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12
13 IN THE UNITED STATES DISTRICT COURT
14 FOR THE SOUTHERN DISTRICT OF CALIFORNIA

15
16 JOSHUA TEPERSON, on behalf of
17 himself and all others similarly situated,

18 Plaintiff,

19 vs.

20 SEARS, ROEBUCK & COMPANY,

21 Defendant.

22 Case No. 15-cv-01892-L-DHB

23
24 **FIRST AMENDED CLASS ACTION
25 COMPLAINT**

26
27 **DEMAND FOR JURY TRIAL**

28 Hon. M. James Lorenz

29 ACTION FILED: August 26, 2015
30 TRIAL DATE: Not Set

1 Plaintiff JOSHUA TEPEPERSON (“Plaintiff”) brings this action on behalf of himself
 2 and all others similarly situated against Defendant SEARS, ROEBUCK & COMPANY
 3 (“Sears” or “Defendant”), and states:

4 **I. NATURE OF ACTION**

5 1. This is a class action regarding Defendant’s false and misleading
 6 advertisement of “original” prices, “sale” prices, and corresponding phantom
 7 “markdowns” on merchandise sold in its retail stores and/or Internet website. During the
 8 Class Period (defined below), Defendant advertised false former prices and false price
 9 discounts for merchandise sold throughout its retail stores and/or Internet website.

10 2. During the Class Period, Defendant continually misled consumers by
 11 advertising merchandise at discounted “sale” prices. Defendant would compare the “sale”
 12 prices to false former retail prices, which were misrepresented as “original” or “regular”
 13 retail prices. The advertised discounts overstated and did not represent a *bona fide* price
 14 at which Defendant formerly sold the merchandise and were nothing more than mere
 15 phantom markdowns, because the represented former prices were artificially inflated and
 16 were never the original prices for merchandise sold at Defendant’s retail stores and/or on
 17 its Internet website. In addition, the represented “original” prices were not the prevailing
 18 market retail prices within three months immediately preceding the publication of the
 19 advertised former prices, as required by California law.

20 3. Defendant conveys its deceptive pricing scheme to consumers through the
 21 use of various media platforms including, but not limited to, its website and online
 22 promotional materials, in-store displays, and print advertisements. For example, on
 23 Defendant’s Internet website (www.sears.com) the pricing scheme is prominently
 24 displayed directly under each “discounted” item listed with the “regular” prices, which
 25 never existed and/or did not constitute the prevailing market retail prices for such products
 26 within the three months immediately preceding the publication of the advertisement, with
 27 a line striking through them. Once a consumer clicks on a specific product, the former
 28 price is explicitly referred to as the “regular price” directly to the right of the product

1 description and images. In addition, upon check-out, Defendant provides Internet
 2 consumers, including Plaintiff, with sales receipts continuing the misrepresentations
 3 regarding false price discounts. The stated discount from the false former price is listed
 4 for each item purchased and below the “order total” a “regular/clearance price subtotal” is
 5 given along with “sale price savings,” which misrepresents the purported total amount a
 6 consumer would have paid at the “regular” prices and the fabricated amount saved by the
 7 consumer.

8 4. Through its false and misleading marketing, advertising, and pricing scheme,
 9 Defendant violated, and continues to violate, California, federal, and other state law
 10 prohibiting advertising goods for sale as discounted from former prices which are false,
 11 and prohibiting misleading statements about the existence and amount of price reductions.
 12 Specifically, Defendant violated, and continues to violate, California’s Business &
 13 Professions Code §§17200, *et seq.* (the “UCL”), California’s Business & Professions
 14 Code §§17500, *et seq.* (the “FAL”), the California Consumers’ Legal Remedies Act,
 15 California Civil Code §§1750, *et seq.* (the “CLRA”), and the Federal Trade Commission
 16 Act (“FTCA”), which prohibits “unfair or deceptive acts or practices in or affecting
 17 commerce” (15 U.S.C. §45(a)(1)) and false advertisements (15 U.S.C. §52(a)).

18 5. Plaintiff brings this action on behalf of himself and other similarly situated
 19 consumers who have purchased one or more items at Defendant’s retail stores and/or on
 20 its Internet website that were deceptively represented as discounted from false former
 21 prices in order to halt the dissemination of this false, misleading, and deceptive price
 22 scheme, correct the false and misleading perception it has created in the minds of
 23 consumers, and obtain redress for those who have purchased this product. Plaintiff seeks
 24 to permanently enjoin Defendant from using false and misleading claims regarding retail
 25 price comparisons in their packaging, labeling, and advertising. Further, Plaintiff seeks to
 26 obtain restitution and other appropriate relief in the amount by which Defendant was
 27 unjustly enriched as a result of its sales of merchandise offered at a false discount.
 28 Plaintiff also seeks damages as provided for pursuant to the CLRA. Finally, Plaintiff

1 seeks reasonable attorneys' fees pursuant to Cal. Code Civ. Proc. §1021.5 as this lawsuit
 2 seeks the enforcement of an important right affecting the public interest and satisfies the
 3 statutory requirements for an award of attorneys' fees.

4 **II. JURISDICTION AND VENUE**

5 6. This Court has original jurisdiction of this Action pursuant to the Class
 6 Action Fairness Act, 28 U.S.C §1332 (d)(2). The matter in controversy, exclusive of
 7 interest and costs, exceeds the sum or value of \$5,000,000 and at least some members of
 8 the proposed Classes have a different citizenship from Defendant.

9 7. The Southern District of California has personal jurisdiction over the
 10 Defendant named in this action because Defendant is a corporation or other business
 11 entity authorized to conduct and does conduct business in the State of California.
 12 Defendant is registered with the California Secretary of State to do sufficient business
 13 with sufficient minimum contacts in California, and/or otherwise intentionally avails itself
 14 of the California market through the ownership and operation of over 200 retail stores
 15 within the State of California.

16 8. Venue is proper under 18 U.S.C. §1965(a) because Defendant transacts
 17 substantial business in this District. A substantial part of the events giving rise to
 18 Plaintiff's claims arose here.

