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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

MARTIN SCHNEIDER, et al.,  
Plaintiffs,  
v.  
CHIPOTLE MEXICAN GRILL, INC.,  
Defendant.

Case No. 16-cv-02200-HSG

**ORDER GRANTING PRELIMINARY  
APPROVAL OF SETTLEMENT**

Re: Dkt. No. 205

Pending before the Court is the unopposed motion for preliminary approval of class action settlement filed by Plaintiffs.<sup>1</sup> Dkt. No. 205. The parties have reached a settlement regarding Plaintiffs’ claims and now seek the required court approval. For the reasons set forth below, the Court **GRANTS** Plaintiffs’ motion for preliminary approval of class action settlement.

**I. BACKGROUND**

**A. Factual Background**

Plaintiffs bring this consumer class action against Defendant Chipotle Mexican Grill, Inc. alleging that Defendant’s “non-GMO” claims about its food products were false and misleading. *See generally* Dkt. No. 1 (“Compl.”). According to Plaintiffs, Chipotle consistently advertised its food products as “non-GMO” and “GMO free.” *Id.* ¶¶ 31–40. However, these claims were purportedly false, because as alleged, the meat and dairy products “are all sourced from animals that are fed with a genetically engineered or GMO derived feed,” and the soft drinks contain corn syrup, a GMO. *Id.* ¶¶ 41–43. Plaintiffs contend that had they known of the “true character and

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<sup>1</sup> Proposed-intervenor Melissa Cruz filed a motion to intervene and opposition to Plaintiffs’ motion for preliminary approval of class action settlement. Dkt. Nos. 199, 207. She later withdrew her motion and opposition on November 27, 2019. Dkt. No. 211.

1 quality of the ingredients,” they would not have purchased, or would have paid less for, Chipotle’s  
2 food products. *Id.* ¶ 49.

3 Based on those facts, the complaint asserts the following ten causes of action:

4 (1) California’s Consumer Legal Remedies Act, Cal. Civ. Code § 1750 *et seq.*; (2) California’s  
5 False Advertising Law, Cal. Bus. & Prof. Code § 17500 *et seq.*; (3) California’s Unfair  
6 Competition Law, Cal. Bus. & Prof. Code § 17200 *et seq.*; (4) Florida’s Deceptive and Unfair  
7 Trade Practices Act, Fla. Stat. § 501.201 *et seq.*; (5) Maryland’s Consumer Protection Act, MD.  
8 Code Ann. § 13-101 *et seq.*; (6) New York’s Consumer Protection Statute, N.Y. Gen. Bus. Law  
9 § 349; (7) New York’s False Advertising Law, N.Y. Gen. Bus. Law § 350 *et seq.*; (8) unjust  
10 enrichment; (9) misrepresentation; and (10) declaratory relief. *Id.* ¶¶ 69–146.

### 11 **B. Procedural History**

12 Plaintiffs Martin Schneider, Sarah Deigert, Theresa Gamage, Nadia Parikka, Laurie Reese,  
13 and Tiffanie Zangwill initially filed this action on April 22, 2016.<sup>2</sup> *See generally* Compl.  
14 Defendant moved to dismiss the complaint, and the Court granted the motion in part and denied it  
15 in part on November 4, 2016. Dkt. No. 36. The Court granted Defendant’s motion to dismiss  
16 Plaintiffs’ claims for injunctive relief, but otherwise denied the motion. *Id.* Plaintiffs filed a  
17 motion seeking reconsideration of the Court’s order dismissing injunctive relief, Dkt. No. 87,  
18 which the Court granted, Dkt. No. 136. The Court amended its previous ruling and denied  
19 Defendant’s motion to dismiss Plaintiffs’ claims for injunctive relief. Dkt. No. 136.

20 On November 17, 2017, Chipotle filed a motion for summary judgment and Plaintiffs filed  
21 a motion for class certification. Dkt. Nos. 92, 95. The parties also filed their *Daubert* motions.  
22 Dkt. Nos. 100, 101, 117. On September 29, 2018, the Court denied Defendant’s motion for  
23 summary judgment, granted Plaintiffs’ motion for class certification, and denied both parties’  
24 *Daubert* motions. Dkt. No. 136. The Court certified the following three classes of consumers  
25 who purchased Defendant’s products between April 27, 2015 and June 30, 2016 (the “Class  
26 Period”):

27 \_\_\_\_\_  
28 <sup>2</sup> On July 7, 2017, Plaintiffs Laurie Reese (California) and Tiffanie Zangwill (Florida) dismissed  
their claims against Chipotle with prejudice. Dkt. No. 67.

1            California: All persons in California who purchased Chipotle’s Food  
2            Products containing meat and/or dairy ingredients during the Class  
3            Period.

4            Maryland: All persons in Maryland who purchased Chipotle’s Food  
5            Products containing meat and/or dairy ingredients during the Class  
6            Period.

7            New York: All persons in New York who purchased Chipotle’s Food  
8            Products containing meat and/or dairy ingredients during the Class  
9            Period.

10        *Id.* at 14, 30. The Court appointed Named Plaintiffs Schneider, Deigert, Gamage, and Parikka to  
11        represent the class and appointed their attorneys at Kaplan Fox as Class Counsel. *Id.* On October  
12        15, 2018, Defendant filed a petition in the Court of Appeals for permission to appeal the Court’s  
13        class certification order, and the petition was denied. Dkt. Nos. 137, 167.

