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Attorneys for Plaintiffs

10 **UNITED STATES DISTRICT COURT**

11 **NORTHERN DISTRICT OF CALIFORNIA – SAN JOSE DIVISION**

12 REBECCA TAYLOR, and C.T., a minor by
13 REBECCA TAYLOR, C.T.'s parent and
guardian, on behalf of themselves and all
14 others similarly situated,

15 Plaintiffs,

16 v.

17 APPLE, INC.,

18 Defendant.

Case No.

CLASS ACTION COMPLAINT

CLASS ACTION

JURY TRIAL DEMANDED

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“We should be very reticent of creating an experience where the outcome can be influenced by spending money. ***Loot boxes play on all the mechanics of gambling except for the ability to get more money out in the end.***”

“Do we want to be like Las Vegas, with slot machines or do we want to be widely respected as creators of products that customers can trust?”

“We have businesses that profit by doing their customers harm.”

- Tim Sweeney, Co-Founder of Epic Games

1 Plaintiffs REBECCA TAYLOR, and C.T., a minor by REBECCA TAYLOR, C.T.’s parent
2 and legal guardian (“Plaintiffs”), file this Class Action Complaint against APPLE, INC. (“Apple”
3 or “the Company”). Plaintiffs bring this action based upon personal knowledge of the facts
4 pertaining to themselves, and on information and belief as to all other matters, by and through
5 undersigned counsel.

6 NATURE OF THE ACTION

7 1. The California legislature has declared: “Gambling can become addictive and is not
8 an activity to be promoted or legitimized as entertainment for children and families.” Cal. B & P
9 Code § 19801(c). Through the games it sells and offers for free to consumers through its “App
10 Store,” Apple engages in predatory practices enticing consumers, including children to engage in
11 gambling and similar addictive conduct in violation of this and other laws designed to protect
12 consumers and to prohibit such practices.

13 2. Not unlike Big Tobacco’s “Joe Camel” advertising campaign, Apple relies on
14 creating addictive behaviors in kids to generate huge profits for the Company. Over the last four
15 years Defendant’s App Store games have brought in billions of dollars, even though the vast
16 majority of the games are free to download.

17 3. A large percentage of Apple’s revenues from App Store games come from the in-
18 game purchases of what are known in the gaming industry as “loot boxes” or “loot crates.” Dozens
19 (if not hundreds) of App Store games rely on some form of Loot Box or similar gambling mechanism
20 to generate billions of dollars, much of it from kids.

21 4. Loot Boxes are purchased using real money, but are simply randomized chances
22 within the game to obtain important or better weapons, costumes or player appearance (called
23 “skins”), or some other in-game item or feature that is designed to enhance game-play. If obtained,
24 these weapons, skins, and other items can help the player advance in the game and enhance the game
25 playing experience. But buying a Loot Box is a gamble, because the player does not know what the
26 Loot Box actually contains until it is opened.

27 5. Unsurprisingly, the perceived best “loot” in the game is also the most difficult to
28 obtain, and least likely to be received via Loot Box. Conversely, most items in the Loot Boxes tend

1 to be “common” or undesirable to the player – either because it is easily obtained or because the
2 player already possesses the item.

3 6. Some of these specific high-demand items in the game can be so difficult (and costly)
4 to obtain that a “gray market” has sprung up on the internet – websites where the game accounts
5 and in some cases individual items can be (and are) bought and sold for real money outside of the
6 game itself. Numerous websites have been created to broker these transactions, bringing buyer and
7 seller together to sell these items and accounts, for real money outside of the game.

8 7. Loot Boxes have all the hallmarks of a Las Vegas-style slot machine, including the
9 psychological aspects to encourage and create addiction – especially among adolescents. Moreover,
10 under California law they constitute illegal “slot machines or devices” when played on a iPhone,
11 iPad, or other similar device. California Penal Code § 330(d) broadly defines an unlawful “slot
12 machine or device” as,

13 a machine, apparatus, or device that is adapted, or may readily be converted, for use
14 in a way that, as a result of the insertion of any piece of money or coin or other object,
15 or by any other means, the machine or device is caused to operate or may be operated,
16 and by reason of any element of hazard or chance or of other outcome of operation
17 unpredictable by him or her, the user may receive or become entitled to receive any
18 piece of money, credit, allowance, or thing of value, or additional chance or right to
19 use the slot machine or device, or any check, slug, token, or memorandum, whether
20 of value or otherwise, which may be exchanged for any money, credit, allowance, or
thing of value, or which may be given in trade, irrespective of whether it may, apart
from any element of hazard or chance or unpredictable outcome of operation, also
sell, deliver, or present some merchandise, indication of weight, entertainment, or
other thing of value.

21 Cal. Pen. Code § 330(b)(d).

22 8. Governments, regulators, and psychologists, all agree that Loot Boxes like the ones
23 in games Defendant offers through its App Store, operate as gambling devices for those that play
24 the game, including minors, and that they create and reinforce addictive behaviors.

25 9. For instance, the Government of Belgium examined the use of Loot Boxes in various
26 videogames and determined that they violated that country’s gambling laws, specifically finding,

27 The paid loot boxes in the examined games Overwatch, FIFA 18 and Counter-Strike:
28 Global Offensive fit the description of a game of chance because all of the
constitutive elements of gambling are present (game, wager, chance, win/loss).

1 10. Likewise, in September 2019 Great Britain Parliament’s Digital, Culture, Media and
2 Sport Committee issued a report to Parliament determining that Loot Boxes constitute gambling and
3 encourage addictive behavior, and recommending that the sale of Loot Boxes to children should be
4 banned. Committee Chair Damian Collins MP said:

5 Loot boxes are particularly lucrative for games companies but come at a high cost,
6 particularly for problem gamblers, while exposing children to potential harm. Buying
7 a loot box is playing a game of chance and it is high time the gambling laws caught
8 up. We challenge the Government to explain why loot boxes should be exempt from
9 the Gambling Act.

10 11. Similarly, psychologists who have studied the issue agree that Loot Boxes correlate
11 with problem gambling, especially among adolescents. For example, one such survey analysis of
12 current studies concluded,

13 [T]he findings are very consistent that there is an association between problem
14 gambling and loot box buying among both adolescents and adults (and that the
15 association may be even stronger among adolescents).

16 12. Even Apple implicitly concedes the Loot Boxes in its App Store games are a form of
17 gambling. Like the California state lottery, Apple requires its App Developers to disclose the “odds
18 of winning” particular items in the Loot Boxes for the games it distributes. Apple’s “App Store
19 Review Guidelines” for App Developers states:

20 *Apps offering “loot boxes” or other mechanisms that provide randomized virtual
21 items for purchase must disclose the odds of receiving each type of item to
22 customers prior to purchase.*¹

23 13. While Apple does not itself create these games and the Loot Box mechanism used to
24 entice children to gamble, Apple profits handsomely by 1) marketing, selling, and/or distributing
25 the games to kids on Apple products and through its App Store platform; 2) acting as the agent for
26 the developer in selling the Loot Boxes; and 3) handling the money in all of the transactions – taking
27 a 30% cut of all money spent by players before transferring the remainder to the developer.

28 ¹ App Store Review Guidelines, Section 3.1.1. Available at <https://developer.apple.com/app-store/review/guidelines/>. Apple apparently does not regulate the method of *how* those odds are disclosed, as they are frequently difficult to find or simply not available until the player has already decided to purchase the Loot Box.

THE PARTIES

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2 14. Plaintiff Rebecca Taylor is the parent and legal guardian of C.T., a minor. She is and
3 at all relevant times was a citizen of the State of California who resides in Huntington Beach,
4 California. Since at least 2019, C.T. has owned and played Brawl Stars, a game sold and/or
5 distributed by Defendant Apple, Inc. In the course of playing Brawl Stars and other games on Apple
6 devices, Plaintiff's son C.T. has been induced to spend his parents' money and his own money to
7 purchase "Loot Boxes" in-game.

8 15. Plaintiff C. T. is a minor. He is and at all relevant times was a citizen of the State of
9 California who resides in Huntington Beach. Since at least 2019, C.T. has owned and played Brawl
10 Stars, a game developed, owned and sold by Supercell. Brawl Stars was downloaded by C.T. onto
11 both iPad and iPhone devices manufactured and sold by Defendant Apple. C.T. downloaded the
12 game from Apple's App Store onto the Apple devices in order to play it.

