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Choice of Law for Construing Release of Federal Statutory Claims

CHOICE OF LAW FOR CONSTRUING RELEASES OF FEDERAL STATUTORY CLAIMS

Congress rarely prescribes the rules of decision for all matters relating to the operation of a federal statutory program.[1] Federal courts, therefore, often must decide whether state or federal law governs issues that arise from the implementation of a federal statute.[2] One such issue concerns whether a party validly has waived a federal statutory claim against another party through the

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1. *See* Mishkin, *The Variousness of "Federal Law": Competence and Discretion in the Choice of National and State Rules of Decision*, 105 U. PA. L. REV. 797, 800 (1957) (concept of totally self-sufficient legislative enactment is unrealistic because of practical limits on time and human foresight); *see also* Comment, *Federal Judicial Law-Making Power: Competence as a Function of Cognizable Federal Interests*, 18 B.C. IND. & COM. L. REV. 171, 179 (1976) (it is virutally impossible for Congress to enact statute that gives definitive treatment to all relationships and transactions involved in operation of statutory program) [hereinafter cited as *Federal Judicial Law-Making Power*]. Although most federal statutory enactments do not specify whether state or federal law will govern issues arising out of the implementation of the statute, several federal statutes do expressly provide the substantive rule of decision for certain statutory issues. *See, e.g.*, 42 U.S.C. § 416(h)(1) (1982) (prescribing rules governing determinations of family status under Social Security Act); 28 U.S.C. §§ 1346(b), 2672, 2674 (1982) (incorporating state law as rule of decision in cases arising under Federal Tort Claims Act); 8 U.S.C. §§ 1101(b)(1), (c)(1) (1982) (law of domicile of child or father determines legitimacy of child under Immigration and Naturalization Act).

2. *See* Mishkin, *supra* note 1, at 800 (federal courts have power to declare governing law for issues substantially related to operation of federal program). Since Congress generally does not enact a comprehensive piece of legislation, the effective implementation of federal statutory schemes requires the recognition of federal judicial "competence" to declare the applicable law for resolving issues incidental to the operation of a federal statute. *Id.*; *see supra* note 1 and accompanying text (Congress usually does not prescribe rules for deciding all matters related to operation of federal statutory scheme).

"Competence" denotes the prerogative of federal courts to declare the rule of decision in cases not involving a federal question. *See generally* Note, *The Competence of the Federal Courts to Formulate Rules of Decision*, 77 HARV. L. REV. 1084, 1085-88 (1964) (discussing federal judicial competence to choose governing law). The Supreme Court in *Erie R.R. v. Tompkins* determined that federal courts lack competence to choose the governing law for issues arising under state law. *See* Erie R.R. v. Tompkins, 304 U.S. 64, 78 (1938) (federal courts have no power to declare substantive rules of law regarding issues of local nature). The rule of *Erie* is that federal courts must apply state rules of decision when the source of the plaintiff's underlying right is state law. *Id.*; *see also* Wichita Royalty Co. v. City Nat. Bank, 306 U.S. 103, 107 (1939) (federal courts must apply state law when cause of action derives from state law).

Although federal courts lack competence to choose the governing law in cases which the plaintiff's underlying right is founded on state law, the *Erie* rule does not apply when the source of the right sued upon is a federal statute. *See* Sola Elec. Co. v. Jefferson Elec. Co., 317 U.S. 173, 176 (1942) (federal courts need not apply state law in defining legal relations affected by federal statute); *see also* Colton v. Swain, 527 F.2d 296, 300 (1975) (source of right sued upon determines applicable law in federal court). Federal courts, therefore, may choose the applicable law for issues relating to the operation of a federal statutory scheme. *See* Clearfield Trust Co. v. United States, 318 U.S. 363, 367 (1943) (federal courts have power to fashion governing law for issues related to federal program).

execution of a release or a settlement agreement.[3] Releases and settlement agreements are bilateral contracts whereby one party relinquishes a right of action against another party, usually in exchange for some form of consideration.[4] Since the execution of a release or settlement agreement extinguishes one party's legal claim against another party, the existence of a valid release or settlement contract is a defense to a suit brought on the same cause of action.[5]

Although federal courts consistently apply federal law to determine the validity of most defenses to federal rights of action,[6] federal courts have

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In *Clearfield*, the Supreme Court indicated that federal courts may either choose to incorporate state law as the rule of decision, or develop a uniform federal law to resolve issues arising from the implementation of a federal statute. *Id.* When adopting state law would lead to undue diversity and uncertainty in determining rights and duties under a federal statute, the Court in *Clearfield* stated that federal courts must apply uniform federal law. *Id.*; *see infra* notes 121-24 and accompanying text (discussing need for uniformity as justification for choosing to apply federal law rather than state law to statutory issues). *See generally* Mishkin, *supra* note 1, at 828-33 (discussing Supreme Court decision in *Clearfield*).

3. *See, e.g.*, Gamewell Mfg., Inc. v. HVAC Supply Inc., 715 F.2d 112, 113-16 (4th Cir. 1983) (court determined whether unilateral mistake in execution of settlement agreement in patent infringement case was sufficient to set aside agreement); Parker v. DeKalb Chrysler Plymouth, 673 F.2d 1178, 1180 (11th Cir. 1982) (court examined validity of alleged release of plaintiff's claim under Truth in Lending Act); Jones v. Taber, 648 F.2d 1201, 1203-06 (9th Cir. 1981) (court construed validity of alleged release of plaintiff's claim under Civil Rights Act); United States v. Orr Constr. Co., 560 F.2d 765, 768-69 (7th Cir. 1977) (court considered enforceability of settlement agreement in suit brought under Miller Act); Ott v. Midland-Ross Corp., 523 F.2d 1367, 1368-69 (6th Cir. 1975) (court ruled on validity of release of plaintiff's claim under Age Discrimination in Employment Act); Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 888-97 (3d Cir. 1975) (court considered whether plaintiff validly had released antitrust claims against defendant under Clayton Act and Robinson-Patman Act); Shafer v. Bulk Petroleum Corp., 569 F. Supp. 621, 628-29 (E.D. Wis. 1983) (court examined enforceability of release of claim under antitrust laws); Bergstrom v. Sears, Roebuck and Co., 532 F. Supp. 923, 931-33 (D. Minn. 1982) (court considered whether parties had reached valid agreement to settle patent infringement claim); Okonko v. Union Oil Co. of California, 519 F. Supp. 372, 378 (C.D. Cal. 1981) (court ruled on whether settlement agreement barred plaintiff's Title VII discrimination suit).

4. *See* Melo v. National Fuse & Power Co., 267 F. Supp. 611, 612 (D. Colo. 1967) (release is surrender of cause of action to party against whom claim exists). A party may release a claim either gratuitously or in exchange for some form of consideration. *Id.* Releases typically are executed after the claim arises, but before the plaintiff files an action in court based on the claim. *See* Garrett v. Moore-McCormack Co., 317 U.S. 239, 240-41 (1942) (plaintiff executed alleged release of claim against employer under Jones Act shortly after plaintiff was injured). In contrast, most settlement agreements are negotiated subsequent to the initiation of legal proceedings, but prior to the rendering of a judgment. *See* Fulgence v. J. Ray McDermott & Co., 662 F.2d 1207, 1208 (5th Cir. 1981) (parties negotiated settlement agreement during pendency of lawsuit based on Title VII employment discrimination claim).

5. *See, e.g.*, Maynard v. Durham & S. Ry. Co., 365 U.S. 160, 160 (1960) (defendant tendered release that plaintiff had signed as defense to plaintiff's claim under Federal Employers' Liability Act); Fulgence v. J. Ray McDermott & Co., 662 F.2d 1207, 1208 (5th Cir. 1981) (defendant in Title VII employment discrimination suit raised defense that parties had executed valid settlement agreement); Taxin v. Food Fair Stores, Inc., 197 F. Supp. 827, 828 (E.D. Pa. 1961) (defendants pleaded general release that plaintiffs had executed as defense to antitrust claim). The existence of a valid release or settlement agreement is an affirmative defense under the Federal Rules of Civil Procedure. *See* FED. R. CIV. P. 8(c) (release of cause of action is affirmative defense).

6. *See, e.g.*, Thurber v. Western Conf. of Teamsters Pension Plan, 542 F.2d 1106, 1108

reached divergent results concerning whether state or federal law should govern the validity of releases of federal statutory claims.[7] The failure of the courts to agree on whether state or federal law controls the enforceability of releases of federal claims derives from the fact that such releases implicate both state and federal interests.[8] Since the execution of a release abrogates a party's federally created rights, releases may undermine important federal concerns regarding the effectuation of policy under remedial statutory programs.[9] State governments also have a legitimate interest in the enforceability of releases because the states traditionally have regulated the contractual activities of private parties.[10] Most federal courts that have confronted the issue

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(9th Cir. 1976) (federal law controls issue of whether defense of estoppel is available in action brought pursuant to Labor Management Relations Act); Baker v. F&F Investment, 420 F.2d 1191, 1193 n.3 (7th Cir.) (applicability of doctrine of laches in actions based on federally created causes of action is matter of federal law), *cert. denied*, 400 U.S. 821 (1970); Shellburne Inc. v. New Castle County, 293 F. Supp. 237, 242 (D. Del. 1968) (federal law governs limits of immunity of government officials sued under Civil Rights Act); *see also* Locofrance U.S. Corp. v. Intermodal Sys. Leasing, Inc., 558 F.2d 1113, 1115 (2d Cir. 1977) (federal law governs all questions relating to validity of defenses to federal statutory claims).

