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Attorneys for Plaintiff, Darren Handy

UNITED STATES DISTRICT COURT EASTERN DISTRICT OF CALIFORNIA

DARREN HANDY, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS SIMILARLY SITUATED,

Plaintiff,

v.

LOGMEIN, INC.,

Defendant.

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Case No.: 14-cv-1355 JLT

CLASS ACTION

THIRD AMENDED COMPLAINT FOR DAMAGES FOR VIOLATIONS OF CALIFORNIA BUSINESS AND PROFESSIONS CODE § 17200

JURY TRIAL DEMANDED

HON. JENNIFER L. THURSTON

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 1 OF 31

INTRODUCTION

- 1. DARREN HANDY ("Plaintiff"), by Plaintiff's attorneys, brings this Class Action Complaint for damages, injunctive relief, and any other available legal or equitable remedies, to challenge the illegal actions LOGMEIN, INC. ("Defendant") with regard to Defendant's misleading business practices that caused Plaintiff damages.
 - Plaintiff makes these allegations on information and belief, with the exception of those allegations that pertain to a Plaintiff, or to a Plaintiff's counsel, which Plaintiff alleges on personal knowledge.
- 3. While many violations are described below with specificity, this Complaint alleges violations of the statutes cited in their entirety.
- 4. Unless otherwise stated, Plaintiff alleges that any violations by Defendant were knowing and intentional, and that Defendant did not maintain procedures reasonably adapted to avoid any such violation.
 - 5. Unless otherwise indicated, the use of any Defendant's name in this Complaint includes all agents, employees, officers, members, directors, heirs, successors, assigns, principals, trustees, sureties, subrogees, representatives, and insurers of that Defendant named.

JURISDICTION AND VENUE

6. Jurisdiction is proper under 28 U.S.C. § 1332(d)(2) because Plaintiff, a resident of the State of California, seeks relief on behalf of a California class, which will result in at least one class member belonging to a different state than that of Defendant, a company whose principal place of business and State of Incorporation are in the State of Massachusetts. In addition, the matter in controversy exceeds \$5,000,000 exclusive of interest of costs. Therefore, both diversity jurisdiction and the damages threshold under the Class Action Fairness Act of 2005 ("CAFA") are present, and this Court has jurisdiction.

7. Venue is proper pursuant to 28 U.S.C. § 1391 for the following reasons: (i) Plaintiff resides in the County of Kern, State of California which is within this judicial district; (ii) the conduct complained of herein occurred within this judicial district; and, (iii) Defendant conducted business within this judicial district at all times relevant.

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8. Because Defendant conducts business within the State of California, personal jurisdiction is established.

PARTIES

- Plaintiff is an individual who resides in the County of Kern, State of California and a "person" as defined by Cal. Bus. & Prof. Code § 17201.
- Plaintiff is informed and believes, and thereon alleges, that Defendant is a company whose State of Incorporation and principal place of business is in the State of Massachusetts.
- 11. Plaintiff is informed and believes, and thereon alleges, that Defendant is a worldwide company that offers consumers the ability for remote control, file sharing, systems management, data backup, business collage and on-demand customer support for various operating systems.

FACTUAL ALLEGATIONS

- 12. At all times relevant, Plaintiff is an individual residing within the State of California.
- 13. Plaintiff is informed and believes, and thereon alleges, that at all time relevant, Defendant conducted business in the State of California.

Defendant's Ignition App

14. On April 4, 2010, Plaintiff purchased an "app" called Ignition from Defendant for \$29.99 via iTunes. Ignition is a an extension/add-on feature to LogMeIn's PC-based remote access services, which allows users to utilize LogMeIn's PC-based virtual private network (VPN) services by use of an application that

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 3 OF 31

is downloaded onto a consumer's smartphone or tablet device.

- 15. In order for Ignition to function and allow customers to remotely access their virtual desktops, Defendant must maintain constant levels of technical service, which support the functionality of the Ignition App.
- 16. A consumer's use and value, regarding the use and functionality of the Ignition Apps that they purchased and downloaded onto their smartphone or tablet devices, is tied directly to Defendant's continued financial and technical support of the Ignition App.
- 17. Defendant's Ignition app was advertised as a one-and-done product, to be purchased for \$29.99 free and clear, with the intent and implication of it being used as a premium and supplemental add-on product to LogMeIn's free PC-based offering ("LogMeIn Free"). While LogMeIn had other PC-based services at the time Ignition was introduced, the vast majority of users, including Plaintiff, utilized LogMeIn Free. Further, the vast majority of LogMeIn Ignition users, utilized LogMeIn Free, and purchased Ignition in conjunction with their use and enjoyment of LogMeIn Free
- 18. LogMeIn Free was a VPN service, offered for and advertised as "free" by Defendant. LogMeIn Free allowed users to remotely access a desktop PC from a remote location, by using another desktop or laptop computer, which was connected to the Internet. LogMeIn Free allowed users to sit at one computer, at any location, and access a different computer as if you were sitting in front of the connected computer itself. Defendant offered and advertised these remote access services as free of charge for years. Even the name of the product had the word "Free" as part of its hook to entice customers to download and utilize Defendant's many products and services, including Ignition.

19. Defendant also, at some point prior to January 21, 2014, introduced a

premium version of the LogMeIn service known as LogMeIn Pro, which was offered for an annual fee, and offered some additional features, including remote printing and file sharing.

20. The vast majority of Defendant's customers, including Plaintiff, from any time prior to January 21, 2014, utilized LogMeIn Free as opposed to LogMeIn's paid subscription services. In fact, many popular review sites recommended that consumers forgo the expensive alternative LogMeIn Pro as unnecessary for the average consumer.¹ The vast majority of Defendant's customers who were Ignition users, including Plaintiff, from any time prior to January 21, 2014, likewise utilized and relied upon LogMeIn Free, and the free use of this companion/base product, to Ignition.

