CIVIL MINUTES - GENERAL

Case No. LA CV21-06732 JAK (ASx)

Title Kevin Murphy v. Fusion Learning, Inc., et al.

Date September 5, 2024

Present: The Honorable

T. Jackson

Not Reported

Deputy Clerk

Attorneys Present for Plaintiffs:

Not Present

Not Present

Not Present

Not Present

Proceedings: (IN CHAMBERS) ORDER RE PLAINTIFF'S MOTION FOR FINAL

APPROVAL OF CLASS ACTION & PAGA ACTION SETTLEMENT (DKT.

65) & PLAINTIFF'S MOTION FOR ATTORNEY'S FEES (DKT. 66)

I. <u>Introduction</u>

On July 8, 2021, Kevin Murphy ("Murphy") brought this action, as an individual and on behalf of all other aggrieved employees, against Fusion Learning, Inc. ("Fusion"), Peter Ruppert ("Ruppert") and Does 1 through 50, in the Los Angeles Superior Court. Dkt. 1. The complaint alleges a single cause of action for civil penalties under the Private Attorneys General Act ("PAGA"), Cal. Lab. Code § 2698, et seq. Dkt. 1-1 at 16. On August 19, 2021, Fusion removed the action (2:21-CV-06732-JAK-AS ("Murphy I")) on the basis of diversity jurisdiction. Dkt. 1. On August 25, 2021, Murphy filed a notice of voluntary dismissal. Dkt. 14. On December 27, 2021, pursuant to a stipulation between the parties, the matter was re-opened only as to defendant Fusion. Dkt. 17.

On April 14, 2022, Murphy filed a putative class action in the Los Angeles Superior Court against Fusion, Danielle Ryckman ("Ryckman") and Does 1 through 100. No. 2:22-cv-04497-JAK-AS ("Murphy II"), Dkt. 1. The Complaint advances nine causes of action: (1) failure to pay straight and overtime compensation; (2) failure to provide meal periods; (3) failure to authorize and permit rest periods; (4) failure to keep accurate payroll records; (5) failure to pay waiting time penalties; (6) failure to pay wages upon termination (Cal. Lab. Code § 1174(d)); (7) failure to pay wages upon termination (Cal. Lab. Code §\$ 2800 and 2802); (8) failure to pay minimum wages; and (9) unfair competition. Dkt. 1-1 ¶¶ 38–112. On June 30, 2022, Fusion and Ryckman removed the action pursuant to the Class Action Fairness Act ("CAFA"). Murphy II, Dkt. 1 ¶ 11.

On November 9, 2023, Murphy filed a Motion for Preliminary Approval of Class Action Settlement (the "Preliminary Approval Motion" (Dkt. 49)), which sought the following:

- 1. Preliminary certification of the proposed Settlement Class;
- 2. Preliminary approval of the *Murphy I* and *Murphy II* settlement based upon the terms set forth in the Class Action and PAGA Settlement Agreement and Class Notice ("Settlement Agreement");

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- 3. Preliminary appointment of plaintiffs Murphy, Gabriel Schwartz ("Schwartz"), Marc Brewer ("Brewer"), and Garrison Moreno ("Moreno") as class representatives (collectively, "Putative Class Representatives")
- 4. Preliminary appointment of Haig B. Kazandjian and Cathy Gonzalez of Haig B. Kazandjian Lawyers, APC, and Fletcher W. Schmidt and Matthew K. Moen of Haines Law Group, APC, as Class Counsel;
- 5. Appointment of CPT Group, Inc. as the third-party settlement administrator ("Settlement Administrator");
- 6. Approval of the proposed Court Approved Notice of Class Action Settlement and Hearing Date for Final Court Approval ("Proposed Notice"); and
- 7. Scheduling of a hearing to determine final approval of the Settlement Agreement, entry of a proposed final judgment and Plaintiffs' counsel's Motion for Attorney's Fees, Costs, and Class Representative

Dkt 49 at 2.

A hearing on the Motion was held on January 8, 2024, at which the parties were directed to file certain supplemental materials. Dkt. 55.

On January 19, 2024, the parties filed a Joint Stipulation for Leave to File First Amended Complaint. Dkt. 58. It was approved on January 29, 2024, consolidating *Murphy I* and *Murphy II* for the purposes of settlement approval, dismissing defendant Ryckman without prejudice and granting leave for Murphy to file the First Amended Complaint ("FAC" (Dkt. 61)). Dkt. 60. The FAC added Gabriel Schwartz ("Schwartz"), Marc Brewer ("Brewer") and Garrison Moreno ("Moreno") as named plaintiffs and proposed class representatives. Dkt. 61 at 1. The defendants in the FAC are Fusion ("Defendant") and Does 1-50. *Id.*

A further hearing on the Motion was held on January 29, 2024, and the matter was taken under submission. The Preliminary Approval Motion was granted on March 8, 2023 (the "Preliminary Approval Order"). Dkt. 64. The Preliminary Approval Order is incorporated here by this reference.

On May 20, 2024, Plaintiffs filed a Motion for Final Approval of Class Action and PAGA Action Settlement (the "Final Approval Motion"). Dkt. 65. On the same date, Plaintiffs filed a Motion for Attorneys' Fees, Litigation Costs, Administration Expenses, and Class Representatives' Service Payments (the "Fee Motion"). Dkt. 66. There has been no opposition filed as to any of these motions.

A hearing on the Fee Motion and Final Approval Motion took place on July 8, 2024, and the matters were taken under submission. Dkt. 68. For the reasons stated in this Order, the Final Approval Motion and Fee Motion are **GRANTED**.