7. *Compare* Parker v. DeKalb Chrysler Plymouth, 673 F.2d 1178, 1180 (11th Cir. 1982) (holding that federal law governs validity of releases of antitrust claims) *and* Fulgence v. J. Ray McDermott & Co., 662 F.2d 1207, 1208-09 (5th Cir. 1981) (holding that federal law controls validity of settlement agreements in employment discrimination suits brought under Title VII) *with* Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 890-92 (3d Cir. 1975) (holding that Pennsylvania law governs interpretation of release of antitrust claim) *and* Okonko v. Union Oil Co., 519 F. Supp. 372, 378 (C.D. Cal. 1981) (holding that California law governs validity of settlement agreement in employment discrimination suit brought pursuant to Title VII). *See generally* Comment, *Displacement of State Rules of Decision in Construing Releases of Federal Claims*, 63 CORNELL L. REV. 339, 343-45 (1978) (federal courts have reached different conclusions regarding whether state law or federal law governs interpretation of releases of federal statutory claims) [hereinafter cited as *Releases of Federal Claims*].

8. *See Releases of Federal Claims, supra* note 7, at 353 (releases of federal claims occupy region between exclusively state and exclusively federal concerns).

9. *See* Dice v. Akron, Canton & Youngstown R.R., 342 U.S. 359, 361-62 (1952) (devices such as releases which serve to liquidate plaintiff's federal claim are important to adminstration of federal statutory policy). Releases and settlement agreements of claims pursuant to federal remedial legislation may compromise federal policy under such legislation by extinguishing a claimant's substantive right of recovery, thereby raising the possibility that the claimant may not be adequately compensated for his injury. *See* Duncan v. Thompson, 315 U.S. 1, 7 (1942) (instruments which surrender statutory rights of recovery may deprive party of only means available for enforcing liability provisions of federal acts). Federal policies of deterence and compensation, therefore, could be subverted if courts enforce improper releases or inequitable settlements. *See* Jones v. Tabor, 648 F.2d 1201, 1203 n.1 (9th Cir. 1981) (releases of Civil Rights Act claims implicate important federal policies of deterence and compensation); *cf.* Ott v. Midland-Ross Corp., 523 F.2d 1367, 1368-69 (6th Cir. 1975) (question of validity of release in action pursuant to Age Discrimination in Employment Act (ADEA) determined according to federal law since federal law controls any method employers use to avoid liability under ADEA).

10. *See* Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 891 (3d Cir. 1975) (states have significant interest in enforceability of releases since state rules customarily control formulation of such agreements); *see also* Novak v. General Elec. Corp., 282 F. Supp. 1010, 1016 (E.D. Pa. 1967) (state law usually governs interpretation of releases and other contracts). In areas traditionally of local concern, such as private contractual activities, states usually have developed a detailed body of substantive law defining relationships and imposing prohibitions on various types

of whether state or federal law controls the validity of releases of federal claims, however, have decided the issue without analyzing how the choice of applicable law might impair either state or federal interests.[11] Specifically, courts usually do not examine whether the use of state law to interpret a release of a federal statutory claim would undermine a federal policy implicit in the statutory scheme, or conversely, whether the displacement of state law by a federal rule would threaten a state's legitimate interest in regulating the contractual relations of its citizens.[12] Some courts have applied federal law to construe releases of federal claims merely by reasoning that the release's validity was a federal question.[13] Other courts have held that state law

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of behavior. *See* Comment, *Adopting State Law as the Federal Rule of Decision: A Proposed Test*, 43 U. CHI. L. REV. 823, 842 (1976) (states typically create detailed rules governing relationships in areas of traditional local concern). Imposing federal rules on activities traditionally subject to state law could cause a significant disruption of state regulation of these activities. *Id.* States, therefore, have a legitimate interest in preventing the unwarranted displacement of state law by federal law in matters customarily of local concern such as private contractual relations. *Id.*

11. *See, e.g.*, Clark v. Ziedonis, 513 F.2d 79, 81 (7th Cir. 1975) (summarily holding that federal law governed validity of release of antitrust claim); Virginia Impression Prods. Co. v. SCM Corp., 448 F.2d 262, 265-66 (4th Cir. 1971) (holding that Virginia law controlled interpretation of release of antitrust claim without explaining reason for choosing to apply state law), *cert. denied*, 405 U.S. 936 (1972); Bafico v. Southern Pac. Co., 364 F.2d 36, 37-38 (9th Cir. 1966) (applying state law to construe release of claim under Federal Employers' Liability Act without explaining reason for choosing state rule), *cert. denied*, 385 U.S. 1025 (1967). *See generally Releases of Federal Claims, supra* note 7, at 343-45 (few cases dealing with choice of law for construing releases of federal claims analyze implications of choosing either state or federal law).

12. *See, e.g.*, Ott v. Midland-Ross Corp., 523 F.2d 1367, 1368-69 (6th Cir. 1975) (applying federal law to construe validity of release waiving rights under Age Discrimination in Employment Act (ADEA) because federal law must govern any method employers use to avoid application of ADEA); Reed v. Smithkline Beckman Corp., 569 F. Supp. 672, 674 (E.D. Pa. 1981) (applying Pennsylvania law to interpret validity of release of employment discrimination claim because plaintiff's allegations that release was invalid due to duress and coercion raised issues of state law); Taxin v. Food Fair Stores, Inc., 197 F. Supp. 827, 830-31 (E.D. Pa. 1961) (applying federal law rather than state law to construe alleged release of antitrust claim because federal law controls all legal relations that federal statute affects including execution of antitrust releases).

13. *See* United States v. Orr Constr. Co., 560 F.2d 765, 768 (7th Cir. 1977) (holding that federal law governs interpretation of agreements that waive plaintiff's rights to sue contractor for payment on bond pursuant to Miller Act); Taxin v. Food Fair Stores, Inc., 197 F. Supp. 827, 830-31 (E.D. Pa. 1961) (holding that federal law controls construction of releases of antitrust claims); *see also* Barninger v. National Maritime Union, 372 F. Supp. 908, 914 (S.D.N.Y. 1974) (reasoning that federal law determines validity of releases of claims under Labor Management Relations Act because plaintiffs' underlying rights arose from federal statute).

In *United States v. Orr Constr. Co.*, the Seventh Circuit held that federal law governs the validity of a settlement agreement in an action brought under the Miller Act on the ground that the scope of plaintiff's remedies under the Miller Act is a federal question. *See* 560 F.2d 765, 768 (7th Cir. 1977); 40 U.S.C. § 270(a)-(b) (1982) (Miller Act requires contractor for federal building to furnish bond and permits any person who supplied labor or materials in construction of building to sue in federal court for payment on bond). The court in *Orr* reasoned that to construe the settlement agreement according to state law would be anomolous since federal law provided the jurisdictional basis for the suit. *See* 560 F.2d at 669. *But see* Shafer v. Bulk Petroleum Corp., 569 F. Supp. 621, 629 (E.D. Wis. 1983) (federal courts properly may apply federal law to determine some issues in antitrust suit and use state law to interpret validity of alleged release of antitrust claim).

In contrast to the reasoning in *Orr*, the Fourth Circuit in *Gamewell Manufacturing, Inc. v.*

governs the validity of releases of federal statutory claims because a release is simply a form of private contract, and therefore subject to state rules of construction.[14] In only a few cases have courts squarely confronted the issue of whether state or federal law controls the enforceability of agreements purporting to release a party's federal rights of action against another.[15]

The Supreme Court cases that have examined whether state or federal law should be applied to construe releases of federal statutory claims have focused on the existence of a conflict between state law and federal statutory policy interests.[16] For example, in *Garrett v. Moore-McCormack Co.*,[17] the United

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HVAC Supply, Inc. held that regardless of the jurisdictional basis of a suit, federal law controls the interpretation of releases and settlement agreements executed during the pendency of the litigation in federal court. *See* 715 F.2d 112, 115 (4th Cir. 1983). The *Gamewell* court reasoned that releases and settlements executed while a federal suit was in progress implicated important federal procedural interests distinct from the underlying substantive rights of the parties. *Id.* The Fourth Circuit concluded that federal law must control any method of resolving federal litigation short of an actual adjudication on the merits. *Id.*; *cf.* Artvale, Inc. v. Rugby Fabrics Corp., 363 F.2d 1002, 1007 (2d Cir. 1966) (federal interest in protecting courts from repetitive and burdensome assertion of patent infringement claims requires application of federal rule that encourages releases of such claims).

14. *See* Okonko v. Union Oil Co., 519 F. Supp. 372, 378 (C.D. Cal. 1981) (state law controls validity of settlement agreements in employment discrimination suits because settlement is form of contract to which local law generally applies); *see also* Fairfax Countywide Citizens Ass'n v. Fairfax County, 571 F.2d 1299, 1303 (4th Cir.) (state law governs validity of settlement agreements in Title VII suits since such agreements are merely contracts executed after negotiations between private parties), *cert. denied*, 439 U.S. 1047 (1978); *but see* Bergstrom v. Sears, Roebuck & Co., 532 F. Supp. 923, 931-32 (D. Minn. 1982) (fact that settlement agreement basically is contract not of controlling significance in resolving choice of law issue).

15. *See, e.g.*, Garrett v. Moore-McCormack Co., 317 U.S. 239, 240-41 (1942) (holding that federal law governed validity of purported release of claim under Jones Act); Fuglence v. J. Ray McDermott & Co., 662 F.2d 1207, 1028-09 (5th Cir. 1981) (holding that federal law controlled validity of settlements in employment discrimination suits brought under Title VII); Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 890-92 (3d Cir. 1975) (holding that Pennsylvania law governed interpretation of release of antitrust claim).

