

11-0734-cv, 11-0710-cv, 11-0713-cv, 11-0728-cv
Nakahata, et al., v. New York-Presbyterian Healthcare System, Inc., et al.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term, 2012

(Argued: November 9, 2012 Decided: July 11, 2012)

Docket Nos. 11-0734, 11-0710, 11-0713, 11-0728

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MASAHIRO NAKAHATA, on behalf of herself and all other employees
similarly situated, DIANA GARDOCKI, on behalf of herself and all
other employees similarly situated,

Plaintiffs-Appellants,

DIANE LEE SUSSMAN, STEVIE HARISTON, CAROLE TASSY, MARY MAHONEY,
LINDA MARRONE, MARY OLDAK, VOLVICK DESIL, STEPHANIE UHRIG,

Plaintiffs,

- v. -

NEW YORK-PRESBYTERIAN HEALTHCARE SYSTEM, INC., HERBERT PARDES,
NEW YORK AND PRESBYTERIAN HOSPITAL, WAYNE OSTEN,

Defendants-Appellees,

NEW YORK-PRESBYTERIAN FUND, INC., NEW YORK-PRESBYTERIAN
HOSPITAL, BROOKLYN HOSPITAL CENTER, HOLY NAME HOSPITAL, INC.,
HOLY NAME MEDICAL CENTER, LAWRENCE HOSPITAL CENTER, MARY IMOGENE
BASSETT, ONAL CARE NEW MILFORD HOSPITAL, INC., NEW YORK
COMMUNITY HOSPITAL OF BROOKLYN, INC., NEW YORK DOWNTOWN
HOSPITAL, NEW YORK HOSPITAL MEDICAL CENTER OF QUEENS, NEW YORK
METHODIST HOSPITAL, WESTCHESTER SQUARE MEDICAL CENTER, INC.,
NYACK HOSPITAL, PALISADES MEDICAL CENTER, STAMFORD HOSPITAL,
VALLEY HOSPITAL, WHITE PLAINS MEDICAL CENTER, WINTHROP-
UNIVERSITY HOSPITAL, WYCHOFF HEIGHTS MEDICAL CENTER, ST. MARY'S
HEALTHCARE SYSTEM FOR CHILDREN, INC., A. SOLOMON TORRES, NEW
YORK SOCIETY FOR THE RELIEF OF THE RUPTURED AND CRIPPLED,
MAINTAINING THE HOSPITAL FOR SPECIAL SURGERY, MARY IMOGENE
BASSETT HOSPITAL, NEW MILFORD HOSPITAL, INC., NORTHERN
WESTCHESTER HOSPITAL ASSOCIATION, WHITE PLAINS HOSPITAL MEDICAL

1 CENTER, WYCKOFF HEIGHTS MEDICAL CENTER, NEW YORK GRACIE SQUARE
2 HOSPITAL, INC., AMSTERDAM NURSING HOME CORPORATION,

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4 Defendants.

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8 JONATHAN YARUS, on behalf of themselves and all other employees
9 similarly situated, MOHAMED ALI, on behalf of himself and all
10 other employees similarly situated,

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12 Plaintiffs-Appellants,

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14 LLOYD BLACKWOOD, on behalf of themselves and all other employees
15 similarly situated, MARTIN UKEJE, TAE JOO KIM, SHARON CAMPBELL,
16 JEROME CROMWELL, HELENA ACHAMPONG, ERNESTINE DANIEL, VOLVICK
17 DESIL, STEPHANIE UHRIG, GAIL WHICKUM,

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19 Plaintiffs,

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21 - v.-

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23 NEW YORK CITY HEALTH AND HOSPITALS CORPORATION, BELLEVUE
24 HOSPITAL CENTER, KINGS COUNTY HOSPITAL CENTER, JACOBI MEDICAL
25 CENTER, ELMHURST HOSPITAL CENTER, HARLEM HOSPITAL CENTER,
26 METROPOLITAN HOSPITAL CENTER, ALAN D. AVILES, LINCOLN MEDICAL
27 AND MENTAL HEALTH CENTER, NORTH CENTRAL BRONX HOSPITAL, CONEY
28 ISLAND HOSPITAL, WOODHULL MEDICAL AND MENTAL HEALTH CENTER,
29 QUEENS HOSPITAL CENTER,

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31 Defendants-Appellees.

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35 PATRICIA MEGGINSON, on behalf of herself and all other employees
36 similarly situated,

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38 Plaintiff-Appellant,

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40 HELEN BRUGGER, on behalf of herself and all other employees
41 similarly situated, MARY OLDAK, MICHELLE ALVAREZ, STEPHANIE
42 UHRIG,

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44 Plaintiffs,

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46 - v.-

1 WESTCHESTER COUNTY HEALTH CARE CORPORATION, WESTCHESTER MEDICAL
2 CENTER, MARIA FARERI CHILDREN'S HOSPITAL, MICHAEL D. ISRAEL,
3 PAUL S. HOCKENBERG,

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5 Defendants-Appellees,

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7 KERRY ORISTANO, PAULA REDD ZEMAN,

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9 Defendants.

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13 OLUSOLA ALAMU, on behalf of himself and all other employees
14 similarly situated, JACQUELINE COOPER-DAVIS, on behalf of
15 herself and all other employees similarly situated,

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17 Plaintiffs-Appellants,

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19 - v.-

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21 BRONX-LEBANON HOSPITAL CENTER, INCORPORATED, BRONX-LEBANON
22 HOSPITAL CENTER-FULTON DIVISION, BRONX-LEBANON HOSPITAL CENTER-
23 CONCOURSE DIVISION, MIGUEL A. FUENTES, JR., SHELDON ORTSMAN,

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25 Defendants-Appellees,

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27 SELENA GRIFFIN-MAHON,

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29 Defendant.*

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34 Before: LOHIER, Circuit Judge, POGUE, Judge**

* The Clerk of the Court is directed to amend the official caption as shown above.

