

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
CALIFORNIA

Lloyd v. Ochoa

No. 1:23-cv-00844-JLT-EPG (PC) (E.D. Cal. Mar. 25, 2025) · No. 1:23-cv-00844-JLT-EPG (PC) · Decided
March 25, 2025

SUMMARY

The document contains findings and recommendations in which a magistrate judge recommends denying Adrian Juan Lloyd’s motion to rescind an oral settlement agreement reached during a court-mediated conference. The court concludes that the parties formed a valid and enforceable settlement under California law and recommends that Lloyd sign the written settlement documents within 30 days, subject to possible enforcement proceedings and sanctions.

CASE DETAILS

COURT	United States District Court for the Eastern District of California
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	March 25, 2025
DOCKET	1:23-cv-00844-JLT-EPG (PC)
DISPOSITION	other
PROCEDURAL POSTURE	Findings and recommendations on Plaintiff's motion to rescind an oral settlement agreement reached during a court-mediated settlement conference.
STANDARD OF REVIEW	The magistrate judge reviewed whether the settlement was a valid and enforceable oral agreement under California contract law and whether Plaintiff established a statutory ground for rescission. The findings and recommendations are subject to de novo review of properly objected-to portions by the assigned district judge.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	Adrian Juan Lloyd v. Ochoa

TOPICS

- contract formation
- mutual assent
- contracts
- civil procedure
- sanctions

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the parties formed a valid and enforceable oral settlement agreement under California law when the material terms were stated on the record during a settlement conference and Plaintiff indicated his agreement.
2. Whether Plaintiff established a legal basis to rescind the settlement agreement under California law.
3. Whether Plaintiff waived arguments raised for the first time in his reply.

HOLDINGS

1. The parties formed a valid and enforceable oral settlement agreement because the material terms were stated in open court and the parties objectively manifested mutual consent to be bound.
2. Plaintiff did not establish a basis for rescission because he did not allege that his consent was given by mistake or obtained through duress, menace, fraud, or undue influence, and his later disagreement with the judge's opinion about claim exhaustion was not a statutory ground for rescission.

KEY QUOTATIONS

“At a time where the resources of the federal judiciary, and this Circuit especially, are strained to the breaking point, we cannot countenance a plaintiff's agreeing to settle a case in open court, then subsequently disavowing the settlement when it suits her.” (Opinion at 3)

“Mutual assent to contract is based upon objective and outward manifestations of the parties; a party's ‘subjective intent, or subjective consent, therefore is irrelevant.’” (Opinion at 4)

FACTUAL BACKGROUND

The parties participated in a court-mediated settlement conference on December 12, 2024. Defendant's counsel read settlement terms into the record, including Defendant's agreement to pay Plaintiff \$900 in exchange for dismissal with prejudice, execution of settlement and release documents, and related paperwork. When asked whether the terms accurately reflected the agreement, Plaintiff asked a question and then responded, "But everything is agreed to? Okay," and later acknowledged that he needed to complete the paperwork. One week later, Plaintiff filed notices rejecting the settlement and later asserted that the court had not considered his requested damages and that he had not exhausted a retaliation claim.

PROCEDURAL HISTORY

Plaintiff filed the action on June 2, 2023, and filed a First Amended Complaint on March 28, 2024. The parties participated in a settlement conference on December 12, 2024, placed the settlement terms on the record, and Plaintiff later filed notices rejecting the settlement. The court construed those filings as a motion to rescind, recommends denying the motion, and recommends ordering Plaintiff to comply with the settlement terms, subject to review by the assigned district judge under 28 U.S.C. § 636(b)(1).

