully taking deductions from
26 sushi chefs’ compensation to cover Defendants’ ordinary business expenses, including but not
27 limited to goods, materials, equipment rental and maintenance, licenses, repairs, and fines arising
28 from their employment. These unlawful deductions were made willfully, in that Defendants

1 intentionally implemented and maintained policies and practices that required sushi chefs to bear
2 Defendants’ business expenses, and knowingly continued these deductions despite having no
3 basis to do so.

4 147. As a direct and proximate result of Defendants’ unlawful deductions, the sushi
5 chefs have suffered harm in amounts to be determined at trial.

6 148. Because of Defendants’ unlawful deductions, Defendants are liable to pay the
7 compensation that should have been paid to sushi chefs pursuant to Labor Code section 221, as
8 well as civil penalties and costs, pursuant to Labor Code section 225.5.

9 149. THE PEOPLE request relief as described below.

10 **TENTH CAUSE OF ACTION**

11 **FAILURE TO PROVIDE PAID SICK LEAVE**

12 **LABOR CODE SECTIONS 245–249**

13 **(Against all Defendants)**

14 150. THE PEOPLE reallege and incorporate by reference each and every allegation set
15 forth in all paragraphs above as if fully set forth herein.

16 151. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
17 Labor Code section 181, to enforce Labor Code section 245 *et seq.* A public prosecutor with
18 enforcement authority pursuant to section 17204 of the Business and Professions Code may bring
19 an action pursuant to Labor Code section 181 to redress violations occurring outside the public
20 prosecutor’s geographic jurisdiction, but within the state of California.

21 152. At all times relevant to this complaint, pursuant to Labor Code section 246(b),
22 Defendants were required to, among other things, provide for an employee to accrue paid sick
23 leave “at the rate of not less than one hour per every 30 hours worked” or not less than 24 hours
24 of paid sick leave by the completion of the employee’s 120th calendar day of employment or
25 each calendar year, or in each 12-month period. Labor Code section 246(i) further required
26 Defendants to provide employees with written notice setting forth the amount of sick leave

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1 available within the employee’s itemized wage statement or in a separate writing provided on the
2 designated pay date.

3 153. Defendants have violated Labor Code sections 245–249, and the applicable local
4 ordinances, by not having policies and procedures for its sushi chefs to accrue and use paid sick
5 leave, not providing sushi chefs with the required amount of paid sick leave, and failing to
6 provide the requisite written notice of the amount of paid sick leave available.

7 154. During certain times while working for Defendants, many sushi chefs were ill or
8 absent for other medical reasons and therefore did not work. These sushi chefs received no pay
9 from Defendants during these instances, and Defendants are liable to pay the sick leave to which
10 these sushi chefs were entitled, but which Defendants failed to provide.

11 155. THE PEOPLE request relief as described below.

12 **ELEVENTH CAUSE OF ACTION**

13 **FAILURE TO FURNISH COMPLETE AND ACCURATE WAGE STATEMENTS**

14 **LABOR CODE SECTIONS 226, 226.3**

15 **(Against all Defendants)**

16 156. THE PEOPLE reallege and incorporate by reference each and every allegation set
17 forth in all paragraphs above as if fully set forth herein.

18 157. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
19 Labor Code section 181, to enforce Labor Code sections 226 and 226.3. A public prosecutor
20 with enforcement authority pursuant to section 17204 of the Business and Professions Code may
21 bring an action pursuant to Labor Code section 181 to redress violations occurring outside the
22 public prosecutor’s geographic jurisdiction, but within the state of California.

23 158. Labor code section 226(a) requires employers semi-monthly or at the time of each
24 payment of wages to furnish each employee with an itemized statement showing, among other
25 things, “(1) gross wages earned, (2) total hours worked by the employee . . . (3) the number of
26 piece-rate units earned and any applicable piece rate if the employee is paid on a piece-rate basis,
27 (4) all deductions, provided that all deductions made on written orders of the employee may be
28 aggregated and shown as one item, (5) net wages earned, (6) the inclusive dates of the period for

1 which the employee is paid, (7) the name of the employee and the last four digits of his or her
2 social security number or an employee identification number . . . , (8) the name and address of
3 the legal entity that is the employer . . . and (9) all applicable hourly rates in effect during the pay
4 period and the corresponding number of hours worked at each hourly rate by the employee.”

5 159. Labor Code section 226(e) provides that if an employer knowingly and
6 intentionally fails to provide such a statement, the employee is entitled to recover the greater of
7 all damages or fifty dollars (\$50) for the initial violation and one hundred dollars (\$100) for each
8 subsequent violation, up to four thousand dollars (\$4,000), as well as costs and reasonable
9 attorneys’ fees.

10 160. Defendants knowingly and intentionally failed to furnish the sushi chefs with
11 timely, itemized statements showing all information required by Labor Code section 226(a),
12 including the total hours worked and applicable hourly rates. As a result, Defendants are liable to
13 pay the amounts provided by Labor Code section 226(e) and for penalties, attorneys’ fees, and
14 costs.

15 161. THE PEOPLE request relief as described below.

16 **TWELFTH CAUSE OF ACTION**

17 **WAITING TIME PENALTIES**

18 **LABOR CODE SECTIONS 201, 202, 203**

19 **(Against all Defendants)**

20 162. THE PEOPLE reallege and incorporate by reference each and every allegation set
21 forth in all paragraphs above as if fully set forth herein.

22 163. The Labor Code permits a public prosecutor, as defined in subdivision (a) of
23 Labor Code section 181, to enforce Labor Code sections 201–203. A public prosecutor with
24 enforcement authority pursuant to section 17204 of the Business and Professions Code may bring
25 an action pursuant to Labor Code section 181 to redress violations occurring outside the public
26 prosecutor’s geographic jurisdiction, but within the state of California.

