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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

RYAN GUINN, an individual, on  
behalf of himself, and on  
behalf of all other persons  
similarly situated,

Plaintiff,

v.

SUGAR TRANSPORT OF THE  
NORTHWEST, INC., a California  
Corporation; BRONCO WINE  
COMPANY, a California  
Corporation; CLASSIC WINES, a  
California Corporation,

Defendants.

NO. 2:16-cv-325 WBS EFB

MEMORANDUM AND ORDER RE: MOTION  
FOR APPROVAL OF SETTLEMENT,  
DETERMINATION OF GOOD FAITH  
SETTLEMENT, AND REQUEST FOR  
DISMISSAL

Plaintiff Ryan Guinn brought this matter against  
defendants Sugar Transport of the Northwest ("Sugar Transport"),  
Bronco Wine Company ("Bronco"), and Classic Wines of California  
("Classic") for alleged violations of the Fair Labor Standards  
Act ("FLSA"), 29 U.S.C. § 216; the California Labor Code, Cal.  
Lab. Code §§ 201, 203, 204, and 512; and California's Unfair  
Competition Law ("UCL"), Cal. Bus. & Prof. Code § 17200, et seq.

1 Presently before the court is the Joint Motion for Approval of  
2 Settlement, Determination of Good Faith Settlement, and Request  
3 for Dismissal submitted together by plaintiff, Bronco, and  
4 Classic (collectively "the settling parties"). (Docket No. 98.)

5 I. Factual and Procedural Background

6 Plaintiff initiated this action against Sugar Transport  
7 on October 23, 2015. (Docket No. 1.) On January 24, 2017,  
8 plaintiff amended his complaint, adding Bronco and Classic as  
9 defendants. (First Amended Compl. ("FAC") (Docket No. 51).)

10 Plaintiff contends that, as an alleged joint employer, Bronco and  
11 Classic owe him unpaid wages, premium pay, penalties, attorneys'  
12 fees, interest, and other damages for various alleged violations  
13 of FLSA and California Labor Code arising from his alleged  
14 employment. (Id.) On February 27, 2017, defendants timely  
15 answered the Amended Complaint, generally denying the allegations  
16 and asserting a number of affirmative defenses. (Answer (Docket  
17 No. 62).)

18 On December 20, 2017, the court issued an Order denying  
19 plaintiff's Motion for Proceeding as a Collective Action under  
20 the FLSA and for Class Certification. (Docket No. 82.)

21 Subsequently, seventeen of the former putative class members  
22 filed four separate lawsuits in state court, which are currently  
23 pending. (Decl. of Cassandra M. Ferranninni ("Ferrannini Decl.")  
24 ¶ 3.)

25 Disputes remain between plaintiff and the settling  
26 defendants as to whether defendants can be considered plaintiff's  
27 employer under a joint employer theory, whether plaintiff was  
28 entitled to overtime compensation, and whether plaintiff was

1 provided requisite meal and rest breaks under California law.  
2 The parties entered negotiations and on May 2, 2018, they reached  
3 an agreed-upon settlement of any and all disputes between them.  
4 (Decl. of Brandy Barnes ("Barnes Decl.") (Docket No. 99) at ¶  
5 14.) The parties executed the Settlement on or around May 23,  
6 2018. (Id. ¶ 17.)

7 On June 7, 2018, the settling parties submitted a Joint  
8 Motion for Approval of Settlement, in which they seek (1) the  
9 court's approval of their settlement under FLSA, (2) a  
10 determination that the Settlement was made in good faith pursuant  
11 to California Code of Civil Procedure sections 877 and 877.6,  
12 thereby barring claims for contribution and indemnity, and (3)  
13 dismissal of Classic and Bronco from this action, with prejudice.  
14 (Docket No. 98.) On June 25, 2018, defendant Sugar Transport  
15 submitted an Opposition to this Joint Motion. (Docket No. 102.)

16 The parties are scheduled to mediate the pending state  
17 court cases, as well as the remainder of this case, on August 9,  
18 2018. (Ferranninni Decl. ¶ 8.)

## 19 II. Approval of Settlement

20 "Although the Ninth Circuit has not established a  
21 standard for district courts to follow when evaluating an FLSA  
22 settlement, California district courts frequently apply the  
23 standard established by the Eleventh Circuit in Lynn's Food  
24 Stores, Inc. v. U.S. By and Through U.S. Dep't of Labor, 679 F.2d  
25 1350, 1352 (11th Cir. 1982)." Thompson v. Costco Wholesale  
26 Corp., No. 14-cv-2778 CAB WVG, 2017 WL 697895, at \*6 (S.D. Cal.  
27 Feb. 22, 2017). Pursuant to that standard, plaintiff may settle  
28 and release his claims against his employer or putative employer

1 if the parties obtain court approval of the proposed settlement  
2 and if the settlement constitutes "a fair and reasonable  
3 resolution of a bona fide dispute over FLSA provisions." 29  
4 U.S.C. § 216(b); Lynn's Food Stores, 679 F.2d at 1355.