13 16. In the course of playing Brawl Stars, C.T. has been induced to spend his own money
14 that he received as gifts in the form of iTunes gift cards, and perhaps his parents' money as well, to
15 purchase "Loot Boxes" in-game.

16 17. C.T. played, and continues to play, Brawl Stars on the Apple iPad and iPhone.
17 Rebecca Taylor estimates C.T. has spent at least \$25 on in-game Loot Boxes in exchange for the
18 random-chance possibility of winning valuable items. C.T. used his own money (iTunes gift cards)
19 and his parents' credit card, which is on file with Apple for its App Store, to purchase some of the
20 Brawl Stars Loot Boxes.

21 18. C.T. still owns and plays the Brawl Stars as well as other App Store games which
22 contain Loot Boxes. To the extent he plays these games in the future, he will be subjected to Apple's
23 predatory Loot Box scheme.

24 19. Defendant APPLE, INC. is a corporation organized and existing under the laws of
25 the State of California with its principal place of business at 1 Apple Park Way, Cupertino,
26 California, 95014-0642 and is engaged in continuous and significant business throughout the state
27 of California, consisting of, among other things, retail operations, advertising, marketing, and
28 distribution activities.

JURISDICTION AND VENUE

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2 20. This Court has diversity jurisdiction over the claims asserted herein on behalf of a
3 nationwide class pursuant to 28 U.S.C. § 1332, as amended in February 2005 by the Class Action
4 Fairness Act. Jurisdiction is proper because:

5 (a) The proposed class includes more than 100 members, and many of the named
6 Plaintiffs and Class members are citizens of states that are diverse from the state of Defendants’
7 citizenship, the amount in controversy in this class action exceeds five million dollars, exclusive of
8 interest and costs; and,

9 (b) Defendants have purposefully availed themselves of the privilege of
10 conducting business activities within the State of California, where Apple, Inc has its principal place
11 of business; where its officers direct, control, and coordinate Apple’s activities, and where Apple
12 engaged in the unlawful conduct alleged herein.

13 21. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391, because a
14 substantial part of the challenged conduct or omissions complained of herein occurred in this judicial
15 district, and defendant caused harm to at least one of the named Plaintiffs and numerous Class
16 members in this judicial district.

17 **INTRADISTRICT ASSIGNMENT**

18 22. Pursuant to Civil L.R. 3-2(c) and (d), assignment to the San Jose Division is proper
19 because a substantial part of the conduct which gives rise to Plaintiffs’ claims occurred in this district
20 and specifically in Santa Clara County where Defendant is headquartered. Additionally,
21 Defendant’s User License Agreement contains a provision in favor of this Division.

22 **SUBSTANTIVE ALLEGATIONS**

23 **Apple’s “App Store”**

24 23. Apple creates and maintains a virtual online “store” where it makes available to
25 consumers who buy its products various software applications (“Apps”) that are generally (but not
26 exclusively) created by other developers in an effort to increase revenues for the Company. These
27 Apps are downloaded by the consumer through Apple’s “App Store” which itself appears as an App
28

1 and comes preloaded by Apple on virtually all Apple devices, including its iPhones, iPads, and
2 computers.

3 24. The App Store is exclusively owned and operated by Apple. It controls which Apps
4 are allowed in the App Store, and maintains strict requirements and guidelines for App developers
5 who want to distribute an App via the App Store. The App Store contains hundreds of game Apps
6 which can be downloaded directly onto the Apple device and played. Many of its App Store games
7 are free, or very inexpensive to download.

8 25. Apple makes money through two methods of generating revenue from each game
9 that is downloaded through its App Store. First, if the developer charges a price for the game itself,
10 Apple will receive a portion of the purchase price (30% of the total). Second, after the game is
11 purchased and downloaded, Apple and the game developer entice the player to make in-game
12 purchases. Apple receives 30% of all of these in-game purchases as well.

13 26. Apple does not act as a traditional “retailer” by re-selling App games in its App Store.
14 Instead of buying apps from the developers and reselling the apps to customers at a profit, Apple
15 places the developers’ apps on the virtual shelves of its App Store, sells them directly to Apple
16 iPhone, iPad and other hardware customers, charges and collects the full price (set by the developer)
17 from customers, keeps its 30% of the customer payment from every sale or license, and then remits
18 the balance of the purchase price to the developer.²

19 27. Payment for the Apps, including all in-game purchases after the game is downloaded
20 by the consumer (e.g., Loot Boxes), is controlled entirely by Apple. The payments go directly to
21 Apple and, after Apple takes its 30% of the total, the remainder is distributed to the App developer.
22 Thus, for every Loot Box sale in a game downloaded from the App Store, Apple receives 30% of
23 the revenue before the developer gets any money at all.

24 28. Loot boxes are a form of “in game” purchase, and according to Apple’s most recent
25 SEC Form 10-K (filed October 30, 2019) they are an extremely important part of the multi-billion-

26
27 ² Apple’s “Licensed Application End User License Agreement” asserts that the Apps are
28 “licensed, not sold”. <https://www.apple.com/legal/internet-services/itunes/dev/stdeula/>. For
purposes of this complaint, it does not make a difference.

1 dollar revenue stream at the Company. Apple reports its revenues from Apps in its “Services”
2 segment of the business. For 2019, Apple’s Services segment reported net sales in excess of \$46
3 Billion, which represented an increase of 16% over the prior year. According to that same SEC
4 filing, the 16% increase in net sales was “*due primarily to higher net sales from the App Store,*
5 *licensing, and AppleCare.*”

6 **Loot Boxes Explained**

7 29. Apple describes “Loot Boxes” as in-App mechanisms that provide users with
8 randomized virtual items for purchase.

9 30. In their paper entitled “Predatory monetization schemes in video games (e.g. ‘loot
10 boxes’) and internet gaming disorder,” Professors Daniel King and Paul Delfabbro provided the
11 following description of a Loot Box:

12 A loot box refers to an in-game reward system that can be purchased repeatedly
13 with real money to obtain a random selection of virtual items. The low probability
14 of obtaining a desired item means that the player will have to purchase an
15 indeterminate number of loot boxes to obtain the item. Loot boxes resemble
gambling slot machines because they require no player skill and have a randomly
determined outcome (i.e. prize).³

16 31. In Apple’s App Store games, Loot Boxes can only be purchased by the consumer
17 through the Apple device. Loot Boxes are purchased using real-world currency, usually through
18 electronic means of entering a credit card number or using an Apple “iTunes” gift card.⁴

19 32. For example, if the player is using an iPhone, while playing the game they can choose
20 to make a purchase in the game itself. Doing so will take the player to an App Store screen which
21 will show the game, the player’s App Store account identifying information (such as an email
22 address tied to the account), and confirm that the player wants to purchase the item by requiring the
23 player to press the “Purchase” button.

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25
26 ³ King, Daniel and Delfabbro, Paul H., “Predatory monetization schemes in video games (e.g.
27 ‘loot boxes’) and internet gaming disorder,” *Addiction*, 2018.

28 ⁴ In some games, a Loot Box can also be “earned” by playing the game for a period of time
or achieving some in-game goal (such as “experience level”).

1 33. Upon pressing the “Purchase” button, the player is prompted to log in to his Apple
2 account by entering the account password. Upon doing so, the amount of the purchase is
3 immediately charged by Apple to the credit card number on file with Apple’s App Store. There is
4 no additional confirmation of any kind. A minor can accomplish the purchase without parental
5 consent, or even parental knowledge.

6 34. To further entice consumers to spend real money on Loot Boxes, many of the games
7 use a “virtual” money system within the game. That is, instead of buying Loot Boxes directly for a
8 set dollar amount, the player must first purchase the in-game currency, which is then used to
9 purchase Loot Boxes.⁵ In-game currencies frequently take the form of expensive-sounding items
10 like “gems” or “gold coins” so the player feels they are getting something of value for their money.

11 35. For example, in Mario Kart Tour the player is required to purchase “Rubies,” virtual
12 items that cost real money and appear as large red gems (i.e. each one looks like a ruby). Rubies are
13 then used to purchase a “Pipe” which is the version of the Loot Box style gambling mechanism in
14 that game. In Brawl Stars, kids are encouraged to spend money to purchase in-game “gems.” In
15 Roblox, the player spends money to purchase “Robux.”

16 36. This intermediate level of virtual currency is designed to “disconnect” the player
17 from the concern that he is gambling with real money. According to the Brussels Gaming
18 Commission:

19 The use of points (coins) and especially their size are psychologically very
20 sophisticated and aimed at creating a personal reality which is then disconnected
21 from the real world. FIFA 18 teaches players to think in FUT currency and FIFA
22 coins. . . . In Overwatch and Star Wars Battlefront II, the value of real money is
also fully disconnected from the value of the in-game currency, causing players
to lose contact with the real value.

