# Chapter 1

## Case and Claims Selection, Other First Considerations

1. How to Use This Treatise ........................................ 1
   1.1.1 A Practical Guide to Litigating Class Actions ........ 1
   1.1.2 Print and Online Versions ............................ 1
   1.1.3 Subjects Covered in This Treatise .................... 1
   1.1.4 Legal Citations and Resources ...................... 1
   1.1.5 Appendices, Pleadings, Primary Sources, and Practice Tools .......................... 1
   1.2 The Need for Consumer Class Actions ..................... 2
   1.3 Challenges of Class Action Practice ....................... 2
      1.3.1 Class Action Litigation Often Requires Large Up-Front Investments .... 5
      1.3.2 Legislation, Court Decisions, and Corporate Practices Contribute to Limiting the
           Opportunities for Successful Consumer Class Actions .................. 5
   1.4 Maintaining High Ethical and Practice Standards in Class Actions .............. 6
   1.5 Co-Counseling with Other Attorneys ................................ 6
   1.6 Alternatives to Filing a Class Action ................................ 7
   1.7 Case and Claim Evaluation ..................................... 7
      1.7.1 Introduction ........................................ 7
      1.7.2 Arbitration Clauses and Class Action Waivers ........ 7
         1.7.2.1 General .................................... 7
         1.7.2.2 The CFPB Proposal to Limit Arbitration of Class Actions ... 8
         1.7.2.3 Are Class Actions Available in an Arbitration Proceeding? 8
         1.7.2.4 Challenging the Arbitration Requirement .................. 9
      1.7.3 Res Judicata effect of a Prior Class Action ............... 10
      1.7.4 The Effect of State Law Limitations on Federal Class Actions (Shady Grove) .... 10
      1.7.5 Forum Selection and CAFA Removal ..................... 12
      1.7.6 Is the Statute of Limitations Tolled by a Previous Class Action? ........... 12
         1.7.6.1 General .................................... 12
         1.7.6.2 The American Pipe tolling doctrine ..................... 12
         1.7.6.3 When Does American Pipe Tolling Apply to Subsequent Class Actions? ... 14
      1.7.7 Do the Claims Lend Themselves to Class Certification? .............. 15
         1.7.7.1 Class Definition and Class Certification in General .......... 15
         1.7.7.2 Avoid Claims That Require Proof of Reliance or Other Individual Issues 16
         1.7.7.3 Claims That Are Not Fact-Intensive Are Ideal .................. 16
         1.7.7.4 Avoid Claims That Are Technical Violations Yet Threaten
               Annihilating Damages .................................... 16
         1.7.7.5 Consider Whether Benefits Can Be Provided to Class Members .... 17
         1.7.7.6 Consider Claims for Equitable Relief ..................... 17
      1.7.8 Whether to Allege Multiple Claims ............................ 18
         1.7.8.1 In general .................................... 18
         1.7.8.2 Manageability .................................... 18
         1.7.8.3 Some Risks of Omitting Claims .................... 19
      1.7.9 Competing Lawsuits ..................................... 19
   1.8 Selecting Parties to Name As Defendants ....................... 20
      1.8.1 Importance of Investigating Potential Defendants Before Filing an Action ........ 20
Chapter 2

