COLORADO COURT OF APPEALS

DATE FILED: December 29, 2022 CASE NUMBER: 2022CA795

Court of Appeals No. 22CA0795 El Paso County District Court No. 20CV31723 Honorable Thomas K. Kane, Judge

Salvador Cervantes and Shawn Rentie,

Plaintiffs-Appellants,

v.

Wendy's of Colorado Springs, Inc.,

Defendant-Appellee.

ORDER REVERSED AND CASE REMANDED WITH DIRECTIONS

Division III
Opinion by JUDGE FOX
Tow and Yun, JJ., concur

NOT PUBLISHED PURSUANT TO C.A.R. 35(e)

Announced December 29, 2022

The Law Offices of Brian D. Gonzales, PLLC, Brian D. Gonzales, Fort Collins, Colorado; Hood Law Office, PLLC, Alexander Hood, Denver, Colorado, for Plaintiffs-Appellants

Fisher & Phillips LLP, Jeffrey H. McClelland, Micah D. Dawson, Denver, Colorado, for Defendant-Appellee

Plaintiffs, Salvador Cervantes and Shawn Rentie, bring this interlocutory appeal, pursuant to section 13-20-901, C.R.S. 2022; C.A.R. 3.3; and C.R.C.P. 23(f), of the district court's order denying class certification. We reverse and remand.

I. Background

Defendant, Wendy's of Colorado Springs, Inc. (Wendy's), owns and operates a chain of franchise fast-food restaurants. Plaintiffs, former hourly and nonexempt Wendy's employees, claim that Wendy's failed to compensate them for routinely working through their thirty-minute meal breaks and ten-minute rest breaks (collectively rest periods)¹ in violation of the Colorado Wage Claim Act (CWCA), §§ 8-4-101 to -125, C.R.S. 2022, the Colorado Minimum Wage Act (CMWA), §§ 8-6-101 to -120, C.R.S. 2022, and the Colorado Overtime and Minimum Pay Standards Order No. 36, Rules 5.1 and 5.2, 7 Code Colo. Regs. 1103-1 (effective Mar. 16, 2020-Dec. 31, 2020) (COMPS Order).

¹ Because the district court did not differentiate between the meal breaks and rest breaks, we refer to them as rest periods or rest breaks. However, as *Hicks v. Colorado Hamburger Co.*, 2022 COA 149, articulates, the meal breaks and rest breaks warrant separate analysis.

- While advancing their own claims, plaintiffs moved for class certification so they could represent similarly situated current and former employees who also were uncompensated for working through rest periods. They sought to certify the following two classes:
 - all current and former hourly managers who worked for Wendy's in Colorado from September 22, 2014 to the present; and
 - all current and former nonexempt hourly workers who worked for Wendy's in Colorado from September 22, 2014 to the present.

Wendy's opposed class certification.

¶ 4 In a short order, the district court denied the request for certification. This interlocutory appeal challenges the order denying certification on several bases.

II. Legal Framework

A. Standard of Review and Class Action Certification Law

We generally review a district court's decision to certify a class for an abuse of discretion. *Jackson v. Unocal Corp.*, 262 P.3d 874, 879-80 (Colo. 2011); *BP Am. Prod. Co. v. Patterson*, 263 P.3d 103,

108 (Colo. 2011). Accordingly, we will only reverse a district court's class certification order if it is manifestly arbitrary, unreasonable, or unfair, or when the court applies the incorrect legal standard.

Jackson, 262 P.3d at 880. If, however, a certification decision rests purely on a question of law, we review de novo. BP, 263 P.3d at 108.

- System, including the promotion of judicial efficiency, consistency, and access to justice. *See Jackson*, 262 P.3d at 880-81. For this reason, we liberally construe C.R.C.P. 23 to support its policy favoring maintenance of class actions. *Farmers Ins. Exch. v. Benzing*, 206 P.3d 812, 817-18 (Colo. 2009); *LaBerenz v. Am. Fam. Mut. Ins. Co.*, 181 P.3d 328, 333 (Colo. App. 2007).
- ¶ 7 A party can maintain a class action if:
 - (1) The class is so numerous that joinder of all members is impracticable; (2) there are questions of law or fact common to the class; (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and (4) the representative parties will fairly and adequately protect the interests of the class.