23 37. The Loot Box mechanism relies heavily on the psychology of gambling – doing
24 everything possible to build up the player’s hoped-for win, tension, and excitement. For example,

25
26 ⁵ Apple requires virtual currencies to be purchased through the App Store. “If you want to
27 unlock features or functionality within your app, (by way of example: subscriptions, *in-game*
28 *currentcies*, game levels, access to premium content, or unlocking a full version), you must use in-
app purchase.” App Store Review Guidelines, § 3.1.1 available at <https://developer.apple.com/app-store/review/guidelines/>.

1 in many games opening the Loot Box coincides with triumphant music, the Loot Box itself bursting
2 open with bright lights and colors. Yet this colorful animated system more often than not gives the
3 player disappointing items, and rarely does the player get exactly the item he wanted.

4 38. These Loot Boxes are designed to create a slot machine effect, where even when a
5 player is not receiving the desired result – which happens frequently – there still exists a belief and
6 hope that the next Loot Box will contain the desired item(s). This is further reinforced when viewing
7 favorable results from other players opening Loot Boxes.⁶

8 39. One researcher described the physical experience invoked by this Loot Box
9 mechanism:

10 Research by Kim (1998) found that waiting for the outcome of a gamble can activate
11 the brain’s chemical reward system, releasing endorphins that create pleasure. In a
12 gaming context, think of someone who really wants the Pharah Anubis skin in
13 Overwatch. They buy five loot boxes and get excited during the big flashy box-
opening animation. This excitement happens five times in a short space of time, with
five flashy box-opening animations that are almost an event in itself.

14 40. Commenting on the Loot Box mechanism incorporated into videogames like the ones
15 at issue here, Hawaiian congressman Chris Lee noted that Loot Boxes “*are specifically designed to*
16 *exploit and manipulate the addictive nature of human psychology.*”

17 41. Loot Boxes can contain numerous items, and the contents are ranked by order of
18 probability with terms such as: “Common,” “Rare,” “Epic,” and “Legendary.” According to Apple’s
19 App Store Guidelines, each game developer must somewhere publish the odds of winning a
20 desirable item in any given Loot Box. See, App Store Review Guidelines, Section 3.1.1. Available
21 at <https://developer.apple.com/app-store/review/guidelines/>. But, as Apple knows, publication of
22 the odds of winning do not deter slot machine users, much less children who are unlikely to
23 understand them.⁷

24
25 ⁶ There are thousands of videos on YouTube.com of gamers opening Loot Boxes in many,
26 many different games. See, e.g., video of opening FIFA Ultimate Team packs with over 14 million
views at: https://www.youtube.com/watch?v=CX00ZtaQ_kQ.

27 ⁷ See, e.g., *Score Family Fun Ctr. v. County of San Diego*, 225 Cal. App. 3d 1217, 1221 (1990)
28 (rejecting the argument that the ability to calculate odds meant a virtual casino game was not illegal
gambling: “this [odds] calculation does not predict, to the individual player, whether his particular

1 42. Especially rare Loot Box items often come with long odds. For example, a
2 “Legendary” Brawler in Brawl Stars has approximately 0.30% probability of appearing in any
3 particular “Brawl Box.” Although there is no guarantee, obtaining a “Legendary” Brawler in this
4 game can mean buying hundreds of Loot Boxes at a cost of \$100 or more, based on these
5 probabilities.⁸

6 43. Through its App Store, Apple sells and distributes hundreds of games that bring in
7 millions and millions of dollars every year through the Loot Box gambling mechanism. Below are
8 three popular examples.

9 **Example 1: Mario Kart Tour**

10 44. Mario Kart Tour is a wildly popular and “free” animated kart-racing game released
11 by Nintendo in September 2019. Apple gave it a 4+ age rating with a disclosure that it allows “In-
12 App Purchases.” It was downloaded by more than 90 million people during its first week, and 150
13 million people in its first 100 days (who made \$75 million in in-app purchases). Although it wasn’t
14 released until September, it was Apple’s most downloaded App Store game of 2019. The console
15 version of the game is banned in Belgium because of its Loot Boxes. In Mario Kart Tour, the Loot
16 Box mechanism is called a “Pipe,” which is a Pipe that shoots out a random Driver, Kart or Glider
17 which each have a level of rarity.

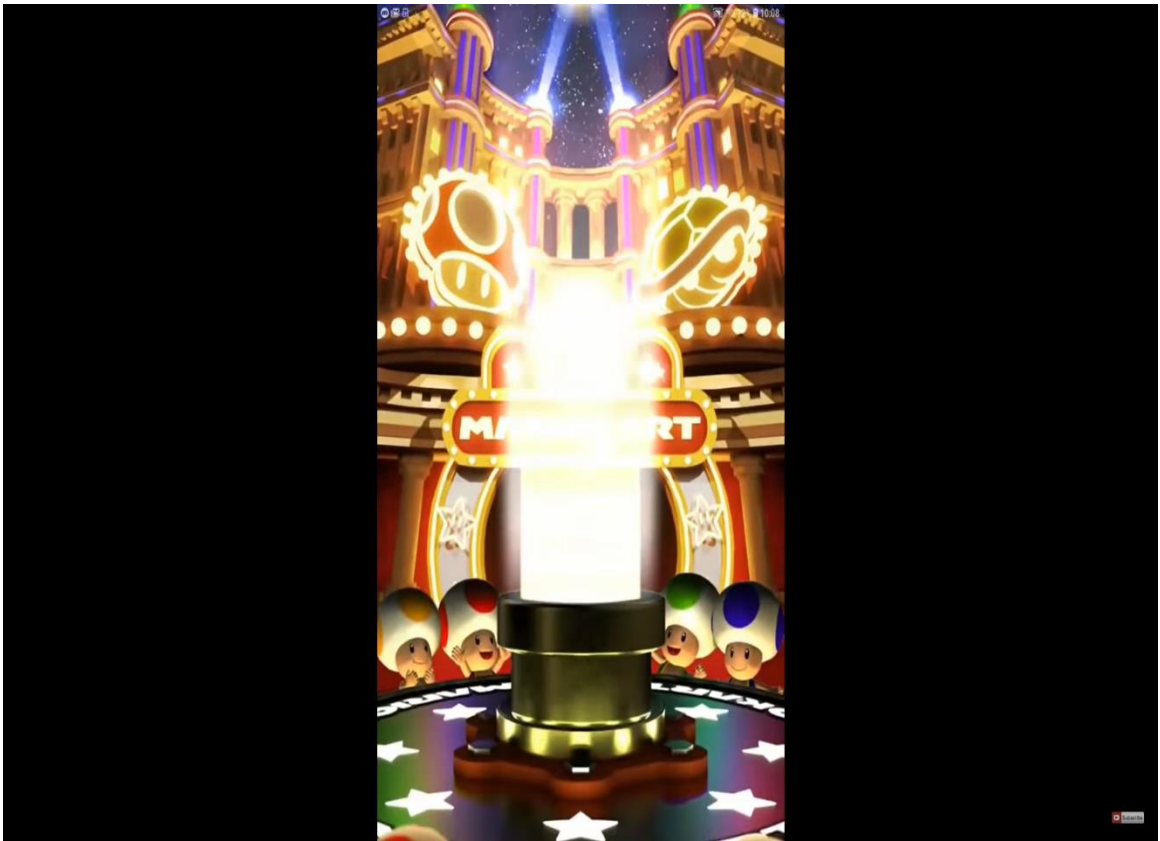
18 45. “Rubies” are the main premium currency in the game. “Pipes” in the game are
19 purchased with “rubies.” Rubies, in turn, are purchased with money, in odd lots and on a sliding
20 scale. For example, the player can purchase 3 Rubies for \$1.99 (\$0.66 per Ruby), 23 Rubies for
21 \$12.99 (\$0.56 per Ruby), or 135 Rubies for \$69.99 (\$0.52 per Ruby).⁹ They can also be earned in
22 limited amounts through game play.

23
24
25 _____
26 ticket will win”).

27 ⁸ The probability of receiving a specific item from a Loot Box is referred to as the “drop rate.”
Each Brawl Box provides 3 random draws, and each random draw has the same drop rate of
28 approximately 0.1%.

