

Case Study:

Gallo LLP

In the late 2000s, a national chain of for-profit culinary schools led prospective students to believe that they could become chefs for \$46,000 through a 15 month program. The schools failed to disclose that only about 5% of graduates ever became chefs, so graduates were saddled with useless degrees, mountains of high-interest student debt, and the same \$11 an hour entry level jobs they could have gotten without culinary school. Because some individuals might ought to have known the schools were lying, class certification was improbable.

Fortunately for victims, technology made it possible for a small firm to get great recoveries for 1400 graduates without class treatment.

Challenge

Graduates of the California School of Culinary Arts (CSCA) were in an impossible position. The for-profit school had spent years aggressively advertising itself as a respected institution where students would gain a "Cordon Bleu level" education. The CSCA touted the financial and career success of its former students, but even though the school's own research revealed that graduates did no better in terms of wages and job placement than those without any degree at all. In fact, some employers even refused to hire graduates because they had debt and attitude but little additional skill.

Instead of entering into the culinary workforce with a significant advantage, CSCA's graduates found themselves with little more than a crippling amount of student debt. The school's tuition model was seriously flawed, a fact that CSCA's owners and administrators took great pains to conceal. In fact, some students left CSCA's program with upwards of \$50,000 in debt, some financed at a 19% interest rate. That's a huge price to pay for a "worthless" degree that virtually no one in the culinary industry recognized.

By 2008, CSCA was facing a class action lawsuit from its former students, alleging that the school had engaged in fraudulent and unfair business practices. Court rulings had made it likely that the Los Angeles County Superior Court would decline to grant the CSCA graduates' lawsuit class certification. Without certification, the expense and time involved in pursuing the case would have made it doubtful that any law firm would want the case.

Fortunately, the CSCA graduates weren't working with a typical law firm. They were working with Gallo LLP, a California-based firm with a bold new concept for changing the status quo mass action lawsuits.

Background

To understand Gallo's innovation, it helps to have a little context. In the late 2000s, graduates and former students of another for-profit culinary school — California Culinary Academy (CCA) — began to realize that their alma mater's promised "98% job placement rate" for chefs and other well-compensated restaurant jobs was, at best, extremely misleading. Most CCA graduates found that their degrees were effectively worthless, leaving them no more qualified for kitchen work than an inexperienced applicant with a high school diploma. In reality, CCA wasn't an exclusive program, accepting virtually anyone with the ability to take on tens of thousands in student loans and other federal aid. By 2007, due to accruals on high-interest loans and loan deferrals, many of CCA's graduates faced debts of well over \$100,000, all for useless degrees that didn't even help them get entry level, minimum-wage kitchen work.

After reading a June 2007 story about the struggles faced by CCA's former students in SF Weekly, Gallo decided to get involved. Before long, Gallo was meeting with hundreds of potential plaintiffs. While it was clear that CCA had engaged in deceptive and fraudulent practices to attract students, and that thousands of those students had a viable claim for damages against the school, it was far less clear if the case qualified for class certification.

As Gallo saw it, there were too many righteous cases where companies had victimized consumers or employees, but class certification would likely fail, so nothing was being done by help the victims. To get some kind of relief for his clients, and hopefully many others, he needed to get creative.

Instead of building a single class-action case against CCA, Gallo decided to build hundreds of individual cases. Using online resources like MySpace, Yahoo Groups, and email, Gallo was able to quickly attract more than 500 former CCA students to his firm. It was easier than ever to identify and attract new clients to the case, but these tools offered no way to screen them, interview them, get structured data from them, etc. And to send them bulk updates about the case using these means tended to result in confidentiality problems. Still, the complaints were all similar — allowing Gallo to organize them collectively, even though they were individual lawsuits.

So, Gallo developed software to automate the screening, signing, and management of these cases through a secure website.

After years of legal maneuvering and delays, CCA realized that this was an unwinnable fight — even if it won on class certification, Gallo would likely have half the class (2500 or so) bringing individual cases. The result was an unprecedented \$40 million settlement.

Solution

In the years following the CCA settlement, Gallo began to build a commercial version of his system for organizing individual cases and clients into an easily-managed mass action. He envisioned a suite of dedicated online tools — survey-based intake/screening, client communications, document management, and more — that could automate and streamline the most labor-intensive and time-consuming tasks that law firms face.

The result was LEVERAGE. Although it was designed for mass arbitrations and class actions, LEVERAGE soon proved to be a flexible, powerful legal technology solution for every day client handling, and an unprecedented legal automation tool that can take a prospect through screening, signing, document gathering, and interviewing, and even generate a complaint arbitration demand, or set of discovery responses in a fully automated way. In the right hands, LEVERAGE could potentially allow a single lawyer to handle hundreds or even thousands of individual cases.

What better way to test LEVERAGE's potential than in another mass action case against another California-based, for-profit culinary school?

Instead of seeking to combine the claims against CSCA into a single class action case, Gallo decided to take a more innovative approach. His firm would file as many individual claims against CSCA as possible, in a single lawsuit as allowed by California's joinder rules, forcing the school's legal team to face the possibility of dealing with thousands of cases, settlements, and even courtroom trials. Even if CSCA won the bulk of these cases, it would lose many, and the legal fees would be staggering.

No longer bound by the limitations of a traditional class action, Gallo could now focus on creating a new kind of legal strategy. They began actively notifying former CSCA students that they had claims and could retain lawyers. Using LEVERAGE's built-in screening tools to rapidly and effortlessly identify those with legitimate complaints against their former school allowed and to accept more than 1,000 former CSCA students as clients. Each client represented an expensive, time-consuming nightmare for CSCA's legal team. When word got out that 300 of those clients accepted low-ball statutory settlement offers totaling more than \$2 million, 400 more clients quickly signed up to get their fair share of the money available.

Results

Not surprisingly, CSCA soon recognized the value of settling with their former students. In 2014, the for-profit school agreed to pay out another \$17.5 million in damages to the remaining 1100 claimants. CSCA also made “significant changes” to their marketing as a result of the lawsuits.

The CSCA lawsuits also proved the viability of Gallo's LEVERAGE software and the operating model it supported.

Thanks to LEVERAGE, time-consuming activities (like screening clients, creating complaints and discovery responses, and collecting signed settlement agreements) could be handled easily, and without needing a small army of costly paralegals. Communicating with thousands of clients was now a streamlined process, with case updates, FAQs, and other resources available at any time through LEVERAGE's online client portal. Documentation could be easily uploaded from anywhere, and at any time, making the discovery process much easier on the plaintiffs.

And Clients loved it. Gallo say: “I have a thousand clients. They're happy. And they don't call me. It's pretty much a lawyer's paradise.”

Today, LEVERAGE is more than a system for streamlining client intake, screening, and communication in mass action cases. It's a complete legal CRM, used by some of the most tech-savvy and efficiency-driven law firms in the country.



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