14            Plaintiffs filed an administrative motion to approve the notice administrator, class notice  
15            plan, and schedule on January 9, 2019. Dkt. No. 150. Defendant opposed the motion and alleged  
16            that the notice plan was “too vague” and misrepresented the class definitions. Dkt. No. 151.  
17            Consistent with the Court’s recommendation, and in an apparent effort to address Defendant’s  
18            concerns, Plaintiffs moved to modify the class definitions. Dkt. No. 159. The Court granted in  
19            part and denied in part Plaintiffs’ motion to modify the class definitions and certified the following  
20            classes:

21            California: All persons in California who purchased Chipotle’s Food  
22            Products containing meat and/or dairy ingredients in its restaurants  
23            during the Class Period.

24            Maryland: All persons in Maryland who purchased Chipotle’s Food  
25            Products containing meat and/or dairy ingredients in its restaurants  
26            during the Class Period.

27            New York: All persons in New York who purchased Chipotle’s Food  
28            Products containing meat and/or dairy ingredients in its restaurants  
             during the Class Period.

             Dkt. No. 164 at 4. The language “in its restaurants” was added to each class definition. *Id.* The  
             Court also held that it did not need to add the standard language excluding various categories of  
             people to the class definition itself. *Id.* at 2 n.1.

             The Court then directed the parties to file either a joint notice plan or competing proposals  
             if they could not agree on a notice plan. Dkt. No. 168. The parties filed their competing

1 proposals, and Plaintiffs filed an amended motion to approve notice administrator and class notice  
2 plan. Dkt. No. 177. On April 8, 2019, the Court granted in part and denied in part the amended  
3 administrative motion to approve notice administrator and class notice plan. Dkt. No. 180.  
4 Specifically, the Court denied Plaintiffs' motion to provide direct email notice to the  
5 approximately 550,000 individuals in California, Maryland, and New York who purchased food  
6 from Chipotle in those states from online or app menus. *Id.* at 7. It also found Plaintiffs' proposal  
7 to issue a press release unwarranted under Rule 23. *Id.* at 8.

8 Defendant filed a motion to decertify the class on April 25, 2019, briefing for which was  
9 completed on May 15, 2019. Dkt. Nos. 184, 191, 192. The parties participated in a second  
10 mediation session before the Honorable Jay C. Gandhi (Ret.) of JAMS on July 2, 2019.<sup>3</sup> Dkt. No.  
11 146. They were able to reach an agreement in principle to settle the case on a classwide basis, and  
12 agreed to stay any pending dates, including the hearing on Defendant's motion to decertify the  
13 classes. *Id.* Plaintiffs moved for preliminary approval on September 11, 2019. Dkt. No. 205.

### 14 C. Settlement Agreement

15 Following extensive formal discovery and with the assistance of a mediator, the parties  
16 entered into a settlement agreement on September 11, 2019. Dkt. No. 205-2 ("SA"). The key  
17 terms are as follows:

18 Class Definition: The Settlement Class is defined as:

19 [A]ll persons in the United States who purchased Chipotle's Food  
20 Products in its restaurants during the Class Period.

21 SA § I.AA. Excluded from the Class are all persons who validly opt out of the Settlement in a  
22 timely manner; governmental entities; counsel of record for the parties; Defendant and any of its  
23 parents, affiliates, subsidiaries, independent service providers and all of its respective employees,  
24 officers, and directors; any Judge or judicial officer presiding over the matter, and all of their  
25 immediate families and judicial staff; and any natural person or entity that entered into a release  
26 with Defendant prior to the Effective Date concerning the Food Products. *Id.*

27 \_\_\_\_\_  
28 <sup>3</sup> The parties' first mediation session with Judge Gandhi was on January 29, 2019. Dkt. No. 205 at  
5. The parties also participated in court-connected mediation on May 9, 2017. Dkt. No. 65.

1            Settlement Benefits: Defendant will make a \$6,500,000 non-reversionary payment. *Id.*  
 2 § I.EE. The settlement payment includes payments to Class Members, settlement administrative  
 3 expenses estimated at around \$400,000–\$600,000, incentive awards, and any attorneys’ fees and  
 4 costs awards. *Id.* §§ III.D, III.G; Dkt. No. 205-12 at ¶ 31. Individual claims are capped at \$2.00  
 5 each and subject to a pro rata decrease. Dkt. No. 205-3, Ex. A. Each class member may only  
 6 submit five (5) valid claims without proof of purchase, and ten (10) valid claims with proof of  
 7 purchase. *Id.* Each household is capped at fifteen (15) claims. *Id.*

8            Cy Pres Distribution: Settlement checks that are not cashed within 120 days of mailing  
 9 will be void and those funds will be donated to Public Justice, a non-profit legal organization, and  
 10 Public Counsel, a pro bono law firm (each to receive 50%). SA § III.F; Dkt. No. 218 at 1–2.