⁹ <https://apps.apple.com/us/app/mario-kart-tour/id1293634699>

1 46. By spending Rubies, the player can use the “Pipe” to unlock new and better racers
 2 and karts. Pipes can shoot out a new driver, kart or glider, all of which have their own rarities.¹⁰ For
 3 example, and depending on the Pipe, each Pipe contains a determined amount of “Normal,” “Super,”
 4 and “High-End” items, all of which are chosen randomly within their class and rarity, plus a featured
 5 driver, kart and glider. The items are not ordered, so each item can be potentially found in any
 6 placement within the pipe. Of course, it is also possible – even likely – that a player obtains an item
 7 from a Pipe that already has been obtained or that is simply not desirable. Below is a screenshot of
 8 a player “opening” a “Pipe:”



23 47. According to one video game critic who played the beta version of the game upon
 24 its release to the public in September 2019, the Loot Box mechanics of the game are designed to
 25 hook children into spending money on the game:

26
 27
 28 ¹⁰ Players can only view the odds of winning from each “drop” by tapping the “Details” button
 right before they open the pipe in the game.

1 Mario Kart Tour locks its racers, karts and gliders behind a randomized, loot box
2 system, where if you spend a couple of rubies you can get a green Mario pipe to fire
3 out some new item, maybe one of those super rare characters you've been wanting
4 or maybe that glider you need to get five stars on that same clone of the same course
5 you've raced on five times already. There isn't even a character I particularly want
6 here, and yet I keep pulling this thing down and reveling in its "surprise mechanic"
7 of an animation, hoping that whatever emerges from that glowing white ball will give
8 me some sort of peace. Spoilers! It won't.

6 And this is the beating heart of Mario Kart Tour, the reason that Nintendo turned its
7 game into a morass of currencies, unlocks, XP bars and [loot box] mechanics. The
8 reason is that they work: they give us a little dopamine drip in our brains that the
9 developer can parcel out to push us towards buying rubies on our own rather than
10 "earning" them by grinding through what is bound to be an endless series of samey
11 races. All it needs to do is give you a few rewards for free before you're hooked into
12 that glorious feeling of pulling that pipe back: it's why loot boxes in so many games
13 have such elaborate animations and detailed sound effects: those loot boxes are the
14 heart of the experience, and they need to hit your animal brain as hard as they can.
15 And it works in Mario Kart Tour as well as any. I opened up the game to take a
16 screenshot for this article and played a few races, throwing a few more arbitrary stars
17 onto my totals.

13 I haven't spent any money on Mario Kart Tour yet, and I don't plan on doing so. I
14 can hold out until Shadowkeep for Destiny 2 launches, opening up a much broader
15 and more satisfying dopamine source. *But others won't be so lucky, particularly*
16 *children. They'll shell out some huge amount of money for some miniscule chance*
17 *to unlock musician Mario, and then they'll shell out more for the next thing. It's*
18 *disappointing to see from Nintendo, but the developer is clearly going to keep doing*
19 *it. It works.*¹¹

18 Example 2: FIFA Soccer

19 48. FIFA Soccer (mobile) is an online sports game developed by EA Sports that is free
20 to download from the Apple App Store. It is age-rated "4+" with a disclosure that it allows "In-App
21 Purchases." FIFA mobile allows players to complete drills, contests, play online against other
22 players, and compete in online tournaments and leagues.

23 49. A large part of the FIFA game revolves around creating your own ultimate team,
24 which is used to play throughout the game. To get the best players on your team, players are
25 encouraged to purchase "Card packs" through the in-game store.

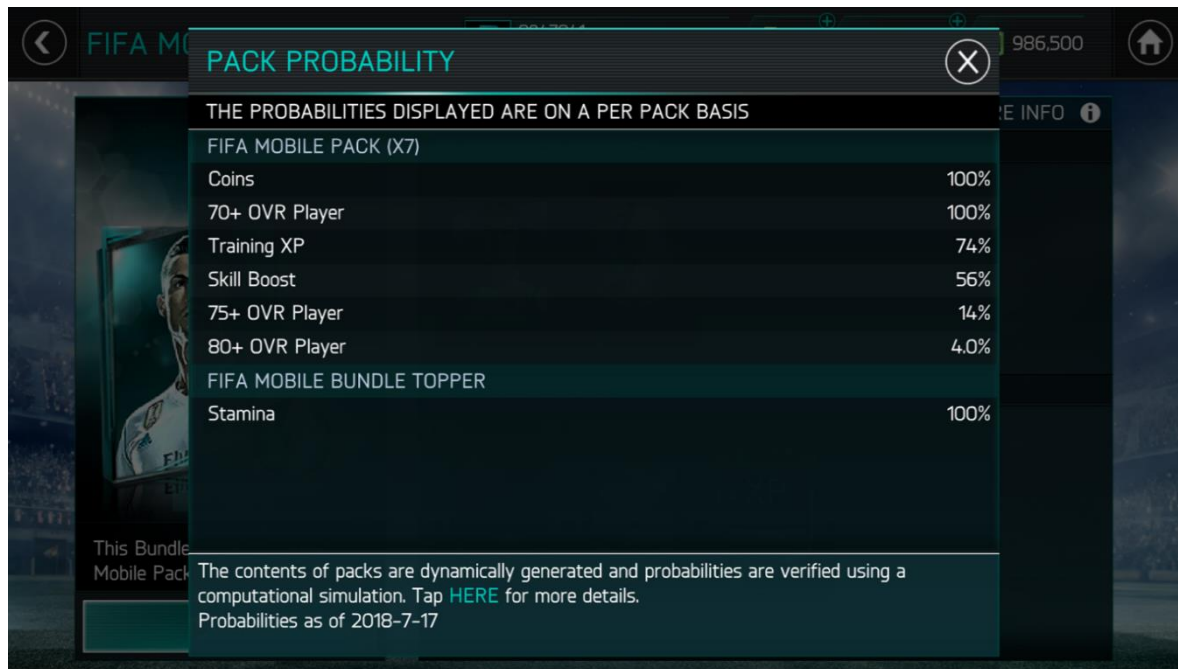
26
27 ¹¹ "I'm Still Playing Mario Kart For The Worst Reason," *Forbes* October 1, 2019 (Thier,
28 Dave). Available at <https://www.forbes.com/sites/davidthier/2019/10/01/im-still-playing-mario-kart-tour-for-the-worst-reason/#977582468cad>

1 50. “Card packs” or “Player packs” (FIFA’s take on Loot Boxes) feature a random
2 assortment of players that are available for purchase using FIFA Ultimate Team (“FUT”) Coins, an
3 in-game currency that can be purchased using real world money, or obtained in small amounts
4 through playing the game.

5 51. Critics have described the Cards Packs akin to gambling on a slot machine:

6 “The thrill of opening a pack to hopefully land on of soccer’s most prominent names
7 is similar to rolling the ice in roulette or pulling the lever on a slot machine. It often
8 leads to disappointment, but the potential, however small, to win big keeps players
9 buying packs. When FUT coins run dry, players can purchase FIFA points using real
world currency and use them towards card packs. It a vicious cycle and one
insidiously glorified in countless loot box YouTube videos.”¹²

10 52. While the game now “displays” the odds of receiving the desirable players, it is not
11 prominently displayed but hidden in a small “more info” box that must be clicked on right before
12 purchase. However, what *is* prominently displayed are the most desirable and unlikely rewards, that
13 picture only star players such as Mbappe, Lewandowski, and Hazard. While the odds of receiving
14 these players are low, children are enticed to believe that they will receive one of the players by
15 buying the pack. Below is a screenshot of that feature:



27 ¹² “Proof You’ll Regret Wasting Money on That FIFA 20 Loot Box.” Thomas Bardwell. CCN,
28 *Gaming News*. Available at <https://www.ccn.com/proof-youll-regret-wasting-money-on-that-fifa-20-loot-box/>.

