	Electronically Filed by Superior Court of CA County of Santa Clara, on 12/9/2022 5:20 PM Reviewed By: R. Walker Case #20CV375150 Envelope: 10678950
JACOB BLEA,	Case No.: 20CV375150
Plaintiff,	ORDER CONCERNING PLAINTIFF'S MOTION FOR PRELIMINARY
v.	APPROVAL OF CLASS/PAGA
PACIFIC GROSERVICE INC., et al.,	SETTLEMENT
Defendants.	

This is a putative class and Private Attorneys General Act ("PAGA") action. Plaintiff alleges that Defendants Pacific Groservice, Inc. and Pittsburg Wholesale Grocers, Inc. d/b/a Pitco Foods failed to provide meal and rest breaks, required employees to work off-the-clock, and committed other wage and hour violations.

Now before the Court is Plaintiff's motion for preliminary approval of a settlement, which is unopposed. The Court issued a tentative ruling on December 7, 2022, and no one contested it at the hearing on December 8. It now issues its final order, which GRANTS preliminary approval.

I. BACKGROUND

Defendants employed Plaintiff as an hourly-paid, non-exempt employee in the County of Santa Clara during the relevant period. (First Amended Class Action Complaint for Damages

("FAC"), ¶ 18.) Plaintiff alleges that he and other employees were regularly denied meal and rest periods, or their meal or rest periods were shortened, interrupted, and/or provided late. (Id., ¶ 24–25.) They were required to work off-the-clock, including attending job training, completing security screenings, and/or completing COVID-19 screenings. (Id., ¶ 26.) Plaintiff and others were not reimbursed for necessary business expenses like the purchase of safety vests and goggles. (Id.,  $\P$  27.) Defendants also miscalculated the regular rate of pay for their hourlypaid and non-exempt employees by, among other things, failing to account for nondiscretionary bonuses. (Id.,  $\P$  28.) Due to these other violations, Defendants failed to pay employees all wages owed at separation and to provide complete and accurate wage statements and keep accurate payroll records. (*Id.*, ¶¶ 34–35, 37.)

11 Based on these allegations, Plaintiff asserts the following putative class claims: (1) 12 violation of Labor Code sections 510 and 1198 by failing to pay overtime; (2) violation of Labor 13 Code sections 226.7 and 512(a) by committing meal period violations; (3) violation of Labor 14 Code section 226.7 by committing rest period violations; (4) violation of Labor Code section 15 1194 and 1197 by failing to pay minimum wages; (5) violation of Labor Code sections 201 and 16 202 by failing to pay wages at separation; (6) violation of Labor Code section 226(a) by failing 17 to provide complete and accurate wage statements; and (7) violation of Labor Code sections 18 2800 and 2802 by failing to reimburse business expenses. Plaintiff also brings: (8) a 19 representative claim for PAGA penalties based on these other violations, as well as Defendants' 20 alleged failure to provide paid sick days; and (9) a derivative claim for violation of Business & Professions Code section 17200 et seq.

Now, Plaintiff moves for an order preliminarily approving the settlement of the class and PAGA claims, provisionally certifying the settlement class, approving the form and method for providing notice to the class, and scheduling a final fairness hearing.

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## LEGAL STANDARDS FOR SETTLEMENT APPROVAL

### A. **Class Action**

Generally, "questions whether a [class action] settlement was fair and reasonable, whether notice to the class was adequate, whether certification of the class was proper, and

whether the attorney fee award was proper are matters addressed to the trial court's broad
discretion." (*Wershba v. Apple Computer, Inc.* (2001) 91 Cal.App.4th 224, 234–235 (*Wershba*),
disapproved of on other grounds by *Hernandez v. Restoration Hardware, Inc.* (2018) 4 Cal.5th
260.)

In determining whether a class settlement is fair, adequate and reasonable, the trial court should consider relevant 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 the 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.

|| (Wershba, supra, 91 Cal.App.4th at pp. 244–245, internal citations and quotations omitted.)