11            Release: All Settlement Class Members will release:

12            all claims, demands, actions, and causes of action of any kind or  
 13 nature whatsoever, whether at law or equity, known or unknown,  
 14 direct, indirect, or consequential, liquidated or unliquidated, foreseen  
 15 or unforeseen, developed or undeveloped, arising under common law,  
 16 regulatory law, statutory law, or otherwise, whether based on federal,  
 17 state or local law, statute, ordinance, regulation, code, contract,  
 18 common law, or any other source, or any claim that Plaintiffs or  
 19 Settlement Class Members ever had, now have, may have, or  
 20 hereafter can, shall or may ever have against the Discharged Parties  
 21 in any other court, tribunal, arbitration panel, commission, agency, or  
 22 before any governmental and/or administrative body, or any other  
 23 adjudicatory body, on the basis of, connected with, arising from, or in  
 24 any way whatsoever relating to the purchase of the Food Products  
 25 marketed as non-GMO during the Class Period and the claims alleged  
 26 in the operative complaint in the Action, and, more particularly, but  
 27 without in any way limiting the generality of the foregoing, arising  
 28 from, directly or indirectly, or in any way whatsoever pertaining or  
 relating to the claims alleged in the complaint in the Action including,  
 but not limited to, communications, disclosures, nondisclosures,  
 representations, statements, claims, omissions, messaging, design,  
 testing, marketing, labeling, advertising, promotion, packaging,  
 displays, brochures, studies, manufacture, distribution, operation,  
 performance, functionality, notification, providing, offering,  
 dissemination, replacement, sale and/or resale by the Discharged  
 Parties of the Food Products, any claims for rescission, restitution or  
 unjust enrichment for all damages of any kind, violations of any  
 state’s deceptive, unlawful and/or unfair business and/or trade  
 practices, false, misleading or fraudulent advertising, consumer fraud  
 and/or consumer protection statutes, any violation of the Uniform  
 Commercial Code, any breaches of express, implied and/or any other  
 warranties, any similar federal, state or local statutes, codes, damages,  
 costs, expenses, extracontractual damages, compensatory damages,  
 exemplary damages, special damages, penalties, punitive damages

1 and/or damage multipliers, disgorgement, declaratory relief,  
2 expenses, interest, and/or attorneys' fees and costs against the  
3 Discharged Parties pertaining to or relating to the claims alleged in  
4 the operative complaint in the Action, notwithstanding that Plaintiffs  
5 and the Settlement Class acknowledge that they may hereafter  
6 discover facts in addition to or different from those that they now  
7 know or believe to be true concerning the subject matter of the Action  
8 and/or the Released Claims herein.

9 SA § III.C.1. The "Discharged Parties" are defined as:

10 Defendant and all its present and former parent companies,  
11 subsidiaries, shareholders, officers, directors, employees, agents,  
12 servants, registered representatives, attorneys, insurers, affiliates,  
13 successors, personal representatives, heirs and assigns, retailers,  
14 suppliers, distributors, endorsers, consultants, and any and all other  
15 entities or persons upstream and downstream in the  
16 production/distribution channels

17 *Id.*

18 In addition, Defendant agrees to release Class Representatives, Settlement  
19 Class Members, and Class Counsel from:

20 all claims, demands, actions, and causes of action of any kind or  
21 nature whatsoever, whether at law or equity, known or unknown,  
22 direct, indirect, or consequential, liquidated or unliquidated, foreseen  
23 or unforeseen, developed or undeveloped, arising under common law,  
24 regulatory law, statutory law, or otherwise, whether based on federal,  
25 state or local law, statute, ordinance, regulation, code, contract,  
26 common law, or any other source, or any claim that Defendant ever  
27 had, now has, may have, or hereafter can, shall or may ever have  
28 against Class Representatives, Settlement Class Members, and Class  
Counsel in any other court, tribunal, arbitration panel, commission,  
agency, or before any governmental and/or administrative body, or  
any other adjudicatory body, on the basis of, connected with, arising  
from, or in any way whatsoever relating to the institution or  
prosecution of the Action, notwithstanding that Defendant  
acknowledges that it may hereafter discover facts in addition to or  
different from those that it now knows or believes to be true  
concerning the subject matter of the Action and/or the Released  
Claims herein.

*Id.* § III.C.2

Class Notice: A third-party settlement administrator will implement a digital media  
campaign. SA § IV.C; Dkt. No. 205-12 at ¶¶ 13–21. The third-party settlement administrator will  
also provide for publication notice in *People* magazine and the *East Bay Times* newspaper. SA  
§ IV.A; Dkt. No. 205-12 at ¶¶ 22–23. The notice will include: the nature of the action, a summary  
of the settlement terms, and instructions on how to object to and opt out of the settlement,

1 including relevant deadlines. Dkt. No. 205-3, Ex. A; Dkt. No. 205-4, Ex. B.

2 Opt-Out Procedure: The deadline for a class member to submit a request for exclusion is  
3 120 days after preliminary approval or no less than sixty (60) days after the Notice deadline. SA  
4 § I.T, I.U.

5 Incentive Award: The Named Plaintiffs will apply for incentive awards of no more than  
6 \$5,000. *Id.* § III.G.2.

7 Attorneys' Fees and Costs: Class Counsel will file an application for attorneys' fees not to  
8 exceed one third of the settlement fund (\$1,950,000), as well as costs. *Id.* § III.G.1.

## 9 **II. AMENDED COMPLAINT**

10 As part of the settlement agreement, the parties agreed that Plaintiffs will file an amended  
11 complaint, redefining the class definition to be consistent with the Settlement Class. SA § II.F;  
12 Dkt. No. 205-8, Ex. 2 ("Amended Complaint" or "AC"). The Amended Complaint also removes  
13 the cause of action under Florida law, as the only Named Plaintiff who resided in Florida  
14 dismissed her claims.

15 Federal Rule of Civil Procedure 15(a)(2) permits a plaintiff to amend her pleading with the  
16 opposing party's written consent. "Where the parties have agreed to file an amended complaint as  
17 part of the class settlement, judges in this district have granted leave to amend, subject to the terms  
18 of settlement." *McCabe v. Six Continents Hotels, Inc.*, No. 12-CV-04818 NC, 2015 WL 3990915,  
19 at \*4 (N.D. Cal. June 30, 2015); *see also Miller v. Ghirardeli Chocolate Co.*, 12-cv-04936 LB,  
20 2014 WL 4978433, at \*7 (N.D.Cal. Oct. 2, 2014) (granting leave to amend for settlement  
21 purposes, but voiding the amendment if no final settlement occurs). In determining whether to  
22 grant leave to amend, courts have considered whether any amendment will "materially change the  
23 scope of the certified classes." *Harris v. Vector Mktg. Corp.*, No. C-08-5198 EMC, 2011 WL  
24 1627973, at \*7 (N.D. Cal. Apr. 29, 2011).

