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16	SUPERIOR COURT OF TH	IE STATE OF CALIFORNIA
17	FOR THE COUNTY	Y OF LOS ANGELES
1/1		
18	KYNDAL CHRISTOFFERSON, NATALIE	) Case No. 19STCV11000
18 19	KYNDAL CHRISTOFFERSON, NATALIE GERACE, AND ERIN RATELLE, individually and on behalf of all others similarly situated,	) ) <b>PLAINTIFFS' NOTICE OF MOTION</b>
18 19 20	GERACE, AND ERIN RATELLE, individually	<ul> <li>) PLAINTIFFS' NOTICE OF MOTION</li> <li>) AND MOTION FOR FINAL APPROVAL</li> <li>) OF CLASS ACTION SETTLEMENT;</li> </ul>
18 19 20 21	GERACE, AND ERIN RATELLE, individually and on behalf of all others similarly situated, Plaintiffs,	<ul> <li>)</li> <li>PLAINTIFFS' NOTICE OF MOTION</li> <li>)</li> <li>AND MOTION FOR FINAL APPROVAL</li> </ul>
18 19 20	GERACE, AND ERIN RATELLE, individually and on behalf of all others similarly situated, Plaintiffs, v.	<ul> <li>) PLAINTIFFS' NOTICE OF MOTION</li> <li>) AND MOTION FOR FINAL APPROVAL</li> <li>) OF CLASS ACTION SETTLEMENT;</li> <li>) MEMORANDUM OF POINTS AND</li> </ul>
18 19 20 21	GERACE, AND ERIN RATELLE, individually and on behalf of all others similarly situated, Plaintiffs,	<ul> <li>) PLAINTIFFS' NOTICE OF MOTION</li> <li>) AND MOTION FOR FINAL APPROVAL</li> <li>) OF CLASS ACTION SETTLEMENT;</li> <li>) MEMORANDUM OF POINTS AND</li> <li>) AUTHORITIES</li> <li>)</li> <li>) DATE: June 24, 2021</li> <li>) TIME: 9:00 a.m.</li> </ul>
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#### TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

**PLEASE TAKE NOTICE** that on June 24, 2021 at 9:00 a.m., or as soon thereafter as the matter may be heard, in Department 6 of the Superior Court of California, County of Los Angeles, located at 312 North Spring Street, Los Angeles, California 90012, Plaintiffs Kyndal Christofferson, Natalie Gerace, and Erin Ratelle (collectively, "Plaintiffs") will move and do hereby move this Court, pursuant to California Rules of Court, rule 3.769, *et seq.*, and California Code of Civil Procedure, section 382, for an order finally approving the proposed settlement of this action and entering the Final Approval Order and Judgment. Specifically, Plaintiffs seek a final order and judgment that, *inter alia*: (i) finally approves the proposed Settlement; (ii) certifies the Settlement Class; and (iii) finds that the Class Notice constituted the best practicable notice and was provided in accordance with the Court's March 8, 2021 Order Granting Plaintiffs' Motion for Preliminary Approval of Class Action Settlement ("Preliminary Approval Order") and the terms of the Settlement.<sup>1</sup>

This Motion is made on the grounds that the proposed Settlement is fair, reasonable and adequate and that Class Notice has been provided in compliance with the Court's Preliminary Approval Order and the terms of the Settlement.

This motion is based upon: this Notice of Motion and Motion; the accompanying Memorandum of Points and Authorities; the Joint Declaration of Rachele R. Byrd, Benjamin F. Johns and Tina Wolfson ("Joint Decl."); the Declaration of Julie N. Green on Behalf of CPT Group, Inc., Regarding Compliance With the Court Approved Notice Program ("Green Decl."); the individual Declarations of Plaintiffs Kyndal Christofferson ("Christofferson Decl."), Natalie Gerace ("Gerace Decl."), and Erin Ratelle ("Ratelle Decl."); all files and records in this action; and any argument and evidence which the Court may consider.

DATED: May 7, 2021

By:

achele K. Blpc

RACHELE R. BYRD byrd@whafh.com

<sup>1</sup> The "Settlement" is the First Amended Settlement Agreement and Release filed January 15, 2021 as Exhibit 1 to the Joint Declaration of Counsel for Plaintiffs in Support of Unopposed Motion for an Order Preliminarily Approving Class Action Settlement, Directing Notice and Setting Final Approval Hearing, filed January 15, 2021 ("Preliminary Approval Decl."), Ex. 1.

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#### **MEMORANDUM OF POINTS AND AUTHORITIES**

#### I. INTRODUCTION

On March 8, 2021, this Court granted preliminary approval of the proposed Settlement<sup>2</sup> that would resolve this litigation. The Court provisionally certified the proposed class pursuant to the California Rules of Court ("CRC") 3.769(c)-(f) for settlement purposes, preliminarily approved the Settlement terms as fair, reasonable and adequate, directed notice to the class, and scheduled a final approval hearing for June 24, 2021. Pursuant to CRC 3.769(a)-(b) and (g)-(h), Plaintiffs now submit this memorandum in support of final approval of the Settlement.

The Settlement is fair, reasonable, and adequate and represents a substantial recovery for the Class. Providing for a \$950,000 Settlement Fund, the Settlement delivers considerable relief to the Settlement Class. Despite the strength of Plaintiffs' claims, the Settlement Class would otherwise continue to face significant litigation risk in the form of opposition to class certification, motions for summary judgment, protracted fact and expert discovery, trial and potential appeals.

As a product of arms' length negotiations between experienced and informed counsel, the Settlement was reached after more than a year-and-a-half of litigation including considerable discovery. The Settlement terms, notice to the class, and the claims process were negotiated to meet the Los Angeles Superior Court's Checklists for preliminary and final approval of class action settlements.<sup>3</sup>

The Parties have complied with the Court's Preliminary Approval Order and the reaction of the Class has been overwhelmingly positive. While objections and opt outs are not due until May 24, 2021, as of the filing of this motion, in response to 57,020 direct Summary Notice emails, a print publication campaign, an internet campaign, a press release, a website, and a toll-free number, no one

<sup>&</sup>lt;sup>2</sup> Unless otherwise noted, capitalized terms have the meaning ascribed to them in the First Amended Settlement Agreement.