In general, the most important factor is the strength of the plaintiffs' case on the merits, balanced against the amount offered in settlement. (See *Kullar v. Foot Locker Retail, Inc.* (2008) 168 Cal.App.4th 116, 130 (*Kullar*).) But the trial court is free to engage in a balancing and weighing of relevant factors, depending on the circumstances of each case. (*Wershba, supra*, 91 Cal.App.4th at p. 245.) The trial court must examine 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." (*Ibid.*, citation and internal quotation marks omitted.) The trial court also must independently confirm that "the consideration being received for the release of the class members' claims is reasonable in light of the strengths and weaknesses of the claims and the risks of the particular litigation." (*Kullar, supra*, 168 Cal.App.4th at p. 129.) Of course, before performing its analysis the trial court must be "provided with basic information about the nature and magnitude of the claims in question and the basis for concluding that the consideration being paid for the release of those claims represents a reasonable compromise." (*Id.* at pp. 130, 133.)

#### B. PAGA

Labor Code section 2699, subdivision (1)(2) provides that "[t]he superior court shall review and approve any settlement of any civil action filed pursuant to" PAGA. The court's review "ensur[es] that any negotiated resolution is fair to those affected." (Williams v. Superior Court (2017) 3 Cal.5th 531, 549.) Seventy-five percent of any penalties recovered under PAGA go to the Labor and Workforce Development Agency (LWDA), leaving the remaining twentyfive percent for the aggrieved employees. (Iskanian v. CLS Transportation Los Angeles, LLC (2014) 59 Cal.4th 348, 380, overruled on other grounds by Viking River Cruises, Inc. v. Moriana (2022) U.S. , 2022 U.S. LEXIS 2940.)

Similar to its review of class action settlements, the Court must "determine independently whether a PAGA settlement is fair and reasonable," to protect "the interests of the public and the LWDA in the enforcement of state labor laws." (Moniz v. Adecco USA, Inc. (2021) 72 Cal.App.5th 56, 76–77.) It must make this assessment "in view of PAGA's purposes to remediate present labor law violations, deter future ones, and to maximize enforcement of state labor laws." (Id. at p. 77; see also Haralson v. U.S. Aviation Servs. Corp. (N.D. Cal. 2019) 383 F. Supp. 3d 959, 971 ["when a PAGA claim is settled, the relief provided for under the PAGA [should] be genuine and meaningful, consistent with the underlying purpose of the statute to benefit the public ...."], quoting LWDA guidance discussed in O'Connor v. Uber Technologies, Inc. (N.D. Cal. 2016) 201 F.Supp.3d 1110 (O'Connor).)

The settlement must be reasonable in light of the potential verdict value. (See O'Connor, supra, 201 F.Supp.3d at p. 1135 [rejecting settlement of less than one percent of the potential verdict].) But a permissible settlement may be substantially discounted, given that courts often exercise their discretion to award PAGA penalties below the statutory maximum even where a claim succeeds at trial. (See Viceral v. Mistras Group, Inc. (N.D. Cal., Oct. 11, 2016, No. 15-CV-02198-EMC) 2016 WL 5907869, at \*8-9.)

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### III. SETTLEMENT PROCESS

According to Plaintiff's counsel, Defendants are a wholesale distributor of grocery, beverage, frozen, and janitorial products to members that include independent grocery stores,

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markets, gas stations, and convenience stores. Plaintiff filed this case as a PAGA-only action on December 28, 2020. He propounded written discovery and prepared a draft *Belaire-West* notice, prompting Defendants to agree to attempt mediation and exchange informal discovery.

Defendants produced hundreds of pages of documentation relating to their policies, practices, and procedures regarding reimbursement of business expenses, paying non-exempt employees for all hours worked, meal and rest periods, bonus plans, and shift differentials, as well as payroll and operational policies and time and pay records. Plaintiff reviewed time and pay records and information about the size and scope of the class and the number of workweeks at issue. This sampling included data for 650 employees consisting of 129,000 shifts of time data and 26,929 corresponding pay period data. Plaintiff also analyzed relevant arbitration agreements and interviewed several putative class members.