25 The Court grants Plaintiffs' request for leave to file their Amended Complaint. In the  
26 event that the proposed settlement is not finally approved by the Court or in the event that the  
27 settlement becomes null and void by its own terms, the Amended Complaint will be dismissed.

28

1 **III. PROVISIONAL CLASS CERTIFICATION**

2 The plaintiff bears the burden of showing by a preponderance of the evidence that class  
 3 certification is appropriate under Federal Rule of Civil Procedure 23. *Wal-Mart Stores, Inc. v.*  
 4 *Dukes*, 564 U.S. 338, 350–51 (2011). Class certification is a two-step process. First, a plaintiff  
 5 must establish that each of the four requirements of Rule 23(a) is met: numerosity, commonality,  
 6 typicality, and adequacy of representation. *Id.* at 349. Second, she must establish that at least one  
 7 of the bases for certification under Rule 23(b) is met. Where, as here, a plaintiff seeks to certify a  
 8 class under Rule 23(b)(3), she must show that “questions of law or fact common to class members  
 9 predominate over any questions affecting only individual members, and that a class action is  
 10 superior to other available methods for fairly and efficiently adjudicating the controversy.” Fed.  
 11 R. Civ. P. 23(b)(3).<sup>4</sup>

12 “The criteria for class certification are applied differently in litigation classes and  
 13 settlement classes.” *In re Hyundai & Kia Fuel Econ. Litig.*, 926 F.3d 539, 556 (9th Cir. 2019)  
 14 (“*Hyundai IP*”). When deciding whether to certify a litigation class, a district court must consider  
 15 manageability at trial. *Id.* However, this concern is not present in certifying a settlement class.  
 16 *Id.* at 556–57. In deciding whether to certify a settlement class, a district court “must give  
 17 heightened attention to the definition of the class or subclasses.” *Id.* at 557 (citation omitted).

18 Because the parties’ Settlement Class differs from the certified classes, the Court must  
 19 determine whether provisional certification of the Settlement Class is appropriate. Here, the  
 20 material difference is that the parties seek to certify a nationwide class, whereas the certified  
 21 classes are purchasers living in the states in which Named Plaintiffs reside. The Court finds that  
 22 its prior analysis under Rule 23(a) also applies to the Settlement Class, and thus incorporates its  
 23 previous analysis as set forth in the order certifying the classes. *See* Dkt. No. 136 at 17–21. As  
 24 for Rule 23(b), the significant inquiry is whether the Settlement Class, now a nationwide class,  
 25 still satisfies the predominance requirement.

26  
 27  
 28 <sup>4</sup> Plaintiffs’ motion asserts that they also seek certification of the Settlement Class under Rule 23(b)(2). *See* Dkt. No. 205 at 8. At the Court’s direction, Plaintiffs submitted a supplemental brief clarifying that they seek certification only under Rule 23(b)(3). Dkt. No. 216 at 1.

1                   **A. Rule 23(b)(3) Certification**

2                   To certify a class, a plaintiff must satisfy the two requirements of Rule 23(b)(3). First,  
3 “questions of law or fact common to class members [must] predominate over any questions  
4 affecting only individual members.” Fed. R. Civ. P. 23(b)(3). And second, “a class action [must  
5 be] superior to other available methods for fairly and efficiently adjudicating the controversy.” *Id.*

6                   **i. Predominance**

7                   The “predominance inquiry tests whether proposed classes are sufficiently cohesive to  
8 warrant adjudication by representation.” *Tyson Foods, Inc. v. Bouaphakeo*, 136 S. Ct. 1036, 1045  
9 (2016) (citation and quotations omitted). The Supreme Court has defined an individualized  
10 question as one where “members of a proposed class will need to present evidence that varies from  
11 member to member.” *Id.* (citation and quotations omitted). A common question, on the other  
12 hand, is one where “the same evidence will suffice for each member to make a prima facie  
13 showing [or] the issue is susceptible to generalized, class-wide proof.” *Id.* (citation and quotations  
14 omitted).

15                   The Court concludes that for purposes of settlement, common questions predominate here,  
16 because the Settlement Class Members were exposed to uniform representations concerning  
17 Chipotle’s non-GMO claims and suffered the same injuries.<sup>5</sup> *See* Dkt. No. 205 at 8; Dkt. No. 136  
18 at 23–24; *see also Hyundai II*, 926 F.3d at 559. Although the Class Members will need to rely  
19 upon individual evidence to some extent to calculate their individual damages, the “mere fact that  
20 there might be differences in damage calculations is not sufficient to defeat class certification.”  
21 *Hyundai II*, 926 F.3d at 560 (quotations and citations omitted).

22                   **ii. Superiority**

23                   The superiority requirement tests whether “a class action is superior to other available  
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25 <sup>5</sup> Prior to the Ninth Circuit’s en banc opinion in *Hyundai II*, district courts in California were  
26 required to conduct a “rigorous predominance analysis” to analyze whether variations in state  
27 consumer protection laws precluded class certification. *See In re Hyundai & Kia Fuel Econ.*  
28 *Litig.*, 881 F.3d 679, 707 (9th Cir.) (“*Hyundai I*”), *on reh’g en banc*, 926 F.3d 539 (9th Cir. 2019).  
But the en banc opinion in *Hyundai II* held that district courts do not need “to address choice-of-  
law issues beyond those raised by objectors” before certifying a settlement class. *Hyundai II*, 926  
F.3d at 561–62. Thus, the Court at this stage need not analyze whether any differences in state  
laws prevent provisional class certification.