19 **III. PARTIES**

20 **Plaintiff**

21 9. Plaintiff Joshua Teperson resides in San Diego, California. Teperson, in
 22 reliance on Defendant's false and deceptive advertising, marketing, and "discount"
 23 pricing schemes, purchased almost \$4,000 in merchandise through Defendant's Internet
 24 website on November 7, 2014, and was damaged thereby.

25 **Defendant**

26 10. Plaintiff alleges upon information and belief that Defendant Sears Roebuck
 27 & Company is a New York corporation with its principal executive offices in Hoffman
 28 Estates, Illinois. It is a subsidiary of the publicly traded Delaware corporation, Sears

1 Holding Corporation (NYSE: SHLD). Defendant advertises, markets, distributes, and/or
 2 sells product to hundreds of thousands of consumers in California and throughout the
 3 United States.

4 **IV. FACTUAL BACKGROUND**

5 **A. Sears Regularly Engages in Deceptive Pricing**

6 11. Consumers' Checkbook/Center for the Study of Services ("CSS") is an
 7 independent, nonprofit consumer organization based in Washington, D.C. Its stated
 8 purpose is "to provide consumers information to help them get high quality services and
 9 products at the best possible prices."

10 12. Beginning in June 2014, and continuing through March 2015, CSS conducted
 11 a survey of seven national retail chains and Amazon.com tracking prices weekly for six to
 12 10 big-ticket items from each retailer.¹ Most price checks were made online with spot
 13 checking of in-store prices.

14 13. The CSS survey discovered that for some of the stores, including Sears,
 15 "some of the products for almost all of the weeks we checked were offered at sale prices."

16 14. Specifically, the CSS report made the following findings regarding Sears'
 17 price discounting scheme:

18 Of the seven chains we tracked, ***Sears had the most egregious always-on-***
 19 ***sale pricing practices:*** For the nine items we checked at Sears, almost all
 20 were almost always offered at a sale price. Two of the items were offered at
 21 sale prices for 44 out of 44 weeks, one was offered at a sale price for 43 out
 22 of 44 weeks, and one was offered at a sale price for 40 out of 44 weeks.
 23 Except for one item, all the items we tracked at Sears were always or almost
 24 always listed at sale prices. During the rare times Sears sold items at their
 25 regular prices, they were still listed as being "on sale." During these times,
 26 Sears simply omitted the item's regular price.

27 Sears' sale prices are also shown as more steeply discounted from its regular
 28 prices than the sale prices of the other chains we checked. Most items are
 29 shown as being on sale for 40% or more off their regular prices, leading

¹ The report of the CSS survey "Sale Fail" can be found at <http://www.checkbook.org/salefail/> (last accessed October 9, 2015).

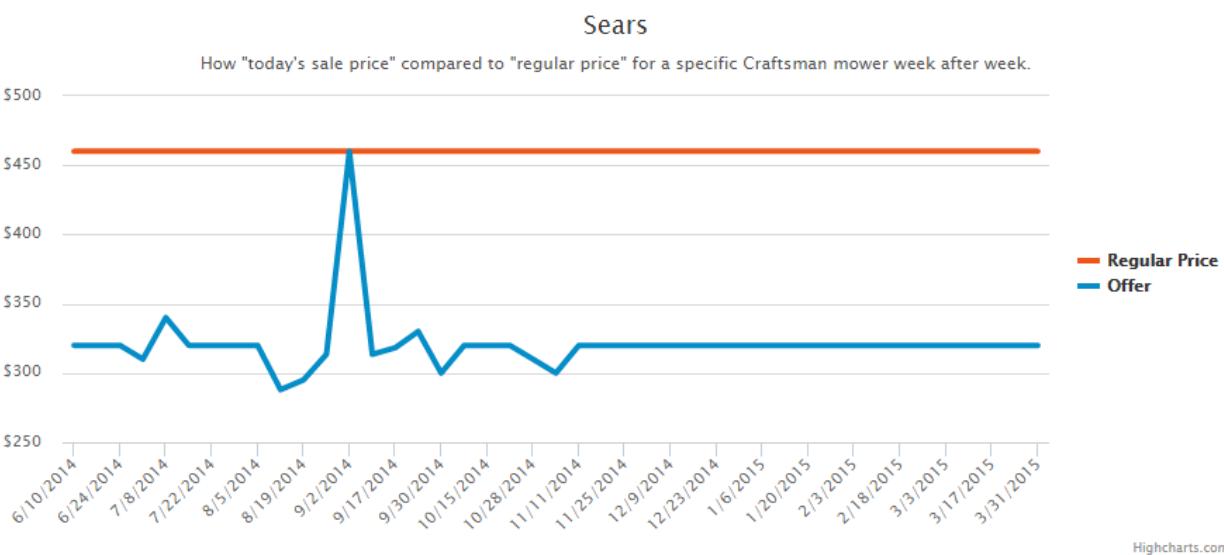
1 customers to believe the “current” sale offers them fantastic deals. The
 2 opposite is usually the case: Many items sold by Sears can be purchased for
 3 lower prices elsewhere.

4 * * *

5 [F]or most of the items we tracked, Sears always or almost always listed
 6 them as being on sale. For a few of the items, Sears charged its “regular”
 7 prices for only a few weeks. And Sears seemed to list items at regular prices
 8 only during weeks that are historically low-traffic weeks (for example, at the
 9 end of summer for the mower we priced). ***Checkbook.org believes Sears’
 10 pricing practices are deceptive and misleading.***

11 [Emphasis added.]

12 15. One representative item offered by Sears and tracked by CSS was offered at
 13 the “regular” price only once in the course of the study:



1 “regular” price strikethroughs was the “discounted” price in larger, bold, red font.
 2 Believing he was able to pay significantly less than what certain products were worth and
 3 typically sell for in the retail marketplace, Plaintiff was induced to purchase three major
 4 appliances, all of which were offered at prices considerably lower than their stated regular
 5 prices.

6 18. Plaintiff purchased two Kenmore appliances, which is a Sears private brand,
 7 and one Whirlpool appliance, which was manufactured by others solely for sale by Sears.