Forum Selection ........................................ 27
2.1 Considerations in Choosing Federal or State Court ................. 27
2.2 Federal Question Jurisdiction ................................ 28
2.3 Ordinary Federal Diversity Jurisdiction in Class Actions Not Governed by the CAFA .... 29
2.3.1 Introduction ........................................... 29
2.3.2 Complete Diversity of Citizenship ................................ 29
2.3.3 Amount in Controversy .................................... 30
2.3.3.1 Not Every Class Member Must Have $75,000 in Controversy .................. 30
2.3.3.2 The Non-Aggregation Rule .................................. 30
2.3.3.3 The Common Fund Exception ................................. 31
2.3.3.4 General Rules of Computation ................................ 31
2.3.3.5 Punitive Damages ........................................ 31
2.3.3.6 Treble or Multiple Damages .................................. 31
2.3.3.7 Attorney Fees ........................................... 31
2.3.3.8 Injunctive Relief and Disgorgement .......................... 32
2.4 Federal Diversity Jurisdiction and Removal Under the Class Action Fairness Act of 2005 (CAFA) ........................................ 33
2.4.1 Introduction ........................................... 33
2.4.2 Prerequisites of CAFA Jurisdiction ............................. 33
2.4.2.1 Class Allegations and Effect of Denial of Class Certification ................. 33
2.4.2.2 Class Size ............................................ 34
2.4.2.3 Minimal Diversity ........................................ 34
2.4.2.4 Amount in Controversy .................................... 35
2.4.2.5 Effective Date .......................................... 35
2.4.3 Exceptions to CAFA Jurisdiction ................................ 36
2.4.3.1 State Defendants ........................................ 36
2.4.3.2 Shareholder Derivative Suits ................................ 36
2.4.3.3 Cases with a Close Nexus to the Forum State ......................... 37
2.4.3.3.1 Introduction .......................................... 37
2.4.3.3.2 Citizenship of class members .......................... 37
2.4.3.3.3 Local controversy exception .......................... 38
2.4.3.3.4 Home state exception ................................ 39
2.4.3.4 When Court Has Discretion to Decline Jurisdiction ......................... 40
2.4.4 Removal and Remand Under CAFA .............................. 41
2.4.4.1 Any Defendant May Remove a Case ......................... 41
2.4.4.2 Time Limits for Removal .................................. 41
2.4.4.3 Removal of “Mass Actions” ................................ 42
2.4.4.4 Parens Patriae Enforcement Suits by the State .......................... 43
2.4.4.5 Remand and Appeal of Orders Granting or Denying Remand ............... 44
2.4.4.6 Attorney Fees and Costs for Wrongful Removal .......................... 45
2.5 Burdens of Proof for Diversity Jurisdiction .......................... 45
2.5.1 Establishing the Amount in Controversy .......................... 45
2.5.1.1 Filing in Federal Court .................................... 45
2.5.1.2 Establishing the Amount in Controversy for Removal Purposes ............. 46
| Chapter 10 | Class Certification | 155 |
| Chapter 9 | Representing the Named Plaintiff at Deposition | 145 |
| | General | 145 |
| | Preparing the Named Plaintiff | 146 |
| | Explaining the Deposition Process to the Named Plaintiff | 146 |
| | General Information on the Process | 146 |
| | Advice on Answering Questions | 146 |
| | When Class Counsel Objects to a Question | 147 |
| | Demeanor and Conduct | 148 |
| | Background Questions | 148 |
| | Named Plaintiff’s Familiarity with the Complaint | 148 |
| | History of Legal Representation | 149 |
| | The Named Plaintiff’s Ability to Represent the Class | 149 |
| | Mock Deposition of the Plaintiff | 150 |
| | Objecting to Improper Questions at the Deposition | 150 |
| | General | 150 |
| | Objections Concerning Attorney-Client Privilege | 151 |
| | Examples of Objectionable Questions Impinging upon the Attorney-Client Privilege | 152 |
| | Other Types of Objections | 152 |
| | Named Plaintiff’s Financial Responsibility for Costs | 152 |
| | Tactical Decisions | 153 |
| | Using Named Plaintiff’s Deposition Testimony at Class Certification | 153 |
| | Chapter 8 | Defendant’s Resistance to Plaintiff’s Discovery Efforts | 134 |
| | Discovery by Defendant | 139 |
| | Discovery to Harass Class Representatives or Members | 139 |
| | Discovery of Class Representatives | 141 |
| | Discovery from Class Members | 141 |
| | Discovery of Plaintiff’s Fee Agreement | 142 |
| | Chapter 7 | Compelling Discovery Responses | 139 |
| | Chapter 6 | Discovery by Plaintiff | 134 |
| | Discovery Directed to Class Certification | 121 |
| | Discovery Directed to Proving Numerosity | 127 |
| | Discovery Directed to Proving Common Issues | 128 |
| | Discovery Directed to Identification of Class Members | 125 |
| | Discovery Directed to Proving Common Issues | 128 |
| | Discovery Directed to Identification of Class Members | 125 |
| | Discovery Directed to Proving Numerosity | 127 |
| | Discovery Directed to Identification of Class Members | 125 |
| | Discovery Directed to Proving Common Issues | 128 |
| | Discovery Directed to Proving Numerosity | 127 |
| | Discovery Directed to Proving Common Issues | 128 |
| | Discovery Directed to Identification of Class Members | 125 |
| | Discovery Directed to Proving Common Issues | 128 |
| | Discovery Directed to Identification of Class Members | 125 |
| | Discovery Directed to Proving Common Issues | 128 |
Consumer Class Actions

