WORKERS' COMPENSATION APPEALS BOARD STATE OF CALIFORNIA

RICARDO CHINCHILLA, Applicant

VS.

PROTECTIVE SERVICES OF SOUTHERN CALIFORNIA; UNINSURED EMPLOYERS BENEFITS TRUST FUND, Defendants

Adjudication Number: ADJ1866471 Marina del Rey District Office

OPINION AND ORDER GRANTING PETITION FOR RECONSIDERATION AND DECISION AFTER RECONSIDERATION

Petitioners Protective Services, Inc. (PSI) and its alleged substantial shareholders, Sandra Burke and Roberto Olguin Jr. (alleged shareholders), seek reconsideration of the Findings and Order (F&O) issued on August 14, 2023 by a workers' compensation administrative law judge (WCJ). The WCJ found that the Workers' Compensation Appeals Board (WCAB) has no jurisdiction to amend the April 6, 2011 Award approving Stipulations and Request for Award (Award), and that no grounds exist to apply the equitable doctrine of estoppel to grant PSI and/or its shareholders relief from the Award.

Petitioners contend that the principles of justice and equity must be applied to grant relief to PSI and the shareholders because of the significant and numerous procedural irregularities that resulted in the Award in violation of petitioners' fundamental right to due process.

The Director of Industrial Relations (Director) as Administrator of the Uninsured Employers Benefits Trust Fund (UEBTF) filed an Answer to Petition for Reconsideration (Answer). The WCJ filed a Report and Recommendation on Petition for Reconsideration (Report) recommending that the petition be denied.

We have reviewed the record in its entirety and have considered the allegations of the Petition for Reconsideration and the Answer, as well as the contents of the Report. Based on our review of the record, and for the reasons stated below, we grant reconsideration. It is our decision after reconsideration to rescind the F&O; to issue a new finding of fact that the WCAB did not

acquire jurisdiction over PSI and/or the alleged shareholders on or before April 6, 2011; and, to issue an order that the Award was issued void ab initio because the Appeals Board lacked jurisdiction over PSI and/or the alleged shareholders on or before April 6, 2011.

FACTS

The relevant facts and evidence were accurately set forth in the WCJ's Report:

A signed Application for Adjudication of Claim, dated October 2, 1997, was filed by counsel on behalf of applicant against employer, "Protective Service of So. CA" (hereinafter referred to as PSSC), alleging an injury to foot, low back, and right wrist in August 1997 (Exhibit A). There was no Proof of Service attached to Exhibit A so it is unclear which parties were served with said Application.

Given the passage of time and that the WCAB switched over to EAMS some time in 2008/2009, there is no paper trail in EAMS as to what transpired between October 1997 and Jay Burke's letter to WCJ Greenblatt, dated January 26, 2010 (Joint Exhibit O). According to EAMS, "Protective Services," UEBTF and OD-Legal became case participants on September 20, 2006. Without the actual Special Notice of Lawsuit, Petition for Joinder of UEBTF, Order of Joinder, and/or amended Application for Adjudication of Claim, just by looking at the list of case participants in EAMS, it is unclear if Protective Services, Inc. (hereinafter referred to as PSI) or PSSC were joined/named as employer herein, despite what UEBTF asserted in its Trial Brief about an Amended Application to include PSI (Trial Brief, dated August 2, 2023, Page 2, Line 4-5). There is also no proof/exhibit/testimony submitted to substantiate defendants' allegation that "3) A Special Notice of Lawsuit was filed and served on PSSC, resulting in the joinder of UEBTF on behalf of PSSC. 4) While UEBTF was joined to this claim on behalf of PSSC, UEBTF was not joined on behalf of PSI." (Petition for Reconsideration, dated September 8, 2023, Page 3, Lines 17-20).

Defendants do not dispute that Roberto Olguin, Jr. and Sandra H. Burke were officers of PSI, which dissolved in 2001 (Petition for Reconsideration, dated September 8, 2023, Page 3, Lines 13-15). Defendants also confirmed the last known address of PSI was 233 W. Cerritos Ave., Anaheim, CA 92805 (Petition for Reconsideration, dated September 8, 2023, Page 3, Lines 14-15). Furthermore, at no time did defendants dispute the mailing address for Roberto

Cal.App.3d 242, 244 [1974 Cal.App. LEXIS 782].)

