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16	UNLIN	IITED CIVIL					
17	JANETTE LISNER,	Case No. 21 ST CV20847					
18	JENNIFER QUIROZ NUNEZ, and JAMES ANDREWS,	CLASS ACTION					
19	for Themselves, as Private Attorneys General, and On Behalf Of All	COMPLAINT FOR:					
20	Others Similarly Situated,	1. Violation of Consumers Legal Remedies Act, Cal. Civ. Code § 1750 et seq.					
21	Plaintiffs,	2. Violation of False Advertising Law, Cal. Bus. & Prof. Code § 17500 et seq.					
22	<b>v.</b>	3. Violation of Unfair Competition Law,					
23	AERO OPCO LLC;	Cal. Bus. & Prof. Code § 17200 et seq.					
24	SPARC GROUP LLC; AERO OPERATIONS LLC;	JURY TRIAL DEMANDED					
25	and DOES 1-5, inclusive,						
26	Defendants.						
27 28							
28		HATTIS & LUKACS					
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Plaintiffs Janette Lisner, Jennifer Quiroz Nunez and James Andrews, for themselves, as
 private attorneys general on behalf of the general public, and on behalf of all others similarly
 situated, allege as follows, on personal knowledge and on the investigation of their counsel,
 against Defendants Aero OpCo LLC, SPARC Group LLC, and Aero Operations, LLC;
 (collectively "Defendants" or "Aeropostale"); and Defendants Does 1–5, inclusive:

6

I.

## INTRODUCTION AND SUMMARY

Aeropostale is a designer, marketer, and retail seller of casual clothing and
 accessories, targeting primarily the teen and young adult market. Almost all the items offered
 for sale by Aeropostale in its Aeropostale stores are branded as "Aeropostale" products, and are
 offered and sold exclusively by Aeropostale. In 2019, Aeropostale had over \$1 billion in sales
 revenues in 2019 in its brick-and-mortar Aeropostale stores and on its retail website.

12 2. For years, Aeropostale has perpetrated a massive false discount advertising 13 scheme across nearly all of its Aeropostale-branded products and sales channels (i.e., in 14 Aeropostale's brick-and-mortar retail stores and on the Aeropostale website). Specifically, 15 Aeropostale advertises perpetual or near perpetual storewide "sales" and percentage-off 16 discounts—typically 50% to 70% off—from Aeropostale's self-created list prices for its 17 products. Aeropostale represents its list prices, which are printed on price tags attached to the 18 items it sells and are advertised on its website with a slash-through, to be the "regular" and 19 normal selling prices of the items. The list prices function as reference prices from which the 20 advertised sales discounts are calculated. Aeropostale also advertises "free" offers such as 21 "Buy 1 Get 1 Free" or "Buy 1 Get 2 Free," where Aeropostale represents that it will include 22 one or two more of a given item (or of a specified similar item) for "free" if the customer pays 23 the list price for the item.

Aeropostale's purported discounts and reference prices are false because
 Aeropostale never or rarely offers or sells its products at the advertised list price. Rather,
 Aeropostale invents inflated and fictitious list prices in order to enable it to advertise perpetual
 discounts and store-wide "sale" events to induce customers to purchase its products.
 Aeropostale's purported "free" offers are likewise false because Aeropostale directly recovers

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the cost of the "free" items by first doubling or tripling the item selling price to the inflated—
 and otherwise never charged—list price.

4. Aeropostale's marketing plan is to trick its customers into believing that the list
price printed on its product tags and on its product webpages is the regular and normal price for
its products, and that its products are worth this inflated list price, such that the lower
advertised sale price represents a special bargain.

7 5. Aeropostale's nationwide fraudulent advertising scheme harmed consumers like 8 Plaintiffs Janette Lisner, Jennifer Quiroz Nunez, and James Andrews, who each purchased 9 falsely discounted products in a California Aeropostale retail store or from the Aeropostale 10 website. Customers were harmed because they would not have purchased the items at the prices 11 they paid had they known the items had not been regularly offered at the higher list price. 12 Customers did not enjoy the actual discounts Aeropostale represented and promised to them, 13 and the items they purchased were not in fact worth the inflated amount that Aeropostale 14 represented to them. Customers were also harmed because Aeropostale's false advertising 15 scheme fraudulently increased demand for Aeropostale's products, thereby shifting the demand 16 curve and enabling Defendants to charge more than they otherwise could have charged for their 17 products.

6. Consequently, each Plaintiff brings this action on her or his own behalf as a deceived Aeropostale customer; as a private attorney general seeking the imposition of public injunctive relief against Defendants; and as a representative plaintiff on behalf of a class of California consumers seeking, among other things, that Defendants be ordered to disgorge all revenues they have unjustly received from the proposed Class due to Defendants' intentional and unlawful pattern and practice as described herein of using false reference prices, false discounts, and false "free" offers.

25 II. PARTIES

7. Plaintiff Janette Lisner is a citizen of the United States of America and
 California and an individual and a natural adult person who resides in Los Angeles County,
 California.

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8. Plaintiff Jennifer Quiroz Nunez is a citizen of the United States of America and
 California and an individual and a natural adult person who resides in Tulare County,
 California.

9. Plaintiff James Andrews is a citizen of the United States of America and
 California and an individual and a natural adult person who resides in Riverside County,
 California.