Although federal courts disagree as to whether state or federal law governs the enforceability of releases and settlements of federal statutory claims, the Supreme Court in a pair of cases held that federal law must control the effect of a release on joint tortfeasors. In *Aro Manufacturing Co. v. Convertible Top Replacement Co.* the Court held that an agreement releasing one joint tortfeasor under a patent infringement claim does not release other alleged patent infringers unless the plaintiff clearly intended to release the other joint tortfeasors. *See* 377 U.S. 476, 500-01 (1964). Similarly, the Supreme Court held in *Zenith Radio Corp. v. Hazeltine Research, Inc.* that in antitrust cases, a plaintiff releases only those joint tortfeasors whom the plaintiff intends to release. *See* 401 U.S. 321, 346-47 (1971). Courts have extended the *Aro* and *Zenith* decisions to releases of joint tortfeasors in other federal causes of action. *See* Cates v. United States, 451 F.2d 411, 415-16 (5th Cir. 1971) (applying joint tortfeasor rule of *Zenith* to release of admiralty claim); *see also* Weiderhold v. Elgin, J. & E. Ry., 368 F. Supp. 1054, 1058-60 (N.D. Ind. 1974) (citing *Zenith* in applying joint tortfeasor rule to releases of claims under the Federal Employers' Liability Act).

16. *See* Garrett v. Moore-McCormack Co., 317 U.S. 239 (1942); Dice v. Akron, Canton & Youngstown R.R., 342 U.S. 359 (1952); *infra* notes 17-55 and accompanying text (discussing Supreme Court decisions in *Garrett v. Moore-McCormack Co.* and *Dice v. Akron, Canton & Youngstown R.R.*).

17. 317 U.S. 239 (1942).

States Supreme Court held that federal law must control the validity of releases of claims under the Merchant Marine Act (Jones Act).[18] The Jones Act establishes a right of action for seamen who suffer personal injury due to the negligence of their employer.[19] In *Garrett*, a seaman filed suit in Pennsylvania state court[20] pursuant to section 33 of the Jones Act for injuries received while working aboard the defendant's vessel.[21] As a defense to the action, the defendant shipowner alleged that the plaintiff had signed a release of all claims against the defendant in return for a sum of money.[22] The plaintiff, however, asserted that the purported release was invalid because the defendant had procured the release while the plaintiff was under the influence of pain-killing drugs.[23]

Although the jury found for the plaintiff on the Jones Act claim,[24] the trial court entered a judgment for the defendant notwithstanding the verdict.[25] Applying Pennsylvania law, the trial court found that the plaintiff had failed to sustain the burden of proving the invalidity of the purported release.[26] After the Supreme Court of Pennsylvania affirmed the trial court's decision,[27] the United States Supreme Court granted the plaintiff's petition for certiorari.[28] The Supreme Court reversed the decision of the Pennsylvania Supreme Court, holding that the Pennsylvania courts erred in

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18. *See id.* at 248.

19. 46 U.S.C. § 688 (1982).

20. *See* 317 U.S. at 240. State courts have concurrent jurisdiction to try cases arising under the Jones Act. *See id.* at 243; *see also* Engel v. Davenport, 271 U.S. 33, 37 (1926) (state courts have jurisdiction to enforce rights of action under Jones Act).

21. *See* 317 U.S. at 240. The plaintiff in *Garrett* claimed that he was injured when struck by a hatch cover that allegedly fell because of the defendant's negligence. *See id.* at 240-41. The defendant contested the extent of the plaintiff's injuries, and further maintained that the plaintiff had received his injuries during a barroom brawl in Copenhagen. *See id.* at 241.

22. *See ie.* at 241.

23. *Id.* In addition to claiming that the release was void because the plaintiff was drugged when he signed the document, the plaintiff in *Garrett* further contended that the release was invalid because the defendant has used threats of imprisonment to procure the plaintiff's signature. *Id.* Moreover, the plaintiff claimed that the money he received in exchange for signing the alleged release actually was a payment for wages. *Id.* The plaintiff, therefore, argued that the purported release was void because of a lack of consideration. *Id.*

24. *See id.*

25. *See id.*

26. *See id.* at 241-42. Under Pennsylvania law, one who attacks the validity of a release must prove by "clear, precise and indubitable" evidence that the release is void. *See id.* at 241. The trial court in *Garrett* conceded that in admiralty cases, the burden is on the defendant to prove the validity of a document that purports to waive the plaintiff's admiralty claim. *See id.* The trial court, however, reasoned that since the plaintiff had chosen to bring his admiralty claim in state court, state law rather than admiralty principles governed the validity of the alleged release. *See id.*

27. *See* 317 U.S. at 242. Although the Supreme Court of Pennsylvania in *Garrett* noted that federal law governs most issues involving federally created rights, the court reasoned that state law controlled the allocation of the burden of proof respecting releases because such an issue was a procedural matter not affecting the substantive rights of the parties. *See id.*

28. *See id.* at 239.

applying Pennsylvania law rather than federal law to determine the release's validity.[29]

The *Garrett* Court stressed that the Jones Act must have uniform application throughout the nation to ensure the preservation of remedies provided under the Act.[30] According to the *Garrett* Court, state courts trying cases brought under the Jones Act must not substantially alter the availability of remedies afforded injured seamen under the Act.[31] The Court reasoned that to permit a state court to deny federally established rights would contravene the intention of Congress because the purpose of the Jones Act was to secure a remedy for injured seamen.[32] The *Garrett* Court stated that the Pennsylvania courts therefore were bound to proceed in a manner that preserved and protected the plaintiff's substantive rights under the Jones Act.[33]

The Supreme Court found, however, that the use of state law by the Pennsylvania courts to determine the validity of the alleged release was inconsistent with the federal policy implicit in the Jones Act of safeguarding the legal rights of injured seamen.[34] The Court stated that seamen are considered wards of the admiralty, and traditionally have been accorded special protection when contracting for wages or other benefits.[35] In view of this policy of protecting seamen's rights, the *Garrett* Court reasoned that a seaman who attacks a purported release of his claim under the Jones Act should not have the

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29. *Id.* at 249.

30. *Id.* at 244; *see* Panama R. Co. v. Johnson, 264 U.S. 375, 392 (1924) (operation of Jones Act across nation must be uniform). The *Garrett* Court noted that the Jones Act is based upon the Federal Employers' Liability Act, which the Court had held must be interpreted uniformly. *See* 317 U.S. at 244; 45 U.S.C. § 51 (1982) (Federal Employers' Liability Act); *infra* note 53 and accompanying text (Supreme Court's discussion in *Dice v. Akron, Canton & Youngstown R.R.* concerning need for uniform application of Federal Employers' Liability Act); *see also* Second Employers' Liability Cases, 223 U.S. 1, 54 (1912) (enactment of Employers' Liability Act supercedes state laws regarding liability of employers engaged in interstate commerce for injuries their employees receive).

31. 317 U.S. at 245.

32. *Id.* at 245-46. The Supreme Court in *Garrett* stated that the objective of all legislation is to assure litigants the full enjoyment of substantive rights afforded them under the statute. *Id.* at 245. Since Congress enacted the Jones Act with the intent of providing seamen with a panoply of remedies against negligent employers, the *Garrett* Court reasoned that to permit state rules to circumscribe the availability of remedies under the Act would defy the intention of the legislature. *Id.* at 245.

33. *Id.* at 245.

34. *Id.* at 246-49.

35. *Id.* at 246-47. The *Garrett* Court observed that Congress historically has sought to safeguard the legal rights of seamen. *Id.* at 246. The Court noted, for example, that the first Congress had passed an act protecting the wage contracts of seamen in the merchant service. *Id.* The court also quoted extensively from the opinion of Justice Story in *Harden v. Gordon* in which he described seamen as "wards of the admiralty", entitled to special protection by the courts. *See id.* at 246-57; Harden v. Gordon, 11 F. Cas. 480, 485 (C.C. 1823) (No. 6047). Additionally, the *Garrett* Court stated that Congress specifically had acted to ensure that seamen do not inadvertently release rights to compensation. *See* 317 U.S. at 247; 46 U.S.C. § 597 (1982) (seamen must sign release for wages in presence of shipping commissioner); *see also* Longshoremen's and Harbor Worker's Compensation Act of 1927, 33 U.S.C. §§ 915, 916 (1982) (all releases not executed under

burden of establishing the invalidity of the release.[36] Since the Pennsylvania rule improperly allocated the burden of proving the release's invalidity to the plaintiff seaman, the *Garrett* Court rejected the use of Pennsylvania law to determine whether the plaintiff had validly released his Jones Act claim.[37] The *Garrett* Court instead fashioned a uniform federal rule placing the burden of proving that the plaintiff validly released his claim under the Jones Act on the defendant.[38]

The Court in *Garrett* chose to apply a uniform federal rule in construing the release to ensure that a seaman's rights of recovery under the Jones Act are adequately protected.[39] A similar concern for preserving the federally created rights of injured employees prompted the Supreme Court in *Dice v. Akron, Canton & Youngstown R.R. Co.*[40] to apply a uniform federal rule rather than state law to determine whether a plaintiff had validly released a claim under the Federal Employers' Liability Act (FELA).[41] The FELA grants railroad employees a right to recover for injuries resulting from their employer's negligence.[42] In *Dice*, a railroad fireman sued the railroad company in a Ohio state court under the FELA for injuries received when the engine in which the plaintiff was riding derailed.[43] At trial, the defendant contended that the plaintiff had signed a document purporting to release the defendant from liability for a sum of money.[44] While the plaintiff admitted to having signed several documents including the alleged release, the plaintiff claimed that the purported release was void because he had signed the instrument relying on the defendant's misrepresentation that the document merely was a receipt for back wages.[45] Although the jury found that the defendant

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express terms of Act are void). Finally, the Court in *Garrett* stressed that federal courts have carefully scrutinized seamen's releases in light of this established congressional policy of safeguarding seamen's rights. *See* 317 U.S. at 247-48; Harmon v. United States, 59 F.2d 372, 373 (5th Cir. 1932) (party claiming that seamen has waived legal rights has burden of proving that seamen knowingly and fairly executed release).