1 methods for fairly and efficiently adjudicating the controversy.” Fed. R. Civ. P. 23(b)(3). The  
2 Court considers four non-exclusive factors: (1) the interest of each class member in individually  
3 controlling the prosecution or defense of separate actions; (2) the extent and nature of any  
4 litigation concerning the controversy already commenced by or against the class; (3) the  
5 desirability of concentrating the litigation of the claims in the particular forum; and (4) the  
6 difficulties likely to be encountered in the management of a class action. *Id.*

7 The Court concludes that a class action enables the most efficient use of Court and attorney  
8 resources and reduces costs to the Class Members by allocating costs among them. Further, this  
9 forum is appropriate, and there are no obvious difficulties in managing this class action.

10 The Court finds that the predominance and superiority requirements of Rule 23(b)(3) are  
11 met.

12 **B. Class Representative and Class Counsel**

13 Because the Court finds that Plaintiffs meet the commonality, typicality, and adequacy  
14 requirements of Rule 23(a), the Court appoints the Named Plaintiffs as class representatives.  
15 When a court certifies a class, it must also appoint class counsel. Fed. R. Civ. P. 23(c)(1)(B).  
16 Factors that courts must consider when making that decision include:

- 17 (i) the work counsel has done in identifying or investigating potential  
18 claims in the action;
- 19 (ii) counsel’s experience in handling class actions, other complex  
20 litigation, and the types of claims asserted in the action;
- (iii) counsel’s knowledge of the applicable law; and
- (iv) the resources that counsel will commit to representing the class.

21 Fed. R. Civ. P. 23(g)(1)(A).

22 Counsel have investigated and litigated this case throughout its existence and have  
23 submitted declarations detailing their expertise in representing plaintiffs in class action suits,  
24 especially consumer class actions. *See* Dkt. No. 205-9, Ex. 3; Dkt. No. 205-10, Ex. 4.

25 Accordingly, the Court appoints the law firms of Kaplan Fox and Kilsheimer LLP and Kobre &  
26 Kim LLP as Class Counsel.

27  
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1 **IV. PRELIMINARY SETTLEMENT APPROVAL**

2 **A. Legal Standard**

3 Federal Rule of Civil Procedure 23(e) provides that “[t]he claims, issues, or defenses of a  
4 certified class—or a class proposed to be certified for purposes of settlement—may be settled . . .  
5 only with the court’s approval.” Fed. R. Civ. P. 23(e). “The purpose of Rule 23(e) is to protect  
6 the unnamed members of the class from unjust or unfair settlements affecting their rights.” *In re*  
7 *Syncor ERISA Litig.*, 516 F.3d 1095, 1100 (9th Cir. 2008). Accordingly, before a district court  
8 approves a class action settlement, it must conclude that the settlement is “fundamentally fair,  
9 adequate and reasonable.” *In re Heritage Bond Litig.*, 546 F.3d 667, 674–75 (9th Cir. 2008).

10 Where the parties reach a class action settlement prior to class certification, district courts  
11 apply “‘a higher standard of fairness’ and ‘a more probing inquiry than may normally be required  
12 under Rule 23(e).’” *Dennis v. Kellogg Co.*, 697 F.3d 858, 864 (9th Cir. 2012) (citation omitted).  
13 Such settlement agreements “must withstand an even higher level of scrutiny for evidence of  
14 collusion or other conflicts of interest than is ordinarily required under Rule 23(e) before securing  
15 the court’s approval as fair.” *Roes, I-2 v. SFBSC Mgmt., LLC*, 944 F.3d 1035, 1048–49 (9th Cir.  
16 2019) (quoting *In re Bluetooth Headset Prods. Liab. Litig.*, 654 F.3d 935, 946 (9th Cir. 2011)). A  
17 more “‘exacting review’ is warranted ‘to ensure that class representatives and their counsel do not  
18 secure a disproportionate benefit at the expense of the unnamed plaintiffs who class counsel had a  
19 duty to represent.’” *Id.* (citations and quotations omitted).

20 Courts may preliminarily approve a settlement and notice plan to the class if the proposed  
21 settlement: (1) appears to be the product of serious, informed, non-collusive negotiations; (2) does  
22 not grant improper preferential treatment to class representatives or other segments of the class;  
23 (3) falls within the range of possible approval; and (4) has no obvious deficiencies. *In re Lenovo*  
24 *Adware Litig.*, No. 15-MD-02624-HSG, 2018 WL 6099948, at \*7 (N.D. Cal. Nov. 21, 2018)  
25 (citation omitted). Courts lack the authority, however, to “delete, modify or substitute certain  
26 provisions. The settlement must stand or fall in its entirety.” *Hanlon v. Chrysler Corp.*, 150 F.3d  
27 1011, 1026 (9th Cir. 1998).

1                   **B. Analysis**

2                   Because the parties seek to certify a nationwide Settlement Class that is broader than the  
3 certified class, the Court applies the heightened standard in assessing whether to grant preliminary  
4 approval of the class settlement. *See Roes*, 944 F.3d at 1049.