7 10. Defendant Aero OpCo LLC is a limited liability company chartered under the 8 laws of the State of Delaware. Aero OpCo LLC currently has and at all relevant times had its 9 executive, marketing and technology operations in the states of New Jersey and New York. 10 Based on Plaintiffs' investigation, Aero OpCo LLC manages and/or managed the retail and 11 website operations of the Aeropostale brand and has conducted the unlawful actions described 12 herein. According to the Aeropostale website, Defendant Aero OpCo LLC is responsible for 13 operating the retail website at www.aeropostale.com.<sup>1</sup> On September 15, 2016, Aero OpCo 14 LLC filed an application to register as a foreign LLC with the California Secretary of State 15 which listed the Aero OpCo LLC business address as 112 W 34<sup>th</sup> Street, Floor 22, New York, 16 New York 10120. On September 11, 2019, Aero OpCo LLC filed a Statement of Information 17 with the California Secretary of State which listed the Aero Opco LLC business address as 125 18 Chubb Avenue, 5<sup>th</sup> Floor, Lyndhurst, New Jersey 07071. On February 25, 2020, Aero OpCo 19 LLC filed with the California Secretary of State a Name Change Amendment in which it stated 20 that Aero OpCo LLC had changed its name to SPARC Group LLC. 21 11. Defendant SPARC Group LLC ("SPARC") is a limited liability company 22 chartered under the laws of the State of Delaware. Based on Plaintiffs' investigation, SPARC 23 Group LLC manages the retail and website operations of the Aeropostale brand and has 24 conducted the unlawful actions described herein. SPARC describes itself as the "Operating

- 25 Company for leading global brands including Aeropostale, Brooks Brothers, Forever 21, Lucky
- 26

 <sup>&</sup>lt;sup>1</sup> See Aeropostale Terms & Conditions at <u>https://www.aeropostale.com/terms-of-service.html</u>, which states: "Aeropostale.com is operated by Aero OpCo LLC ("Aero") on behalf of itself
 and its affiliates (the "Web Site").

Brand and Nautica.<sup>2</sup> SPARK Group LLC is a joint venture between Simon Property Group,
 L.P. and Authentic Brands Group LLC. SPARC currently has and at all relevant times had its
 executive, marketing and technology operations in the states of New Jersey and New York.
 Marc Miller, the CEO of SPARC Group LLC, currently lists his location on his LinkedIn
 profile as "New York City Metropolitan Area."<sup>3</sup> The SPARC Group LLC official company
 webpage on LinkedIn lists its location as "New York, NY."<sup>4</sup>

7 12. Defendant Aero Operations LLC is a limited liability company chartered under 8 the laws of the State of Delaware. Aero Operations LLC currently has and at all relevant times 9 in the past has had its executive operations in New York, New York or Lyndhurst, New Jersey. 10 Based on Plaintiffs' investigation, Aero Operations LLC is involved in the operations of the 11 Aeropostale brand and has materially assisted the other defendants in conducting the unlawful 12 actions described herein. On September 15, 2016, Aero Operations LLC filed an application to 13 register as a foreign LLC with the California Secretary of State which listed the Aero Operations LLC business address as 112 W 34<sup>th</sup> Street, Floor 22, New York, New York 10120. 14 15 On September 11, 2019, Aero Operations LLC filed a Statement of Information with the 16 California Secretary of State which listed the Aero Operations LLC business address as 125 Chubb Avenue, 5th Floor, Lyndhurst, New Jersey 07071. The Statement of Information listed 17 18 the type of business as "real estate investment." The Statement of Information lists Marc D. 19 Miller as the CEO of Aero Operations; Mr. Miller is also listed as the CEO of Aero Opco LLC 20 and of SPARC Group LLC in filings with the California Secretary of State. 21 13. Defendants Aero OpCo LLC, SPARC Group LLC, and Aero Operations LLC 22 (collectively, "Defendants" or "Aeropostale"), own and/or operate approximately 500 brick-23 and-mortar Aeropostale retail stores throughout the United States, including 57 in California.

24

 <sup>&</sup>lt;sup>2</sup> See SPARC Group company LinkedIn webpage at: <u>https://www.linkedin.com/company/sparc-group-llc/</u> (last accessed April 19, 2021).

<sup>&</sup>lt;sup>3</sup> See Marc Miller's LinkedIn profile webpage at <u>https://www.linkedin.com/in/marc-miller-</u> <u>ba10821/</u> (last accessed April 19, 2021).

 <sup>&</sup>lt;sup>4</sup> See SPARC Group company LinkedIn webpage at:
 <u>https://www.linkedin.com/company/sparc-group-llc/</u> (last accessed April 19, 2021).

Defendants also own and/or operate a retail website <u>www.aeropostale.com</u>, through which
 Defendants advertise and sell their goods, with said website being regularly seen and used by
 consumers in California and throughout the United States to purchase goods from Aeropostale.
 14. Defendants also operate distribution centers in Ontario, California and South
 River, New Jersey.

6 15. Defendants Doe 1 through Doe 5, inclusive, aided and/or abetted Defendants 7 Aero OpCo LLC, SPARC Group LLC, and/or Aero Operations LLC, in such a manner that 8 Doe 1 through Doe 5, inclusive, are each directly, contributorily, vicariously, derivatively 9 and/or otherwise liable for the acts or omissions of Aeropostale pled herein. Plaintiffs are 10 currently unaware of the true identities of Doe 1 through Doe 5, inclusive; upon learning the 11 true identities of Doe 1 through Doe 5, inclusive, Plaintiffs anticipate either freely amending 12 the operative complaint or requesting leave from the Court to amend the operative complaint. 13 16. The allegations of this Complaint only concern Aeropostale's actions since 14 September 16, 2016, during which time Defendants have owned and/or operated the

15 Aeropostale business.

16

## III. JURISDICTION AND VENUE

17 17. Subject Matter Jurisdiction. This Court has subject matter jurisdiction over
18 this civil action pursuant to, among other bases, Section 10 of Article VI of the California
19 Constitution.

18. Personal Jurisdiction. This Court has personal jurisdiction over Defendants
pursuant to, among other bases, California Code of Civil Procedure Section 410.10 because: (1)
Defendants are authorized to do business and regularly conduct business in California; (2) the
claims alleged herein took place in California; and (3) Defendants have committed tortious acts
within the State of California (as alleged, without limitation, throughout this Complaint).

19. Defendants own and/or operate approximately 57 brick-and-mortar Aeropostale
retail stores in California and operate a distribution center in Ontario, California. Defendants
also operate the Aeropostale website, through which Aeropostale advertises and sells its goods
to individuals throughout California.

- 5 -

1 20. Venue. Venue is proper in Los Angeles County because, without limitation, the 2 County of Los Angeles is the county in which at least one of the transactions which is the 3 subject of this Complaint occurred.