** Donald C. Pogue, Chief Judge of the United States Court of International Trade, sitting by designation. Debra A. Livingston, Circuit Judge, recused herself before oral argument. The two remaining members of the panel, who are in agreement, have decided this case in accordance with Second Circuit Internal Operating Procedure E(b).

1 Plaintiffs-Appellants in four related cases appeal from a
2 single order of the United States District Court for the
3 Southern District of New York (Crotty, J.) dismissing their
4 claims that Defendants-Appellees violated the Fair Labor
5 Standards Act, New York Labor Law, Racketeer Influenced and
6 Corrupt Organizations Act, and New York common law. For the
7 following reasons, the judgment is affirmed in part, vacated in
8 part, and remanded.

9 MICHAEL J. LINGLE (Guy A. Talia,
10 J. Nelson Thomas, on the brief),
11 Thomas & Solomon LLP, Rochester,
12 New York, for Appellants.

13
14 JAMES S. FRANK (Kenneth W. DiGia,
15 Kenneth J. Kelly, on the brief),
16 Epstein Becker & Green, P.C., New
17 York, New York, (Terence K.
18 McLaughlin, Willkie Farr &
19 Gallagher LLP, New York, New York,
20 on the brief), for Appellees New
21 York-Presbyterian Healthcare
22 System, Inc., et al.

23
24 VICTORIA SCALZO, Assistant
25 Corporation Counsel of the City of
26 New York, New York, New York
27 (Kristin M. Helmers, Blanche
28 Greenfield, on the brief), for
29 Michael A. Cardozo, Corporation
30 Counsel of the City of New York,
31 for Appellees New York City Health
32 and Hospitals Corporation, et al.

33
34 LEONARD M. ROSENBERG and SALVATORE
35 PUCCIO (Lauren M. Levine, on the
36 brief), Garfunkel Wild, P.C.,
37 Great Neck, New York, for
38 Appellees Westchester County
39 Healthcare Corp., et al.

1
2 NANCY V. WRIGHT (Ricki E. Roer,
3 Scott R. Abraham, on the brief),
4 Wilson Elser Moskowitz Edelman &
5 Dicker LLP, New York, New York,
6 for Appellee Bronx-Lebanon
7 Hospital Center, Inc., et al.
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9 POGUE, Judge:

10 This is an appeal from an order by the United States
11 District Court for the Southern District of New York dismissing
12 the complaint in each of four cases: Nakahata v. New York-
13 Presbyterian Healthcare System, Inc., No. 10 Civ. 2661; Yarus v.
14 New York City Health and Hospitals Corp., No. 10 Civ. 2662;
15 Megginson v. Westchester Medical Center, No. 10 Civ. 2683; and
16 Alamu v. The Bronx-Lebanon Hospital Center, Inc., No. 10 Civ.
17 3247. Nakahata v. New York-Presbyterian Healthcare Sys., Inc.,
18 2011 WL 321186 (S.D.N.Y. Jan. 28, 2011) ("Nakahata I").
19 Plaintiffs – current and former healthcare employees – allege
20 that the Defendants – healthcare systems, hospitals, corporate
21 heads, and affiliated entities – violated the Fair Labor
22 Standards Act ("FLSA"), New York Labor Law ("NYLL"), Racketeer
23 Influenced and Corrupt Organizations Act ("RICO"), and New York
24 common law by failing to compensate Plaintiffs for work
25 performed during meal breaks, before and after scheduled shifts,
26 and during required training sessions. The District Court
27 dismissed the four complaints in their entirety for failing to

1 state a claim pursuant to Federal Rule of Civil Procedure
2 12(b)(6).

3 We affirm in part the District Court's decision and remand
4 in part. We affirm the dismissal, with prejudice, of the FLSA
5 gap-time, RICO, and certain common law claims. We also affirm
6 the dismissal of the FLSA and NYLL overtime claims, but we
7 remand these claims with leave to replead. We reserve judgment
8 on the dismissal of the NYLL gap-time claims and remand for
9 reconsideration. Finally, we vacate the dismissal of certain
10 common law claims and remand with leave to replead.

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BACKGROUND

13 The four cases before us on appeal are but a few among many
14 such actions brought by a single law firm, Thomas & Solomon LLP,
15 and premised on a stock set of allegations concerning
16 underpayment in the healthcare industry. This is the second
17 decision of this Court addressing these allegations, following
18 the recent opinion in Lundy v. Catholic Health System of Long
19 Island Inc., 711 F.3d 106 (2d Cir. 2013). Several related cases
20 remain pending before this Court.¹

¹ See Hinterberger v. Catholic Health Sys., Inc., No. 12-0630; Hinterberger v. Catholic Health Sys., Inc., No. 12-0918; Gordon v. Kaleida Health, No. 12-0654; Gordon v. Kaleida Health, 12-0670; Nakahata v. New York-Presbyterian Healthcare Sys., Inc., No. 12-4128; Megginson v. Westchester Med. Ctr., No. 12-4084; Alamu v. The Bronx-Lebanon Hosp. Ctr., No. 12-4085.