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¹ We note that there is some doubt that PSI was formally dissolved given that the California Secretary of State still lists PSI as an active corporation; moreover, we note that the California Secretary of State also lists PSI as a corporation suspended by the Franchise Tax Board. (See Rev. and Tax. Code, § 23301; *Traub Co. v. Coffee Break Service, Inc.* (1967) 66 Cal.2d 368, 371 [1967 Cal. LEXIS 308]; *Palm Valley Homeowners Ass'n v. Design Mtc* (2000) 85 Cal.App.4th 553, 560 [2000 Cal.App. LEXIS 948]; *Gar-Lo, Inc. v. Purduential Sav. & Loan Assn.* (1974) 41

Olguin, Jr. is/was 3809 West 106th Street, Inglewood, CA 90303-1824. This was the same address that UEBTF sent its January 13, 2006 letter (Exhibit B), informing Roberto Olguin, Jr. about applicant's claim against PSI, requesting substantial shareholder information of PSI, as well as notifying him of the negative inference if he chose not to respond. This was also the same address UEBTF served its Petition to Join Substantial Shareholders on March 18, 2008 (Joint Exhibit Q), which Jay Burke confirmed in his letter of January 26, 2010 to WCJ Greenblatt that Roberto Olguin, Jr. in fact received and passed on to him (Joint Exhibit O, Page 2, Paragraphs 7 and 8). Also, said Petition to Join Substantial Shareholders was served on PSI's last known address in Anaheim (Joint Exhibit Q). According to EAMS, Roberto Olguin, Jr. and Sandra H. Burke became case participants/employers as of April 30, 2008. As such, defendants' assertion that "neither Protective Services Inc., nor its alleged substantial shareholders, Roberto Olguin Jr. and Sandra Burke, have ever been joined to this claim as party defendants" (Petition for Reconsideration, dated September 8, 2023, Page 4, Lines 12-14) is inaccurate.

Jay Burke's January 26, 2010 ex parte letter (Joint Exhibit O) admitted that his company, PSSC, was the employer of applicant on the date of injury, that PSI was co-owned by his wife, Sandra H. Burke, and her brother, Roberto Olguin, Jr., that there might be a post-termination defense, that PSI was notified by mail from applicant's attorney on October 2, 1997 that applicant was injured on the date of injury while working for PSSC, that the claim was denied, that PSSC was uninsured on the date of injury, that he was not notified again about this claim until the time of his letter, that documents were served on Roberto Olguin, Jr. at his residence in Inglewood in 2008 but he ignored same, that more documents were received by Mr. Olguin and he passed them on to him, that he filed for bankruptcy in 1999, that he alleged that applicant engaged in fraud, that he had some evidence to offer, that his wife's correct address is 27 Corn Flower Street, that he and his wife had never been served by person or mail in this matter, that his address should be updated, etc. On March 30, 2010, WCJ Greenblatt disclosed and served said ex parte letter on all parties on the official address record.

Applicant and UEBTF entered into Stipulations with Request for Award on March 3, 2011. In said settlement document, PSI, Sandra H. Burke, and Roberto Olguin, Jr. were named as employers (Joint Exhibit R). WCJ Blais granted Notice of Intention to Approve Stipulations with Request for Award on March 3, 2011, naming PSI, Sandra H. Burke, Roberto Olguin, Jr. and UEBTF as defendants in the caption. WCJ Blais designated UEBTF to serve same (Joint Exhibit S). On March 14, 2011, the Notice of Intention to Approve Stipulations with Request for Award and Stipulations with Request for Award were served on "Protective Services" in Anaheim, Robert Olguin, Jr., at his Inglewood address, and Sandra H. Burke at an allegedly incorrect address per defendants (Petition for Reconsideration, dated September 8, 2023, Page 4, Lines 1-3) and Jay Burke's January 26, 2010 letter (Joint Exhibit O). On April 6, 2011, it

appears that UEBTF attempted to re-serve the aforementioned documents on PSI in Garden Grove and Sandra Burke at yet another incorrect address per defendants (Petition for Reconsideration, dated September 8, 2023, Page 4, Lines 26-28; Joint Exhibit U).

