

ZIMMERMAN REED, LLP
CALEB MARKER (SBN 269721)
Email: caleb.marker@zimmreed.com)
HANNAH P. BELKNAP (SBN 294155)
Email: hannah.belknap@zimmreed.com
2381 Rosecrans Ave., Suite 328
Manhattan Beach, CA 90245
(877) 500-8780 Telephone
(877) 500-8781 Facsimile

Attorneys for Plaintiff

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

DEBORAH ESPARZA, individually and
on behalf of all others similarly situated,

Plaintiff,

vs.

COACH, INC., a Maryland corporation
and COACH, INC. d/b/a COACH
LEATHERWARE CALIFORNIA, INC., a
Maryland corporation,

Defendants.

CASE NO.: 2:15-cv-09887 GHK(MRWx)

**FIRST AMENDED COMPLAINT
(CLASS ACTION)**

1. Violation of the Unfair Competition Law – “Unfair” Prong (Cal. Bus. & Prof. Code § 17200 *et seq.*)
2. Violation of the Unfair Competition Law – “Fraudulent” Prong (Cal. Bus. & Prof. Code § 17200 *et seq.*)
3. Violation of the Unfair Competition Law – “Unlawful” Prong (Cal. Bus. & Prof. Code § 17200 *et seq.*)
4. Violation of the California False Advertising Law (Cal. Bus. & Prof. Code § 17500 *et seq.*)
5. Violation of the Consumer Legal Remedies Act (Cal. Civ. Code § 1750 *et seq.*)

(Jury Trial Demanded)

1 Plaintiff Deborah Esparza (“Plaintiff”) brings this First Amended Complaint
2 (“Complaint”) against Defendants Coach, Inc. and Coach, Inc. d/b/a Coach
3 Leatherware California, Inc. (collectively, “Coach” or “Defendants”) on behalf of
4 herself and all others similarly situated, and alleges, upon personal knowledge as to her
5 own actions and her counsel’s investigations, and upon information and belief as to all
6 other matters, as follows:

7 **NATURE OF THE CASE**

8 1. A manufacturer’s suggested retail price (“MSRP” or “MFSRP”), also
9 called a “list price” or “retail price,” is commonly known to represent the price at
10 which the manufacturer suggests the retailer place the product for sale.

11 2. But where the manufacturer and the retailer are one and the same, the
12 manufacturer has no incentive to suggest a good-faith retail price to the retailer—the
13 manufacturer-retailer itself sets the price, with no pressures to make a profit from
14 anyone other than consumers.

15 3. In the dual manufacturer-retailer arrangement where the manufacturer-
16 retailer offers products manufactured *exclusively* and intended *solely* for sale in its own
17 stores, any price “suggested” but never used is deceptive. When a manufacturer-retailer
18 never intended to sell products at the MFSRP, and never sold products at the MFSRP,
19 the MFSRP exists to provide an illusory bargain when compared to the actual sales
20 price offered. This is a deceptive pricing scheme used to make consumers believe they
21 are receiving a bargain off of a manufacturer’s retail price.

22 4. Plaintiff, as well as many other consumers in California and nationwide,
23 was subject to this false pricing scheme when purchasing products from Coach outlet
24 stores.

25 5. Coach owns and operates outlet stores called Coach Factory stores
26 (“Coach outlet stores” or “Coach outlets”) nationwide. At Coach outlets, Coach offers
27 for sale products manufactured exclusively for the Coach outlets (“Coach Outlet
28 Product(s)”), which it does not offer for sale to any other retailer or reseller. Nor does

1 Coach offer the Coach Outlet Products for sale at its mainline retail stores. Despite
2 Coach’s position as manufacturer and retailer, Coach includes a MFSRP on each
3 Coach Outlet Product.

4 6. Defendants never offer Coach Outlet Products for sale at the MFSRP
5 advertised on the products’ hangtags. Instead, it offers the made-for-outlet products for
6 sale at significantly lower prices marked on the shelving or area surrounding the
7 products.

8 7. In addition to offering products for sale at prices far below the MFSRP,
9 signs consistently posted at Coach outlet stores advertise additional markdowns, such
10 as up to 70% off. These additional “savings” apply to all posted prices.

11 8. Further exacerbating Plaintiff and other reasonable consumers’ perception
12 of deep discounts is the fact that Coach sells higher quality products, though similar in
13 appearance and style to the made-for-outlet products, at its mainline retail stores.
14 Mainline retail products are better quality (e.g., made of better leather and with more
15 detailed stitching). Yet the mainline retail products are often sold at prices *lower* than
16 the MFSRPs advertised on the made-for-outlet products. There is a clear danger of
17 consumers being misled by an MFSRP that is greater than the price at which a similar,
18 better quality product is sold in the marketplace.

19 9. The superior yet lower-priced goods at Coach mainline stores demonstrate
20 that the MFSRP pricing claims Coach makes in its outlet stores are illusory.

21 10. Because Coach is the manufacturer-retailer of its Coach Outlet Products,
22 the “manufacturer’s suggested retail price” advertised on all of its made-for-outlet
23 products for sale in its own retail stores is illusory.

24 11. The Coach outlet MFSRP pricing scheme was prominently displayed on
25 all Coach Outlet Products available for sale at Coach outlets. To illustrate, a “MFSRP”
26 tag for an item sold at a Coach outlet is pictured below:
27
28



13 12. The Coach Outlet Product above was placed on a shelf prominently
14 labeled with the price “\$349” as illustrated below:
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1 13. Indeed, \$349.00 was the actual price at which the “Phoebe” bag above
2 was offered for sale at the Coach outlet store, subject to other additional percentage
3 discounts. The bag was never sold at the \$395.00 price stated on the product’s hang
4 tag, nor was it intended to be. Instead, the \$395.00 MFSRP was entirely fabricated by
5 Coach to lead consumers to believe the \$349.00 sales price was a good deal. The
6 MFSRP exists only to establish the false impression of a “discount.”

7 14. Upon information and belief, thousands of consumers were victims of
8 Coach’s deceptive, misleading, and unlawful false pricing scheme and thousands more
9 will be deceived if the practice continues.

10 15. Coach fraudulently concealed from, and intentionally failed to disclose to,
11 Plaintiff, and others similarly situated, the true facts about the Coach Outlet Products’
12 prices and advertised prices, purported savings, and bargains.

13 16. Both the MFSRP and actual sales price are objectively material terms of
14 the bargain to a reasonable consumer, including Plaintiff.

15 17. Plaintiff relied on Coach’s representations of MFSRP when purchasing
16 Coach Outlet Products from Coach outlet stores in California. Plaintiff would not have
17 made such purchases, or would have paid less than she did, but for Coach’s
18 representations.