#### 4 IV. FACTUAL ALLEGATIONS OF AEROPOSTALE'S FALSE DISCOUNT **ADVERTISING SCHEME** 5

6 21. Aeropostale currently operates approximately 500 brick-and-mortar Aeropostale 7 retail stores throughout the United States, including 57 in California.

8 Aeropostale also operates a retail website at <u>www.aeropostale.com</u>, through 22. 9 which Aeropostale advertises and sells its goods, which is regularly seen and used to purchase 10 goods from Aeropostale by consumers throughout the United States, including in California.

11 23. Almost all the items offered by Aeropostale are branded as "Aeropostale" 12 products and are exclusively offered for sale and sold by Aeropostale in its retail stores and on 13 its website. In other words, the products offered by Aeropostale in its stores are not offered or 14 sold by, and are not available from, any other retailer.

15 24. Aeropostale had over \$1 billion in sales revenues in 2019 in its brick-and-mortar 16 Aeropostale stores and on its retail website.

17 25. In significant part, however, Aeropostale's revenues have been the product of a 18 massive false discount advertising scheme. Aeropostale perpetually advertises nearly all of its 19 products with significant discounts of 50-70% from a false reference price, in order to trick its 20 customers into believing the advertised "sale" price represents a special bargain from 21 Aeropostale's usual and regular prices. In fact, unbeknownst to its customers, Aeropostale's 22 discounts are never-ending, and its products are never or virtually never offered at the supposed 23 regular price. Aeropostale perpetrates this illegal scheme in order to induce consumers to 24 purchase its products and to increase the amount it can charge for its products.

25 26. Decades of academic research has established that the use of reference prices, 26 such as those utilized by Aeropostale, materially impacts consumers' behavior. A reference 27 price affects a consumer's perception of the value of the transaction, the consumer's 28

willingness to make the purchase, and the amount of money the consumer is willing to pay for

- 6 -

1 the product.<sup>5</sup>

2 27. When a reference price is bona fide and truthful, it may help consumers in 3 making informed purchasing decisions. In contrast, consumers are harmed when retailers, such 4 as Aeropostale, advertise their products with inflated false reference prices. The false reference 5 prices deceive consumers, deprive consumers of a fair opportunity to accurately evaluate the 6 offer, and result in purchasing decisions based on false pretenses.

7 28. False reference pricing such as that employed by Aeropostale causes consumers
8 to pay more than they otherwise would have paid for products. False reference pricing also
9 fraudulently increases consumer demand for products, shifting the demand curve and enabling
10 retailers to charge higher prices—to everyone—than they otherwise could have charged.

11 29. Beyond the adverse impact upon consumers' welfare, the practice of employing 12 false reference pricing also negatively affects the integrity of competition in retail markets. A 13 retailer's use of false reference prices constitutes an unfair method of competition, injuring 14 honest competitors that sell the same or similar products, or otherwise compete in the same 15 market, using valid and accurate reference prices. Businesses who play by the rules—and the 16 investors in those businesses—are penalized if the unlawful advertising practices of their 17 competitors go unchecked.

18

30. California law, as well as federal regulations, prohibit false reference pricing

19

 <sup>&</sup>lt;sup>5</sup> See, e.g., Rajesh Chandrashekaran & Dhruv Grewal, Assimilation of Advertised Reference
 20 Prices: The Moderating Role of Involvement, 79 J. Retailing 53 (2003); Pilsik Choi & Keith S. Coulter, It's Not All Relative: The Effects of Mental and Physical Positioning of Comparative

<sup>21</sup> Prices on Absolute Versus Relative Discount Assessment, 88 J. Retailing 512 (2012); Larry D. Compeau & Dhruv Grewal, Comparative Price Advertising: An Integrative Review, 17 J. Pub.

Pol'y & Mktg. 257 (1998); Larry D. Compeau, Dhruv Grewal & Rajesh Chandrashekaran, Comparative Price Advertising: Believe It or Not, 36 J. Consumer Aff. 284 (2002); David

Friedman, Reconsidering Fictitious Pricing, 100 Minn. L. Rev. 921 (2016); Dhruv Grewal & Larry D. Compeau, Consumer Responses to Price and its Contextual Information Cues: A

<sup>24</sup> Synthesis of Past Research, a Conceptual Framework, and Avenues for Further Research, in 3 Rev. of Mktg. Res. 109 (Naresh K. Malhotra ed., 2007); Daniel J. Howard & Roger A. Kerin,

<sup>25</sup> Broadening the Scope of Reference Price Advertising Research: A Field Study of Consumer Shopping Involvement, 70 J. Mktg. 185 (2006); Aradhna Krishna, Richard Briesch, Donald R.

Lehmann & Hong Yuan, A Meta-Analysis of the Impact of Price Presentation on Perceived Savings, 78 J. Retailing 101 (2002); Balaji C. Krishnan, Sujay Dutta & Subhash Jha,

<sup>27</sup> Effectiveness of Exaggerated Advertised Reference Prices: The Role of Decision Time Pressure, 89 J. Retailing 105 (2013); and Tridib Mazumdar, S. P. Raj & Indrahit Sinha,

<sup>28</sup> Reference Price Research: Review and Propositions, 69 J. Mktg. 84 (2005).

practices such as those perpetrated by Aeropostale. California's Unfair Competition Law and
 False Advertising Law generally forbid unfair business practices and false advertising (i.e., Cal.
 Bus. and Prof. Code §§ 17200 *et seq.* and 17500 *et seq.*). Regarding sales to consumers for
 household purposes, the California Consumers Legal Remedies Act prohibits "[m]aking false
 or misleading statements of fact concerning reasons for, existence of, or amounts of, price
 reductions." Cal. Civ. Code § 1770(a)(13).

7 31. The United States Court of Appeals for the Ninth Circuit has recognized the 8 abuses that flow from false reference pricing practices: "Most consumers have, at some point, 9 purchased merchandise that was marketed as being 'on sale' because the proffered discount 10 seemed too good to pass up. Retailers, well aware of consumers' susceptibility to a bargain, 11 therefore have an incentive to lie to their customers by falsely claiming that their products have 12 previously sold at a far higher 'original' price in order to induce customers to purchase 13 merchandise at a purportedly marked-down 'sale' price. Because such practices are 14 misleading—and effective—the California legislature has prohibited them." Hinojos v. Kohl's 15 *Corp.*, 718 F.3d 1098, 1101 (9th Cir. 2013).