<sup>3</sup> See LOS ANGELES SUPERIOR COURT, COMPLEX CIVIL DEPARTMENT, Checklist for Preliminary Approval Class Action **Settlements** (Aug. 2020). of http://www.lacourt.org/division/civil/pdf/PreliminaryApprovalofClassActionSettlement.pdf (last visited May 6, 2021); Los Angeles Superior Court, Complex Civil Department, Checklist for Final Approval Action Settlements 2015 of Class (Mar. 25. http://www.lacourt.org/division/civil/pdf/FinalApprovalofClassActionSettlement.pdf (last visited May 6, 2021).

has objected to the Settlement and only one person has opted out.

A set forth herein, Plaintiffs respectfully request that the Court finally approve the Settlement.

### II. BACKGROUND

Inasmuch as the background of this action has been detailed in Plaintiffs' motion for preliminary approval, Plaintiffs set forth a summary of the case only to the extent relevant to the instant motion.

### A. Plaintiffs' Allegations and Claims

This litigation arose out of allegations of a Security Incident where Creation failed to implement or maintain adequate security measures to protect the confidential personal information entrusted to it by Creation's customers, which resulted in a data breach of Creation's systems from approximately February 1, 2018 through October 10, 2018. FAC, ¶¶ 1-12, 44-54.

### **B.** The Case Litigation and Settlement

The Settlement was reached after more than a year-and-a-half of work by the parties. *See* Joint Decl. at ¶¶ 13-15. Plaintiffs engaged in discovery practice, including propounding and responding to written discovery requests and producing responsive documents, which encompassed more than 7,000 pages documents from Creation pertaining to Settlement Class Members and the Security Incident. *Id.* ¶ 12. After devoting an additional year to negotiating the precise terms of the Settlement, the parties ultimately worked together to finalize and execute a Settlement Agreement, including its Plan of Allocation, claims procedures and documentation.

## C. Preliminary Approval

Plaintiffs filed their Preliminary Approval Motion on January 15, 2021. The parties attended the preliminary approval hearing on February 22, 2021, and submitted modified notice provisions at the Court's direction on March 1, 2021. The Court granted, as modified, Plaintiffs' motion for preliminary approval on March 8, 2021, which provisionally certified the nationwide Settlement Class and directed that notice be issued to class members pursuant to the Settlement.

III. TERMS OF THE SETTLEMENT

## A. The Settlement Fund

The Settlement provides for the creation of a Settlement Fund in the amount of \$950,000.00

for: (1) all payments to Settlement Class Members who submit valid claims; (2) costs of Claims Administration; (3) the Attorneys' Fees and Expenses Award, if any; and (4) the Representative Plaintiffs' Award, if any. Joint Declaration of Counsel for Plaintiffs in Support of Unopposed Motion for an Order Preliminarily Approving Class Action Settlement, Directing Notice and Setting Final Approval Hearing, filed January 15, 2021 ("Preliminary Approval Decl."), Ex. 1, ¶ 2.1.

The distribution plan ensures that all Class Members are eligible to readily receive payment from the Settlement Fund by submitting a claim for one of two types of Settlement Payments that will be paid from the Settlement Fund, either (i) a Basic Settlement Payment; or (ii) an Extraordinary Reimbursement Settlement Payment, as follows:

(i) Basic Settlement Payment - Class Members who submit a claim for a Basic Settlement Payment are eligible to receive \$200.00, regardless of whether they experienced any fraudulent or unauthorized charges on their credit or debit cards used to make purchases from Creation and regardless of whether they experienced any identity theft as a result of the Security Incident. If a Settlement Class Member experienced any fraudulent or unauthorized charges on his or her credit or debit card used to make a purchase from Creation, this Basic Settlement Payment includes expense reimbursement for: (a) lost time spent dealing with replacement card issues or having fraudulent charges reversed; (b) costs of credit reports, credit monitoring, and identity theft protection purchased between February 1, 2018 and April 19, 2019 (the "Unauthorized Charge Period"); and (c) other miscellaneous expenses (e.g., unreimbursed charges or fees from banks or credit card companies related to reissuance of cards, overdrafts, unavailability of funds, late payments; telephone/cell phone charges; postage; interest on payday loans related to card cancellation and replacement issues.) Preliminary Approval Decl., Ex. 1, ¶ 2.2.1.

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(ii) Extraordinary Reimbursement Settlement Payment - Class Members who submit a claim for an Extraordinary Reimbursement Settlement Payment with sufficient documentation who—
(a) during the Unauthorized Charge Period experienced one or more fraudulent or unauthorized charges that are claimed by the Class Member in good faith to be more likely than not caused by the Security Incident on a credit or debit card he or she used to make a purchase from Creation, which charges were not denied or reimbursed; (b) has made reasonable efforts to avoid or seek

reimbursement for his or her losses, including but not limited to exhaustion of all available credit monitoring insurance and identity theft insurance; and (c) submits an Approved Claim for an Extraordinary Reimbursement Settlement Payment-shall be eligible to receive reimbursement of up to \$10,000.00 for unreimbursed losses related to the Security Incident, including: (i) unreimbursed unauthorized charges during the Unauthorized Charge Period<sup>4</sup> on a credit or debit card used to make a purchase from Creation that more likely than not resulted from the Security Incident; (ii) over one hour and up to three hours of lost time spent dealing with unauthorized charges due to the Security Incident, at a rate of \$20.00 per hour, if such time can be documented with reasonable specificity by answering questions on the Claim Form; and (iii) out of pocket expenses. Id. at ¶ 2.2.2.

If, after the Claims Deadline has passed and the Attorneys' Fees and Expenses Award and the Representative Plaintiffs' Awards have been paid in full out of the Settlement Fund, the total dollar value of all Approved Claims is less than the amount remaining in the Settlement Fund, then the Claims Administrator shall increase the payment amount for all Approved Claims pro rata among all Class Members, up to a maximum of twice the total amounts set forth for the Basic or Extraordinary Reimbursement Settlement Payments set forth in the First Amended Settlement Agreement, *i.e.*, up to \$400.00 or \$20,000, respectively. Id. ¶¶ 7.3.1. If, however, the total dollar value of all Approved Claims at the payment rates set forth in the First Amended Settlement Agreement exceeds the amount remaining in the Settlement Fund, the payment amount for all Approved Claims shall be reduced *pro* rata among all Class Members who submitted Approved Claims. Id. ¶ 7.3.2.