10.2 Interaction of Rigorous Analysis, Burden of Proof, and Merits Consideration ..................156
10.3 Rule 23(a) Preconditions for All Types of Class Actions .................................................160
  10.3.1 Numerosity and Impracticability of Joinder—Rule 23(a)(1) ........................................160
  10.3.2 Commonality—Rule 23(a)(2) ...........................................................................161
  10.3.3 Typicality—Rule 23(a)(3) ...........................................................................164
    10.3.3.1 General ...................................................................................164
    10.3.3.2 Standing Issues ........................................................................166
      10.3.3.2.1 General ...........................................................................166
      10.3.3.2.2 Standing of the named plaintiff ...........................................167
      10.3.3.2.3 Standing to assert different claims .......................................168
      10.3.3.2.4 Standing to sue multiple defendants ....................................168
    10.3.3.3 Unique Defenses ........................................................................168
    10.3.3.4 Typicality and the Relief Sought by Plaintiff .......................................169
    10.3.3.5 Options When Typicality Is Problematic ........................................169
  10.3.4 Adequacy of Representation—Rule 23(a)(4) .................................................................170
    10.3.4.1 Introduction ...........................................................................170
    10.3.4.2 Adequacy of Class Counsel .......................................................170
    10.3.4.3 Class Representative’s Interests Must Be Both Similar to and Not Antagonistic to Other Class Members’ Interests .................................................................171
    10.3.4.4 Plaintiff’s Ability to Pay Litigation Costs .......................................175
    10.3.4.5 Plaintiff’s Credibility and Moral Character .....................................176
    10.3.4.6 Plaintiff’s Understanding of the Class Action Process and Claims ..........177
    10.3.4.7 Plaintiff’s Lack of Control over the Litigation ..................................179
    10.3.4.8 Substitution of Class Representatives ...........................................179
    10.3.4.9 Subclasses ................................................................................180
  10.4 Rule 23(b)(1) Certification .........................................................................................180
    10.4.1 Introduction ................................................................................180
    10.4.2 Certification under Rule 23(b)(1)(A) .........................................................180
    10.4.3 Certification Under Rule 23(b)(1)(B) ............................................................181
  10.5 Rule 23(b)(2) Certification .............................................................................................182
    10.5.1 Relative Advantages of 23(b)(2) Versus 23(b)(3) Class Actions .........................182
    10.5.2 General Standards for 23(b)(2) Class Actions ..................................................183
      10.5.2.1 Introduction ...........................................................................183
      10.5.2.2 Acting or Refusing to Act on Grounds Generally Applicable to the Class .183
      10.5.2.3 Final Injunctive Relief ...............................................................184
      10.5.2.4 Corresponding Declaratory Relief .............................................185
    10.5.3 Is Monetary Relief Available Under Rule 23(b)(2)? .............................................186
      10.5.3.1 Introduction and History ............................................................186
      10.5.3.2 The Impact of Wal- Mart Stores, Inc. v. Dukes ................................187
    10.5.4 Innovative Uses of Rule 23(b)(2) .................................................................189
      10.5.4.1 Introduction ...........................................................................189
      10.5.4.2 23(b)(2) Certification with Court Ordered Notice and Opt-Out ..........189
      10.5.4.3 Hybrid Certification ....................................................................190
      10.5.4.4 Sequential Certification ..............................................................190
      10.5.4.5 Partial Certification ....................................................................191
  10.6 Rule 23(b)(3) Certification .............................................................................................192
    10.6.1 Text of Federal Rule of Civil Procedure 23(b)(3) .................................................192
    10.6.2 Superiority and Manageability ..............................................................................192
      10.6.2.1 General ...................................................................................192
      10.6.2.2 Management Problems Dealing with Defendant’s Counterclaims ..........195
      10.6.2.3 Problem of Individual Recoveries Being Small ..................................196
      10.6.2.4 When Can Damages Be Aggregated in Lieu of Calculating Actual Damages for Each Class Member? .................................................................197
      10.6.2.5 Manageability of Choice-of-Law Issues ..........................................197
        10.6.2.5.1 General ...........................................................................197
### 10.6.2.5.2 Manageability when the law is substantially uniform among the states

