

Ninth Circuit rules on wage and hour class action claims

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On 16 August 2018 the Ninth Circuit in *Rangel v PLS Check Cashers of California* held that a settlement of class claims in an opt-out class action asserting only state law wage and hour claims also released the plaintiff's Fair Labour Standards Act claims arising from the same allegations on which her state claims were predicated.

Prior to *Rangel*, in early 2015, three employees had filed a wage and hour class action lawsuit under California law against PLS Check Cashers. The complaint in that case did not assert federal claims or mention the Fair Labour Standards Act. The parties reached a final settlement on that action in April 2015 – the so-called 'Dieguez settlement' – which covered all class members who did not timely opt out of the settlement. The settlement included a broad release that encompassed "all claims that were or could have been pled based on the factual allegations in the Complaint".

In August 2016 *Rangel*, a PLS worker who was covered by the Dieguez settlement, filed a putative collective action asserting Fair Labour Standards Act-based wage and hour claims against PLS. The district court dismissed the case on *res judicata* grounds, finding that the Dieguez settlement had resulted in a final judgment on the merits of *Rangel*'s wage claims. The Ninth Circuit affirmed this decision, holding that "*Rangel*'s [Fair Labour Standards Act] claims, which were direct federal law counterparts to the state law claims settled in Dieguez, easily qualify" as having been settled by the release in the Dieguez settlement. The court rejected *Rangel*'s assertion that her claims could not have been pled in the original state action because the action was opt-out only and therefore inconsistent with the Fair Labour Standards Act's opt-in mechanism, explaining that the broad language in the release did "not limit itself to those claims that class members were functionally capable of bringing in Dieguez itself".

The Ninth Circuit's decision rests in large part on the broad language in the Dieguez settlement release, which encompassed all claims that "could have been pled based on the factual allegations in the Complaint". The holding thus reinforces the importance of carefully crafting release language in all settlements, including class action settlements, and provides guidance on what language to include in such releases to preclude future claims.

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