36. 317 U.S. at 248-49.

37. *Id.* at 248. The *Garrett* Court expressly rejected the reasoning of the Pennsylvania Supreme Court that the allocation of the burden of proof was a procedural matter not affecting the substantive rights of the parties. *See id.* at 249; *supra* note 27 (discussing reasoning of Pennsylvania Supreme Court in *Garrett*). The *Garrett* Court stressed that the right of the plaintiff to be free of the burden of providing the release's invalidity was a substantial aspect of the plaintiff's rights under the Jones Act. *See* 317 U.S. at 249; *see also* Central Vermont Ry. Co. v. White, 238 U.S. 507, 511-12 (1915) (allocation of burden of proof is not mere procedural matter).

38. *See* 317 U.S. at 248.

39. *See id.* at 246-48; *see also Federal Judicial Law-Making Power*, *supra* note 1, at 195 (Supreme Court in *Garrett* invoked federal law to preserve rights created under Jones Act).

40. 342 U.S. 359 (1952).

41. *See id.* at 362; 45 U.S.C. § 51 (1982) (Federal Employers' Liability Act).

42. *See* 45 U.S.C. § 51 (1982).

43. *See* 342 U.S. at 360.

44. *See id.*

45. *See id.* The plaintiff in *Dice* alleged that when he reported back to work after recovering from his injuries, an employee of the defendant informed the plaintiff that he had to sign a document releasing the defendant from claims for lost time and medical expenses before the plaintiff

had fraudulently induced the plaintiff to sign the release, the trial court entered judgment notwithstanding the verdict.[46] The trial court held that under Ohio law, the plaintiff's negligence in failing to read the release before signing the document vitiated any fraud the defendant may have perpetrated.[47] The Ohio Court of Appeals reversed the trial court's decision,[48] but the Ohio Supreme Court on appeal sustained the trial court's judgment.[49] The Court determined that Ohio law rather than federal law governed the validity of the alleged release on the ground that state law controls questions raised in state court concerning the avoidance of releases.[50]

On appeal, however, the United States Supreme Court held that the validity of releases of claims under the FELA raised a federal question, requiring the application of federal law rather than state law.[51] The *Dice* Court reasoned that state law cannot control issues affecting federal substantive rights guaranteed under the FELA because such rights could be defeated if state law governed the propriety of defenses to claims under the Act.[52] The Court stated that federal law must control the validity of releases of FELA claims to ensure that the Act is applied uniformly throughout the country.[53] In addition, the Supreme Court emphasized that the application of Ohio law to defeat the plaintiff's claim was incongruous with the federal policy implicit

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could return to work. *See* Dice v. Akron, Canton & Youngstown R.R. Co., 155 Ohio St. 185, ___, 98 N.E.2d 301, 302 (1951), *rev'd*, 342 U.S. 359 (1952). The plaintiff, however, denied that he understood the release to encompass all claims that the plaintiff had against the defendant. *See id.* at ___, 98 N.E.2d at 302. Instead, the plaintiff alleged that he relied on the representation of the defendant's employee that the release covered only medical expenses and wages the plaintiff had lost by reason of his injury. *Id.*

46. *See* 342 U.S. at 360.

47. *See id.*; McAdams v. McAdams, 80 Ohio St. 237, 240-41, 88 N.E. 542, 544 (1909) (person cannot claim he was mislead into signing document when person could have discovered truth by reading document).

48. *See* 342 U.S. at 360. Applying federal law, the Ohio Court of Appeals in *Dice* ruled that the jury's verdict for the plaintiff must stand because sufficient evidence existed to support the jury's finding of fraud by the defendant. *See id.* at 360-61.

49. *See* Dice v. Akron, Canton & Youngstown R.R. Co., 155 Ohio St. 185, ___, 98 N.E.2d 301, 308 (1951), *rev'd*, 342 U.S. 359 (1952).

50. *See id.* at ___, 98 N.E.2d at 307-08. In holding that state law rather than federal law controlled the question of whether the plaintiff in *Dice* validly had releases his FELA claim, the Ohio Supreme Court relied on the United States Supreme Court's decision in *Callen v. Pennsylvania R.R. Co.* at ___, 98 N.E.2d at 305-08; Callen v. Pennsylvania R.R. Co., 332 U.S. 625 (1948). In *Callen*, the Supreme Court stated that releases of federal claims under the FELA are no different than any other releases. *See* 332 U.S. at 630. The Ohio Supreme Court in *Dice* reasoned that the *Callen* decision indicates that state law also must govern releases of FELA claims. *See* 155 Ohio St. at ___, 98 N.E.2d at 306.

51. 342 U.S. at 362.

52. *Id.* at 361.

53. *Id.*; *see also* Chesapeake & Ohio R.R. Co. v. Kuhn, 284 U.S. 44, 46-47 (1932) (state courts trying cases under FELA must apply principles of federal common law); Second Employer's Liability Cases, 223 U.S. 1, 55-56 (1912) (Employers' Liability Act must receive uniform interpretation throughout nation); Ricketts v. Pennsylvania R.R. Co., 153 F.2d 757, 759 (2d Cir. 1946) (federal law governs effect of release of FELA claim on plaintiff's legal rights under FELA).

in the FELA of securing an employee's right to recover for injuries resulting from the negligence of his employer.[54] The *Dice* Court, therefore, rejected Ohio law in favor of a federal rule that a release of rights under the FELA is void if the employer induced the employee to sign the release through false and deceptive representations as to the nature of the document.[55]

Other federal courts similarly have applied federal law to interpret the validity of releases of federal statutory claims when employing a state rule of construction would contravene an established federal policy.[56] For example, in *Fulgence v. J. Ray McDermott & Co.*,[57] the Fifth Circuit declined to adopt Louisiana law in determining whether an oral settlement of a Title VII employment discrimination suit was valid.[58] Under section 2000e of Title VII, an employee may sue his employer for engaging in discriminatory practices with regard to hiring or terms and conditions of employment.[59] The plaintiff in *Fulgence* filed suit in the United States District Court for the Western District of Louisiana pursuant to section 2000e of Title VII after the defendant had terminated the plaintiff's employment.[60] During the pendency of the litigation, the parties engaged in a series of negotiations with a view toward settling the dispute.[61] Although the negotiations produced a tentative agreement to settle, the parties never formally executed the settlement agreement because the plaintiff refused to sign the settlement documents.[62] Nonetheless, the district court granted the defendant's motion to enforce the unexecuted

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54. *See* 342 U.S. at 362. The Court in *Dice* stated that applying Ohio law to construe the validity of the release would work an injustice since the mere negligence of the injured employee in failing to read the purported release permitted the employer to benefit from a deliberate fraud. *Id.*

55. *See id.*

56. *See* Parker v. DeKalb Chrysler Plymouth, 673 F.2d 1178, 1180 (11th Cir. 1982) (applying federal law to determine validity of releases of claim under Truth in Lending Act (TILA) because use of state law to uphold release would have conflicted with public interest in enforcing TILA requirements); Fuglence v. J. Ray McDermott & Co., 662 F.2d 1207, 1208 (5th Cir. 1981) (applying federal law to construe validity of oral settlement agreement in employment discrimination suit because use of state law to invalidate agreement would have contravened federal policy of encouraging voluntary settlement of Title VII claims); Jones v. Tabor, 648 F.2d 1201, 1203 n.1 (9th Cir. 1981) (holding that federal law controls validity of releases of Title VII claims since application of state law might conflict with federal policies of deterence and compensation implicit in Civil Rights Act).

57. 662 F.2d 1207 (5th Cir. 1981).

58. *See id.* at 1208.

59. *See* 42 U.S.C. § 2000e (1982) (Title VII of Civil Rights Act of 1964).

60. *See* 662 F.2d at 1208.

61. *See id.*

62. *Id.* The plaintiff in *Fulgence* authorized his attorney to settle the Title VII litigation. *Id.* After brief negotiations, the attorneys for the plaintiff and the defendant agreed to settle the lawsuit for $1440. *Id.* When the plaintiff received the proposed settlement agreement, however, he objected to language that purported to release all of the plaintiff's rights against the defendant, including a pending claim for disability benefits. *Id.* Although the defendant deleted the objectionable terms, the plaintiff subsequently indicated that he did not wish to settle the suit, and returned the settlement check and unexecuted settlement documents to the defendant. *Id.*

settlement agreement against the plaintiff,[63] holding that the plaintiff had entered into a valid oral settlement agreement with the defendant.[64]

On appeal to the Fifth Circuit, the plaintiff argued that the oral settlement agreement was unenforceable because Louisiana law required the parties to reduce the settlement agreement to writing.[65] The Fifth Circuit rejected the plaintiff's contention.[65] The court emphasized that while the use of state law to determine the validity of settlement agreements in Title VII actions would serve no substantial state interest,[67] applying Louisiana law as the rule of decision in *Fulgence* would undermine a significant federal policy interest in encouraging the voluntary settlement of Title VII claims.[68] Moreover, the *Fulgence* court noted that the Supreme Court had ruled that a settlement agreement in a Title VII action is enforceable against a plaintiff who knowingly and voluntarily agreed to settle.[69] The court further reasoned that applying Louisiana law could frustrate federal policy by invalidating oral set-

63. *Id.*

64. *Id.* at 1210. After an evidentiary hearing on defendant's motion to enforce the settlement agreement, the district court in *Fulgence* determined that the plaintiff has expressly authorized his attorney to settle the litigation, and also that the plaintiff had agreed to both the terms and the amount of the amended settlement agreement. *See id.* at 1209. Additionally, the district court found that negotiations leading up to the settlement were free of fraud, coercion, or overreaching on the part of the defendant's attorney. *Id.* at 1209-10. The district court concluded that the parties had validly agreed to settle the litigation despite the fact that the plaintiff later changed his mind and refused to sign the agreement. *See id.*

65. *See id.* at 1209; LA. CIV. CODE ANN. art. 3071 (West 1982) (all transactions settling lawsuits must be in writing).