The Claims Administrator will mail the Settlement Payment checks or electronically transfer funds for Approved Claims to Class Members within the later of 90 days after the Effective Date or 30 days after all disputed claims have been resolved. Id. ¶ 7.5. If there is any balance remaining in the Settlement Fund Account 90 days after the Claims Administrator completes the process for stopping payment on any Settlement Payment checks that remain uncashed, the Claims Administrator shall donate the balance of the Fund Account as a *cy pres* donation to Public Justice. *Id.* ¶ 7.6.

#### B. Value of Enhanced Security Measures

Further, Creation has implemented enhanced data security measures, valued at \$119,337.87,

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The "Unauthorized Charge Period" is February 1, 2018 through April 19, 2019. Preliminary Approval Decl., Ex. 1, ¶ 2.2.1.

designed to prevent another, similar security incident from occurring in the future. Joint Decl., ¶ 28.
These commitments will ensure the adequacy of Creation's data security practices, and will provide ongoing protection for any Settlement Class Members' information remaining on Creation's data systems, as well as providing protection for consumers in the future.

#### C. The Release is Narrowly Tailored to the Claims

The Release contained in the First Amended Settlement Agreement is narrowly tailored to provide that Plaintiffs and Class Members shall unconditionally release, relinquish and discharge Creation, and its past or present parents, subsidiaries, divisions, and all other Persons acting on Creation's behalf, from any claims that were asserted, or that could reasonably have been asserted, in the action based upon and/or arising out of the facts alleged in the operative Complaint, including, as to the Representative Plaintiffs, Unknown Claims that any of them do not know or suspect to exist at the time of the release. *See* Preliminary Approval Decl., ¶¶ 1.23, 1.24, 1.36, 8.1-8.3.

#### IV. NOTICE TO THE CLASS

The Court's order granting preliminary approval appointed CPT Group, Inc. ("CPT") to serve as the Settlement Administrator and to provide notice to the Settlement Class. As detailed in the Green Declaration CPT fully implemented Class Notice as directed in the Preliminary Approval Order to reach as many Settlement Class Members as possible and was extraordinarily robust. Settlement Class Members received notice in various ways, as detailed below.

A.

## Notice and Settlement Administration

### 1. Direct Notice by Email and First-Class Mail

CPT caused the approved Summary Notice to be emailed to 57,020 Settlement Class Members whose email addresses were furnished from Creation's records. Green Decl. ¶ 15. CPT reasonably determined that 3,066 email notices bounced and were undeliverable. *Id.*, ¶ 16. Therefore, CPT mailed Summary Notice postcards to those 3,066 Settlement Class Members to whom Email Notice 'bounced-back' and to those for whom an email address was not provided. *Id.*, ¶¶ 15, 16. In total, including direct email notice and postcard notice, Class Notice was successfully sent to 56,126 Settlement Class Members. *Id.* ¶ 16.

Moreover, once entered by the Court, the Final Order and Judgment will be posted on the

Settlement Website. Joint Decl., ¶ 38.

# 2. The Dedicated Settlement Website, Toll-Free Number, Press Releases and Publication Notice

CPT established and operates a dedicated Settlement Website ("Website"), www.CreationSettlement.com, as well as a dedicated toll-free number, 1-888-413-2867. *Id.*, ¶¶ 7, 9. These resources provide information about the Settlement and claims process to Settlement Class Members in real time and allows them to request access to the Claim Form and other documents. Posted on the Website for public viewing and download are the Long Form Notice, Summary Notice, Claim Form, First Amended Settlement Agreement, Preliminary Approval Order and accompanying joint declaration. *Id.* at ¶ 9. As of May 7, 2021, there have been 7,885 unique visitors to the Website, and over 34,000 web pages have been presented to visitors. *Id.* at ¶ 10.

Additionally, beginning on or about March 24, 2021, CPT caused the Summary Notice to be published in the *Los Angeles Times* Newspaper for 4 consecutive weeks, disseminated the press release to PR Newswire US1 National Newsline and PR Newswire's "Entertainment" Microslist, and implemented a 4-week digital advertising campaign. *Id.* at ¶¶ 12- 14.

Ultimately, CPT reached by email 94.6% of the class members for whom defendant provided an email address (based on emails sent versus returned as undeliverable) and reached by mail 99.5% of those class members for whom CPT mailed a summary notice postcard (based on postcards mailed versus undeliverable). To supplement direct notice, the notice plan sought to reach approximately 75% of the target audience (i.e., the Settlement Class) nationwide through digital internet banner advertisements, paid keyword search on Google & Bing, and social media advertisement campaign on Facebook, supplemented by a nationwide press release, settlement website, and call center. Id., ¶ 17.

### **B.** Claims, Requests for Exclusion, Opt Outs, and Objections

The deadline to submit requests for exclusion or to file an objection is May 24, 2021. Joint Decl., ¶ 42. The deadline to submit claims is June 22, 2021. *Id.*, ¶ 40. So far, only 1 class member has requested exclusion from the Settlement, and there have been no objections filed. *Id.*, ¶ 42.

As of May 7, 2021, CPT has received 1,426 claims, which accounts for 2.4% of the class. Green Decl., ¶¶ 20-22. This rate is on par with what CPT would expect at this point in the notice period. *Id.*, ¶ 22. CPT anticipated a 3.5% filing rate for this matter based on our experience and knowledge of similar data breach-related cases; typical claims filing rates fall within the range of 1%-5% These claims are subject to review and audit by CPT. *Id.* Claimants who submit forms that do not meet the submission requirements will be given notice and an opportunity to remedy any curable deficiencies. *Id.*, ¶ 20.