1 53. The producer and writer for *Bleacher Reports*' gaming content also described FIFA
2 as a gambling system:

3 “Like any effective gambling system, the big prizes—say, Lionel Messi or Cristiano
4 Ronaldo—are not going to appear often but always seem within reach. This can lead
5 to accumulating massive spends without knowing. A common response to the survey
6 was players admitting they didn't realise how much they'd spent until they sat down
7 to work it out. One user estimated spending \$280,000 across a decade.”¹³

8 54. The FIFA game forces players to purchase Loot Boxes and to gamble in order to get
9 better players and to be competitive in the game. At January's FUT Champions Cup, a staple of the
10 FIFA esports calendar, players were competing with each other using teams *with a real-world value*
11 *of approximately \$27,000.*

12 55. EA Sports has generated huge sums from this “free” game. According to one report,
13 by the end of 2018 EA Sports had taken in an estimated \$1 billion or more from its free to play
14 mobile games. Approximately 36% of that amount, or \$360 million, from FIFA.¹⁴

15 **Example 3: Roblox**

16 Roblox is a massively popular “free” multiplayer online video game and game
17 creation system that allows users to design their own games and play a wide variety
18 of different types of games created by other users. It is very popular among kids and
19 is currently ranked #2 in Apple Apps for Adventure games. Roblox has more than an
20 estimated 100 million active monthly users and has generated over \$1 billion in
21 estimated revenue. It is age rated “12+” in the App Store with a disclosure that it
22 allows “In-App Purchases.”¹⁵

23 56. Roblox permits game developers to create their own game in the Roblox virtual
24 world, as well as play games already created. Thus Roblox is not one single game, but instead

25 ¹³ “Is It Too Expensive To Be Good At FIFA?” Nick Ackerman. *Bleacher Report*. May 20,
26 2019. Available at <https://bleacherreport.com/articles/2836528-is-it-too-expensive-to-be-good-at-fifa> . This article is not limited to “Apps” but appears to refer to the console and computer versions
27 of the game as well.

28 ¹⁴ “EA Sports Scores More Than \$1 Billion from Free-To-Play Titles, led by Madden.” Oliver
Yeh. *Sensor Tower*. Jan 28, 2019. Available at <https://sensortower.com/blog/ea-sports-mobile-revenue-1-billion>.

¹⁵ These numbers include Google Play and Apple users. “Roblox Mobile Has Grossed over
\$1 billion in Lifetime Revenue.” Nov. 15, 2019. Katie Williams. *Sensor Tower*. Available at
<https://sensortower.com/blog/roblox-one-billion-revenue>.

1 contains numerous games that users can play. Many of those games within Roblox offer Loot Boxes
2 as a way to get desirable items in the game. As described in the Roblox developer forums, Loot
3 Boxes are popular among them because they generate much so revenue.

4 57. The Loot Box systems within Roblox can differ significantly depending on the
5 various games and developers who create them. But as Roblox Developers themselves admit, some
6 Roblox games use Loot Boxes as nothing more than a way to “scam” children. According to one
7 Roblox game developer, “[a] lot of times it always seems as if they were trying to scam children,
8 obviously this is not always the case, but some really do.”¹⁶

9 58. The money in Roblox is called “Robux” and is purchased with real money. Although
10 Apple takes its cut from the income, Developers who receive Robux earned from various products
11 in their games – such as Loot Boxes – are able to convert their Robux back into real world currency
12 through the Developer Exchange system.

13 **Example 4: Brawl Stars**

14 59. Brawl Stars is a multiplayer online battle arena game where players battle against
15 other players online in multiple game mode. Brawl Stars was created by videogame company
16 SuperCell and generated over \$420 million in revenue in the first year, with 42% of that revenue
17 from Apple’s in-app purchases. Brawl Stars in currently ranked #27 in Apple’s action apps and is
18 age rated by Apple “9+”.

19 60. Brawl Stars players can unlock and play against each other (or the computer) with
20 different brawlers. Each brawler has its own unique offensive or defensive “kit.” Due to the
21 competitive nature of the game, players want the best brawlers to increase their chances of winning
22 in the game.

23 61. Players can obtain new brawlers by opening Brawl Boxes (the game’s version of a
24 Loot Box). Brawl Boxes are purchased in game using the in-game currency “Gems.” Gems can be
25 earned through game play in small amounts or purchased in the game’s “store” with real money in
26

27 _____
28 ¹⁶ Available at <https://devforum.roblox.com/t/guidelines-around-users-paying-for-random-virtual-items/307189/66>

1 varying amounts and prices. For example, a “fistful of Gems” is 30 Gems and costs \$1.99, “pouch”
2 of 80 gems is \$4.99, and a “crate full” of 950 Gems will cost \$49.99.

3 62. Loot Boxes may also be purchased in varying amounts and prices. A “Big Box” is
4 the equivalent of 3 “Brawl Boxes,” and costs 30 Gems. Mega Boxes cost 80 Gems each and are the
5 equivalent of 10 regular Brawl Boxes.

6 63. As required by Apple, Brawl Stars displays the odds of obtaining certain items in the
7 Brawl Boxes. The best brawler in the game – and therefore the most coveted – is called a ‘Legendary
8 Brawler’. While the chances of receiving items in a Brawl Box constantly changes, “opening” any
9 given Brawl Box usually results in approximately a 0.3% chance of receiving a Legendary Brawler.

10 64. In order to incentivize players to open more and more Brawl Boxes, Brawl Stars
11 employs an algorithm to slightly increase the odds of receiving a Legendary Brawler each time the
12 player opens a Brawl Box. This feature entices players to purchase additional Brawl Boxes as the
13 player sees his/her chances improve, and works in tandem with the player’s understanding that
14 he/she has already spent a certain amount of money to obtain that better chance of receiving the
15 Legendary Brawler.

16 **Loot Boxes Create Addictive Behaviors in Kids, Especially Adolescents, Akin to**
17 **Gambling Addiction**

18 65. Psychologists call the principle by which Loot Boxes work on the human mind,
19 ‘variable rate enforcement’. This kind of reward structure underpins many forms of gambling. It
20 results in people quickly acquiring behaviors and repeating these behaviors frequently in hopes of
21 receiving a reward. Dopamine cells are most active when there is maximum uncertainty, and
22 dopamine system responds more to an uncertain reward than if the same reward delivered on a
23 predictable basis.

24 66. For numerous reasons minors, and adolescents in particular, are especially vulnerable
25 to this type of manipulation. By some estimates, teenage gambling is the fastest rising gambling
26 addiction. “Teenage gambling, like alcohol and drug abuse in the 1930s, is the fastest growing
27 addiction.”
28

1 67. First, adolescents have low impulse control. The teenage brain is still developing; the
2 part of the brain that's responsible for good impulse control and decision making is not fully
3 developed. Dr. Frances Jensen, the chair of the department of neurology at the University of
4 Pennsylvania Perelman School of Medicine and formally Harvard professor and director of
5 neuroscience at Boston's Children's Hospital, explains it as follows: "their frontal lobes are there.
6 They're there and they're built. They're just not accessed in as rapid a manner because the insulation
7 to the wiring to them isn't fully developed, so the signals go more slowly. Hence, teenagers are not
8 as readily able to access their frontal lobe to say, oh, I better not do this. An adult is much more
9 likely to control impulses or weigh out different factors in decisions, where a teenager may not
10 actually have full on-line, in-the-moment capacity". Dr. Frances Jensen, Why Teens are Impulsive-
11 Prone and Should Protect Their Brains. NPR. Fresh Air. Jan. 28, 2015. Adolescence is a
12 developmental period characterized by suboptimal decisions and actions. Casey, B. J., Jones, R. M.,
13 & Hare, T. A. (2008). The adolescent brain. *Annals of the New York Academy of Sciences*, 1124,
14 111–126. During this time, impulse control is still relatively immature. *Id.*

15 68. Second, adolescents are more inclined to engage in risk-taking behaviors and risky
16 decision making than are adults. Gardener M, Steinberg L. Peer influence on risk taking, risk
17 preference, and risky decision making in adolescence and adulthood: an experimental study.
18 *Developmental Psychology*. 2005;41:625–635. Adolescents and young adults are more inclined to
19 risk taking because development of executive brain function and appreciation of risk is continuing
20 in this period. Kelley, A.E., Schochet, T. & Landry, C.F. (2004). Risk taking and novelty seeking
21 in adolescence: Introduction to Part I. *Annals of the New York Academy of Sciences*, 1021, 27-32.
22 Steinberg, L. (2005). Cognitive and affective development in adolescence. *Trends in Cognitive*
23 *Sciences*, 9(2), 69-74.

24 69. Third, not only are adolescents more likely to take risks, but they are also more prone
25 to addiction. "They build a reward circuit around that substance to a much stronger, harder, longer,
26 stronger addiction. That is an important fact for an adolescent to know about themselves - that they
27 can get addicted faster." Dr. Frances Jensen, Why Teens are Impulsive- Prone and Should Protect
28 Their Brains. NPR. Fresh Air. Jan. 28, 2015.