C.R.C.P. 23(a).

In addition to satisfying these requirements, the party moving for class certification must prove, as relevant here, that "questions of law or fact common to the members of the class predominate over any questions affecting only individual members, and that a class action is superior to other available methods for the fair and efficient adjudication of the controversy." C.R.C.P. 23(b)(3).

1. Predominance Law

Whether common questions predominate over individual ones turns on "whether the proof at trial will be predominantly common to the class or primarily individualized." *Garcia v. Medved Chevrolet, Inc.*, 263 P.3d 92, 98 (Colo. 2011) (citation omitted). It is "a fact-driven, pragmatic inquiry guided by the objective of judicial efficiency and the need to provide a forum for the vindication of dispersed losses." *Medina v. Conseco Annuity Assurance Co.*, 121 P.3d 345, 348 (Colo. App. 2005). A plaintiff demonstrates predominance when it "advances a theory by which to prove or disprove 'an element on a simultaneous, class-wide basis, since such proof obviates the need to examine each class member's individual position." *Benzing*, 206 P.3d at 820 (citation omitted).

While a court may need to consider the parties' substantive claims and defenses as part of its predominance analysis, it must not prejudge the merits of the case or certify only those claims likely to prevail on the merits. *Jackson*, 262 P.3d at 885. The need for individual proof of damages does not preclude a finding of predominance. *Id.* at 889.

2. Class-Wide Inferences

a lement of their claim. See Garcia, 263 P.3d at 99-102; Menocal v. GEO Grp., Inc., 882 F.3d 905, 918-22 (10th Cir. 2018). Class-wide inferences are permissible because they prevent redundant inquiries into the individual circumstances of each class member. BP, 263 P.3d at 111. "[A] trial court must rigorously analyze the evidence presented to determine whether [it] supports a class-wide inference" Garcia, 263 P.3d at 100. This rigorous analysis requires a court to consider not only whether the circumstantial evidence common to the class supports an inference, but also whether any individual evidence offered by the opposing parties refutes that inference. Id. at 102; BP, 263 P.3d at 111.

B. Colorado Hourly Wage Law

- Two Colorado statutes establish the foundational wage protections for hourly workers: the CMWA, §§ 8-6-101 to -120, and the CWCA, §§ 8-4-101 to -125. The Colorado Department of Labor and Employment is empowered to promulgate an annual regulation that implements these two statutes. COMPS Order, 7 Code Colo. Regs. 1103-1. Plaintiffs claim that Wendy's violated the regulations pertaining to rest and meal breaks.
- With respect to rest breaks, the COMPS Order provides that "[e]very employer shall authorize and permit a compensated 10-minute rest period for each 4 hours of work, or major fractions, thereof, for all employees." *Id.* at Rule 5.2. It then elaborates on the rationale behind and implication of this rule, noting that

[w]hen an employee is not authorized and permitted a required 10-minute rest period, his or her shift is effectively extended by 10 minutes without compensation. Because a rest period requires 10 minutes of pay without work being performed, work during a rest period is additional work for which additional pay is not provided. Therefore, a failure by an employer to authorize and permit a 10-minute compensated rest period is a failure to pay 10 minutes of wages at the employee's agreed-upon or legally required (whichever is higher) rate of pay.

Id. at Rule 5.2.4.

As for meal breaks, the COMPS Order states that an employee is entitled to an uncompensated, uninterrupted, and "duty-free meal period of at least a 30-minute duration when the shift exceeds 5 consecutive hours." *Id.* at Rule 5.1. But the Order also includes a caveat:

When the nature of the business activity or other circumstances make an uninterrupted meal period impractical, the employee shall be permitted to consume an on-duty meal while performing duties. Employees shall be permitted to fully consume a meal of choice on the job and be fully compensated for the onduty meal period without any loss of time or compensation.

- Id. Thus, an employer must provide their employee with either (A) an uncompensated, uninterrupted, and duty-free thirty-minute meal break, or (B) an opportunity to eat a meal of choice on the clock. Id.
- In addition to equipping employees with rights to rest and meal breaks, the COMPS Order imposes record-keeping duties on employers. As pertinent here, employers must maintain "a true and accurate record for each employee which contains [a] daily record of all hours worked." *Id.* at Rule 7.1(C).