LogMeIn's Misleading Messages And Forced Migration

21. Following years of benefiting from Defendant's marketing, Defendant abruptly informed consumers on January 21, 2014 that consumers would no longer be able to utilize Ignition for the functions which consumers, including Plaintiff, reasonably believed they had paid \$29.99 as consideration thereto.

22. On or around January 21, 2014, Defendant posted a message on its website, stating as follows:

"[s]tarting in January, we will gradually migrate users of LogMeInbranded remote access offerings and Ignition-branded remote access offerings to a single, premium access product."²

23. Defendant further posted a message, which was available to all LogMeIn Free users, including Ignition users, upon their attempt to log into their LogMeIn Free accounts which stated as follows:

You no longer have access to your computers.

¹ See for instance: http://www.pcworld.com/article/231929/logmein_free.html ² See http://blog.logmein.com/it-management/logmein-changes.

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 5 OF 31

1 In order to continue using remote access, you'll need to purchase an account subscription of LogMeIn Pro. But you 2 can still take advantage of discounted introductory pricing, 3 with packages starting at \$49/year for two computers (bold face in original). 4 24. Additionally, Defendant posted further messages on its website, indicating to 5 consumers that LogMeIn Ignition, as we as LogMeIn Free, would each be 6 "impacted" by the migration: 7 "LogMeIn Free will no longer be available starting January 21, 8 2014. We will begin gradually migrating users of LogMeIn and 9 Ignition-branded remote access offerings to a paid-only 10 account-level subscription of LogMeIn Pro. 11 For owners of LogMeIn Ignition for iPad/iPhone and LogMeIn 12 Ignition for Android. While customers who purchased these apps are impacted by 13 this change, we have taken steps to be especially attentive to 14 LogMeIn Ignition for iPad/iPhone and these customers. Android app purchasers will receive significant discounts, as 15 well as generous terms to ease the transition. Details of these 16 offers are being sent to Ignition mobile users this week, both 17 via email and in-product notifications."³ 18 Another such posting stated as follows: 19 20 "FAQ about Changes to LogMeIn Free Q: Why are you making this change? 21 A: In order to address the evolving needs of our customers, we 22 will be unifying our portfolio of free and premium remote access products into a paid-only offering. We believe this 23 offering to be the best premium desktop, cloud and mobile 24 access experience available in the market today"⁴ 25 ³ http://community.logmein.com/t5/Free/Changes-to-LogMeIn-Free/td-p/107089. 26 A true a correct copy of this URL is attached hereto as Exhibit A. 27 was previously This posting available on Defendant's website at 28

http://help.logmein.com/SelfServiceKnowledgeRenderer?type=FAQ&id=kA0a000 0000shH8CAI, and was cited in Plaintiff's First Amended Complaint. ECF No. 20

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 6 OF 31

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- 25. Consumers, including Plaintiff, reasonably believed, after being exposed to 2 such messages by Defendant, that LogMeIn was entirely discontinuing all 3 technical and financial support, including the server functionality and 4 databases, required to maintain a continued level of service for both Ignition 5 and LogMeIn Free users.
 - These statements, which were widely disseminated to the public, misled 26. Plaintiff and reasonably-minded consumers into believing that they would no longer be able to utilize their Ignition Apps to remotely log in to their virtual desktops.
- These statements, which were widely disseminated to the public, misled 27. 11 Plaintiff and reasonably-minded consumers into believing that the Ignition 12 Apps, which they paid valuable consideration of \$29.99 each to purchase, as 13 well as the companion/base service of LogMeIn Free were now being 14 rendered completely valueless and functionless. 15
 - Consumers, including Plaintiff, reacted with outrage over Defendants' 28. announcements that Ignition and LogMeIn Free would no longer be available to consumers who had paid for LogMeIn services. For example, the following comments (along with hundreds of similar comments) were posted by consumers on LogMeIn's Ignition App posting on the Google App Store's website:5
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125 FN 2. Since the filing of Plaintiff's Complaint, Defendant appears to have removed this URL from its website, but it can still be accessed using the following URL:

http://web.archive.org/web/20141203145204/http:/help.logmein.com/SelfServiceK nowledgeRenderer?type=FAQ&id=kA0a000000shH8CAI.

https://play.google.com/store/apps/details?id= See. com.logmein.igniti onpro.android&hl=en

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 7 OF 31

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OMMENTS
Was great until you forced yearly fee I paid 29.99 for this app 3 years ago
roblems until today. LogMeIn just removed their free subscription whi
neans I am now forced to pay in order to continue to use this software. Ev
ogMeIn website says that this could not happen on their community forum
ut they are doing it non the less. I am filling Google Play TOS violation a
vith the Better Business Bureau." Mark Hobnobber 8/19/14
Terrible company Thanks a lot for treating your early adopters like garba
y selling them a fixed price product and then forcing a subscription model
nem. Terrible customer loyalty. Do not download - there is a plethora
REE apps that work just as well as this one." Tony TeKare 7/18/14
Bait and switch do not use Bought the paid version and now they switch
subscription based model true bait and switch and completely illegal th
ompany must be forced out of business, Google please suspend all of th
ops." Matrix SS 7/21/14.
lo longer functional App will no longer function on my Galaxy s4. Ve
nsatisfied. Scott Turner 2/25/15
aid for 3 years ago, now not working So a few years ago I had to Pay y
ndroid store for the ap which I did. Now logmein changes their terms and
an no longer use what I paid for. logged support call, what a joke. Rath
onsider teamviewer, cheaper if you buy (and logmein will force you to bu
company that sells a product then no longer allows you to use, can't
usted. RIC Spear 1/20/15
Vill not support ignition customers I bought log me in ignition for \$30. No
ney renamed the app, made it free, but charge for the computer license a
ill not support ignition customers. I have phoned and emailed multiplication
mes, but no one wants to help. I believe there are many like me out the
ompany must have gotten to big, and they lost track of their products. I
ne knows how to handle this. One tech support guy knew what ignition w
nd agreed with me, but know one can make it work. Would ask for a refu
I could. Grant Van Skiver 1/25/15
pp crashing The latest update with the search function is crashing the app
he phone. I am a heavy user of Logmein accessing more than 500 machine
lease fix this!! Smallthingzzz 1/15/15
paid for sub and it won't work I paid for pro service and this app won't wo
's junk. Noneya Bidnez 1/27/15
cammed Paid 30 bucks for "unlimited" use. Few months later I was bei
illed. I used logmein for years, personal and business use. I alwa