¹ Murphy, Schwartz, Brewer and Moreno are referred to in this Order collectively as "Plaintiffs."

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II. <u>Background</u>

A. The Parties

It is alleged that Murphy resides in California and was employed by Fusion from on or about December 2019, until on or about March 2021. FAC ¶ 2. It is alleged that Schwartz resides in California and was employed by Fusion from on or about January 2020, until on or about July 2022. *Id.* ¶ 3. It is alleged that Brewer resides in California and was employed by Fusion from on or about August 2015, until on or about August 2019. *Id.* ¶ 4. It is alleged that Moreno resides in California and was employed by Fusion from on or about January 2022, until on or about July 2022. *Id.* ¶ 5. It is alleged that each of Plaintiffs is more than 18 years old and worked as non-exempt hourly employees. *Id.* ¶¶ 13–14. Plaintiffs bring this action as individuals on behalf of themselves, all others similarly situated and all other aggrieved employees. *Id.* at 2.

It is alleged that Fusion is a Delaware corporation, and that it is licensed to do business, and is doing business, in California. *Id.* ¶ 15. It is alleged that Fusion operates a private, alternative school for grades 6–12 in California. *Id.* ¶ 17.

B. Allegations in the FAC

The FAC alleges that Defendant violated Cal. Lab. Code §§1194, et seq., §1197, §§200 et seq., §§500 et seq., Cal. Bus. & Prof. Code §§17000 et seq. and §§17200, et seq., the applicable Wage Order(s) issued by the California Industrial Welfare Commission ("IWC Wage Order(s)") and related common law standards. *Id.* ¶ 6.

It is alleged that Defendant failed to provide employment records to Murphy and other employees on a timely basis. *Id.* ¶ 54. It is alleged that Defendant consistently required Plaintiffs to work more than eight hours per day and 40 hours per week without paying overtime. *Id.* ¶ 56. It is alleged that Plaintiffs were entitled to rest and meal break periods but were not provided with them by Defendant. *Id.* ¶¶ 59–60. It is alleged that Plaintiffs were required to work off-the-clock before and/or after their scheduled work shifts, and/or during rest breaks, and/or during meal breaks and were not paid minimum wage for this time. *Id.* ¶ 65.

It is alleged that Defendant frequently told Plaintiffs to report to work, but then did not have them work or had them do so for less than half a day. *Id.* ¶ 73. It is alleged that Defendant failed to provide payment for one hour of work at the applicable minimum wage when Plaintiffs worked a "split shift" as required by law. *Id.* ¶ 75.

It is alleged that as a result of the foregoing, Defendant failed to pay to its employees all wages due. *Id.* ¶ 77. It is alleged that Defendant also willfully failed to maintain accurate payroll records. *Id.* ¶ 71. It is alleged that Defendant used "an 'auto-deduct' system whereby thirty (30) minutes were automatically deducted from the hours worked" of class members whether a 30 minute off-duty meal period was actually provided or taken. *Id.* ¶ 122. It is further alleged that Defendant "utilized improper rounding policies and practices which resulted in the under payment of wages." *Id.* ¶ 123. It is alleged that Defendant willfully failed to make timely payment of amounts owed to employees upon termination. *Id.* ¶ 80. It is alleged that Defendant failed to reimburse Plaintiffs for business-related expenses. *Id.* ¶ 82. It

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is alleged that Defendant failed to furnish paid sick leave on itemized wage statements. Id. ¶ 84.

III. Summary of Settlement Agreement and Notice

A. Class Definition

The Settlement Agreement defines the "Class Members" and "Class" as follows:

[A] member of the class conditionally certified for settlement purposes only during the applicable Class Period as defined in ¶ 1.12, as the period from April 14, 2018 through June 2, 2023, consisting of all current and former non-exempt employees who worked for Defendant Fusion Learning, Inc. in California at any time during the Class Period.

Dkt. 49-2 at 21 ¶ 1.5.

Accordingly, the period from April 14, 2018 through June 2, 2023, is defined as the "Class Period." *Id.* at 22 ¶ 1.12.

The Settlement Agreement defines PAGA "Aggrieved Employees" as "all current and former non-exempt employees who were employed by Defendant in the State of California at any time during the 'PAGA Period,' defined in ¶ 1.30 herein. *Id.* at 21 ¶ 1.4. The period of April 29, 2020 through June 2, 2023 is defined as the "PAGA Period." *Id.* at 23 ¶ 1.32.

B. Gross Fund and Deductions

1. Gross Settlement Amount

The Settlement Agreement provides for the payment by Defendants of a "Gross Settlement Amount" of \$1,250,000.00. Dkt. 49-2 at 26 ¶ 3.1. The Defendants are also obligated to pay all employer payroll taxes owed on the Wage Portions of the Individual Class Payments. *Id.*

2. <u>Deductions from Gross Settlement Amount</u>

a) Overview

The proposed maximum deductions from the Gross Settlement Amount are summarized in the following table:

Description of Amount	Amou	Amount			
Gross Settlement Amount	\$	1,250,000.00	100%		
Class Representative Service Payments	\$	(25,000.00)	2%		
Class Counsel Fees Payment	\$	(416,666.66)	33%		
Class Counsel's Litigation Expenses	\$	(60,000.00)	5%		
Administrator Expenses Payment	\$	(14,500.00)	1%		
PAGA Penalties	\$	(50,000.00)	4%		

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Ne	et Settlement Amount	\$	683,833.34	55%
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See id. at 26-28.

