

CLASS ACTION BLOG

Federal Circuit to Court of Federal Claims: Allow Native American Farmer to Pursue His Breach of Class Action Settlement Contract Claim

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Summary: Timothy LaBatte, a Native American farmer, was part of a group of Native American farmers who sued the Secretary of Agriculture alleging that the Department had discriminated against them in the administration of farm loans and similar benefit programs which violated the Credit Opportunity Act. They alleged that white farmers were provided benefits that were denied to Native American farmers. The government chose to settle the class action case and created a \$680,000,000 fund to pay the Keepseagle settlement claims. The settlement agreement established a two pronged claims process. LaBatte alleged that he was unable to obtain over \$200,000 in benefits through the process because the federal government prevented the Bureau of Indian Affairs ("BIA") employees (including his tribal chairman), from providing the sworn declarations they had promised to provide. After his claim was denied, LaBatte filed his complaint in the federal claims court which dismissed his complaint for lack of subject matter jurisdiction. The Federal Circuit reversed.

LaBatte v. United States

The Federal Circuit first considered whether it had subject matter jurisdiction and then considered whether LaBatte had stated a claim. The court found there was jurisdiction and LaBatte stated a claim. The government contended that the provisions of the settlement agreement provided that the rulings of the claims process neutral were final and not subject to any review. Earlier cases held that suits for “breaches of [a] settlement agreement allege[s] a new cause of action which could not have been brought in the previous suit... It is also well established that finality provisions in settlements do not bar claims for breach of the settlement.” In addition, the Federal and D.C. Circuits held that when an agency breaches a settlement agreement, waiver of appeal provisions in the settlement agreements will not be enforced. For those reasons, the finality provisions in the agreement did not bar the *LaBatte* suit. In addition, contrary to the government’s argument that there would be no right to money damages if the court found a breach, the Federal Circuit relied on earlier holdings that “when there is a breach of a government contract as with private agreements, there is a presumption in the civil context that a damages remedy will be available upon the breach of an agreement.” (Internal quote marks omitted.) In light of that presumption, there was no need to inquire further whether the money damages would be available. Accordingly, the court found that the claims court had jurisdiction over LaBatte’s claim.

The Federal Circuit also noted that the government did not appear to contest the fact that it had pressured BIA employees Hawkins and Lake not to “sign the declarations or to assist Mr. LaBatte in providing information to him” in support of his claims that he was discriminated against and that white farmers were favored. There were two separate theories relied upon by LaBatte in support of his claims. One alleged a breach of the provision expressly providing that the government would play no role in the claims process by interfering with LaBatte’s ability to get and present information and documentation supporting his claim. They also found that LaBatte had adequately alleged a breach of the covenant of good faith and fair dealing found in the Restatement (Second) of Contracts § 20 Comment d (1981). “Comment d explains that the duty of good faith and fair dealing prohibits ‘interference with or failure to cooperate in the other party’s performance.’” If the government had indeed prevented the BIA employees “from signing, revising, and updating their declarations, the government would breach the covenant of good faith and fair dealing, by interfering with Mr. LaBatte’s ability to present his case” to the neutral assigned to hear his Track B claim.

The government also relied upon certain department policies and procedures which prohibited government employees from testifying, as well as a contract provision which provided that “the United States shall have no role in the... Claims Process.” The Federal Circuit ruled that neither the contract provision nor the regulations prevented government employees from providing support when the employees acted in their personal capacity. Furthermore, neither the former nor current BIA employees would have been using “inside information” when supporting the LaBatte claim. In response to the government’s argument that if LaBatte prevailed there were no further funds in the Keepseagle settlement program to reimburse LaBatte, the court ruled that the claims court “will be able to decide on an appropriate remedy to provide Mr. LaBatte what he would have received in the [claims] process absent the breach.” For those reasons, the Federal Circuit reversed and remanded to the claims court to allow LaBatte to pursue his breach of class action settlement claims before the claims court.