WCJ Blais granted the Award on April 6, 2011 (Joint Exhibit V) against PSI, Sandra H. Burke and Roberto Olguin, Jr. There was no objection filed by PSI, Sandra H. Burke and/or Roberto Olguin, Jr. before or after April 6, 2011 in EAMS or submitted by defendants at Trial.

[¶ omitted]²

On April 2, 2015 and April 3, 2015, UEBTF Recovery Unit filed two Certificates of Lien in Los Angeles County, first one against PSI and Roberto Olguin, Jr. and the second one against Robert Olguin, Jr. only. Both Certificates of Lien noted the correct address for Roberto Olguin, Jr. in Inglewood and last known address of PSI in Anaheim (Exhibit C) for mailing of same. On April 3, 2015, UEBTF Recovery Unit filed another Certificate of Lien in Orange County against PSI and Roberto Olguin, Jr. Said Certificate of Lien also has the correct address for Roberto Olguin, Jr. in Inglewood and last known address of PSI in Anaheim (Exhibit D) for mailing as well.

On September 13, 2022, a Petition for Dismissal of PSI, Sandra H. Burke and Roberto Olguin as Party-defendants and to Amend the Stipulations with Request for Award to Reflect the Proper Defendant PSSC was filed. The case went to Trial on August 2, 2023 and the sole issue is jurisdiction pursuant to Labor Code §5804. At Trial, neither Roberto Olguin, Jr. nor Sandra H. Burke appeared or testified under oath. Both defendants and UEBTF submitted Trial Briefs. On August 14, 2023, this WCJ issued Findings of Fact and Order, as well as Opinions on Decision.

On September 8, 2023, defendants filed a Petition for Reconsideration.

(Report, pp. 2-4, emphasis added.)

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² The WCJ includes facts related to service of the November 20, 2014 Compromise and Release which also identified PSI as the employer. (Joint Exh. W, Compromise and Release, p. 1; Joint Exh. X, Notice of Intention to Approve Compromise and Release RE Buy Out of Future Medical.) However, the Opinion and Order Approving Compromise and Release (Joint Exh. Z, OACR), approved the proposed settlement of future medical care against Protective Services of Southern California (PSSC), the employer named in applicant's Application for Adjudication of Claim (UEBTF Exh. A). Petitioners herein do not seek relief from the OACR given that it issued against PSSC and not PSI. We disagree with the WCJ's conclusion in the Report that issuing the OACR against PSSC was an inadvertent clerical error needing correction. However, as petitioners do not seek relief from the OACR, and as there was no order issued by the WCJ correcting the OACR, we do not address the OACR in our orders.

DISCUSSION

This case involves uninsured employers, and therefore procedural requirements for an applicant to commence a claim and acquire jurisdiction over their employer(s) *and* over UEBTF are governed by section 3710 et seq. At issue herein are sections 3715 and 3716, which state in pertinent part as follows:

(a) Any employee...whose employer has failed to secure the payment of compensation as required by this division, or his or her dependents in case death has ensued, may, in addition to proceeding against his or her employer by civil action in the courts as provided in Section 3706, file his or her application with the appeals board for compensation and the appeals board shall hear and determine the application for compensation in like manner as in other claims and shall make the award to the claimant as he or she would be entitled to receive if the employer had secured the payment of compensation as required, and the employer shall pay the award in the manner and amount fixed thereby or shall furnish to the appeals board a bond, in any amount and with any sureties as the appeals board requires, to pay the employee the award in the manner and amount fixed thereby.

...

(e) Any claim brought against an employer under this section may be resolved by the director by compromise and release or stipulated findings and award as long as the appeals board has acquired jurisdiction over the employer and the employer has been given notice and an opportunity to object.

Notice may be given by service on the employer of an appeals board notice of intention to approve the compromise and release or stipulated findings and award. The employer shall have 20 days after service of the notice of intention to file an objection with the appeals board and show good cause therefor.

If the employer objects, the appeals board shall determine if there is good cause for the objection.

If the appeals board finds good cause for the objection, the director may proceed with the compromise and release or stipulated findings and award if doing so best serves the interest of the Uninsured Employers Fund, but shall have no cause of action against the employer under Section 3717 unless the appeals board case is tried to its conclusion and the employer is found liable.

