

SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES

JULIA ALVARENGA, individually and on behalf of all others similarly situated,

Plaintiff,

٧.

ANDREW J. LEWIN MEDICAL CORPORATION, NRI CLINICAL RESEARCH, INC., INSPERITY PEO SERVICES, L.P. and DOE 1 through and including DOE 100,

Defendants.

Case No.: BC529803

ORDER GRANTING
MOTION FOR FINAL APPROVAL
OF CLASS ACTION SETTLEMENT ON
CONDITIONS

Date: December 5, 2018

Time: 9:00 a.m. Dept.: SSC-17

I. BACKGROUND

Plaintiff Julia Alvarenga sues her former employer, Defendants Andrew J. Lewin Medical Corporation, NRI Clinical Research, Inc., and Insperity PEO Services, LP, for

alleged wage and hour violations. Defendants conduct clinical research studies relating to the treatment of diabetes, hypertension, high cholesterol, and other health conditions. Plaintiff seeks to represent a class of Defendant's current and former employees.

Plaintiff's operative First Amended Complaint ("FAC"), which was filed on March 25, 2014, asserts the following causes of action: (1) Meal Period Violations; (2) Failure to Timely Pay Earned Wages; (3) Failure to Timely Pay Wages on Termination; (4) Wage Statement Violations; (5) Cal. Bus. & Prof. Code §17200, et seq.; and (6) PAGA.

On or about January 26, 2018, the Court granted class certification as to the wage statement claim, and denied certification as to the meal period and waiting time penalties claims.

After negotiations, the Parties reached agreement as to the essential terms of settlement of the entire action on April 1, 2018. The parties subsequently drafted a long-form *Joint Stipulation of Class Action Settlement and Release* ("Settlement Agreement"), a copy of which was filed with the Court.

Following supplemental briefing and revisions to the Settlement Agreement, the Court granted preliminary approval on August 8, 2018. Now before the Court is the motion for final approval of the Settlement Agreement.

II. DISCUSSION

A. <u>SETTLEMENT CLASS DEFINITION</u>

"Class" means all natural persons who were non-exempt employees of NRI at any time during the period from December 6, 2012 through January 26, 2018, the date the Court entered an Order for Class Certification ("Class Period"). (Settlement Agreement, ¶7.)

The Parties stipulate to the certification of the Settlement Class for purposes of the Settlement Agreement only. (¶58)

There are 87 putative Class Members. (Declaration of Elizabeth Kruckenberg ¶3.)

B. TERMS OF SETTLEMENT AGREEMENT

The essential terms are as follows:

- The Maximum Settlement Amount ("MSA") is \$67,500, non-reversionary. (¶25)
- The Settlement Fund ("Net") (\$27,179.00) is the MSA less:
 - o Up to \$22,500 (33.33%) for attorney fees (¶61);
 - O Up to \$5,000 for attorney costs (Ibid.);
 - Up to \$2,500 for a service payment to the class representative (¶36);
 - In addition to the MSA, Defendant will pay the class representative \$12,500 in exchange for the release of her claims for missed meal and rest breaks. (Declaration of Julia Alvarenga ISO Preliminary Approval at Ex. 1; Plaintiff's Supp. Memo ISO Preliminary Approval at 2:19-3:7.)
 - o Estimated \$7,500 for claims administration costs (¶4);
 - Payment of \$1,125 for PAGA penalties (75% of \$1,500) to the LWDA (¶24); and
 - Estimated \$1,696 for Defendant's share of payroll taxes. (¶67; Declaration of Elizabeth Kruckenberg ¶11.)
 - Class Members will receive a Settlement Payment unless they opt out. (¶77)
 - "Authorized Claimant" means a Class Member who does not opt out of the settlement (i.e., one who has not timely submitted a valid Request for Exclusion from the Settlement to the Settlement Administrator by the end of the Notice Period). (¶5)