#### C. Settlement Notice and Administration Expenses

As of May 7, 2021, CPT has incurred approximately \$57,000 in expenses associated with identifying and notifying class members and administering the Settlement Fund. Green Decl. ¶ 24. At preliminary approval, CPT estimated that notice and administration costs would total approximately \$66,000. As explained in the Green Declaration, with the dissemination of a reminder email and postcard, CPT expects its future notice and administration costs will be \$16,500 (totaling \$73,500). *Id.*, ¶ 24.

# V. THE SETTLEMENT IS FAIR, REASONABLE AND ADEQUATE AND THE COURT SHOULD FINALLY APPROVE THE SETTLEMENT

A. Standards for Final Approval of Class Action Settlement

California Rules of Court ("CRC"), rule 3.769(a) provides: "A settlement or compromise of an entire class action, or of a cause of action in a class action, or as to a party, requires the approval of the court after hearing." The Court has broad discretion to approve or reject a proposed settlement. *Wershba v. Apple Computer, Inc.*, 91 Cal. App. 4th 224, 234-35 (2001), *disapproved on other grounds in Hernandez v. Restoration Hardware, Inc.*, 4 Cal. 5th 260, 269 (2018); *Mallick v. Super. Ct.*, 89 Cal. App. 3d 434, 438 (1979); *Dunk v. Ford Motor Co.*, 48 Cal. App. 4th 1794, 1801 (1996).

California has a well-established and strong public policy favoring compromises of litigation. *Hamilton v. Oakland Sch. Dist.*, 219 Cal. 322, 329 (1933) ("[I]t is the policy of the law to discourage litigation and favor compromises"); *see also Ebensteiner Co., Inc. v. Chadmar Group*, 143 Cal. App. 4th 1174, 1179-80 (2006). This policy is particularly compelling in class actions. *See 7-Eleven Owners for Fair Franchising v. Southland Corp.*, 85 Cal. App. 4th 1135, 1152 (2000).

Preliminary approval is the first of three steps in the approval process for settlements of class actions. The second is dissemination of notice of the Settlement to all Class Members. The third is a final settlement approval hearing, at which evidence and argument concerning the fairness,

adequacy, and reasonableness of the Settlement may be presented and Class Members may be heard regarding the Settlement. *See* CRC 3.769; MANUAL FOR COMPLEX LITIGATION §§ 21.632-21.635 (4th ed. 2004). The standard for final approval is whether the Settlement is "fair, adequate and reasonable" to the Class. *Wershba*, 91 Cal. App. 4th at 244-45.

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#### The Settlement is Entitled to a Presumption of Fairness

"The burden is on the proponent of the settlement to show that it is fair and reasonable. However, 'a presumption of fairness exists where: (1) the settlement is reached through arm's-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the court to act intelligently; (3) counsel is experienced in similar litigation; and (4) the percentage of objectors is small." *Wershba*, 91 Cal. App. 4th at 245 (citing *Dunk*, 48 Cal. App. 4th at 1802). The Settlement is entitled to a presumption of fairness because it was reached only as a result of extensive, contentious, arm's-length negotiations by knowledgeable counsel after sufficient investigation and discovery.

#### 1. The Settlement is the Result of Arm's-Length Negotiations

The Settlement was the product of extensive arm's-length negotiations between counsel for the Parties who are very experienced consumer class action practitioners. Joint Decl. ¶ 9. Though cordial and professional, the settlement negotiations were adversarial and non-collusive in nature. *Id.* ¶ 10. The Settlement is the product of the Parties' and their counsel's substantial effort and included an all-day mediation session on October 29, 2019 with the Honorable Peter D. Lichtman (Ret.), an experienced and impartial mediator. *Id.* ¶ 9. Case law recognizes that a respected mediator provides a high degree of assurance that the settlement is the result of arm's-length bargaining. *See, e.g., Chavez v. Netflix, Inc.*, 162 Cal. App. 4th 43, 52-53 (2008). While the mediation did not result in a settlement on that day, the Parties continued extensive discussions after the mediation through which the basic terms of a settlement were negotiated and finalized. The Parties also engaged in formal discovery which informed the settlement discussions. Joint Decl. ¶ 12. The Parties spent over ten months negotiating every aspect of the Settlement, which culminated in execution of a Memorandum of Understanding on or about August 31, 2020, and execution of the first settlement agreement on November 9, 2020. *Id.* ¶¶ 13, 15.

#### 2. Sufficient Investigation and Discovery Have Been Conducted

The Parties thoroughly investigated and evaluated the factual and legal strengths and weaknesses of this case before reaching the Settlement. The Parties entered into a stipulated protective order and engaged in formal discovery regarding the Security Incident, Plaintiffs' claims, and Creation's defenses. Joint Decl. ¶ 8. Creation propounded form and special interrogatories and a request for production of documents. *Id.*, ¶ 12. Plaintiffs timely responded to Creation's written discovery requests and produced responsive documents. *Id.* Plaintiffs propounded, and Creation responded to, a request for production of documents. *Id.* Creation produced 7,000 pages of documents pertaining to potential Class Members and the Security Incident. This is entirely sufficient to allow the Court to ascertain that this Settlement is the product of informed, arms-length negotiation.

#### 3. Class Counsel is Experience in Similar Litigation

In determining whether a proposed settlement is fair, reasonable and adequate, California courts value highly the opinion of experienced counsel. *See, e.g., Chavez*, 162 Cal. App. 4th at 53. There is no dispute regarding Class Counsel's experience and ability. Collectively, Class Counsel have many decades of experience litigating complex class actions in state and federal courts having represented millions of consumers in numerous class actions. Joint Decl. ¶ 44. Based upon this experience, Class Counsel believe the Settlement is fair, reasonable and adequate and in the best interest of the Class members. *Id.* Additionally, Plaintiffs, as the proposed Class Representatives, have no conflicts with the Settlement Class, have participated actively in the case, and are represented by attorneys experienced in class action litigation. *Id.* at ¶ 43. Accordingly, this factor weighs in favor of final approval.

#### C. The Settlement is Fair, Adequate and Reasonable

"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*, 91 Cal. App. 4th at 244-45 (internal quotations and citation omitted). Reference to these factors demonstrates that the Settlement is well within the range of approval.