16 32. The California Court of Appeal has likewise recognized the importance of 17 California's false reference price advertising statutes in protecting consumers: "Our Legislature 18 has adopted multiple statutes that specifically prohibit the use of deceptive former price 19 information and misleading statements regarding the amount of a price reduction. ... These 20 statutes make clear that ... our Legislature has concluded 'reasonable people can and do attach 21 importance to [a product's former price] in their purchasing decisions.' (alterations in original) 22 (quoting Kwikset Corp. v. Superior Court, 246 P.3d 877, 892 (Cal. 2011))." Hansen v. 23 Newegg.com Americas, Inc., 25 Cal.App.5th 714, 730 (2018).

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- 33. The Federal Trade Commission ("FTC") has also described what constitutes
- 2 false reference pricing practices:

(a) One of the most commonly used forms of bargain advertising is to 3 offer a reduction from the advertiser's own former price for an article. If the former price is the actual, bona fide price at which the article was 4 offered to the public on a regular basis for a reasonably substantial period of time, it provides a legitimate basis for the advertising of a price 5 comparison. Where the former price is genuine, the bargain being advertised is a true one. If, on the other hand, the former price being 6 advertised is not bona fide but fictitious -- for example, where an artificial, inflated price was established for the purpose of enabling the 7 subsequent offer of a large reduction -- the "bargain" being advertised is a false one; the purchaser is not receiving the unusual value he 8 expects. In such cases, the "reduced price" is, in reality, probably just the seller's regular price. 9

10 16 C.F.R § 233.1.

11 34. Aeropostale's false discounting scheme is similar in all material respects to the

12 deceptive practices described and prohibited by these false reference pricing laws and

- 13 regulations.
- 14

1

# A. <u>Aeropostale's False Reference Prices</u>

15 35. Aeropostale intentionally and deceptively indicates to consumers that the

16 advertised "sale" prices in its retail stores represent significant discounts from Aeropostale's

17 own regular and normal prices for its products. Aeropostale's regular practice is to post large

18 signs throughout its retail stores advertising that virtually all of its products are "XX% OFF"

19 (typically 50-70% off). These signs are typically pre-printed, but Aeropostale also posts hand-

20 written signs on black chalkboard in its stores to further give the appearance of a special

21 limited-time sale. But in fact, the percentage-off savings and discounts are perpetual, and are

- 22 calculated based on the inflated and fictitious reference price listed on the product tags.
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Below are photographs taken at an Aeropostale store on July 7, 2019, which are 1 36. 2 representative of Aeropostale's in-store advertising at any given time:



**Percentage-Off Discount Advertising** 

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1 37. In this example, Aeropostale advertises an "ENTIRE STORE 50-70% OFF" 2 sales event. The promised discounts are advertised on large signs both outside and inside the 3 store. Signage on the racks adjacent to the clothing items prominently advertises "50% OFF," 4 "60% OFF" and "70% OFF" in bold lettering. Aeropostale has also placed hand-written 5 chalkboard signs in the store which advertise discounts such as "50% OFF" and "70% OFF." 6 38. But in fact, Aeropostale perpetually advertises these 50-70% storewide savings 7 whether it is in the middle of summer, whether it is Black Friday, or whether it is in the middle 8 of April. 9

9 39. For example, on April 23, 2021, Aeropostale advertised on its website a similar
10 "50-70% OFF ENTIRE SITE" sale. See the screenshot below:

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# Homepage of Aeropostale Website April 23, 2021

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		GIRL3	6000	SHUP OIRLE		OUYS BOGU	shop buys					
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	40.	Advertised disc	counts	such as	s these are	viewed boy	th under th	he l	aw ar	nd t	oy th	e
)	reasonable cons	sumer to refer t	o disc	ounts fi	rom Aerop	ostale's ow	vn regular	sal	es pri	ices	for	those

20 products. See 16 C.F.R § 233.1; see also 4 Cal. Code Reg. § 1301.

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41. There can be no doubt that Aeropostale intends that consumers interpret and
 understand the list prices printed on its product tags and on its website to stand for
 Aeropostale's regular selling prices for those products. In fact, for years on its product
 webpages on the Aeropostale website, Aeropostale has prominently advertised that the savings
 are from Aeropostale's "REGULAR PRICE." See the screenshot below:

6

Aeropostale Product Webpage August 20, 2020



This screenshot is of the product webpage for the Long Sleeve Seriously Soft 15 42. 16 Crew Tee ("Crew Tee") taken from the Aeropostale website on August 20, 2020. Aeropostale 17 features a prominent red box with the phrase "SAVE 59% OFF THE REGULAR PRICE." 18 The 59% savings was calculated based on the represented "regular" slash-through list price of 19 \$29.50. Further, for maximum impact, Aeropostale designed this red box (containing the false 20 advertising "SAVE 59% OFF THE REGULAR PRICE") as an animation on its product 21 webpages which suddenly flies in from the right side of the screen and bounces up against the 22 strike-through list price.

23 43. The advertised savings was false. Since November 1, 2019, Aeropostale had 24 <u>never</u> charged more than the \$12.00 selling price for the Crew Tee. Notably, based on counsel's 25 investigation, from November 26, 2019 through August 19, 2020 Aeropostale charged \$7.00 26 for the Crew Tee (\$5.00 less than the supposed \$12.00 "sale" price). Thus, customers who 27 purchased the falsely discounted Crew Tee on August 20, 2020 had been tricked by 28 Aeropostale into paying \$5.00 more than the true "regular price" of the Crew Tee. **HATTIS & LUKACS** CLASS ACTION COMPLAINT 400 108th Avenue, Suite 500

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Bellevue, WA 98004 425.233.8650 | FAX: 425.412.7171 44. Aeropostale's false discount advertisements and sales events are intended by
 Aeropostale to trick its customers into believing that its products have a value of, and are
 usually sold at, the list prices printed on the product tags and on the product webpages, and that
 the purported "sale" prices and advertised discounts represent a special and limited-time
 bargain.