1 The parties are healthcare workers, on behalf of a putative
2 class, and their alleged employers. The named Plaintiffs,
3 identified only as "employees" or "employees of the defendants,"
4 are Masahiro Nakahata and Diana Gardocki, Nakahata 2d Am. Compl.
5 ¶ 62; Patricia Megginson, Megginson Am. Compl. ¶ 61; Olusola
6 Alamu and Jacqueline Cooper-Davis, Alamu Am. Compl. ¶ 64; and
7 Jonathan Yarus and Mohamed Ali, Yarus Am. Compl. ¶ 52.
8 Plaintiffs filed their suits as putative collective and class
9 actions on behalf of "those employees of defendants who were
10 suffered or permitted to work by defendants and not paid their
11 regular or statutorily required rate of pay for all hours
12 worked." Alamu Am. Compl. ¶ 65; Megginson Am. Compl. ¶ 62;
13 Nakahata 2d Am. Compl. ¶ 63; Yarus Am. Compl. ¶ 53. The
14 Defendants named in the complaints include corporate healthcare
15 systems, individual hospitals in those systems, persons in
16 corporate leadership roles, and affiliated healthcare
17 facilities.²

² Named Defendants include (1) The Bronx-Lebanon Hospital Center, The Bronx-Lebanon Hospital Center-Fulton Division, The Bronx-Lebanon Hospital Center-Concourse Division, Miguel A. Fuentes, Jr. (President and CEO of Bronx-Lebanon Hospital Center), and Sheldon Ortsman (former Vice President of the Human Resources Division of Bronx-Lebanon Hospital Center), Alamu Am. Compl. ¶¶ 18, 40, 52; (2) Westchester Medical Center, Westchester County Health Care Corporation, Maria Fareri Children's Hospital at Westchester Medical Center, Michael D. Israel (President and CEO of Westchester Medical Center), and Paul S. Hochenberg (Senior Vice President of Human Resources for Westchester Medical Center), Megginson Am. Compl. ¶¶ 18, 41, 51;

1 Plaintiffs allege that it is Defendants' policy not to pay
2 employees for all hours worked, including some overtime hours.
3 In particular, Plaintiffs allege: (1) Defendants have a policy
4 of automatically deducting time for meal breaks from employees'
5 paychecks despite consistently requiring employees to work
6 during meal breaks; (2) employees engage in work activities both
7 before and after their shift without compensation; and (3)
8 Defendants require employees to attend training sessions for
9 which they are not compensated. Based on these allegations,
10 Plaintiffs seek to recover unpaid compensation pursuant to the
11 FLSA, NYLL,³ and New York common law. Plaintiffs further allege

(3) New York-Presbyterian Healthcare System, Inc., The New York and Presbyterian Hospital, Herbert Pardes (President and CEO of New York-Presbyterian Healthcare System), and Wayne Osten (Senior Vice President and Director for New York-Presbyterian Healthcare System), Nakahata 2d Am. Compl. ¶¶ 18, 41, 51; and (4) New York City Health and Hospitals Corporation, Bellevue Hospital Center, Kings County Hospital Center, Jacobi Medical Center, Elmhurst Hospital Center, Harlem Hospital Center, Metropolitan Hospital Center, Lincoln Medical and Mental Health Center, North Central Bronx Hospital, Coney Island Hospital, Woodhull Medical and Mental Health Center, Queens Hospital Center, and Alan D. Aviles (President and CEO of New York City Health and Hospitals Corporation), Yarus Am. Compl. ¶¶ 18, 39.

Plaintiffs' complaints also include extensive lists of affiliated healthcare facilities that Plaintiffs allege are under the operational control of the named Defendants. See Alamu Am. Compl. ¶¶ 19-20; Megginson Am. Compl. ¶¶ 19-20; Nakahata 2d Am. Compl. ¶¶ 19-20; Yarus Am. Compl. ¶¶ 19-20. These lists comprise several dozen entities and do not require reproduction in full.

³ Plaintiffs in Yarus v. New York City Health and Hospitals Corp., No. 11-0710, withdrew their NYLL claims prior to the District Court's decision. Pls.' Mem. L. Opp'n Defs.' Mot.

1 that their paychecks were misleading and part of a fraudulent
2 scheme to hide the underpayment in violation of RICO and New
3 York common law.

4 Defendants moved the District Court to dismiss the
5 complaint in each case for failure to state a claim. The
6 District Court, observing that all four complaints "contain[ed]
7 strikingly similar allegations and deficiencies," Nakahata I,
8 2011 WL 321186 at *1, issued a single opinion dismissing each
9 complaint in its entirety and terminating all four cases. Id. at
10 *7. The District Court permitted Plaintiffs to file new actions
11 repleading the FLSA and NYLL claims, but it did not permit
12 refiling of the RICO and common law claims. Id. at *6-7.
13 Plaintiffs both appealed the District Court's decision and filed
14 new actions alleging claims pursuant to the FLSA and NYLL.

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JURISDICTION & STANDARD OF REVIEW

17 The District Court had original jurisdiction over
18 Plaintiffs' FLSA and RICO claims pursuant to 28 U.S.C. § 1331
19 (2006). See 29 U.S.C. § 216(b) (2006) (creating a civil right of
20 action for violation of the FLSA); 18 U.S.C. § 1964(c) (2006)
21 (creating a civil right of action for violation of RICO). The
22 District Court had supplemental jurisdiction over the NYLL and

Dismiss at 1 n.1, Nakahata I, 2011 WL 321186 (No. 10 Civ. 2662),
ECF No. 96. Therefore, our decision with regard to the NYLL
claims does not apply to the Plaintiffs in Yarus.

1 common law claims pursuant to 28 U.S.C. § 1367. We have
2 jurisdiction over the appeal pursuant to 28 U.S.C. § 1291.

3 We review a dismissal for failure to state a claim de novo.
4 Harris v. Mills, 572 F.3d 66, 71 (2d Cir. 2009). When reviewing
5 the sufficiency of the complaint, we take all factual
6 allegations as true and draw all reasonable inferences in the
7 plaintiff's favor. Id.