Following this investigation and analysis, the parties mediated with Jeffery Ross, Esq. on April 27, 2022. They were able to reach a settlement. Per their agreement and a stipulated order, Plaintiff filed the FAC on May 11, 2022, adding putative class claims to the case.

# **IV. SETTLEMENT PROVISIONS**

The non-reversionary gross settlement amount is \$2,500,000. Attorney fees of up to \$875,000 (thirty-five percent of the gross settlement),<sup>1</sup> litigation costs of up to \$25,000, and \$20,000 in administration costs will be paid from the gross settlement. \$100,000 will be allocated to PAGA penalties, 75 percent of which (\$75,000) will be paid to the LWDA. The named plaintiff will seek an incentive award of \$10,000.

The net settlement, approximately \$1,495,000 by the Court's calculation, will be allocated to settlement class members proportionally based on their weeks worked during the class/PAGA periods. The average payment will be around \$1,014.25 to each of the 1,474 class members. Class members will not be required to submit a claim to receive their payments. For tax purposes, settlement payments will be allocated 20 percent to wages and 80 percent to penalties and interest, with 100 percent of PAGA payments deemed penalties. The employer's

<sup>1</sup> The Court is not inclined to award attorney fees higher than the usual 1/3 of the gross settlement in this case.

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share of taxes will be paid separately from the gross settlement. Funds associated with checks uncashed after 180 days will be paid to the California State Controller for deposit in the Unclaimed Property Fund in the name of the appropriate employee.

In exchange for the settlement, class members who do not opt out will release "all claims alleged or [that] could have been alleged based on the facts alleged in the operative complaint," including specified wage and hour claims. Similarly, the PAGA release includes "all allegations and claims for civil penalties pursuant to PAGA based on any and all underlying Labor Code violations alleged in the operative complaint or in the PAGA Notice that arose during the PAGA Period," including violations of specific Labor Code provisions at issue in this case. The releases are appropriately tailored to the allegations at issue. (See *Amaro v. Anaheim Arena Management, LLC* (2021) 69 Cal.App.5th 521, 537.) Consistent with the statute, aggrieved employees will not be able to opt out of the PAGA portion of the settlement.

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## V. FAIRNESS OF SETTLEMENT

Plaintiff valued the claims in this action as follows. The overtime/minimum wage claims based on off-the clock work were valued at \$1,712,126.60 to \$2,567,711.40. The regular rate theory was estimated at \$35,737, and the claim for unreimbursed business expenses at \$574,210. The rest period claims were valued at \$1,628,405, and the meal period claims at \$34,374.30. The core claims were accordingly valued at up to \$4,840,437.70.

In addition, Plaintiff estimated that wage statement penalties could total \$3,432,000, waiting time penalties could total \$4,035,984, and PAGA penalties could be worth up to \$26,254,800. By this estimate, the maximum total value of the case is \$38,563,221.70. The settlement accordingly represents over 6 percent of the maximum value of the case including penalties, or over 51 percent of the maximum value of the core claims.

Plaintiff's meal and rest break and off-the-clock claims are based on the theory that
employees were assigned heavy workloads that forced them to work through their breaks and
off-the-clock, as well as the theory that employees had to work off-the-clock donning and
doffing personal protective equipment, waiting in line, and performing other tasks due to
Defendants' policies. Plaintiff also maintains that Defendants failed to include various bonuses

and incentives, including driver bonuses, referral bonuses, and sign-on bonuses, in employees' 1 2 regular rates of pay when calculating overtime wages and sick leave. And he claims that 3 Defendants failed to reimburse expenses associated with employees' daily use of their personal 4 cell phones for work purposes, and their use of their personal vehicles to pick up lunches and complete other tasks. Among other countervailing arguments, Defendants point to meal break waivers signed by most of its non-exempt employees and urge that several of Plaintiff's theories raise individualized inquiries that would preclude class certification. Considering these risks and the substantial portion of the case's maximum value attributable to uncertain penalties, the Court agrees that the settlement achieves a good result for the class.

