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Defendants argue that, pursuant to the terms of the Settlement Agreement (Doc. 397) (the "Agreement") entered into by the parties, approved by the Court and adopted in its entirety, the Court's jurisdiction over this case ended effective February 1, 2011. Paragraph 81 of the Agreement, as amended, required Plaintiffs to file a motion to dismiss the action without prejudice before February 1, 2011, but Plaintiffs did not file such a motion.

Plaintiffs respond that an order dismissing the case has not been entered and that there is a pending dispute over whether Defendants have violated the Agreement and, if so, whether the terms of the Agreement should be extended. Plaintiffs argue that the Court has subject matter jurisdiction to decide whether Defendants' alleged non-compliance entitles Plaintiffs to an extension of the Agreement and the process to be followed to resolve the disputed issues.

A. Background

A fairness hearing was held on June 26, 2001, and "[p]ursuant to statements made on the record, ORDERED Settlement Agreement is approved and adopted in its entirety" (Doc. 397). At the time of its approval and adoption, the Agreement set forth certain deadlines concerning resolution of pending disputes and termination of Defendants' obligations and the Court's jurisdiction (*Id.*, Agreement XIV ¶¶ 79-81).

In January 2006, Plaintiffs invoked the Agreement's dispute resolution procedures, a three-stage process involving collaborative negotiation, mediation and judicial process (Doc. 443 at 2; Doc. 397, Settlement Agreement IX). On November 21, 2006, the parties filed a Stipulation stating they wished to resolve their dispute without litigation and had agreed to extend applicable dates in the Agreement (Doc. 443). On January 10, 2007, the Court approved the parties' stipulated amendments to the Agreement (Doc. 445). The Agreement's terms were modified to provide that the Agreement would terminate on July 1, 2010, except the parties would continue through February 1, 2011, to resolve any pending disputes initiated before February 1, 2010; from July 1, 2010, to February 1,

2011 the Court's jurisdiction would be limited to resolving any pending disputes; through February 1, 2011, the Court was authorized to enter appropriate relief, if the parties were unable to resolve a dispute by agreement; and the Court's jurisdiction would end on February 1, 2011 (*Id.*; *see* Doc. 543 at 6). The Agreement also was modified to provide a deadline for Plaintiffs to file a motion to dismiss upon termination of Defendants' obligations under the Settlement Agreement (Doc. 443; Doc. 397, Agreement XIV ¶ 81).

In March 2009, Plaintiffs again invoked the Agreement's dispute resolution process, alleging Defendants' non-compliance in six areas (Doc. 543 at 6-7). When the parties' attempt at mediation failed to resolve the dispute, Plaintiffs in November 2009 filed a motion to enforce the Settlement Agreement, seeking, *inter alia*, another extension of the term of the Agreement (Doc. 473; Doc. 491 at 3). Defendants filed a cross-motion to dismiss Plaintiffs' motion to enforce or, in the alternative, to remand for dispute resolution pursuant to the Settlement Agreement (Doc. 483). On September 10, 2010, pursuant to a Court Order (Doc. 514), the parties reported their disputes had not been resolved or rendered moot (Doc. 515). On September 24, 2010, the Court denied the parties' motions (Doc. 491 & 483), set oral argument for November 22, 2010, and directed the parties to brief the issues (Doc. 516).

In October 2010, Plaintiffs filed a motion to enforce the Settlement Agreement (Doc. 518) and Defendants filed a cross-motion to dismiss Plaintiffs' motion to enforce or, in the alternative, to remand for dispute resolution pursuant to the Settlement Agreement (Doc. 522). During oral argument held on November 22, 2010, the parties discussed the disputed issues, with the Court commenting that their dispute would be referred to a mediator and possibly to a special master (Doc. 535 at 23, 25). At the conclusion of the hearing, the Agreement's potential expiration was discussed with the

Plaintiffs' motion to enforce was lodged on November 13, 2009 (Doc. 473) and filed on December 2, 2009 (Doc. 491).

goal of mediation by the end of January and possibly a status conference by that same time after the parties agreed on a mediator (Doc. 535 at 25-26).² The Court remarked, "if the parties, after considering everything, stipulate to a specific extension of the agreement, I would certainly consider that, of course" (Doc. 535 at 26).

