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Eleventh Circuit emphasizes the abuse of discretion standard in affirming the denial of certification of a "diminution in value" class against State Farm

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Takeaway: From the perspective of attorneys representing class action defendants, it seems that some circuits (especially the Ninth Circuit) do not give much deference to district court decisions denying class certification. In a recent "diminution of value" case against State Farm, *Baker v. State Farm Mut. Auto. Ins. Co*., No. 21-14197, 2022 WL 3452469 (11th Cir. Aug. 18, 2022), however, an Eleventh Circuit panel demonstrated the range of deference the abuse of discretion standard can provide when reviewing an order denying class certification.

In that case, three plaintiffs, Rashad Baker, Rachael Leonard, and Zelma Stovall, filed a putative class action against State Farm, asserting breach of contract claims based on State Farm's use of a formula (the "17(c) formula") to assess policyholder claims for diminished car value resulting from covered vehicular damage. They described the State Farm formula as "an inherently unfair assessment methodology that grossly understates the diminished value of damaged vehicles ... minimiz[ing] the amount of diminished value [State Farm] pays to first-party claimants." 2022 WL 3452469, at *1. The plaintiffs sought the certification of a class of State Farm policy holders whose diminished value loss claims had been assessed using the formula.

The plaintiffs moved for class certification, but the district court denied the motion, "reason[ing] that the central liability question of whether the 17(c) formula breached State Farm's duty to assess was too individualized to meet the commonality and predominance requirements of Rule 23 …" *Id*. at *2. The district court further determined that the plaintiffs "had not demonstrated that the application of the 17(c) formula always resulted in an underassessment of diminished damages for each putative class member, for whom claims would vary 'across the spectrum of vehicle makes, model years, mileage, severity levels, and repair costs.'" *Id.*

The Eleventh Circuit affirmed the district court's ruling on the ground that plaintiffs had failed to satisfy Rule 23(b)(3)'s predominance requirement, a requirement "far more demanding than Rule 23(a)'s commonality requirement." *Id*. (quoting *Rutstein v. Avis Rent-A-Car Sys., Inc*., 211 F.3d 1228, 1233 (11th Cir. 2000)).

In affirming, the panel took a deferential view of the district court's analysis of the evidence submitted by the plaintiffs. For their part, the plaintiffs claimed that "State Farm breached its uniform contractual duty every time it applied the 17(c) formula to assess diminished value," citing in support the opinion of an expert who used "a sample of seventy-five cases" and who "testified that the formula always produced lowball assessments." *Id*. at *3. But the panel affirmed the district court's assessment of the expert's opinion, summarizing its ruling as follows: "To be sure, Dr. Hixenbaugh identified some

fundamental flaws with the 17(c) formula. However, the district court agreed with State Farm that Dr. Hixenbaugh's sample was too small and not representative of the class; therefore, Appellants failed to demonstrate that State Farm's use of the 17(c) formula always resulted in the underassessment of diminished value claims. … the district court then determined that Appellants failed to demonstrate that the alleged flaws in the formula resulted in State Farm breaching the contract as to all putative class members." *Id*. at *4. The panel ultimately held that the district court's ruling fit within the leeway provided by the abuse of discretion standard in the class certification context: "[W]e merely ask whether the district court's determination rested 'within the parameters of Rule 23's requirements for certification of a class'." *Id*. (quoting *Fitzpatrick v. Gen. Mills, Inc*., 635 F.3d 1279, 1283 (11th Cir. 2011)). "Having reviewed the detailed order on class certification by the district court, we find that it did." *Id*.