DISPOSITION

other

CASES CITED

- Botefur v. City of Eagle Point, Or., 7 F.3d 152, 156 (9th Cir. 1993)
- Wilcox v. Arpaio, 753 F.3d 872, 876 (9th Cir. 2014)
- Ashker v. Newsom, 81 F.4th 863, 875 (9th Cir. 2023)
- VACC, Inc. v. Davis, 823 F. App'x 474, 476-77
- Stockton Mortgage, Inc. v. Tope, 233 Cal. App. 4th 437, 453 (2015)
- Osumi v. Sutton, 151 Cal. App. 4th 1355, 1357 (2007)
- Doi v. Halekulani Corp., 276 F.3d 1131, 1137-38, 1141 (9th Cir. 2002)
- Elyaoudayan v. Hoffman, 104 Cal. App. 4th 1421, 1431 (2003)
- Bustamante v. Intuit, Inc., 141 Cal. App. 4th 199, 208 (2006)
- Leeman v. Adams Extract & Spice, LLC, 236 Cal. App. 4th 1367, 1374 (2015)
- Stewart v. Preston Pipeline Inc., 134 Cal. App. 4th 1565, 1587 (2005)
- Nmsbpcslhdb v. County of Fresno, 152 Cal. App. 4th 954, 959 (2007)
- Wong v. Stoler, 237 Cal. App. 4th 1375, 1385 (2015)
- Graves v. Arpaio, 623 F.3d 1043, 1048 (9th Cir. 2010)
- Wilkerson v. Wheeler, 772 F.3d 834, 839 (9th Cir. 2014)
- Baxter v. Sullivan, 923 F.2d 1391, 1394 (9th Cir. 1991)

OPINION

(PC) Lloyd v. Ochoa

PER CURIAM.

1 2 3 4 5

UNITED STATES DISTRICT COURT

6

EASTERN DISTRICT OF CALIFORNIA

7 8 ADRIAN JUAN LLOYD, Case No. 1:23-cv-00844-JLT-EPG (PC) 9 Plaintiff,

10 FINDINGS AND RECOMMENDATIONS,

v. RECOMMENDING THAT PLAINTIFF'S

11 MOTION TO RESCIND THE

OCHOA, SETTLEMENT AGREEMENT BE DENIED

12 Defendant. (ECF Nos. 33 and 34) 13

OBJECTIONS, IF ANY, DUE WITHIN 30

14 DAYS

15 16 Before the Court is Plaintiff's motion to rescind the settlement agreement the parties 17
entered into following a Court-mediated settlement conference on December 12, 2024. On

18 December 19, 2024, Plaintiff filed two separate filings both named “Notice Rejecting
19 December 12, 2024 Settlement Agreement and Demand for Jury Trial.” (ECF Nos. 33 and 34).
20 The Court construes Plaintiff’s filings as a motion to rescind the settlement agreement. 21 Upon
review, the Court recommends that Plaintiff’s motion to rescind the settlement 22 agreement be
denied.

23 I. PROCEDURAL HISTORY

24 Plaintiff filed his initial complaint on June 2, 2023. (ECF No. 1). On March 28, 2024, 25
Plaintiff filed a First Amended Complaint. (ECF No. 11). The parties were directed to 26
participate in a settlement conference. (ECF No. 24). 27 On December 12, 2024, the parties
participated in a settlement conference before 28 Magistrate Judge Helena Barch-Kuchta. The
parties reached an agreement at the settlement 1 conference, and the settlement terms were placed
on the record. (ECF No. 32). Plaintiff 2 appeared at the settlement conference pro se, and
Defendant Ochoa was represented by Deputy 3 Attorney General John Nam (Defendant’s
Counsel). At the settlement conference, Defendant’s 4 Counsel read the following terms of the
settlement1 into the record: 5 The parties have agreed to resolve this matter in its entirety. The
settlement resolves all claims that were raised or could have been raised concerning the 6
allegations in the lawsuit and any amendments against defendant . . . whether named or unnamed
and whether served or unserved and any past or current 7 employees of CDCR. Plaintiff waives
application of Civil Code section 1542. 8 This agreement will also resolve any rights on appeal. 9
Defendant has denied plaintiff’s allegations, and nothing about the settlement may be construed as
an admission of liability. 10 Defendant agrees to pay plaintiff the total sum of \$900. In return,
plaintiff 11 agrees to dismiss this case with prejudice, sign a settlement agreement and release and
a payee data record form, which are material terms of the 12 settlement. 13 Parties shall bear their
own costs and attorneys’ fees. This is also a material term of the settlement. 14 Any settlement
proceeds will be reduced by deductions to cover administrative 15 fees and any outstanding
restitution balances and any other fees or costs owed by plaintiff. No representations are made
concerning the amount of restitution 16 owed. 17 Payment can take up to 180 days. This 180-day
time period will begin when 18 plaintiff completes all necessary paperwork, which includes the
settlement agreement, stipulation for voluntary dismissal with prejudice and payee data 19 record
and sends that paperwork to defendant. 20 Defendant has this paperwork available today for
Plaintiff to complete, although he may take it with him to review if he wishes. However, refusal to
21 sign the settlement . . . paperwork is not a reason to later rescind the settlement once we are
concluded here today. 22 The stipulation for voluntary dismissal with prejudice will be filed within
30 23 days. All other deadlines will be vacated. 24 (ECF No. 42 at 4:21-6:6). 25 26 27 1 For the
sake of readability, the formatting and indentation of the terms of the agreement are 28 copied
using the format used in the transcript of the settlement conference on December 12, 2024. (See
ECF No. 42). 1 After the terms were read into the record, the judge presiding over the settlement 2
conference inquired: “Mr. Lloyd, does that accurately reflect the agreement that we reached 3