*Page 200*

### 10.6.2.5.3 Applying the law of the state where the defendant resides

*Page 201*

### 10.6.2.5.4 Subclasses as a means of dealing with differences in law

*Page 202*

### 10.6.2.6 Problem of Potentially Annihilating Damages Arising from the Aggregation of Small Individual Recoveries

*Page 203*

### 10.6.3 Predominance

*Page 203*

#### 10.6.3.1 General

*Page 203*

#### 10.6.3.2 Claims Based on Standard Forms

*Page 208*

#### 10.6.3.3 Misrepresentation, Deception, and Fraud: The Question of Reliance

*Page 210*

#### 10.6.3.4 When a Statute Requires Proof of Consumer Status

*Page 216*

#### 10.6.3.5 Warranty-Type Claims

*Page 216*

#### 10.6.3.6 Individual Questions of Injury or Damages

*Page 217*

#### 10.6.3.7 The Problem of Affirmative Defenses

*Page 220*

### 10.7 Issue Classes Under Rule 23(c)(4)

*Page 221*

#### 10.7.1 History of Rule 23(c)(4)

*Page 221*

#### 10.7.2 The Relationship Between Subsection (c)(4) and the Predominance Requirement of Subsection (b)(3) of Rule 23

*Page 222*

##### 10.7.2.1 Introduction

*Page 222*

##### 10.7.2.2 The Fifth Circuit Rule

*Page 222*

##### 10.7.2.3 The Second Circuit and Ninth Circuit Rule

*Page 223*

##### 10.7.2.4 The Third Circuit Rule

*Page 224*

#### 10.7.3 The Impact of the Supreme Court’s Decision in *Wal-Mart Stores, Inc. v. Dukes* on Issue Class Certification Under Rule 23(c)(4)

*Page 224*

### 10.8 Decertification Motions

*Page 225*

### Chapter 11 The Class Motion and Briefs

*Page 227*

#### 11.1 Motions for Class Certification

*Page 227*

##### 11.1.1 Filing the Class Motion at an Early Practicable Time

*Page 227*

##### 11.1.2 Relationship Between the Statute of Limitations and Class Certification

*Page 227*

##### 11.1.3 Drafting the Class Motion and Brief

*Page 231*

##### 11.1.4 Class Certification Hearings

*Page 232*

##### 11.1.5 Relationship of Motions to Dismiss and for Summary Judgment to Class Certification Motion

*Page 236*

#### 11.2 Stipulation of Certification

*Page 237*

#### 11.3 Effect of Settlement Certification on Certification in Subsequent Litigation

*Page 238*

#### 11.4 Collateral Estoppel Effect of Denial of Certification

*Page 238*

#### 11.5 Decertification and Reconsideration Motions

*Page 239*

### Chapter 12 Appeals of Certification Rulings

*Page 241*

#### 12.1 General

*Page 241*

#### 12.2 Interlocutory Appeals Under Rule 23(f) Generally

*Page 241*

#### 12.3 Circuit Standards for Exercising Discretionary Appellate Review Under Rule 23(f)

*Page 243*

##### 12.3.1 Introduction

*Page 243*

##### 12.3.2 First Circuit Standards

*Page 243*

##### 12.3.3 Second Circuit Standards

*Page 244*

##### 12.3.4 Third Circuit Standards

*Page 245*

##### 12.3.5 Fourth Circuit Standards

*Page 245*

##### 12.3.6 Fifth Circuit Standards

*Page 246*

##### 12.3.7 Sixth Circuit Standards

*Page 246*

##### 12.3.8 Seventh Circuit Standards

*Page 247*

##### 12.3.9 Eighth Circuit Standards

*Page 247*

##### 12.3.10 Ninth Circuit Standards

*Page 248*

##### 12.3.11 Tenth Circuit Standards

*Page 248*
Chapter 15  
The Court Settlement Approval Process  

15.1  
15.1.1  
15.1.2  
14.7.3.2  
14.7.3.3  
14.7.3.4  
14.7.3.5  
14.7.4  
14.7.5  
14.7.6  
14.7.7  
14.7.8  
14.7.9  
14.7.10  
14.7.11  
14.7.12  
14.7.13  
14.7.14  
14.7.15  
14.8  
14.9  
14.10  
14.11  
14.12  