19 18. Plaintiff reasonably believed the truth of the price tags attached to the
20 products she purchased at Coach outlet stores, which suggested that she was getting a
21 significant percentage discount off a price actually suggested by the manufacturer and
22 offered to the public. Plaintiff reasonably understood the MFSRP to be a valid
23 representation of the retail price. However, because Coach never adopted its own
24 suggested price, its “suggestion” merely constituted a ploy to conjure the illusion of a
25 non-existent “discount” on goods that never sold anywhere for the higher price Coach
26 claimed.

27 19. Through their false and deceptive advertising and pricing scheme, Coach
28 violated, and continues to violate, California and federal law prohibiting advertising

1 goods for sale as discounted from prices that are false, and prohibiting misleading
2 statements about the existence and amount of price reductions. Specifically, Coach
3 violated (and continues to violate) California’s Business & Professions Code Section
4 17200 *et seq.* (the “UCL”), California’s Business and Professions Code Section 17500
5 *et seq.* (the “FAL”), the California Consumers’ Legal Remedies Act, Civil Code
6 Section 1750 *et seq.* (the “CLRA”), and the Federal Trade Commission Act (“FTCA”),
7 which prohibits “unfair or deceptive acts or practices in or affecting commerce” and
8 specifically prohibits false advertisements, *see* 15 U.S.C. §§ 52(a), 45(a)(1).

9 20. Plaintiff, individually and on behalf of all others similarly situated, seeks
10 damages, restitution, and other equitable remedies under the UCL, FAL, and CLRA.

11 PARTIES

12 21. Plaintiff Deborah Esparza (“Plaintiff”), an individual, is a citizen and
13 resident of Los Angeles County, California. In reliance on Coach’s false and deceptive
14 advertising, marketing, and pricing schemes, Plaintiff purchased at least one black
15 wristlet handbag in signature fabric from a Coach outlet store with a hangtag stating a
16 MFSRP of \$65.00 in Southern California during the Class Period (defined below).

17 22. Defendant Coach, Inc. is a publically traded Maryland corporation
18 (NASDAQ COH) that has a principal place of business, located at 516 West 34th
19 Street, New York, New York 10001. Defendant Coach, Inc. does not have an agent for
20 service of process in California. Defendant Coach, Inc.’s agent for service of process in
21 its state of incorporation is The Corporation Trust Incorporated, located at 351 West
22 Camden Street, Baltimore, Maryland 21201. Defendant Coach, Inc. owns and operates
23 over 1,000 directly-owned and operated Coach store locations worldwide.¹

24 23. Defendant Coach, Inc., d/b/a Coach Leatherware California, Inc. is a
25 Maryland corporation that has a principal place of business located at 516 West 34th
26 Street, New York, New York 10001. Defendant’s agent for service of process in
27

28 ¹ <http://www.coach.com/careers-about-coach.html> (last visited December 22, 2015).

1 California is C T Corporation System, located at 818 West Seventh Street, Suite 930,
2 Los Angeles, California 90017.

3 24. As of the date of filing this Complaint, Coach operates approximately 32
4 Coach outlet stores in California.

5 **JURISDICTION AND VENUE**

6 25. This Court has subject matter jurisdiction over this action pursuant to the
7 Class Action Fairness Act (“CAFA”), 28 U.S.C. § 1332(d), because at least one
8 member of the Class is of diverse citizenship from Defendants, there are more than 100
9 Class members, and the aggregate amount in controversy exceeds \$5,000,000.²

10 26. This Court has personal jurisdiction over Defendants because Defendants
11 conduct business in the State of California, a substantial portion of the wrongdoing
12 alleged by Plaintiff occurred in the State of California and this District, and Defendants
13 have sufficient minimum contacts with or otherwise have purposefully availed
14 themselves of the markets of the State of California and this District such that it is fair
15 and just for Defendants to adjudicate this dispute in this District.

16 27. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because a
17 substantial part of the events and omissions giving rise to the claims occurred in this
18 District and, as a corporation subject to personal jurisdiction in this District,
19 Defendants conduct business in this District.

20 **FACTUAL ALLEGATIONS**

21 28. Coach markets itself as a “leading New York design house of modern
22 luxury accessories” and as a “global leader in premium handbags.”
23 <http://www.coach.com/careers-about-coach.html> (last visited December 22, 2015).
24 Having the designation of a “luxury” brand is important to Coach:

25 The Coach brand stands for **authenticity**, innovation and relevance.

26 _____
27 ² The amount in controversy is satisfied, in part, by an examination of Coach’s Form
28 10-K filings. *See, e.g.*, Coach, Inc., Annual Report (Form 10-K) at 91 (Aug. 14, 2015),
available at <http://www.coach.com/financial-reports.html>.

1 ...

2 Now, we're building on our brand strengths with a vision:

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4 "TO BECOME THE COMPANY THAT DEFINES GLOBAL MODERN
5 LUXURY."

6 It's an ambitious plan for our future—one that we are uniquely suited to—
7 and an extraordinary opportunity to make luxury more meaningful,
8 liberating, inviting, and approachable for those who desire more than status.

9 *Id.* (first emphasis added).

10 29. Taking advantage of the growing concern of consumers with cost-savings,
11 Coach operates Coach outlet stores, which are likewise focused on luxury as a
12 marketing and advertising strategy.

13 30. The original intention of MFSRPs was to suggest the price products
14 should be sold to parties involved in the sales chain. When the retailer is distinct from
15 the manufacturer, the MSRP informs resellers and consumers of the manufacturer's
16 ideal price for that product. For a retailer, it identifies the amount at which that same
17 product is likely sold by other retailers. In reality, retailers likely purchased the
18 products at a discount because they purchased them in bulk, but, to make a profit, the
19 retailer will sell the products at the MSRP. For example, if the MSRP is \$50.00 and the
20 manufacturer sells the product to the retailer at a discount off this price, say a 50%
21 discount, the retailer then has the potential to make a \$25.00 profit by selling it at the
22 MSRP. If they are willing to sell it for less than the MSRP, the retailer can undercut
23 competition.

24 31. This traditional practice has no meaning when the manufacturer and
25 retailer are the same. The incentive of increasing profit margins falls entirely to the
26 manufacturer-retailer.

27 32. Coach's strategy and practice is to advertise prices that do not—and never
28 did—exist. In other words, Coach has made up prices supposedly suggested by the

1 manufacturer to the retailer for sale of that product. In reality, the MFSRP on Coach
2 Outlet Products exists only as an advertisement for consumers to use to determine the
3 retail value of that product and decide whether to make a purchase.³ It cannot be the
4 retail value or retail price of that product because that product is not sold at the MFSRP
5 advertised on the hangtag. It exists only to establish a comparison in prices—a
6 comparison that is illusory.