¶ 16 Finally, if employees receive "less than the full wages or other compensation owed [they may] recover in a civil action the unpaid balance of the full amount owed." *Id.* at Rule 8.1(A).

III. Analysis

- A. Predominance, Representative/Circumstantial Evidence, and Damages
- Plaintiffs first contend the district court erred in failing to undertake a predominance inquiry, pursuant to C.R.C.P. 23(b)(3), and in ignoring representative and circumstantial evidence as appropriate tools. They also challenge the court's reference to individualized damage in denying certification.
- ¶ 18 Citing to C.R.C.P. 23 generally, and relying only on three federal cases without reference to relevant Colorado authorities, the district court denied class certification as follows:

Plaintiffs' proposed class definitions would require individualized merit determination to ascertain who has a valid claim to be in the class The Court finds that the descriptions of the individual Plaintiff's claims do not constitute common questions of law and fact. . . . [T]hese Plaintiffs and all of the Plaintiffs in the class that is requested here, would face questions of whether break policies existed, did the individuals exercise breaks on duty, and evidence of the number of breaks missed for purposes of damages. C.R.C.P. [23]

requires a definable injury and the members of these proposed classes would have different and distinguishable claims. . . . The predominance prong asks whether the common issues in the case are more prevalent or important than the non-common individual issues. This requires weighing the common questions against the individual ones and determining which questions predominate. Ruiz v. U.S. Bank Nat/'l/ Ass'n, 2020 WL 5517113 (D. Colo. July 24, 2020). Given the highly individualized issues as to Defendant's meal and rest break practices and how they are applied on a daily basis with respect to workers, Plaintiffs cannot satisfy the commonality requirement under Rule 23.

predominance, it is not clear if it denied certification because it concluded that plaintiffs failed to satisfy Rule 23(a)'s commonality requirement or Rule 23(b)(3)'s predominance inquiry. *See, e.g.*, 1 William B. Rubenstein, *Newberg and Rubenstein on Class Actions* § 3:27, Westlaw (6th ed. database updated Dec. 2022). Regardless of why the court denied certification, it is evident from its skeletal order that it did not "rigorously analyze" the evidence in deciding whether Rule 23's requirements were met. *Jackson*, 262 P.3d at 877.

- Plaintiffs requested a sampling of employee names and records across various Wendy's stores under common ownership and at which plaintiffs had similar experiences with uncompensated breaks. Wendy's was only willing to disclose limited information about a single store.² Even without access to the timesheets and payroll records, plaintiffs' motion for certification relied on affidavits stating that
 - Wendy's had uniform payroll and timekeeping policies at all its stores;
 - while plaintiffs worked primarily at one store, they had assignments at multiple stores; and
 - at each location, plaintiffs did not receive all their breaks
 and were not compensated for breaks not provided.
- ¶ 21 Plaintiffs' certification motion also relies on affidavits from former Wendy's employees:

² Plaintiffs moved to compel the production of the requested information. On remand, the court must revisit discovery, especially given that plaintiffs are entitled, at a minimum, to payroll and timekeeping records of the seventy-two affiants Wendy's first disclosed in objecting to certification. *See* C.R.C.P. 26(a)(1)(A).

- Ashley Kimberlin, a former Wendy's hourly and nonexempt employee, attested that before this lawsuit was filed, rest breaks were routinely denied, and the missed breaks were not compensated. But after the lawsuit was filed, Wendy's directed that all hourly employees be given their ten-minute breaks and their thirty-minute meal periods.
- John Rentie, a former Wendy's employee who worked there almost ten years, advancing from crew member to shift supervisor, restaurant manager, and general manager had experiences mirroring those of plaintiffs. He too received neither ten-minute breaks nor thirty-minute meals; nor was he compensated for missing the ten-minute breaks. He further attests that the crew members he worked with or supervised typically did not receive ten-minute compensated rest breaks.
- This information, even if disputed, refutes Wendy's suggestion, in its answer brief, that plaintiffs failed to present *any* evidence to satisfy Rule 23.