8 19. Specifically, relying upon Defendant’s misrepresentations and false and
 9 deceptive advertising, Plaintiff purchased a Kenmore Elite front-load washer, a private
 10 and exclusive brand of Sears. The washer indicated that the regular price was \$1,749.99,
 11 but was being offered at a “sale” price of \$1,099.99, providing Plaintiff with a \$650
 12 “savings.” Upon information and belief, these purported “original” prices and
 13 corresponding price “discounts” and savings were false and misleading, as the prevailing
 14 retail price from the Kenmore Elite front-load washer during the three months
 15 immediately prior to Plaintiff’s purchase was not the \$1,749.99 “regular” price advertised
 16 by Sears. Plaintiff would not have purchased the washer without the misrepresentations
 17 made by Sears, or would not have paid as much as he did. As a result, Plaintiff has been
 18 personally victimized by and suffered economic injury as a direct result of Defendant’s
 19 unlawful, unfair, and fraudulent conduct.

20 20. Additionally, relying upon Defendant’s misrepresentations and false and
 21 deceptive advertising, Plaintiff purchased a Kenmore Elite dryer, a private and exclusive
 22 brand of Sears. The dryer indicated that the regular price was \$1,849.99, but was being
 23 offered at a “sale” price of \$1,199.99, providing Plaintiff with another \$650 “savings.”
 24 Upon information and belief, these purported “original” prices and corresponding price
 25 “discounts” and savings were false and misleading, as the prevailing retail price from the
 26 Kenmore Elite dryer during the three months immediately prior to Plaintiff’s purchase
 27 was not the \$1,849.99 “regular” price advertised by Sears. Plaintiff would not have
 28 purchased the dryer without the misrepresentations made by Sears, or would not have paid

1 as much as he did. As a result, Plaintiff has been personally victimized by and suffered
 2 economic injury as a direct result of Defendant's unlawful, unfair, and fraudulent conduct.

3 21. Also, relying upon Defendant's misrepresentations and false and deceptive
 4 advertising, Plaintiff purchased a Whirlpool refrigerator. The refrigerator indicated that
 5 the regular price was \$2,199.99, but was being offered at a "sale" price of \$1,499.99,
 6 providing Plaintiff with a \$700 "savings." Upon information and belief, these purported
 7 "original" prices and corresponding price "discounts" and savings were false and
 8 misleading, as the prevailing retail price from the Whirlpool refrigerator during the three
 9 months immediately prior to Plaintiff's purchase was not the \$2,199.99 "regular" price
 10 advertised by Sears. Plaintiff would not have purchased the refrigerator without the
 11 misrepresentations made by Sears, or would not have paid as much as he did. As a result,
 12 Plaintiff has been personally victimized by and suffered economic injury as a direct result
 13 of Defendant's unlawful, unfair, and fraudulent conduct.

14 22. Furthermore, upon check-out on November 7, 2014, Sears provided Plaintiff
 15 with a sales receipt containing the same misleading information regarding false regular
 16 prices and discounts Plaintiff supposedly received on the merchandise he purchased. The
 17 false "regular" price is indicated to the right of each purchased item with a deliberate line
 18 going through the price to indicate to the consumer they are receiving a "deal." Below
 19 each "regular" price is the "sale" price.

20 23. Defendant knows that its comparative price advertising is false, deceptive,
 21 misleading, and unlawful under California, federal, and other state law.

22 24. Defendant fraudulently concealed from and intentionally failed to disclose to
 23 Plaintiff and other members of the Classes the truth about its advertised price and former
 24 prices.

25 25. At all relevant times, Defendant has been under a duty to Plaintiff and the
 26 Classes to disclose the truth about its "regular" and former prices.

27 26. Plaintiff relied upon Defendant's artificially inflated "regular" prices and
 28 false discounts when purchasing merchandise from Defendant. Plaintiff would not have

1 made such purchases, or would not have paid as much as he did, but for Defendant's
 2 representations of fabricated "original" prices and false discounts.

3 27. Plaintiff and the Classes reasonably and justifiably acted and relied on the
 4 substantial price differences that Defendant advertised, and made purchases believing that
 5 they were receiving a substantial discount on an item of greater value than it actually was.
 6 Plaintiff, like other Class members, was lured in, relied on, and damaged by these pricing
 7 schemes that Defendant carried out.

8 28. Defendant intentionally concealed and failed to disclose material facts
 9 regarding the truth about false former price advertising in order to provoke Plaintiff and
 10 the Classes to purchase merchandise in its retail stores and/or on its Internet website.

11 **V. CLASS ALLEGATIONS**

12 29. Plaintiff brings this action on behalf of himself and all other similarly
 13 situated Class members pursuant to Rule 23(a), (b)(2), and (b)(3) of the Federal Rules of
 14 Civil Procedure and seeks certification of the following Class against Defendant (the
 15 "Nationwide Class"):

16 All persons who purchased one or more items from Defendant offered at a
 17 purported discount from an "original" or "regular" price any time between
 18 August 26, 2011 to the date of certification (the "Nationwide Class Period").

19 30. Plaintiff also brings this action individually and as a Class action pursuant to
 20 Federal Rule of Civil Procedure 23 on behalf of the following subclass of persons located
 21 within the state of California (the "California Class"):

22 All individuals residing in the State of California who purchased one or more
 23 items from Defendant offered at a purported discount from an "original" or
 24 "regular" price any time between August 26, 2011 to the date of certification
 25 (the "California Class Period") (collectively with the Nationwide Class
 26 Period, the "Class Period").

27 31. Plaintiff also brings this action on behalf of all persons located within states
 28 with similar consumer protection laws (collectively with the Nationwide and California
 Classes, the "Classes").

1 32. Excluded from the Classes is Defendant, as well as its officers, employees,
 2 agents or affiliates, and any judge who presides over this action, as well as all past and
 3 present employees, officers, and directors of Sears.

4 33. Plaintiff reserves the right to expand, limit, modify, or amend this class
 5 definition, including the addition of one or more subclasses, in connection with his motion
 6 for class certification, or at any other time, based upon, *inter alia*, changing
 7 circumstances, and/or new facts obtained during discovery.

8 34. This action is brought and may properly be maintained as a Class action
 9 pursuant to Federal Rule of Civil Procedure 23. This action satisfies the numerosity,
 10 typicality, adequacy, predominance, and superiority requirements of those provisions.