5                                   **i. Evidence of Conflicts and Signs of Collusion**

6                   The first factor the Court considers is whether there is evidence of collusion or other  
7 conflicts of interest. *See id.* The Ninth Circuit has directed district courts to look for “subtle signs  
8 of collusion,” which include whether counsel will receive a disproportionate distribution of the  
9 settlement, whether the parties negotiate a “‘clear sailing’ arrangement (i.e., an arrangement where  
10 defendant will not object to a certain fee request by class counsel),” and whether the parties agree  
11 to a reverter that returns unclaimed funds to the defendant. *Id.*

12                   As discussed above, the proposed settlement is non-reversionary with all unclaimed funds  
13 awarded to a *cy pres* recipient. SA §§ I.EE, III.F. However, the Settlement Agreement contains a  
14 clear sailing arrangement, which states that “Defendant shall not object to a [motion for attorneys’  
15 fees and costs] so long as the amount requested for attorneys’ fees is less than or equal to  
16 [\$1,950,000 USD], which is 30% of the value of the Settlement Fund, plus costs.” *Id.* § III.G.1.

17   **1. Clear Sailing Provision**

18                   Clear sailing provisions are not prohibited, though they “‘by [their] nature deprive[ ] the  
19 court of the advantages of the adversary process’ in resolving fee determinations and are therefore  
20 disfavored.” *Id.* at 1050 (quoting *In re Bluetooth*, 654 F.3d at 949) (alterations in original). The  
21 Ninth Circuit has noted that clear sailing arrangements are “‘important warning signs of  
22 collusion,” because “‘[t]he very existence of a clear sailing provision increases the likelihood that  
23 class counsel will have bargained away something of value to the class.’” *Id.* at 1051 (quoting *In*  
24 *re Bluetooth*, 654 F.3d at 948). Accordingly, when confronted with a clear sailing provision, the  
25 district court has a heightened duty to “scrutinize closely the relationship between attorneys’ fees  
26 and benefit to the class, being careful to avoid awarding ‘unreasonably high’ fees simply because  
27 they are uncontested.” *Id.* (citation and quotations omitted).

28                   Here, counsel requests fees of \$1,950,000 and costs of \$650,000. Dkt. No. 205 at 19.

1 When deciding to award attorney’s fees and costs, the Court has discretion in a common fund case  
2 to choose either (1) the lodestar method or (2) the percentage-of-the-fund. *Vizcaino v. Microsoft*  
3 *Corp.*, 290 F.3d 1043, 1047 (9th Cir. 2002). Under the percentage-of-recovery method, twenty-  
4 five percent of a common fund is the benchmark for attorneys’ fees award. *See, e.g., In re*  
5 *Bluetooth Headset*, 654 F.3d at 942 (“[C]ourts typically calculate 25% of the fund as the  
6 ‘benchmark’ for a reasonable fee award, providing adequate explanation in the record of any  
7 ‘special circumstances’ justifying a departure.”). Counsel asserts that they have performed a  
8 lodestar cross-check on the requested sum and represent that counsel spent 4,930.2 hours litigating  
9 this action, and incurred fees of \$3,422,756.50, meaning that the requested fee is below the  
10 lodestar amount. Dkt. No. 205 at 20; Dkt. No. 205-11, Ex. 5.

11 The Court recognizes that Class Counsel obtained results for the prospective Class  
12 Members, as discussed below in Section IV(B)(iii). And Class Counsel did assume substantial  
13 risk in litigating this action on a contingency fee basis, and incurring costs without the guarantee  
14 of payment for its litigation efforts. Further, the agreement does not contemplate a  
15 disproportionate cash allocation between counsel and the class, as was the case in *Roes*. *See Roes*,  
16 944 F.3d at 1051 (“Here, more of the available \$2 million in settlement cash ultimately went to  
17 attorneys’ fees (\$950,000) than would be distributed to class members (\$864,115).”). Even if the  
18 Court were to award 30% in attorneys’ fees, the majority of the settlement cash will still be  
19 distributed to Class Members. The Court is cognizant of its obligations to review class fee awards  
20 with particular rigor, and at the final approval stage will carefully scrutinize the circumstances and  
21 determine what attorneys’ fee awards is appropriate in this case. Accordingly, given that counsel  
22 will not receive a disproportionate amount of the settlement agreement and that the settlement is  
23 non-reversionary, the Court does not find that the clear sailing provision weighs against  
24 preliminary approval.

## 25 2. *Cy Pres* Distribution

26 The Court must also evaluate whether the parties’ proposed *cy pres* recipients are  
27 appropriate. A *cy pres* award must qualify as “the next best distribution” to giving the funds to  
28 class members. *Dennis*, 697 F.3d at 865. “Not just any worthy recipient can qualify as an

1 appropriate *cy pres* beneficiary,” and there must be a “driving nexus between the plaintiff class  
 2 and the *cy pres* beneficiaries.” *Id.* (citation omitted). That is to say, a *cy pres* award must be  
 3 “guided by (1) the objectives of the underlying statute(s) and (2) the interests of the silent class  
 4 members, and must not benefit a group too remote from the plaintiff class[.]” *Id.* (citations  
 5 omitted). A *cy pres* distribution is not appropriate if there is “no reasonable certainty’ that any  
 6 class member would benefit from it.” *Id.* (citation omitted).

7 Here, the parties have selected Public Justice, a “well-known 38-year old non-profit legal  
 8 organization,” and Public Counsel, the “Nation’s Largest Pro Bono Law Firm,” as their two *cy*  
 9 *pres* recipients. Dkt. No. 218 at 1–2. Public Justice is based in Washington, D.C., and has an  
 10 office in Oakland, California. *Id.* Its mission is to pursue “high impact lawsuits to combat social  
 11 and economic injustice, protect the Earth’s sustainability, and challenge predatory corporate  
 12 conduct and government abuses.” *Id.* at 1. Any *cy pres* funds will be designated to Public  
 13 Justice’s “Food Project,” which focuses on “supporting a vision of animal agriculture that is  
 14 regenerative, humane, and owned by independent farmers.” *Id.* Public Counsel is based primarily  
 15 in Los Angeles, California, and has a Consumer Rights and Economic Justice division that “assists  
 16 with a wide variety of consumer matters,” including consumer fraud and unfair business practices.  
 17 *Id.* at 1–2 Counsel are not associated with Public Justice, though defense counsel is one of Public  
 18 Counsel’s seventy-five board members. *Id.* However, defense counsel does not receive  
 19 compensation for her role as a board member, and she “will not dictate or influence how any  
 20 potential *cy pres* funds at the Public Counsel will be disbursed.” *Id.* at 2.