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 8 OF 31

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them, you post once and you're good to go. Christopher Banacka 11/15/14 Very disappointed... Paid for app, and then LMI changed... 0 stars! I was using the free LogMeIn service on about 25 computers and bought this app to access them from my phone / tablet. A few months later, LMI discontinued the free version, limited me to 10 computers, and now have no use of my account at all. Only way to use is to pay about \$100 PER PC! I am deleting all accounts and trying to get a refund. VERY DISAPPOINTED WITH LOGMEIN. There are other services out there that work similar or the same for cheaper. Joseph Anderson 12/31/.15 Stopped working since latest update Used to work well until latest update. Now keeps telling me no internet connection. Does not matter if I am connected to WiFi or not. Used to be able to use even if I have a not very strong 3g signal. Now can't even login Asif Mirza 11/15/14 Bait and switch If I knew the free service would later become an annual charge (and a two computer limit?), I wouldn't have paid the thirty dollars for the app when it came out. Phillip Catelano 10/28/14 Horrible company Paid \$30 for this app and received service free. Now they are giving the app away to everyone and charging for service even if you bought the app. I switched to TeamViewer and have been happy since. Free app and free service for non-commercial users. Mike Led 10/27/14 Removed free remote login Without free remote login, I know longer need the app. Nicholas Cina 8/7/14 greed and broken promises No more to say. Was a long time advocate. Was. C Brown 10/20/14 Paid user I paid \$30.00 for this app and now I can't use it because they now charge \$99.00 for 2 computers, thanks for ripping me off... Mike Freeman 11/5/14 Paid 29.99 No more free accounts. Not happy Steve Johnson 8/20/14 6 29. Defendant answered consumers' legitimate outcries to this announcement by admitting that the reason it was making this change, and pushing its customers to sign up for a paid subscription service, rather than continue using the ⁶ LogMeIn's own website shows hundreds of pages of similar posting and comments made by hundreds, if not thousands, of LogMeIn customers who

express frustration about LogMeIn's announcement regarding the migration to a paid subscription model: See http://community.logmein.com/t5/Free/Changes-to-LogMeIn-Free/td-p/107089).

Third Amended Class Complaint For Damages And Injunctive Relief $\ 9 \ \text{of} \ 31$

products its customers had already paid for, was to migrate customers to a paid subscription service, in order to generate more revenues:

"In order to address the evolving needs of our customers, we will be unifying our portfolio of free and premium remote access products into a paid-only offering"⁷

- 30. Defendant's aforementioned, widely publicized statements, which were disseminated to all users of LogMeIn Free and LogMeIn Ignition, reasonably led consumers, including Plaintiff, to believe that they would no longer be able to utilize the Ignition App, an app which they had each paid \$29.99 to download, enjoy and utilize free and clear.
- Plaintiff himself received these misleading messages. Specifically, Defendant
 informed Plaintiff that "[t]o continue using remote access, [Plaintiff would]
 need to purchase an account-level subscription of LogMeIn Pro…"
- ¹⁴ 32. Since Plaintiff was not interested in paying additional amounts beyond the
 ¹⁵ \$29.99 required to purchase Defendant's app, Plaintiff refused to make further
 ¹⁶ purchases with Defendant.

33. Thereafter, Plaintiff received a message from Defendant when trying to log into his LogMeIn Free account on his computer that stated the following:

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You no longer have access to your computers.

In order to continue using remote access, you'll need to purchase an account subscription of LogMeIn Pro. But you can still take advantage of discounted introductory pricing, with packages starting at \$49/year for two computers (bold face in original).

34. Plaintiff was misled by Defendant into believing that the Ignition App, which he paid \$29.99 for, had been shut down, and would no longer allow him remote access to his desktop at his office.

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⁷ http://help.logmein.com/SelfServiceKnowledgeRenderer?type=FAQ&id=kA0a 0000000shH8CAI; (last visited February 17, 2015).

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 10 OF 31

- 35. Thereafter, Plaintiff temporarily ceased all use of the LogMeIn Ignition and LogMeIn Free services entirely.
- 36. Relying on Defendant's statements that remote access would no longer be available to Plaintiff. Plaintiff incurred additional expenses, including travel expenses, cost of fuel, and additional commuting time to and from his physical office, and also lost value stemming from his discontinuation of use of a product he had already paid \$29.99 for.
- 37. Plaintiff did not log back in to the Ignition App for a full month, after receiving these misleading messages from Defendant, being of the reasonable belief that Ignition had ceased working entirely due to Defendant's statements that the App would no longer be supported, and also being of the mind that, even if it did work, that it was of limited use without the functionality of the base/companion LogMeIn Free service to which it was an actual and intended add-on service.
- 38. Plaintiff was not alone in his reasonable beliefs, as demonstrated by the comments of consumers described in Paragraph 28.
- 39. Plaintiff alleges, on information and belief, that Defendant's frequency of customer usership, including both the number of unique periodic Ignition users, and the frequency with which each unique Ignition user logged into their Ignition Apps, dropped off precipitously in the months following Defendant's aforementioned misleading announcements.
 - 40. Plaintiff alleges, on information and belief, that Defendant profited from this alleged precipitous drop-off, due to reduced costs in tech-support, customer service, and infrastructure and bandwidth costs, as well as increased revenues from sales of LogMeIn Pro accounts, subscribed to by consumers who would not have otherwise subscribed, but for Defendant's misleading statements, and forced migration of users to the paid subscription model.