- ¶ 23 If an employee works during required rest periods and is not paid, she receives "less than the legal minimum wage" and effectively provides the equivalent number of minutes worked to her employer without compensation. *See Pilmenstein v. Devereux Cleo Wallace*, 2021 COA 59, ¶ 37. As such, the employee can pursue monetary damages in a civil action. COMPS Order, Rule 8.1, 7 Code Colo. Regs. 1103-1; *see also Sobolewski v. Boselli & Sons, LLC*, 342 F. Supp. 3d 1178, 1184 (D. Colo. 2018).
- And to proceed as a class, plaintiffs need only provide "'some evidence in the form of affidavits, declarations, deposition testimony, or other documents to support the allegations that other similarly situated employees were subjected to a common policy' that violated the law." *Pieksma v. Bridgeview Bank Mortg. Co.*, No. 15 C 7312, 2016 WL 7409909, at *1 (N.D. III. Dec. 22, 2016) (unpublished opinion) (citation omitted); *see also Jackson*, 262 P.3d at 885. The bar plaintiffs must meet in seeking to advance common legal claims as a class is not high.
- ¶ 25 Even if the district court entertained doubts about plaintiffs' ability to prevail on the merits of their claims, that does not mean it should have denied certification. *See Lopez v. Next Generation*

Constr. & Env't, LLC, No. 16-cv-00076, 2017 WL 10311220, at *2 (D. Colo. Feb. 10, 2017) (unpublished opinion) ("In doubtful cases, class certification is favored." (citing Esplin v. Hirschi, 402 F.2d 94, 101 (10th Cir. 1968))); see also Jackson, 262 P.3d at 885. Rather, a liberal application of the class action procedural device is particularly appropriate given the remedial nature of Colorado's wage laws. Hartman v. Cmty. Resp. Ctr., Inc., 87 P.3d 202, 207 (Colo. App. 2003) ("The purpose of the [CWCA] is to assure the timely payment of wages and to afford adequate judicial relief when wages are not paid. The [CWCA] is to be liberally construed to carry out that purpose."); § 8-6-102, C.R.S. 2022 (The COMPS Order "shall be liberally construed"). A flexible use of the class action device allows aggrieved employees to efficiently and cost-effectively enforce the law and recover wages due.

According to plaintiffs, the district court also erroneously assumed there would be a need for individualized proof and thus denied certification. The court should have, instead, analyzed whether plaintiffs' proposal to use representative and circumstantial evidence rendered certification an appropriate case management tool here. *See Jackson*, 262 P.3d at 880.

- The court denied certification after observing that any member ¶ 27 of the class proposed "would face questions of whether break policies existed, [whether] the individuals exercise[d] breaks on duty, and evidence of the number of breaks missed for purposes of damages." The court's observation does not reflect "a fact-driven, pragmatic inquiry" or otherwise balance "the need to provide a forum for the vindication of dispersed losses," that Medina, 121 P.3d at 348, contemplates. Because the district court did not make specific findings regarding the requirements of C.R.C.P. 23(a) and C.R.C.P. 23(b)(3) — or reference what portions of the record support its conclusion — we are unable to evaluate whether, and how, the district court assessed plaintiffs' arguments and evidence. See In re Marriage of Gedgaudas, 978 P.2d 677, 682 (Colo. App. 1999) (order must contain findings of fact and conclusions of law sufficient to give an appellate court a clear understanding of the basis of its decision).
- Plaintiffs are correct that the court did not consider that predominance exists where "the plaintiff advances a theory by which to prove or disprove 'an element on a simultaneous, class-wide basis, since such proof obviates the need to examine

each class member's individual position." Benzing, 206 P.3d at 820 (citation omitted). The motion for certification alleged — with supporting affidavits — a uniform policy across Wendy's stores, that payroll and timekeeping practices were the same at each store, and that plaintiffs (and similarly situated workers) were not paid for legally required breaks.3 And even if Wendy's had a policy that purported to comply with Colorado law, as its answer brief suggests, plaintiffs allege that Wendy's did not, in fact, comply with the law. That allegation was further substantiated by Kimberlin, who attested that after "the lawsuit was filed . . . Wendy's ordered that all hourly employees receive 10-minute breaks and 30-minute meal periods," a practice she did not observe before the lawsuit was filed. While Wendy's may refute plaintiffs' proffered proof, its mere