If the appeals board does not find good cause for the objection, and the compromise and release or stipulated findings and award is approved, the

Uninsured Employers Fund shall have a cause of action against the employer pursuant to Section 3717.

(Lab. Code, § 3715, emphasis added.)

(a) If the employer fails to pay the compensation required by Section 3715 to the person entitled thereto, or fails to furnish the bond required by Section 3715 within a period of 10 days after notification of the award, the award, upon application by the person entitled thereto, shall be paid by the director from the Uninsured Employers Benefits Trust Fund...

...

- (d) The Uninsured Employers Benefits Trust Fund shall have no liability to pay compensation, nor shall it be joined in any appeals board proceeding, unless the employer alleged to be illegally uninsured shall first either have made a general appearance or have been served with the application specified in Section 3715 and with a special notice of lawsuit issued by the appeals board. The special notice of lawsuit shall be in a form to be prescribed by the appeals board, and it shall contain at least the information and warnings required by the Code of Civil Procedure to be contained in the summons issued in a civil action. The special notice of lawsuit shall also contain a notice that if the appeals board makes an award against the defendant that his or her house or other dwelling and other property may be taken to satisfy the award in a nonjudicial sale, with no exemptions from execution. The special notice of lawsuit shall, in addition, contain a notice that a lien may be imposed upon the defendant's property without further hearing and before the issuance of an award. The applicant shall identify a legal person or entity as the employer named in the special notice of lawsuit. The reasonable expense of serving the application and special notice of lawsuit, when incurred by the employee, shall be awarded as a cost. Proof of service of the special notice of lawsuit and application shall be filed with the appeals board.
 - (1) The application and special notice of lawsuit may be served, within or without this state, in the manner provided for service of summons in the Code of Civil Procedure. Thereafter, an employer, alleged to be illegally uninsured, shall notify the appeals board of the address at which it may be served with official notices and papers, and shall notify the appeals board of any changes in the address. No findings, order, decision, award, or other notice or paper need be served in this manner on an employer, alleged to be illegally uninsured, who has been served as provided in this section, and who has not filed an answer, otherwise made a general appearance, or furnished the appeals board with its address. The findings, orders, decisions, awards, or other notice or paper may be mailed to the employer as the board, by regulation, may provide.

(2) Notwithstanding paragraph (1), if the employer alleged to be illegally uninsured has not filed an answer, otherwise made a general appearance, or furnished the appeals board with its address, the appeals board shall serve any findings, order, decision, award, or other notice or paper on the employer by mail at the address the appeals board has for the employer. The failure of delivery at that address or the lack of personal service on an employer **who has been served as provided in this section**, of these findings, order, decision, award, or other notice or paper, shall not constitute grounds for reopening or invalidating any appeals board action pursuant to Section 5506, or for contesting the validity of any judgment obtained under Section 3716 or 5806, a lien under Section 3720, or a settlement under subdivision (e) of Section 3715.

...

(Lab. Code, § 3716, emphasis added.)

Section 3715, subdivision (e), allows UEBTF to resolve claims involving uninsured employers through stipulated findings and award "as long as the appeals board has acquired jurisdiction over the employer and the employer has been given notice and an opportunity to object." (Lab. Code, § 3715(e), emphasis added.) The issue in this case is whether the appeals board ever "acquired jurisdiction" over PSI and/or the alleged shareholders.

There is no dispute in this case that on October 2, 1997, applicant filed an Application for Adjudication of Claim against PSSC for an alleged August 20, 1997 specific injury (Application). (UEBTF Exh. A, Application.) There is no evidence in the record of this matter that a special notice of lawsuit was ever served on PSSC "in the manner provided for service of summons in the Code of Civil Procedure" as required by section 3716, subdivision (d)(1). However, UEBTF appears to have been active in this case long enough to have lost the original paper file. (Answer, p. 3, fn. 2.)

UEBTF claims that "sometime" after the Application was filed, there was an amendment to add PSI. (Answer, p. 3.) However, the WCJ correctly concludes in the Report that there is no "proof/exhibit/testimony," i.e., no evidence in the record of any such amendment. (Report, p. 2.) There is also no proof, exhibit, and/or testimony, i.e., evidence in the record of this matter that a special notice of lawsuit was ever served on PSI "in the manner provided for service of summons in the Code of Civil Procedure" as required by section 3716, subdivision (d)(1).