1 70. Last, children and adolescents often lack a critical understanding of money and
2 financial management. Approximately one in four students in the 15 countries and economies that
3 took part in the latest OECD Programme for International Student Assessment (PISA) test of
4 financial literacy are unable to make even simple decisions on everyday spending, while only one
5 in ten can understand complex issues, such as income tax. OECD (2017), PISA 2015 Results
6 (Volume Iv); Students' Financial Literacy, PISA, OECD Publishing, Paris.

7 71. As set forth in detail above, purchasing and opening a Loot Box – by design – is
8 visually, physically, and aurally stimulating. Opening a Loot Box gives the player a rush; the
9 moment of anticipation followed by release. The Loot Box mechanism has been proven to be
10 effective on adults, and its effects are only intensified when used on minors who are more prone to
11 engage in risk-taking behaviors, more prone to gambling addiction, and “are less equipped to
12 critically appraise the value proposition of these schemes.”

13 72. In fact, virtually every study published to date on the connection between Loot Boxes
14 and gambling has found an association.

15 **“Given all everything we know about the similarities between boxes and slot**
16 **machines, it would actually be astounding and surprising were there not such a**
17 **connection. They are, in many ways, so closely related.”**

18 73. Dan Trolaro, the Assistant Executive Director of the Council on Compulsive
19 Gambling of New Jersey, explained, “The mechanics within a loot box look and feel like a gamble.
20 Once minors are exposed to game of chance mechanisms, there is a significantly higher risk that
21 they will have problems with it at a later stage in their lives. The literature indicates that exposure
22 at an early age increases the risk of addiction and the severity of the addiction.”

23 74. Other experts agree. For example, the mental health director of the UK's National
24 Health Service summarized their studies by declaring that the gaming industry is “setting kids up
25 for addiction by teaching them to gamble.” And according to Keith Whyte, the Executive Director
26 of the National Council On Problem Gambling, “Those who play loot boxes, may well be on their
27 way to developing gambling problems due to their loot box play.”

28 75. Peer-reviewed empirical research bears this out. For example, Zendle, Meyer and
Over (2019) examined the relationship between Loot Box buying and problem gambling (using the

1 Canadian Adolescent Gambling Inventory) in a survey of 1,115 adolescents aged 16-18 years. They
2 reported that the association between Loot Box buying and problem gambling was stronger than
3 that found among previous studies examining adults. Their results “suggest that loot boxes either
4 cause problem gambling among older adolescents, allow game companies to profit from adolescents
5 with gambling problems for massive monetary rewards, or both.”

6 76. Professor Mark D. Griffiths conducted a survey of the available literature in 2019
7 and concluded,

8 Based on the few studies carried out to date, the findings are very consistent that there
9 is an association between problem gambling and loot box buying among both
10 adolescents and adults (and that the association may be even stronger among
11 adolescents).

11 **Some Countries Have Banned Loot Boxes For Violating Gambling Laws**

12 77. Over just the last two years, some countries have banned Loot Boxes (Belgium,
13 Netherlands, Japan), while others report current investigations (including Australia who issued a
14 report that they are “psychologically akin to gambling”). Similarly, lawmakers in Hawaii,
15 Minnesota and Washington have introduced state legislation to ban the use of Loot Boxes in
16 videogames.

17 78. For instance, in the study completed in Belgium, the regulators looked at Loot Boxes
18 in a variety of videogames and determined that they fit the description of a game of chance because
19 all of the constitutive elements of gambling are present, specifically finding,

20 The paid loot boxes in the examined games Overwatch, FIFA 18 and Counter-Strike:
21 Global Offensive fit the description of a game of chance because all of the
22 constitutive elements of gambling are present (game, wager, chance, win/loss).¹⁷

23 79. In Australia, they too determined the Loot Box mechanism constitutes a form of
24 gambling that targets minors. They recently passed new regulations that,

25 require that any person purchasing videogame loot boxes will have to show ID.
26 According to the Office of the eSafety Commissioner, access to these boxes and other
27 simulated gambling elements in computer or video games will be restricted to “adults
28 aged 18 years or over, including through the use of mandatory age verification.

17 “FIFA Soccer” is the title of the current App version of what used to be called “FIFA 18”
which is currently available in Apple’s App Store in the United States.

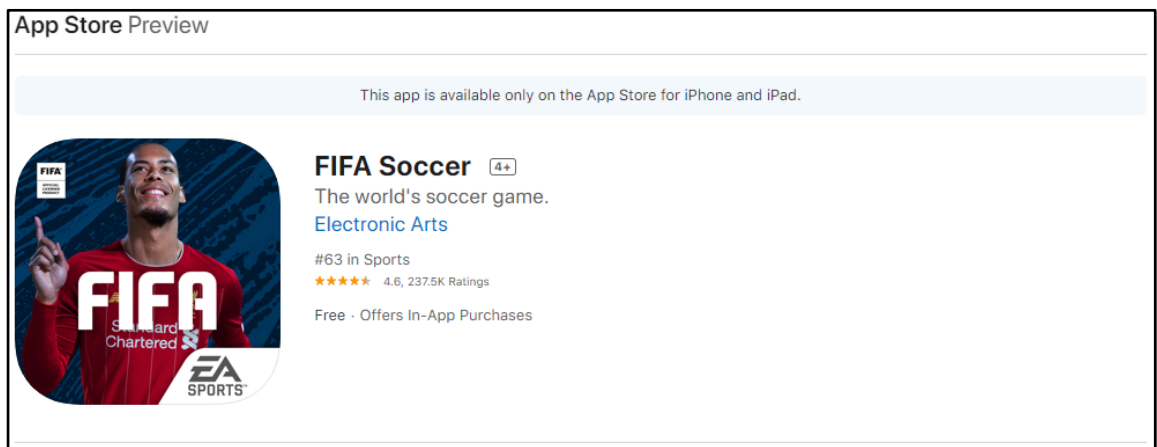
1 80. Here in the United States, the Federal Trade Commission recently hosted a workshop
 2 on Loot Boxes And U.S. Senators Maggie Hassan (D-NH)), and Josh Hawley (R-MO) introduced
 3 a bill co-sponsored by Ed Markey (D-MA) and Richard Blumenthal (D-CT) titled “The Protecting
 4 Children From Abusive Games Act” that would prohibit Loot Boxes in minor-oriented games. The
 5 proposed bill includes a prohibition in minor-oriented games of Loot Boxes, which it defines as “an
 6 add-on transaction to an interactive digital entertainment product that in a randomized or partially
 7 randomized fashion unlocks a feature of the product or adds to or enhances the entertainment value
 8 of the product[.]”

9 **Apple Game Ratings Do Not Disclose Gambling Or the Loot Box Mechanism**

10 81. In the United States, the videogame industry “self-regulates” through the
 11 Entertainment Software Ratings Board (“ESRB”). According to the ESRB’s website,

12 ESRB ratings provide information about what’s in a game or app so parents and
 13 consumers can make informed choices about which games are right for their family.
 14 Ratings have 3 parts: Rating Categories, Content Descriptors, and Interactive
 Elements.

15 82. But Apple does not ascribe to the ESRB ratings system. Instead, Apple has created
 16 its own ratings categories for games in its App Store. Notably, Apple’s ratings do *not* contain any
 17 disclosures concerning the use of Loot Boxes and gambling. The only related disclosure available
 18 to parents is that a game allows “In-App Purchases.” As an example, below is a screen shot of
 19 Apple’s website disclosures concerning the FIFA game¹⁸:



18 <https://apps.apple.com/ai/app/fifa-football/id1094930513>.

1 83. Moreover, even though Apple maintains the final say over what is disclosed in the
2 App Store, *the Apps are not age-rated by Apple* – the age ratings and other communications with
3 the player are determined by the App Developer. Thus, there is no notice – and no requirement of
4 any notice by Apple – to the parent or the child that a game contains Loot Boxes or other gambling
5 mechanisms.

6 **Apple Earns Huge Profits From Minors Purchasing Loot Boxes in its App Games**

7 84. Apple does not report earnings based on Loot Boxes specifically, or even amount of
8 revenue obtained from in-game purchases from the App Store. However, Apple does report its
9 revenues from Apps in its “Services” segment of the business. *For 2019, Apple’s Services segment*
10 *reported net sales in excess of \$46 Billion, which represented an increase of 16% over the prior*
11 *year. According to that same SEC filing, the 16% increase in net sales was “due primarily to*
12 *higher net sales from the App Store, licensing, and AppleCare.”*

13 85. Moreover, Apple’s revenues from hardware sales are also affected by its ability to
14 sell in-game Loot Boxes for its App Developers. According to Apple’s most recent SEC Form 10-
15 K, the availability of Apps in the App Store – which Apple relies upon from independent App
16 developers – is a factor considered by consumers when purchasing hardware. That is, when deciding
17 whether to purchase an Apple iPhone or a competitor’s Android phone, consumers will consider
18 which Apps are available on that phone.