b) Class Representative Service Payments

The Settlement Agreement provides for Class Representative Service Payments of not more than \$10,000 to Murphy, and of not more than \$5000 to each of Schwartz, Brewer and Moreno. *Id.* at 26 ¶ 3.2.1. These are in addition to any Individual Class Payments, and any Individual PAGA Payments, that the Class Representatives are entitled to receive as a Participating Class Members. *Id.*

c) Class Counsel Fees and Litigation Expenses

The Settlement Agreement provides for an award of attorney's fees of not more than 33.33% of the Gross Settlement Amount, which is currently estimated as \$416,666.66, and a payment of costs incurred by Class Counsel of not more than \$60,000. *Id.* at 27 ¶ 3.2.2. It provides that Plaintiffs and/or Class Counsel will file a "Motion for Class Counsel Fees Payment and Class Litigation Expenses Payment," prior to the Final Approval Hearing. *Id.*

d) Administrator Expenses Payment

The Settlement Agreement provides for an Administrator Expenses Payment not to exceed \$14,500 except for a showing of good cause and as approved by the Court. *Id.* at 27 ¶ 3.2.3.

e) PAGA Penalties

The Settlement Agreement provides for PAGA Penalties in the amount of \$50,000 to be paid from the Gross Settlement Amount, with 75% (\$37,500) allocated to the Labor & Workforce Development Agency ("LWDA") PAGA Payment and 25% (\$12,500) allocated to the Individual PAGA Payments. *Id.* at 28 ¶ 3.2.5.

Each Individual PAGA Payment to the Aggrieved Employees will be calculated as follows: (i) dividing the amount of the Aggrieved Employees' 25% share of PAGA Penalties \$12,500.00 by the total number of PAGA Period Hours Worked by all Aggrieved Employees during the PAGA Period and (ii) multiplying the result by each Aggrieved Employee's PAGA Period Hours Worked. *Id.*

PAGA Period Hours Worked includes "any time during which an Aggrieved Employee worked for Defendant for at least one hour, or portion [thereof], during the PAGA Period." *Id.* at 23 ¶ 1.31.

3. <u>Calculation of Individual Class Payments</u>

The Settlement Agreement provides for the distribution of the Net Settlement Amount through Individual Class Payments as follows: (i) dividing the Net Settlement Amount by the total number of Hours Worked by all Participating Class Members during the Class Period; and (ii) multiplying the result by each Participating Class Member's total Hours Worked. *Id.* at 27 ¶ 3.2.4.

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"Class Hours Worked" means any time, during which a Class Member worked for Defendant Fusion Learning, Inc. for at least one hour, or portion thereof, during the Class Period. *Id.* at 25 ¶ 1.47.

The Settlement Agreement provides that 20% of each Participating Class Member's Individual Class Payment will be allocated to settlement of wage claims (the "Wage Portion"), which are subject to tax withholding and will be reported on an IRS W-2 Form, and the remaining 80% will be allocated to settlement of claims, e.g., interest and penalties (the "Non-Wage Portion"), which are not subject to wage withholdings and will be reported on IRS 1099 Forms. *Id.* at 27 ¶ 3.2.4.

The Settlement Agreement provides that Non-Participating Class Members will not receive any Individual Class Payments, and amounts equal to those payments will be retained for distribution to Participating Class Members on a pro rata basis. *Id.*

C. Release of Claims

The Settlement Agreement provides for the release of claims effective on the date on which the Gross Settlement Amount is fully funded by Defendants and all employer payroll taxes owed on the Wage Portion of the Individual Class Payments are paid. *Id.* at 30 ¶ 6. The release of claims is as to the "Released Parties," who are defined as "Defendants and each of its former and present directors, officers, shareholders, owners, members, managers, managing agents, attorneys, insurers, predecessors, successors, assigns subsidiaries, and affiliates." *Id.* at 24 ¶ 1.43.

Plaintiffs, and their respective former and present spouses, representatives, agents, attorneys, heirs, administrators, successors, and assigns generally, agree to "release and discharge Released Parties from all claims, transactions, or occurrences that occurred during the Class Period, including, but not limited to: (a) all claims that were, or reasonably could have been, alleged, based on the facts contained, in the Operative Complaint and (b) all PAGA claims that were, or reasonably could have been, alleged based on facts contained in the Operative Complaint and Plaintiff's PAGA Notice." *Id.* at 30 ¶ 6.1. Plaintiffs also expressly waive and relinquish the provisions, rights, and benefits, if any, of section 1542 of the California Civil Code. *Id.* at 30 ¶ 6.2.

All Participating Class Members, on behalf of themselves and their respective former and present representatives, agents, attorneys, heirs, administrators, successors, and assigns, release the Released Parties from liability for any claims based on the factual allegations set forth, or which could have been pleaded, in the Operative Complaint, "including but not limited to claims for minimum wage violations, overtime wage violations, meal period violations, rest period violations, violations of Labor Code section 2802, waiting time penalties, wage statement violations, violations of the California Business and Professions Code section 17200, et seq., that arose during the Class Period . . ." *Id.* at 30 ¶ 6.3.

All Aggrieved Employees, on behalf of themselves and their respective former and present representatives, agents, attorneys, heirs, administrators, successors, and assigns, release the Released Parties ". . . from all claims for PAGA penalties that were alleged, or reasonably could have been alleged, based on the PAGA Period facts stated in the Operative Complaint and Plaintiff's PAGA Notice . . ." *Id.* at 31 ¶ 6.4.

