

CLASS ACTION BLOG

Ninth Circuit: Same Injuries in State Class Action Settlement Barred Later Filed Federal Fair Labor Standards Act Collective Action

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Summary: Three PLS Check Cashers' ("PLS") employees filed a consolidated class action complaint asserting violations of several wage and hour and wage statement provisions of the California Labor Code. They settled their state class action claims on a class basis and obtained final court approval under California's counterpart to Federal Rule 23, resulting in a state court judgment, referred to as the *Dieguez* settlement. The judgment order stated in part that "Class Members shall take nothing from defendants... except as expressly set forth in the Joint Stipulation of Settlement and Release." Notice was given to the class members who were given an opportunity to opt out of the settlement class. Pearl Rangel, a PLS worker, was a member of the *Dieguez* settlement class. She did not opt out and she did not object to the settlement. She brought her separate FLSA collective action after the *Dieguez* settlement was approved and judgment entered. Unlike most class actions, FLSA collective actions are opt-in actions. After Rangel filed her collective action PLS moved to dismiss. The district court judge granted the motion to dismiss on *res judicata* grounds. The Ninth Circuit affirmed finding that the injury alleged in the underlying state court class action was substantially the same as in the FLSA collective action Rangel filed and sought to pursue.

Rangel v. PLS Check Cashers of California, Inc.

Under well settled California law, "a class settlement resulting in final judgment is sufficient to meet the 'final and on the merits' element of *res judicata*, and 'is as conclusive a bar as a judgment rendered after trial.'... That a settlement may not specifically resolve liability as to all released claims is immaterial. For *res judicata* purposes, all that matters is that a claim was in fact settled, rather than reserved for future litigation, such that it was in some sense within the judgment approving of the class settlement."

The Ninth Circuit found that Rangel's FLSA claims "were direct federal law counterparts to the state law claims settled in *Dieguez*" qualifying them as claims which "could have been pled ... based on the factual allegations in the [*Dieguez* Complaint]." Although Rangel emphasized the fact that her FLSA opt-in claims were different from the state court opt-out claims, the Ninth Circuit was not persuaded that those procedural differences were substantively significant; the *facts* alleged in both claims were essentially the same. Even though the district court judge had based his dismissal with prejudice on "federal preclusion law" rather than on California law, the same result was obtained. The Ninth Circuit held that California *res judicata* law barred Rangel's FLSA claim. The court further noted that Rangel could have objected to the class settlement if she found it objectionable in any way. Having failed to object, she could not now engage in what was essentially a collateral attack on that state court judgment. Since her FLSA claim was barred by *res judicata* by the final judgment approving the state court class action settlement, she had no basis for pursuing her attempted FLSA collective action. Accordingly, the Ninth Circuit affirmed the dismissal with prejudice.