7 33. The Federal Trade Commission (“FTC”) describes the dangers and
8 deceptiveness of false suggested retail prices or list prices:

9 (a) Many members of the purchasing public believe that a manufacturer’s
10 list price, or suggested retail price, is the price at which an article is
11 generally sold. Therefore, if a reduction from this price is advertised,
12 many people will believe that they are being offered a genuine bargain.
13 To the extent that list or suggested retail prices do not in fact
14 correspond to prices at which a substantial number of sales of the
15 article in question are made, the advertisement of a reduction may
16 mislead the consumer.

17 ...

18 (i) It bears repeating that the manufacturer, distributor or retailer must in
19 every case act honestly and in good faith in advertising a list price, and
20 not with the intention of establishing a basis, or creating an
21 instrumentality, for a deceptive comparison in any local or other trade
22

23 ³ The FTC has specifically identified pre-ticketing of a suggested retail or list price by
24 the manufacturer, the practice used by Coach, as advertising: “There are many methods
25 by which manufacturers’ suggested retail or list prices are advertised: Large scale
26 (often nationwide) mass-media advertising by the manufacturer himself; preticketing
27 by the manufacturer; direct mail advertising; distribution of promotional material or
28 price lists designed for display to the public. The mechanics used are not of the
essence. This part is concerned with any means employed for placing such prices
before the consuming public.” 16 C.F.R. § 233.3(b).

1 area. For instance, a manufacturer may not affix price tickets containing
2 inflated prices as an accommodation to particular retailers who intend
3 to use such prices as the basis for advertising fictitious price reductions.

4 [Guide III]

5 16 C.F.R. § 233.3(a), (i).

6 34. In affixing price tickets with false prices, Defendants have engaged in
7 deceptive, unfair conduct.

8 35. Coach created and maintains the false pricing scheme in way that
9 practically ensures reasonable consumers, like Plaintiff, would believe they are
10 receiving a significant discount off of stated manufacturer-designated price. As noted
11 above, among other locations on tables and related shelving areas, the shelves at Coach
12 outlet stores are prominently marked with products' sales prices, which do not coincide
13 with the "MFSRP" or list price stated on the product's hang tag. The below image
14 illustrates the prominent price advertisement at a Coach outlet store:

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36. The bags on the shelves in the above image each bear a hang tag label that states the “MFSRP” is “\$395.00.” This signifies to a reasonable consumer that the retail price of the bag—a price at which the manufacturer (Coach) signified its value—is \$395.00. When a reasonable consumer sees the clearly marked outlet sales price of “\$349,” the consumer reasonably believes he or she is receiving a \$46.00 discount.

37. In addition to offering products for sale at prices below the MFSRP, signs consistently posted at Coach outlet stores advertise additional markdowns that apply to

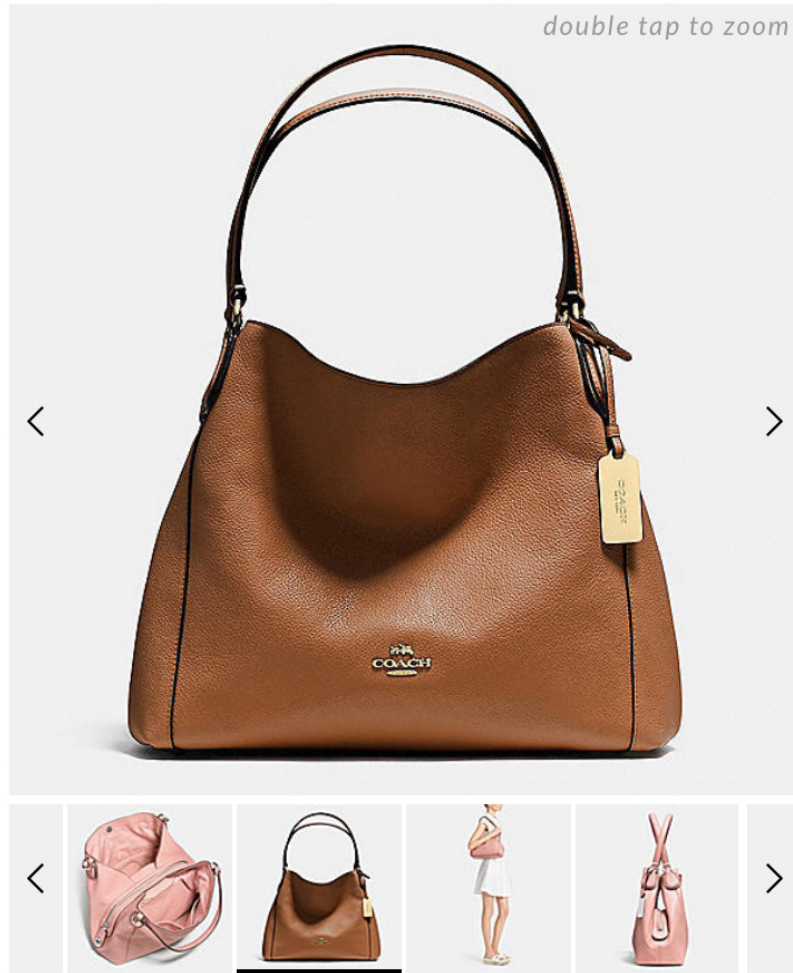
1 all posted prices. Below was the sign appearing at the Couch outlet store during the
2 time the bags above were sold:



20 38. Thus, the Phoebe bag (pictured in ¶ 35) was never sold at any Coach store
21 for \$395.00. In fact, Coach mainline retail stores sell a bag very similar in style and
22 design to the Phoebe bag sold at Coach outlets. The image below is a front-facing view
23 of the “Edie” bag that is sold as a mainline retail, non-outlet product, available on
24 www.coach.com, and mainline Coach and other retail stores. It retails for *less* than the
25 price on the tag of the Phoebe bag sold at Coach outlets:

