



Former Employee Successfully Disavows FLSA Settlement

Insights

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The 11th Circuit U.S. Court of Appeals (with jurisdiction over Alabama, Florida, and Georgia) recently expanded the court's 1982 ruling in *Lynn's Food Stores, Inc. v. U.S.* limiting the settlement of claims under the federal Fair Labor Standards Act. *Lynn's Foods* said that such settlements between an employer and its current employees are permitted only (i) under the U.S. Labor Department's supervision, or (2) where a court has scrutinized the settlement for fairness and has entered a "stipulated judgment."

Bad Facts = Unsurprising Result

Nall v. Mal-Motels, Inc. involved an FLSA dispute between a motel employer and a former front-desk clerk who had resigned because she was not being paid overtime compensation. With counsel's assistance, she filed an FLSA lawsuit seeking nearly \$4,000 in overtime compensation and an equal amount as FLSA liquidated damages.

She thereafter agreed to her former employer's request to meet at the motel without her attorney. In this meeting, she accepted a far-smaller amount in exchange for signing two documents the employer presented: A "voluntary dismissal" (which her former employer was said to have explained but did not allow her to read) and a letter to her attorney advising him that the case had been settled. Nall later disavowed the settlement, testifying that she felt pressured during the meeting and was homeless and needed money. Nevertheless, the lower court eventually dismissed her complaint based on the settlement.

The 11th Circuit overturned this dismissal, first concluding that the purposes of and public policy underlying the FLSA would be served by also observing the *Lynn's Foods* restrictions where *former* employees are concerned. The court viewed the possibility of an employer's undue advantage as being among these considerations. Having ruled that *Lynn's Foods* applied, the court found that there could be no "stipulated judgment" where one of the parties objected to an approval of a settlement in the first place.

The Issue Is Still Evolving

The circuit's decision should not be all that surprising, taking into account both the facts and the court's earlier ruling in *Lynn's Foods*. In any event, it is by no means clear that all courts will strike-down private FLSA settlements in every future situation.

As we reported last year, a decision by the 5th Circuit (with jurisdiction over Louisiana, Mississippi, and Texas) provides reason to think that courts might uphold private settlements in at least some circumstances. *Martin v. Spring Break '83 Productions, LLC* suggests that this might be the outcome where the parties negotiated on equal footing and entered into a settlement representing the application of the FLSA's principles to the agreed-upon facts.

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