On November 29, 2010, the Court denied the parties' October 2010 motions (Docs. 517, 518, 522), referred the matter to a mediator to attempt a settlement of the issues, and listed the issues to be determined by the mediator (Doc. 530). The Order provided in part that "[t]he parties shall submit to the Court a stipulation regarding a date until which the Settlement Agreement, and the Court's jurisdiction over it, needs to be extended" (Doc. 530 at 2). The Order gave the parties "notice that should this matter not be resolved through the mediation process, it will be referred to a Special Master under Fed.R.Civ.P.53" (Doc. 530 at 2-3).

The matter proceeded to a two-day mediation on February 14, 2011, but the mediation lasted only one day with the disputed issues not resolved (Doc. 540 at 4; Doc. 543 at 9). The parties agreed to suspend mediation to allow Defendants to file a motion to resolve legal issues (Doc. 540 at 4; Doc. 543 at 9 & Ex. 3). On March 4, 2011, Defendants filed their pending motion to terminate and dismiss (Doc. 540). Plaintiffs did not file a motion, and the parties did not file a stipulation, to extend the Settlement Agreement or the Court's jurisdiction.

B. Discussion

The Agreement provides that none of its provisions "limit, in any way, the Court's authority, power, or jurisdiction to enforce this Settlement Agreement during its pendency" (Doc. 397, Agreement XIV ¶ 83). It further provides that "[t]his Agreement may be amended, modified or supplemented only by a duly executed writing which has

Defense counsel commented during the discussion, "I think the only issue is, which we don't need to address today, obviously, is the potential expiration of the settlement agreement, which I know the Court probably isn't inclined to enforce" (Doc. 535 at 25).

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adopted the Settlement Agreement (Doc 397). The Court, however, is not a party to the Agreement. The district court's approval of a settlement agreement along with its retention of

been presented to and approved by this Court" (Id., XV ¶ 84). The Court approved and

jurisdiction has been held to be the functional equivalent of a consent decree which the district court has the authority to modify and interpret in light of changed circumstances. See Am. Disability Ass'n, Inc. v. Chmielarz, 289 F.3d 1315, 1320-21 (11th Cir. 2002); see also United States v. Oregon, 913 F.2d 576, 580 (9th Cir. 1990) ("A consent decree is essentially a settlement agreement subject to continued judicial policing.") (internal quotation marks omitted). Where a decree contains an express expiration date for the court's retention of jurisdiction, any change to that date involves a modification of the decree. Labor/Community Strategy Ctr. v. L,A. Cnty. Metro. Transp. Auth., 564 F.3d 1115, 1120 (9th Cir. 2009). Even in the absence of express authorization in the decree or request from the parties, the power to modify in appropriate circumstances is inherent in the equity jurisdiction of the court. Keith v. Volpe, 784 F.2d 1457, 1461 (9th Cir. 1986) (citation omitted); see also Nehmer v. U.S. Dep't of Veterans Affairs, 494 F.3d 846, 860 (9th Cir. 2007) ("It is well established that the district court has the inherent authority to enforce compliance with a consent decree that it has entered in an order, to hold parties in contempt for violating the terms therein, and to modify a decree.").

Plaintiffs gave notice of the pending dispute prior to the amended Agreement's February 1, 2010, deadline and moved for an extension of the Agreement, which the District Court later denied. Nonetheless, the Court and the parties contemplated resolving the present dispute. The discussion during the November 2010 hearing reveals the parties' disagreement regarding the scope of the Agreement and whether and to what extent Defendants had complied with the Agreement's terms (Doc. 535 at 5-23). The parties and the Court were aware of the Agreement's February 1, 2011, deadline because they discussed setting mediation and a status conference by the end of January 2011. The

Court's Order expressly directed the parties to submit a stipulation to extend the Agreement's termination deadline and the Court's jurisdiction (Doc. 530). Additionally, the Court's Order identified disputed issues and notified the parties that the dispute would be referred to a special master if not resolved by mediation (*Id.*). The parties did not object and, in fact, proceeded to mediation after the termination deadline. Implied in the Court's Order is the finding that a dispute existed regarding substantial compliance, that jurisdiction to ensure compliance was extended, and the Agreement would be modified accordingly pursuant to the parties' stipulation. *See Thompson v. Enomoto*, 915 F.2d 1383, 1389 (9th Cir. 1990) (implicit in the court's order directing the parties to negotiate modifications to the decree was the ruling that jurisdiction to assure compliance was extended).