- Notice Period means the period commencing on the date the Notice of Settlement is first mailed, and ending on the Notice Period Deadline, which is the date 45 days after the Notice is mailed to Class Members. (¶ 27-28.) Class Members must submit objections or opt-outs by the Notice Period Deadline. (¶29.) Class Members who receive re-mailed Notices will have their deadline to submit opt-outs and objections extended by 7 days. (¶76)
 - o If 10% or more of the total number of Class Members submit timely and valid requests for exclusion, Defendant NRI has the option to void the settlement. (¶81)
 - O Valid Requests for Exclusion must contain the following: (1) Class
 Member's name, address, telephone number and the last four digits of
 his/her Social Security number, (2) state the case name and number, (3)
 state that the Class Member requests exclusion from or "opts out" of the
 Settlement, (4) be dated, and (5) be signed by the Class Member. If a Class
 Member submits a deficient Request for Exclusion the Administrator will
 notify the Class Member within 5 days of receipt, and the Class Member
 will have until the end of the Notice Period to cure. (¶83)
- Settlement Payments to Class Members will be calculated as follows: (1) the
 Administrator will calculate the aggregate Workweeks worked by all Class
 Members. Workweeks shall include only Workweeks for which Defendants'
 records reflect that a Class Member received pay for work performed. (¶66.a.)
 - The Settlement Fund will be divided by the Total Workweeks to produce the dollar amount that will be paid for each Workweek ("Weeks Worked Payment"): (Settlement Fund Total Weeks Worked = Weeks Worked Payment). (¶66.b.)

- o Each Class Member will be paid based on his or her individual Workweeks, as defined above, according to the following formula: (Class Member's Weeks Worked x Weeks Worked Payment = Settlement Payment). (¶66.c.)
- o Any amount of the Settlement Fund that is not claimed by Class Members who opt out shall be added back into the Settlement Fund and distributed according to the formula herein. (¶66.d)
- o For tax purposes, Individual Settlement Awards will be allocated as follows: 50% as wages, and 50% as non-wage payments for penalties and interest. Taxes will be withheld from each Authorized Claimant's Wage Payment to pay all applicable federal, state, and local income tax, as well as Defendant's portion of applicable payroll taxes. (¶67)
- Settlement Payments to Qualified Claimants will be valid for a period of 180 days from the date of issuance. Any uncashed checks or cash residue from the Settlement (the "Residue") shall be distributed pursuant to California Code of Civil Procedure section 384 as follows: (a) 25% of the Residue shall be payable to State Treasury for deposit in the Trial Court Improvement and Modernization Fund; (b) 25% to the State Treasury for deposit into the Equal Access Fund of the Judicial Branch; and (c) 50% of the Residue to the State Bar of California Justice Gap Fund, to be distributed by the Legal Services Trust Fund (¶91)
- Phoenix Settlement Administration, Inc. will perform settlement administration.
 (Plaintiff's Supp. Brief ISO Preliminary Approval at 7:7-9.)
- The proposed Settlement Agreement was submitted to the LWDA on April 25, 2018. (Declaration of David Garrett ISO Preliminary Approval, ¶2 and Ex. 1.)
- Effective Date means the date on which the Judgment becomes a Final Judgment.

 (¶18)

21

22

23

24

- Notice of Final Judgment shall be posted on the Claim Administrator's website.
 (¶114)
- Upon the Effective Date, all Authorized Claimants shall be deemed to have fully, finally, and forever released the Releasees from all Released Claims which accrued between December 6, 2012 and January 26, 2018. (¶70)
 - "Released Claims" means any and all causes of action or claims which have been or could have been asserted based upon facts and allegations set forth in the Complaint under federal, state, or local laws, and/or ordinances, as specified below, that accrued between December 6, 2012, through January 26, 2018, including, but not limited to, claims for: failure to timely pay final or other wages, failure to provide meal periods and rest breaks, failure to pay premium pay for missed meal periods and/or rest breaks, failure to keep and furnish accurate payroll records and wage statements, and any and all claims for recovery of straight time wages, waiting time penalties, other penalties, and/or liquidated damages and/or claims based on Labor Code sections 201, 202, 203, 204, 210, 226, 226.3, 226.7, 510, 512, 1197, and PAGA, Labor Code section 2698, et seq., applicable IWC Wage Order as it relates to the aforementioned claims, claims for interest, attorneys' fees, litigation and other costs, expenses, restitution, and equitable and declaratory relief, and violations of the California Business and Professions Code based on the aforementioned claims. (¶33)
 - o "Releasees" means all Defendants and each of their past, present and/or future, direct and/or indirect, officers, directors, employees, agents, principals, representatives, accountants, auditors, attorneys, insurers,

partners, investors, shareholders, consultants, insurers and reinsurers, administrators, parent companies, subsidiaries, affiliates, divisions, predecessors, successors and/or assigns. (¶34)

- o The named Plaintiff will also provide a general release and CC §1542 waiver. (¶¶ 12, 71)
- Checks to Authorized Claimants will contain an advisement that
 acceptance of the payment and cashing of the check will be deemed an
 opt-in to the release of federal claims. (Plaintiff's Supp. Brief ISO
 Preliminary Approval at 8:5-12.)