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.7.3.2</td>
<td>Is the Relief Obtained Taxable?</td>
<td>273</td>
</tr>
<tr>
<td>14.7.3.3</td>
<td>Allocation Between Taxable and Non-Taxable Portions</td>
<td>274</td>
</tr>
<tr>
<td>14.7.3.4</td>
<td>Recovery of Damages</td>
<td>274</td>
</tr>
<tr>
<td>14.7.3.4.1</td>
<td>Reimbursement for diminished value of purchase</td>
<td>274</td>
</tr>
<tr>
<td>14.7.3.4.2</td>
<td>Statutory, minimum, and multiple damages</td>
<td>274</td>
</tr>
<tr>
<td>14.7.3.4.3</td>
<td>Damages emanating from physical injury</td>
<td>274</td>
</tr>
<tr>
<td>14.7.3.5</td>
<td>Forgiveness of Indebtedness</td>
<td>275</td>
</tr>
<tr>
<td>14.7.3.5.1</td>
<td>The general rule</td>
<td>275</td>
</tr>
<tr>
<td>14.7.3.5.2</td>
<td>Exception for bankruptcy</td>
<td>275</td>
</tr>
<tr>
<td>14.7.3.5.3</td>
<td>Exception for insolvency</td>
<td>275</td>
</tr>
<tr>
<td>14.7.3.5.4</td>
<td>Exception for forgiveness of disputed debts</td>
<td>276</td>
</tr>
<tr>
<td>14.7.3.5.5</td>
<td>Exception for operation of law</td>
<td>276</td>
</tr>
<tr>
<td>14.7.3.5.6</td>
<td>Form 1099-C, evidencing debt cancellation</td>
<td>276</td>
</tr>
<tr>
<td>14.7.4</td>
<td>Class Settlement Fund Versus Fixed Individual Recoveries</td>
<td>277</td>
</tr>
<tr>
<td>14.7.5</td>
<td>Prohibition on Geographic Discrimination</td>
<td>277</td>
</tr>
<tr>
<td>14.7.6</td>
<td>Distribution of Benefits</td>
<td>278</td>
</tr>
<tr>
<td>14.7.7</td>
<td>The Named Plaintiff’s Individual Recovery</td>
<td>279</td>
</tr>
<tr>
<td>14.7.8</td>
<td>Administrative Aspects of Settlement</td>
<td>281</td>
</tr>
<tr>
<td>14.7.9</td>
<td>Reimbursement of the Class’s Expenses</td>
<td>281</td>
</tr>
<tr>
<td>14.7.10</td>
<td>Release of Claims</td>
<td>282</td>
</tr>
<tr>
<td>14.7.10.1</td>
<td>General</td>
<td>282</td>
</tr>
<tr>
<td>14.7.10.2</td>
<td>NACA Consumer Class Action Guidelines on Class Member Releases</td>
<td>284</td>
</tr>
<tr>
<td>14.7.10.3</td>
<td>Specific Releases to Avoid</td>
<td>285</td>
</tr>
<tr>
<td>14.7.10.4</td>
<td>Releases Involving Homes</td>
<td>285</td>
</tr>
<tr>
<td>14.7.11</td>
<td>Second Right to Opt Out</td>
<td>286</td>
</tr>
<tr>
<td>14.7.12</td>
<td>Blow Provisions</td>
<td>286</td>
</tr>
<tr>
<td>14.7.13</td>
<td>Agreements Not to Represent and to Limit Use of Information</td>
<td>286</td>
</tr>
<tr>
<td>14.7.14</td>
<td>Non- Publicity Clauses</td>
<td>286</td>
</tr>
<tr>
<td>14.7.15</td>
<td>Defendants Required to Notify Government Officials Promptly</td>
<td>287</td>
</tr>
<tr>
<td>14.8</td>
<td>Coupon, Certificate, or “Scrip” Settlements</td>
<td>287</td>
</tr>
<tr>
<td>14.8.1</td>
<td>General</td>
<td>287</td>
</tr>
<tr>
<td>14.8.2</td>
<td>Likelihood That Coupons Will Be Redeemed</td>
<td>291</td>
</tr>
<tr>
<td>14.8.3</td>
<td>Value of Coupons If Redeemed</td>
<td>292</td>
</tr>
<tr>
<td>14.8.4</td>
<td>Attorney Fees in Coupon Settlements</td>
<td>293</td>
</tr>
<tr>
<td>14.9.1</td>
<td>Court Options When All or Part of a Recovery Cannot Be Paid Directly to Class Members</td>
<td>295</td>
</tr>
<tr>
<td>14.9.2</td>
<td>Cy Pres Provisions Should Be Standard in Most Class Action Settlements</td>
<td>296</td>
</tr>
<tr>
<td>14.9.3</td>
<td>Relationship of Cy Pres Recipient to the Class</td>
<td>298</td>
</tr>
<tr>
<td>14.9.4</td>
<td>Procedure for Selecting Cy Pres Recipients</td>
<td>300</td>
</tr>
<tr>
<td>14.9.5</td>
<td>Responsibilities of Cy Pres Recipients</td>
<td>301</td>
</tr>
<tr>
<td>14.9.6</td>
<td>Attorney Fees and the Value of Cy Pres Awards</td>
<td>301</td>
</tr>
<tr>
<td>14.9.7</td>
<td>Checklist in Seeking Approval of a Settlement with a Cy Pres Award</td>
<td>302</td>
</tr>
<tr>
<td>14.10</td>
<td>Negotiating Attorney Fees</td>
<td>302</td>
</tr>
<tr>
<td>14.10.1</td>
<td>Separate Negotiation of Fees</td>
<td>302</td>
</tr>
<tr>
<td>14.10.2</td>
<td>Lump Sum Offers</td>
<td>303</td>
</tr>
<tr>
<td>14.10.3</td>
<td>Method of Determining Fees</td>
<td>304</td>
</tr>
<tr>
<td>14.10.4</td>
<td>Quick Pay Provision</td>
<td>304</td>
</tr>
<tr>
<td>14.10.5</td>
<td>Fees for Post-Settlement Work</td>
<td>304</td>
</tr>
<tr>
<td>14.11</td>
<td>Checklist for Administrative Aspects of the Settlement</td>
<td>305</td>
</tr>
<tr>
<td>14.12</td>
<td>Drafting the Proposed Settlement and Related Documents</td>
<td>305</td>
</tr>
</tbody>
</table>