8 A well-pled complaint "must contain sufficient factual
9 matter, accepted as true, to 'state a claim to relief that is
10 plausible on its face.'" Ashcroft v. Iqbal, 556 U.S. 662, 678
11 (2009) (quoting Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570
12 (2007)); see also Harris, 572 F.3d at 71-72. To be plausible,
13 the complaint need not show a probability of plaintiff's
14 success, but it must evidence more than a mere possibility of a
15 right to relief. Iqbal, 556 U.S. at 678; Twombly, 550 U.S. at
16 556. Determining plausibility is a context specific endeavor,
17 see Starr v. Sony BMG Music Entm't, 592 F.3d 314, 328-29 (2d
18 Cir. 2010) (Newman, J., concurring), that requires the court to
19 draw upon its experience and common sense, Iqbal, 556 U.S. at
20 679.

21 Allegations of fraud are subject to a heightened pleading
22 standard. When alleging fraud, "a party must state with
23 particularity the circumstances constituting fraud," Fed. R.
24 Civ. P. 9(b), which we have repeatedly held requires the

1 plaintiff to "(1) specify the statements that the plaintiff
2 contends were fraudulent, (2) identify the speaker, (3) state
3 where and when the statements were made, and (4) explain why the
4 statements were fraudulent." Mills v. Polar Molecular Corp., 12
5 F.3d 1170, 1175 (2d Cir. 1993) (citing Cosmas v. Hassett, 886
6 F.2d 8, 11 (2d Cir. 1989)); see also Anatian v. Coutts Bank
7 (Switz.) Ltd., 193 F.3d 85, 88 (2d Cir. 1999). In addition, the
8 plaintiff must "allege facts that give rise to a strong
9 inference of fraudulent intent." First Capital Asset Mgmt., Inc.
10 v. Satinwood, Inc., 385 F.3d 159, 179 (2d Cir. 2004) (citation
11 omitted).

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DISCUSSION

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On appeal, Plaintiffs challenge the dismissal of the FLSA and NYLL claims, dismissal of the common law claims, dismissal of the RICO claims, and the determination that there was no basis for a collective or class action. Plaintiffs have also requested assignment of a new district court judge on remand. Before discussing these challenges, however, we address Plaintiffs' argument that the District Court improperly denied leave to amend the complaints.

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23**I**

We review a district court's denial of leave to amend for abuse of discretion. See Anatian, 193 F.3d at 89. As a general principle, district courts should freely grant a plaintiff leave to amend the complaint. Kleinman v. Elan Corp., 706 F.3d 145, 156 (2d Cir. 2013). Nonetheless, "we will not deem it an abuse of the district court's discretion to order a case closed when leave to amend has not been sought." Anatian, 193 F.3d at 89 (quoting Campaniello Imps., Ltd. v. Saporiti Italia, S.p.A., 117 F.3d 655, 664-65 n.3 (2d Cir. 1997)) (internal quotation marks omitted). Nor will we upset a decision denying leave to amend if the denial was harmless error. See In re "Agent Orange" Prod. Liability Litig., 517 F.3d 76, 104 (2d Cir. 2008).

While we will not upset a denial of leave to amend where the plaintiff failed to seek such leave, the record in this case indicates that Plaintiffs were not provided an opportunity to seek leave to amend in response to the District Court's order of dismissal. The District Court ordered the cases terminated with no indication that final judgment should await a motion for leave to amend. See Nakahata I, 2011 WL 321186, at *7. The clerk of the court entered final judgment the next business day after the opinion was issued. Judgment, Special App. to Nakahata Pls.' Br. 15. Absent an opportunity to seek leave to amend,

1 Plaintiffs cannot be held accountable for failing to make the
2 necessary motion.

3 Nor can we deem this error harmless. The District Court
4 did permit Plaintiffs to refile their FLSA and NYLL claims in a
5 new action, which obviated much - but not all - of the prejudice
6 Plaintiffs experienced from the denial of leave to amend. The
7 option to file a new action preserved the FLSA and NYLL claims
8 that remained timely on the date the new action was filed, but
9 Plaintiffs lost the opportunity to pursue claims that became
10 time-barred pursuant to the statute of limitations⁴ in the
11 interim between the filing of the original complaints and the
12 filing of the new complaints. The cause of action for FLSA and
13 NYLL claims accrues on the next regular payday following the
14 work period when services are rendered. 29 C.F.R. § 790.21(b)
15 (2012) (last revision 1947 Supp.); see also Rigopoulos v.
16 Kervan, 140 F.2d 506, 507 (2d Cir. 1943); McMahon v. State, 19
17 N.Y.S.2d 639, 642 (N.Y. Ct. Cl. 1940). Because each paycheck
18 represents a potential cause of action, it is likely that the
19 statute of limitations expired on some causes of action in the
20 period between the filing of the original complaints and the
21 filing of the new complaints; therefore, some causes of action

⁴ The limitations period for the FLSA is two years or, if the violation was willful, three years. 29 U.S.C. § 255(a) (2006). The limitations period for the NYLL is six years. N.Y. Lab. Law § 663(3) (McKinney 2002).

1 became time-barred upon termination of the original complaints.
2 In other words, every two, three, or six year anniversary of
3 payment - depending on the statute of limitations applicable -
4 that fell within the period between filing of the original
5 complaints and filing of the new complaints was the occasion of
6 a lost cause of action.⁵ Because Plaintiffs were prejudiced
7 through lost causes of action resulting from the termination of
8 the original complaints, we hold that the District Court abused
9 its discretion in not permitting Plaintiffs to file an amended
10 complaint.⁶

⁵ This assumes that Plaintiffs were employed by Defendants prior to the statute of limitations period, a fact which is not pled in the complaints. This is a serious deficiency in the complaints, but, as discussed above, Plaintiffs should be provided the opportunity to amend lest they be time-barred from pursuing legitimate claims.