11 35. **Numerosity:** The class members are so numerous that joinder of all members
 12 is impracticable. Plaintiff is informed and believes that the proposed Classes contain
 13 hundreds of thousands of individuals who have been damaged by Defendant's conduct as
 14 alleged herein. The precise number of Class members is unknown to Plaintiff.

15 36. ***Existence and Predominance of Common Questions of Law and Fact:***
 16 This action involves common questions of law and fact, which predominate over any
 17 questions affecting individual Class members. These common legal and factual questions
 18 include, but are not limited to, the following:

- 19 a. whether, during the Class Period, Sears used false "regular" or "original"
 20 price labels and falsely advertised price discounts on merchandise it sold in
 21 its retail stores and/or on its Internet website;
- 22 b. whether, during the Class Period, the "original" prices advertised by Sears
 23 were the prevailing market prices for the respective merchandise during the
 24 three months period preceding the dissemination and/or publication of the
 25 advertised former prices;
- 26 c. whether Sears alleged conduct constitutes violations of the laws asserted;
- 27 d. whether Sears engaged in unfair, unlawful, and/or fraudulent business
 28 practices under the laws asserted;

- 1 e. whether Sears engaged in false or misleading advertising;
- 2 f. whether Plaintiff and the Classes are entitled to damages and/or restitution
- 3 and the proper measure of that loss; and
- 4 g. whether an injunction is necessary to prevent Sears from continuing to use
- 5 false, misleading, or illegal price comparison.

6 37. ***Typicality:*** Plaintiff's claims are typical of the claims of the members of the
 7 Classes because, *inter alia*, all Class members have been deceived (or were likely to be
 8 deceived) by Sears' false and deceptive price advertising scheme, as alleged herein.
 9 Plaintiff is advancing the same claims and legal theories on behalf of himself and all
 10 members of the Classes.

11 38. ***Adequacy:*** Plaintiff will fairly and adequately protect the interests of the
 12 members of the Classes. Plaintiff has retained counsel experienced in complex consumer
 13 class action litigation, and Plaintiff intends to prosecute this action vigorously. Plaintiff
 14 has no antagonistic or adverse interest to those of the Classes.

15 39. ***Superiority:*** The nature of this action and the nature of laws available to
 16 Teperson and the Classes make the use of the class action format a particularly efficient
 17 and appropriate procedure to afford relief to him and the class for the wrongs alleged.
 18 The damages or other financial detriment suffered by individual Class members is
 19 relatively modest compared to the burden and expense that would be entailed by
 20 individual litigation of their claims against Sears. It would thus be virtually impossible
 21 for Plaintiff and Class members, on an individual basis, to obtain effective redress for the
 22 wrongs done to them. Absent the class action, Class members and the general public
 23 would not likely recover, or would not likely have the chance to recover, damages or
 24 restitution, and Sears will be permitted to retain the proceeds of its fraudulent and
 25 deceptive misdeeds.

26 40. All Class members, including Plaintiff, were exposed to one or more of
 27 Sears' misrepresentations or omissions of material fact claiming that former "original"
 28 advertised prices were in existence. Due to the scope and extend of Sears' consistent false

“discount” price advertising scheme, disseminated in a years-long campaign to consumers via a number of different platforms – in-store displays, Internet advertisements, print advertisements, etc. – it can be reasonably inferred that such misrepresentations or omissions of material fact were uniformly made to all members of the Classes. In addition, it can be reasonably presumed that all Class members, including Teperson, affirmatively acted in response to the representations contained in Sears’ false advertising scheme when purchasing merchandise through Sears’ Internet website.

41. Sears keeps extensive computerized records of its customers through, *inter alia*, customer loyalty programs, co-branded credit cards, and general marketing programs. Sears has one or more databases through which a significant majority of Class members may be identified and ascertained, and it maintains contact information, including email and home addresses, through which notice of this action could be disseminated in accordance with due process requirements.

CAUSES OF ACTION

FIRST CAUSE OF ACTION

**Violation of Unfair Competition Law – Fraudulent Acts
Business & Professions Code § 17200, *et seq.*
on Behalf of the California Class**

42. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if fully set forth herein.

43. The UCL defines unfair business competition to include any “unlawful, unfair or fraudulent” act or practice, as well as any “unfair, deceptive, untrue or misleading” advertising. Cal. Bus. & Prof. Code §17200.

44. The UCL imposes strict liability. Plaintiff need not prove that Defendant intentionally or negligently engaged in unlawful, unfair, or fraudulent business practices – but only that such practices occurred.

45. The harm to Plaintiff and California Class members outweighs the utility of Defendant's practices. There were reasonably available alternatives to further

1 Defendant's legitimate business interests, other than the misleading and deceptive conduct
 2 described herein.

3 46. A business act or practice is "fraudulent" under the UCL if it is likely to
 4 deceive members of the consuming public.

5 47. Defendant's acts and practices alleged above have deceived Plaintiff and are
 6 highly likely to deceive members of the consuming public. Plaintiff relied on Defendant's
 7 fraudulent and deceptive representations regarding its "regular" and "discount" prices.
 8 These misrepresentations played a substantial role in Plaintiff's decision to purchase those
 9 products, and Plaintiff would not have purchased those products or would not have paid as
 10 much as he did, without Defendant's misrepresentations.

11 48. Defendant's violation of the UCL through its fraudulent business practices
 12 are ongoing and present a continuing threat that members of the public will be deceived
 13 into purchasing products based on price comparisons of arbitrary and inflated "regular"
 14 prices to "discount prices" that created merely phantom markdowns and lead to financial
 15 damage for consumers, like Plaintiff and the proposed California Class.

16 49. In accordance with California Business & Professions Code §17203, Plaintiff
 17 seeks an order: (1) enjoining Defendant from continuing to conduct business through its
 18 fraudulent conduct; and (2) requiring Defendant to conduct a corrective advertising
 19 campaign.

20 50. As a result of Defendant's conduct, Plaintiff seeks injunctive and
 21 restitutionary relief under California Business & Professions Code §17203.