today with the Deputy Attorney General on behalf of the defendant?” (ECF No. 42 at 6:9-11). 4 Plaintiff asked a question about the attorney’s fees provision (id. at 6:12-23), and then 5 responded, “But everything is agreed to? Okay.” (Id. at 6:24). The Court retained jurisdiction 6 for purposes of enforcing the settlement agreement. (Id. at 7:1-3). 7 On December 19, 2024, Plaintiff filed two separate documents where he states he “is 8 officially rejecting” the settlement agreement (ECF No. 34), and he states that he will not sign 9 for or accept documents from the settlement conference. (ECF Nos. 33 and 34.) Plaintiff did 10 not provide any reason or grounds upon which to rescind the settlement agreement in either of 11 the two filings on December 19, 2024. 12 On January 10, 2025, Defendant filed an opposition to Plaintiff’s motion to rescind the 13 settlement agreement. (ECF No. 39). Defendant argues that Plaintiff has provided no basis for 14 his request to rescind the agreement, and Plaintiff was advised in court that refusal to sign the 15 paperwork is not a reason to rescind the agreement. 16 On January 21, 2025, Plaintiff filed a reply. (ECF No. 41). Plaintiff contends the Court 17 “didn’t take into consideration” his request for “punitive and compensatory damages.” (Id. at 18 1:16-19). Plaintiff also contends he was informed that he had not “exhausted the retaliation 19 claim” (id. at 1:20-22) and now wishes to proceed to jury trial. Plaintiff also provides he is 20 “open for another settlement conference.” (Id. at 2:17-18).

21 II. LEGAL STANDARDS

22 “The interpretation of a settlement agreement is governed by principles of state contract 23 law. This is so even where a federal cause of action is ‘settled’ or ‘released.’” *Botefur v. City of 24 Eagle Point, Or.*, 7 F.3d 152, 156 (9th Cir. 1993) (citations omitted); see also *Wilcox v. Arpaio*, 25 753 F.3d 872, 876 (9th Cir. 2014) (state contract law governs whether parties reached an 26 enforceable settlement agreement); *Ashker v. Newsom*, 81 F.4th 863, 875 (9th Cir. 2023) (“In 27 California, contract law applies to settlement agreements.”). Thus, California contract law 28 applies to Plaintiff’s motion for rescission of the settlement agreement. 1 California law provides that an oral contract can be a valid contract. See Cal. Civ. Code 2 § 1622 (“All contracts may be oral, except such as are specifically required by statute to be in 3 writing.”); *VACC, Inc. v. Davis*, 823 F.App’x 474, 476 (“California permits an oral agreement 4 to give rise to a binding contract.”). Further, “[t]he elements of a breach of oral contract claim 5 are the same as those for a breach of written contract: [1] a contract; [2] its performance or 6 excuse for nonperformance; [3] breach; and [4] damages.” *Stockton Mortgage, Inc. v. Tope*, 7 233 Cal.App.4th 437, 453 (2014). Additionally, California has a “[s]trong public policy in 8 favor of the settlement of civil cases” *Osumi v. Sutton*, 151 Cal.App.4th 1355, 1357 9 (2007). 10 Furthermore, in *Doi v. Halekulani Corp.*, 276 F.3d 1131, 1137-38 (9th Cir. 2002), the 11 Ninth Circuit held that a binding settlement agreement existed even without a written 12 agreement where the parties appeared in open court to announce a settlement, the agreed 13 settlement terms were put on the record, and the plaintiff responded to questioning by the Court 14 that she agreed with the terms. The Court affirmed enforcement of the settlement agreement, 15 stating: “At a time where the resources of the federal