6 45. In fact, the price and discount representations on the signage and the list prices 7 on the product price tags are false and misleading, because customers are not receiving the 8 special bargain that Aeropostale has led them to believe. The specific amounts of the 9 percentage-off or dollar discount may slightly change over time, but the existence of a 10 significant discount on each product is perpetual.

11

**B**.

# Aeropostale's False "Free" Offers.

46. Another related discount practice by Aeropostale is to advertise "Buy 1 Get 1
Free" or "Buy 1 Get 2 Free" offers for its products.

14 47. However, in all cases, Aeropostale's promise of "Buy 1 Get 1 Free" or "Buy 1 15 Get 2 Free" is false and deceptive. Whenever Aeropostale makes such a purported "Free" offer, 16 Aeropostale first inflates the selling price of the product to the (never otherwise charged) price 17 listed on the tag. Given Aeropostale's perpetual "discount" pricing of 50-70% off the list price, - 18 this means Aeropostale is directly recovering the cost of the "free" product(s) by doubling or 19 tripling the price of the first product, such that the customer is in fact not getting any deal at all. 20 21 22 23 24 25 26 27 28

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48. For example, below are two screenshots from the Aeropostale website

2 demonstrating Aeropostale's false free offer scheme.

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<b>49</b> . Thi	s item, t	he Max	Stretch A	Air Athletic S	Skinny Jean, v	vas always e	ither o	offe	ered
by Aeropostale for	sale at S	\$27.48 c	or less, or	r at the \$54.9	95 price with a	"Buy 1 Get	1 Fre	e"	offer.
Note that \$27.48 is	s exactly	<sup>,</sup> 50% of	\$\$54.95.	In other wor	ds, on Januar	y 14, 2021, (	see th	e	
screenshot above)	Aeropos	stale for	mulaical	ly doubled th	ne selling price	e in order to	offer	its	
supposed "Buy 1 (	Get 1 Fre	ee" offer							
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1 51. The Federal Trade Commission warns sellers advertising "Free" offers that 2 "Where the seller, in making such an offer, increases his regular price of the article required to 3 be bought, or decreases the quantity and quality of that article, or otherwise attaches strings 4 (other than the basic condition that the article be purchased in order for the purchaser to be 5 entitled to the 'free' or '1¢' additional merchandise) to the offer, the consumer may be 6 deceived." 16 C.F.R § 233.4. "In other words, when the purchaser is told that an article is 7 'Free' to him if another article is purchased, the word 'Free' indicates that he is paying nothing 8 for that article and no more than the regular price for the other. Thus, a purchaser has a right to 9 believe that the merchant will not directly and immediately recover, in whole or in part, the 10 cost of the free merchandise or service by marking up the price of the article which must be 11 purchased ...." 16 C.F.R. § 251.1 (emphasis added). 12 52. Aeropostale engages in exactly this deceptive and unlawful practice when it 13 recovers the cost of the supposedly "free" product(s) by doubling or tripling the price of the 14 first product. Aeropostale's "free" offer representations are false, and the customer is not in fact 15 getting the bargain that Aeropostale is advertising. 16 53. Meanwhile, these "BUY 1 GET 1 FREE" or "BUY 1 GET 2 FREE" offer days, 17 on which Aeropostale increases the price of the first product to the list price, do not constitute 18 bona fide offers to sell the product at the list price because the product is <u>only</u> offered at the list 19 price when accompanied by a supposedly "FREE" offer. Thus, Aeropostale cannot credibly 20 claim to "establish" its list prices via this deceptive free offer scheme, which is itself an 21 independent unlawful act and practice. 22 V. **PLAINTIFFS' COMPREHENSIVE INVESTIGATION** 23 Plaintiffs' Allegations Are Based On A Sweeping Six-Year Investigation By Α. Plaintiffs' Counsel. 24 25 54. Plaintiffs' allegations concerning Aeropostale's false discount advertising 26 scheme are based on a comprehensive investigation by Plaintiffs' counsel of Aeropostale's 27 pricing practices for a period of over six years. Plaintiffs' counsel has been monitoring and

28 scraping the Aeropostale website on an automated daily basis with a proprietary software

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1 program since November 5, 2014. Plaintiffs' counsel has compiled and extracted daily pricing 2 and marketing data from the website for nearly all of the products Aeropostale has offered 3 during this time. In total, Plaintiffs' counsel has assembled and analyzed a comprehensive 4 historical database of daily prices and time-stamped screenshots of over 3.6 million daily 5 offerings for over 32 thousand products over this more than six-year period. (Note, while 6 counsel has been investigating the Aeropostale business since November 5, 2014, the 7 allegations of this Complaint only concern Aeropostale's actions since September 16, 2016, 8 during which time Defendants have owned and/or operated the Aeropostale business.) 9 55. Plaintiffs' counsel has also investigated brick-and-mortar Aeropostale retail 10 stores and has found that Aeropostale's false discount practices and product pricing are 11 substantially the same both online and in-store. Virtually all products that Aeropostale offers in 12 its brick-and-mortar retail stores are also available and are advertised on the Aeropostale 13 website. Based on the investigation of Plaintiffs' counsel, Aeropostale offers and advertises 14 these products with identical list prices and at substantially the same sale prices both on the 15 Aeropostale website and in its brick-and-mortar stores in California and throughout the nation. 16 Thus, Plaintiffs' counsel's comprehensive evidence, statistics, and analysis which establishes 17 the falsity of Aeropostale's discount advertising online, is equally applicable to establishing the 18 falsity of Aeropostale's discount advertising in its brick-and-mortar retail stores. 19 20 21 22 23 24