The WCAB therefore did not "acquire jurisdiction" over PSI by way of an application for adjudication of claim and notice of special lawsuit pursuant to sections 3715 and 3716.

There is also no evidence in the record of this matter that the WCAB acquired jurisdiction over PSI through joinder. On September 13, 2006, UEBTF sent Mr. Olguin a letter as CEO of PSI requesting information about the substantial shareholders of PSI pursuant to sections 3720.1 and 3717, and that any substantial shareholders may be joined as parties pursuant to section 3717.1.³ (UEBTF Exh. B.)⁴ Then, on March 18, 2008, UEBTF served Mr. Olguin its Petition to Join Substantial Shareholders (Petition to Join). (Joint Exh. P.) There appears to be no dispute that these two documents were mailed to Mr. Olguin at his actual address, and that he received the Petition to Join. There also appears to be no dispute that service of the Petition to Join the other alleged substantial shareholder, Sandra Burke, failed. (Answer, p. 3.)

However, even though UEBTF was able to produce the 2006 letter to Mr. Olguin related to shareholders and the 2008 Petition to Join, including its proof of service, *UEBTF did not produce an order joining PSI and/or the alleged shareholders*. Therefore, the WCAB did not "acquire jurisdiction" over PSI or its alleged shareholders through joinder.

We disagree with the WCJ that adding Mr. Olguin and Ms. Burke to EAMS is somehow the equivalent of an order joining them as parties to the proceedings, with the attendant due process right to notice and a meaningful right to be heard. (*Gangwish v. Workers' Comp. Appeals Bd.* (2001) 89 Cal.App.4th 1284, 1295 [66 Cal.Comp.Cases 584]; *Rucker v. Workers' Comp. Appeals Bd.* (2000) 82 Cal.App.4th 151, 157-158 [65 Cal.Comp.Cases 805].) Such a conclusion also ignores the added dimension of section 3716, subdivision (d), and its requirement that either an uninsured employer make a general appearance or that an application and special notice of lawsuit is served as summons on the employer. As remarked by the WCJ and UEBTF, Mr. Olguin did not respond to the 2006 letter *or* to the 2008 Petition to Join, thereby avoiding a general appearance

³ "In any claim in which an alleged uninsured employer is a corporation, the director may cause substantial shareholders and parents, as defined by Section 3717, to be joined as parties. Substantial shareholders may be served as provided in this division for service on adverse parties, or if they cannot be found with reasonable diligence, by serving the corporation. The corporation, upon this service, shall notify the shareholder of the service, and mail the served document to him or her at the shareholder's last address known to the corporation." (Cal Lab Code § 3717.1.)

⁴ We note that UEBTF did not produce evidence that it provided PSI with the required notice under section 3715, subdivision (d), that "a lien may be placed against the employer's and any parent corporation's property, or the property of substantial shareholders of a corporate employer as defined by Section 3717." (Lab. Code, § 3715(d) ["When the director determines that an employer was prima facie illegally uninsured, the director shall mail a written notice of the determination to the employer at his or her address as shown on the official address record of the appeals board, and to any other more recent address the director may possess. The notice **shall advise** the employer of its right to appeal the finding, and that a lien may be placed against the employer's and any parent corporation's property, or the property of substantial shareholders of a corporate employer as defined by Section 3717."], emphasis added.)

for PSI or himself in these proceedings, and there is no evidence that the Application was amended to name PSI and/or served as summons with a special notice of lawsuit.

On January 26, 2010, Jay Burke, the sole owner of PSSC, wrote to the WCJ handling this matter at that time and admitted against interest that PSSC was applicant's employer on August 20, 1997, the date of applicant's alleged injury; that PSSC was illegally uninsured for workers' compensation on that date; that he had denied applicant's claim which he believed to be fraudulent and barred by the post-termination defense; and, that he was forced to declare bankruptcy in 1999. (Joint Exh. O, Burke Letter to WCJ, pp. 1-2.)⁵ Mr. Burke stated that he "saved some information from 1997 and [had] a fair amount of evidence in [applicant's] file to present at any hearing." (*Id.*, p. 3.) Mr. Burke's letter was served on March 30, 2010 on all parties in the official address record on EAMS, which included UEBTF. (Report, p. 3.)