⁶ Plaintiffs did pursue those FLSA and NYLL claims that were not time-barred by filing new actions in the Southern District of New York: Nakahata v. New York-Presbyterian Healthcare System, Inc., No. 11 Civ. 6658; Megginson v. Westchester Medical Center, No. 11 Civ. 6657; Alamu v. The Bronx-Lebanon Hospital Center, No. 11 Civ. 6366; and Ali v. New York City Health and Hospitals Corp., 11 Civ. 6393.

The District Court again dismissed three of these actions, Nakahata, Megginson, and Alamu, for failure to state a claim, Nakahata v. New York-Presbyterian Healthcare Sys., Inc., 2012 WL 3886555 (S.D.N.Y. Sept. 6, 2012) ("Nakahata II"), and the Nakahata II decision is currently before this Court on appeal in Nakahata v. New York-Presbyterian Healthcare System, Inc., No. 12-4128; Megginson v. Westchester Medical Center, No. 12-4084; and Alamu v. The Bronx-Lebanon Hospital Center, No. 12-4085. The complaints filed in the cases heard collectively as Nakahata II are more detailed than those filed in the cases heard collectively as Nakahata I, and those more detailed allegations may address some of the deficiencies discussed below. Because

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II

Plaintiffs allege twelve claims in their complaints, but the heart of their case is the allegation that Defendants failed to compensate them appropriately for all hours worked in violation of the FLSA and NYLL. Plaintiffs allege broadly that "Plaintiffs and Class members regularly worked hours both under and in excess of forty per week and were not paid for all of those hours." Alamu Am. Compl. ¶ 148; Megginson Am. Compl. ¶ 145; Nakahata 2d Am. Compl. ¶ 146; Yarus Am. Compl. ¶ 136. Plaintiffs' allegation that Defendants did not compensate them for hours worked in excess of forty per week alleges an overtime claim, whereas their allegation that Defendants did not compensate them for hours worked under forty per week alleges a gap-time claim.

the more detailed complaints will be tested by this Court in its review of Nakahata II, the District Court may appropriately stay proceedings in this case on remand, pending the outcome of our decision in Nakahata II.

The fourth action filed in response to Nakahata I, Ali, remains pending before the District Court. That case was filed by one, but not both, of the named plaintiffs in Yarus. In this regard, Plaintiff Ali is in a position similar to that of the plaintiffs in the three cases discussed above. Plaintiff Yarus has no second case pending either in the District Court or before this Court, but his claims have been preserved through appeal. As a result, on remand the time period for which causes of action are available may be different for Plaintiffs Ali and Yarus because Plaintiff Ali has pursued some causes of action in a separate case, whereas Plaintiff Yarus has not.

1 The District Court dismissed both the FLSA and NYLL claims
2 for lack of sufficient factual allegations. In particular, the
3 District Court found three categories of facts lacking: (1) when
4 unpaid wages were earned and the number of hours worked without
5 compensation; (2) specific facts of employment including dates
6 of employment, pay, and positions; and (3) the entity that
7 directly employed the Plaintiffs. Nakahata I, 2011 WL 321186,
8 at *4. Although the overtime and gap-time claims were dismissed
9 on the same grounds, we will discuss the claims separately.

10 The FLSA mandates that an employee engaged in interstate
11 commerce be compensated at a rate of no less than one and one-
12 half times the regular rate of pay for any hours worked in
13 excess of forty per week,⁷ 29 U.S.C. § 207(a) (2006); the NYLL
14 adopts this same standard, N.Y. Comp. Codes R. & Regs. tit. 12,
15 § 142-2.2 (2011) (incorporating the FLSA definition of overtime
16 into the NYLL). As noted in the recent decision, Lundy v.
17 Catholic Health System of Long Island Inc., 711 F.3d 106, 114
18 (2d Cir. 2013), "to survive a motion to dismiss [an FLSA
19 overtime claim], Plaintiffs must allege sufficient factual
20 matter to state a plausible claim that they worked compensable
21 overtime in a workweek longer than 40 hours."

⁷ The FLSA also permits employers and employees in the healthcare field to agree that overtime will be calculated on the basis of eighty hours worked over two weeks instead of forty hours worked over one week. 29 U.S.C. § 207(j) (2006).

1 Prior to the decision in Lundy, we had not considered the
2 degree of specificity necessary to state an FLSA overtime claim
3 - an issue that has divided courts around the country, see
4 Butler v. DirectSat USA, LLC, 800 F. Supp. 2d 662, 667-68 (D.
5 Md. 2011) (discussing the varying levels of specificity required
6 in different jurisdictions). After reviewing the disparate case
7 law on this question, Lundy "conclude[d] that in order to state
8 a plausible FLSA overtime claim, a plaintiff must sufficiently
9 allege 40 hours of work in a given workweek as well as some
10 uncompensated time in excess of the 40 hours." Lundy, 711 F.3d
11 at 114.

12 Lundy was an appeal from an Eastern District of New York
13 decision dismissing essentially the same allegations presented
14 in this case.⁸ The plaintiffs in Lundy filed several amended
15 complaints in the district court; therefore, the claims were
16 pled with greater factual specificity than the complaints now
17 before us. In particular, the Lundy complaint pled the number
18 of hours the plaintiffs were typically scheduled to work in a
19 week. See id. at 114-15. Given the number of hours worked in a
20 typical week and the alleged time worked without pay, Lundy

⁸ Some of the claims raised in this case were not raised in Lundy, as will be discussed in detail below; however, the core claims of both cases - FLSA, NYLL, and RICO claims premised on unpaid hours worked during lunch breaks, before and after shifts, and at required trainings - are the same. Lundy, 711 at 113.

1 concluded that the plaintiffs could not plausibly allege work in
2 excess of 40 hours in any given week;⁹ therefore, Lundy affirmed
3 the district court's dismissal.