³ The court's order also does not recognize Wendy's duty to keep wage records. *See* COMPS Order, Rule 7.1(C), 7 Code Colo. Regs. 1103-1; *see also Sobolewski v. Boselli & Sons, LLC*, No. 16-cv-01573, 2018 WL 3838140, at *3 (D. Colo. June 13, 2018) (unpublished opinion) (rejecting employer's argument that payroll records could not support a class-wide inference and noting that "[e]lectronic payroll records that are available for every member of the proposed class is the precise type of generalized proof that makes a class action more efficient than an individual action").

assertion that it compensates employees for any missed breaks, if reported, is insufficient to defeat class certification.

- The aforementioned allegations are relevant to the certification inquiry. As noted, without sufficient findings by the district court, our review is frustrated. *Gedgaudas*, 978 P.2d at 682. We must therefore remand the case to the district court to revisit discovery, allow supplemental briefing once that discovery is produced, and then make further findings of fact and a determination of whether the proposed class action lawsuit, or portions thereof, should be certified.⁴
- Moreover, Rule 23 may be satisfied even when there is disparity in the damages claimed by the class representatives and the putative class members. *Jackson*, 262 P.3d at 889-90; *Buckley Powder Co. v. State*, 70 P.3d 547, 556 (Colo. App. 2002) (the need for proof of individualized damages does not defeat superiority); *see also Creely v. HCR ManorCare, Inc.*, 789 F. Supp. 2d 819, 840 (N.D.

⁴ It is not entirely clear what the parties mean by the district court substituting its own plan for plaintiffs' trial plan. To the extent it pertains to the limitations on discovery the court imposed, we have already indicated plaintiffs are entitled to more records than they received. *See supra* n.2.

Ohio 2011). The class representatives need only establish "a nexus between the class representatives' claims or defenses and the common questions of fact or law which unite the class." *Cook v. Rockwell Int'l Corp.*, 151 F.R.D. 378, 385 (D. Colo. 1993); *see also Kuhn v. State Dep't of Revenue*, 817 P.2d 101, 105 (Colo. 1991) ("Nor does the fact that, if the class prevails, each class member will be owed a different [damages] amount defeat" Rule 23's requirements.).

¶ 31 Accordingly, *if* the district court's order is read as finding that plaintiffs failed to prove predominance (assuming the court made a Rule 23(b)(3) finding rather than a Rule 23(a) finding) because their damages would be different from those of the potential class members, then its finding fails. *See Jackson*, 262 P.3d at 880 (a misapplication of the law constitutes an abuse of discretion).

C.R.C.P. 23 allows the district court flexibility in shaping a class action. *Goebel v. Colo. Dep't of Insts.*, 764 P.2d 785, 794 (Colo. 1988). For example, a court "may" certify a class action for particular issues, such as liability or damages only, "[w]hen appropriate." C.R.C.P. 23(c)(4).

While the guidance offered by *Hicks v. Colorado Hamburger Co.*, 2022 COA 149, was not available when the district court issued its May 2, 2022, noncertification order, we trust that the *Hicks* analysis will be useful to the court on remand.

B. Fail-Safe

- Plaintiffs next challenge the district court's denial of class certification based on its finding that their proposed classes are "fail-safe." While the court used the word "fail-safe," it included no meaningful analysis. Thus, we are unable to assess the relevance, or meaning, of its reference. *See Gedgaudas*, 978 P.2d at 682.
- ¶ 34 A fail-safe class is one that defines the proposed class as a legal conclusion. *LaBerenz*, 181 P.3d at 335. So if the defendant is found liable, class membership is ascertainable and the litigation ends. *Id.* That is not the case here; liability and damages do not have to be decided together (although they can be). In any event, we need not address the issue further because we have already concluded that we must reverse and remand for a complete analysis applying binding legal precedent.