With respect to judicial process to resolve disputes, the Agreement provides that "[t]he Court will resolve the matter in a manner consistent with the purposes and goals of the Settlement Agreement" (Doc. 397, Agreement IX ¶ 70). The Agreement further provides that "[t]he parties understand and agree that until such time as this action is dismissed pursuant to paragraph 81, the Court's jurisdiction will continue for the purpose of enforcing, should it become necessary, the obligations of the parties under the Settlement Agreement" (Id., Intro.). The Agreement also states that no party "may engage in activities which delay, prolong or frustrate performance of the obligations of this Agreement with the aim of taking advantage of the time-limited nature of this Settlement Agreement" (Id., Agreement XIV ¶ 82). The Court's determination to extend the Agreement and its jurisdiction is consistent with the Agreement's terms and goals. See, e.g., Keith, 784 F.2d at 1460 (consent decree may be modified if experience with its administration shows the need for modification to accomplish its goals) (citation omitted); Labor/Community Strategy Ctr., 564 F.3d at 1120-21 (a party's failure of substantial compliance with a consent decree's terms can qualify as a significant change in circumstances that would justify the decree's temporal extension). Allowing

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Defendants to terminate the Agreement, and the Court's jurisdiction, would permit

Defendants to frustrate performance of the Agreement's obligations with the aim of
taking advantage of the Agreement's time limits, even though the Court's November

2010, Order made clear that the parties were to stipulate as to an extension of the Court's
jurisdiction. In light of the present dispute, Defendants' obligations cannot be said to
have terminated and the Court's jurisdiction continues for the purpose of enforcing the
Agreement.

Finally, the Court notes that a settlement agreement is treated as a contract for purposes of interpretation. United Commercial Ins. Serv., Inc. v. Paymaster Corp., 962 F.2d 853, 856 (9th Cir. 1992) (citing Adams v. Johns-Manville Corp., 876 F.2d 702, 704 (9th Cir. 1989)). Its construction and enforcement are governed by principles of local law that apply to contract interpretation generally even though the cause of action is federal. Id. A party to a contract by express agreement or by his own course of conduct may waive his legal right to insist on strict performance of the contract's terms. 13 Williston on Contracts § 39:27 (4th ed. 2011). In Arizona, an essential element of waiver is the intention to waive the right involved "and where not expressed, one's conduct must be such as to warrant the inference of such intention." Ariz. Title Guar. & Trust Co. v. Modern Homes, Inc., 330 P.2d 113, 114 (Ariz. 1958) (citation omitted). To infer a waiver of right, such right must exist at the time the claimed waiver occurred. Id. "There also must be an opportunity of choice between the relinquishment and the enforcement of the right in question." *Id.* Given the content of the Court's November 2010, Order, Defendants' participation in mediation after February 1, 2011, constitutes a course of conduct that waived their right to insist on strict performance of the termination date in the Agreement.

For the reasons set forth above, Defendants' Motion to Terminate the Court's Jurisdiction and Dismiss the Case (Doc. 540) is denied.

II. Plaintiffs' Motion for Attorneys' Fees

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Plaintiffs seek attorneys' fees for the calendar quarters July 1 through September 30, 2009; and October 1 through December 31, 2009 (Doc. 548). The parties' Third Stipulation As To Court Award of Attorneys' Fees to Plaintiffs (Doc. 450), approved by the Court on December 19, 2007 (Doc. 451, Order), governs the payment of attorneys' fees to Plaintiffs for the relevant time periods (see Doc. 548 at 3; Doc. 450 at 3 ¶ 7). The Third Stipulation provides for a general quarterly cap on Plaintiffs' attorneys' fees at \$58,000 for work performed to monitor implementation of Court orders and for additional fees under certain circumstances (Doc. 450 at ¶¶ 7-12; Doc. 548 at 3). Plaintiffs seek a total of \$102,197.50 in uncapped attorneys' fees resulting from their dispute resolution efforts over the two identified periods. Except as noted, the parties have been unable to resolve their dispute regarding these uncapped fees (Doc. 548 at 4-5).

A. Time Spent on "Court Involvement"

Plaintiffs seek fees for time spent by counsel on "court involvement" after September 8, 2009. Plaintiffs argue they informed Defendants' counsel on August 20, 2009, that they planned to file a motion to enforce the Agreement and that they filed their motion on November 13, 2009. Having carried through their intention, Plaintiffs contend they are entitled to attorneys' fees (Doc. 548 at 6-7). Defendants argue that attorneys' fees should be awarded only for work on "court involvement" during the twenty-day period of August 20 to September 8, 2009 because Plaintiffs did not file their motion within twenty days of their August 20, 2009, notice as Defendants assert is required by the Third Stipulation's terms (Doc. 549 at 5-7).