#### 1. The Strength of Plaintiffs' Case Balanced Against the Amount Offered in Settlement Favors Approval

The \$950,000.00 Settlement Fund represents a significant recovery for the Settlement Class. In determining whether the Settlement is fair and warrants approval, the Court must assess whether the relief offered is reasonable in light of the strength of Plaintiffs' case. *Kullar v. Foot Locker Retail, Inc.*, 168 Cal. App. 4th 116, 129 (2008). Plaintiffs believe that they have strong bases for both liability and damages in this case. As set forth in the operative FAC, the evidence suggests that Creation failed to implement basic levels of information security when it came to its customers' Personal Information causing it to be accessed and captured by unauthorized users. Nevertheless, Creation has not conceded liability and has maintained a number of defenses to Plaintiffs' claims.

#### 2. The Benefits of the Settlement Balanced Against the Risk, Expense, Complexity and Duration of Further Litigation Favors Final Approval

The benefits of this Settlement must also be balanced against the risk, expense, and complexity of further litigation. *7-Eleven Owners for Fair Franchising*, 85 Cal. App. 4th at 1152. An evaluation of the Settlement must be tempered by recognition that any compromise involves concessions by the settling parties. Indeed, the very essence of a settlement agreement is compromise, "a yielding of absolutes and an abandoning of highest hopes." *Officers for Justice v. Civil Serv. Comm'n*, 688 F.2d 615, 624 (9th Cir. 1982) (citation omitted).<sup>5</sup>

Plaintiffs and their counsel believe that their claims are meritorious for the reasons discussed *supra*. Despite this, there are significant obstacles to Plaintiffs obtaining a classwide judgment, including persuading the Court to certify the proposed class and proving classwide damages. Although nearly all class actions involve a high level of risk, expense, and complexity, historically, data breach cases face substantial hurdles in surviving even past the pleadings stage. *See, e.g.*,

<sup>&</sup>lt;sup>5</sup> California courts look to procedures and standards from the federal courts for "guidance on matters involving class action procedures." *Cellphone Termination Fee Cases*, 186 Cal. App. 4th 1380, 1392 n.18 (2010) (upholding final approval of class action settlement) (citations omitted).

*Hammond v. The Bank of N.Y. Mellon Corp.*, No. 08 Civ. 6060 (RMB) (RLE), 2010 U.S. Dist. LEXIS 71996, at \*2-3 (S.D.N.Y. June 25, 2010) (collecting cases). Even cases of wide-spread notoriety and implicating data far more sensitive than at issue here have been found wanting. *See, e.g., In re U.S. Office of Pers. Mgmt. Data Sec. Breach Litig.*, 266 F. Supp. 3d 1, 19 (D.D.C. 2017) ("The Court is not persuaded that the factual allegations in the complaints are sufficient to establish . . . standing."), reversed in part, 928 F.3d 42 (D.C. Cir. June 21, 2019) (holding that plaintiffs had standing to bring a data breach lawsuit). For now, data breach cases are among the riskiest and uncertain of all class action litigation, making settlement the more prudent course when a reasonable deal is available. A resolution of this matter mitigates substantial risk for both Parties.

In addition, this litigation could quickly grow cost prohibitive for both Parties beginning with preparation for class certification briefing, including expert retention, depositions, and intensive written discovery, and continuing through motions for summary judgment and then trial. While Plaintiffs are confident in the strength of their case, Creation has denied liability from the outset and would have certainly put forth robust defenses at every stage of the litigation. In contrast to the uncertainty and delays attendant to continued litigation, the settlement before the Court provides certain relief to the consumers who make up this class. *See, e.g., In re Mego Fin. Corp. Sec. Litig.,* 213 F.3d 454, 459 (9th Cir. 2000) ("difficulties in proving the case" favored settlement approval); *Aguirre v. DirecTV, LLC,* No. CV16-06836 SJO (JPRx), 2017 U.S. Dist. LEXIS 221839 (C.D. Cal. Oct. 6, 2017) (summary judgment and continuing litigation risks supported approval).

Furthermore, the coronavirus pandemic has caused significant negative ramifications to Creation's business of hosting in-person conferences. This reduces the likelihood of any meaningful recovery by the Settlement Class, other than through available insurance limits.

In light of these risks and uncertainties presented by continued litigation in this case, the First Amended Settlement Agreement is an extraordinary result for the Settlement Class. "[T]he very essence of a settlement is compromise, a yielding of absolutes and an abandoning of highest hopes," and "it is the very uncertainty of outcome in litigation and avoidance of wasteful and expensive litigation that induce consensual settlements." *Officers for Justice*, 688 F.2d at 624-25 (internal quotations and citations omitted). "The proposed settlement is not to be judged against a hypothetical or speculative measure of what *might* have been achieved by the negotiators." *Id.* at 625 (citations omitted). Rather, any analysis of a fair settlement amount must account for the risks of further litigation and trial, as well as expenses and delays associated with continued litigation. *See Retta v. Millennium Prods.*, No. CV15-1801 PSG AJWx, 2017 U.S. Dist. LEXIS 220288, at \*14 (C.D. Cal. Aug. 22, 2017).

Taking all the foregoing arguments and defenses into account, the Settlement represents a realistic and fair value of the class claims. Proceeding with the litigation would impose significant risk of no recovery as well as ongoing, substantial additional expenditures of time and resources. By contrast, the settlement will yield a prompt, certain, and substantial recovery for Settlement Class Members, which also benefits Defendant and the Court.

#### 3. The Risk of Maintaining Class Action Status Through Trial Favors Final Approval

This case is far closer to the beginning than the end, and Plaintiffs have many mountains to surmount before being able to adjudicate their claims at trial. Plaintiffs have not yet moved for class certification after what would likely be extensive discovery, including by experts with divergent views on Defendant's level of negligence and the appropriate manner of calculating damages. And while Plaintiffs believe they have strong arguments in favor of class certification, as with other aspects of data breach litigation, there is little directly analogous precedent to rely upon. This dearth of direct precedent adds to the risks posed by continued litigation, and even after obtaining class certification, there is always a risk of decertification before trial. The Court could also decide to certify the Settlement Class for liability purposes but require Settlement Class members to prove their respective damages individually, likely requiring individual trials for each Settlement Class Member to receive a benefit. See, e.g., Smith v. Triad of Alabama, LLC, No. 1:14-CV-324-WKW, 2017 U.S. Dist. LEXIS 38574 (M.D. Ala. Mar. 17, 2017), on reconsideration in part, 2017 U.S. Dist. LEXIS 140594 (M.D. Ala. Aug. 31, 2017) (adopting this bifurcated approach). And if Plaintiffs manage to obtain class certification they will likely have to beat back attempts by Defendant to derail the case through summary judgment before finally reaching trial. If Plaintiffs then meet success at trial, any decision can be appealed by Defendant, further delaying final resolution of the action. These significant risks weigh strongly in favor of final approval of the Settlement.