21 The Court preliminarily finds that the entities share the interests of the Class Members in  
 22 preventing consumer fraud, in the context of mislabeling of food products. Accordingly, the Court  
 23 preliminarily finds that there is a sufficient nexus between these two *cy pres* recipients and the  
 24 Settlement Class.

## 25 ii. Preferential Treatment

26 The Court next considers whether the settlement agreement provides preferential treatment  
 27 to any class member. The Ninth Circuit has instructed that district courts must be “particularly  
 28 vigilant” for signs that counsel have allowed the “self-interests” of “certain class members to

1 infect negotiations.” *In re Bluetooth*, 654 F.3d at 947. For that reason, courts in this district have  
2 consistently stated that preliminary approval of a class action settlement is inappropriate where the  
3 proposed agreement “improperly grant[s] preferential treatment to class representatives.” *Lenovo*,  
4 2018 WL 6099948, at \*8 (citation and quotations omitted).

5 Although the Settlement Agreement authorizes Named Plaintiffs to seek incentive awards  
6 of no more than \$5,000 for their roles as Named Plaintiffs in this lawsuit, *see* SA § III.G, the Court  
7 will ultimately determine whether they are entitled to such an award and the reasonableness of the  
8 amount requested. Incentive awards “are intended to compensate class representatives for work  
9 done on behalf of the class, to make up for financial or reputational risk undertaken in bringing the  
10 action.” *Rodriguez v. West Publ’g Corp.*, 563 F.3d 948, 958–59 (9th Cir. 2009). Plaintiffs must  
11 provide sufficient evidence to allow the Court to evaluate Plaintiffs’ award “individually, using  
12 ‘relevant factors includ[ing] the actions the plaintiff has taken to protect the interests of the class,  
13 the degree to which the class has benefitted from those actions, . . . [and] the amount of time and  
14 effort the plaintiff expended in pursuing the litigation . . . .’” *Stanton v. Boeing Co.*, 327 F.3d 938,  
15 977 (9th Cir. 2003) (citation omitted). The Court will consider the evidence presented at the final  
16 fairness hearing and evaluate the reasonableness of any incentive award request. Nevertheless,  
17 because incentive awards are not per se unreasonable, the Court finds that this factor weighs in  
18 favor of preliminary approval. *See Rodriguez*, 563 F.3d at 958 (finding that “[i]ncentive awards  
19 are fairly typical in class action cases” and “are discretionary” (emphasis omitted)).

### 20 **iii. Settlement within Range of Possible Approval**

21 The third factor the Court considers is whether the settlement is within the range of  
22 possible approval. To evaluate whether the settlement amount is adequate, “courts primarily  
23 consider plaintiffs’ expected recovery balanced against the value of the settlement offer.” *Lenovo*,  
24 2018 WL 6099948, at \*8. This requires the Court to evaluate the strength of Plaintiffs’ case.

25 Here, the total settlement amount constitutes approximately 7.4% of the “best-case”  
26 nationwide recovery. Dkt. No. 213 at ¶ 4. Plaintiffs’ counsel estimates a claims submission rate  
27 of 1–2%, and a potential target audience of 30,100,000. Dkt. No. 205 at 21; *see* Dkt. No. 205-12  
28 at ¶ 14. The maximum amount each Class Member can recover without any documentation of

1 purchase is \$10. Dkt. No. 205 at 2. With documentation, the maximum amount a Class Member  
 2 can recover is \$20, subject to a \$30 cap per household. *Id.* Plaintiffs acknowledge that there is  
 3 substantial risk they would face in continuing to litigate this case, such as maintaining class  
 4 treatment and prevailing at trial. Dkt. No. 205 at 12. The Court finds that the settlement amount,  
 5 given these risks, weighs in favor of granting preliminary approval.

#### 6 **iv. Obvious Deficiencies**

7 The fourth and final factor that the Court considers is whether there are obvious  
 8 deficiencies in the settlement agreement. The Court finds no obvious deficiencies, and therefore  
 9 finds that this factor weighs in favor of preliminary approval.

10 \* \* \*

11 Having weighed the relevant factors, the Court preliminarily finds that the settlement  
 12 agreement is fair, reasonable, and adequate, and **GRANTS** preliminary approval. The Court  
 13 **DIRECTS** the parties to include both a joint proposed order and a joint proposed judgment when  
 14 submitting their motion for final approval.

