Blogs
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Recent District of Arizona Opinions Divided Regarding Judicial Approval of Fair Labor Standards Act Settlements

Recent opinions issued in the U.S. District Court for the District of Arizona over the past few months—namely, *Hoffman v. Pride Security LLC*, 2024 WL 579072; *Stanfield v. LaSalle Corrections West LLC*, 2024 WL 2271869; and *Rainford v. Freedom Financial Network LLC*, 2024 WL 2942715 —have taken a divided approach regarding judicial approval of settlements under the Fair Labor Standards Act (FLSA).

The FLSA provides that "[a]n action to recover [ ] liability . . . may be maintained against an employer (including a public agency) in any Federal or State court of competent jurisdiction." 29 U.S.C. § 216(b). Courts have taken different positions as to the adjudicatory authority of judges reviewing FLSA settlements, and a circuit split has since developed.

As previously described, in August 2023, the District of Arizona (Judge Dominic W. Lanza) assessed whether judicial involvement in the approval of FLSA settlements was appropriate in *Evans v. Centurion Managed Care of Arizona LLC*, 686 F. Supp. 3d 880. After discussing the lack of binding caselaw in the U.S. Court of Appeals for the Ninth Circuit and the split of authority outside of the Ninth Circuit, the *Evans* court denied the parties' joint motion to approve settlement relating to individual claims under the FLSA because "nothing in the text of the FLSA indicates that judicial approval of settlement agreements is required." *Evans* considered the general rule that "courts have no role in approving settlement agreements" and the limitations on the dismissal power under Rule 41(a)(1)(A) of the Federal Rules of Civil Procedure, which provides that "[s]ubject to Rules 23(e), 23.1(c), 23.2, and 66 and any applicable federal statute, the plaintiff may dismiss an action without a court order by filing" a notice or stipulation of dismissal.

In February 2024, the district court was asked to review another FLSA settlement, this time in *Hoffman*, a case involving four plaintiffs. In contrast to the outcome of *Evans*, the district court in *Hoffman* (Judge Diane J. Humetewa) held that judicial approval of FLSA settlement agreements *was* appropriate, adopting the U.S. Court of Appeals for the Eleventh Circuit's standard for reviewing FLSA settlement agreements. Under that standard,

which has been followed by other courts in the Ninth Circuit as well, "parties *must* seek the district court's approval of [an FLSA] settlement's terms to ensure that it is enforceable and fair." The *Hoffman* court further relied on the "subtle nod" from unpublished Ninth Circuit authority stating that "FLSA claims may not be settled without approval of either the Secretary of Labor or a district court."

Relying on *Hoffman*, in May 2024, the district court in *Stanfield* (Judge Diane J. Humetewa) approved a proposed FLSA settlement agreement involving three plaintiffs. In *Stanfield*, the court held that the parties' proposed settlement reflected a fair and reasonable compromise. The court further stated that "[a]t this juncture, and until binding precedent requires otherwise, this Court will continue to review FLSA settlements to ensure that they are fair and reasonable."

Even more recently, however, in June 2024, the district court in *Rainford* (Judge Dominic W. Lanza)denied the parties' joint motion to approve a settlement agreement that sought to resolve the FLSA claims for 46 individuals. In so doing, the district court did not acknowledge *Hoffman* and *Stanfield* but instead relied on *Evans* to find that "judicial approval is neither authorized nor necessary." Although the court denied the motion, it expressly noted that the parties could simply stipulate to dismissing the action if they wished.

These recent decisions highlight that the District of Arizona is not uniform in how it approaches this issue. Employers faced with claims under the FLSA should consult with experienced counsel when addressing settlement.

Reader's Note: A different version of this blog post was published in June 2024 prior to the publication of the Rainford *decision. This blog post has been updated to incorporate the district court's most recent opinion.*

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