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41. Plaintiff further alleges, on information and belief, that Defendant had earned a fixed revenue for purchases of Ignition made by consumers, yet continued to experience ongoing variable expenditures to support the continued use and enjoyment of the Ignition App by those same customers, including Plaintiff.

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- 42. After experiencing backlash from its customer base surrounding its announcements regarding its forced migration of Ignition users to a paid subscription model, Defendant later backtracked from its misleading and deceptive statements regarding Ignition's reduced functionality, and attempted to soften the blow to its reputation and its damage to consumers, by releasing statements that indicated Ignition would in fact continue to function.
- 43. However, consumers, including Plaintiff, remained deceived and confused by Defendant's misleading statements, and experienced a loss of use and enjoyment over their purchased Ignition Apps.
- 44. Plaintiff suffered actual damages, incurring personal expenses, as a result of 15 Defendant's misleading statements (as described above). These expenses 16 would not have been incurred, but for the fact that Defendant misled Plaintiff 17 18 into believing that he could no longer utilize the functionality of the Ignition 19 App for which he paid \$29.99. In fact, avoiding these expenses was one of 20 the primary and substantial reasons that Plaintiff paid \$29.99 in exchange for 21 Ignition.
 - 45. Plaintiff alleges that the transmission of misleading statements to consumers, including to Plaintiff, as alleged above, was part of a systemic scheme employed by Defendant, in order to forcibly and deceptively migrate its user base to a paid subscription model, reduce corporate expenditures, and increase revenues, for financial gain, at the expense of its customers.
 - 46. In misleading Plaintiff and other similarly situated consumers, Defendant deceived Plaintiff and others into believing that the product they paid for was

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 12 OF 31

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no longer serviceable and available for use, as part of a widespread and systemic ruse to unfairly, fraudulently and unlawfully induce said consumers into purchasing paid subscription services rather than continue using the already purchased, free and clear, Ignition app services, at considerable and previously undisclosed additional expense.

- 47. Regardless of whether Defendant's representations to Plaintiff were true or untrue, such statements had a tendency to mislead Plaintiff and other similarly situated consumers, who relied upon such representations and either ceased use of the app (saving Defendant additional maintenance expense by way of such misrepresentations), or were mislead into purchasing a LogMeIn Pro subscription at considerable additional expense.
- 48. Such reliance was reasonable, in light of Defendant's misleading representations.
- 49. As of January 22, 2014, Plaintiff reasonably believed that he could no longer
 utilize Defendant's app without paying a previously-undisclosed fee required
 by Defendant.
- ¹⁸ 50. Defendant's misleading messages sent to Plaintiff and consumers were part of
 ¹⁹ Defendant's scheme to migrate consumers to a paid subscription service,
 ²⁰ despite their already having paid in full for a service which purported to
 ²¹ provide the exact same services.
 - 51. Furthermore, Plaintiff is not alone; Defendant has improperly induced thousands of other consumers to either discontinue usage of Defendant's app or pay a substantial yearly fee.
 - 52. Plaintiff alleges these activities (collectively referred to herein as "Misleading Messages And Forced Migration") to be a violation of California's Unfair Competition Law, Business & Professions Code §17200 *et seq.* (the "UCL"); and California's False Advertising Law California Bus. & Prof. Code §

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 13 OF 31

17500, et seq. (the "FAL").

LogMeIn's Bait And Switch

53. Plaintiff further alleges that Defendant engaged in a classic bait and switch, through which a large community of Defendant's customers, including Plaintiff, were induced to pay \$29.99 for an expensive premium smartphone and tablet application, only to be told at a later time that they would have to pay a hefty fee for subscription services to receive the same level of service they thought they had previously purchased in full.

54. According to Defendant's misleading statements, as alleged above, consumers that desired to continue using Ignition were required to purchase an accountlevel subscription of LogMeIn Pro. Said subscriptions range from \$99.00 per year for individuals and up to \$449.00 per year for small businesses.

- 55. Failure to disclose that additional fees may apply unfairly induced and motivated Plaintiff's purchase of Defendant's app. This omission was material to Plaintiff's purchase, and induced his reliance to purchase Ignition. Further, Defendant had a duty to disclose to Plaintiff and other Ignition app purchasers that additional fees may apply to their purchase at a later time.
- 56. The vast majority of Defendant's customer base of Ignition users relied on the free use of LogMeIn Free, a companion/add-on product, which was inextricably intertwined with LogMeIn Ignition, both technologically and via consumer preferences, consumer use patterns, and reasonable consumer expectations.
- 57. LogMeIn Free and LogMeIn Ignition both served a similar role, and are utilized for this same function, yet in separate contexts and temporal settings. In this sense, LogMeIn Free and Ignition are complementary products and services, which were intended, developed and marketed by Defendant to be used in tandem (depending on the setting), not in isolation.

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 14 OF 31

58. LogMeIn Free was a VPN service, used by consumers when intending to log into their remote desktops while on their PC or Laptop computer.

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- 59. LogMeIn Ignition was a VPN service, used by consumers when intending to log into their remote desktops while on their smartphone or tablet device.
- 60. Consumers' strong preference, during the time these products were offered, was to utilize LogMeIn Ignition as an add-on service to the base service of LogMeIn Free. The vast majority of consumers looking for VPN packages, including Plaintiff, required the use of a PC-based offering, and were willing to purchase an upgrade, or companion/add-on service for their mobile devices, only because they were also enjoying the free use of Defendant's PC-based offering.
- 61. Plaintiff alleges, on information and belief, that consumers' reasonable 13 expectations and *de facto* use of LogMeIn Free and Ignition, was such that a 14 reasonable consumer would be highly unlikely to purchase Ignition in 15 isolation from their use and enjoyment of LogMeIn Free. 16
- Thus, Plaintiff alleges that LogMeIn Free's free price point and continued 62. 17 foreseeable availability, is an implied condition of purchase, for any consumer 18 19 who purchased Ignition.
- 20 63. Plaintiff utilized these products/services in tandem, and reasonably believed that these products/services were paired as a joint offering at the time he 22 purchased Ignition for \$29.99.
 - Further, since the time of LogMeIn's deceptive migration, LogMeIn has 64. released a new smartphone application: LogMeIn (hereinafter "LogMeIn App").
 - Just as with tandem services LogMeIn Free and LogMeIn Ignition, Defendant 65. advertises LogMeIn App to be used in conjunction with LogMeIn Pro, through its present-day marketing:

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 15 OF 31

"The world of remote control just got a little sweeter, just in time for the holidays.