66. *See* 662 F.2d at 1209.

67. *Id. But see* Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 891 (3d Cir. 1975) (states have legitimate interest in enforceability of releases since state law traditionally governs private contracts such as releases); *supra* note 10 and accompanying text (state governments have significant interest in maintaining efficacy of state regulation of private contractual activities).

68. *See* 662 F.2d at 1209; 42 U.S.C. § 2000e-5(b) (1982) (Equal Employment Opportunity Commission shall endeavor to eliminate unlawful employment practices by informal methods such as conference, concilliation, and persuasion); *see also* United States v. Allegheny-Ludlum Indus., Inc., 517 F.2d 826, 846-47 (5th Cir. 1975) (great emphasis exists in Title VII cases on private settlement as means of eliminating discriminatory employment practices), *cert. denied*, 425 U.S. 944 (1976).

Congress established the Equal Employment Opportunity Commission (EEOC) as a means through which parties could avoid unnecessary litigation and voluntarily settle grievances under Title VII. *See* Oatis v. Crown Zellerbach Corp., 398 F.2d 496, 497-98 (5th Cir. 1969) (aggrieved party is required under Title VII to first file charge with EEOC as means of initiating informal efforts to settle disputes); *see also* Dent v. St. Louis-San Francisco Ry. Co., 406 F.2d 399, 402 (5th Cir. 1969) (basic philosophy of statutory provisions creating EEOC is that voluntary compliance with Title VII is preferable to litigation and that parties should make reasonable efforts to resolve dispute through conciliation).

69. *See* 662 F.2d at 1209; Alexander v. Gardner-Denver Co., 415 U.S. 36, 52 n.15 (1979) (employee must knowingly and voluntarily consent to settlement agreement that waives employee's Title VII rights); *see also* Mosely v. St. Louis Southwestern Ry., 634 F.2d 942, 946 n.5 (5th Cir. 1981) (valid waiver of rights under Title VII must be made knowingly, voluntarily, and with sufficient awareness of likely consequences of waiver).

tlements that were entered into knowingly and voluntarily.[70] The *Fulgence* court, therefore, concluded that the furtherance of federal policy required the application of federal law rather than state law to determine the validity of oral settlement agreements in Title VII suits.[71] Since oral settlement agreements were enforceable under federal law, the Fifth Circuit affirmed the district court's determination that the plaintiff had entered into a valid settlement agreement with the defendant.[72]

Although courts have applied federal law to construe the validity of releases of federal statutory claims when a federal rule would better serve the policy goals of a federal statutory scheme, some courts have chosen to apply state law when the use of the state rule would not impede the effectuation of federal policy.[73] For example, in *Three Rivers Motors Co. v. Ford Motor Co.*,[74] the Third Circuit applied Pennsylvania law to determine whether a plaintiff's allegation of duress in the execution of a release of an antitrust claim was sufficient to invalidate the release.[75] The plaintiff in *Three Rivers* filed suit against the defendant in the United States District Court for the Western District of Pennsylvania claiming that the defendant had violated the antitrust laws through an alleged price-fixing arrangement which encouraged certain customers to purchase new automobiles from a dealership that the defendant owned.[76] The defendant filed a motion to dismiss the suit on the

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70. *See* 662 F.2d at 1209. Since federal law does not require that settlement agreements be in writing, the *Fulgence* court reasoned that the oral settlement agreement that the plaintiff entered into voluntarily and knowingly should be enforceable against the plaintiff. *See id.*

71. *Id.* The *Fulgence* court noted that other federal courts had concluded that federal law governs the enforceability of oral settlement agreements waiving federal statutory rights. *Id.* at 1209 n.2; *see* Strange v. Gulf & South Am. Steamship Co., 495 F.2d 1235, 1236 (5th Cir. 1974) (federal law governs validity of oral settlements of admiralty claims); Theatre Time Clock Co. v. Motion Picture Advertising Corp., 323 F. Supp. 172, 175 (E.D. La. 1971) (federal law controls validity of oral settlement agreements in antitrust suits).

72. *See* 662 F.2d at 1210.

73. *See, e.g.*, Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 891 (3d Cir. 1975) (applying Pennsylvania law to interpret alleged release of antitrust claim because use of state rule would not contravene federal antitrust policy); Shafer v. Bulk Petroleum Corp., 569 F. Supp. 621, 629 (E.D. Wis. 1983) (applying Wisconsin law to construe validity of release in antitrust action because application of state law would not frustrate statutory scheme); Novak v. General Elec. Co., 282 F. Supp. 1010, 1019 (E.D. Pa. 1968) (applying Pennsylvania law to determine whether plaintiff had released antitrust claim because use of state law would affirmatively support federal antitrust objectives).

74. 522 F.2d 885 (3d Cir. 1975).

75. *See id.* at 891.

76. *See id.* at 887-88. The plaintiff in *Three Rivers* had operated an automobile dealership under a Ford franchise agreement. *See id.* at 887. After several years of losses resulting in part from competition with another Ford franchised dealership in the area, the plaintiff sought to resign the franchise. *Id.* Under the terms of the franchise agreement, the defendant repurchased the plaintiff's inventory in exchange for the plaintiff's execution of a general release. *Id.* Three years after the execution of the release, the plaintiff filed suit claiming that the defendant had engaged in price fixing in violation of the Clayton Act. *Id.*; *see* 15 U.S.C. § 13 (1982) (Clayton Act prohibits price discrimination by any person engaged in interstate commerce).

ground that a general release the plaintiff had signed several years earlier barred the antitrust suit.[77] The district court denied the defendant's motion, refusing to construe the release as a bar to the plaintiff's antitrust cause of action.[78] Applying federal law, the district court in *Three Rivers* determined that the release the plaintiff had signed did not cover prospective antitrust claims because the plaintiff had not intended to release his rights under the antitrust laws.[79]

On appeal, the Third Circuit addressed the threshold issue of whether federal law or state law controlled in interpreting the scope of the general release.[80] Since Congress had not prescribed a federal rule for construing releases of antitrust claims, the court considered whether state or federal law would better serve the policies implicit in the antitrust laws.[81] The *Three Rivers* court noted that the relevant factors in analyzing the choice of law issue are the need for a uniform federal rule,[82] the extent to which the transaction in question is one traditionally subject to state law,[83] and the possibility that the use of a state rule would frustrate the operation of the federal statutory scheme.[84]

The Third Circuit noted that the need for a uniform federal rule may arise when the use of diverse state laws would hinder the efficient operation of a federal program.[85] The *Three Rivers* court, however, determined that uniform interpretive rules are not necessary in construing releases of antitrust claims since private parties bargaining for a release are not affected by the variousness of state laws.[86] According to the Third Circuit, a uniform federal rule would have little utility because the parties to a release can phrase the agreement in terms compatible with the law of the state in which the parties will enforce the release.[87] The court, therefore, concluded that the need for

77. *See* 522 F.2d at 887.

78. *See* Three Rivers Motors Co. v. Ford Motor Co., 374 F. Supp. 620, 633 (W.D. Pa. 1974) (release does not bar plaintiff's antitrust claim), *rev'd*, 522 F.2d 885 (3d Cir. 1975).

79. *See* 374 F. Supp. at 629.

80. *See* 522 F.2d at 888.

81. *See id.* at 889.

82. *Id.*; *see* U.A.W. v. Hoosier Cardinal Corp., 383 U.S. 696, 701-03 (1966) (need for uniform federal rules exists when absence of uniformity would threaten efficient operation of federal program); *see also* United States v. Standard Oil Co., 332 U.S. 301, 307 (1947) (uniform federal rules may be necessary to decide matters vitally affecting federal interests).

83. *See* 522 F.2d at 889; *see also* United States v. Yazell, 382 U.S. 341, 352-58 (1966) (holding that state law should govern matters primarily of local concern that arise from implementation of federal statutory program).

84. *See* 522 F.2d at 889-90; *see also* Wallis v. Pan Am. Petroleum Corp., 384 U.S. 63, 68 (1966) (court should consider extent to which application of state law would conflict with federal statutory policy interests in deciding whether to apply federal law to federal statutory issues). *See generally* Comment, *Adopting State Law as the Federal Rule of Decision: A Proposed Test*, 43 U. CHI. L. REV. 823, 830-34 (discussing development of criteria for deciding whether to apply state or federal law to federal statutory issues).

85. *See* 522 F.2d at 890.

86. *See id.*

87. *Id.*

uniformity in construing releases of antitrust claims was not sufficient to require the application of federal law to interpret the release in *Three Rivers*.[88]

Furthermore, the Third Circuit found that the use of state law rather than federal law to interpret the release would be more appropriate because state law customarily controls the enforceability of private contracts.[89] Since private parties usually refer to state law when formulating the terms of a release, the *Three Rivers* court reasoned that applying federal law to construe the agreement could subvert the intentions and expectations of the contracting parties.[90] The court, therefore, emphasized that absent a substantial need for applying uniform federal law to interpret releases of antitrust claims, the law of private contracts should not be burdened with the complication of a separate rule for releasing an antitrust cause of action.[91]

Finally, the court in *Three Rivers* determined that the use of state law to interpret releases of antitrust claims would not frustrate the effectuation of federal policy objectives under the antitrust laws.[92] The Third Circuit stated that releases of private antitrust claims generally are not contrary to federal antitrust policy.[93] The court further noted that the applicable Pennsylvania rule for construing the scope of releases was not incongruous with federal antitrust objectives.[94] The *Three Rivers* court observed that under Pennsylvania law, the intention of the parties governs the construction of releases, and the parties must execute the instrument free from fraud or duress in order for the release to be binding.[95] Since Pennsylvania law adequately protects against

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88. *See id.* at 890-91. In determining that no need for uniform rules exists with respect to the interpretation of antitrust releases, the *Three Rivers* court distinguished the Supreme Court's decision in *Zenith Radio Corp. v. Hazeltine Research, Inc.* in which the Court adopted a uniform rule to govern the effect of an antitrust release on joint tortfeasors. *See id.*; Zenith Radio Corp. v. Hazeltine Research, Inc., 401 U.S. 321, 346-47 (1971) (intention of parties to release of antitrust claim governs effect of release on unnamed joint tortfeasors). The *Three Rivers* court recognized that uniform federal rules are necessary when multistate joint tortfeasors are involved to insure that plaintiffs do not frustrate the enforcement of antitrust laws by inadvertently releasing their claims against co-defendants in other states. *See* 522 F.2d at 891. The court, however, reasoned that uniform rules are not needed for interpreting releases of antitrust claims because such multistate enforcement problems do not exist when courts construe the terms of a release. *See id.*

89. *See* 522 F.2d at 891.

