CONSUMER CLASS ACTION UPDATE:
No Damages or Injury, No Predominance and No Class

BY COMPLEX LITIGATION PRACTICE GROUP

The U.S. Supreme Court’s decision in Comcast Corp. v. Behrend, 133 S. Ct. 1426 (2013) was historic. In one swoop, the Court confirmed that Federal Rule of Civil Procedure (“Rule”) 23 requires proof that damages and injury are amenable to class treatment before a class can be certified. Id. at 1432. In an effort to downplay the importance of Comcast, the Plaintiffs’ bar has been clinging to Justice Ginsburg’s commentary in dissent, that Comcast “breaks no new ground on the standard for certifying a class action under [Rule] 23(b)(3).” Id. at 1436 (Ginsburg, J. dissenting). However, this is becoming harder for plaintiffs to do each day, as more and more district courts are relying on Comcast to deny class certification.

Comcast’s broad reach, however, is beginning to be felt beyond just district courts. Most recently, in In re: Rail Freight Fuel Surcharge Antitrust Litigation – MDL No. 1869, No. 12-7085, 2013 U.S. App. LEXIS 16500 (D.C. Cir. Aug. 9, 2013), the United States Court of Appeals for the District of Columbia Circuit confirmed that Comcast has established a higher standard for plaintiffs seeking to pursue a class action, requiring that plaintiffs establish not only classwide proof of damages, but also injury.

Comcast Corp. v. Behrend, 133 S. Ct. 1426 (2013) Shifted the Consumer Class Action Landscape

In Comcast, the district court had certified a class of 2 million current and former, residential and commercial, Comcast cable television subscribers seeking damages under Rule 23(b)(3). 133 S. Ct. at 1429-30. Rule 23(b)(3) permits class certification only where “the court finds that the questions of law or fact common to class members predominate over any questions affecting only individual members, and that a class action is superior to other available methods for fairly and efficiently adjudicating the controversy.” Fed. R. Civ. P. 23(b)(3). Interpreting Rule 23(b)(3), the district court held that plaintiffs must “show (1) that the existence of individual injury . . . was ‘capable of proof at trial through evidence that [was] common to the class rather than individual to its members’; and (2) that the damages . . . were measurable ‘on a class-wide basis’ through use of a ‘common methodology.’” Comcast, 133 S. Ct. at 1430 (alterations in original). The Court of Appeals did not contradict this interpretation. Id. at 1431. Nor, for that matter, did the Supreme Court.

However, the Supreme Court cautioned that class certification is impossible if the plaintiff fails to “affirmatively demonstrate his compliance’ with Rule 23.” Id. at 1432. Where the plaintiff seeks to certify a class under Rule 23(b), lower courts must perform analyses that are “even more demanding than Rule 23(a),” and must “take a ‘close look’ at whether common questions predominate over
individual ones.” *Id.* Though the Supreme Court focused its facts-specific discussion on the model proposed by the plaintiffs for measuring damages, the Court noted that Rule 23(b)(3) obligates Plaintiffs to establish “injury” as a prerequisite for awarding damages. *Id.* at 1433-34. Even the dissent acknowledged that Rule 23(b)(3) requires proof of a classwide injury. *Id.* at 1436.


On August 9, 2013, the United States Court of Appeals for the District of Columbia issued an opinion confirming that *Comcast* and Rule 23 require proof of injury on a classwide basis before certification. In *In re: Rail Freight Fuel Surcharge Antitrust Litigation*, a group who shipped products via rail and were forced to pay rate-based fuel surcharges by major freight railroads filed a lawsuit alleging collusion and price fixing. *Id.*, 2013 U.S. App. LEXIS 16500 at *1-4. They then sought to certify a class under Rule 23(b)(3) and offered an expert’s opinion quantifying the class members’ alleged damages. *Id.* at *8-10. The district court granted certification. *Id.* at *10. On appeal, the D.C. Circuit held that Rule 23(b)(3) compels plaintiffs to “show that they can prove, through common evidence, that all class members were in fact injured . . .” because “[w]hen a case turns on individualized proof of injury, separate trials are in order.” *Id.* at *17. Noting that the Supreme Court’s decision in *Comcast* “clarified the law of class actions,” the court observed:

> It is now indisputably the role of the district court to scrutinize the evidence before granting certification, even when doing so “requires inquiry into the merits of the claim.” [*Comcast Corp.*.,] 133 S. Ct. at 1433. If the damages model cannot withstand this scrutiny then, that is not just a merits issue. [Plaintiffs’ damages theories] are essential to the . . . claim [that] they can offer common evidence of classwide injury. . . . No damages model, no predominance, no class certification.