We're thrilled to unveil our NEW free app in the App Store that provides our premier remote control experience free to iPad and iPhone users. After seven years of delivering free remote control from any internet connected computer to a remote computer, we've brought the same functionality for free to your iOS device. Did we mention that it's 100% free?

New users of the LogMeIn app will be able to remotely control any PC or Mac with LogMeIn installed, no additional cost is required to simply access and control your remote computer. So your files, apps and desktops are always within reach from your mobile device

LogMeIn app paired with a LogMeIn Pro subscriptions gives you the best of LogMeIn's remote access capabilities anytime, anywhere on virtually any device."⁸

- 14 66. LogMeIn App is free to download, and in all material respects, serves the 15 same functionality as Ignition previously served for Plaintiff and other 16 similarly situated consumers. LogMeIn App is free to download onto any 17 smartphone or tablet device, however, it requires a subscription to LogMeIn 18 Pro in order for the app to be functional. LogMeIn App, upon being initiated 19 on a smartphone device, prompts a consumer to enter in their account 20 information, and requires 1) a LogMeIn account, and 2) At least one PC of 21 Mac running LogMeIn software. LogMeIn Free is no longer available to 22 consumers, and thus, LogMeIn App requires a LogMeIn Pro account in order 23 LogMeIn Pro and LogMeIn App are thus, inextricably to function. 24 intertwined products and services, just as LogMeIn Free and LogMeIn 25 Ignition were at the time Plaintiff and other similarly situated consumers 26 purchased Ignition. LogMeIn App cannot be used in any meaningful fashion 27
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THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 16 OF 31

⁸ http://blog.logmein.com/tag/logmein-app

without a LogMeIn Pro account.

- 67. Defendant continues to market and promote its VPN offerings (smartphone plus PC) as tandem services, which are inextricably intertwined and offered for clear and intended use in conjunction with one another, not as separate products.
- 68. Plaintiff alleges, on information and belief, that Defendant forcibly phased out and forcibly discontinued the tandem services of LogMeIn Free and Ignition, (despite their having been paid for in full by thousands of consumers) in order to start selling the tandem services of LogMeIn Pro and LogMeIn App at a considerably higher price point.
- 69. Plaintiff alleges, on information and belief, that Defendant was aware, at the time it instituted its forced Migration to a paid subscription model, that its customer-base reasonably expected and in fact utilized LogMeIn Free and Ignition as companion side-by-side products, in conjunction with one another, and not as independent stand-alone services. In fact, Defendant still advertises and utilizes its existing services, in exactly the same manner.
- 70. Plaintiff alleges, on information and belief, that Defendant was aware, at the time it instituted its forced Migration to a paid subscription model, that its customer-base would experience decreased value, functionality and usefulness in the Ignition app, which they purchased for \$29.99, if LogMeIn Free was discontinued.
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- 71. Defendant's customer base did in fact experience decreased value, functionality and usefulness in the Ignition app, which they purchased for \$29.99, once LogMeIn Free was discontinued.
- 72. As indicated and exemplified by the customer complaints cited above, and which are pervasive throughout each of the consumer review sites referenced in this Complaint, consumers, including Plaintiff, were reasonably led to

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 17 OF 31

believe by Defendant that VPN services for their phones/tablets were a supplemental add-on/companion service to a base VPN service for their PCs or laptops.

- 73. As indicated and exemplified by the customer complaints cited above, and which are pervasive throughout each of the consumer review sites referenced in this Complaint, LogMeIn's "free" availability was a primary and material motivating factor in consumers' including Plaintiff's, decision to purchase Ignition.
- 74. Defendant failed to adequately inform consumers, at the time of their purchase of Ignition, that any additional fees would be required at a later time to continue uninterrupted use of the Ignition App, and its companion/add-on products and services.
- 75. This failure to disclose constitutes a misrepresentation by omission, as
 Defendant had a duty to conspicuously disclose this material fact at the time
 Plaintiff and other similarly situated consumers purchased Ignition, as
 information regarding the imposition of additional fees was not known by
 Plaintiff or other similarly situated consumers, because Defendant possessed
 exclusive knowledge of its own pricing schemes and business strategies.
 - 76. Defendant advertised Ignition as a supplemental product/service to LogMeIn Free, not as a standalone product. For instance, Defendant's widely disseminated advertisements characterize Ignition as "One app to control all your information." In explanation, Defendant stated:
 - With one touch, you can directly control all of your computers from your iPad or iPhone. It's anywhere, anytime access to everything on your PC or Mac – all your files, applications and desktops – right at your fingertips.

77. Moreover, Defendant advertised Ignition as "One app to manage your files."

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You don't have to be at your computer or even access your computer or to work with your files on the go. Now you can grab files from your computer and save them directly to your iPad/iPhone to create your own file system. And you can use your iPad/iPhone to transfer files between computers. With everything you need in the palm of your hand, you're free to go.

78. Next, Defendant advertised Ignition as "One app to expand your iPad's possibilities."

Want to use your iPad as your primary device while on the road? Go for it. Ignition combines the ease of your iPad with the strength of your computers. One touch opens any file on your home or work computer. Then you can edit it with your computer applications. And save it down to your iPad so you can view and open files, even when you're away from Wi-Fi/3G.