22
SECOND CAUSE OF ACTION
 23 **Violation of Unfair Competition Law – Unlawful Acts**
 24 **Business & Professions Code §17200, *et seq.***
on Behalf of the California Class

25 51. Plaintiff repeats and re-alleges the allegations contained in every preceding
 26 paragraph as if fully set forth herein.
 27

1 52. The UCL defines unfair business competition to include any “unlawful,
 2 unfair or fraudulent” act or practice, as well as any “unfair, deceptive, untrue or
 3 misleading” advertising. Cal. Bus. & Prof. Code § 17200.

4 53. A business act or practice is “unlawful” under the UCL if it violates any
 5 other law or regulation.

6 54. The FTCA prohibits “unfair or deceptive acts or practices in or affecting
 7 commerce” (15 U.S.C. §45(a)(1)) and prohibits the dissemination of any false
 8 advertisements. 15 U.S.C. §52(a). Under the FTC, false former pricing schemes similar
 9 to the ones implemented by Sears are described as deceptive practices that would violate
 10 the FTCA:

11 (a) One of the most commonly used forms of bargain advertising is to offer a
 12 reduction from the advertiser’s own former price for an article. If the former
 13 price is the actual, bona fide price at which the article was offered to the
 14 public on a regular basis for a reasonably substantial period of time, it
 15 provides a legitimate basis for the advertising of a price comparison. Where
 16 the former price is genuine, the bargain being advertised is a true one. If, on
 17 the other hand, the former price being advertised is not bona fide but
 18 fictitious – for example, where an article price, inflated price was established
 19 for the purpose of enabling the subsequent offer of a large reduction – the
 20 “bargain” being advertised is a false one; the purchaser is not receiving the
 21 unusual value he expects.

22 (b) A former price is not necessarily fictitious merely because no sales at the
 23 advertised price were made. The advertiser should be especially careful,
 24 however, in such a case, that the price is one at which the product was openly
 25 and actively offered for sale, for a reasonably substantial period of time, in
 26 the recent, regular course of her business, honestly and in good faith – and, of
 27 course, not for the purpose of establishing a fictitious higher price on which a
 28 deceptive comparison might be based.

16 C.F.R. §233.1.

25 55. California law also expressly prohibits false former pricing schemes. Cal.
 26 Bus. & Prof. Code §17501, entitled “*Worth or value; statements as to former price,*”
 27 states:

1 For the purpose of this article the worth or value of any thing advertised is
 2 the prevailing market price, wholesale if the offer is at wholesale, retail if the
 3 offer is at retail, at the time of publication of such advertisement in the
 locality wherein the advertisement is published.

4 ***No price shall be advertised as a former price of any advertised thing,
 5 unless the alleged former price was the prevailing market price as above
 6 defined within three months next immediately preceding the publication of
 7 the advertisement*** or unless the date when the alleged former price did
 prevail is clearly, exactly and conspicuously stated in the advertisement.

8 [Emphasis added.]

9 56. As detailed below, Cal. Civil Code §1770(a)(9) prohibits a business from
 10 “[a]dvertising goods or services with intent not to sell them as advertised,” and subsection
 11 (a)(13) prohibits a business from “[m]aking false or misleading statements of fact
 12 concerning reasons for, existence of, or amounts of price reductions.”

13 57. Defendant’s practices, as set forth above, have misled Plaintiff, the proposed
 14 class, and the general public in the past and will continue to mislead in the future.
 15 Consequently, Defendant’s practices constitute an unlawful business practice within the
 16 meaning of the UCL.

17 58. Defendant’s violations of the UCL through its unlawful business practices
 18 are ongoing and present a continuing threat that members of the public will be deceived
 19 into purchasing products based on price comparisons of arbitrary and inflated “regular”
 20 prices to “discount prices” that created merely phantom markdowns and lead to financial
 21 damage for consumers, like Plaintiff and the proposed California Class.

22 59. Pursuant to the UCL, Plaintiff is entitled to preliminary and permanent
 23 injunctive relief ordering Defendant to cease this unfair competition, as well as
 24 disgorgement and restitution to Plaintiff and the California Class of all of Defendant’s
 25 revenues associated with its unfair competition, or such portion of those revenues as the
 26 Court may find equitable.

THIRD CAUSE OF ACTION
Violation of Unfair Competition Law – Unfair Acts
California Business & Professions Code §17200, *et seq.*
on Behalf of the California Class

60. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if fully set forth herein.

61. The UCL defines unfair business competition to include any “unlawful, unfair or fraudulent” act or practice, as well as any “unfair, deceptive, untrue or misleading” advertising. Cal. Bus. & Prof. Code §17200.

62. A business act or practice is “unfair” under the UCL if it offends an established public policy or is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers, and that unfairness is determined by weighing the reasons, justifications, and motives of the practice against the gravity of the harm to the alleged victims.

63. Defendant's actions constitute "unfair" business acts or practices because, as alleged above, Defendant engaged in misleading and deceptive price comparison advertising that represented false "regular" prices and "discount" prices that were nothing more than fabricated "regular" prices leading to phantom markdowns. Defendant's acts and practices offended an established public policy, and engaged in immoral, unethical, oppressive, and unscrupulous activities that are substantially injurious to consumers.

64. Defendant engaged, and continues to engage, in conduct that violates the legislatively declared policies of: (1) California Civil Code §§1572, 1573, 1709, 1710, 1711 against committing fraud and deceit; (2) California Civil Code §1770 against committing acts and practices intended to deceive consumers regarding the representation of goods in certain particulars; (3) 15 U.S.C. §45(a)(1) and 52(a) against unfair or deceptive practices and false advertising; and (4) California Business & Professions Code §17500 against false advertising. Defendant gains an unfair advantage over their competitors, whose labeling, advertising, and marketing for other similar products must comply with these laws.

1 65. Defendant's conduct, including misrepresenting the pricing of its
 2 merchandise, is substantially injurious to consumers. Such conduct has caused, and
 3 continues to cause, substantial injury to consumers because consumers would not have
 4 purchased their merchandise at all or would not have paid as much as they did, but for
 5 Defendant's false promotion of its merchandise as, among other things, being offered at a
 6 significant discount. Consumers have thus overpaid for Sears merchandise. Such injury
 7 is not outweighed by any countervailing benefits to consumers or competition. Indeed, no
 8 benefit to consumers or competition results from Defendant's conduct. Since consumers
 9 reasonably rely on Defendant's representations of its merchandise and injury results from
 10 ordinary use of its merchandise, consumers could not have reasonably avoided such
 11 injury. *Davis v. Ford Motor Credit Co.*, 179 Cal. App. 4th 581, 597-98 (2009); *see also*
 12 *Drum v. San Fernando Valley Bar Ass'n*, 182 Cal. App. 4th 247, 257 (2010) (outlining the
 13 third test based on the definition of "unfair" in Section 5 of the FTCA).