As set forth in the Third Stipulation and Order, if any party invokes the dispute resolution provision set forth in Section IX of the Settlement Agreement, fees and expenses incurred for court involvement may be billed separately notwithstanding the cap

Defendants also object to fees for mediation after June 20, 2009 (Doc. 549 at 4-5) but this issue has been resolved as Plaintiffs have clarified they are seeking only fees for "court involvement" after August 20, 2009 (Doc. 552 at 2).

amount (Doc. 450 at ¶ 12; Doc. 451 at ¶ 4). The beginning and ending time frames for billing purposes are described as follows:

(b) Attorneys' fees and expenses incurred for court involvement shall begin on the day either party informs the other party of their intention to file an appropriate motion with the U.S. District Court to enforce the terms of the Settlement Agreement. If no motion is filed, attorneys' fees and expenses incurred for court involvement shall end twenty (20) days from the date a party informs the other party in writing of their intention to file a motion in . . . Court. If a motion is filed, attorneys' fees and expenses incurred for court involvement shall end on the day the . . . Court enters a final order resolving the dispute.

(Doc. 450 at \P 12(b); Doc. 451 at \P 4(b)).

Defendants construe this provision as meaning that Plaintiffs are entitled to recover fees for "court involvement" work as of August 20, 2009, when notice was provided, and for a period of 20 days thereafter, that is, until September 8, 2009, because Plaintiffs did not file their motion to enforce until November 13, 2009 (Doc. 549 at 6). According to Plaintiffs, Defendants have conceded that Plaintiffs are entitled to fees for time spent on "court involvement" after Plaintiffs filed their November 2009 motion to enforce (Doc. 548 at 8). Based on the plain meaning of the cited provision, it cannot be construed as providing for a twenty-day expiration window unless the party giving notice does not actually file a motion. Plaintiffs did in fact file a motion to enforce, and pursuant to the cited provision, attorneys' fees are recoverable from the notice date until the date on which the Court rules. Defendants' objection is overruled and Plaintiffs' request for attorneys' fees is granted.

B. Karen Bower's Fees

Plaintiffs seek \$17,610 in fees for 58.7 hours of work performed by attorney Karen Bower between August 20 and December 31, 2009, securing supporting declarations for Plaintiffs' motion to enforce the Settlement Agreement (Doc. 548 at 5, 8). Defendants object that Plaintiffs failed to provide notice of their intent to submit billing statements for lawyers other than those named in the Third Stipulation prior to their quarterly request at

issue (Doc. 549 at 7-9). Plaintiffs argue they provided notice of attorney Bower in a fee request for a prior period (April through June 2009), the parties stipulated to the amount paid (citing a July 9, 2010 stipulation (Doc. 511 at 2-3)), and the matter of attorney Bower's hourly rate was resolved (Doc. 552 at 5). Plaintiffs contend that on August 2, 2009, one of Plaintiffs' attorneys notified a defense attorney by letter of Plaintiffs' intent to seek fees for attorney Bower at \$300 per hour (Doc. 548 at 8-9). Plaintiffs concede they have been unable to locate a signed copy of the purported letter (Doc. 548 at 9) and Defendants claim the letter was not received (Doc. 549 at 9 & Ex. B).

Paragraph 11 of the Third Stipulation, as adopted by the Court's Order, provides that "Plaintiffs shall have the sole discretion to determine what lawyers should submit billing statements and in what amounts," followed by specified billing rates for four named Plaintiffs' attorneys. It also provides that "[i]f other lawyers are to be included in the quarterly billings, Plaintiffs shall notify Defendants of their intent to submit billing statements for the other lawyers and propose the hourly rate for such lawyers prior to submitting a request for fees and expenses" (Doc. 450 at ¶ 11; Doc. 451, Order at ¶ 3).

Plaintiffs' alleged notice in a prior quarter and their failure to produce a signed letter sent to defense counsel in a manner noting receipt is insufficient to comply with the Third Stipulation's notice requirement. Plaintiffs' request for a fees award for work performed by attorney Bower is therefore denied.