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D. Notice and Payment Plan

1. Notice to Class Members

Notice of the Settlement Agreement was administered by CPT Group, Inc. (the "Administrator"). Dkt. 65 at 19; see Dkt. 65-6, Declaration of Tarus Dancy ("Dancy Decl."). On February 13, 2024, Defendant provided the Administrator with a mailing list with the names, last known mailing addresses, social security numbers and numbers of Class Period Hours Worked and PAGA Period Hours Worked for 1294 Settlement Class Members, which included 951 PAGA Class Members. Dancy Decl. ¶ 5.2

The Administrator conducted a National Change of Address search to determine the most recent address for each member of the Settlement Class. *Id.* ¶ 6. Thereafter, on March 4, 2024, the Administrator mailed the court-approved notice ("Class Notice") to each Settlement Class Member. *Id.* ¶ 7. Pursuant to the court-approved notice, the deadline to submit disputes, requests for exclusion or objections was May 6, 2024. *Id.* Seventy-two Class Notices were returned as undeliverable with no forwarding addresses, and 8 Class Notices were forwarded directly to a forwarding address. *Id.* ¶ 8. The Administrator performed address traces on the 72 Class Notices without forwarding addresses, and re-mailed 63 Class Notices as a result of locating a better address. *Id.* ¶¶ 7, 9. As of May 20, 2024, a total of 11 Class Notices remain undeliverable. *Id.* ¶ 9. As of the same date, the Administrator has received one request for exclusion by Jason Robert Lobaton. *Id.* ¶ 11.3 No disputes as to the number of workweeks used to calculate the settlement share of each Settlement Class Member (*id.* ¶ 10), or objections to the Settlement Agreement, or any portion thereof, have been received. *Id.* ¶ 12.

2. CAFA Notice

After the hearing, the parties submitted a joint report regarding whether notice had been provided to the appropriate state and federal officials pursuant 28 U.S.C. § 1715(b). Dkt. 69 ("Joint Report"). The Joint Report states that the required notice was mailed on July 12, 2024. *Id.* at 3.

An order of final approval of a proposed settlement may not be issued earlier than 90 days after the later of the dates on which the appropriate state and federal officials were served with notice. 28 U.S.C. § 1715(d). Accordingly, although this Order grants the Final Approval Motion, its effect is stayed until October 11, 2024.

On October 12, 2024, the parties shall file a notice stating whether any of the government officials served have objected to the settlement. If there has been no objection, the parties shall also include a proposed judgment. A corresponding order and judgment will then issue assuming that there has been no objection.

IV. Analysis

A. Class Certification

² It states "February 13, 2019." This appears to be a typographical error, because all other dates provided are in 2024.

³ No determination is made in this Order as to the timeliness of this request for exclusion.

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The Preliminary Approval Order analyzed whether conditional certification of the Settlement Class was appropriate. Dkt. 64 at 9–13. That analysis, which is incorporated by this reference, was the basis for granting conditional certification of the Settlement Class. The analysis, and the resulting outcome, have not changed. Therefore, the Final Approval Motion is **GRANTED** as to certification of the Settlement Class.

B. Final Approval of the Settlement Agreement

1. Legal Standards

Fed. R. Civ. P. 23(e) requires a two-step process in considering whether to approve the settlement of a class action. First, a court must make a preliminary determination whether the proposed settlement "is fundamentally fair, adequate, and reasonable." *Acosta v. Trans Union, LLC*, 243 F.R.D. 377, 386 (C.D. Cal. 2007) (quoting *Staton v. Boeing Co.*, 327 F.3d 938, 952 (9th Cir.2003)). In the second step, which occurs after preliminary approval, notification to class members and the compilation of information as to any objections by class members, a court determines whether final approval of the settlement should be granted. *See*, e.g., id.

At the preliminary stage, "the settlement need only be *potentially fair.*" *Id.* This is due, in part, to the policy preference for settlement, particularly in the context of complex class action litigation. *See Officers for Just. v. Civ. Serv. Comm'n of City and Cnty. of S.F.*, 688 F.2d 615, 625 (9th Cir. 1982) ("[V]oluntary conciliation and settlement are the preferred means of dispute resolution. This is especially true in complex class action litigation").

As the Ninth Circuit has explained:

[T]he court's intrusion upon what is otherwise a private consensual agreement negotiated between the parties to a lawsuit must be limited 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.

ld.

Notwithstanding the foregoing rules, "[w]here . . . the parties negotiate a settlement agreement before the class has been certified, 'settlement approval requires a higher standard of fairness and a more probing inquiry than may normally be required under Rule 23(e).' " Roes, 1-2 v. SFBSC Mgmt., LLC, 944 F.3d 1035, 1048 (9th Cir. 2019) (quoting Dennis v. Kellogg Co., 697 F.3d 858, 864 (9th Cir. 2012)). "Specifically, 'such [settlement] agreements must withstand an even higher level of scrutiny for evidence of collusion or other conflicts of interest than is ordinarily required under Rule 23(e) before securing the court's approval as fair.' " Id. at 1049 (quoting In re Bluetooth Headset Prod. Liab. Litig., 654 F.3d 935, 946 (9th Cir. 2011)). This scrutiny "is warranted 'to ensure that class representatives and their counsel do not secure a disproportionate benefit at the expense of the unnamed plaintiffs who class counsel had a duty to represent.' " Id. (quoting Lane v. Facebook, Inc., 696 F.3d 811, 819 (9th Cir. 2012).