19 86. As disclosed by Apple in its SEC Form 10-K under the category “Risk Factors,”
20 Apple admits:

21 **The Company’s future performance depends in part on support from third-party**
22 **software developers.**

23 *The Company believes decisions by customers to purchase its hardware products*
24 *depend in part on the availability of third-party software applications and services.*

25 There is no assurance that third-party developers will continue to develop and
26 maintain software applications and services for the Company’s products. If third-
27 party software applications and services cease to be developed and maintained for
28 the Company’s products, customers may choose not to buy the Company’s products.

29 *The Company believes the availability of third-party software applications and*
30 *services for its products depends in part on the developers’ perception and analysis*
31 *of the relative benefits of developing, maintaining and upgrading such software*

1 *and services for the Company’s products compared to competitors’ platforms, such*
 2 *as Android for smartphones and tablets and Windows for personal computers. This*
 3 *analysis may be based on factors such as the market position of the Company and*
 4 *its products, the anticipated revenue that may be generated, expected future growth*
 5 *of product sales, and the costs of developing such applications and services.*

6 * * *

7 The Company sells and delivers third-party applications for its products through the
 8 App Store, Mac App Store, TV App Store and Watch App Store. The Company
 9 retains a commission from sales through these platforms. *If developers reduce their*
 10 *use of these platforms to distribute their applications and offer inapp purchases to*
 11 *customers, then the volume of sales, and the commission that the Company earns*
 12 *on those sales, would decrease.*¹⁹

13 **Loot Boxes Constitute Gambling in Violation of California Law**

14 87. Loot Boxes are a form of gambling and violate California’s anti-gambling laws.
 15 According to the California Bureau of Gambling Control, by paying for and opening Loot Boxes
 16 within the game, the game is creating a “gambling device.”

17 88. California’s gambling device statutes are broad in their coverage and prohibit any
 18 person from owning, renting, or possessing illegal gambling devices. (Penal Code, §§ 330a, 330b,
 19 330.1.) An illegal gambling device has three features:

- 20 A. It is a machine, apparatus, or device (coin operation is not required);
- 21 B. Something of value is given to play the device; and
- 22 C. The player has the opportunity to receive something of value by any element
 23 of hazard or chance (“something of value” is not limited to coins, bills, or tokens—it also includes
 24 free replays, additional playing time, redemption tickets, gift cards, game credits, or anything else
 25 with a value, monetary or otherwise.) (Penal Code, §§ 330a, 330b & 330.1.)

26 89. None of these elements can be in dispute. A player uses his iPhone, iPad, or computer
 27 with the downloaded game on it (#1); The player pays real-world currency for the opportunity to
 28 open a Loot Box (#2); and the Loot Box is a randomized chance to obtain something valuable in-
 game (#3).

¹⁹ Apple, Inc. SEC Form 10-K (October 30, 2019) at pp. 8 – 9.

1 90. In fact, there is a market for many of the games’ player accounts to be bought and
2 sold outside of the game itself. The value, or price, of each game account is determined by the
3 “Loot” the player possesses in the account. There is even a selection of online companies who claim
4 to specialize in buying and selling these App videogame accounts.

5 **CLASS ACTION ALLEGATIONS**

6 91. Pursuant to Federal Rule of Civil Procedure 23, Plaintiffs seek certification of a
7 nationwide class consisting of:

8 All persons who paid to receive randomized virtual items from a purchase (also
9 known as “Loot Boxes”) within an App downloaded from the Apple App Store.

10 92. The Class excludes Apple’s officers and directors, current or former employees,
11 including their immediate family members, as well as any judge, justice or judicial officer presiding
12 over this matter and members of their immediate families and judicial staff. Plaintiffs reserve the
13 right to amend the Class definition or include subclasses if discovery and further investigation reveal
14 that the Class should be expanded or otherwise modified.

15 93. Plaintiffs’ claims are typical of the claims of the members of the Class, because
16 Plaintiffs and all other members of the Class were damaged by the same wrongful conduct
17 committed by Defendant, as alleged more fully herein.

18 94. Plaintiffs will fairly and adequately protect the interests of the Class. The interests of
19 the class representatives are coincident with, and not antagonistic to, the interests of the other
20 members of the Class.

21 95. Plaintiffs have retained counsel competent and experienced in the prosecution of
22 class action litigation.

23 96. Questions of law and fact common to the members of the Class are central here and
24 predominate over questions that may affect only individual members. Among the questions of law
25 and fact common to the Class are:

26 (a) Whether Apple’s App Store games containing Loot Boxes and similar
27 mechanisms create and/or exacerbate addictive behaviors in its players;

28

1 (b) Whether Apple’s App Store games containing Loot Boxes and similar
2 mechanisms exploit addictive behaviors in its players;

3 (c) Whether Apple’s App Store games containing Loot Boxes and similar
4 mechanisms constitute gambling or create a gambling device under California law and in violation
5 of Cal Penal Code §§ 330, *et seq.*;

6 (d) Whether Apple’s App Store games containing Loot Boxes and similar
7 mechanisms violate the Illegal Gambling Business Act (18 U.S.C. § 1955), and the Unlawful
8 Internet Gambling Enforcement Act of 2006 (31 U.S.C. §§ 5361-5367);

9 (e) Whether Apple violated Business & Professions Code § 17200 by engaging
10 in an “unlawful” business practice by marketing, selling and distributing videogames with gambling
11 features and in violation of various state and federal laws as set forth herein;

12 (f) Whether Apple violated Business & Professions Code § 17200 by engaging
13 in an “unfair” business practice by marketing, selling and distributing videogames with gambling
14 features and that create and/or exacerbate addictive behaviors, especially in minors, as alleged
15 herein;

16 (g) Whether Apple violated Civil Code § 1770(a)(14);

17 (h) Whether Apple was unjustly enriched as a result of the conduct alleged
18 herein; and

19 (i) Whether Apple’s conducted violated the other provisions of statutory and
20 common law outlined in this Complaint.

21 97. A class action is superior to all other available means for the fair and efficient
22 adjudication of this controversy. Individualized litigation would create the danger of inconsistent or
23 contradictory judgments arising from the same set of facts. Individualized litigation would also
24 increase the delay and expense to all parties and the court system from the issues raised by this
25 action. The burden and expense that would be entailed by individual litigation makes it
26 impracticable or impossible for Class members to prosecute their claims individually. Further, the
27 adjudication of this action presents no unusual management difficulties.

28

1 98. Unless a class is certified, Apple will retain monies received as a result of its
2 improper conduct. Unless a classwide injunction is issued, Apple will continue to commit the
3 violations alleged, and will continue to promote and engage in the unfair and unlawful gambling
4 activities discussed herein. Apple has acted or refused to act on grounds that are generally applicable
5 to the Class so that injunctive and declaratory relief is appropriate to the Class as a whole.

6 **FIRST CAUSE OF ACTION**

7 **Unlawful and Unfair Business Practices**
8 **in Violation of California’s Unfair Competition Law (“UCL”)**
9 **(Cal. Bus. & Prof. Code §§ 17200, et seq.)**

10 99. Plaintiffs reallege and incorporate by reference the allegations set forth in each of the
11 preceding paragraphs of this Complaint.

12 100. Plaintiffs and Defendant are “persons” within the meaning of the UCL. Cal. Bus. &
13 Prof. Code § 17201.

14 101. The UCL defines unfair competition to include any “unlawful, unfair or fraudulent
15 business act or practice.” Cal. Bus. Prof. Code § 17200.

16 102. By committing the acts and practices alleged herein, Apple has engaged in unlawful
17 and unfair business practices in violation of the UCL.

18 103. Unlawful Conduct: As a result of engaging in the conduct alleged in this Complaint,
19 Apple has violated the UCL’s proscription against engaging in unlawful conduct by virtue of its
20 violation of California’s gambling laws, its violation of Federal gambling laws, and its violations of
21 the California Civil Code §§ 1710 and 1711, as well as the Consumers Legal Remedies Act,
22 California Civil Code § 1770(a)(14).

