



Intern Lawsuits (Continued): Another Big Settlement

Insights

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As was anticipated in light of the intensified focus upon internships over three years ago, the next stage was a spate of high-profile lawsuits by unpaid or allegedly-underpaid interns under the federal Fair Labor Standards Act and/or state wage-hour laws. One of them was filed last May against Elite Model Management Corporation under the FLSA and similar New York state laws.

Substantial Sums In Play

Elite has now agreed to tender as much as \$450,000 to settle the litigation. Payment to an individual who elects to participate in the settlement will generally be based upon how many weeks he or she devoted to the internship.

Counsel for the interns seeks one-third of this amount as fees and costs. A \$20,000 portion will be set-aside for distribution to claimants who became involved in the case prior to the settlement's announcement. Elite does not admit any liability in agreeing to the settlement.

The court has preliminarily approved the resolution but will reserve final judgment until after a hearing on May 1, 2014. Even if the court ultimately endorses the agreement, it is still possible that at least some former interns will not take part and will pursue their own claims.

A New Internship "Season" Approaches . . .

Taken in conjunction with the earlier highly-publicized \$250,000 settlement of a similar lawsuit against Charlie Rose and his production company, it is entirely foreseeable that more complaints, and more big-dollar settlements in litigation already underway, are likely to follow. Unless and until a court consensus develops that provides more clarity and certainty in this area, internships will as a practical matter necessarily pose some risk of lawsuits or government investigations, and possibly of liability, in many if not most of the more-common scenarios.

Consequently, companies and other organizations would be wise to think hard about whether to allow these arrangements in the current environment. Any who do decide to permit internships must be committed to structuring and administering them so as to minimize (and this is not to say "eliminate") the possibility of claims and exposure.