\$325

STYLE NO. 36464



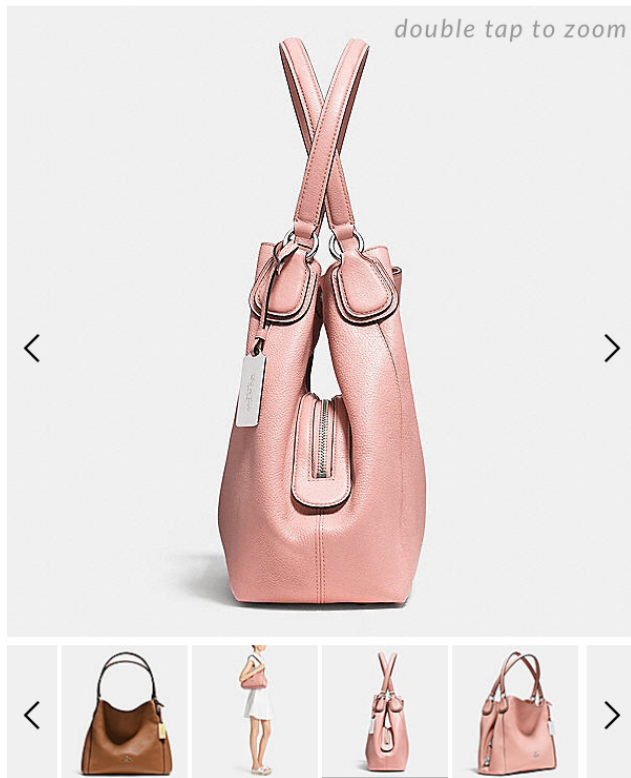
39. The following image is a front-facing image of the Phoebe bag sold at Coach outlet stores:



40. A comparison of the same bags from the side view is also telling of their similarities:

\$325

STYLE NO. 36464



1 41. In other words, the Phoebe bag, sold exclusively in Coach outlets, has a
2 \$395 price tag, even though the similar and presumably higher quality Edie bag retails
3 for \$325 in mainline Coach stores and other retail stores. As opposed to the Phoebe
4 bag's \$395 MFSRP corresponding to an actual suggested price by Coach, it
5 corresponds to an artificial, Coach-created price. The Phoebe bag was created solely
6 for Coach outlet stores, was not sold in Coach mainline stores, and was not sold for
7 \$395.00. Because Coach is both the manufacturer and the retailer, its "suggested retail
8 price" of \$395.00 for sale of the Phoebe bag in its own stores is illusory. This false
9 pricing scheme is used throughout Coach's outlet stores.

10 42. It is worth noting that the Phoebe bag is made of fabric remnants instead
11 of larger single pieces of fabric, evidenced by the additional seams. (*Compare* image in
12 ¶ 38, *with* image in ¶ 39; *see also* images in ¶ 40.) Such use of fabric remnants leftover
13 from other products is cost-efficient for Defendants and results in a bag of poorer
14 quality than one with less seams, like the Edie bag. As further evidence of the illusory
15 MFSRP of the Phoebe bag and other Coach Outlet Products' MFSRPs, even the "sale"
16 prices for these made-for-outlet products are *higher* than similar non-outlet products of
17 higher quality.

18 43. As a further example, wristlets, similar to one purchased by Plaintiff, are
19 advertised with an MFSRP of \$65.00 at Coach outlet stores, yet are sold on Coach's
20 retail website for \$49.00, i.e., \$16.00 less than the inferior-quality product.⁴

21 44. While the mainline retail Edie bag and wristlets may be comparable in
22 style to the Phoebe outlet bag and outlet wristlets, they are *not* comparable in quality.
23 The inclusion of additional seams, additional pieces of fabric, among other differences,
24 reduce the value of the bags, a reduction that a reasonable consumer should be made
25 aware of in deciding to purchase a bag. Stating an MFSRP that is greater than the

26 _____
27 ⁴ See [http://www.coach.com/coach-designer-wristlets-corner-zip-wristlet-in-signature-](http://www.coach.com/coach-designer-wristlets-corner-zip-wristlet-in-signature-fabric/64283.html?cgid=gifts-women&dwvar_color=LIDQC)
28 [fabric/64283.html?cgid=gifts-women&dwvar_color=LIDQC](http://www.coach.com/coach-designer-wristlets-corner-zip-wristlet-in-signature-fabric/64283.html?cgid=gifts-women&dwvar_color=LIDQC) (last visited February 22,
2016).

1 mainline retail price of products presumed to be of superior quality is deceptive and
2 misleading to Plaintiff and other reasonable consumers. (Plaintiff notes the differences
3 in prices for superior goods at Coach’s mainline stores as evidentiary support for the
4 assertion that the pricing claims Coach makes in its outlet stores are illusory.)

5 45. The Federal Trade Commission “Guides Against Deceptive Pricing” is in
6 accord:

7 Typically, a list price is a price at which articles are sold, if not everywhere,
8 then at least in the principal retail outlets which do not conduct their
9 business on a discount basis. It will not be deemed fictitious if it is the price
10 at which substantial (that is, not isolated or insignificant) sales are made in
11 the advertiser’s trade area (the area in which he does business). Conversely,
12 if the list price is significantly in excess of the highest price at which
13 substantial sales in the trade area are made, there is a clear and serious
14 danger of the consumer being misled by an advertised reduction from this
15 price.

16 16. C.F.R. § 233.3(d).

17 46. Coach’s use of the term MFSRP in its advertisements does not conform to
18 the FTC definition of the synonymous term “list price” or the common meaning of the
19 terms. Indeed, Coach did not set the MFSRP based on a price at which the products are
20 sold elsewhere or in the principal retail outlets that do not conduct their business on a
21 discount basis. Since Coach does not sell the products bearing the MFSRP elsewhere
22 other than at Coach outlets, the MFSRP is fabricated. There is no “discount” because
23 there is no real price with which to make a comparison and from which to offer a
24 discount.

25 47. Coach’s advertisement of its “MFSRP” was likely to mislead customers
26 by purporting to offer a savings when compared to the price offered for that product at
27 Coach outlets. This misuse of the term MFSRP and falsification of any actual MFSRP
28 allowed Coach to represent that it was offering the consumer a large discount (the

1 difference between the MFSRP and the posted sales price) off the MFSRP—the
2 “manufacturer’s” suggested retail price.

3 48. Moreover, Coach, as the manufacturer, marketer, advertiser, and seller of
4 its products, has total control over the MFSRP of products sold at Coach outlets.
5 Because the Coach Outlet Products include a tag that clearly identifies a MFSRP,
6 reasonable consumers would assume that products sold at a manufacturer’s own stores
7 would reflect a true MFSRP—the *manufacturer’s* suggested retail price. Particularly
8 when products are intended to be sold exclusively at the manufacturer’s outlet stores,
9 inclusion by a manufacturer of a suggested price that it does not itself follow is
10 deceptive and was deceptive to reasonable consumers like Plaintiff. The MFSRPs did
11 not represent the store’s true retail prices for its private branded products, and were not
12 the prevailing market retail prices.