90. *Id.*; *see also* Novak v. General Elec. Corp., 282 F. Supp. 1010, 1014 (E.D. Pa. 1967) (interpreting releases according to federal law could create difficulties for litigants since parties draft releases by referring to state law).

91. *See* 522 F.2d at 891.

92. *See id.* at 891-93.

93. *Id.* at 892; *see also* Fabert Motors, Inc. v. Ford Motor Co., 355 F.2d 888, 890 (7th Cir.) (releases of antitrust claims are not contrary to public policy), *cert. denied*, 384 U.S 939 (1966). The *Three Rivers* court noted that Congress provided the private cause of action under the antitrust laws as a supplemental means of enforcing the federal statutory scheme, complementing the public cause of action enforceable by the federal government. *See* 522 F.2d at 891. Since releases of private antitrust claims have no effect on the government's remedies against the antitrust violator, the court reasoned that such releases do not frustrate the effectuation of federal policy under the antitrust laws. *See id.* at 892.

94. *See* 522 F.2d at 892.

95. *See* Evans v. Marks, 421 Pa. 146, ____, 218 A.2d 802, 805-06 (1966) (intention of parties controls effect of release).

the antitrust violator's use of deception to avoid an antitrust claim, the Third Circuit determined that the use of Pennsylvania law to interpret the releases of the antitrust claim in *Three Rivers* was consistent with federal antitrust policy objectives.[96] Applying Pennsylvania law, the court found that the general release was a bar to the plaintiff's antitrust claim.[97] The Third Circuit, therefore, remanded the case to the district court with directions to grant the defendant's motion to dismiss the antitrust suit.[98]

Implicit in the *Three Rivers* court's reasoning is the proposition that in the absence of a conflict between an applicable state law and the federal policy interests under a statutory program, no compelling need exists to formulate a federal rule to interpret releases of federal statutory claims.[99] The District Court for the Eastern District of Pennsylvania in *Novak v. General Electric Corporation*[100] similarly recognized that the mere implication of a federal statutory right does not mandate the application of federal law to all matters relating to that right.[101] As in *Three Rivers*, the issue in *Novak* concerned the scope of a general release of an antitrust claim.[102] The plaintiff in *Novak* had filed an earlier suit against one of the defendants, alleging that the defendant had violated the Robinson-Patman Act by engaging in price discrimination with respect to the sale of antifreeze.[103] During the pendency of the prior suit, the parties had negotiated a release, and the court had entered judgment dismissing the suit with prejudice.[104] A year and a half later, the plaintiff instituted a second antitrust suit against the same defendant and an additional party, alleging that the defendants had engaged in price discrimination in the sale of automotive parts.[105] The defendants moved for summary

96. *See* 522 F.2d at 892.

97. *See id.* at 893-97.

98. *Id.* at 897.

99. *See id.* at 892 (applying Pennsylvania law to interpret alleged release of antitrust claim because use of state rule would not contravene federal antitrust policy objectives); *see also Releases of Federal Claims, supra* note 7, at 353 (respect for state interests requires that courts displace state rules in construing releases of federal claims only when state rules are inconsistent with federal policy). *See generally* Note, *The Federal Common Law*, 82 HARV. L. REV. 1512, 1517-31 (1969) (suggesting that state rules of decision should govern areas of legitimate state concern unless important federal policy interests require application of uniform federal rules) [hereinafter cited as *The Federal Common Law*].

100. 282 F. Supp. 1010 (E.D. Pa. 1968).

101. *See id.* at 1016. In holding that state law could be applied to construe releases of antitrust claims, the court in *Novak* reasoned that the Supreme Court's decision in *Dice v. Akron, Canton & Youngstown R.R. Co.* does not require federal courts to create uniform federal rules to resolve all matters relating to federal statutory rights. *See id.*; *supra* notes 41-55 and accompanying text (discussion of *Dice*). The *Novak* court observed that in *Dice*, the use of state law to determine the validity of the release directly contravened federal policy under the FELA. *See* 282 F. Supp. at 1015. The *Novak* court, therefore, limited the use of *Dice* as precedent for creating uniform federal law to construe releases of federal claims to situations in which the particular application of state law conflicted with federal statutory policy. *See id.* at 1015-16.

102. *See* 282 F. Supp. at 1013.

103. *See id.* at 1012-13; 15 U.S.C. § 13(a)-(c) (1982) (Clayton Act and Robinson-Patman Act prohibit price discrimination by persons engaged in interstate commerce).

104. *See* 282 F. Supp. at 1012.

105. *See id.* at 1012-1013.

judgment on the ground that the release the parties had executed in the previous litigation precluded the subsequent antitrust action.[106]

In evaluating the defendant's motion, the *Novak* court addressed the issue of whether New Jersey law or federal law should govern the applicability of the earlier release to other antitrust violations.[107] Like the Third Circuit in *Three Rivers*, the *Novak* court considered three criteria in resolving the choice of law issue, specifically, the need for a uniform national rule, the relationship of the transaction to activities regularly subject to state law, and the impact that state law would have on the effectuation of federal policy.[108] Noting that state law regularly controls the formulation and interpretation of contracts, the *Novak* court reasoned that no need exists to create a superseding body of federal law to control releases of antitrust claims unless the particular use of state law would contravene federal policy.[109] While the *Novak* court acknowledged the supremacy of federal policy interests,[110] the court emphasized that federal interests should not override the state's legitimate interest in the field of private contracts unless the use of state law would threaten federal policy concerns.[111] The court found that the application of New Jersey law to determine the effect of the release of the earlier antitrust claim affirmatively supported federal antitrust policy because under the state rule of construction the intent of the parties governs the scope of releases.[112] Since the intention of the parties was a question of fact not readily ascertainable from evidence submitted on a motion for summary judgment, the *Novak* court denied the defendants' motion.[113]

As the court in *Novak* recognized, the creation of law by federal courts to resolve issues relating to the operation of a federal statute must be based on a

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106. *See id.* at 1013.

107. *See id.* at 1013-1019.

108. *See id.* at 1013. The *Novak* court emphasized that although the validity of releases of antitrust claims involves a federally created right, federal courts need not formulate federal law to decide every aspect of federal rights. *Id.* The court stated that federal courts should consider the issue in light of the existing body of state law. *Id.*

109. *See id.* at 1017; *see also* United States v. Yazell, 382 U.S. 341, 352 (1966) (solicitude for legitimate state interests in matters of local concern mandates that federal courts should not displace state law with federal law unless use of state rule would conflict with interests of federal government).

110. *See* 282 F. Supp. at 1017; U.S. CONST. art. VI, cl. 2 (supremacy clause).

111. *See* 282 F. Supp. at 1017; *see also* Wallis v. Pan Am. Petroleum Corp., 384 U.S. 63, 68 (1966) (federal courts should determine whether conflict exists between use of state law as rule of decision and federal statutory policy before fashioning uniform federal rule); Textile Workers Union v. Lincoln Mills, 353 U.S. 448, 457 (1957) (federal court may look to state rules of decision if state law is compatible with federal policy).

112. *See* 282 F. Supp. at 1019. Under New Jersey law, a general release covers all claims within the reasonable contemplation of the parties at the time they execute the release. *See* Billotti v. Accurate Forming Corp., 39 N.J. 184, 188 A.2d 24 (1963). The *Novak* court reasoned that the New Jersey rule affirmatively supports federal antitrust policy since the state rule requires that the parties knew and intended that the release would cover unknown antitrust claims, thereby preventing the unintentional release of unknown antitrust claims. *See* 282 F. Supp. at 1023.

113. *See* 282 F. Supp. at 1023.

need to safeguard the policy interests implicit in the statutory scheme.[114] Since federal legislation rarely prescribes the rules of decision for all statutory issues,[115] the law of the states necessarily fills in interstitially where Congress had not declared the governing law.[116] State law, therefore, provides the backdrop against which a federal statutory program operates.[117] Congressional reliance on state law to supplement federal enactments translates into a presumption that state law will supply the rule of decision for issues arising from the operation of a federal statute unless Congress or the courts prescribe otherwise.[118] The power of the federal courts to create federal law to resolve statutory issues, however, is not comparable to that of Congress because the federal courts are not granted any constitutional authority to make law.[119] Judicial power to formulate federal common law depends on the existence of a cognizable federal interest that requires the protection of federally declared standards.[120]

The federal government's significant interest in promoting federal policy objectives implicit in legislative programs warrants the creation of uniform federal rules to decide certain issues relating to the implementation of the

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114. *See* 282 F. Supp. at 1015-19 (noting that federal courts generally examine whether creation of uniform federal rules is necessary to ensure effectuation of federal policy); *see also* Clearfield Trust Co. v. United States, 318 U.S. 363, 367 (1943) (federal courts have power to fashion uniform federal rules when necessary to effective implementation of federal statutory program); *cf. Federal Judicial Law-Making Power, supra* note 1, at 172-73 (federal courts lack competence to choose governing law if issue does not implicate significant federal interest).