The Court Settlement Approval Process

15.1 Filing the Proposed Settlement with the Court

15.1.1 Overview

15.1.2 “Preliminary Approval” of Settlement
Consumer Class Actions

15.2 Standard for Approval of Class Action Settlements

15.2.1 Introduction
15.2.2 First Circuit
15.2.3 Second Circuit
15.2.4 Third Circuit
15.2.5 Fourth Circuit
15.2.6 Fifth Circuit
15.2.7 Sixth Circuit
15.2.8 Seventh Circuit
15.2.9 Eighth Circuit
15.2.10 Ninth Circuit
15.2.11 Tenth Circuit
15.2.12 Eleventh Circuit
15.2.13 District of Columbia Circuit
15.2.14 Federal Circuit

15.3 The Final Approval Motion

15.4 The Fairness Hearing

15.5 Objections to Settlement

15.5.1 Introduction
15.5.2 Non-Settling Defendants Usually Cannot Object to Settlement
15.5.3 Non-Class Members Usually Cannot Object to Settlement
15.5.4 Objection Must Relate to Interest of Class Member
15.5.5 Class Counsel Can Advise Class Members of the Right to Object
15.5.6 Attorneys Not Representing the Class Also Can Advise Class Members About a Settlement
15.5.7 Restrictions on Communication Regarding Objections and Opt-Outs
15.5.8 Basic Grounds for Objection
15.5.9 How to Object

Objectors and Intervention

15.5.10 Court Evaluation of Objections
15.5.11 Withdrawal of Objections
15.5.12 Attorney Fees for Objectors
15.5.13 Appeals by Objectors

15.5.13.1 When Can an Objector Appeal?
15.5.13.2 Objector’s Appeal Bond Requirements
15.5.13.3 Standard of Review on Appeal