13 49. Because there is no comparable price or intention to sell a product
14 anywhere other than a Coach outlet store, Coach could have refrained from advertising
15 a MFSRP at all and left consumers to do their own comparative shopping to decide for
16 themselves whether the Coach Outlet Product offered sufficient value at the stated
17 price. However, rather than exclude an MFSRP altogether for a product, Coach made
18 up a “MFSRP” for that product, never intending to adopt it, and for the sole purpose of
19 making the actual price appear to be a discount on a product of, ostensibly, higher
20 value. Coach’s decision to advertise a price that did not exist was likely to deceive, and
21 did deceive, reasonable consumers by representing that the marketplace had assigned a
22 retail price to that product and that Coach’s “discount” off that retail price made
23 Coach’s price attractive. Coach’s representation of that price as an actual price or
24 actual suggested price was unlawful, unfair, and fraudulent.

25 50. Coach knew or should have known that creating false “MFSRPs” to create
26 false discounts was unlawful and unfair.

27 51. The use of the term “MFSRP” by Coach on every hangtag of the Coach
28 Outlet Products constituted the dissemination of an untrue and misleading statement to

1 consumers about the price listed as compared to the price offered for that same
2 product. Coach knew or should have known that those statements were false and
3 misleading.

4 52. Reasonable consumers who shop at Coach outlet stores are led to believe
5 they are paying a discounted price for a product and have been deceived by Coach and
6 lost money and otherwise been injured as a result.

7 **CLASS ALLEGATIONS**

8 53. Plaintiff brings this action on behalf of herself and as a class action
9 pursuant to the provisions of Rules 23(a), 23(b)(2) and 23(b)(3) of the Federal Rules of
10 Civil Procedure. Plaintiff seeks to represent a class initially defined as:

11 All persons who purchased a Coach Outlet Product with a price tag bearing a
12 Manufacturer's Suggested Retail Price at any time during the Class Period
13 (the "Class").

14 54. The "Class Period" dates back four years (or the longest applicable statute
15 of limitations for any claim asserted) from the date this action was commenced and
16 continues through the present and the date of judgment. Specifically excluded from the
17 Class are: (a) any officers, directors, or employees of Defendants; (b) any judge
18 assigned to hear this case (or spouse or immediate family member of any assigned
19 judge); (c) any employee of the Court; (d) any juror selected to hear this case; and (e)
20 any attorneys of record and their employees.

21 55. Plaintiff reserves the right to modify, expand, or amend the above Class
22 definition or seek certification of a class that is defined differently than above before
23 any court determines whether certification is appropriate following discovery.

24 56. **Numerosity.** Members of the Class are so numerous that joinder of all
25 members is impracticable. While the number of Class members is unknown to Plaintiff
26 at this time, Plaintiff is informed and believes that the Class numbers at least in the
27 thousands or tens of thousands.
28

1 **57. Commonality and Predominance.** There is a well-defined community of
2 interest in the questions of law and fact affecting the parties to be represented in this
3 action. Common questions of law and fact that exist as to all members of the Class and
4 predominate over any questions affecting only individual members, include, but are not
5 limited to:

- 6 (a) Whether Coach's creation of MFSRP labels for use on Coach Outlet
7 Products, when it never sold items with those MFSRPs in any of its stores,
8 is deceptive;
- 9 (b) Whether Coach's MFSRP is synonymous with an item's expected price,
10 suggested sales price, or retail price;
- 11 (c) Whether the MFSRPs advertised by Coach represent an actual retail price;
- 12 (d) Whether Coach Outlet Products with an advertised MFSRP are sold at
13 non-Coach outlet stores;
- 14 (e) Whether Coach sold the Coach Outlet Products outside the Coach outlet
15 stores for the stated MFSRPs;
- 16 (f) Whether Coach engaged in unfair, unlawful, or fraudulent business
17 practices in violation of the Unfair Competition Law (Cal. Bus. & Prof.
18 Code § 17200 *et seq.*);
- 19 (g) Whether Coach violated the Unfair Competition Law (Cal. Bus. & Prof.
20 Code § 17200 *et seq.*) by violating the Consumer Legal Remedies Act
21 (Cal. Civ. Code § 1750 *et seq.*);
- 22 (h) Whether Coach violated the Unfair Competition Law (Cal. Bus. & Prof.
23 Code § 17200 *et seq.*) by violating the Federal Trade Commission Act (15
24 U.S.C. § 52(a) and 15 U.S.C. § 45(a)(1));
- 25 (i) Whether Coach misrepresented or failed to disclose material facts about its
26 product pricing and discounts.
- 27 (j) Whether Coach made false or misleading statements of fact concerning the
28 reasons for, existence of, or amounts of price reductions;

- 1 (k) Whether Coach's use of false or deceptive price advertising constituted
2 false advertising under California law;
- 3 (l) Whether Coach's conduct, as alleged herein, was intentional and knowing;
- 4 (m) Whether Coach is likely to continue to use false, misleading, or illegal
5 price comparisons such that an injunction is necessary;
- 6 (n) Whether Plaintiff and Class members are entitled to damages or consumer
7 restitution and the proper measure of that loss; and
- 8 (o) The appropriate Class-wide measure of damages.

9 58. **Typicality.** Plaintiff is a member of the Class and her claims are typical of
10 the claims of members of the Class. Typical of members of the Class, Plaintiff
11 purchased at least one Coach Outlet Product during the Class Period with an MFSRP
12 label. Plaintiff and Class members each sustained, and will continue to sustain,
13 damages arising from Defendants' wrongful conduct, as alleged more fully herein.
14 Plaintiff's claims are founded on the same legal theories as those of the Class.

15 59. **Adequacy of Representation.** Plaintiff is an adequate representative of
16 the Class because her interests do not conflict with the interests of the other Class
17 members and because Plaintiff has retained counsel competent and experienced in
18 complex class action and consumer litigation, including substantial experience in the
19 types of claims alleged in this Complaint. Plaintiff and her counsel will fairly and
20 adequately protect the interests of the Class.

21 60. **Declaratory and Injunctive Relief.** Defendants have acted or refused to
22 act on grounds generally applicable to Plaintiff and other members of the Class,
23 thereby making appropriate final injunctive relief and declaratory relief, as described
24 below, with respect to the members of the Class.