C. Time Securing Expert Declarations

Plaintiffs request attorneys' fees for time spent securing declarations from Linda Redman and John Vandenberg, two "consultants/experts" previously employed by the Arizona Department of Health Services ("ADHS") (Doc. 548 at 10). Plaintiffs offered these declarations in support of their November 2009 motion to enforce (Doc. 491) and February 2010 reply (Doc. 493) (*see* Doc. 491, Ex. 5 [Redman Declaration]; Doc. 494, Ex. 2 [Redman Supplemental Declaration]; & Doc. 493, Ex.1 [Vandenberg Declaration]). Defendants object because Redman and Vandenberg, who both parties agree are experts

that included work on the present case and in an ongoing state court case against several state defendants, including ADHS, that concerns the adult behavioral health system in Maricopa County (Doc. 549 at 10). Redman and Vandenberg each were paid in excess of \$600,000 by ADHS for their work in their respective areas of quality management and training over a five-year period (Doc. 549 at 11-14 & Ex. C). Plaintiffs argue in their reply that Defendants have not offered any evidence that the contracts between these two experts and ADHS precluded a consulting arrangement with Plaintiffs or that Redman and Vandenberg relied on confidential information in their declarations (Doc. 552 at 5-6).

Defendants have not moved to strike the Redman and Vandenberg declarations⁴ and have not produced evidence showing the consulting arrangements were not allowed or that confidential information has been revealed. Plaintiffs' request for attorneys' fees for work securing the Redman and Vandenberg declarations will be denied, but without prejudice subject to Defendants moving to strike the declarations.

D. "Incomplete Entries"

Defendants object to "incomplete entries" for time billed by attorney Barkoff (Doc. 549 at 14-16) but according to Plaintiffs' reply, Defendants' concern was satisfied when Plaintiffs explained that the entries referred to telephone calls (Doc. 552 at 6-7). Plaintiffs have submitted with their reply a corrected printout of attorney Barkoff's time statement showing that each "incomplete" entry refers to a telephone call (Doc. 552 at 7 & Ex. 1). This dispute appears to be resolved. To the extent Defendants further object to

⁴ In their motion to transfer venue (Doc. 517) filed on October 15, 2010, Defendants discussed that Redman and Vandenberg were potential witnesses and indicated in a footnote that if the case is not dismissed or remanded to collaborative negotiations/mediation, Defendants anticipated moving to strike Vandenberg and Redman as expert witnesses for Plaintiffs (Doc. 517 at 7 n.3).

the timeliness of Plaintiffs' disclosure of the time records, Defendants' objection is overruled.

E. Time Spent on the "Horne Briefs"

Defendants object to \$725 in fees for 2.9 hours of work performed by attorney Barkoff referring to "Horne briefs." Defendants contend Plaintiffs have not explained how this research aided counsel regarding claims advanced in dispute resolution since the time was billed in December 2009 while Plaintiffs' motion to enforce was pending and none of the parties were seeking relief from or dismissal of the Settlement Agreement (Doc. 548 at 11; Doc. 549 at 16-17). Defendants urge that fees should not be awarded because Plaintiffs have not timely provided justification for the request (Doc. 549 at 17). Plaintiffs have explained that the entries refer to *Horne v. Flores*, 557 U.S. 433, 129 S.Ct. 2579 (2009), which concerned relief from court orders and it was unknown whether Defendants would seek relief from the Settlement Agreement when the work was performed (Doc. 548 at 11; Doc. 552 at 7). Plaintiffs' explanation lacks sufficient detail to justify a fees award; therefore, their request is denied.

F. Defendants' Request for Fees

Defendants request that the Court award ADHS its reasonable attorneys' fees incurred in filing its response to Plaintiffs' motion for attorneys' fees and deny Plaintiffs' counsel the right to request attorneys' fees incurred in filing their motion and reply (Doc. 549 at 18). Defendants' request is denied without prejudice to the right of either party to file appropriate motions on the matter.

III. Conclusion

For the reasons set forth above,

IT IS HEREBY ORDERED:

 Defendants' Motion to Terminate the Court's Jurisdiction and Dismiss the Case (Doc. 540) is denied.

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2.	Plaintiffs' Motion for Attorneys' Fees (Doc. 548) is granted in part and
	denied in part as set forth above in this Order.

- 3. The parties shall submit to the Court a stipulation regarding a date until which the Settlement Agreement, and the Court's jurisdiction over the pending dispute, needs to be extended within **fourteen (14) days** of this Order.
- 4. A status conference will be held on March 19, 2012 at 2:00 p.m. at the Evo A. De Concini United States Courthouses, 405 W. Congress, Tucson, Arizona. The parties should be prepared to discuss the referral of this matter to a Special Master under Fed. R. Civ. P. 52. The parties may file briefs on this issue; if they elect to file such briefs, they shall be filed by March 12, 2012.

DATED this 27th day of February, 2012.

A. Wallace Tashima United States Circuit Judge Sitting by Designation