C. ANALYSIS OF SETTLEMENT AGREEMENT

1. Standards for Final Fairness Determination

"Before final approval, the court must conduct an inquiry into the fairness of the proposed settlement." (Cal. Rules of Court, rule 3.769(g).) "If the court approves the settlement agreement after the final approval hearing, the court must make and enter judgment. The judgment must include a provision for the retention of the court's jurisdiction over the parties to enforce the terms of the judgment. The court may not enter an order dismissing the action at the same time as, or after, entry of judgment." (Cal. Rules of Court, rule 3.769(h).)

"In a class action lawsuit, the court undertakes the responsibility to assess fairness in order to prevent fraud, collusion or unfairness to the class, the settlement or dismissal of a class action. The purpose of the requirement [of court review] is the protection of those class members, including the named plaintiffs, whose rights may not have been given due regard by the negotiating parties." (See *Consumer Advocacy Group, Inc. v. Kintetsu Enterprises of America* (2006) 141 Cal. App.4th 46, 60 [internal quotation marks omitted]; see also *Wershba v. Apple Computer, Inc.* (2001) 91 Cal.App.4th 224,

245 ("Wershba"), disapproved on another ground in Hernandez v. Restoration Hardware (2018) 4 Cal.5th 260 [Court needs to "scrutinize the proposed settlement agreement to the extent necessary to reach a reasoned judgment that the agreement is not the product of fraud or overreaching by, or collusion between, the negotiating parties, and that the settlement, taken as a whole, is fair, reasonable and adequate to all concerned"] [internal quotation marks omitted].)

1

2

3

4

5

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

"The burden is on the proponent of the settlement to show that it is fair and reasonable. However 'a presumption of fairness exists where: (1) the settlement is reached through arm's-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the court to act intelligently; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small." (See Wershba, supra, 91 Cal.App.4th at pg. 245 [citing Dunk v. Ford Motor Co. (1996) 48 Cal.App.4th 1794, 1802. ("Dunk")].) Notwithstanding an initial presumption of fairness, "the court should not give rubber-stamp approval." (See Kullar v. Foot Locker Retail, Inc. (2008) 168 Cal.App.4th 116, 130 ("Kullar").) "Rather, to protect the interests of absent class members, the court must independently and objectively analyze the evidence and circumstances before it in order to determine whether the settlement is in the best interests of those whose claims will be extinguished." (Ibid.) In that determination, the court should consider factors such as "the strength of plaintiffs' case, the risk, expense, complexity and likely duration of further litigation, the risk of maintaining class action status through trial, the amount offered in settlement, the extent of discovery completed and stage of the proceedings, the experience and views of counsel, the presence of a governmental participant, and the reaction of the class members to the proposed settlement." (Id. at 128.) "Th[is] list of factors is not exclusive and the court is free to

engage in a balancing and weighing of factors depending on the circumstances of each case." (Wershba supra, 91 Cal.App.4th at pg. 245.)

Nevertheless, "[a] settlement need not obtain 100 percent of the damages sought in order to be fair and reasonable. Compromise is inherent and necessary in the settlement process. Thus, even if 'the relief afforded by the proposed settlement is substantially narrower than it would be if the suits were to be successfully litigated,' this is no bar to a class settlement because 'the public interest may indeed be served by a voluntary settlement in which each side gives ground in the interest of avoiding litigation." (Wershba, supra, 91 Cal.App.4th at pg. 250.)

2. Does a presumption of fairness exist?

- a. Was the settlement reached through arm's-length bargaining? Yes. Class Counsel represents that in approximately April of 2014, shortly after filing the Complaint, the parties exchanged settlement letters (along with a damage analysis). The settlement discussions in 2014, took place over several months. However, the parties failed to reach a settlement. Again in 2017, the parties engaged in settlement discussions over the course of weeks. While the discussions have not been aided by a mediator, Defendants are represented by separate law firms. (Supplemental Declaration of Alan Harris ISO Preliminary Approval ¶2.)
- b. Were investigation and discovery sufficient to allow counsel and the court to act intelligently? Yes. Class Counsel represents that Plaintiff and her counsel pursued an investigation of the Settlement Class Members' claims against Defendants, any and all applicable defenses, and the applicable law. The investigation included the exchange of information pursuant to formal and informal discovery, numerous meetings and conferences

between Class Counsel and Defendants' Counsel, and review and analysis of records pursuant to informal discovery. Prior to settlement negotiations, Class Counsel represents that he analyzed the records and prepared a detailed damages model. (Declaration of Alan Harris ISO Prelim Approval ¶5.)