115. *See supra* note 1 (federal statutory enactments rarely prescribe rules governing all relationships affected by statute).

116. *See* P. BATOR, P. MISHKIN, D. SHAPIRO, H. WECHSLER, HART & WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM 470 (2d ed. 1973) (legal systems of states fill in interstitially where federal law does not operate) [hereinafter cited as HART & WECHSLER].

117. *See* HART & WECHSLER, *supra* note 116, at 471 (Congress legislates against background of state substantive law).

118. *See The Federal Common Law, supra* note 99, at 1517-19 (suggesting that preexisting state law presumably governs relationships between individuals until Congress or courts interpose federal law). Federal statutory enactments build upon preexisting legal relationships established under state law. *See* HART & WECHSLER, *supra* note 116, at 471. Congress essentially acts against the background of state law in the same way that state legislatures act against the background of the common law. *Id.* State law, like the common law, is assumed to govern unless the state legislature prescribes a different rule. *Id.*

119. *See* Mishkin, *Some Further Last Words on* Erie—*The Thread,* 87 HARV. L. REV. 1682, 1682-83 (1974) (fact that Congress has constitutional power to create federal law does not imply that federal courts have comparable power to fashion federal rules of decision). *See generally The Federal Common Law, supra* note 99, at 1512-31 (discussing limits on federal judicial lawmaking power).

120. *See Federal Judicial Law-Making Power, supra* note 1, at 178 (federal courts derive authority to create federal law from presence of federal interest that warrants judicial protection); Note, *The Competence of Federal Courts to Formulate Rules of Decision,* 77 HARV. L. REV. 1084, 1090 (1964) (federal judicial lawmaking competence is limited to statutory issues in which federal government has significant interest); *see also* Wallis v. Pan Am. Petroleum Corp., 384 U.S. 63, 68 (1966) (refusing to apply federal law to construe lease contracts under Mineral Leasing Act because no significant federal interests exists in such contracts).

statute.[121] Uniform federal rules may be necessary to ensure that statutory issues are accorded uniform treatment in every jurisdiction.[122] Additionally, the effective administration of a federal program may require the promulgation of uniform standards if the diversity of state law would impose substantial administrative burdens.[123] Finally, the creation of uniform federal rules is justified whenever a particular state law conflicts with an established federal statutory policy.[124]

When federal courts formulate and apply federal law to statutory issues normally decided under state law, however, a corresponding disruption of state regulation necessarily will result from the displacement of state law by federal law.[125] An important state interest in the implementation of a federal statute, therefore, is preventing or limiting the disruption of state regulation that could occur if activities which customarily are subject to state law were evaluated according to a different set of federal rules.[126] The interest of state governments in limiting the disruption of state regulation is the counterpart to the federal government's interest in having uniform federal law govern all aspects of a federal statutory program.[127] In deference to this legitimate state

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121. *See* D'Oench Dudme & Co. v. Federal Deposit Ins. Corp., 315 U.S. 447, 471-72 (1942) (Jackson, J., concurring) (federal courts should create federal law to resolve federal statutory issues when necessary to ensure effectuation of implicit statutory policies).

122. *See* Teamsters Local v. Lucas Flour Co., 369 U.S. 95, 103-04 (1962) (uniform federal rules for construing collective bargaining agreements are necessary to ensure that remedies under Labor Management Relations Act are administered similarly in every jurisdiction).

123. *See* Clearfield Trust Co. v. United States, 318 U.S. 363, 367 (1943) (uniform federal rules must govern transactions in government-issued commercial paper because variousness of state laws could subject rights and duties of federal government to considerable uncertainty); *see also* United States v. National Bank of Commerce, 438 F.2d 809, 813-14 (5th Cir. 1971) (uniform federal rules must govern rights of federal government in commercial paper transactions); United States v. Terry, 554 F.2d 685, 692 (5th Cir. 1977) (federal law should be employed when use of varying state rules could hamper effectiveness of federal program).

124. *See, e.g.*, United States v. Little Lake Misere Land Co., 412 U.S. 580, 597 (1973) (federal court must reject state law in favor of uniform federal law if state rule is hostile to federal policy interests); Wallis v. Pan Am. Petroleum Corp., 384 U.S. 63, 68 (1966) (federal courts should displace state law with uniform federal rule if state law conflicts with federal statutory policy); Sola Elec. Co. v. Jefferson Elec. Co., 317 U.S. 173, 176 (1942) (state rules that defeat intent of federal statutory scheme must be rejected in favor of federal law).

125. *See* Comment, *Adopting State Law as the Federal Rule of Decision: A Proposed Test*, 43 U. CHI. L. REV. 823, 841 (1976) (application of federal law to essentially local activities could disrupt state regulation of those activities) [hereinafter cited as *Adopting State Law*].

126. *See id.* at 843; *supra* note 10 (discussing state's interest in preventing disruption of state regulation of private contracts). In addition to causing a disruption of state regulation of local matters, the imposition of uniform federal rules on localized activities could create confusion and uncertainty for private individuals because of the existence of two separate standards for evaluating similar conduct. *See* Novak v. General Elec. Co., 282 F. Supp. 1010, 1014 (use of federal law to construe antitrust releases could create difficulties for parties by imposing separate federal rule for releasing antitrust claims); *see also The Federal Common Law, supra* note 99, at 1531 (individuals would prefer to have one source of law governing same or similar transactions).

127. *See Adopting State Law, supra* note 125, at 843 (state interest in avoiding disruptive effects of imposing federal law on local transactions is counterpart of federal interest in uniformity).

interest, the Supreme Court has refrained from applying federal law to areas of traditional local concern such as domestic relations[128] and real property transactions[129] when issues bearing on these matters arise in the context of a federal statute.[130] Nevertheless, the state's interest in regulating areas of local concern has been overriden, and federal law applied, when state law did not serve the policy goals of a federal statutory scheme.[131]

The enforceability of releases and settlements of federal statutory claims implicates both federal policy interests and state interests in regulating the contractual behavior of private parties.[132] Since questions relating to the validity of releases of federal claims involve the interests of both the state and federal governments, the choice of law for deciding such issues must entail a balancing of the competing interests.[133] The inquiry, therefore, becomes whether the need for uniform federal rules to interpret releases of federal statutory claims outweighs the state's interest in preventing the disruption of state control over the contractual activities of private parties.[134]

The weight to be accorded the need for uniformity depends on the extent to which uniform federal rules for construing releases of federal claims actually would serve the interests of the federal government.[135] Uniform rules

128. *See* United States v. Yazell, 382 U.S. 341, 348-58 (1966) (applying Texas law to permit defense of coverture to federal government's suit on loan from Small Business Administration because of significant state interest in protecting contractual rights of married women); *see also* DeSylvia v. Ballantine, 351 U.S. 570, 580-82 (1956) (applying California law to define statutory meaning of "children" in Copyright Act because of important state interest in matters affecting domestic relations).

129. *See* United States v. Brosman, 363 U.S. 237, 240-41 (1960) (applying Pennsylvania law to determine extent of "property and rights to property" for purposes of federal tax lien because possible disruption of local property relationships outweighed need for uniform rule).

130. *See supra* notes 128-29 (discussing cases in which Supreme Court chose to apply state law to decide federal statutory issues bearing on matters of local concern).

131. *See* United States v. Haddon Haciendas Co., 541 F.2d 777, 784-85 (9th Cir. 1976) (rejecting use of California rule barring post-foreclosure waste actions in suit brought under National Housing Act because state rule would have hampered effectuation of policy under Act); *see also* United States v. Albrecht, 496 F.2d 906, 910-11 (8th Cir. 1974) (court refused to apply North Dakota rule that precluded granting of easement to federal government because state law hindered federal policy under Migratory Bird Hunting Stamp Act of preserving breeding areas of migratory birds).

132. *See supra* notes 9-10 and accompanying text (releases of federal statutory claims implicate significant state and federal interests).

133. *See* Novak v. General Elec. Corp., 282 F. Supp. 1010, 1017 (E.D. Pa. 1967) (courts must balance competing interests of state and federal governments when examining relationships that affect those interests); *see also Releases of Federal Claims*, *supra* note 7, at 353 (courts should balance state and federal interests when choosing applicable law for determining enforceability of releases of federal claims).

134. *See* Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 889-90 (3d Cir. 1975) (court should balance need for uniform rules for construing releases of federal antitrust claims against possible disruption of state regulation of private contracts); *see also* Novak v. General Elec. Corp., 282 F. Supp. 1010, 1013 (E.D. Pa. 1967) (court should consider necessity for uniform rules of decision and whether state law normally controls transaction in question before choosing applicable law for construing transaction).

135. *See* UAW v. Hoosier Cardinal Corp., 383 U.S. 696, 702 (1966) (need for uniform rules

must be shown to promote a federal interest because the consequence of imposing uniform federal standards on activities normally subject to state law is a corresponding loss of uniformity in state regulation of these local activities due to the existence of two distinct bodies of law.[136] Some federal courts, however, have chosen to create uniform federal law to interpret releases of federal claims without considering whether uniform rules are necessary for the effectuation of federal policy interests.[137] Although uniformity of decisional law could ease the burden of administering a federal statute,[138] a generalized interest in administrative ease does not warrant the creation of federal law to construe releases of federal claims unless the gains in efficiency outweigh the disruptive effects of supplanting state law governing releases.[139]

If, however, the use of varying state rules for interpreting the validity of releases of federal claims would hinder the implementation of federal statutory policy, federal courts would be justified in displacing state law with a uniform federal standard.[140] A strong policy favoring the application of uniform federal rules is found in cases involving federal legislation aimed at rectifying historical inequalities in bargaining power between employees and em-

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depends on whether absence of uniformity would threaten achievement of federal statutory policy goals); *see generally Adopting State Law, supra* note 125, at 839-42 (courts should give weight to arguments for creating uniform federal rules only when interest in uniformity is specifically related to effective implementation of federal program). In *UAW v. Hoosier Cardinal Corp.*, the Supreme Court considered whether to prescribe a uniform statute of limitations provision for suits brought under § 301 of the Labor Management Relations Act. *See* 383 U.S. at 701-08. Although the Court recognized the importance of uniform national labor policy, the court concluded that a uniform limitations rule was not necessary because a lack of uniformity was not likely to frustrate the federal policy of promoting private settlement and conciliation in labor disputes. *Id.* at 702. The Supreme Court, therefore, held that courts could apply state statutes of limitation in § 301 suits. *Id.* at 704-05.

