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California Supreme Court Holds Employee May Sue Staffing Agency's Client Even After Settling Same Claims Against Agency

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Decided June 30, 2022 ***Grande v. Eisenhower Medical Center*, S261247 Yesterday, the California Supreme Court held that an employee who brings an employment class action against a staffing agency and executes a settlement agreement releasing the agency and its agents may bring a second class action against the staffing agency's client premised on the same violations. Background:** Lynn Grande was assigned to work as a nurse at Eisenhower Medical Center by FlexCare, LLC, a temporary staffing agency. Grande filed a class action against FlexCare, alleging that it underpaid its employees. The parties reached a settlement and executed a release of claims.

Eight months after the court approved the settlement and entered judgment, Grande filed another wage and hour class action—this time against Eisenhower. Grande's claims against Eisenhower were premised on the same violations over which she had sued FlexCare.

FlexCare moved to intervene in this follow-on case, arguing that Grande was precluded from suing Eisenhower because she had settled her claims against FlexCare in the earlier case. The trial court and the Fourth District Court of Appeal disagreed. The Court of Appeal held Grande wasn't precluded from suing Eisenhower because it was neither a released party in the first case nor in privity with FlexCare. The court expressly disagreed with the Second District's decision in *Castillo v. Glenair, Inc.* (2018) 23 Cal.App.5th 262, 266, which held that a class of workers could not "bring a lawsuit against a staffing company, settle that lawsuit, and then bring identical claims against the company where they had been placed to work."

Issue: May an employee bring an employment class action against a staffing agency, settle the case and release the agency and its agents from liability, and then bring a second class action based on the same alleged violations against the staffing agency's client? **Court's Holding:** Yes, on the facts of this case. The settlement agreement releasing FlexCare didn't name Eisenhower or otherwise suggest that it was meant to include Eisenhower. Nor was FlexCare in privity with Eisenhower, including because Eisenhower would not have been bound by an adverse judgment in the first case against FlexCare. As a result, Grande wasn't barred from asserting the same claims against Eisenhower in a second case.

> *Although the release in the settlement agreement between a nurse and her staffing agency didn't include the hospital where she worked, "future litigants can specify that their releases extend to staffing agency clients—if that result is intended."*

Chief Justice Cantil-Sakauye, writing for the Court

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What It Means:

- The Court stated that its decision as to the scope of the settlement agreement was "fact- and case-specific," but also cast some doubt on "the broader notion that a client is an 'agent' of a staffing agency."
- In drafting settlement agreements, staffing agencies and other employers should consider specifically naming any relevant client, or at least including "clients" among the releasees, as the Court's opinion preserves employers' ability to "specify that their releases extend to staffing agency clients—if that result is intended."

The Court's opinion is available here.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the California Supreme Court. Please feel free to contact the following practice leaders:

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