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1 56. For example, the images below demonstrate how Aeropostale's list prices, sales 2 prices, and advertised purported discounts are substantially the same both online and in-store: 3 **Aeropostale Retail Store** Aeropostale Website 4 5 6 SERIOUSLY SOFT TEES JEANS AERO WORLD CLEARANCE 7 nly Saft Crow Te 8 DEEDE: ... No Roviers Mile State LÔNG SLEEVE SERIOUSLY SOFT CREW TEE 9 \$7.87 \$39.50 FREE SHIPPING OVER 175 COLOR: BLACKFOX 10 11 XSMALL SMALL HEDIUM LARGE XLARGE XXLARCE 12 G FIT FINDER Findlys 13 ( Ship to Me n. many 8050 the constants 's 14 Please select a size and color first to view if product is in stock in your SKU 92685501 store. 15 STYLE 7167 16 007 DESCRIPTION SS & Lenously, R's re 17 ODUCT DETAILS \$ 29.50 18 a usa 💿 У 🖓 🖂 19

57. The images above are of the Aeropostale Long Sleeve Seriously Soft Crew Tee ("Crew Tee"). The photographs on the left were taken at an Aeropostale retail store on November 26, 2019. The screenshot on the right was taken the same day on Aeropostale's website of the identical Crew Tee. The top photographs on the left show the \$7.87 sale price and the \$29.50 list price printed on the item tag. On the website, Aeropostale advertised the same \$29.50 list price (here represented with a strike-through indicating it is the higher regular price), alongside the same \$7.87 sale price.

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59. The images above are of the Aeropostale A87 Solid Logo Pique Polo ("Solid Polo"). The photographs on the left were taken at an Aeropostale retail store on July 7, 2019. The screenshot on the right was taken the same day on Aeropostale's website of the identical Solid Polo. The photographs on the left show the \$10.00 sale price and the \$29.50 list price printed on the item tag. On the website, Aeropostale advertised the same \$29.50 list price (here represented with a strike-through indicating it is the higher regular price), alongside the same \$10.00 sale price.

27 60. Plaintiffs' counsel's exhaustive big-data analysis of millions of data points over
28 a six-year period for more than 32,000 products shows that Aeropostale advertises perpetual

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discounts for nearly all of its products. The percentage-off and other discounts are <u>always</u> false,
and Aeropostale's list prices (i.e., reference prices) from which the discounts are calculated are
false and inflated. In fact, for most of the products that Aeropostale advertises with a discount
or with a "Free" offer, Aeropostale has *never*—not even for a single day—offered the product
at the list price in its stores without a discount or "free" offer.

6 61. On information and belief, on those rare occasions that Aeropostale offers some 7 of its products at list price, it does so in bad faith, solely for the purpose of "establishing" its list 8 price to attempt to exculpate itself from legal liability for its illegal pricing scheme. It is 9 Aeropostale's intent to sell few if any products at list price, and in fact Aeropostale sells no, or 10 practically no, products at list price.

11 62. Also based on investigation by Plaintiffs' counsel, brick-and-mortar Aeropostale 12 mainline stores and Aeropostale "Factory" stores are substantially identical and are for all 13 intents and purposes the same. The mainline and factory stores typically advertise the same 14 store-wide "sale" events, and consistently offer identical products with identical list prices at 15 substantially the same sales prices. In addition, the Aeropostale mainline stores and the 16 Aeropostale Factory stores have substantially the same physical layout and offer substantially 17 the same customer experience.

63. Counsel's comprehensive investigation has revealed that the Aeropostale business has been perpetrating this massive false discount advertising scheme online and in Aeropostale retail stores (including throughout California) since at least November 5, 2014, through to the present day. (However, the allegations of this Complaint only concern Aeropostale's actions since September 16, 2016, during which time Defendants have owned and/or operated the Aeropostale business.)

64. The false or misleading nature of Aeropostale's reference prices and purported
discounts were at all relevant times masked or concealed or hidden such that an ordinary
consumer exercising reasonable care under all the circumstances would not have known of or
discovered their false or misleading nature.

28 65. By Aeropostale's design, the false advertising scheme by its very nature is

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hidden and impossible for the typical consumer to discover. Consumers who shopped at
 Aeropostale retail stores or on the Aeropostale website would have no way to know the true
 daily price histories and past selling prices for the products they viewed and purchased.
 Consumers would have no way to know that the list prices printed on the product tags and on
 the product webpages were fictitious and inflated and that the advertised savings were false.
 Consumers would have no way to know that Aeropostale's false discounting practices extended
 across all of Aeropostale's products and stores and sales channels.

8 66. In fact, counsel for Plaintiffs only found evidence for Aeropostale's advertising
9 scheme as part of an expensive and expansive 6-year investigation of Aeropostale's pricing
10 practices in general.

11 67. Aeropostale continues to advertise false reference prices, false discounts, and 12 false free offers in its California stores and on its website (and in its stores nationwide) to this 13 day. There is no reason to believe that Aeropostale will voluntarily and permanently cease its 14 unlawful practices. Moreover, in the unlikely event that Aeropostale were to cease its unlawful 15 practices, Aeropostale can and is likely to recommence these unlawful practices.

68. In acting toward consumers and the general public in the manner alleged herein,
Aeropostale acted with and was guilty of malice, fraud, and oppression and acted in a manner
with a strong and negative impact upon Plaintiffs, the Class, and the public.

19 20

# VI. <u>CUSTOMERS WERE HARMED AS A RESULT OF AEROPOSTALE'S FALSE</u> <u>DISCOUNT ADVERTISING SCHEME</u>

69. As a direct and proximate result of Aeropostale's false discount advertising scheme and the acts and omissions described herein, all California consumers who have purchased a product in a California Aeropostale retail store or from the Aeropostale website that was advertised with a reference price, discount, or "free" offer have been harmed, have suffered an injury-in-fact, and have lost money or property.

26 70. <u>First</u>, customers were harmed because they would not have purchased the items
27 at the prices they paid had they known the items had not been regularly offered at the higher list

28 price. Customers paid more than they otherwise would have paid for the products they

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1 purchased.

- 2 71. Second, customers were harmed because they did not enjoy the actual discounts
   3 Aeropostale represented and promised to them.
- Third, customers were harmed because the items they purchased were not in
  fact worth the inflated amount that Aeropostale represented to them. In fact, the items did not
  normally sell for, and were not actually worth, the fictitious and invented list price that
  Aeropostale printed on its price tags and on its website.