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In evaluating fairness, a court must consider "the fairness of a settlement as a whole, rather than assessing its individual components." *Lane*, 696 F.3d at 818–19. A court is to consider and evaluate several factors as part of its assessment of a proposed settlement. *Id.* at 819. The following non-exclusive factors, which originally were described in *Hanlon*, are among those that may be considered during both the preliminary and final approval processes:

- (1) the strength of the plaintiff's case;
- (2) the risk, expense, complexity, and likely duration of further litigation;
- (3) the amount offered in settlement;
- (4) the extent of discovery completed and the stage of the proceedings;
- (5) the experience and views of counsel;
- (6) any evidence of collusion between the parties; and
- (7) the reaction of the class members to the proposed settlement.

See In re Mego Fin. Corp. Sec. Litig., 213 F.3d 454, 458-60 (9th Cir. 2000).

Each factor does not necessarily apply to every settlement, and other factors may be considered. For example, courts often assess whether the settlement is the product of arms-length negotiations. See Rodriguez v. West Publ'g Corp., 563 F.3d 948, 965 (9th Cir. 2009) ("We put a good deal of stock in the product of an arms-length, non-collusive, negotiated resolution."). As noted, in determining whether preliminary approval is warranted, a court is to decide whether the proposed settlement has the potential to be deemed fair, reasonable and adequate in the final approval process. Acosta, 243 F.R.D. at 386.

Amended Fed. R. Civ. P. 23(e) provides further guidance as to the requisite considerations in evaluating whether a proposed settlement is fair, reasonable and adequate. It provides that a court is to consider whether:

- (A) the class representatives and [Plaintiff's] counsel have adequately represented the class:
- (B) the proposal was negotiated at arm's length;
- (C) the relief provided for the class is adequate, taking into account:
 - (i) the costs, risks, and delay of trial and appeal;
 - (ii) the effectiveness of any proposed method of distributing relief to the class, including the method of processing class-member claims;
 - (iii) the terms of any proposed award of attorney's fees, including timing of payment; and
 - (iv) any agreement required to be identified under Rule 23(e)(3);[4] and
- (D) the proposal treats class members equitably relative to each other.

Fed. R. Civ. P. 23(e)(2).

The factors set forth in Fed. R. Civ. P. 23(e) distill the considerations historically used by federal courts

⁴ Fed. R. Civ. P. 23(e)(3) provides that "[t]he parties seeking approval must file a statement identifying any agreement made in connection with the proposal."

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to evaluate class action settlements. See Fed. R. Civ. P. 23(e) Advisory Committee's Note to 2018 Amendment. As the comments of the Advisory Committee explain, "[t]he goal of [the] amendment [was] not to displace any factor" that would have been relevant prior to the amendment, but rather to address inconsistent "vocabulary" that had arisen among the circuits and "to focus the court and the lawyers on the core concerns" of the fairness inquiry. *Id.*

2. Application

The Preliminary Approval Order addressed many of the aforementioned factors. Dkt. 64 at 17–20. None of the facts and circumstances as to any of the factors has changed since that time. However, because the Administrator has completed the notice process, the reaction of Settlement Class Members to the proposed settlement may now be considered in evaluating whether it is fair and appropriate.

Of the 1294 Settlement Class Members, none objected or disputed the number of workweeks used to calculate his or her share, and only one opted out.⁵ Dancy Decl. ¶¶ 10–12. One class member constitutes .08% of the total class. A low proportion of opts outs and objections "indicates that the class generally approves of the settlement." *In re Toys R Us-Delaware, Inc. -- Fair & Accurate Credit Transactions Act (FACTA) Litig.*, 295 F.R.D. 438, 456 (C.D. Cal. 2014) (collecting cases); *see also In re Omnivision Techs., Inc.*, 559 F. Supp. 2d 1036, 1043 (N.D. Cal. 2008) ("It is established that the absence of a large number of objections to a proposed class action settlement raises a strong presumption that the terms of a proposed class settlement action are favorable to the class members." (*quoting Nat'l Rural Telecomms. Corp. v. DirecTV, Inc.*, 221 F.R.D. 523, 528-29 (C.D. Cal. 2004))). Therefore, this factor weighs in favor of final approval.

Because there have been no material changes in any of the relevant circumstances since the Preliminary Approval Order, the same determinations are warranted with respect to the fairness analysis. Therefore, the distribution of the settlement funds in the manner set forth in the Preliminary Approval Order is approved, with the reserved issues addressed below.

C. Incentive Awards

1. <u>Legal Standards</u>

"[N]amed plaintiffs . . . are eligible for reasonable incentive payments." *Staton*, 327 F.3d at 977. To determine the reasonableness of incentive awards, the following factors may be considered:

- 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.

Van Vranken v. Atl. Richfield Co., 901 F.Supp. 294, 299 (N.D. Cal. 1995).

⁵ As previously stated, no determination is made as to the validity and timeliness of the opt-out request.

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2. Application

The Fee Motion requests incentive awards of \$7500 for Murphy, \$5000 each to Schwartz and Brewer and \$4500 to Moreno. Dkt. 66 at 32. The Preliminary Approval Order approved an incentive award for Murphy in the range of \$2500 to \$5000, for Schwartz and Brewer in the range of \$2500 to \$5000 each, and for Moreno in the range of \$2500 to \$4500. Dkt. 64 at 23. It stated that a final determination of the incentive award for each class representative would be made in connection with the anticipated motion for fees and costs. *Id.* at 22.

