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CALIFORNIA SUPREME COURT INVALIDATES USE OF WORKERS' COMPENSATION SETTLEMENT TO RELEASE NON-WORKERS' COMPENSATION CLAIMS

In *Claxton v. Waters*, the California Supreme Court recently placed severe limitations on the scope of standard workers' compensation settlement agreements. Specifically, the Court ruled that the standard preprinted form used to settle workers' compensation claims (WCAB form 15) cannot, under any circumstances, cover non-workers' compensation claims. The Court then barred employers from even introducing evidence demonstrating that the employee who had signed the form intended to settle his or her non-workers' compensation claims.

In *Claxton*, the employee worked as an office assistant for the Pacific Maritime Association (PMA) from February of 1995 to September of 1997. In December of 1997, the employee filed a workers' compensation claim for an injury to her "left lower extremity and psyche" stemming from a slip and fall that allegedly occurred in May of 1997. One month later, she filed a second workers' compensation claim for injuries to her "psyche due to sexual harassment." In September 1998, she filed a civil suit based on her sexual harassment allegations.

In February of 1999, the parties settled the employee's workers' compensation claims and executed the standard workers' compensation settlement form (WCAB form 15). In the civil suit, PMA argued that the workers' compensation settlement agreement barred the employee from recovering emotional distress damages based on her sexual harassment allegations.

The California Supreme Court rejected PMA's argument. The Court held that in order to safeguard employees from either the "unintentional loss of workers' rights" or "entering into unfortunate or improvident releases" employers and employees must enter into a *separate agreement* if they wish to settle non-workers' compensation claims. The Court also held that employers may not introduce evidence showing that the employee actually intended to release his or her non-workers' compensation claims.

The moral of the story is that employers should *never* rely on a standard workers' compensation settlement agreement to settle an employee's non-workers' compensation claims. Employers should insist that the employee sign a separate agreement with clear and unambiguous language stating that the employee is settling non-workers' compensation claims.

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