## 4. The Amount Offered in Settlement and the Estimate of Recovery to Each Settlement Class Member Favors Final Approval

Plaintiffs believe that the \$950,000 settlement is a favorable result and falls within the range of possible approval. To evaluate this factor, "courts primarily consider plaintiffs' expected recovery balanced against the value of the settlement offer." *In re Tableware Antitrust Litig.*, 484 F. Supp. 2d 1078, 1080 (N.D. Cal. 2007). The settlement ensures fairness because all Settlement Class Members can recover regardless of whether they experienced any fraudulent or unauthorized charges or, in the alternative, opt to seek extraordinary reimbursement for unreimbursed fraud.

The Settlement Payments available to eligible Class Members – either \$200.00 for Basic Settlement Payments or up to \$10,000.00 for Extraordinary Settlement Payments – are substantial in light of the reported average of actual out-of-pocket expenses due to a data breach.<sup>6</sup> The instant settlement structure provides "a significant, easy-to-obtain benefit to class members" without all the risks and uncertainties attendant to continued litigation. *In re Haier Freezer Consumer Litig.*, No. 5:11-CV-02911-EJD, 2013 U.S. Dist. LEXIS 72132, at \*14 (N.D. Cal. May 21, 2013). The benefits available here compare favorably to what Settlement Class Members could recover if successful at trial. In the experience of Plaintiffs' counsel who have litigated a number of data breach cases, have spoken to victims of other data breaches, and have reviewed claims data from other settlements, the relief provided by this Settlement should be considered a solid victory for the Settlement Class.

Additionally, the monetary benefits provided by the Settlement compare favorably with those of other settlements in data breach class actions that have been approved by courts. *See, e.g, Gordon, et. al. v. Chipotle Mexican Grille, Inc.*, No. 1:17-cv-01415-CMA-SKC, 2019 U.S. Dist. LEXIS 215430 (D. Colo. Dec. 16, 2019) (final approval of a claims-made settlement for more than 10 million class members able to recover up to \$250 for out-of-pocket expenses or up to \$10,000 for extraordinary expenses); *In re Sonic Corp. Customer Data Sec. Breach Litig.*, No. 1:17-md-2807 (N.D. Ohio Aug. 12, 2019) (approving a \$4.325 million settlement fund for 1.5 million class members to receive \$10 per affected card used to make purchases and \$40 per card that experienced

<sup>6</sup> For individuals who experienced actual identity theft, a 2014 Congressional Report stated that these victims incurred an average of \$365 in expenses dealing with the fraud. *See* Kristin Finklea, *Identity Theft: Trends and Issues*, CONGRESSIONAL RESEARCH SERVICE (January 16, 2014), p. 2, https://fas.org/sgp/crs/misc/R40599.pdf (last visited May 6, 2021).

fraudulent charges); *T.A.N. v. PNI Digital Media, Inc.*, No. 2:16-cv-00132 (S.D. Ga. Oct. 20, 2017) (approving settlement for 766,000 class members to be reimbursed up to \$250/claim for out-of-pocket expenses plus up to \$10,000/claim for reimbursement of extraordinary expenses); *In re Heartland Payment Sys., Inc. Customer Data Security Breach Litig.*, 851 F. Supp. 2d 1040, 1048-1069 (S.D. Tex. 2012) (approving settlement that provided up to \$2.4 million to pay for out-of-pocket losses); *Bray, et. al. v. Gamestop Corp.*, No. 1:17-cv-01365, 2018 U.S. Dist. LEXIS 226221 (D. Del. Dec. 19, 2018) (approving settlement for 1.3 million class members that would reimburse up to \$235/claim including, *inter alia*, expenses for lost time, payment for each card with fraudulent charges, costs of obtaining credit report, costs of credit monitoring and identity theft protection, as well as up to \$10,000/claim for extraordinary expenses).

Further, Creation has implemented enhanced data security measures, valued at \$119,337.87, designed to prevent another, similar security incident from occurring in the future. These commitments will ensure the adequacy of Creation's data security practices, and will provide ongoing protection for any Settlement Class Members' information remaining on Creation's data systems, as well as providing protection for consumers in the future. Without this Settlement, there is nothing Settlement Class Members could do individually to achieve similar promises from Creation regarding data security going forward. The Settlement is calculated to ensure that Creation has employed the necessary resources to address prior data security vulnerabilities, and the best practices and accountabilities needed for long-term, proactive data security.

Class Counsel assert that the Settlement benefits provided to Plaintiffs and Settlement Class Members present a substantial recovery, especially considering the strengths of the claims and the litigation risks described above. The considerable classwide relief provided by the Settlement thus weighs heavily in favor of final approval. *See, e.g., Wren v. RGIS Inventory Specialists,* No. C-06-05778 JCS, 2011 U.S. Dist. LEXIS 38667, at \*24 (N.D. Cal. Apr. 1, 2011) ("While settlement amounts that are close to the plaintiffs' estimate of damages provide strong support for approval of the settlement, settlement offers that constitute only a fraction of the potential recovery do not preclude a court from finding that the settlement offer is fair.") (citing *In re Mego Fin. Corp. Sec. Litig.*, 213 F.3d at 459); *Hanlon v. Chrysler Corp.*, 150 F.3d 1011, 1027 (9th Cir. 1998) (holding

that the possibility that the settlement amount could have been greater "does not mean the settlement presented was not fair, reasonable or adequate."); *Glass v. UBS Fin. Servs., Inc.,* No. C-06-4068 MMC, 2007 U.S. Dist. LEXIS 8476, at \*13 (N.D. Cal. Jan. 26, 2007) (finding settlement of wage and hour class action for 25% to 35% of the claimed damages to be reasonable).