25 61. **Superiority of Class Adjudication.** The certification of a class in this
26 action is superior to the litigation of a multitude of cases by members of the Class.
27 Class adjudication will conserve judicial resources and will avoid the possibility of
28 inconsistent rulings. Moreover, there are Class members who are unlikely to join or

1 bring an action due to, among other reasons, their reluctance to sue Defendants or their
2 inability to afford a separate action. Equity dictates that all persons who stand to
3 benefit from the relief sought herein should be subject to the lawsuit and hence subject
4 to an order spreading the costs of the litigation among the Class members in relation to
5 the benefits received. The damages, restitution, and other potential recovery for each
6 individual member of the Class are modest, relative to the substantial burden and
7 expense of individual prosecution of these claims. Given the amount of the individual
8 class members' claims, few, if any, Class members could afford to seek legal redress
9 individually for the wrongs complained of herein. Individualized litigation presents a
10 potential for inconsistent or contradictory judgments. Individualized litigation
11 increases the delay and expense to all parties and the court system presented by the
12 complex legal and factual issues of the case. By contrast, the class action device
13 presents far fewer management difficulties, and provides the benefits of single
14 adjudication, economy of scale, and comprehensive supervision by a single court.

15 62. In the alternative, the above-referenced class may be certified because:

- 16 (a) The prosecution of separate actions by the individual members of the Class
17 would create a risk of inconsistent or varying adjudication with respect to
18 individual Class members' claims which would establish incompatible
19 standards of conduct for Defendants;
- 20 (b) The prosecution of separate actions by individual members of the Class
21 would create a risk of adjudications which would as a practical matter be
22 dispositive of the interests of other members of the class who are not
23 parties to the adjudications, or which would substantially impair or impede
24 the ability of other Class members to protect their interests; and
- 25 (c) Defendants have acted or refused to act on grounds generally applicable to
26 the Class, thereby making appropriate final and injunctive relief with
27 respect to the Class.

28 **COUNT I**

1 **(Violation of Unfair Competition Law,**

2 **Cal. Bus. & Prof. Code § 17200 *et seq.* – “Unfair” Prong)**

3 63. Plaintiff incorporates all preceding and succeeding allegations by
4 reference as if fully set forth herein.

5 64. Plaintiff brings this action individually, on behalf of the Class, and on
6 behalf of the general public pursuant to Section 17200 *et seq.* of the Business &
7 Professions Code, the Unfair Competition Law (“UCL”).

8 65. The UCL prohibits unfair competition, which includes an “unlawful,
9 unfair or fraudulent” act or practice, as well as any “unfair, deceptive, untrue or
10 misleading” advertising. Cal. Bus. & Prof. Code § 17200 *et seq.*

11 66. A business act or practice is “unfair” under the UCL if the reasons,
12 justifications, and motives of the alleged wrongdoer are outweighed by the gravity of
13 the harm to the alleged victims.

14 67. Coach has engaged in unfair business acts or practices in violation of the
15 UCL by representing false “MFSRPs” at which price it never intended or expected to
16 sell products. Coach’s corresponding posting of lower sales prices for Coach Outlet
17 Products, and further price reductions, resulted in false, misleading, and deceptive
18 illusions of discounts.

19 68. These acts and practices are unfair because they caused Plaintiff, and
20 other reasonable consumers, to falsely believe that Coach is offering value, discounts,
21 or bargains from an actual retail price or price the manufacturer expected the retailer to
22 sell the products. The MFSRP, did not, in fact, exist. For Coach, the MFSRP is
23 synonymous with a false, artificial price. As a result, purchasers, including Plaintiff,
24 reasonably perceived that they were receiving products that were worth more and
25 valued at more than what they paid. This perception has induced reasonable
26 purchasers, including Plaintiff, to buy Coach Outlet Products, which they otherwise
27 would not have purchased or on which they would not have spent as much money.
28

1 69. The gravity of harm to members of the Class resulting from these unfair
 2 acts and practices outweighed any business justifications for Coach’s deceptive acts
 3 and practices. By committing the acts and practices alleged herein, Coach engaged in
 4 unfair business practices within the meaning of the UCL. Such acts and violations have
 5 not abated and will continue to occur unless enjoined.

6 70. As a result of Coach’s unfair acts and practices, Plaintiff, the Class, and
 7 the general public have suffered injury in fact and have lost money or property. These
 8 violations have unjustly enriched Coach at the expense of Plaintiff and the Class.

9 71. Under Section 17203 of the Business & Professions Code, Plaintiff and
 10 the Class are entitled to (a) an injunction ordering Defendant to cease engaging in any
 11 acts of unfair competition and to engage in a corrective advertising campaign in
 12 compliance with all applicable laws; (b) restitution and disgorgement of all unjustly
 13 retained profits paid to Defendant; (c) equitable relief; (d) pre- and post-judgment
 14 interest at the highest rate allowable by law; and (e) payment of attorneys’ fees and
 15 costs pursuant to Section 1021.5 of the Code of Civil Procedure.

16 **COUNT II**

17 **(Violation of Unfair Competition Law,**

18 **Cal. Bus. & Prof. Code § 17200 *et seq.* – “Fraudulent” Prong)**

19 72. Plaintiff incorporates all preceding and succeeding allegations by
 20 reference as if fully set forth herein.

21 73. Plaintiff brings this action individually, on behalf of the Class, and on
 22 behalf of the general public pursuant to Section 17200 *et seq.* of the Business &
 23 Professions Code, the Unfair Competition Law (“UCL”).

24 74. The UCL prohibits unfair competition, which includes an “unlawful,
 25 unfair or fraudulent” act or practice, as well as any “unfair, deceptive, untrue or
 26 misleading” advertising. Cal. Bus. & Prof. Code § 17200 *et seq.*

27 75. A business act or practice is “fraudulent” under the UCL if it is likely to
 28 deceive members of the consuming public.

1 76. The hangtags on Coach Outlet Products and advertising materials
2 concerning false MFSRPs constitute “fraudulent” business acts or practices within the
3 meaning of the UCL because they deceived Plaintiff and were likely to deceive
4 members of the Class into believing that Coach was offering value, discounts, or
5 bargains at Coach outlet stores from an actual retail price, intended retail price, or
6 expected retail price of the products sold that did not, in fact, exist.

7 77. Coach deceived consumers into believing that they were offering value,
8 discounts, or bargains at Coach outlet stores from an actual retail price, intended retail
9 price, or expected retail price of the products sold that did not, in fact, exist.

10 78. As a result, purchasers, including Plaintiff, reasonably perceived that they
11 were receiving products that were worth more and valued at more than what they paid.
12 This perception has induced reasonable purchasers, including Plaintiff, to buy Coach
13 Outlet Products, which they otherwise would not have purchased or on which they
14 would not have spent as much money.