judiciary, and this Circuit especially, are 16 strained to the breaking point, we cannot countenance a plaintiff's agreeing to settle a case in 17 open court, then subsequently disavowing the settlement when it suits her. The courts spend 18 enough time on the merits of litigation; we need not (and therefore ought not) open the flood 19 gates to this kind of needless satellite litigation.” Id. at 1141; see also *Elyaoudayan v. Hoffman*, 20 104 Cal.App.4th 1421, 1431 (2003) (“Having orally agreed to settlement terms before the 21 court, parties may not escape their obligations by refusing to sign a written agreement that 22 conforms to the oral terms. The oral settlement, like any agreement, ‘imposes upon each party a 23 duty of good faith and fair dealing in its performance and its enforcement.’”); *VACC, Inc.*, 823 24 F.App’x at 477 (applying California law to find a valid oral settlement agreement existed where 25 the plaintiff agreed to the settlement terms read into the record at the settlement conference and 26 indicated his approval). 27 \\\ 28 \\\

1 III. ANALYSIS

2 The first issue presented is whether the settlement agreement the parties agreed to on 3 the record at the settlement conference on December 12, 2024, constitutes a valid oral 4 agreement under California law. 5 “Contract formation requires mutual consent, which cannot exist unless the parties 6 ‘agree upon the same thing in the same sense.’” *Bustamante v. Intuit, Inc.*, 141 Cal.App.4th 7 199, 208 (2006) (quoting Cal. Civ. Code § 1580). Settlement agreements “must be interpreted 8 to give effect to the mutual intent of the parties as it existed at the time, insofar as that intent 9 can be ascertained and is lawful.” *Leeman v. Adams Extract & Spice, LLC*, 236 Cal.App.4th 10 1367, 1374 (2015); see also *Stewart v. Preston Pipeline Inc.*, 134 Cal.App.4th 1565, 1587 11 (2005) (“Mutual assent to contract is based upon objective and outward manifestations of the 12 parties; a party's ‘subjective intent, or subjective consent, therefore is irrelevant.’”) 13 On December 12, 2024, the parties met for a settlement conference where the parties 14 noted their agreement to settle this case. (See ECF No. 42.) Defendant’s Counsel read the terms 15 of the settlement agreement into the record, which included, among other terms, an agreement 16 for Defendant “to pay Plaintiff the total sum of \$900. In return, Plaintiff agrees to dismiss this 17 case with prejudice, sign a settlement agreement and release and a payee data record form, 18 which are material terms of the settlement.” (Id. at 5:7-10). When asked whether the terms 19 accurately reflected the settlement agreement, Plaintiff asked a question and then replied, “But 20 everything is agreed to? Okay.” (ECF No. 42 at 6:24). Further, when Plaintiff was reminded 21 that he needed to fill out the forms to start the 180-day period to receive the money under the 22 settlement terms, Plaintiff responded by saying, “Yeah.” (Id. at 7:23). 23 Under both the terms of the settlement agreement and Plaintiff’s responses at the 24 settlement conference, Plaintiff and Defendant’s Counsel expressed mutual consent to be bound 25 by the terms of the settlement agreement stated in open court. Thus, the settlement agreement is 26 a valid and enforceable agreement. 27 The Court next turns to whether Plaintiff may rescind the oral agreement made at the