14 66. By committing the acts alleged above, Defendant has engaged in unfair
 15 business acts and practices which constitute unfair competition within the meaning of
 16 Business & Professions Code §17200.

17 67. Plaintiff purchased Sears merchandise in reliance on Defendant's
 18 representations that its merchandise is, among other things, being offered at a significant
 19 discount. Plaintiff would not have purchased its merchandise at all, or would not have
 20 paid as much as he did, but for Defendant's false promotion that its merchandise is,
 21 among other things, being offered at a significant discount. Plaintiff and the California
 22 Class have all paid money for Sears merchandise. However, Plaintiff and the California
 23 Class did not obtain the full value of the advertised product due to Defendant's
 24 misrepresentations regarding the nature of said products. Accordingly, Plaintiff and the
 25 California Class have suffered injury in fact and lost money or property as a direct result
 26 of Defendant's misrepresentations and material omissions.

27 68. In accordance with California Business & Professions Code §17203, Plaintiff
 28 seeks an order enjoining Defendant from continuing to conduct business through its

fraudulent conduct and further seeks an order requiring Defendant to conduct a corrective advertising campaign.

69. As a result of Defendant's conduct, Plaintiff seeks injunctive and restitutionary relief under California Business & Professions Code §17203.

FOURTH CAUSE OF ACTION
**Violation of the California False Advertising Law,
California Business & Professions Code §17500, *et seq.*
on Behalf of the California Class**

70. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if fully set forth herein.

71. Cal. Bus. & Prof. Code § 17500 provides that:

[i]t is unlawful for any . . . corporation . . . with intent . . . to dispose of . . . personal property . . . to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated . . . from this state before the public in any state, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, including over the Internet, any statement . . . which is ***untrue*** or ***misleading***, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading . . .

[Emphasis added.]

72. The “intent” required by Cal. Bus. & Prof. Code §17500 is the intent to dispose of property, and not the intent to mislead the public in the disposition of such property.

73. Similarly, this section provides, “no price shall be advertised as a former price of any advertised thing, unless the alleged former price was the prevailing market price . . . within three months next immediately preceding the publication of the advertisement or unless the date when the alleged former price did prevail is clearly, exactly and conspicuously stated in the advertisement.” Cal Bus. & Prof. Code §17501.

74. Defendant's routine of advertising "regular" sales prices associated with its merchandise, which were never the true prevailing prices of those products and were materially greater than the true prevailing prices was an unfair, untrue, and misleading

1 practice. This deceptive marketing practice gave consumers the false impression that the
 2 products were regularly sold on the market for a substantially higher price than they
 3 actually were. Therefore, leading to the false impression that the merchandise was worth
 4 more than it actually was.

5 75. Defendant misled consumers by making untrue and misleading statements
 6 and failing to disclose what is required as stated in the Code, as alleged above.

7 76. As a direct and proximate result of Defendant's misleading and false
 8 advertisements Plaintiff and California Class members have suffered injury in fact and
 9 have lost money. As such, Plaintiff requests that this Court order Defendant to restore this
 10 money to Plaintiff and all California Class members, and to enjoin Defendant from
 11 continuing these unfair practices in violation of the UCL in the future. Otherwise,
 12 Plaintiff, California Class members, and the broader general public will be irreparably
 13 harmed and/or denied an effective and complete remedy.

14 **FIFTH CAUSE OF ACTION**
 15 **Violation of the Consumers Legal Remedies Act (“CLRA”),**
 16 **California Civil Code §1750, *et seq.***
on Behalf of the California Class

17 77. Plaintiff repeats and re-alleges the allegations contained in every preceding
 18 paragraph as if fully set forth herein.

19 78. This cause of action is brought pursuant to the Consumers Legal Remedies
 20 Act (“CLRA”), California Civil Code §1750, *et seq.* Plaintiff and each member of the
 21 proposed class are “consumers” as defined by California Civil Code §1761(d).
 22 Defendant’s sale of merchandise to Plaintiff and the California Class were “transactions”
 23 within the meaning of California Civil Code §1761(e). The products purchased by
 24 Plaintiff and the California Class are “goods” within the meaning of California Civil Code
 25 §1761(a).

26 79. Defendant violated, and continues to violate, the CLRA by engaging in the
 27 following practices proscribed by California Civil Code §1770(a) in transactions with

1 Plaintiff and the California Class which were intended to result in, and did result in, the
 2 sale of merchandise:

- 3 a. representing that its merchandise has characteristics, uses, and/or benefits,
 4 which they do not;
- 5 b. advertising goods or services with intent not to sell them as advertised;
- 6 c. making false or misleading statements of fact concerning reasons for,
 7 existence of, or amounts of price reductions.

80. Pursuant to §1782(a) of the CLRA, on August 26, 2015, Plaintiff's counsel
 notified Defendant in writing by certified mail of the particular violations of §1770 of the
 CLRA and demanded that it rectify the problems associated with the actions detailed
 above and give notice to all affected consumers of Defendant's intent to act. Defendant
 failed to respond to Plaintiff's letter or agree to rectify the problems associated with the
 actions detailed above and give notice to all affected consumers within 30 days of the date
 of written notice, as proscribed by §1782.

81. Plaintiff and the California Class suffered injuries caused by Defendant's
 misrepresentations because: (a) they were induced to purchase a product they would not
 have otherwise purchased if they had known that Sears merchandise was not, among other
 things, being offered at a significant discount; and/or (b) they paid a price premium due to
 the false and misleading pricing, advertising, and marketing of Sears merchandise.