8 73. **Fourth**, customers were harmed because they were victims of Aeropostale's 9 fraud on the market. Aeropostale's false advertising scheme fraudulently increased demand for 10 Aeropostale's products, thereby shifting the demand curve and enabling Defendants to charge 11 their customers more than they otherwise could have charged. Aeropostale's fraud on the 12 market enabled Aeropostale to charge everyone more for all of its products, by artificially 13 stimulating demand based on false pretenses and fraud. But for the false advertising scheme, 14 Aeropostale would have had to charge less money for its products in order to enjoy the same 15 level of demand for its products.

16

## VII. <u>PLAINTIFFS' FACTUAL ALLEGATIONS</u>

17

Α.

## <u>Plaintiff Janette Lisner</u>

18 74. Plaintiff Janette Lisner is, and at all relevant times has been, a California
19 resident and citizen.

20 75. Ms. Lisner has been a regular shopper at Aeropostale for many years.

76. In-Store Purchase of Women's Cami. Ms. Lisner has made numerous
 purchases of purportedly discounted products in Aeropostale's brick-and-mortar stores in
 California.

77. For example, on June 22, 2020, Ms. Lisner visited an Aeropostale store located
in the Northridge Fashion Center in Northridge, California 91324.

78. While at the store, Ms. Lisner saw prominent signs that advertised significant
sales and percentage-off discounts on merchandise throughout the store.

28 79. Ms. Lisner viewed a women's basic camisole ("Cami") that had a price tag

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1 showing a price of \$6.50 and which Aeropostale advertised as being on sale for \$4.00.

80. Relying on Aeropostale's representations, Ms. Lisner reasonably believed that the Cami was normally offered for sale and sold by Aeropostale for the \$6.50 tagged price. Ms. Lisner reasonably believed that the Cami was thereby worth and had a value of \$6.50, the price set forth on the price tag by Aeropostale. Ms. Lisner reasonably believed that the advertised "sale" price of \$4.00—a purported monetary discount of \$2.50—represented a special bargain.

8 81. Relying on Aeropostale's representations, Ms. Lisner purchased five Camis 9 (three in one color, Item #96627506, one in another color, Item #92584977, and one in a third 10 color, Item #96627506).

11 82. On the paper receipt that Ms. Lisner received at the cash register and which 12 Ms. Lisner viewed, Aeropostale stated that the sale price of each Cami was "\$4.00," and that 13 Ms. Lisner was enjoying a "Discount" of "(\$2.50)" from the regular price. These 14 representations on the receipt further indicated to Ms. Lisner that each Cami had a value of and 15 was normally and regularly sold by Aeropostale for \$6.50, and that the \$4.00 sale price she 16 paid was a bargain price after Aeropostale applied a "Discount" that resulted in a monetary 17 savings of "(\$2.50)."

18 83. However, the \$6.50 reference price printed on Aeropostale's price tag and the
advertised discount of \$2.50 were false and deceptive. In reality, and unbeknownst to
20 Ms. Lisner, Aeropostale had never offered the Cami at the purported regular price of \$6.50 in
21 its stores.

84. Online Purchase of Shelf Cami. Ms. Lisner has also made purchases of
purportedly discounted products from Aeropostale's website.

85. On October 5, 2020, Ms. Lisner visited the Aeropostale website to shop for
clothing items. Ms. Lisner viewed and ultimately purchased several items from the website that
day. For example, Ms. Lisner viewed webpages advertising a shelf camisole ("Shelf Cami").
86. On the product webpage for the Shelf Cami, Ms. Lisner viewed several
representations, including a reference price and a sale price for the Shelf Cami. Ms. Lisner

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1 viewed a strike-through reference price of "\$10.50." Directly below the reference price, Ms.

2 Lisner viewed the sale price of \$4.40.

87. Relying on Aeropostale's representations, Ms. Lisner reasonably believed that the Shelf Cami was normally offered for sale and sold by Aeropostale for the \$10.50 reference price. Ms. Lisner reasonably believed that the Shelf Cami was thereby worth and had a value of \$10.50. Ms. Lisner reasonably believed that the advertised "sale" price of \$4.40—a purported monetary discount of \$6.10—represented a special bargain.

8 88. Relying on Aeropostale's representations, Ms. Lisner purchased two Shelf
9 Camis (Item #022918350).

10 89. However, the advertised regular price and discount for the Shelf Camis were
11 false and deceptive because, unbeknownst to Ms. Lisner, Aeropostale had never offered the
12 Shelf Camis at their advertised regular price of \$10.50.

90. The products purchased by Ms. Lisner from Aeropostale were not in fact worth
the advertised regular prices that Aeropostale had led Ms. Lisner to believe. Contrary to
Aeropostale's representations, Ms. Lisner did not enjoy the advertised and promised savings for
the products that she purchased.

17 91. Aeropostale's advertised false reference prices and advertised false discounts
18 were material misrepresentations and inducements to Ms. Lisner's purchases.

92. As a direct and proximate result of Aeropostale's acts and omissions, Ms. Lisner
was harmed, suffered an injury-in-fact, and lost money or property.

93. Ms. Lisner reasonably relied on Aeropostale's material misrepresentations. If Ms. Lisner had known the truth, she would not have purchased the Camis or Shelf Camis or any of the other products she purchased from Aeropostale at the prices she paid. Ms. Lisner did not enjoy the actual discounts Aeropostale represented and promised to her. The products were not in fact worth the inflated amounts that Aeropostale represented to her. Additionally, Aeropostale's false advertising scheme fraudulently increased demand for Aeropostale's products, thereby shifting the demand curve and enabling Aeropostale to charge Ms. Lisner

28 more for its products than Aeropostale otherwise could have charged.

1 94. Ms. Lisner has a legal right to rely now, and in the future, on the truthfulness 2 and accuracy of Aeropostale's representations regarding its advertised reference prices and 3 discounts.