Based on this and the fuller analysis set forth in the Declaration of Douglas Han supporting Plaintiff's motion, the Court finds that the settlement is fair and reasonable to the class, and the PAGA allocation is genuine, meaningful, and reasonable in light of the statute's purposes.

Of course, the Court retains an independent right and responsibility to review the requested attorney fees and award only so much as it determines to be reasonable. (See Garabedian v. Los Angeles Cellular Telephone Co. (2004) 118 Cal.App.4th 123, 127–128.) Counsel shall submit lodestar information prior to the final approval hearing in this matter so the Court can compare the lodestar information with the requested fees. (See Laffitte v. Robert Half Intern. Inc. (2016) 1 Cal.5th 480, 504 [trial courts have discretion to double-check the reasonableness of a percentage fee through a lodestar calculation].)

VI.

## **PROPOSED SETTLEMENT CLASS**

Plaintiff requests that the following settlement class be provisionally certified: all current and former hourly paid non-exempt persons employed by Defendants Pacific Groservice Inc. and Pittsburg Wholesale Grocers, Inc. d/b/a Pitco Foods ("Defendants") in California at any time beginning December 28, 2016, through and including July 27, 2022.

## A. Legal Standard for Certifying a Class for Settlement Purposes

Rule 3.769(d) of the California Rules of Court states that "[t]he court may make an order approving or denying certification of a provisional settlement class after [a] preliminary settlement hearing." California Code of Civil Procedure Section 382 authorizes certification of a class "when the question is one of a common or general interest, of many persons, or when the parties are numerous, and it is impracticable to bring them all before the court ...."

Section 382 requires the plaintiff to demonstrate by a preponderance of the evidence: (1) an ascertainable class and (2) a well-defined community of interest among the class members. (*Sav-On Drug Stores, Inc. v. Superior Court* (2004) 34 Cal.4th 319, 326, 332 (*Sav-On Drug Stores*).) "Other relevant considerations include the probability that each class member will come forward ultimately to prove his or her separate claim to a portion of the total recovery and whether the class approach would actually serve to deter and redress alleged wrongdoing." (*Linder v. Thrifty Oil Co.* (2000) 23 Cal.4th 429, 435.) The plaintiff has the burden of establishing that class treatment will yield "substantial benefits" to both "the litigants and to the court." (*Blue Chip Stamps v. Superior Court* (1976) 18 Cal.3d 381, 385.)

In the settlement context, "the court's evaluation of the certification issues is somewhat different from its consideration of certification issues when the class action has not yet settled." (*Luckey v. Superior Court* (2014) 228 Cal.App.4th 81, 93.) As no trial is anticipated in the settlement-only context, the case management issues inherent in the ascertainable class determination need not be confronted, and the court's review is more lenient in this respect. (*Id.* at pp. 93–94.) But considerations designed to protect absentees by blocking unwarranted or overbroad class definitions require heightened scrutiny in the settlement-only class context, since the court will lack the usual opportunity to adjust the class as proceedings unfold. (*Id.* at p. 94.)

**B.** Ascertainable Class

A class is ascertainable "when it is defined in terms of objective characteristics and common transactional facts that make the ultimate identification of class members possible when that identification becomes necessary." (*Noel v. Thrifty Payless, Inc.* (2019) 7 Cal.5th 955, 980 (*Noel*).) A class definition satisfying these requirements puts members of the class on notice that their rights may be adjudicated in the proceeding, so they must decide whether to intervene, opt out, or do nothing and live with the consequences. This kind of class definition also advances due process by supplying a concrete basis for determining who will and will not be bound by (or benefit from) any judgment.

|| (*Noel, supra,* 7 Cal.5th at p. 980, citation omitted.)