82. Plaintiff and the California Class are entitled to, pursuant to California Civil
 Code §1780, an order enjoining the above-described wrongful acts and practices of
 Defendant, the payment of costs and attorneys' fees, damages, and any other relief
 deemed appropriate and proper by the Court under California Civil Code §1780.

24
 25 **SIXTH CAUSE OF ACTION**
 26 **Unjust Enrichment on Behalf of the Classes,
 27 or in the Alternative, on Behalf of the California Class**

28. Plaintiff repeats and re-alleges the allegations contained in every preceding
 paragraph as if fully set forth herein.

1 84. Plaintiff brings this claim individually, as well as on behalf of members of
 2 the Classes, under California law. Although there are numerous permutations of the
 3 elements of the unjust enrichment cause of action in the various states, there are few real
 4 differences. In all states, the focus of an unjust enrichment claim is whether the defendant
 5 was unjustly enriched. At the core of each state's law are two fundamental elements – the
 6 defendant received a benefit from the plaintiff and it would be inequitable for the
 7 defendant to retain that benefit without compensating the plaintiff. The focus of the
 8 inquiry is the same in each state. Since there is no material conflict relating to the
 9 elements of unjust enrichment between the different jurisdictions from which Class
 10 members will be drawn, California law applies to the claims of the Classes.

11 85. In the alternative, Plaintiff brings this claim individually as well as on behalf
 12 of the California Class.

13 86. At all times relevant hereto, Defendant deceptively priced, marketed,
 14 advertised, and sold merchandise to Plaintiff and the Classes.

15 87. Plaintiff and members of the Classes conferred upon Defendant non-
 16 gratuitous payments for merchandise that they would not have if not for Defendant's
 17 deceptive pricing, advertising, and marketing. Defendant accepted or retained the non-
 18 gratuitous benefits conferred by Plaintiff and members of the Classes, with full knowledge
 19 and awareness that, as a result of Defendant's deception, Plaintiff and members of the
 20 Classes were not receiving a product of the quality, nature, fitness, or value that had been
 21 represented by Defendant and reasonable consumers would have expected.

22 88. Defendant has been unjustly enriched in retaining the revenues derived from
 23 purchases of merchandise by Plaintiff and members of the Classes, which retention under
 24 these circumstances is unjust and inequitable because Defendant misrepresented, among
 25 other things, that its merchandise was being offered at a significant discount, which
 26 caused injuries to Plaintiff and members of the Classes because they paid for, and/or paid
 27 a price premium due to the misleading pricing and advertising.

89. Retaining the non-gratuitous benefits conferred upon Defendant by Plaintiff and members of the Classes under these circumstances made Defendant's retention of the non-gratuitous benefits unjust and inequitable. Thus, Defendant must pay restitution to Plaintiff and members of the Classes for unjust enrichment, as ordered by the Court.

SEVENTH CAUSE OF ACTION
**Violations of the Consumer Protection Laws on Behalf
of Classes in the States with Similar Laws**

90. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if fully set forth herein.

91. Plaintiff brings this Count individually under the laws of California and on behalf of all other persons who purchased merchandise in states having similar laws regarding consumer fraud and deceptive trade practices.

92. Plaintiff and each of the other members of the Classes are consumers, purchasers, or other persons entitled to the protection of the consumer protection laws of the state in which they purchased merchandise from Sears.

93. The consumer protection laws of the state in which Plaintiff and the other members of the Classes purchased Sears merchandise declare that unfair or deceptive acts or practices, in the conduct of trade or commerce, are unlawful.

94. Forty states and the District of Columbia have enacted statutes designed to protect consumers against unfair, deceptive, fraudulent, and unconscionable trade and business practices and false advertising that allow consumers to bring private and/or class actions. These statutes are found at:

- a. Alabama Deceptive Trade Practices Act, Ala. Code §8-19-1 *et seq.*;
- b. Alaska Unfair Trade Practices and Consumer Protection Act, Alaska Code §45.50.471 *et seq.*;
- c. Arkansas Deceptive Trade Practices Act, Ark. Code Ann. §4-88-101 *et seq.*;

- d. California Consumers Legal Remedies Act, Cal. Civ. Code §1750 *et seq.*, and California's Unfair Competition Law, Cal. Bus. & Prof. Code §17200 *et seq.*;
- e. Colorado Consumer Protection Act, Colo. Rev. Stat. §6-1-101 *et seq.*;
- f. Connecticut Unfair Trade Practices Act, Conn. Gen. Stat. §42-110a *et seq.*;
- g. Delaware Deceptive Trade Practices Act, Del. Code tit. 6§2511 *et seq.*;
- h. District of Columbia Consumer Protection Procedures Act, D.C. Code §28 3901 *et seq.*;
- i. Florida Deceptive and Unfair Trade Practices Act, Fla. Stat. Ann. §501.201 *et seq.*;
- j. Georgia Fair Business Practices Act, Ga. Code Ann. §10-1-390 *et seq.*;
- k. Hawaii Unfair and Deceptive Practices Act, Hawaii Revised Statutes §480-1 *et seq.*, and Hawaii Uniform Deceptive Trade Practices Act, Haw. Rev. Stat. §481A-1 *et seq.*;
- l. Idaho Consumer Protection Act, Idaho Code Ann. §48-601 *et seq.*;
- m. Illinois Consumer Fraud and Deceptive Business Practices Act, 815 Ill. Comp. Stat. Ann. 505/1 *et seq.*;
- n. Kansas Consumer Protection Act, Kan. Stat. Ann §50 626 *et seq.*;
- o. Kentucky Consumer Protection Act, Ky. Rev. Stat. Ann. §367.110 *et seq.*, and the Kentucky Unfair Trade Practices Act, Ky. Rev. Stat. Ann §365.020 *et seq.*;
- p. Louisiana Unfair Trade Practices and Consumer Protection Law, La. Rev. Stat. Ann. §51:1401 *et seq.*;
- q. Maine Unfair Trade Practices Act, Me. Rev. Stat. tit. 5 §205A *et seq.*, and Maine Uniform Deceptive Trade Practices Act, Me. Rev. Stat. Ann. tit. 10, §1211 *et seq.*;
- r. Massachusetts Unfair and Deceptive Practices Act, Mass. Gen. Laws ch. 93A;