- C. Undisclosed Witness Statements
- ¶ 35 Plaintiffs' final contention is that the district court erred by relying on the seventy-two affidavits of previously undisclosed witnesses Wendy's produced in concluding that "individualized issues" precluded certification.
- It is not clear whether or to what extent the court relied ¶ 36 on these affidavits because the court's two-page analysis does not reference them directly. Clark v. Bally's Park Place, Inc., 298 F.R.D. 188, 198 (D.N.J. 2014) (referring to such declarations as "happy camper" affidavits). To the extent the affidavits drove the court's decision to deny certification, reliance on these "happy camper" affidavits was risky because plaintiffs were never given the opportunity to test the circumstances under which they were created. See Scardina v. Wiegand II, No. 2014CV31681, 2017 WL 3449238, at *17 (City & Cnty. of Denver Dist. Ct. June 15, 2017) (unpublished order) (expressing skepticism of current employees' testimony); In re Wells Fargo Home Mortg. Overtime Pay Litig., 527 F. Supp. 2d 1053, 1060-61 (N.D. Cal. 2007) (finding that defendant's happy camper declarations presented "glaring reliability concerns" due to the "possible pressure arising from ongoing employment

relationships"); Longcrier v. HL-A Co., 595 F. Supp. 2d 1218, 1224 (S.D. Ala. 2008) (sanctioning an employer for deceiving employees over the purpose of the declarations, telling them that it was part of a survey); see also Stevens v. HMSHost Corp., No. 10 Civ. 3571, 2012 WL 4801784, at *3 (E.D.N.Y. 2012) (unpublished opinion) (cautioning that such "evidence cannot be used to undermine a plaintiff's initial showing because doing so would require a court to weigh evidence and determine credibility,' which is not appropriate until . . . after discovery" (quoting Ferreira v. Modell's Sporting Goods, Inc., No. 11 Civ. 2395, 2012 WL 2952922, at *3 (S.D.N.Y. July 16, 2012) (unpublished opinion))). Plaintiffs first had access to the subject affidavits when Wendy's responded to the class certification motion. Because neither the affidavits, nor the names of the affiants, nor their employment data, were timely disclosed, plaintiffs were deprived of the opportunity to test them.

Beyond the fact that Wendy's potentially had significant influence over the workers who signed the affidavits, there is a further concern that the declarants are relying on incomplete, or even incorrect, information. The affiants do not say when they worked; they could have been hired after — according to Kimberlin

— Wendy's changed (or started enforcing) the break policy. And even if the district court credited one or more declaration, the declarations did not disprove plaintiffs' contrary statements. *See, e.g., Strickland v. United Parcel Service, Inc.*, 555 F.3d 1224, 1230 (10th Cir. 2009) ("A sex discrimination claim does not fail simply because an employer does not discriminate against every member of the plaintiff's sex."). At most, the declarations created fact issues to be explored further.⁵

IV. Conclusion

¶ 38 For the stated reasons, we reverse the court's order declining to certify the proposed classes. The case is remanded for further proceedings consistent with this opinion and *Hicks*.

JUDGE TOW and JUDGE YUN concur.

⁵ The belated declarations are but one example of how plaintiffs sustained harm. Unlike similar class actions, the record here does not contain timesheets, payroll records, or even contact information for other Wendy's employees across multiple stores — not even a fair cross section of said employees — necessary for the court's C.R.C.P. 23 analysis. *See supra* n.1.

Court of Appeals

STATE OF COLORADO 2 East 14th Avenue Denver, CO 80203 (720) 625-5150

PAULINE BROCK
CLERK OF THE COURT

NOTICE CONCERNING ISSUANCE OF THE MANDATE

Pursuant to C.A.R. 41(b), the mandate of the Court of Appeals may issue forty-three days after entry of the judgment. In worker's compensation and unemployment insurance cases, the mandate of the Court of Appeals may issue thirty-one days after entry of the judgment. Pursuant to C.A.R. 3.4(m), the mandate of the Court of Appeals may issue twenty-nine days after the entry of the judgment in appeals from proceedings in dependency or neglect.

Filing of a Petition for Rehearing, within the time permitted by C.A.R. 40, will stay the mandate until the court has ruled on the petition. Filing a Petition for Writ of Certiorari with the Supreme Court, within the time permitted by C.A.R. 52(b), will also stay the mandate until the Supreme Court has ruled on the Petition.

BY THE COURT: Gilbert M. Román, Chief Judge

DATED: January 6, 2022

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