In support of this position, Plaintiffs cite the declarations of Murphy, Schwartz, Brewer and Moreno that were submitted in support of the Preliminary Approval Motion, which reflect the hours performed by each plaintiff and the tasks in which they participated. See Dkt. 66 at 33. This evidence is discussed in further detail in the Preliminary Approval Order and is incorporated here by reference. Dkt. 64 at 23. The final requested incentive awards result in an hourly rate of \$187.50 for Murphy and \$250 for each Schwartz. Brewer and Moreno.

Plaintiffs' counsel, Matthew K. Moen ("Moen"), has declared that Murphy assumed the risk of "being responsible for a substantial portion of Defendant's litigation costs" when, as the sole named plaintiff, he participated in the parties' Mandatory Settlement Conference and rejected a Rule 68 Offer. Dkt. 66-2, Declaration of Matthew K. Moen ("Moen Decl.") ¶ 30.

In light of the work performed, hours worked, professional risk and general release of claims, the following incentive payments are approved: \$7000 to Murphy, \$3400 to Schwartz and Brewer, and \$3060 to Moreno. This results in an hourly rate of \$170 for Schwartz, Brewer and Moreno, and an hourly rate of \$175 for Murphy, in acknowledgment of his substantial role.

D. PAGA Payment

1. Legal Standards

The LWDA has explained that:

when a PAGA claim is settled, the relief provided for under the PAGA [must] be genuine and meaningful, consistent with the underlying purpose of the statute to benefit the public and, in the context of a class action, the court evaluate whether the settlement meets the standards of being 'fundamentally fair, reasonable, and adequate' with reference to the public policies underlying the PAGA.

O'Connor v. Uber Techs., 201 F. Supp. 3d 1110, 1133 (N.D. Cal. 2016) (quoting comments submitted by LWDA).

2. Application

The Settlement Agreement provides for PAGA Penalties of \$50,000, with \$37,500 paid to the LWDA and the remaining \$12,500 divided among PAGA Aggrieved Employees. Dkt. 49-2 at 28 ¶ 3.2.5. For

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the reasons stated in the Preliminary Approval Order, this proposed allocation is sufficient and reasonable. Dkt. 64 at 22. Further, the LWDA has not lodged any objection to the Settlement Agreement. Dkt. 65 at 18. Therefore, the PAGA Penalties are approved.

E. Attorney's Fees

1. Legal Standards

Attorney's fees and costs "may be awarded . . . where so authorized by law or the parties' agreement." *In re Bluetooth Headset Prods.*, 654 F.3d at 941. However, "courts have an independent obligation to ensure that the award, like the settlement itself, is reasonable, even if the parties have already agreed to an amount." *Id.* "If fees are unreasonably high, the likelihood is that the defendant obtained an economically beneficial concession with regard to the merits provisions, in the form of lower monetary payments to class members or less injunctive relief for the class than could otherwise have [been] obtained." *Staton*, 327 F.3d at 964. Thus, a district court must "assure itself that the fees awarded in the agreement were not unreasonably high, so as to ensure that the class members' interests were not compromised in favor of those of class counsel." *Id.* at 965.

District courts have discretion to choose between a lodestar method and the percentage method to evaluate the reasonableness of a request for an award of attorney's fees in a class action. *In re Mercury Interactive Corp. Sec. Litig.*, 618 F.3d 988, 992 (9th Cir. 2010). A court may also choose one method and then perform a cross-check with the other. *See, e.g., Staton*, 327 F.3d at 973.

When using the percentage method, a court examines what percentage of the total recovery is allocated to attorney's fees. Usually, the Ninth Circuit applies a "benchmark award" of 25%. *Id.* at 968. However, awards that deviate from the benchmark have been approved. *See Paul, Johnson, Alston & Hunt v. Graulty*, 886 F.2d 268, 272 (9th Cir. 1989) ("Ordinarily, . . . fee awards [in common fund cases] range from 20 percent to 30 percent of the fund created."); *Schroeder v. Envoy Air, Inc.*, No. CV-16-4911-MWF-KSx, 2019 WL 2000578, at *7 (C.D. Cal. May 6, 2019) (internal citations omitted) ("[T]he 'benchmark percentage should be adjusted, or replaced by a lodestar calculation, when special circumstances indicate that the percentage recovery would be either too small or too large in light of the hours devoted to the case or other relevant factors,' "including " '(1) the results achieved; (2) the risks of litigation; (3) the skill required and the quality of work; (4) the contingent nature of the fee; (5) the burdens carried by class counsel; and (6) the awards made in similar cases.' ").

"The lodestar figure is calculated by multiplying the number of hours the prevailing party reasonably expended on the litigation (as supported by adequate documentation) by a reasonable hourly rate for the region and for the experience of the lawyer." *In re Bluetooth Headset Prods.*, 654 F.3d at 941. After the lodestar amount is determined, a trial court "may adjust the lodestar upward or downward using a 'multiplier' based on factors not subsumed in the initial calculation of the lodestar." *Van Gerwen v. Guarantee Mut. Life Co.*, 214 F.3d 1041, 1045 (9th Cir. 2000). Such factors " 'includ[e] the quality of representation, the benefit obtained for the class, the complexity and novelty of the issues presented, and the risk of nonpayment.' " *Stetson v. Grissom*, 821 F.3d 1157, 1166–67 (9th Cir. 2016) (quoting *In re Bluetooth Headset Prods.*, 654 F.3d at 941–42).