28 December 12, 2024, settlement conference.

1 “‘Rescission’ is a ‘retroactive termination’ of a contract” *Nmsbpcslldhb v. County* 2 of
Fresno, 152 Cal.App.4th 954, 959 (2007). In California, rescission of a contract is governed 3 by
statute. See *Wong v. Stoler*, 237 Cal.App.4th 1375, 1385 (2015) (“Both the grounds for 4
rescission and the means by which the parties may rescind their contract are governed by 5
statute.”). California Civil Code section 1689(b)(1) provides that a party to a contract may 6
rescind the contract if consent to the contract “was given by mistake, or obtained through 7 duress,
menace, fraud, or undue influence, exercised by or with the connivance of the party as 8 to whom
he rescinds, or of any other party to the contract jointly interested with such party.” 9 In two
separate documents filed on December 19, 2024, both titled “Notice Rejecting
10 December 12, 2024 Settlement Agreement and Demand for Jury Trial”, Plaintiff did not
11 identify or raise any grounds to rescind the oral settlement agreement. (ECF Nos. 33 and 34.) In
12 his reply, Plaintiff asserts he should be allowed to rescind the agreement because the Court 13
presiding over the settlement conference “didn’t take into consideration Plaintiff’s request for 14
punitive and compensatory damages” (ECF No. 41 at 1:17-19), and Plaintiff was informed he 15
“hadn’t exhausted the retaliation claim.” (Id. at 1:20-22.) 16 “[A]rguments raised for the first time
in a reply brief are waived.” *Graves v. Arpaio*, 17 623 F.3d 1043, 1048 (9th Cir. 2010). 18
Additionally, neither of the reasons stated for the first time in Plaintiff’s reply are 19 grounds for
rescission. Plaintiff does not assert that his consent to the settlement agreement was 20 given by
mistake or obtained through duress, menace, fraud, or undue influence. Specifically, 21 Plaintiff’s
claim that the judge presiding over the conference gave her opinion that Plaintiff had 22 not
exhausted one of his claims does not provide a basis to rescind the agreement. Plaintiff does 23 not
allege that his decision to settle was based on a mistake of fact or law. Instead, Plaintiff 24
contends that the mediating judge gave her opinion regarding Plaintiff’s chances of succeeding 25
on a claim in his case. While Plaintiff may disagree with that opinion, it does not provide a 26 27
28 2 California Civil Code section 1689(b)(2)-(7) provides additional grounds for rescission not
applicable to the present case. 1 || legal basis to rescind the agreement, especially as that judge has
no role in the parties’ ongoing 2 || case.

3 IV. CONCLUSION AND RECOMMENDATIONS

4 Accordingly, IT IS RECOMMENDED that: 5 1. Plaintiff’s motion to rescind the December 12,
2024, settlement agreement (ECF
6 Nos. 33 and 34) be denied.

7 2. Plaintiff be ordered to comply with the terms of the settlement agreement as stated 8 on the
record, including signing the written settlement agreement, no later than 30 9 days after the date of
the order. 10 3. If Plaintiff fails to do so, Defendant may file an appropriate motion seeking 11
enforcement of the agreement. The Court will consider awarding sanctions against 12 Plaintiff for
failure to comply with the terms of the settlement. 13 These findings and recommendations are
submitted to the United States District Judge 14 || assigned to the case, pursuant to the provisions
of 28 U.S.C. § 636(b)(1). Within thirty (30) 15 || days after being served with these findings and

recommendations, any party may file written 16 || objections with the court. Such a document should be captioned “Objections to Magistrate 17 || Judge's Findings and Recommendations.” Any objections shall be limited to no more than 18 || fifteen (15) pages, including exhibits. Any reply to the objections shall be served and filed 19 || within fourteen (14) days after service of the objections. The parties are advised that failure to 20 || file objections within the specified time may result in the waiver of rights on appeal. Wilkerson 21 || v. Wheeler, 772 F.3d 834, 839 (9th Cir. 2014) (citing Baxter v. Sullivan, 923 F.2d 1391, 1394 22 ||} (9th Cir. 1991)). 3 IT IS SO ORDERED. 2411 Dated: _March 25, 2025 [sf hey ☐☐
25 UNITED STATES MAGISTRATE JUDGE
26 27 28