15 79. Coach’s acts and practices as described herein have deceived Plaintiff and
16 were highly likely to deceive members of the consuming public. Specifically, in
17 deciding to purchase Coach Outlet Products, Plaintiff relied on Coach’s false,
18 misleading, and deceptive representations regarding its “MFSRP” and discounted
19 prices. Each of these factors played a substantial role in Plaintiff’s decision to purchase
20 those products, and Plaintiff would not have purchased those items or would not have
21 paid as much for those items in the absence of Coach’s misrepresentations.
22 Accordingly, Plaintiff suffered monetary loss as a direct result of Coach’s pricing
23 practices described herein.

24 80. As a result of Coach’s unfair acts and practices, Plaintiff, the Class, and
25 the general public have suffered injury in fact and have lost money or property. These
26 violations have unjustly enriched Coach at the expense of Plaintiff and the Class.

27 81. Under Section 17203 of the Business & Professions Code, Plaintiff and
28 the Class are entitled to (a) an injunction ordering Defendant to cease engaging in any

1 acts of unfair competition and to engage in a corrective advertising campaign in
2 compliance with all applicable laws; (b) restitution and disgorgement of all unjustly
3 retained profits paid to Defendant; (c) equitable relief; (d) pre- and post-judgment
4 interest at the highest rate allowable by law; and (e) payment of attorneys' fees and
5 costs pursuant to Section 1021.5 of the Code of Civil Procedure.

6 **COUNT III**

7 **(Violation of Unfair Competition Law,**

8 **Cal. Bus. & Prof. Code § 17200 *et seq.* – “Unlawful” Prong)**

9 82. Plaintiff incorporates all preceding and succeeding allegations by
10 reference as if fully set forth herein.

11 83. Plaintiff brings this action individually, on behalf of the Class, and on
12 behalf of the general public pursuant to Section 17200 *et seq.* of the Business &
13 Professions Code, the Unfair Competition Law (“UCL”).

14 84. California’s UCL prohibits unfair competition, which includes an
15 “unlawful, unfair or fraudulent” act or practice, as well as any “unfair, deceptive,
16 untrue or misleading” advertising. Cal. Bus. & Prof. Code § 17200 *et seq.*

17 85. A business act or practice is “unlawful” under the UCL if it violates any
18 other law or regulation.

19 86. Coach’s conduct is unlawful in that it violates the Consumers Legal
20 Remedies Act (Cal. Civ. Code § 1750 *et seq.*). Civil Code Section 1770, subsection
21 (a)(7) prohibits a business from “representing that goods ... are of a particular
22 standard, quality, or grade ... if they are of another,” subsection (a)(9) prohibits a
23 business from “[a]dvertising goods or services with intent not to sell them as
24 advertised,” and subsection (a)(13) prohibits a business from “[m]aking false or
25 misleading statements of fact concerning reasons for, existence of, or amounts of price
26 reductions.”

27 87. Coach’s conduct is also unlawful because it violates the FTCA (15 U.S.C.
28 § 45(a)(1) and 15 U.S.C. § 52(a)).

1 88. The FTCA prohibits “unfair or deceptive acts or practices in or affecting
2 commerce” and specifically prohibits false advertisements. 15 U.S.C. §§ 45(a)(1),
3 52(a). The FTC has established guidelines which prohibit false pricing schemes,
4 similar to Coach’s MFSRP scheme in material respects, as deceptive practices that
5 would violate the FTCA. 16 C.F.R. § 233.1 *et seq.*

6 89. Coach’s use of and reference to a materially false “MFSRP” in connection
7 with its marketing and advertisements concerning the Coach Outlet Products violated
8 and continues to violate the FTCA, 15 U.S.C. § 45(a)(1) and 15 U.S.C. § 52(a), as well
9 as FTC Guidelines published at 16 C.F.R. § 233.

10 90. Coach deceived consumers into believing that they were offering value,
11 discounts, or bargains at Coach outlet stores from an actual retail price, intended retail
12 price, or expected retail price of the products sold that did not, in fact, exist.

13 91. As a result, purchasers, including Plaintiff, received products that they
14 reasonably expected to be worth more based on Coach’s misrepresentation of value,
15 the MFSRP. This perception has induced reasonable purchasers, including Plaintiff, to
16 buy Coach Outlet Products, which they otherwise would not have purchased or on
17 which they would not have spent as much money.

18 92. Coach’s acts and practices as described herein have deceived Plaintiff and
19 were highly likely to deceive members of the consuming public. Specifically, in
20 deciding to purchase Coach Outlet Products, Plaintiff relied on Coach’s false,
21 misleading, and deceptive representations regarding its “MFSRP” and discounted
22 prices. Each of these factors played a substantial role in Plaintiff’s decision to purchase
23 those products, and Plaintiff would not have purchased those items or would not have
24 paid as much for those items in the absence of Coach’s misrepresentations.
25 Accordingly, Plaintiff suffered monetary loss as a direct result of Coach’s pricing
26 practices described herein.

1 93. As a result of Coach’s unfair acts and practices, Plaintiff, the Class, and
2 the general public have suffered injury in fact and have lost money or property. These
3 violations have unjustly enriched Coach at the expense of Plaintiff and the Class.

4 94. Under Section 17203 of the Business & Professions Code, Plaintiff and
5 the Class are entitled to (a) an injunction ordering Defendant to cease engaging in any
6 acts of unfair competition and to engage in a corrective advertising campaign in
7 compliance with all applicable laws; (b) restitution and disgorgement of all unjustly
8 retained profits paid to Defendant; (c) equitable relief; (d) pre- and post-judgment
9 interest at the highest rate allowable by law; and (e) payment of attorneys’ fees and
10 costs pursuant to Section 1021.5 of the Code of Civil Procedure.

11 **COUNT IV**

12 **(Violation of California False Advertising Law,**
13 **Cal. Bus. & Prof. Code § 17500 *et seq.*)**

14 95. Plaintiff incorporates all preceding and succeeding allegations by
15 reference as if fully set forth herein.

16 96. California’s Business & Professions Code Section 17500 *et seq.* prohibits
17 unfair, deceptive, untrue, or misleading advertising, including, but not limited to, false
18 statements as to worth, value, and former price.