"As a rule, a representative plaintiff in a class action need not introduce evidence establishing how notice of the action will be communicated to individual class members in order to show an ascertainable class." (*Noel, supra,* 7 Cal.5th at p. 984.) Still, it has long been held that "[c]lass members are 'ascertainable' where they may be readily identified ... by reference to official records." (*Rose v. City of Hayward* (1981) 126 Cal. App. 3d 926, 932, disapproved of on another ground by *Noel, supra,* 7 Cal.5th 955; see also *Cohen v. DIRECTV, Inc.* (2009) 178 Cal.App.4th 966, 975-976 ["The defined class of all HD Package subscribers is precise, with objective characteristics and transactional parameters, and can be determined by DIRECTV's own account records. No more is needed."].)

Here, the estimated 1,474 class members are readily identifiable based on Defendants' records, and the settlement class is appropriately defined based on objective characteristics. The Court finds that the settlement class is numerous, ascertainable, and appropriately defined.

**C. C** 

## **Community of Interest**

The "community-of-interest" requirement encompasses three factors: (1) predominant questions of law or fact, (2) class representatives with claims or defenses typical of the class, and (3) class representatives who can adequately represent the class. (*Sav-On Drug Stores, supra*, 34 Cal.4th at pp. 326, 332.)

For the first community of interest factor, "[i]n order to determine whether common
questions of fact predominate the trial court must examine the issues framed by the pleadings
and the law applicable to the causes of action alleged." (*Hicks v. Kaufman & Broad Home Corp.*(2001) 89 Cal.App.4th 908, 916 (*Hicks*).) The court must also examine evidence of any conflict
of interest among the proposed class members. (See *J.P. Morgan & Co., Inc. v. Superior Court*

(2003) 113 Cal.App.4th 195, 215.) The ultimate question is whether the issues which may be jointly tried, when compared with those requiring separate adjudication, are so numerous or substantial that the maintenance of a class action would be good for the judicial process and to the litigants. (*Lockheed Martin Corp. v. Superior Court* (2003) 29 Cal.4th 1096, 1104–1105 (*Lockheed Martin*).) "As a general rule if the defendant's liability can be determined by facts common to all members of the class, a class will be certified even if the members must individually prove their damages." (*Hicks, supra,* 89 Cal.App.4th at p. 916.)

Here, common legal and factual issues predominate. Plaintiff's claims all arise from Defendants' wage and hour practices applied to the similarly-situated class members.

As to the second factor,

The typicality requirement is meant to ensure that the class representative is able to adequately represent the class and focus on common issues. It is only when a defense unique to the class representative will be a major focus of the litigation, or when the class representative's interests are antagonistic to or in conflict with the objectives of those she purports to represent that denial of class certification is appropriate. But even then, the court should determine if it would be feasible to divide the class into subclasses to eliminate the conflict and allow the class action to be maintained.

(*Medrazo v. Honda of North Hollywood* (2008) 166 Cal. App. 4th 89, 99, internal citations, brackets, and quotation marks omitted.)

Like other members of the class, Plaintiff was employed by Defendants as a non-exempt employee and alleges that he experienced the violations at issue. The anticipated defenses are not unique to Plaintiff, and there is no indication that Plaintiff's interests are otherwise in conflict with those of the class.

Finally, adequacy of representation "depends on whether the plaintiff's attorney is qualified to conduct the proposed litigation and the plaintiff's interests are not antagonistic to the interests of the class." (*McGhee v. Bank of America* (1976) 60 Cal.App.3d 442, 450.) The class representative does not necessarily have to incur all of the damages suffered by each different

class member in order to provide adequate representation to the class. (*Wershba, supra*, 91
Cal.App.4th at p. 238.) "Differences in individual class members' proof of damages [are] not
fatal to class certification. Only a conflict that goes to the very subject matter of the litigation
will defeat a party's claim of representative status." (*Ibid.*, internal citations and quotation marks omitted.)

Plaintiff has the same interest in maintaining this action as any class member would have. Further, he has hired experienced counsel. Plaintiff has sufficiently demonstrated adequacy of representation.