79. Finally, Defendant advertised Ignition as "One app to be more productive."

Be fast, be mobile, and get stuff done quickly and easily. You don't have to figure out a workaround or have to change the way you normally work. You can get everything on your computers, and you can view and share anything on or offline. With Ignition, you have the flexibility and freedom to work anywhere, anytime.

80. These advertisements, among others, further misled consumers by encouraging them to purchase Ignition as a companion/add-on product to LogMeIn Free. These advertisements, among others, held Ignition out to be a side-by-side product sold in conjunction with existing VPN services, not as a stand-alone product to be used in isolation. Further, Ignition was in fact a side-by-side companion/add-on product to be used in conjunction with existing VPN services, namely with LogMeIn Free, as evidenced by Defendant's continued, to this day, offering of its existing VPN services as a package.

28 81. Defendant therefore had a duty to disclose that it would, or might, later

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materially alter its pricing model and/or servicing model for companion/addon products and services, which would impact consumers' use and enjoyment of the products they were purchasing (i.e. Ignition).

- In agreeing to pay \$29.99 for Ignition, Plaintiff actually relied upon 82. Defendant's material omission, that this fee would permit Plaintiff to use Defendant's app uninterrupted and for the foreseeable future, without the requirement of further payments or additional fees. Plaintiff further reasonably believed that by agreeing to pay \$29.99, LogMeIn Free's companion/add-on service would remain available at the same rates as they were at the time of his purchase of Ignition. Said reliance is based upon the fact that Defendant did not adequately warn Plaintiff, nor consumers similarly situated, that further fees may apply to ensure uninterrupted usage of Defendant's app, or that Defendant's app may, at a later time, be significantly devalued in terms of usefulness, convenience, and functionality in conjunction with its related base-services, by Defendant's own affirmative business practices. These business practices include, as discussed in more detail below, changing the pricing model for companion/add-on services in a material fashion, charging Plaintiff and other similarly situated consumers undisclosed and unexpected fees to continue their same level of use of combined service, and sending consumers misleading messages which led them to reasonably believe that they would no longer be able to utilize the functions of Ignition at all.
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83. Had Defendant warned Plaintiff that additional fees may apply, Plaintiff would not have purchased Ignition.

84. Had Defendant adequately warned Plaintiff that LogMeIn Free would be replaced with an expensive subscription-based service, Plaintiff would not have purchased Ignition.

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85. Plaintiff placed considerable value on his ability to utilize necessary companion PC-based VPN services (LogMeIn Free) at no cost, in deciding to purchase what he reasonably believed was part of a VPN service package.

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- 86. In inducing Plaintiff to purchase Defendant's app, Defendant did not inform Plaintiff that additional fees beyond the \$29.99 already paid to download the Ignition App would ever be required to continue usage of Ignition and its companion/base services.
- 87. Plaintiff alleges that the failure to adequately disclose the imposition of additional fees beyond the \$29.99 already paid to download the Ignition App is a material omission.
- Plaintiff alleged these activities (collectively referred to herein as "Bait And Switch") to be a violation of California's UCL and FAL.

CLASS ALLEGATIONS

- 89. Plaintiff brings this action on his own behalf, and on behalf of all others similarly situated ("The Class").
- 90. Plaintiff represents, and is a member of, "The Class" defined as follows: (i) all persons in the State of California; (ii) that purchased Defendant's app, LogMeIn Ignition; (iii) at any time prior to January 21, 2014.

 20 91. Defendant and their employees or agents are excluded from the Class.

- 92. Plaintiff does not know the exact number of persons in the Class, but believes them to be in the several hundreds, if not thousands, making joinder of all these actions impracticable.
- 93. The identity of the individual members is ascertainable through Defendant's and/or Defendant's agents' records or by public notice.
 - 94. There is a well-defined community of interest in the questions of law and fact involved affecting the members of The Class. The questions of law and fact common to the Class predominates over questions affecting only individual

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1 class members, and include, but are not limited to, the following: 2 a. Whether Defendant's practices are "unfair" as defined by California 3 Business and Professions Code § 17200; 4 b. Whether Defendant's practices are "illegal" as defined by California 5 Business and Professions Code § 17200; 6 Whether Defendant's practices are "fraudulent" as defined by c. 7 California Business and Professions Code § 17200; 8 d. Whether such practice violates California Business and Professions 9 Code § 17200; 10 e. Whether Defendant violated California Bus. & Prof. Code § 17500, et 11 seq. 12 f. Whether members of the Classes are entitled to declaratory relief; and, 13 g. Whether members of the Classes are entitled to injunctive relief. 14 95. Plaintiff will fairly and adequately protect the interest of the Classes. 15 96. Plaintiff has retained counsel experienced in consumer class action litigation 16 and in handling claims involving unlawful debt collection practices. 17 18 97. Plaintiff's claims are typical of the claims of the Class which all arise from the 19 same operative facts involving Defendant's practices. 20 98. A class action is a superior method for the fair and efficient adjudication of 21 this controversy. 22 99. Class-wide damages are essential to induce Defendant to comply with the 23 federal and State laws alleged in the Complaint. 24 100. Class members are unlikely to prosecute such claims on an individual basis 25 since the individual damages are small. Management of these claims is likely 26 to present significantly fewer difficulties than those presented in many class 27 claims, e.g., securities fraud. 28 101. Plaintiff and the Class seek injunctive relief against Defendant to prevent Defendant from forcing consumers to purchase a subscription for Defendant's app.

102. Defendant has acted on grounds generally applicable to the Class thereby making appropriate final declaratory relief with respect to the class as a whole.

103. Members of The Class are likely to unaware of their rights.

104. Plaintiff contemplates providing notice to the putative class members by direct mail in the form of a postcard and via publication.

105. Plaintiffs request certification of a hybrid class combining the elements of Fed. R. Civ. P. 23(b)(3) for monetary damages and Fed. R. Civ. P. 23(b)(2) for equitable relief.