- c. <u>Is counsel experienced in similar litigation?</u> Yes. Class Counsel is experienced in class action litigation, including wage and hour class actions. (*Id.* at ¶¶ 2-3.)
- d. What percentage of the class has objected? Zero objectors. (Kruckenberg Decl., ¶9.)

CONCLUSION: The settlement is entitled to a presumption of fairness.

2. Is the settlement fair, adequate, and reasonable?

a. <u>Strength of Plaintiff's case.</u> "The most important factor is the strength of the case for plaintiff on the merits, balanced against the amount offered in settlement." (*Kullar, supra,* 168 Cal.App.4th at pg. 130.)

Class Counsel has provided information, summarized in the table below, regarding the strength and approximate valuations of the class claims alleged:

// //

	Maximum
Claim	Exposure
Improper Wage Statements	\$480,000.00

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
1 i	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	

Total	\$612,000.00
Meal/Rest Breaks	n/a
time)	\$132,000.00
"Continuing Wages" (i.e. waiting	

(Harris Decl. ISO Prelim Approval ¶7.) Defendant vigorously denies that wage statements were improper and asserts that it is not possible to prove the violations based on derivative claims. Furthermore, at the commencement of this case, Defendant secured releases from most class members, eliminating their claims under §226.7 (meal and rest break violations). (*Ibid.*)

Defendant has agreed to settle for the non-reversionary sum of \$67,500. The \$67,500 settlement constitutes approximately 11% of the \$612,000 maximum value of the claims, which, given the uncertain outcomes, is within the "ballpark" of reasonableness.

- a. Risk, expense, complexity and likely duration of further litigation. Given the nature of the class claims, the case is likely to be expensive and lengthy to try. Procedural hurdles (e.g., motion practice and appeals) are also likely to prolong the litigation as well as any recovery by the class members.
 - b. Risk of maintaining class action status through trial. Even if a class is certified, there is always a risk of decertification. (Weinstat v. Dentsply Intern., Inc. (2010) 180 Cal.App.4th 1213, 1226 ["Our Supreme Court has recognized that trial courts should retain some flexibility in conducting class actions, which means, under suitable circumstances, entertaining

12

24

successive motions on certification if the court subsequently discovers that the propriety of a class action is not appropriate."].)

- c. Amount offered in settlement. As indicated above, Class Counsel negotiated a \$67,500, non-reversionary settlement. Assuming the Court approves all of the requested deductions, approximately \$27,679 will be available for automatic distribution to participating class members. The average settlement share to the 86 participating class members will be approximately \$321.85. [\$27,679 net ÷ 86 participating class members = \$321.85]
- d. Extent of discovery completed and stage of the proceedings. As discussed above, at the time of the settlement, the parties had conducted discovery sufficient to value the case for settlement purposes.
- e. Experience and views of counsel. The settlement was negotiated and endorsed by Class Counsel who, as indicated above, is experienced in class action litigation, including wage and hour cases. Class Counsel believes that the settlement is fair, reasonable and adequate for each participating Class Member. (Declaration of Alan Harris ISO Final Approval ¶9.)
- f. Presence of a governmental participant. This factor is not applicable here.
- g. Reaction of the class members to the proposed settlement.

Number of class members:

87

Number of notices mailed:

87

Number of undeliverable notices:

2

Number of opt-outs:

1

Number of objections:

0

Number of participating class members:

(Kruckenberg Decl., ¶¶3-9.)

<u>CONCLUSION:</u> The settlement can be deemed "fair, adequate, and reasonable." The Court finds that the notice was adequate and conforms to due process requirements.

D. ATTORNEY FEES AND COSTS

Class Counsel requests \$22,500 (33 1/3%) for attorney fees and \$5,000 for costs.

(Motion ISO Fees at 2:21-22.)

In determining the appropriate amount of a fee award, courts may use the lodestar method, applying a multiplier where appropriate. (*PLCM Group, Inc. v. Drexler* (2000) 22 Cal.4th 1084, 1095-96.) A percentage calculation is permitted in common fund cases. (*Laffitte v. Robert Half Int'l, Inc.* (2016) 1 Cal.5th 480, 503.) Despite any agreement by the parties to the contrary, courts have an independent responsibility to review an attorney fee provision and award only what it determines is reasonable. (*Garabedian v. Los Angeles Cellular Telephone Company* (2004) 118 Cal.App.4th 123, 128.)