- 1 s. Michigan Consumer Protection Act, Mich. Comp. Laws §445.901 *et seq.*;
- 2 t. Minnesota Prevention of Consumer Fraud Act, Minn. Stat. Ann. §325F.68
- 3 *et seq.*, and Minnesota Uniform Deceptive Trade Practices Act, Minn. Stat.
- 4 §325D.43 *et seq.*;
- 5 u. Mississippi Consumer Protection Act, Miss. Code Ann. §§75-24-1 *et seq.*;
- 6 v. Missouri Merchandising Practices Act, Mo. Rev. Stat. §407.010 *et seq.*;
- 7 w. Montana Unfair Trade Practices and Consumer Protection Act, Mont. Code
- 8 Ann. §30-14-101 *et seq.*;
- 9 x. Nebraska Consumer Protection Act, Neb. Rev. Stat. §59-1601 *et seq.*, and
- 10 the Nebraska Uniform Deceptive Trade Practices Act, Neb. Rev. Stat. §87-
- 11 301 *et seq.*;
- 12 y. Nevada Trade Regulation and Practices Act, Nev. Rev. Stat. §598.0903 *et
- 13 seq.*;
- 14 z. New Hampshire Consumer Protection Act, N.H. Rev. Stat. §358-A:1 *et
- 15 seq.*;
- 16 aa. New Jersey Consumer Fraud Act, N.J. Stat. Ann. §56:8 1 *et seq.*;
- 17 bb. New Mexico Unfair Practices Act, N.M. Stat. Ann. §57 12 1 *et seq.*;
- 18 cc. New York Deceptive Acts and Practices Act, N.Y. Gen. Bus. Law §349 *et
- 19 seq.*;
- 20 dd. North Dakota Consumer Fraud Act, N.D. Cent. Code §51 15 01 *et seq.*;
- 21 ee. Ohio Consumer Sales Practices Act, Ohio Rev. Code Ann. §1345.02 and
- 22 1345.03; Ohio Admin. Code §109:4-3-02, 109:4-3-03, and 109:4-3-10;
- 23 ff. Oklahoma Consumer Protection Act, Okla. Stat. tit. 15 §751 *et seq.*;
- 24 gg. Oregon Unfair Trade Practices Act, Ore. Rev. Stat. §646.608(e) & (g);
- 25 hh. Rhode Island Unfair Trade Practices And Consumer Protection Act, R.I.
- 26 Gen. Laws §6-13.1-1 *et seq.*;
- 27 ii. South Carolina Unfair Trade Practices Act, S.C. Code Ann. §39-5-10 *et
- 28 seq.*;

- 1 jj. South Dakota's Deceptive Trade Practices and Consumer Protection Law,
2 S.D. Codified Laws §§37 24 1 *et seq.*;
- 3 kk. Tennessee Consumer Protection Act, Tenn. Code Ann. §47-18-101 *et seq.*;
- 4 ll. Vermont Consumer Fraud Act, Vt. Stat. Ann. tit. 9, §2451 *et seq.*;
- 5 mm. Washington Consumer Fraud Act, Wash. Rev. Code §19.86.010 *et seq.*;
- 6 nn. West Virginia Consumer Credit and Protection Act, West Virginia Code
7 §46A-6-101 *et seq.*; and
- 8 oo. Wisconsin Deceptive Trade Practices Act, Wis. Stat. §100.18 *et seq.*

9 95. Defendant's merchandise constitutes products to which these consumer
10 protection laws apply.

11 96. In the conduct of trade or commerce regarding the pricing, advertising,
12 marketing, and sale of their merchandise, Defendant engaged in one or more unfair or
13 deceptive acts or practices, including, but not limited to, uniformly representing to
14 Plaintiff and each member of the Classes by means of the pricing and advertising of their
15 merchandise that it was, among other things, being offered at a discount, as described
16 herein.

17 97. Defendant's representations and omissions were false, untrue, misleading,
18 deceptive, and/or likely to deceive.

19 98. Defendant knew, or should have known, that its representations and
20 omissions were false, untrue, misleading, deceptive, and/or likely to deceive.

21 99. Defendant used or employed such deceptive and unlawful acts or practices
22 with the intent that Plaintiff and members of the Classes rely thereon.

23 100. Plaintiff and the other members of the Classes did so rely.

24 101. Plaintiff and the other members of the Classes purchased merchandise sold
25 by Defendant which misrepresented the magnitude of the price discounts offered for the
26 merchandise.

1 102. Plaintiff and the other members of the Classes would not have purchased, or
 2 would not have paid as much as they did, for Sears merchandise but for Defendant's
 3 deceptive and unlawful acts.

4 103. As a result of Defendant's conduct, Plaintiff and the other members of the
 5 Classes sustained damages in amounts to be proven at trial.

6 104. Defendant's conduct showed complete indifference to, or conscious
 7 disregard for, the rights and safety of others such that an award of punitive and/or
 8 statutory damages is appropriate under the consumer protection laws of those states that
 9 permit such damages to be sought and recovered.

10 **VI. PRAYER FOR RELIEF**

11 Wherefore, Plaintiff, on behalf of himself and on behalf of the other members of the
 12 Classes, requests that this Court award relief against Sears as follows:

13 A. An order certifying the class and designating Plaintiff Teperson as the
 14 Class Representative and his counsel as Class Counsel;

15 B. Awarding Plaintiff and the proposed Class members damages;

16 C. Awarding restitution and disgorgement of all profits and unjust
 17 enrichment that Defendant obtained from Plaintiff and the Class members as a result of its
 18 unlawful, unfair and fraudulent business practices described herein;

19 D. Awarding declaratory and injunctive relief as permitted by law or
 20 equity, including: enjoining Defendant from continuing the unlawful practices as set forth
 21 herein, and directing Defendant to identify, with Court supervisions, victims of its
 22 misconduct and pay them all money they are required to pay;

23 E. Order Defendant to engage in a corrective advertising campaign;

24 F. Awarding attorneys' fees and costs; and

25 G. For such other and further relief as the Court may deem necessary or
 26 appropriate.

1 **VIII. DEMAND FOR JURY TRIAL**

2 Plaintiff hereby demands a jury trial for all of the claims so triable.

3 Dated: October 9, 2015

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