#### 5. The Extent of Discovery Completed Favors Final Approval

As discussed above, the Parties thoroughly investigated and evaluated the factual and legal strengths and weaknesses of this case before reaching the Settlement. Plaintiffs propounded, and Creation responded to, a request for production of documents, and Creation produced 7,000 pages of documents pertaining to potential Class Members and the Security Incident.

#### 6. The Experience and Views of Counsel Support Final Approval

As discussed above, collectively, Class Counsel have many decades of experience litigating complex class actions in state and federal courts. Byrd Decl., ¶ 5; Johns Decl., ¶ 5; Wolfson Decl., ¶ 5. Class Counsel have represented millions of consumers in numerous class actions. Byrd Decl., ¶ 11; Johns Decl., ¶ 11\*; Wolfson Decl., ¶ 11. Based upon this experience, Class Counsel believe the Settlement is fair, reasonable and adequate and in the best interest of the Settlement Class Members. Joint Decl., ¶ 44. Accordingly, this factor weighs in favor of final approval.

#### 7. Presence of a Governmental Participant

No governmental entity or agency is a party to this lawsuit. Accordingly, this factor is neutral.

#### 8. The Positive Reaction of Class Members Favors Final Approval

The objection and opt out deadlines are not until May 24, 2021. Preliminary Approval Order, ¶ 21. Notably, to date, the Claims Administrator has not received any objections and only one person has opted-out. *See* Green Decl., ¶ 20. "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." *Nat'l Rural Telecomms. Coop. v. DIRECTV, Inc.*, 221 F.R.D. 523, 529 (C.D. Cal. 2004); 4 NEWBERG ON CLASS ACTIONS, § 11:48 ("Courts have taken the position that one indication of the fairness of a settlement is the lack of or small number of objections [citations omitted]"). The small percentage of Settlement Class

Members objecting indicates overwhelming support for the Settlement and strongly favors its approval. *7-Eleven Owners for Fair Franchising*, 85 Cal. App. 4th at 1152-1153 (one factor that "lead[s] to a presumption the settlement was fair" is that only "a small percentage of objectors" came forward; 9 objections out of 5,454 noticed class members represented "overwhelming positive" response).

#### VI. THE CLASS SHOULD BE CERTIFIED

California Code of Civil Procedure section 382 provides in part that "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, one or more may sue . . . for the benefit of all." Section 382 further authorizes a class action when a plaintiff meets his or her burden to establish the existence of an ascertainable class and a well-defined community of interest. *See Lockheed Martin Corp. v. Super. Ct.*, 29 Cal. 4th 1096, 1103-04 (2003). The California Supreme Court has held that the "community of interest requirement embodies three factors: (1) predominant common 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." *Richmond v. Dart Indust., Inc.*, 29 Cal. 3d 462, 470 (1981).

It is well-established that trial courts should use a "lesser standard of scrutiny" for determining the propriety of certifying a settlement class, as opposed to a litigation class. *See, e.g., Dunk,* 48 Cal. App. 4th at 1807 n.19. This is appropriate because no trial is anticipated for a settlement class, so the case management issues inherent in trying classwide claims need not be confronted; and the trial court's fairness review of the settlement protects the interests of the non-representative class members. *See id.; see also Officers for Justice,* 688 F.2d at 633 ("Th[e] relationship between the certification determination and the merits of the case is further attenuated within the context of the settlement evaluation process . . . . [C]ertification issues raised by class action litigation that is resolved short of a decision on the merits must be viewed in a different light."); *Amchem Prods., Inc. v. Windsor,* 521 U.S. 591, 620 (1997) ("Confronted with a request for settlement-only class certification, a district court need not inquire whether the case, if tried, would present intractable management problems . . . for the proposal is that there be no trial."). As discussed below, for the

purposes of settlement only, Plaintiffs ask the Court to certify the Settlement Class under section 382 of the Cal. Code of Civil Procedure.

#### A.

Numerosity is met if a proposed class is so large that joinder of all members would be impracticable. *See* Cal. Civ. Proc. § 382. Here, Defendant's records show (and Defendant does not dispute for the purposes of settlement) that the data breach of Creation's systems resulted in the theft of more than 57,000 consumers' Personal Information. Green Decl., ¶ 5. Therefore, the Settlement Class is sufficiently numerous.

Additionally, a proposed settlement class is ascertainable if it is "defined in objective terms that make the eventual identification of class members possible." *Noel v. Thrifty Payless, Inc.*, 7 Cal. 5th 955, 980 (2019) (emphasis omitted). The First Amended Settlement Agreement defines the Settlement Class as: "All individuals residing in the United States who used a debit or credit card to make a purchase from Creation and whose Personal Information was accessed and/or compromised by unauthorized individuals as part of the Security Incident." *See* Preliminary Approval Decl., ¶ 1.30. Defendant provided a list of Settlement Class Members and their mailing and email addresses to the Claims Administrator. *See id.*, ¶ 4.1; Green Decl. ¶ 5. As such, the Settlement Class easily meets the ascertainability requirement for class certification.

В.

#### Well-Defined Community of Interest

Numerosity and Ascertainability

#### 1. Commonality and Superiority

To justify class certification, the proponent must show that questions of law or fact common to the class predominate over the questions affecting the individual members. *See Arenas v. El Torito Rests., Inc.*, 183 Cal. App. 4th 723, 732 (2010) (citing *Wash. Mut. Bank v. Super. Ct.*, 24 Cal. 4th 906, 913 (2001)). The central questions behind the claims in this litigation are: (1) whether Creation violated California state law—including but not limited to California Civil Code, section 1798.82, the California Data Breach Notification Act—by failing to adequately secure Plaintiffs' and Class Members' Personal Information and provide timely and accurate notice of the Security Incident to Plaintiffs and the Class; (2) whether Plaintiffs and the Class would be entitled to relief by reason of Defendant's wrongful conduct; (3) what is the proper measure of damages; and (4) whether Plaintiffs

and the Class would be entitled to equitable relief by reason of Creation's wrongful conduct. The answers to these questions depend on common evidence that does not vary by Settlement Class Member, and so can be fairly resolved—whether through litigation or settlement—for all Class Members at once. Given these common questions and the large number of potential Settlement Class Members, each with relatively small amounts of damages, litigating this case as a class action is superior to each having to file his or her own lawsuit. *See Lazar v. Hertz Corp.*, 143 Cal. App. 3d 128, 143 (1983) ("The class action has been held appropriate when numerous parties suffer injury of insufficient size to warrant individual action and when denial of class relief would result in unjust advantage to the wrongdoer.").