Chapter 16 Claims Administration and Distribution of Benefits

16.1 General
16.2 Recording Class Members’ Responses to the Notice
16.3 Responding to Class Members’ Telephone Inquiries
16.4 Settlement Websites
16.5 Problems with Opt-Outs or Claims
16.6 The Class Fund and Distribution of Benefits

16.6.1 Defendant’s Payment of the Settlement Fund
16.6.2 Qualified Settlement Funds

16.6.2.1 Introduction
16.6.2.2 Definition of a QSF
16.6.2.3 Timing of the Deduction for the Transferor
16.6.2.4 Income Taxation of a QSF

16.6.2.5 Reporting and Withholding Obligations of a QSF; Taxation of Distributions to Claimants
### Contents

16.6.3 Preparing the Final Class List for Distribution of Benefits ........................................ 333
16.6.4 Sending Payments to Class Members ........................................................................ 333
16.6.5 Dealing with Undeliverable Checks ......................................................................... 334

Chapter 17  
The Class Action Trial ................................................................. 335
17.1 Introduction ................................................................................. 335
17.2 Structure of the Trial ................................................................. 335
   17.2.1 General .............................................................................. 335
   17.2.2 Preparing for Trial As Early As Possible ............................................. 335
   17.2.3 Litigation Plan ........................................................................... 335
   17.2.4 Trial by Jury .............................................................................. 336
   17.2.5 Liability and Damages in One Trial .................................................... 336
   17.2.6 Bifurcation of Liability and Damages .................................................. 336
   17.2.7 Innovative Trial Structures ............................................................. 337
17.3 Proof of Liability ......................................................................... 337
   17.3.1 General ................................................................................... 337
   17.3.2 Proof Through Class Representatives ............................................... 337
   17.3.3 Proof Through Class Members ......................................................... 337
   17.3.4 Proof Through Defendant’s 30(b)(6) Representative or High Level Executive 338
   17.3.5 Proof Through Experts ..................................................................... 338
17.4 Proof of Damages ......................................................................... 338
   17.4.1 Introduction ................................................................................. 338
   17.4.2 Standards of Proof ......................................................................... 338
   17.4.3 Class- Wide Proof by Use of a Formula ............................................... 339
   17.4.4 Class- Wide Proof by Calculation of an Aggregate Sum ...................... 339
   17.4.5 Class- Wide Proof by Sampling and Extrapolation .............................. 339
   17.4.6 Determination of Individual Damages ............................................... 339
      17.4.6.1 General ................................................................................. 339
      17.4.6.2 Individual Hearings After Resolution of Common Issues .............. 340
      17.4.6.3 Determination of Standard for Reprocessing ............................... 340
      17.4.6.4 Determination Based on Defendant’s Records ............................. 340
17.5 Jury Instructions, Interrogatories, and Special Verdicts ................................. 341
   17.5.1 General ................................................................................... 341
   17.5.2 Jury Instructions ............................................................................ 341
   17.5.3 Use of Special Interrogatories and Special Verdicts to the Jury ............... 341
17.6 Trial of Individual Counterclaims Against Class Members ....................... 342

Chapter 18  
Res Judicata and Collateral Estoppel ............................................. 343
18.1 Res Judicata Effect of a Class Action Judgment .......................................... 343
   18.1.1 General ................................................................................... 343
   18.1.2 No Res Judicata Without Adequate Representation .......................... 343
   18.1.3 No Res Judicata Without Proper Notice and Opportunity to Opt Out 345
      18.1.3.1 To Bind Class Members, Notice Must Be Sufficiently Informative and Be Disseminated in a Reasonable Manner ......................................................... 345
      18.1.3.2 Opting Out Avoids Res Judicata Bar ........................................... 346
   18.1.4 Res Judicata Bar Limited to Subsequent Assertion of the Same “Cause Of Action” 346
   18.1.5 Effect of a Class Action Judgment on an Individual’s Uncertified Claims That Theoretically Could Have Been Brought in a Prior Class Action ......................... 347
   18.1.6 Framing the Certification Motion and Notice to Avoid Over-Broad Res Judicata 348
18.2 Collateral Estoppel in the Class Action Context ......................................... 348
   18.2.1 General ................................................................................... 348
   18.2.2 Collateral Estoppel As to Class Members ........................................... 348
   18.2.3 Collateral Estoppel As to Class Defendant ......................................... 349
Consumer Class Actions