4 The complaints currently before us contain no similar
5 specificity.¹⁰ Plaintiffs have merely alleged that they were not
6 paid for overtime hours worked. These allegations - that
7 Plaintiffs were not compensated for work performed during meal
8 breaks, before and after shifts, or during required trainings -

⁹ For example, one of the Lundy plaintiffs alleged that she was typically scheduled to work 37.5 hours per week over three shifts with an additional 12.5 hour shift on occasion. She further alleged that she typically worked through her 30 minute meal break, worked an additional 15 minutes before or after her scheduled shift, and was required to attend monthly staff training of 30 minutes and an additional respiratory therapy training totaling 10 hours per year. Assuming she missed a meal and worked an additional 15 minutes every shift, the Lundy court deduced that she had alleged a total of only 39 hours and 45 minutes per week of work. Therefore, she had failed to allege work in excess of 40 hours in any given week. Id. at 114-15.

¹⁰ Although the complaints currently before us clearly do not meet the Lundy standard, we should note that the standard employed by the District Court in this case was more demanding than that employed in Lundy. Compare Nakahata I, 2011 WL 321186, at *4 ("At a minimum, [the complaint] must set forth the approximate number of unpaid regular and overtime hours allegedly worked."), with Lundy, 711 F.3d at 114 ("[A] plaintiff must sufficiently allege 40 hours of work in a given workweek as well as some uncompensated time in excess of the 40 hours.").

While the standard we reaffirm today does not require an approximate number of overtime hours, we reiterate that determining whether a claim is plausible is "a context-specific task that requires the reviewing court to draw on its judicial experience and common sense," Lundy, 711 F.3d at 114 (quoting Iqbal, 556 U.S. at 679), and that "[u]nder a case-specific approach, some courts may find that an approximation of overtime hours worked may help draw a plaintiff's claim closer to plausibility," id. at 114 n.7.

1 raise the possibility that Plaintiffs were undercompensated in
2 violation of the FLSA and NYLL; however, absent any allegation
3 that Plaintiffs were scheduled to work forty hours in a given
4 week, these allegations do not state a plausible claim for such
5 relief. To plead a plausible FLSA overtime claim, plaintiffs
6 must provide sufficient detail about the length and frequency of
7 their unpaid work to support a reasonable inference that they
8 worked more than forty hours in a given week. For these
9 reasons, the District Court properly dismissed the FLSA and NYLL
10 overtime claims.

11 Because we hold that the Plaintiffs failed to plead
12 sufficient facts to make it plausible that they worked
13 uncompensated hours in excess of 40 in a given week, we need not
14 decide whether the District Court's other bases for dismissal
15 were proper. Nonetheless, because we will remand this claim for
16 amended pleadings, we note that Plaintiffs' actual and direct
17 employer is an essential element of notice pleading under these
18 circumstances. What aspects of Plaintiffs' position, pay, or
19 dates of employment are necessary to state a plausible claim for
20 relief consistent with this decision and Lundy is a case-
21 specific inquiry for the trial court. Iqbal, 556 U.S. at 679.
22 As the District Court noted, however, generalized allegations
23 that may prove false at trial are not necessarily the basis for

1 dismissal at the pleadings stage. See Nakahata I, 2011 WL
2 321186, at *4 n.11.

3 While Plaintiffs' overtime claims fail for the reasons
4 discussed above, their allegations can also be read to state a
5 gap-time claim. Gap-time claims are those "in which an employee
6 has not worked 40 hours in a given week but seeks recovery of
7 unpaid time worked, or in which an employee has worked over 40
8 hours in a given week but seeks recovery for unpaid work under
9 40 hours." Lundy, 711 F.3d at 115.

10 As discussed in Lundy, the FLSA does not provide a cause of
11 action for unpaid gap time. Id. at 116-17. The FLSA statute
12 requires payment of minimum wages and overtime wages only, see
13 29 U.S.C. §§ 201-19 (2006); therefore, the FLSA is unavailing
14 where wages do not fall below the statutory minimum and hours do
15 not rise above the overtime threshold. Lundy, 711 F.3d at 115.
16 The FLSA is unavailing even when an employee works over 40 hours
17 per week and claims gap-time wages for those hours worked under
18 40 per week, unless the wages fall below the minimum threshold.
19 This is because the statutory language simply does not
20 contemplate a claim for wages other than minimum or overtime
21 wages. Id. at 116-17. For this reason, we affirm the District
22 Court's dismissal with prejudice of any gap-time claims made
23 pursuant to the FLSA.

1 Plaintiffs may, however, have a gap-time claim pursuant to
2 the NYLL. Lundy acknowledged, without deciding, that a gap-time
3 claim would be consistent with the language of NYLL § 663(1),
4 which states that “[i]f any employee is paid by his or her
5 employer less than the wage to which he or she is entitled . . .
6 he or she shall recover in a civil action the amount of any such
7 underpayments” N.Y. Lab. Law § 663(1) (McKinney Supp.
8 2012), as amended by Wage Theft Prevention Act, ch. 564, § 16,
9 2010 N.Y. Sess. Laws 1446, 1457 (McKinney); Lundy, 711 F.3d at
10 118. Lundy remanded the NYLL gap-time claim because, while the
11 District Court had acknowledged the possibility of such a claim,
12 it inconsistently dismissed all of the NYLL claims with
13 prejudice. Lundy, 711 F.3d at 118.

14 In this case, the District Court dismissed the gap-time
15 claims on the same basis as the overtime claims without
16 acknowledging the separate standard for a gap-time claim.
17 Unlike an overtime claim, a gap-time claim requires no predicate
18 showing of minimum hours worked; rather, an allegation of hours
19 worked without compensation may give rise to a gap-time claim.
20 Nonetheless, in the first instance it is for the trial court to
21 decide whether the allegations in the complaints are plausible.
22 Because the District Court did not consider the NYLL gap-time
23 claims separately from the overtime claims, and because
24 Plaintiffs will have an opportunity to amend their pleadings, we

1 remand the NYLL gap-time claims to the District Court to
2 consider in light of any amended pleadings.