In the instant case, fees are sought pursuant to the percentage method. The \$22,500 fee request is 33 1/3% of the Maximum Settlement Amount, which is average. (In re Consumer Privacy Cases (2009) 175 Cal.App.4th 545, 558, fn. 13 ["Empirical studies show that, regardless whether the percentage method or the lodestar method is used, fee awards in class actions average around one-third of the recovery."].)

Here, the \$22,500 fee request represents a reasonable percentage of the total funds paid by Defendant. Further, the notice expressly advised class members of the fee request, and no one objected. (Kruckenberg Decl. ¶9 and Exib. A.) Accordingly, the Court awards fees in the amount of \$22,500.

As for costs, Class Counsel requests \$5,000. (Motion ISO Fees at 2:22.) This is equal to the \$5,000.00 cap provided in the settlement agreement (¶61). This amount was disclosed to Class Members in the Notice, and no objections were received.

(Kruckenberg Decl. ¶9 and Exhib. A.) Class Counsel incurred actual costs in the amount of \$6,701.98. (Harris Decl. ISO Fees at Exhib. 1.) The costs include Filing Fees (\$2,369.45), Case Anywhere (\$1,326.80), and Research Fees (\$1,200). (*Ibid.*)

The costs appear to be reasonable and necessary to the litigation, are reasonable in amount, and were not objected to by the class.

For all of the foregoing reasons, costs of \$5,000 are approved.

E. <u>INCENTIVE AWARD TO CLASS REPRESENTATIVE</u>

An incentive fee award to a named class representative must be supported by evidence that quantifies time and effort expended by the individual and a reasoned explanation of financial or other risks undertaken by the class representative. (See *Clark v. American Residential Services LLC* (2009) 175 Cal.App.4th 785, 806-807; see also *Cellphone Termination Cases* (2010) 186 Cal.App.4th 1380, 1394-1395 ["Criteria courts may consider in determining whether to make an incentive award include: (1) the risk to the class representative in commencing suit, both financial and otherwise; (2) the notoriety and personal difficulties encountered by the class representative; (3) the amount of time and effort spent by the class representative; (4) the duration of the litigation and; (5) the personal benefit (or lack thereof) enjoyed by the class representative as a result of the litigation. (Citations.)"].)

Here, the Class Representative requests an enhancement award of \$2,500 (Harris Decl. ISO Fees ¶7.)

Plaintiff Julia Alvarenga represents that she made the following contributions to this action: providing factual background regarding Defendant's policies and practices, providing relevant correspondence and documents to Class Counsel, preparing for her deposition, consulting with Class Counsel before, during and after settlement

discussions, and reviewing the settlement agreement. (Declaration of Julia Alvarenga ¶¶ 9-10.)

In light of the above, as well as the benefits obtained on behalf of the class, a \$2,500 award for Ms. Alvarenga appears to be reasonable inducement for Plaintiff's participation in the case. Accordingly, an enhancement in the amount requested is approved.

F. <u>CLAIMS ADMINISTRATION COSTS</u>

Claims administrator, Phoenix Settlement Administrators, Inc., requests \$7,000 in compensation for its work in administrating this case. (Kruckenberg Decl. ¶12.) At the time of preliminary approval, costs of settlement administration were estimated at \$7,500. (Settlement Agreement ¶4.) Class Members were provided with notice of this amount and did not object. (Kruckenberg Decl. ¶9 and Exhib. A.)

Accordingly, claims administration costs are approved in the amount of \$7,000.

III. CONCLUSION AND ORDER

Contingent upon counsel amending the Settlement Agreement in writing to state that under Cal. Code of Civ. Pro. § 384 as presently operative any unclaimed or abandoned funds will be distributed to State Bar of California Justice Gap Fund and filing the amendment with the Court and serving it on the LWDA no later than December 11, 2018, the Court hereby:

- (1) Grants class certification for purposes of settlement;
- (2) Grants final approval of the settlement as fair, adequate, and reasonable;
- (3) Awards \$22,500 in attorney fees to Class Counsel, Harris & Ruble;
- (4) Awards \$5,000 in litigation costs to Class Counsel;
- (5) Approves payment of \$1,125 (75% of \$1,500 PAGA penalty) to the LWDA;

24

25

Judge of the Superior Court