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2. Application

a) Preliminary Approval

The Settlement Agreement provides that Class Counsel is entitled to receive up to 33.33% in attorney's fees, which would total \$416,666.66. Dkt. 49-2 at 27 ¶ 3.2.2. The Preliminary Approval Order preliminarily approved attorney's fees in the range of \$312,500 to \$416,666.66. Dkt. 64 at 38. It set this range based on an application of the lodestar and percentage methods. *Id.* at 25–38. As to the percentage method, the Preliminary Approval Order considered the *Vizcaino* factors and concluded that, taking into consideration all of the relevant ones, an award above the 25% benchmark may be warranted. *Id.* at 25. However, applying the lodestar cross-check, the Preliminary Approval Order found that issues were raised with regard to the number of hours spent on certain tasks, warranting a reduction of the lodestar in the amount of \$59,882.50, *i.e.*, from \$314,871.25 to \$254,988.75. *Id.* at 27. Based on these combined analyses, the Preliminary Approval Order preliminary approved a fee award in the range of \$312,500 (representing 25% of the settlement amount) to \$466,666.66 (representing 33.33% of the settlement amount). *Id.* at 38. That award was without prejudice to *de novo* review in connection with an anticipated motion(s) for attorney's fees and final approval. *Id.*

b) Final Approval

In the Fee Motion, Plaintiffs request an attorney's fees award of \$416,616.66, which is at the top of the range approved in the Preliminary Approval Order, representing 33.33% of the Gross Settlement Amount. Dkt. 66 at 17. Plaintiffs argue that the percentage method is generally utilized for common fund settlements, and that courts routinely approve attorney's fee awards above the 25% benchmark, particularly in wage and hour class actions. *Id.* 15–16. Plaintiffs make the following arguments in support of their request:

- 1. The settlement amount is substantial, in light of the colorable defenses asserted by Defendant and the concordant risk of litigation;
- 2. The litigation involved complex and unsettled legal issues "including the appropriate standards for certification of Plaintiffs' proposed Class, questions as to the reach of the California Supreme Court's decision in Augustus v. ABM Security Services, Inc., 2 Cal.5th 257 (2016), and the availability of derivative waiting time and wage statement penalties;"
- 3. The results achieved exceeds average payments in similar wage and hour class action settlements, with an average individual payment to Settlement Class members of \$545.24 after all requested deductions;
- 4. The reaction of Class Members to the proposed Settlement Agreement has been positive, with no objections and only one opt-out;
- 5. Class Counsel diligently litigated the case for three years on a purely contingent basis; and
- 6. Class Counsel brings more than three decades of wage and hour class action experience.

Id. at 18-25

Plaintiffs also argue that the lodestar "cross-check" confirms the reasonableness of the fee request. *Id.* at 25. For the reasons stated in the Preliminary Approval Order, the hourly rates are reasonable and

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approved. Dkt. 64 at 26. As for the hours charged, Plaintiffs do not dispute the determination in the Preliminary Approval Order of a reduction of the lodestar based upon a detailed review of Class Counsel's submitted billing records. Dkt. 66 at 25 n. 2 (citing Dkt. 64 at 26–38). That analysis is incorporated by reference here. Thus, all non-disputed preliminarily approved charged hours are approved. Class Counsel has, however, replaced any previously "anticipated" time entries related to the preparation of the Fee Motion and Final Approval Motion with actual time entries, where applicable. *Id.* ⁶ The total requested lodestar is \$274,712.50. *Id.* at 25.

The following chart summarizes any tasks in which the time entries submitted in support of the Fee Motion now exceed or differ from the approved hours in the Preliminary Approval Order. *Compare* Dkt. 66-2 at 30–37 *with* Dkt. 64 at 26–38. The following adjustments are made:

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Paul K. Haines (Attorney - Principal)	\$850	1	\$850	1	1	\$850
Fletcher W. Schmidt (Attorney - Partner)	\$750	6	\$4,500	6	6	\$4,500
Haig B. Kazandjian (Attorney - Principal)	\$725	6	\$4,350	6	6	\$4,350
Cathy Gonzalez (Attorney)	\$725	5	\$3,625	6	6	\$4,350
Matthew K. Moen (Attorney - Senior Associate)	\$650	3	\$1,950	3	3	\$1,950
Totals for Task 2:		21	\$15,275	22	22	\$16,000

⁶ There are several minor inconsistencies where several of the adjustments are not appropriately reflected. Further, two new tasks (Task 29 and 30) have been added. They are included in the below chart.

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Task 11: Stipulation for Leave to File FAC, FAC (Drafting, Negotiating, Filing)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Fletcher W. Schmidt (Attorney - Partner)	\$750	1	\$750	1.2	1.0	\$750
Cathy Gonzalez (Attorney)	\$725	0	\$0	3.2	3.0	\$2,175
Matthew K. Moen (Attorney - Senior Associate)	\$650	4	\$2,600	5.1	5.0	\$3,250
Jonathan Ramirez (Firm Paralegal)	\$175	0	\$0	0.9	0.9	\$158
Totals for Task 11:		5	\$3,350	10.4	9.9	\$6,333

Task 15: Preliminary Approval Hearing (Prep, Travel to/from, Attendance)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Matthew K. Moen (Attorney - Senior Associate)	\$650	3	\$1,950	3.3	3.3	\$2,145
Totals for Task 15:	1	3	\$1,950	3.3	3.3	\$2,145

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Task 16: Settlement Administration Correspondence (administrator, class members)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Cathy Gonzalez (Attorney)	\$725	0	\$0	1.75	1.5	\$1,087.50
Matthew K. Moen (Attorney - Senior Associate)	\$650	1	\$650	1.4	1.25	\$812.50
Totals for Task 16:		1	\$650	3.15	2.75	\$1900