5 Court approval is necessary to ensure an employee does  
6 not waive statutory rights as a result of an employer's  
7 overreaching in a non-adversarial context. Lynn Food Stores,  
8 Inc., 679 F.2d at 1354. However, when a settlement is reached in  
9 an adversarial context, as it was here, it is "more likely to  
10 reflect a reasonable compromise of disputed issues" and may be  
11 approved by the court to promote the policy of encouraging  
12 settlement of litigation. (Id. at 1353.)

13 A. Bona Fide Dispute

14 "A bona fide dispute exists when there are legitimate  
15 questions about the existence and extent of Defendant's FLSA  
16 liability." Seguin v. County of Tulare, No. 16-cv-1262 DAD SAB,  
17 2018 WL 1919823, at \*2 (E.D. Cal. Apr. 24, 2018). Here, although  
18 the parties have been able to reach a settlement, significant  
19 disagreement remains, and there was no admission of liability on  
20 the part of any party. (Barnes Decl. ¶ 16.) While plaintiff  
21 contends that settling defendants qualify as plaintiff's employer  
22 under a theory of "joint employment," defendants deny having an  
23 employment relationship with plaintiff. (Barnes Decl. ¶¶ 7-8.)  
24 Further, with respect to FLSA potential liability, plaintiff  
25 argues that he was entitled to overtime compensation, while  
26 settling defendants contend that plaintiff was exempt from  
27 overtime. Based on these facts, the court concludes that there  
28 are a number of substantial disputes between settling parties

1 related to the facts of the case and the application of law to  
2 those facts. Accordingly, this Settlement represents the  
3 resolution of multiple bona fide disputes.

4 B. Fair and Reasonable

5 In order for the court to grant approval of the  
6 Settlement, it must also determine both that the process was fair  
7 and that the ultimate agreed upon settlement amount is fair and  
8 reasonable. "It is well-settled law that a cash settlement  
9 amounting to only a fraction of the potential recovery will not  
10 per se render the settlement inadequate or unfair." Officers for  
11 Justice v. Civil Service Commission, 688 F.2d 615, 628 (9th Cir.  
12 1982). Indeed, it is generally understood that, "[u]ltimately  
13 the amount of the [settlement] will be less than what some  
14 [plaintiffs] feel they deserve but, conversely, more than the  
15 defendants feel those individuals are entitled to." Id.  
16 Further, "it is quite proper for a settling defendant to pay less  
17 than his proportionate share of the anticipated damages. What is  
18 required is simply that the settlement not be grossly  
19 disproportionate to the settlor's fair share." Tech-Bilt, Inc.,  
20 38 Cal. 3d 488 at 499.

21 The Settlement in this action was the product of arms-  
22 length negotiations between the parties and their counsel.  
23 (Barnes Decl. ¶¶ 14-16.) All parties were represented in those  
24 negotiations and understood that they were reaching a compromise  
25 of their dispute. (Barnes Decl. ¶¶ 14-16.) The Settlement  
26 reflects a compromise--the amount is less than plaintiff would  
27 have received if he had prevailed on all of his claims against  
28 defendants but more than defendants would have paid if they had

1 prevailed at trial. (Barnes Decl. ¶ 18.) Thus, the court  
2 concludes that the Settlement reached is reasonable in light of  
3 the contested claims and defenses. (Barnes Decl. ¶ 15.)

4 III. Determination of Good Faith

5 The settling parties also seek a determination by this  
6 court that the Settlement was reached in good faith, thereby  
7 barring all pending and future claims against Bronco and Classic  
8 for indemnity, contribution, declaratory relief and/or any other  
9 claims under principles of comparative fault and/or negligence.  
10 Sugar Transport opposes any such determination and argues that  
11 the settling parties' request must be denied.

12 A. Court Authority

13 Federal courts have the authority to review and approve  
14 settlements of federal and state-law claims and to enter  
15 appropriate orders. See Federal Sav. And Loan Ins. Corp. v.  
16 Butler, 904 F.2d 505, 511 (9th Cir. 1990). Federal courts  
17 exercising supplemental jurisdiction over state-law claims, as is  
18 the case here, ordinarily must apply the substantive law of the  
19 state in which they are located. O'Melveny & Myers v. FDIC, 512  
20 U.S. 79, 85-89 (1994). "[T]he case law is clear that state  
21 settlement provisions amount to substantive, rather than purely  
22 procedural, law." Slaven v. BP America, Inc., 958 F. Supp. 1472,  
23 1478 (C.D. Cal. 1997). Under California law, the "good faith" of  
24 a settlement is evaluated under California Code of Civil  
25 Procedure § 877. Butler, 904 F.2d at 511.<sup>1</sup>