Chapter 19

Attorney Fees ......................................................... 351
19.1 Sources of Attorney Fees in Consumer Class Actions ........................................ 351
19.1.1 General .......................................................... 351
19.1.2 Common Fund and Common Benefit Doctrines ............................................. 351
19.2 Statutory Attorney Fees ................................................. 352
19.2.1 General .......................................................... 352
19.2.2 Statutory Fees in Cases Resolved Without a Judgment and in Consent Decrees .......... 354
19.2.2.1 The Buckhannon Decision .............................................. 354
19.2.2.2 State Courts Do Not Uniformly Follow Buckhannon .................................. 355
19.3 How to Compute Fees That Are Based on a Common Fund ...................................... 355
19.3.1 General Considerations .................................................. 355
19.3.2 Choice of Law When the Court Has Diversity or Supplemental Jurisdiction ................. 356
19.3.3 The Two Competing Common Fund Methods: Percentage of Fund Versus Lodestar ....... 356
19.3.4 Weight of Current Authority Prefers the Percentage-of-Fund Approach ................... 358
19.3.5 How to Compute a Percentage of the Recovery Award ...................................... 363
19.3.5.1 Establishing the Percentage ............................................... 363
19.3.5.2 Establishing the Value of the Fund ........................................... 365
19.3.5.2.1 In-kind services as part of the fund ...................................... 365
19.3.5.2.2 When statutory attorney fees are added to the common fund ....................... 365
19.3.5.2.3 When coupons are part of the settlement ....................................... 365
19.3.5.2.4 Cancellation of debt as part of the settlement .................................... 366
19.3.5.2.5 Value of equitable relief ..................................................... 366
19.3.5.2.6 Effect of amounts not paid to class members ..................................... 367
19.3.5.2.7 In computing the fund’s value, should costs be first deducted? ..................... 368
19.3.5.2.8 Interest on the fund ......................................................... 368
19.3.6 How to Use the Lodestar Method to Compute Common Fund Recoveries .................. 368
19.3.6.1 Continued Importance of Lodestar Calculations for Common Fund Cases .............. 368
19.3.6.2 The Hourly Rate ............................................................ 369
19.3.6.3 Compensable Time .......................................................... 370
19.3.6.4 Time Records ............................................................... 372
19.3.6.5 Lodestar Multipliers in Common Fund Recoveries ................................... 373
19.4 When and How to Apply for Fees ................................................... 374
19.4.1 General ............................................................. 374
19.4.2 Approval of Negotiated Fee and Notice to the Class .................................... 374
19.5 Division of Fees Among Co-Counsel .................................................. 376
19.5.1 General ............................................................. 376
19.5.2 Disclosure of the Fee Agreement to the Court ........................................... 376
19.6 Tax Consequences of Attorney Fees ..................................................... 377
19.6.1 Introduction ......................................................... 377
19.6.2 Why the Concern? .................................................... 378
19.6.3 IRS Ruling Indicates Fees Are Not Necessarily Income to Class Members in Opt-Out Classes .................................................. 379
19.6.4 Taxability of Certain Common Fund Attorney Fees ..................................... 380
19.6.5 Taxability of Statutory Attorney Fees ........................................ 380
19.6.5.1 General ................................................................. 380
19.6.5.2 No Tax Is Owed on Fees in “Civil Rights” Cases, Including Some Consumer Claims ...................................................... 381
19.6.6 Generally Minimal Tax Implications If Tax Liability Distributed on a Pro Rata Basis to the Whole Class .................................................. 381

Appendix A  Federal Rule of Civil Procedure 23 and Advisory Committee Notes .................... 383

Appendix B  Federal Class Action Legislation ................................................................. 397
Contents

Appendix C        Survey of State Class Action Law— 2015– 2016 .................................................. 403
Appendix D        NACA Class Action Guidelines—299 F.R.D. 160 ..................................................... 679
Appendix E        Sample Agreements with Named Plaintiffs, Co-Counsel ............................................ 707
                  E.1  Sample Retainer Agreement ....................................................................................... 707
                  E.2  Named Plaintiff’s Statement of Duty to the Class ............................................................ 708
                  E.3  Sample Co-Counsel Agreement ..................................................................................... 709
Appendix F        Consumer Class Action Web Addresses ................................................................. 713

Index ............................................................................................................................................... 715