Then, on March 3, 2011, and despite the fact that no order joining PSI or the alleged shareholders had issued and despite Mr. Burke's letter, UEBTF still chose to enter into Stipulations and Request for Award against PSI, even though the WCAB had not yet "acquired jurisdiction" over PSI or its alleged shareholders. Therefore, and regardless of whether Mr. Olguin was or was not a substantial shareholder of PSI, and regardless of whether he received service of the Notice of Intention to Approve Stipulations with Request for Award and Stipulations with Request for Award, the WCJ should not have approved the Stipulations with Request for Award until jurisdiction was acquired over PSI and/or the alleged shareholders. Unfortunately, the Award was issued without waiting for jurisdiction, and is therefore void ab initio, i.e., invalid from its beginning.

Accordingly, the Award issued before the WCAB acquired jurisdiction over PSI and/or the alleged shareholders and is thus void ab initio. We therefore grant reconsideration. It is our decision after reconsideration to rescind the F&O, issue a new finding of fact that the WCAB did not acquire jurisdiction over PSI and/or the alleged shareholders on or before April 6, 2011, and issue an order that the Award was issued void ab initio because the Appeals Board lacked jurisdiction over PSI and/or the alleged shareholders on or before April 6, 2011.

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⁵ We note UEBTF's contention that any relief provided to PSI would prejudice UEBTF because it would not be able to seek reimbursement from PSSC due to Mr. Burke's bankruptcy. (Answer, p. 9.) Either PSSC was applicant's employer on the date of his injury, as admitted by Mr. Burke, or PSI was applicant's employer on his date of injury, as claimed by UEBTF. However, the inability to obtain reimbursement from PSSC is not sufficient cause to seek reimbursement from PSI. This would remain true even if UEBTF were able to support its contention that Mr. Burke's bankruptcy constituted criminal conduct with admissible evidence.

For the foregoing reasons,

IT IS ORDERED that the Petition for Reconsideration filed by Protective Services, Inc. and its alleged substantial shareholders Sandra Burke and Roberto Olguin Jr., of the Findings and Order issued by a workers' compensation administrative law judge on August 14, 2023 is GRANTED.

IT IS FURTHER ORDERED as the Decision after Reconsideration of the Workers' Compensation Appeals Board that the Findings and Order issued by a workers' compensation administrative law judge on August 14, 2023 is RESCINDED and REPLACED with the following:

FINDINGS OF FACT

1. There is no evidence in the current record that the Workers' Compensation Appeals Board acquired jurisdiction over alleged employer Protective Services, Inc. or its alleged substantial shareholders Sandra Burke and Roberto Olguin Jr., on or prior to April 6, 2011.

ORDER

IT IS ORDERED that the Award approving Stipulations and Request for Award issued by a workers' compensation administrative law judge on April 6, 2011 is VOID AB INITIO because the Workers' Compensation Appeals Board did not acquire jurisdiction over alleged employer Protective Services, Inc. or its alleged substantial shareholders Sandra Burke and Roberto Olguin Jr., on or before April 6, 2011.

WORKERS' COMPENSATION APPEALS BOARD

/s/ JOSEPH V. CAPURRO, COMMISSIONER

I CONCUR,

/s/ NATALIE PALUGYAI, COMMISSIONER

/s/ KATHERINE A. ZALEWSKI, CHAIR



DATED AND FILED AT SAN FRANCISCO, CALIFORNIA

November 7, 2023

SERVICE MADE ON THE ABOVE DATE ON THE PERSONS LISTED BELOW AT THEIR ADDRESSES SHOWN ON THE CURRENT OFFICIAL ADDRESS RECORD.

RICARDO CHINCHILLA
PEARLMAN, BROWN & WAX
OFFICE OF THE DIRECTOR-LEGAL UNIT (LOS ANGELES)
ROBERT OLGUIN, JR.
SANDRA H. BURKE
PROTECTIVE SERVICES OF SOUTHERN CALIFORNIA c/o JAY BURKE

AJF/abs

I certify that I affixed the official seal of the Workers' Compensation Appeals Board to this original decision on this date. *abs*