136. *See Adopting State Law, supra* note 125, at 841-42 (use of uniform federal rules may cause corresponding loss of uniformity in state regulation of local activities).

137. *See, e.g.*, Ingram v. J. Ray McDermott & Co., 698 F.2d 1295, 1316-17 & n.24 (5th Cir. 1983) (applying uniform federal rule to interpret release of antitrust claim); United States v. Orr Constr. Co., 560 F.2d 765, 768-69 (7th Cir. 1977) (applying federal law to construe settlement agreement in case brought under Miller Act); Locofrance U.S. Corp. v. Intermodal Sys. Leasing, Inc., 558 F.2d 1113, 1115 & n.3 (2d Cir. 1977) (applying federal law to determine validity of release of claim under federal securities laws); Bergstrom v. Sears, Roebuck and Co., 532 F. Supp. 923, 931-32 (D. Minn. 1982) (applying federal rule to construe validity of settlement agreement in patent infringement litigation).

138. *See* Clearfield Trust Co. v. United States, 318 U.S. 363, 367 (1943) (uniform rules are necessary to prevent uncertainty regarding rights and duties of federal government in issuance of commercial paper); *see also* Note, *Rules of Decision in Nondiversity Suits*, 69 YALE L. REV. 1428, 1438 (1960) (application of uniform federal rules may be desirable to simplify government's administration of federal statutory program).

139. *See Adopting State Law, supra* note 125, at 841-42 (courts should carefully consider effect of imposing uniform federal rules on state and federal interests); *cf.* Mishkin, *supra* note 1, at 812 (choice of law decision should involve balancing possible gain from prescribing uniform federal rule against potential losses from nonintegration of federal program with state activities).

140. *See Releases of Federal Claims, supra* note 7, at 348-49 (courts should displace state law with uniform federal law only when necessary to foster federal policy interests); *see also Adopting State law, supra* note 125, at 841 (federal courts should apply uniform federal rules if lack of uniformity resulting from variousness of state rules would interfere with effective implementation of federal statute).

ployers.[141] The special solicitude for the statutory rights of claimants under federal remedial legislation justifies the imposition of uniform federal rules to safeguard those rights.[142] The Supreme Court's decisions in *Garrett* and *Dice* reflect such a concern for protecting the legal rights of individuals seeking the benefits of federal remedial legislation.[143] Both the Jones Act and the FELA establish an affirmative governmental policy of ensuring compensation for employees who are injured through the negligence of their employer.[144] Since releases of personal injury claims under the Jones Act or the FELA extinguish any rights of recovery the employee may have had, the Supreme Court in *Garrett* and *Dice* understandably held that such releases warrant special scrutiny under federally-declared standards.[145]

The policy considerations that prompted the Supreme Court to apply federal law to construe the releases in *Garrett* and *Dice* may not, however, be prevalent in other federal legislation. The antitrust laws, for example, promote a public policy of detering anticompetitive business practices rather than a policy of assuring compensation for the economic harm such practices may cause.[146] Moreover, unlike the Jones Act and the FELA, the effectuation of

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141. *See, e.g.*, Dice v. Akron, Canton & Youngstown R.R. Co., 342 U.S. 359, 361 (1952) (Federal Employers' Liability Act provides employees with right of action for injuries resulting from employer's negligence); Garrett v. Moore-McCormack Co., 317 U.S. 239, 240 & n.2 (1942) (Jones Act grants seamen right to recover damages for injuries negligently caused by employer); Parker v. DeKalb Chrysler-Plymouth, 673 F.2d 1178, 1180 (11th Cir. 1982) (Truth in Lending Act encourages consistent and fair treatment of borrowers by requiring lenders to fully disclose terms of financing agreement); Fulgence v. J. Ray McDermott & Co., 662 F.2d 1207, 1208 (5th Cir. 1981) (Title VII of Civil Rights Act of 1964 provides employees with civil right of action against employers who discriminate with regard to hiring or terms and conditions of employment); Ott v. Midland-Ross Corp., 523 F.2d 1367, 1368 (6th Cir. 1975) (Age Discrimination in Employment Act establishes right of action for employees who are discriminated against on basis of age).

142. *See* Gamewell Mfg., Inc. v. HVAC Supply, Inc., 715 F.2d 112, 114-15 (4th Cir. 1983) (uniform federal rules are essential to protect and preserve individual rights of action under federal remedial legislation); *see also Federal Judicial Law-Making Power, supra* note 1, at 194-96 (significant federal interest in securing substantive rights of injured employees justifies creation of federal rules to interpret releases of federal rights of recovery).

143. *See* Dice v. Akron, Canton & Youngstown R.R. Co., 342 U.S. 359, 361-62 (1952) (uniform federal rules must govern validity of releases and other devices employer may use to defeat substantive rights of injured employees under Federal Employers' Liability Act); Garrett v. Moore-McCormack Co., 317 U.S. 239, 245 (1942) (federal law must control enforceability of releases of claims under Jones Act to ensure that injured seamen enjoy full benefit of substantive rights under Act); *supra* notes 18-55 and accompanying test (discussion of Supreme Court's decisions in *Garrett* and *Dice*).

144. *See Federal Judicial Law-Making Power, supra* note 1, at 194-96 (Jones Act and Federal Employer's Liability Act represent affirmative government intervention into employment relationship to protect rights of employees injured through employer's negligence).

145. *See* Dice v. Akron, Canton & Youngstown R.R. Co., 342 U.S. 359. 362 (1952) (rejecting Ohio rule under which release was valid despite defendant's fraud in execution in favor of federal rule that invalidated releases executed through deliberate fraud); Garrett v. Moore-McCormack Co., 317 U.S. 239, 248 (1942) (rejecting Pennsylvania rule placing burden on plaintiff to prove invalidity of release in favor of federal rule under which defendant has burden of proving that parties executed release without fraud or coercion).

146. *See* Note, *The Role of State Law in Federal Antitrust Treble Damage Actions*, 75 HARV. L. REV. 1395, 1401-02 (1962) (primary purpose of antitrust laws is deterence of anticompetitive

federal policy implicit in the antitrust laws does not depend entirely on the preservation of private rights of action.[147] Private treble damage suits supplement actions by the federal government as an additional means of enforcing the antitrust laws.[148] The impact of a release of a private antitrust claim on the implementation of federal antitust policy, therefore, is not as significant as in suits brought under either the Jones Act or the FELA.[149] Since the policy implications of releases of private antitrust claims are relatively insubstantial, the federal interest in the enforceability of antitrust releases is not sufficient to warrant the creation and application of uniform federal rules to construe such agreements.[150]

Given the acknowledged interest of state governments in the regulation of private contracts,[151] the propriety of displacing state law with federal law as the rule of decision for interpreting releases of federal claims should depend on the presence of a federal interest sufficient to override the legitimate state interest.[152] If the application of state law to construe a release of a federal claim clearly would compromise federal interests in the effectuation of statutory policy, federal courts should apply federal law as the rule of decision.[153] Absent such a conflict between state law and federal policy, however, federal courts should refrain from creating an independent federal rule to govern releases of federal statutory claims.

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business practices while compensation of injured parties is secondary goal).

147. *See Federal Judicial Law-Making Power, supra* note 1, at 196 (enforcement of antitrust prohibitions is not exclusively dependent upon private treble damage suits). Enforcement of both the Jones Act and the Federal Employers' Liability Act is entirely dependent upon private suits against the employer for damages. *See id.*

148. *See* Byram Concretetanks, Inc. v. Warren Concrete Prod. Co., 374 F.2d 649, 651 (3d Cir. 1967) (private treble damage actions are means of enforcing antitrust laws in addition to government prosecutions); 15 U.S.C. § 15 (c) & (f) (1982) (state and United States Attorneys General are authorized to bring suit to enforce provisions of Clayton Act); *see also* Three Rivers Motors Co. v. Ford Motor Co., 522 F.2d 885, 892 (3d Cir. 1975) (releases of private antitrust claims do not affect government's remedies against antitrust violators).

149. *Cf. Federal Judicial Law-Making Power, supra* note 1, at 196 (releases of claims under Federal Employers' Liability Act and Jones Act have policy implications that are absent when private parties release antitrust claims).

150. *See id.* at 196-97 (federal government does not have interest in issue of interpretation of antitrust releases sufficient to justify creation of federal rules to construe such releases); *supra* note 120 and accompanying text (creation of federal law to decide issues relating to federal statute depends on existence of significant federal interest in subject matter of dispute).

151. *See supra* note 10 and accompanying text (discussing interest of state governments in enforceability of releases).

152. *See* United States v. Yazell, 382 U.S. 341, 352 (1966) (significant state interest in matters of local concern should not be overridden unless application of state law would impinge upon legitimate federal interests).

153. *See Releases of Federal Claims, supra* note 7, at 353 (federal courts should reject state rules for construing releases of federal claims only if state law is incompatible with federal statutory policy).