19 97. Coach’s practice of advertising the “MFSRP” on price tags, which were
20 false and illusory was an unfair, deceptive, and misleading advertising practice because
21 it gave the false impression that the Coach Outlet Products were valued at more than
22 what they paid. In fact, the Coach Outlet Products did not have an actual or expected
23 “MFSRP” because the products were always offered for sale at a lower price when
24 placed on sale at the Coach outlet stores and were never intended or actually sold at
25 non-retail stores. Indeed, substantially similar products of higher-quality were priced
26 lower than Coach Outlet Products at Coach’s mainline retail stores and other mainline
27 retail stores.
28

1 98. Through its unfair acts and practices, Coach has improperly obtained
2 money from Plaintiff and the Class. As such, Plaintiff requests that this Court cause
3 Coach to restore this money to Plaintiff and all Class members, and to enjoin Coach
4 from continuing to violate the FAL as discussed herein and from violating the FAL in
5 the future. Otherwise, Plaintiff and the Class may be irreparably harmed or denied an
6 effective and complete remedy.

7 **COUNT V**

8 **(Consumer Legal Remedies Act, Cal. Civ. Code § 1750 *et seq.*)**

9 99. Plaintiff incorporates all preceding and succeeding allegations by
10 reference as if fully set forth herein.

11 100. Plaintiff and each member of the Class is a “consumer” within the
12 meaning of California Civil Code § 1761(d).

13 101. Defendants are “person[s]” that sell “goods” to “consumers” within the
14 meaning of Sections 1761(c), (a) and (d) of the Civil Code. Each individual purchase
15 of the Coach Outlet Products constitutes a separate “transaction” under Section 1761(e)
16 of the Civil Code.

17 102. As described herein, Coach violated the CLRA by representing and
18 creating a false “MFSRP,” and falsely representing the nature, existence, and amount
19 of price discounts based on the false MFSRP. Such a pricing scheme is in violation of
20 California Civil Code Section 1770(a)(7), which prohibits “representing that goods ...
21 are of a particular standard, quality, or grade, or that goods are of a particular style or
22 model, if they are of another” and California Civil Code Section 1770(a)(9), which
23 prohibits “[a]dvertising goods or services with intent not to sell them as advertised.”

24 103. The pricing scheme is also in violation of California Civil Code Section
25 1770(a)(13), which prohibits “[m]aking false or misleading statements of fact
26 concerning reasons for, existence of, or amounts of price reductions.”
27
28

1 104. Coach's representations of a false MFSRP and false representations of
2 purported savings, discounts, and bargains were material to Plaintiff in deciding to
3 purchase Coach Outlet Products.

4 105. Plaintiff relied on Coach's false representations in deciding to purchase
5 Coach Outlet Products. Plaintiff would not have purchased Coach Outlet Products, or
6 would not have paid as much as she did, absent Coach's unlawful conduct.

7 106. Coach knew and knows that their conduct is deceptive and likely to
8 mislead reasonable consumers, including Plaintiff and the Class.

9 107. Coach had a duty to affirmatively disclose that their MFSRP is false
10 because it is not intended or expected to represent an actual retail price or retail value
11 of any product.

12 108. Coach failed to disclose that the Coach Outlet Products are not ever sold
13 at the price advertised on their hang tags.

14 109. Coach intended to engage in the deceptive or fraudulent acts of
15 misrepresenting and omitting the false pricing scheme.

16 110. As a direct and proximate result of Defendants' unlawful acts, Plaintiff
17 and the Class have suffered and will continue to suffer damages. Pursuant to section
18 1780(a)(2) of the California Civil Code, Defendants should be enjoined from
19 continuing to employ the unlawful methods, acts, and practices alleged in this
20 Complaint to prevent any future harm to Plaintiff and the putative Class.

21 111. Plaintiff, on behalf of herself and all other similarly situated, seeks an
22 order requiring Defendants to pay nominal, actual, and statutory damages and
23 restitution, and provide all relief set forth in California Civil Code Section 1780,
24 including payment of attorneys' fees and costs.

25 112. Plaintiff, on behalf of herself and all others similarly situated, seeks
26 equitable relief in the form of an Order prohibiting Defendants from engaging in the
27 alleged misconduct described herein, as well as other relief, such as corrective
28 advertising.

1 113. Plaintiff has complied with California Civil Code Section 1782(a) and
2 served preliminary notice letters to Defendants on December 23, 2015 by first-class
3 certified mail with return receipt requesting that Defendants correct, repair, or
4 otherwise rectify the unlawful conduct identified herein before seeking damages under
5 the CLRA. Defendant Coach, Inc. d/b/a Coach Leatherware California, Inc., care of its
6 registered agent for service of process, received Plaintiff's notice letter on December
7 28, 2015 and Defendant Coach, Inc., care of its registered agent for service of process,
8 received Plaintiff's notice letter on December 29, 2015. As of the filing of this
9 Complaint, more than 30 days has elapsed since both Defendants received the notice
10 letters. As such, this Complaint now seeks damages under the CLRA as to both
11 Defendants.

12 114. Attached hereto is an affidavit in compliance with Civil Code section
13 1780(d).

14 **PRAYER FOR RELIEF**

15 Plaintiff, on behalf of herself and the Class, prays for relief as follows:

16 A. An order that this action may be maintained as a class action under
17 applicable law, that Plaintiff be appointed Class Representative, and that Plaintiff's
18 counsel be appointed as counsel for the Class;

19 B. An award of statutory and actual damages as prescribed by the claims
20 herein;

21 C. An award of restitutionary and all other applicable equitable relief as
22 prescribed by the claims herein;

23 D. An order prohibiting Defendants from continuing to violate the UCL,
24 FAL, and CLRA as described herein;

25 E. An order requiring Defendants to engage in corrective advertising;

26 F. An award of attorneys' fees;

27 G. An award of the costs of suit; and

28 H. Such other relief as this Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands trial by jury of all claims so triable.

ZIMMERMAN REED, LLP

Dated: March 4, 2016

By: /s/ Caleb Marker
Caleb Marker
Hannah P. Belknap
555 E. Ocean Blvd., Ste. 500
Long Beach, CA 90802
Tel. (877) 500-8780
Fax (877) 500-8781

Attorneys for Plaintiff

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AFFIDAVIT OF CALEB MARKER

I, Caleb Marker, declare as follows:

1. I am an attorney with the law firm Zimmerman Reed, LLP and am one of the attorneys representing Plaintiff Deborah Esparza in this action. This declaration is made pursuant to California Civil Code Section 1780(d). I make this declaration based on my research of public records and also upon personal knowledge and, if called upon to do so, could and would testify competently thereto.

2. Based on my research of public records and personal knowledge, Defendants Coach, Inc. and Coach, Inc. d/b/a Coach Leatherware California, Inc. conduct business within this Judicial District and this Judicial District is where a substantial number of the transactions giving rise to this complaint occurred.

I declare under penalty of perjury this 4th day of March 2016 in Manhattan Beach, California, that the above and foregoing representations are true and correct to the best of my knowledge.

/s/ Caleb Marker
Caleb Marker