23 104. More specifically, Apple has violated the UCL’s proscription against engaging in
24 “unlawful” business practices by virtue of its conduct in violation of California Penal Code §§ 330,
25 *et seq.*, the Illegal Gambling Business Act (18 U.S.C. § 1955), and the Unlawful Internet Gambling
26 Enforcement Act of 2006 (31 U.S.C. §§ 5361-5367) as set forth herein. Plaintiffs reserve the right
27 to allege other violations of law, which constitute other unlawful business acts or practices. Such
28 conduct is ongoing and continues to this date.

1 105. Unfair Conduct: In the course of conducting business, Apple has violated the UCL's
2 proscription against "unfair" business practices by, among other things:

3 (a) Engaging in the conduct alleged in this Complaint, which is illegal and also
4 violates legislatively-declared policies articulated in, *inter alia*, California Business & Professions
5 Code §§ 19800, *et seq.*, California Penal Code §§ 330, *et seq.*, the Illegal Gambling Business Act
6 (18 U.S.C. § 1955), and the Unlawful Internet Gambling Enforcement Act of 2006 (31 U.S.C.
7 §§ 5361-5367) by conducting illegal and unlicensed gambling business including at places not
8 suitable for gambling activities, knowingly accepting payments from those who participated in
9 Defendant's unlawful Internet gambling, and promoting predatory gambling as entertainment for
10 children and families;

11 (b) Intentionally profiting from conduct designed to create and/or exploit
12 addictive tendencies in vulnerable minors, and adolescents in particular; and,

13 (c) Omitting important information and misleading parents of vulnerable minors
14 and adolescents concerning the addictive, costly and random chance nature of the Loot Box
15 mechanism and its use in Apple's App Store games.

16 106. Apple has also violated the UCL's proscription against unfair conduct as a result of
17 engaging in the conduct alleged in this Complaint, which violates legislatively-declared policies
18 articulated in, *inter alia*, California Civil Code §§ 1710, 1711, and 1770(a)(14).

19 107. There is no societal benefit from Apple's conduct which includes promoting
20 addictive gambling as entertainment for children and families. There is only harm from Apple's
21 conduct. While Plaintiffs were harmed, Apple was unjustly enriched by its deceptive, predatory and
22 harmful conduct. As a result, Apple's conduct is "unfair," as it offended an established public policy.
23 Further, Apple engaged in immoral, unethical, oppressive, and unscrupulous activities that are
24 substantially injurious to consumers as the gravity of Apple's conduct outweighs any alleged
25 benefits attributable to such conduct.

26 108. There were reasonably available alternatives to further Apple's legitimate business
27 interests, other than the conduct described herein.

28

1 109. Apple’s violations of the UCL continue to this day. As a direct and proximate result
 2 of Apple’s violations of the UCL, Plaintiffs have suffered actual damage in that they paid for and
 3 downloaded games, and paid for illegal Loot Boxes and other gambling mechanisms, and subjected
 4 themselves and/or their children to exploitative games as alleged herein.

5 110. Unless restrained and enjoined, Apple will continue to engage in the unlawful and
 6 unfair conduct described herein.

7 111. Pursuant to Section 17203 of the UCL, Plaintiffs and the Class seek an order that
 8 requires Apple: (a) to prohibit download and sales of App games that contain Loot Boxes and other
 9 similar exploitative mechanisms; (b) to provide owners of App games containing those features with
 10 restitution for moneys paid to purchase the game or purchase Loot Boxes and similar mechanisms
 11 in-game; (c) to otherwise make full restitution of all moneys wrongfully obtained from its violations
 12 of the UCL, as alleged in this Complaint; and (f) requires Apple to pay the attorney fees and costs
 13 incurred by counsel for Plaintiffs and the proposed Class in accordance with California Code of
 14 Civil Procedure § 1021.5.

15 **SECOND CAUSE OF ACTION**

16 **Unfair and Deceptive Acts and Practices**
 17 **in Violation of California’s Consumers Legal Remedies Act (“CLRA”)**

18 **(Cal. Civ. Code §§ 1750, et seq.)**

19 112. Plaintiffs reallege and incorporate by reference the allegations set forth in each of the
 20 preceding paragraphs of this Complaint.

21 113. This claim for relief is brought pursuant to the CLRA. Plaintiffs and members of the
 22 class are “consumers,” as that term is defined by Civil Code § 1761(d), because they bought and
 23 downloaded videogames and Loot Boxes or similar gambling mechanisms for personal, family, or
 24 household purposes.

25 114. Plaintiffs and Class Members have engaged in a “transaction” with Apple, as that
 26 term is defined by Civil Code § 1761(e).

27 115. The conduct alleged in this Complaint constitutes unfair methods of competition and
 28 unfair and deceptive acts and practices for the purposes of the CLRA, and were undertaken by Apple

1 in transactions intended to result in, and which resulted in, the sale of goods to consumers; namely,
2 the sale of App Store videogames containing Loot Boxes, and the sale of Loot Boxes or similar
3 gambling mechanisms.

4 116. By engaging in the conduct described herein, Apple has violated subdivision (a)(14)
5 of California Civil Code §1770 by,

6 (14) Representing that a transaction confers or involves rights, remedies, or
7 obligations that it does not have or involve, or that are prohibited by law.

8 117. Defendant violated the CLRA by representing to Plaintiffs and Class members
9 transactions involving Loot Boxes confer or involve rights to potentially valuable prizes, when in
10 fact these transactions constitute unlawful gambling transactions that are prohibited by law.

11 118. Defendant's violations of the CLRA proximately caused injury in fact to Plaintiffs
12 and the Class.

13 119. Plaintiffs and the Class members transacted with Defendant on the belief that the
14 transaction was lawful. Indeed, a reasonable consumer believes in the lawfulness of his or her
15 transactions.

16 120. Pursuant to Cal. Civ. Code § 1782(d), Plaintiffs, individually and on behalf of the
17 other members of the Class, seek a Court order enjoining the above-described wrongful acts and
18 practices of Defendant and for restitution and disgorgement.

19 121. Pursuant to Cal. Civ. Code § 1782(a), Defendant was notified in writing by certified
20 mail of the particular violations of Section 1770 of the CLRA, which notification demanded that
21 Defendant rectify the problems associated with the actions detailed above and give notice to all
22 affected consumers of Defendant's intent to so act. A copy of the letter is attached as Exhibit A.

23 122. If Defendant fails to rectify or agree to rectify the problems associated with the
24 actions detailed above and give notice to all affected consumers within 30 days of the date of written
25 notice pursuant to §1782 of the Act, Plaintiffs will amend this Complaint to add claims for actual,
26 punitive and statutory damages, as appropriate.

27 123. Defendant's conduct is fraudulent, wanton, and malicious.
28

1 124. Pursuant to §1780(d) of the Act, attached hereto as Exhibit B is the affidavit showing
2 that this action has been commenced in the proper forum.

3 **THIRD CAUSE OF ACTION**

4 **Unjust Enrichment**

5 125. Plaintiffs reallege and incorporate by reference the allegations set forth in each of the
6 preceding paragraphs of this Complaint.

7 126. By its wrongful acts and omissions, Apple was unjustly enriched at the expense of
8 and to the detriment of Plaintiffs and the Class. Apple was unjustly enriched as a result of the
9 compensation it received from marketing and selling the unlawful and unfair Loot Boxes to
10 Plaintiffs and the Class.

11 127. Plaintiffs and the Class seek restitution from Apple and seek an order of this Court
12 disgorging all profits, benefits, and other compensation obtained by Apple from its wrongful
13 conduct.

14 128. Plaintiffs and the Class have no adequate remedy at law.

15 **PRAYER FOR RELIEF**

16 WHEREFORE, Plaintiffs, on behalf of themselves and all others similarly situated, pray for
17 relief in this Complaint as follows:

18 (a) For restitution and disgorgement of the revenues wrongfully retained as a result of
19 Apple's wrongful conduct;

20 (b) For declaratory and injunctive relief as permitted by law or equity, including
21 enjoining Apple from continuing the unlawful practices as set forth herein;

22 (c) For an award of attorney fees, where applicable;

23 (d) For an award of costs;

24 (e) For any and all other relief the Court deems just and appropriate.

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DEMAND FOR JURY TRIAL

Based on the foregoing, Plaintiffs, on behalf of themselves, and all others similarly situated, hereby demand a jury trial for all claims so triable.

Respectfully submitted,

Dated: June 12, 2020

THE LAW OFFICES OF ANDREW J. BROWN
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By: s/ Andrew J. Brown

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