FIRST CAUSE OF ACTION

Violation of the California False Advertising Act

(Cal. Bus. & Prof. Code §§ 17500 et seq.)

106. Plaintiff incorporates by reference each allegation set forth above.

107. Pursuant to California Business and Professions Code section 17500, et seq., it is unlawful to engage in advertising "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."

108. Defendant misled consumers by making misrepresentations and untrue statements about the Ignition App, namely, through its Misleading Messages And Forced Migration, as well as its Bait And Switch. Specifically, Defendant made misleading statements to Plaintiff and other similarly situated consumers, which caused them to reasonably believe that Ignition and LogMeIn Free were both being discontinued, and that in order to receive the same level of service as previously paid for in full, Plaintiff and other similarly situated consumers would need to pay additional subscription fees

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and sign up for a LogMeIn Pro account. Further, Defendant misled consumers by leading Plaintiff and other Class Members to believe that LogMeIn Free and Ignition were companion services, while failing to disclose that the app would be rendered obsolete and substantially less valuable, useful and practical by Defendant's own business decisions, at a later time, and that considerable subscription fees would be required to continue using the applications.

109. Further, Defendant failed to disclose material facts to Plaintiff and other class members, at the time of their purchase of Ignition, as described in detail above. Defendant had a duty to disclose the fact that additional fees may apply to Plaintiff's purchase, but failed to make such disclosures. Defendant also misled consumers by leading them to believe that the product they had purchased, for valuable consideration, was now valueless and functionless, in order for Defendant to monetarily gain advantage over its customers and avoid future foreseeable expenditures for reasonable maintenance costs.

110. Defendant knew that their representations and omissions, relating both to its Misleading Messages And Forced Migration, as well as its Bait And Switch were untrue and misleading, and deliberately made the aforementioned representations and omissions in order to deceive reasonable consumers like Plaintiff and other Class Members into paying more for something they reasonably believed they had already purchased, or alternatively stop using a service that was paid for in full, in order to avoid foreseeable expenditures for reasonable maintenance costs.

111. As a direct and proximate result of Defendant's Misleading Messages And Forced Migration, as well as its Bait And Switch, Plaintiff and the other Class Members have suffered injury in fact and have lost money or property. Plaintiff reasonably relied upon Defendant's representations regarding the

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Ignition App, namely Defendant's Misleading Messages And Forced Migration, as well as its Bait And Switch. In reasonable reliance on Defendant's false and misleading statements and practices, as described herein, Plaintiff and other Class Members purchased the Ignition App, and later prematurely ceased their enjoyment and use of the Ignition App. In turn Plaintiff and other Class Members were provided with an Ignition App that turned out to be of significantly less value than what they were led to believe they had purchased, and therefore Plaintiff and other Class Members have suffered injury in fact.

112. The Misleading Messages And Forced Migration, as well as the Bait And Switch described herein presents a continuing threat to Plaintiff and the Class Members in that Defendant persists and continues to engage in these practices, and will not cease doing so unless and until forced to do so by this Court. Defendant's conduct will continue to cause irreparable injury to consumers unless enjoined or restrained. Plaintiff is entitled to preliminary and permanent injunctive relief, as well as disgorgement and restitution to Plaintiff and all Class Members Defendant's revenues as the Court may find equitable.

SECOND CAUSE OF ACTION

VIOLATION OF BUSINESS AND PROFESSIONS CODE § 17200

[Against All Defendants]

113. Plaintiff incorporates by reference all of the above paragraphs of this Complaint as though fully stated herein.

114. Actions for relief under the unfair competition law may be based on any business act or practice that is within the broad definition of the UCL. Such violations of the UCL occur as a result of unlawful, unfair or fraudulent

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business acts and practices. A plaintiff is required to provide evidence of a causal connection between a defendant's business practices and the alleged harm--that is, evidence that the defendant's conduct caused or was likely to cause substantial injury. It is insufficient for a plaintiff to show merely that the defendant's conduct created a risk of harm. Furthermore, the "act or practice" aspect of the statutory definition of unfair competition covers any single act of misconduct, as well as ongoing misconduct.

<u>UNFAIR</u>

115. California Business & Professions Code § 17200 prohibits any "unfair ... business act or practice." Defendant's acts, omissions, misrepresentations, and practices as alleged herein also constitute "unfair" business acts and practices within the meaning of the UCL in that its conduct is substantially injurious to consumers, offends public policy, and is immoral, unethical, oppressive, and unscrupulous as the gravity of the conduct outweighs any alleged benefits attributable to such conduct. There were reasonably available alternatives to further Defendant's legitimate business interests, other than the conduct described herein. Plaintiff reserves the right to allege further conduct which constitutes other unfair business acts or practices. Such conduct is ongoing and continues to this date.

116. In order to satisfy the "unfair" prong of the UCL, a consumer must show that the injury: (1) is substantial; (2) is not outweighed by any countervailing benefits to consumers or competition; and, (3) is not one that consumers themselves could reasonably have avoided.

117. Here, Defendant's conduct has caused and continues to cause substantial injury to Plaintiff and members of the Class. Plaintiff and members of the Class have suffered injury in fact due to Defendant's unilateral decision to require subscription service for Defendant's app, as well as its misleading messages to consumers. Thus, Defendant's conduct has caused substantial

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injury to Plaintiff and the members of the Class.

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118. Moreover, Defendant's conduct as alleged herein solely benefits Defendant while providing no benefit of any kind to any consumer. Such deception utilized by Defendant convinced Plaintiff and members of the Class that the \$29.99 paid for Defendant's app would be the only required fee. Such deception utilized by Defendant convinced Plaintiff and members of the Class to prematurely discontinue their use and enjoyment of the Ignition App. Consumers experienced absolutely no benefit from this deception. Thus, the injury suffered by Plaintiff and the members of the Class is not outweighed by any countervailing benefits to consumers.