Task 17: Motion for Final Approval/Motion for Attorney's Fees (Drafting, Filing)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Fletcher W. Schmidt (Attorney - Partner)	\$750	5	\$3,750	0.8	.8	\$600
Cathy Gonzalez (Attorney)	\$725	0	\$0	1.85	1.5	\$1,088
Matthew K. Moen (Attorney - Senior Associate)	\$650	5	\$3,250	23.3	20	\$13,000
Jonathan Ramirez (Firm Paralegal)	\$175	2	\$350	2	2	\$350
Totals for Task 17:		12	\$7,350	27.95	24.3	\$15,038

Task 23: Correspondence with Plaintiffs (Telephone, Email)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Haig B. Kazandjian (Attorney - Principal)	\$725	15	\$10,875	15	15	\$10,875
Cathy Gonzalez (Attorney)	\$725	35	\$25,375	35.1	35	\$25,375
Totals for Task 23:	1	50	\$36,250	50.1	50	\$36,250

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Task 26: Review Court Orders/Minute Ord	iers

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Cathy Gonzalez (Attorney)	\$725	1	\$725	1.65	1.65	\$1,196.25
Totals for Task 26:		1	\$725	1.65	1.65	\$1,196.25

Task 29: Supplemental Briefing/Declarations ISO Preliminary Approval (Drafting, Filing)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Cathy Gonzalez (Attorney)	\$725	0	\$0	0.8	.5	\$362.50
Matthew K. Moen (Attorney - Senior Associate)	\$650	0	\$0	3	3	\$1,950
Jonathan Ramirez (Firm Paralegal)	\$175	0	\$0	0.7	.7	\$122.50
Totals for Task 29:		0	\$0	4.5	4.2	\$2,435

Task 30: Continued Preliminary Approval Hearing (Prep, Attendance)

Attorney	Rate	Preliminarily Approved Hours	Preliminarily Approved Fee	Hours Submitted with Fee Motion	Final Approved Hours	Final Approved Fee
Matthew K. Moen (Attorney - Senior Associate)	\$650	0	\$0	1	1	\$650
Totals for Task 30:		0	\$0	1	1	\$650
Total for Task 2, 11, 15, 16, 26, 29, 30:	17, 23,	93	\$65,550	124	118	\$81,947.25

Based upon these final adjustments, \$16,397.25 is added to the previously approved lodestar, resulting in a final lodestar of \$271,386. The total award requested, \$416,666.66, would result in a multiplier of 1.54.

Considering all the relevant factors, including the results achieved, the risks associated with accepting the matter on a contingency basis, the nature of the legal issues presented, the quality of the legal services and the calculations based on the different means of evaluating the appropriateness of a fee award, it is determined that an award of \$416,666.66 in attorney's fees is fair, reasonable and

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appropriate.

F. Settlement Administration Costs

A fixed fee of \$14,500.00 was preliminarily approved in the Preliminary Approval Order, based upon the evidence presented. Dkt. 64 at 39. No additional evidence has been presented. The fee is reasonable and appropriate. Thus, it is approved.

G. Litigation Costs

In support of the Preliminary Approval Motion, no evidence was proffered as to the request for litigation costs. Therefore, this issue is considered *de novo* based on the evidence that has been proffered in support of the Motion. Dkt. 64 at 38–39. Plaintiffs' Counsel seeks reimbursement for \$41,835.27 in litigation costs. Dkt. 66 at 30. This is less than the \$60,000 which is provided for in the Settlement Agreement. Dkt. 49-2 at 27 \P 3.2.2.

Each of Plaintiff's co-counsel has declared the total costs incurred by their office. Haig B. Kazandjian ("Kazandjian") declares that his office has incurred a total of \$16,712.71. Dkt. 66-4, Declaration of Haig B. Kazandjian ("Kazandjian Decl.") ¶ 6. Moen declares that, including future travel costs, his firm expects to incur \$25,122.56 in litigation costs. Moen Decl. ¶ 23. This request is supported by two spreadsheets appended to each of Moen and Kazandjian's declarations, detailing these costs, including filing fees, messenger fees, mailing costs, mediation fees, expert costs, legal research expenses, copying costs and travel related expenses. Dkt. 66-2 at 44–45; Dkt. 66-4 at 7.7

Based on a review of the information provided, it is determined that the costs claimed are reasonable. Therefore, an award of litigation costs of \$41,835.27 is approved.

V. Conclusion

For the reasons stated in this Order, both the Fees Motion and the Final Approval Motion are **GRANTED**. The final settlement amounts are summarized in the following table.

Description of Amount		unt	Percent	
Gross Settlement Amount	\$	1,250,000.00	100%	
Class Representative Service Payments	\$	(16,860.00)	1%	
Class Counsel Fees Payment	\$	(416,666.66)	33%	
Class Counsel's Litigation Expenses	\$	(41,835.27)	3%	
Administrator Expenses Payment	\$	(14,500.00)	1%	
PAGA Penalties	\$	(50,000.00)	4%	
Net Settlement Amount	\$	710,138.07	57%	

As previously stated, the effect of this Order is stayed until October 11, 2024. On October 12, 2024, the

⁷ There is an \$83.38 difference between the total costs enumerated in the spreadsheets and the requested costs, which reflects Moen's request for anticipated travel fees.

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settlement.	file a notice stating whether any of the government officials serve f there has been no objection, the parties shall also include a pro- ng order and judgment will then issue assuming that there has be	posed jud	gment. A
IT IS SO OF	RDERED.		
			:
	Initials of Preparer	tj	

Date September 5, 2024