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- d. Labor Code sections 510 and 1194 *et seq.* and IWC Wage Order Nos. 5 and 7 by failing to pay proper state overtime compensation to employees;
- e. Labor Code sections 226.7 and IWC Wage Order Nos. 5 and 7 by failing to provide compliant meal periods to employees;
- f. Labor Code sections 226.7 and IWC Wage Order Nos. 5 and 7 by failing to authorize and permit paid rest periods to employees;
- g. Labor Code section 2802 by failing to reimburse employees for all necessarily incurred business expenses and losses;
- h. Labor Code section 221 by making unlawful deductions from employees' earned wages;
- i. Labor Code sections 245–249 by failing to provide policies and procedures for employees to accrue paid sick leave, not providing employees with the required amount of paid sick leave, and failing to provide the requisite written notice of the amount of paid sick leave available;
- j. Labor Code sections 226 and IWC Wage Order Nos. 5 and 7 by failing to provide employees with accurate, complete, and compliant itemized wage statements;
- k. Business and Professions Code sections 17200–17208 by engaging in unlawful, unfair, and fraudulent business acts and practices, including by failing to pay minimum and overtime wages, failing to provide meal and rest periods, failing to reimburse business expenses, failing to provide sick leave, issuing inaccurate wage statements, making unlawful deductions, failing to provide required uniforms, failing to secure the payment of compensation through insurance or other allowable means, failing to pay unemployment insurance taxes, failing to withhold and remit State Disability Insurance taxes, failing to provide an employer-sponsored retirement plan or qualified retirement savings arrangement, failing to make health care expenditures on

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1 behalf of misclassified employees, and requiring misclassified employees to sign
2 an agreement containing noncompete clauses;

3 170. A declaratory judgment that Defendants' violations as described above were
4 willful.

5 171. Pursuant to Business and Professions Code section 17203, that the Court enter all
6 orders necessary to prevent Defendants, as well as Defendants' successors, agents,
7 representatives, employees, and all persons who act in concert with Defendants from engaging in
8 any act or practice that constitutes unfair competition in violation of Business and Professions
9 Code section 17200, including, but not limited to, the acts and practices occurring in the State of
10 California alleged in this Complaint;

11 172. Pursuant to Business and Professions Code section 17203, that the Court enter all
12 orders or judgments as may be necessary to restore to any person in interest money or property
13 that Defendants acquired by violations of Business and Professions Code section 17200;

14 173. Pursuant to Business and Professions Code section 17206, that each Defendant be
15 assessed a civil penalty in an amount up to the statutory maximum for each violation of Business
16 and Professions Code section 17200 *et seq.*;

17 174. Pursuant to Business and Professions Code section 17206.1, that each Defendant
18 be assessed an additional civil penalty in an amount up to the statutory maximum for each
19 violation of the Unfair Competition Law perpetrated against a senior citizen or disabled person;

20 175. Pursuant to Labor Code section 226.8, that each Defendant be assessed civil
21 penalties up to the statutory maximum for each violation of subdivision (a) of Labor Code
22 section 226.8 as damages payable to the misclassified employees;

23 176. Pursuant to Labor Code sections 98.1, 1194, 1194.2, and 1197.1, an award of the
24 amount of unpaid minimum and overtime wages, liquidated damages in an amount equal to the
25 amount of unpaid minimum wages, and civil penalties up to the statutory maximum for each
26 minimum and overtime wage violation;

27 177. Pursuant to Labor Code sections 218 and 225.5, an award of all wages unlawfully
28 withheld held or collected, including but not limited to deductions for pre-employment medical

1 or physical examinations, and civil penalties up to the statutory maximum for each violation of
2 Labor Code sections 221 and 225.5;

3 178. Pursuant to Labor Code section 248.5(e), appropriate relief for unlawfully
4 withheld sick pay, including backpay, payment of unlawfully withheld sick days, and
5 administrative penalties;

6 179. Pursuant to Labor Code section 226.3, an award of civil penalties up to the
7 statutory maximum for each violation of Labor Code section 226;

8 180. Pursuant to Labor Code sections 226.7 and 558, damages in the amount of meal
9 and rest period compensation owed, and civil penalties up to the statutory maximum for each
10 violation of Labor Code sections 226.7 and 510, and IWC Wage Orders No. 5 and No. 7;

11 181. Pursuant to Labor Code section 2802, damages in the amount of necessarily
12 incurred unreimbursed business expenses;

13 182. Pursuant to Labor Code sections 98 and 1197.1, penalties up to the statutory
14 maximum for failure to indemnify misclassified employees for all necessary expenditures or
15 losses incurred by the misclassified employees in the discharge of their duties or obedience to
16 Defendants' directions;

17 183. Pursuant to Labor Code section 226.3, penalties up to the statutory maximum for
18 each violation of Labor Code section 226;

19 184. Pursuant to Labor Code section 203, waiting time penalties up to the statutory
20 maximum;

21 185. Applicable fines pursuant to section 20 of IWC Wage Orders No. 5 and 7 and
22 Labor Code section 1199 for violation of the applicable Wage Orders;

23 186. Prejudgment interest as provided by statute, including Labor Code sections 218.6,
24 248.5, 1194, 2802 and any other applicable law;

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1 187. Reasonable attorney’s fees and costs, including expert witness fees and costs
2 pursuant to Labor Code sections 181, 218.6, 226, 1194, and 2802, and any other applicable law;
3 and

4 188. Such other and further relief that the Court deems appropriate and just.
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6 DATED: June 17, 2026

DAMON M. BROWN, County Counsel

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