## D. Substantial Benefits of Class Certification

"[A] class action should not be certified unless substantial benefits accrue both to litigants and the courts. . . ." (*Basurco v. 21st Century Ins.* (2003) 108 Cal.App.4th 110, 120, internal quotation marks omitted.) The question is whether a class action would be superior to individual lawsuits. (*Ibid.*) "Thus, even if questions of law or fact predominate, the lack of superiority provides an alternative ground to deny class certification." (*Ibid.*) Generally, "a class action is proper where it provides small claimants with a method of obtaining redress and when numerous parties suffer injury of insufficient size to warrant individual action." (*Id.* at pp. 120–121, internal quotation marks omitted.)

Here, there are an estimated 1,474 class members. It would be inefficient for the Court to hear and decide the same issues separately and repeatedly for each class member. Further, it would be cost prohibitive for each class member to file suit individually, as each member would have the potential for little to no monetary recovery. It is clear that a class action provides substantial benefits to both the litigants and the Court in this case.

# VII. NOTICE

The content of a class notice is subject to court approval. (Cal. Rules of Court, rule 3.769(f).) "The notice must contain an explanation of the proposed settlement and procedures for class members to follow in filing written objections to it and in arranging to appear at the settlement hearing and state any objections to the proposed settlement." (*Ibid.*) In determining the manner of the notice, the court must consider: "(1) The interests of the class; (2) The type of

relief requested; (3) The stake of the individual class members; (4) The cost of notifying class members; (5) The resources of the parties; (6) The possible prejudice to class members who do not receive notice; and (7) The res judicata effect on class members." (Cal. Rules of Court, rule 3.766(e).)

Here, the notice describes the lawsuit, explains the settlement, and instructs class members that they may opt out of the settlement (except the PAGA component) or object. The gross settlement amount and estimated deductions are provided, and class members' estimated settlement shares are emphasized on the first page of the notice. Class members are informed of their qualifying workweeks as reflected in Defendants' records and are instructed how to dispute this information. The notice makes it clear that class members may appear at the final fairness hearing to make an oral objection without filing a written objection, and that class members may opt out of or object to the settlement without providing unnecessary personal information. Class members are given 60 days to request exclusion from the class or submit a written objection to the settlement. And the notice describes how notice of final judgment will be provided to the class.

The notice is generally adequate, but it must be modified to make it clear that the Court will hear and consider any objections to the PAGA portion of the settlement. Regarding appearances at the final fairness hearing, the notice shall be further modified to instruct class members as follows:

Hearings before the judge overseeing this case will be conducted remotely. (As of August 15, 2022, the Court's remote platform is Microsoft Teams.) Class members who wish to appear should contact class counsel at least three days before the hearing if possible. Instructions for appearing remotely are provided at <a href="https://www.scscourt.org/general\_info/ra\_teams/video\_hearings\_teams.shtml">https://www.scscourt.org/general\_info/ra\_teams/video\_hearings\_teams.shtml</a> and should be reviewed in advance. Class members may appear remotely using the Microsoft Teams link for Department 1 (Afternoon Session) or by calling the toll free conference call number for Department 1.

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Turning to the notice procedure, the parties have selected CPT Group, Inc. as the settlement administrator. The administrator will mail the notice packet within 14 days of receiving the class data from Defendants, after updating class members' addresses using the National Change of Address Database. Any returned notices will be re-mailed to any better address located through specified reasonable steps. Class members who receive a re-mailed notice will have an additional 14 days to respond. These notice procedures are appropriate and are approved.

## VIII. CONCLUSION

Plaintiff's motion for preliminary approval is GRANTED, subject to the modifications to the notice stated above. The final approval hearing shall take place on <u>April 13, 2023</u> at 1:30 p.m. in Dept. 1. The following class is preliminarily certified for settlement purposes: all current and former hourly paid non-exempt persons employed by Defendants Pacific Groservice Inc. and Pittsburg Wholesale Grocers, Inc. d/b/a Pitco Foods ("Defendants") in California at any time beginning December 28, 2016, through and including July 27, 2022.

Before final approval, Plaintiff shall lodge any individual settlement agreement he may have executed in connection with his employment with Defendants for the Court's review.

## IT IS SO ORDERED.

Date: December 9, 2022

The Honorable Sunil R. Kulkarni Judge of the Superior Court

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