3

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III

5 In addition to their FLSA and NYLL claims, Plaintiffs
6 allege nine common law claims.¹¹ The District Court dismissed
7 the common law claims with prejudice on the grounds that they
8 were preempted by collective bargaining agreements and on the
9 basis of pleading deficiencies unique to each claim.¹² We
10 address these arguments in turn.

11 The District Court dismissed the common law claims as
12 preempted by applicable collective bargaining agreements
13 ("CBAs") and § 301 of the Labor Management Relations Act
14 ("LMRA"), 29 U.S.C. § 185 (2006). Nakahata I, 2011 WL 321186, at
15 *2, *6. No CBAs were pled or attached to the complaints;
16 rather, the Defendants attached the CBAs, or relevant portions
17 thereof, to their motions to dismiss.

¹¹ Plaintiffs allege (1) breach of an implied oral contract, (2) breach of an express oral contract, (3) breach of an implied covenant of good faith and fair dealing, (4) quantum meruit, (5) unjust enrichment/restitution, (6) fraud, (7) negligent misrepresentation, (8) conversion, and (9) estoppel. Nakahata I, 2011 WL 321186, at *1 n.3.

¹² The parties also addressed FLSA preemption of the common law claims in their briefs; however, FLSA preemption was only given cursory treatment in the District Court's opinion and was not essential to the disposition. Therefore, we do not address FLSA preemption.

1 We do not consider matters outside the pleadings in
2 deciding a motion to dismiss for failure to state a claim.
3 Global Network Commc'ns, Inc. v. City of New York, 458 F.3d 150,
4 154-55 (2d Cir. 2006). Rather, where matter outside the
5 pleadings is offered and not excluded by the trial court, the
6 motion to dismiss should be converted to a motion for summary
7 judgment. Fed. R. Civ. P. 12(d) ("If, on a motion under Rule
8 12(b)(6) or 12(c), matters outside the pleadings are presented
9 to and not excluded by the court, the motion must be treated as
10 one for summary judgment under Rule 56."). "As indicated by the
11 word 'shall,' the conversion of a Rule 12(b)(6) motion into one
12 for summary judgment under Rule 56 when the court considers
13 matters outside the pleadings is strictly enforce[d] and
14 mandatory." Global Network Commc'ns, 458 F.3d at 155 (citations
15 omitted) (internal quotation marks omitted). Because the CBAs
16 at issue here were submitted with Defendants' motions to
17 dismiss, and not excluded from consideration, the District Court
18 could have decided these issues pursuant to the summary judgment
19 standard of Rule 56, but it did not. We cannot affirm the
20 dismissal on the basis of LMRA preemption pursuant to Rule
21 12(b)(6) because such dismissal was premised on matter outside
22 of the pleadings, and was, therefore, inappropriate. Id.

23 Nor do we agree with the District Court that Plaintiffs
24 were responsible for pleading the CBAs in the complaints. The

1 plaintiff is master of the complaint and may assert state law
2 causes of action that are independent of the CBA. See
3 Caterpillar Inc. v. Williams, 482 U.S. 386, 394-95 (1987). It
4 is a defendant's responsibility to raise preemption by the CBA
5 as a defense, but, as discussed above, a motion addressed to the
6 adequacy of the pleadings is not necessarily the proper place
7 for preemption to be decided. Cf. Drake v. Lab. Corp. of Am.
8 Holdings, 458 F.3d 48, 66 (2d Cir. 2006) ("For those claims for
9 which preemption cannot be easily determined from the pleadings,
10 our standard of review requires us to affirm the district
11 court's decision to deny the defendant-appellants' motion to
12 dismiss, with the understanding that the claims may ultimately
13 prove to be preempted at a later stage of the litigation.")
14 (emphasis added) (citation omitted) (internal quotation marks
15 omitted).¹³

¹³ The District Court cited I. Meyer Pincus & Assocs. v. Oppenheimer & Co., 936 F.2d 759 (2d Cir. 1991), for the proposition that the CBAs should be considered because they are integral to the issues raised in the complaint. Nakahata I, 2011 WL 321186, at *1 n.5. In Pincus, we held that where the plaintiff's claims were grounded solely in the language of a prospectus, the prospectus was integral to the complaint and would be considered in deciding a motion to dismiss despite not having been attached to the complaint. Pincus, 936 F.2d at 762. To do otherwise would have "create[d] a rule permitting a plaintiff to evade a properly argued motion to dismiss simply because plaintiff has chosen not to attach the prospectus to the complaint or to incorporate it by reference." Id.

Pincus, however, is distinguishable from this case. Unlike the complaint in Pincus, the complaints currently before us do not ground their claims in the CBAs. Nor, is it Plaintiffs'

1 The District Court also identified deficiencies unique to
2 each common law claim. Some of the deficiencies may be
3 corrected through amended pleading. We remand Plaintiffs'
4 claims for breach of express and implied oral contracts, quantum
5 meruit, and unjust enrichment for reconsideration in light of
6 any amended pleading. The District Court's dismissal of those
7 claims relied on the existence of a collective bargaining
8 agreement, which was not included with the pleadings and could
9 not be considered on a motion to dismiss. The claim for breach
10 of an implied covenant of good faith and fair dealing was
11 properly dismissed insofar as it duplicates the breach of
12 contract claims, see Harris v. Provident Life and Accident Ins.
13 Co., 310 F.3d 73, 80 (2d Cir. 2002); however, if Plaintiffs can
14 state such a claim on a basis independent of the breach of
15 contract claims, they may do so in the amended pleading.