#### 2. Typicality

"[T]ypicality will be satisfied so long as the named representatives' claims share the same essential characteristics as the claims of the class at large." Newberg, § 3:29 (quotations and citation omitted). Here, typicality is satisfied because the claims of the Settlement Class arise from the same misconduct that Plaintiffs seek to remedy: Plaintiffs and each member of the Settlement Class had their data and Personal Information compromised in the same way by the same conduct by Creation. *See, e.g., Just Film, Inc. v. Buono*, 847 F.3d 1108, 1118 (9th Cir. 2017) ("it is sufficient for typicality if the plaintiff endured a course of conduct directed against the class").

#### 3. Adequacy of Representation

The proposed class representative and class counsel must establish that they will adequately represent the proposed class. *See Barboza v. W. Coast Digital GSM, Inc.*, 179 Cal. App. 4th 540, 546 (2009). As set forth *supra*, Class Counsel are highly experienced in litigating consumer protection class actions. *See* Byrd Decl., ¶ 11; Johns Decl., ¶ 11; Wolfson Decl., ¶ 11. Moreover, Plaintiffs, as the proposed Class Representatives, have no conflicts with the Settlement Class and have participated actively in the case. *See* Christofferson Decl., Gerace Decl., and Ratelle Decl.; *see also Espinosa v. Ahearn (In re Hyundai & Kia Fuel Econ. Litig.)*, 926 F.3d 539, 566 (9th Cir. 2019) (adequacy satisfied if plaintiffs and their counsel lack conflicts of interest and are willing to prosecute the action vigorously on behalf of the class); *Local Joint Exec. Bd. of Culinary/Bartender Trust Fund v. Las Vegas Sands, Inc.*, 244 F.3d 1152, 1162 (9th Cir. 2001) (class counsel adequacy may be established

by the fact that counsel are experienced practitioners).

#### VII. THE NOTICE PLAN SATISFIES DUE PROCESS AND WAS EXECUTED IN ACCORDANCE WITH THE COURT'S PRELIMINARY APPROVAL ORDER

Due process requires that reasonable notice of the settlement be given to all potential class members. *Eisen v. Carlisle & Jacquelin*, 417 U.S. 156, 177 (1974). Moreover, "notice of the final approval hearing must be given to the class members in the manner specified by the court." CRC 3.769(f). The notice methods utilized here complied with the direction of the Preliminary Approval Order. Notice was conveyed through a broad, multi-layered, multimedia program. *See generally* Green Decl. Consequently, the Settlement meets the requirements for reasonable notice in order to obtain final approval.

On May 6, 2021, Class Counsel discovered that a banner on the Creation Settlement Website, the paid ads, and the publication notice inadvertently included inaccurate information with respect to Settlement Class Member eligibility. Joint Decl., ¶ 21. Specifically, the Settlement Website, paid ads and publication notice stated that individuals may be eligible for a payment from a class action settlement if they are a U.S. resident who used a debit or credit card to make a purchase from Creation between February 1, 2018 through October 10, 2018. This language is inaccurate because the Settlement Class is not limited to those who made purchases during that time frame, but includes those who made purchases <u>any time prior to October 10, 2018</u>.<sup>7</sup> Accordingly, Settlement Class Members who made purchases from Creation prior to February 1, 2018 are also included in the Settlement Class. Once Class Counsel discovered this, Class Counsel immediately contacted the Claims Administrator and requested this statement be removed from the Settlement Website. Joint Decl., ¶ 21.

Class Counsel believe that the Notice provided was still sufficient because the email notice

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<sup>&</sup>lt;sup>7</sup> The Settlement Class is defined as follows: "[A]ll individuals residing in the United States who used a debit or credit card to make a purchase from Creation and whose Personal Information was accessed and/or compromised by unauthorized individuals as part of the Security Incident." Settlement Agreement, ¶ 1.30. The "Security Incident" is defined as "the data breach that affected Creation's computer systems from approximately February 1, 2018 through October 10, 2018, and which was publicly disclosed by Creation on March 19, 2019, and includes, but is not limited to, the intrusion or actions that are the subject of the Litigation and are described in the Complaint and Representative Plaintiffs' court filings in the Litigation." *Id.* at ¶ 1.28

that was sent directly to 57,020 Settlement Class Members did not include the inaccurate language discussed above. Joint Decl., ¶ 22. Additionally, the Settlement Website included the correct definition of the Settlement Class as did the Summary Notice, Long Notice and Claim Form, all of which were posted on the Settlement Website. Additionally, Class Counsel has elected to send an additional reminder notice to Settlement Class Members. Id. Lastly, the Claims Administrator has confirmed that Settlement Class Members who in fact made purchases from Creation prior to February 1, 2018 have submitted claims. Green Decl., ¶ 26. For the reasons given in the Joint Declaration, Class Counsel believe that, in spite of this error, notice to the Settlement Class was adequate.

#### VIII. THE OBJECTIONS SHOULD BE OVERRULED

Any objections to the Settlement are due May 24, 2021. As of the date of filing this motion, the claims administrator has not received any objections.<sup>8</sup>

#### **CONCLUSION** IX.

For the foregoing reasons, Plaintiffs respectfully request that the Court grant their motion for final approval and enter the Final Approval Order and the Final Judgment, which will be submitted on June 10, 2021.

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Pursuant to the Court's preliminary approval order, Plaintiffs will file a supplemental brief on June 10, 2021, to address any other objections received by the Claims Administrator.

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