11 119. Finally, the injury suffered by Plaintiff and members of the Class is not an 12 injury that these consumers could reasonably have avoided. After Defendant, 13 falsely represented that Defendant's app was available for a flat fee of \$29.99, 14 these consumers suffered injury in fact due to Defendant's refusal to continue to make said app available to consumers that paid this fee. Further, after 15 16 Defendant misled consumers by sending misleading messages relating to the 17 discontinuation of Ignition, these consumers suffered injury in fact as 18 Defendant convinced Plaintiff and members of the Class to prematurely 19 discontinue their use and enjoyment of the Ignition App As such, Defendant 20 took advantage of Defendant's position of perceived power in order to deceive 21 Plaintiff and the Class members. Therefore, the injury suffered by Plaintiff 22 and members of the Class is not an injury which these consumers could reasonably have avoided. 23

120. Thus, Defendant's conduct has violated the "unfair" prong of California Business & Professions Code § 17200.

FRAUDULENT

121. California Business & Professions Code § 17200 prohibits any "fraudulent ... business act or practice." In order to prevail under the "fraudulent" prong of

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the UCL, a consumer must allege that the fraudulent business practice was likely to deceive members of the public.

- 122. The test for "fraud" as contemplated by California Business and Professions Code § 17200 is whether the public is likely to be deceived. Unlike common law fraud, a § 17200 violation can be established even if no one was actually deceived, relied upon the fraudulent practice, or sustained any damage.
- 123. Here, not only were Plaintiff and the Class members likely to be deceived by Defendant's Bait And Switch, but these consumers were actually deceived by Defendant. Such deception is evidenced by the fact that Plaintiff agreed to pay the required download fee to use Defendant's app only to be surprised by Defendant's new requirement for a yearly subscription payment. Plaintiff's reliance upon Defendant's deceptive statements is reasonable due to the unequal bargaining powers of Defendant and Plaintiff. For the same reason, it is likely that Defendant's fraudulent business practice would deceive other members of the public. Defendant's Bait And Switch constitutes a "fraudulent" act under the UCL.

124. Separate and apart from the allegations in the preceding paragraph, here, not only were Plaintiff and the Class members likely to be deceived by Defendant's Misleading Messages And Forced Migration, but these consumers were actually deceived by Defendant. Such deception is evidenced by the fact that Plaintiff ceased all use of the Ignition App for a prolonged period of time following his receipt of deceptive and misleading messages regarding his use and enjoyment of Ignition and LogMeIn Free. Plaintiff's reliance upon Defendant's deceptive statements is reasonable due to the unequal bargaining powers of Defendant and Plaintiff, and the fact that Defendant's misleading statements were widely publicized and subject to high levels of criticism at the time by other reasonable consumers. For the same reason, it is likely that Defendant's fraudulent business practice would deceive other members of the public. Defendant's Misleading Messages And Forced Migration constitute a "fraudulent" act under the UCL.

125. Thus, Defendant's conduct has violated the "fraudulent" prong of California Business & Professions Code § 17200.

<u>Unlawful</u>

126. California Business and Professions Code Section 17200, et seq. prohibits "any unlawful...business act or practice."

127. As explained above, Defendant deceived Plaintiff and other Class Members by representing the Ignition App to be a service that was provided for a one time fee, while also failing to disclose that the app would be rendered obsolete by Defendant's own business decisions, at a later time, and that considerable subscription fees would be required to continue using the applications. Defendant further deceived Plaintiff and other Class Members through its Misleading Messages And Forced Migration.

128. These representations and omissions by Defendant are therefore an "unlawful" business practice or act under Business and Professions Code Section 17200 et seq.

129. Defendant used false advertising, marketing, and misrepresentations to induce Plaintiff and Class Members to purchase the Ignition App. Had Defendant not falsely advertised, marketed or misrepresented the Ignition App, Plaintiff and Class Members would not have purchased the Class Products, or would have purchased an alternative and appropriate services that provided the services they believed they were purchasing. Defendant's conduct therefore caused and continues to cause economic harm to Plaintiff and Class Members.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, and The Class Members prays for judgment as follows:

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- Certifying the Class as requested herein;
- Providing such further relief as may be just and proper.

THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 29 OF 31

1 2	In addition, Plaintiff, and The Class Members pray for further judgment as follows:
3 4 5 6 7 8 9 10	 Restitution of the funds improperly obtained by Defendant; Any and all statutory enhanced damages; All reasonable and necessary attorneys' fees and costs provided by statute, common law or the Court's inherent power; For equitable and injunctive and pursuant to California Business and Professions Code § 17203; and, Any and all other relief that this Court deems just and proper.
11 12	Dated: September 18, 2015Law Offices of Todd M. Friedman, P.C.
 13 14 15 16 	By: <u>/s/ Adrian R. Bacon</u> Todd M. Friedman, Esq. Adrian R. Bacon, Esq. Attorneys for Plaintiff
17 18	TRIAL BY JURY 130. Pursuant to the seventh amendment to the Constitution of the United States of
19	America, Plaintiff and The Class are entitled to, and demand, a trial by jury.
20 21	Dated: September 18, 2015Law Offices of Todd M. Friedman, P.C.
22 23	By: <u>/s/ Adrian R. Bacon</u> Todd M. Friedman, Esq. Adrian R. Bacon, Esq.
24 25	Attorneys for Plaintiff
26 27	
28	

CERTIFICATE OF SERVICE

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2	Filed electronically on this 18 th day of September, 2015, with:
4	United States District Court CM/ECF system
5	Notification sent electronically on this 18 th day of September, 2015, to:
7 8 9	Honorable Judge Jennifer L. Thurston United States District Court Eastern District of California
 10 11 12 13 14 	William Trach william.trach@lw.com Brian T. Glennon brian.glennon@lw.com James H. Moon james.moon@lw.com LATHAM & WATKINS LLP
15 16 17 18	<u>s/Adrian R. Bacon</u> Adrian R. Bacon
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	THIRD AMENDED CLASS COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF 31 OF 3