*Id.* at *21.

District courts applying *Comcast* likewise have required a showing of classwide injury at the class certification stage. In *Torres v. Nutrisystem, Inc.*, No. SACV 12-01854-CJC (JPRx), 2013 U.S. Dist. LEXIS 66444 (C.D. Cal. Apr. 8, 2013), for example, the district court denied class certification because the class members could not prove, on a classwide basis, that they had viable statutory claims. Similarly, in *Diacakis v. Comcast Corp.*, No. C11-3002, 2013 U.S. Dist. LEXIS 64523 (N.D. Cal. May 3, 2013), the district court held that the class, which consisted of all purchasers of a cable package, was overbroad because it included putative plaintiffs that had not been deceived by the alleged representations and omissions and thus suffered no injury.¹

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¹ While some courts have allowed certification without classwide proof of damages post-*Comcast*, those cases did not arise in the consumer class action context. For instance, in *Leyva v. Medline Industries, Inc.*, 716 F.3d 510 (9th Cir. 2013), a wage and hour class action, the Ninth Circuit Court of Appeals upheld class certification where the defendant maintained extensive payroll records identifying each class member’s injury, which would allow for an accurate, mechanical calculation of damages for the putative class. *Id.* at 514. Unlike *Leyva*, in the consumer class action context, plaintiffs will have a much more difficult time showing classwide injury and damages, as purchasing decisions among consumers vary, and records of such purchases are virtually nonexistent.
Practical Implications of Comcast Corp. and In re: Rail Freight Fuel Surcharge Antitrust Litigation

Corporations facing consumer class action lawsuits stand to benefit significantly from the Supreme Court’s ruling in Comcast. As the D.C. Circuit explained in In re: Rail Freight Fuel Surcharge Antitrust Litigation, “[b]efore Behrend, the case law was far more accommodating to class certification . . . courts had not treated the principle as intuitive in the past.” Id. at *25. Now, it is clear that district courts cannot certify a class under Rule 23(b)(3) unless plaintiffs show a classwide method for establishing damages and injury. Certification absent classwide proof of both injury and damages is tantamount to certifying a class without predominance, undoubtedly an appealable issue.

Contributors to this alert were Partner Dennis S. Ellis, Of Counsel Katherine F. Murray and Associate Adam M. Reich

If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

Los Angeles
Chair, Complex Litigation and Trial Practice
Dennis S. Ellis
1.213.683.6264
dennisellis@paulhastings.com
Joshua G. Hamilton
1.213.683.6186
joshuahamilton@paulhastings.com
Katherine F. Murray
1.213.683.6273
katherinemurray@paulhastings.com
Nicholas Begakis
1.213.683.6112
nicholasbegakis@paulhastings.com

New York
Carla R. Walworth
1.212.318.6466
carlawalworth@paulhastings.com

Orange County
Donald L. Morrow
1.714.668.6291
donaldmorrow@paulhastings.com

Palo Alto
Peter M. Stone
1.650.320.1843
peterstone@paulhastings.com

San Diego
Christopher H. McGrath
1.858.458.3027
chrismcgrath@paulhastings.com

San Francisco
Grace A. Carter
1.415.856.7015
gracecarter@paulhastings.com
John P. Phillips
1.415.856.7027
johnphillips@paulhastings.com
Sean D. Unger
1.415.856.7056
seanunger@paulhastings.com

Washington, D.C.
Behnam Dayanim
1.202.551.1737
bdayanim@paulhastings.com

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