#### 15 **V. PROPOSED CLASS NOTICE PLAN**

16 For Rule 23(b)(3) class actions, “the court must direct notice to the class members the best  
 17 notice that is practicable under the circumstances, including individual notice to all members who  
 18 can be identified through reasonable effort.” Fed. R. Civ. P. 23(c)(2)(B). Individual notice must  
 19 be sent to all class members “whose names and addresses may be ascertained through reasonable  
 20 effort.” *Eisen v. Carlisle & Jacquelin*, 417 U.S. 156, 173 (1974). “If the names and addresses of  
 21 class members cannot be determined by reasonable efforts, notice by publication is sufficient to  
 22 satisfy the requirements of the due process clause and Rule 23.” *Jermyn v. Best Buy Stores, L.P.*,  
 23 No. 08 CIV. 00214 CM, 2010 WL 5187746, at \*3 (S.D.N.Y. Dec. 6, 2010) (citing *Mullane v.*  
 24 *Cent. Hanover Bank & Trust Co.*, 339 U.S. 306, 317–18 (1950)). District courts have “broad  
 25 power and discretion vested in them by [Rule 23]” in determining the contours of appropriate class  
 26 notice. *See Reiter v. Sonotone Corp.*, 442 U.S. 330, 345 (1979). Direct notice is inappropriate  
 27 when it is overly broad or overly inclusive. *Yeoman v. Ikea U.S. W., Inc.*, No. 11CV701 WQH  
 28 BGS, 2013 WL 5944245, at \*5–6 (S.D. Cal. Nov. 5, 2013); *see also Jermyn*, 2010 WL 5187746,

1 at \*3.

2 The Court notes that the notice plan does not provide direct notice. During the parties’  
3 briefing on the amended class notice plan, Defendant averred, and Plaintiffs did not dispute, that  
4 no list of identifiable class members exists. *See* Dkt. No. 172 at 2. And the Court held that direct  
5 notice to 550,000 online purchasers would be improper under Rule 23, as those online purchasers  
6 are defined by a characteristic that on its face does *not* establish membership in the certified (or  
7 settlement) class. Dkt. No. 180 at 4–6.

8 Given that direct notice appears to be infeasible, the third-party settlement administrator  
9 will implement a digital media campaign and provide for publication notice in *People* magazine, a  
10 nationwide publication, and the *East Bay Times*. SA § IV.A, C; Dkt. No. 205-12 at ¶¶ 13–23. The  
11 publication notices will run for four consecutive weeks. Dkt. No. 205 at ¶ 23. The digital media  
12 campaign includes an internet banner notice implemented using a 60-day desktop and mobile  
13 campaign. Dkt. No. 205-12 at ¶ 18. It will rely on “Programmatic Display Advertising” to reach  
14 the “Target Audience,” Dkt. No. 216-1 at ¶ 6, which is estimated to include 30,100,000 people and  
15 identified using the target definition of “Fast Food & Drive-In Restaurants Total Restaurants Last  
16 6 Months [Chipotle Mexican Grill],” Dkt. No. 205-12 at ¶ 13. Programmatic display advertising  
17 utilizes “search targeting,” “category contextual targeting,” “keyword contextual targeting,” and  
18 “site targeting,” to place ads. Dkt. No. 216-1 at ¶¶ 9–12. And through “learning” technology, it  
19 continues placing ads on websites where the ad is performing well. *Id.* ¶ 7. Put simply,  
20 prospective Class Members will see a banner ad notifying them of the settlement when they search  
21 for terms or websites that are similar to or related to Chipotle, when they browse websites that are  
22 categorically relevant to Chipotle (for example, a website related to fast casual dining or Mexican  
23 food), and when they browse websites that include a relevant keyword (for example, a fitness  
24 website with ads comparing fast casual choices). *Id.* ¶¶ 9–12. By using this technology, the  
25 banner notice is “designed to result in serving approximately 59,598,000 impressions.” Dkt. No.  
26 205-12 at ¶ 18.

27 //

28 //

1 The Court finds that the proposed notice process is “‘reasonably calculated, under all the  
2 circumstances,’ to apprise all class members of the proposed settlement.” *Roes*, 944 F.3d at 1045  
3 (citation omitted).

4 With respect to the content of the notice itself, the notice must clearly and concisely state  
5 in plain, easily understood language:

- 6 (i) the nature of the action;
- 7 (ii) the definition of the class certified;
- 8 (iii) the class claims, issues, or defenses;
- 9 (iv) that a class member may enter an appearance through an attorney if  
the member so desires;
- 10 (v) that the court will exclude from the class any member who requests  
exclusion;
- 11 (vi) the time and manner for requesting exclusion; and
- 12 (vii) the binding effect of a class judgment on members[.]

13 Fed. R. Civ. P. 23(c)(2)(B). The Court finds that the content of the proposed notices, Dkt. No.  
14 205-3, Ex. A; Dkt. No. 205-4, Ex. B, provides sufficient information about the case and thus  
15 conforms with due process requirements. *See Hyundai II*, 926 F.3d at 567 (“Notice is satisfactory  
16 if it generally describes the terms of the settlement in sufficient detail to alert those with adverse  
17 viewpoints to investigate and to come forward and be heard.” (citation and quotations omitted)).

18 **VI. CONCLUSION**

19 For the foregoing reasons, the Court **GRANTS** Plaintiffs’ motion for preliminary approval  
20 of class action settlement and **GRANTS** Plaintiffs’ request to file an amended complaint.  
21 Plaintiffs are **DIRECTED** to file their amended complaint within five (5) days. The parties are  
22 **DIRECTED** to meet and confer and stipulate to a schedule of dates for each event listed below,  
23 which shall be submitted to the Court within seven days of the date of this Order:

Event	Date
Deadline for Settlement Administrator to mail notice to all putative Class Members	
Filing deadline for attorneys’ fees and costs motion	
Filing deadline for incentive payment motion	
Deadline for Class Members to opt-out or object to settlement and/or application for attorneys’ fees and costs and incentive payment	
Filing deadline for final approval motion	
Final fairness hearing and hearing on motions	

United States District Court  
Northern District of California

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The parties are further **DIRECTED** to implement the proposed class notice plan.  
**IT IS SO ORDERED.**

Dated: 1/31/2020

  
HAYWOOD S. GILLIAM, JR.  
United States District Judge