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28 <sup>1</sup> Most relevant to this case is section 877.6(c), which states that a determination of good faith settlement by the court

1           Sugar Transport argues that the settling parties  
2 attempt to erroneously apply California Code of Civil Procedure §  
3 877 to the federal cause of action at issue in this case. While  
4 federal courts have certainly applied § 877 to state law causes  
5 of action asserted in federal court, they have not applied this  
6 section to federal causes of action, and the court will not do so  
7 here. See Daughtry v. Diamond M Co., 693 F. Supp. 856, 861 (C.D.  
8 Cal. 1988) (holding sections 877 and 877.6 did not apply to action  
9 based on federal maritime law).

10           In support of applying § 877, the settling parties  
11 point to an unpublished Northern District of California case in  
12 which the court applied California Code of Civil Procedure §  
13 877.6 to the settlement at issue, despite the presence of federal  
14 claims. Schaeffer v. Gregory Vill. Partners, L.P., No. 13-cv-  
15 04358-JST, 2015 WL 1885634, at \*4 (N.D. Cal. Apr. 24, 2015).  
16 However, the court did so only after determining that the state  
17 law claims predominate. Conversely, in Slaven, the court  
18 explained “that where federal maritime causes of action remain  
19 against the non-settling defendants, the court cannot condone the  
20 application or approval of the California state settlement law  
21 even as to the state law causes of action.” 958 F. Supp. at  
22 1484. In this case, the state law claims do not predominate, and  
23 thus the Schaeffer decision is not applicable.

24           The settling parties next argue that, whether or not  
25 state or federal law claims predominate in this case, federal law  
26 provides the same protections as California Code of Civil

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27 bars further contribution and indemnity claims by the non-  
28 settling defendant.

1 Procedure § 877, and thus the court can apply the same rationale  
2 and bar all future indemnity claims. However, the federal common  
3 law that allows partial settlements to bar claims for  
4 contribution and indemnity appears only to have been applied in  
5 federal securities cases. See Nelson v. Bennett, 662 F. Supp.  
6 1324, 1338 (E.D. Cal. 1987) (holding that settlement with one set  
7 of defendants in multiple defendant federal securities law action  
8 operates to bar nonsettling defendants' implied rights of  
9 contribution where settlement was fundamentally fair and  
10 equitable). In such cases, the courts have explained that  
11 "partial settlements and bar orders affect substantive rights  
12 that are the province of federal courts in securities actions"  
13 and "thus, a uniform federal settlement bar rule, rather than the  
14 California settlement bar statute, will govern these federal  
15 securities claims." Id. Importantly, the courts have  
16 differentiated securities cases by explaining that Congress  
17 statutorily created a right to contribution for securities law,  
18 but "has not yet created laws governing the right it created,  
19 [and thus] the federal courts are free to fashion a common law."  
20 Franklin v. Kaypro Corp., 884 F.2d 1222, fn. 10 (9th Cir.  
21 1989) (citing Texas Indus. Inc. v. Radcliff Materials, Inc., 451  
22 U.S. 630 (1981)). However, this court is unaware of any case in  
23 which a federal court has applied this federal common law outside  
24 of the securities law context. Furthermore, in the context of  
25 FLSA cases, Congress has already created a law regarding  
26 settlement procedures, and thus there is no need to resort to  
27 federal common law.



1           Accordingly, given the presence of the FLSA claim and  
2 the fact that state law causes of action do not predominate in  
3 this case, there is no legal authority to support an application  
4 of California Code of Civil Procedure § 877. Thus, the court  
5 will not make a good faith determination regarding any part of  
6 this settlement.


7       V.    Dismissal of Bronco and Classic

8           Sugar Transport did not provide any opposition to the  
9 joint Request for Dismissal with prejudice of settling defendants  
10 Bronco and Classic. Instead, Sugar Transport solely focused on  
11 opposing the Determination of Good Faith. Thus, the court will  
12 grant the settling parties' Request for Dismissal.

13           IT IS THEREFORE ORDERED that plaintiff's Motion for  
14 Approval of Settlement and Request for Dismissal of this action  
15 as against settling defendants Bronco and Classic be, and the  
16 same hereby is, GRANTED.

17           IT IS FURTHER ORDERED that plaintiff's request for a  
18 Determination of Good Faith Settlement pursuant to California  
19 Code of Civil Procedure § 877 be, and the same hereby is, DENIED.

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21 Dated: July 13, 2018

  
**WILLIAM B. SHUBB**  
**UNITED STATES DISTRICT JUDGE**

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