

[California Court of Appeal Opinions Uphold Class Settlements Over Claims of Objectors](#)

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In a pair of decisions published this month by two separate Districts of the California Court of Appeal, the appellate panels upheld class action settlements and rejected numerous claims asserted by objectors. Both cases demonstrate that, when a class action settlement is well-documented, and the trial court carefully considers the requisite factors, a settlement will be approved as fair, adequate and reasonable.

In [Nordstrom Commissions Cases](#), the class plaintiffs sued Nordstrom in 2004 over its alleged improper policy of paying net sales commissions in violation of the California Labor Code (the actual net sales commissions plan had been approved in a prior class action settlement). In 2009 the parties reached a settlement in which Nordstrom would pay money, provide merchandise vouchers, and make prospective changes to its calculation, payment and reporting of commissions. After preliminary approval of the settlement by the trial court, an objector contended the settlement was unfair, which objection the trial court found to lack merit. The objector appealed.

After confirming that the role of the appellate court is not to make any independent determination as to whether the settlement terms are fair, adequate and reasonable, but merely to ensure that the trial court acted within its broad discretion, the [Court of Appeal for the Fourth Appellate District \(Division Three\)](#) proceeded to address each of the assertions raised by the objector. The basic theory of the objector was that the plaintiffs' case was strong and not properly considered by the trial court in approving the settlement.

However, the appellate court found that the evidence as to the purported "willfulness" of Nordstrom in its alleged improper commission payment practices was subject to a good faith dispute since, among other things, Nordstrom paid the plaintiffs according to its written commission agreements, the payment plan had been approved in a prior class action settlement, and the Labor Commissioner had refused to find a violation in two different cases raising similar issues. The court also rejected the objector's claims that the trial court had not properly considered the issue of penalties under the [Private Attorneys General Act of 2004 \(Labor Code Section 2699\)](#) and that the settlement was partially funded by in-store merchandise coupons. On the latter claim, the court cited a number of recent appellate decisions where settlements involving coupons or merchandise vouchers were upheld.

In another case involving alleged improper wage practices and violation of the Labor Code, the [Second Appellate District \(Division Eight\)](#) reached the same conclusion that a class settlement was properly approved within the trial court's discretion in [Munoz v. BCI Coca-Cola Bottling Company of Los Angeles](#). There, the plaintiffs contended that the defendant has allegedly misclassified production supervisors and merchandising supervisors as exempt employees. After the trial court preliminarily approved that settlement, one person objected, and when the objection was overruled, he appealed the finding of fairness. While asserting a panoply of claims

against the settlement, the gist of the objector's claim was that the parties had not provided the trial court with adequate information to make a determination of fairness.

Like the Nordstrom case, this case also involved a prior class action settlement against the defendant, which resolution was used by the parties in support of the current proposed settlement. As such, the appellate court easily found that the trial court had an understanding as to the amount in controversy and the realistic range of outcomes of the litigation, "despite the absence of a statement of the maximum value of all claims."

As concerns the contention that the parties in this second class action against the defendant had not conducted adequate discovery, the court found that the prior and ample discovery in the first class action, raising the same issues, could be used by the trial court to find that the factual record had been sufficiently developed to satisfy the trial court that the release of the class members' claims was reasonable in light of the strengths and weakness of the case. As such, and after rejecting a number of other issues raised by the objector, the Court of Appeal found there was no abuse of discretion in the trial court's approval of the settlement.

Class action settlements inevitably result in claims by objectors, whether in the form of "professional" objectors or persons who legitimately believe the settlement reached between the parties was "unfair." So long as the parties, in reaching and documenting their settlement, provide the trial court with the requisite data to find that the settlement was fair, adequate and reasonable, it will be the rare case in which appellate review will second-guess the broad discretion provided to trial courts to resolve these types of lawsuits.