16 Plaintiffs' other common law claims are unavailing on the
17 facts of this case, and the dismissal with prejudice is
18 affirmed. We affirm the District Court's dismissal with
19 prejudice of the fraud and negligent misrepresentation claims
20 premised on the mailing of paychecks for the same reasons
21 discussed below regarding the RICO claims. Dismissal of the

responsibility to plead the CBAs. In short, the CBAs are not
integral to the complaint in the same way that the prospectus in
Pincus was integral; rather, the CBAs have been raised as an
affirmative defense and can properly be considered on a motion
for summary judgment.

1 conversion claim with prejudice is affirmed because Plaintiffs
2 never had ownership, possession, or control of the wages in
3 question prior to the alleged conversion. See ESI, Inc. v.
4 Coastal Power Prod. Co., 995 F. Supp. 419, 433 (S.D.N.Y. 1998)
5 (recognizing that New York law requires prior ownership,
6 possession, or control to assert a claim for conversion).
7 Regarding estoppel, Plaintiffs assert that Defendants should be
8 estopped from asserting a statute of limitations defense. It is
9 not entirely clear whether such a claim may be made in the
10 complaint or must be asserted in response to a statute of
11 limitations defense under New York law,¹⁴ but we need not resolve
12 this issue. The Plaintiffs may raise equitable estoppel in
13 response to a statute of limitations defense on remand;
14 therefore, they have suffered no prejudice in this regard, and
15 the dismissal was harmless error if error at all.

16 Therefore, the District Court's dismissal of the common law
17 claims with prejudice is affirmed in part and vacated in part.
18 Those claims that Plaintiffs may replead are remanded to the
19 District Court.

¹⁴ Compare Tierney v. Omnicom Grp. Inc., No. 06 Civ. 14302, 2007 WL 2012412, at *10 (S.D.N.Y. July 11, 2007) (dismissing a claim for estoppel because the court understood estoppel to be an affirmative defense not a cause of action), with Forman v. Guardian Life Ins. Co. of Am., 901 N.Y.S.2d 906 (Table), 2009 WL 3790200, at *5 (N.Y. Sup. Ct. Sept. 25, 2009) (recognizing an equitable estoppel claim but relying on New York Appellate Division cases that discuss equitable estoppel as an affirmative defense).

1 IV

2 In addition to the claims for unpaid wages, Plaintiffs
3 allege that the Defendants committed mail fraud in violation of
4 RICO. Plaintiffs allege that their paychecks, delivered through
5 the U.S. mail, misleadingly purported to pay Plaintiffs for all
6 hours worked. Plaintiffs further allege that the purportedly
7 complete paychecks concealed a scheme by Defendants to
8 undercompensate the Plaintiffs.

9 RICO makes it unlawful "for any person employed by or
10 associated with any enterprise . . . to conduct or participate,
11 directly or indirectly, in the conduct of such enterprise's
12 affairs through a pattern of racketeering activity" 18
13 U.S.C. § 1962(c) (2006); First Capital Asset Mgmt., Inc. v.
14 Satinwood, Inc., 385 F.3d 159, 173 (2d Cir. 2004). Mail fraud,
15 pursuant to 18 U.S.C. § 1341, is among the activities defined as
16 racketeering. Sedima, S.P.R.L. v. Imrex Co., 473 U.S. 479, 482
17 n.3 (1985) (quoting 18 U.S.C. § 1961(1) (1982 ed., Supp. III)).

18 The District Court dismissed the RICO claims because the
19 paychecks did not perpetuate a fraud; rather, they disclosed any
20 alleged underpayment. Nakahata I, 2011 WL 321186, at *5. Lundy
21 endorsed this reasoning, holding that the "mailing of pay stubs
22 cannot further the fraudulent scheme because the pay stubs would
23 have revealed (not concealed) that Plaintiffs were not being
24 paid for all of their alleged compensable overtime." Lundy, 711

1 F.3d at 119. Thus, the District Court properly dismissed the
2 RICO claims, and, because the claims cannot be pled on these
3 facts, they were properly dismissed with prejudice.
4

5 **v**

6 Finally, Plaintiffs challenge the District Court's
7 conclusion that there is no basis for a collective or class
8 action and request that the case be remanded to a new judge.
9 Neither argument has merit. First, the District Court dismissed
10 the Megginson, Alamu, and Yarus Plaintiffs' motions to certify
11 the collective and class actions as moot following dismissal of
12 the complaints in their entirety, which was not error. Nakahata
13 I, 2011 WL 321186, at *7. Furthermore, Plaintiffs may renew
14 their motions for certification on remand, so there was no
15 prejudice. Second, Plaintiffs' have failed to show any lack of
16 impartiality on the part of the District Court, and we find no
17 reason to believe that the District Court will be unable to
18 effectuate the remand order; therefore, the request for remand
19 to a new judge is denied. Cf. Shcherbakovskiy v. Da Capo Al
20 Fine, Ltd., 490 F.3d 130, 142 (2d Cir. 2007) (reassigning a case
21 on remand where the trial judge "rendered a visceral judgment on
22 appellant's personal credibility, namely that his denial of
23 control was 'nonsense,' 'drivel,' a 'fraud,' and a 'lie'").
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CONCLUSION

Consistent with the foregoing opinion, the District Court's dismissal with prejudice of the FLSA gap-time, conversion, estoppel, fraud, negligent misrepresentation, and RICO claims is AFFIRMED. We REMAND the FLSA and NYLL overtime claims, the NYLL gap-time claims, the breach of express and implied oral contract claims, the breach of an implied covenant of good faith and fair dealing claims, the quantum meruit claims, and the unjust enrichment claims for amended pleading. Therefore, we VACATE the order terminating the case and REMAND for further proceedings consistent with this opinion.