4 95. Ms. Lisner has been a regular shopper at Aeropostale, and would shop there
5 again if she could have confidence regarding the truth of Aeropostale's prices and the value of
6 its products.

96. Ms. Lisner will be harmed if, in the future, she is left to guess as to whether
Aeropostale is providing a legitimate sale or not, and whether products are actually worth the
amount that Aeropostale is representing.

97. If Ms. Lisner were to purchase again from Aeropostale without Aeropostale
having changed its unlawful and deceptive conduct alleged herein, Ms. Lisner would be
harmed on an ongoing basis and would be harmed once or more in the future.

13

## B. <u>Plaintiff Jennifer Quiroz Nunez</u>

14 98. Plaintiff Jennifer Quiroz Nunez is, and at all relevant times has been, a
15 California resident and citizen.

99. Ms. Nunez has been a regular shopper at Aeropostale for many years. She has
made numerous purchases of purportedly discounted products in Aeropostale's brick-andmortar stores in California.

19 100. For example, on March 29, 2021, Ms. Nunez visited an Aeropostale store
20 located in the Visalia Mall in Visalia, California 93277.

21 101. While at the store, Ms. Nunez saw prominent signs that advertised significant
22 sales and percentage-off discounts on merchandise throughout the store.

102. Ms. Nunez viewed signage adjacent to several pairs of denim shorts that
advertised that the shorts were "BUY 1 GET 1 FREE." Ms. Nunez viewed the price tags
attached to two pairs of denim shorts, which each showed a price of \$59.95.

Relying on Aeropostale's representations, Ms. Nunez reasonably believed that
 the denim shorts were normally offered for sale and sold by Aeropostale for the \$59.95 tagged

28 price. Ms. Nunez reasonably believed that the denim shorts were thereby worth and had a value

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of \$59.95, the price set forth on the price tag by Aeropostale. Ms. Nunez reasonably believed
 that the advertised "BUY 1 GET 1 FREE" offer—a purported monetary discount of \$59.95 for
 purchasing two pairs of denim shorts—represented a special bargain.

104. Relying on Aeropostale's representations, Ms. Nunez purchased one pair of
denim shorts for \$59.95 (Item #93390793) and received a second pair of denim shorts,
purportedly for "free" (Item #93412967).

7 105. On the paper receipt that Ms. Nunez received at the cash register and which 8 Ms. Nunez viewed, Aeropostale made additional product pricing and value representations 9 regarding the pairs of denim shorts. Aeropostale printed on the receipt that the regular price for 10 each pair of denim shorts was "\$59.95," and that the second pair of denim shorts was "100.0% 11 Off" the regular price of \$59.95, comprising a monetary discount of "(\$59.95)." These 12 representations on the receipt further indicated to Ms. Nunez that each pair of denim shorts had 13 a value of and was normally and regularly sold by Aeropostale for \$59.95, and that the "free" 14 pair of denim shorts she received after paying the full regular price for the first pair of denim 15 shorts was a bargain price after Aeropostale applied a special "BUY 1 GET 1 FREE" discount 16 that resulted in a monetary savings of "(\$59.95)."

17 106. However, the \$59.95 reference price printed on Aeropostale's price tag and 18 receipt, the advertised discount of "BUY 1 GET 1 FREE," and the \$59.95 in claimed monetary 19 savings were false and deceptive. In reality, and unbeknownst to Ms. Nunez, Aeropostale had 20 never offered either pair of denim shorts in its stores at the purported regular price of \$59.95. 21 The denim shorts were not in fact worth the \$59.95 price that Aeropostale had led her to 22 believe. Each pair of denim shorts had nearly always been advertised with a "BUY 1 GET 1 23 FREE" offer or with a "50% OFF" discount from the \$59.95 purported regular price. Contrary 24 to Aeropostale's representations, Ms. Nunez did not enjoy the advertised and promised savings 25 of \$59.95 for the "free" pair of denim shorts.

26 107. Aeropostale's advertised false reference prices and advertised false free offer
27 were material misrepresentations and inducements to Ms. Nunez's purchase.

28 108. As a direct and proximate result of Aeropostale's acts and omissions, Ms. Nunez

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1 was harmed, suffered an injury-in-fact, and lost money or property.

2 109. Ms. Nunez reasonably relied on Aeropostale's material misrepresentations. If 3 Ms. Nunez had known the truth, she would not have purchased the pairs of denim shorts from 4 Aeropostale at the price she paid. Ms. Nunez did not enjoy the actual discount Aeropostale 5 represented and promised to her. The pairs of denim shorts were not in fact worth the inflated 6 amount that Aeropostale represented to her. In fact, the pairs of denim shorts did not normally 7 sell for, and were not actually worth, the fictitious and invented list price that Aeropostale 8 printed on its price tag and on the receipt. Additionally, Aeropostale's false advertising scheme 9 fraudulently increased demand for Aeropostale's products including the denim shorts, thereby 10 shifting the demand curve and enabling Aeropostale to charge Ms. Nunez more for the pairs of 11 denim shorts than Aeropostale otherwise could have charged.

12 110. Ms. Nunez has a legal right to rely now, and in the future, on the truthfulness
13 and accuracy of Aeropostale's representations regarding its advertised reference prices and
14 discounts.

15 111. Ms. Nunez has been a regular shopper at Aeropostale, and would shop there
again if she could have confidence regarding the truth of Aeropostale's prices and the value of
its products.

18 112. Ms. Nunez will be harmed if, in the future, she is left to guess as to whether 19 Aeropostale is providing a legitimate sale or not, and whether products are actually worth the 20 amount that Aeropostale is representing.

113. If Ms. Nunez were to purchase again from Aeropostale without Aeropostale
having changed its unlawful and deceptive conduct alleged herein, Ms. Nunez would be
harmed on an ongoing basis and would be harmed once or more in the future.

24

#### Plaintiff James Andrews

25 114. Plaintiff James Andrews is, and at all relevant times has been, a California
26 resident and citizen.

27 115. Mr. Andrews has been a regular shopper at Aeropostale for many years. He has
28 made numerous purchases of purportedly discounted products in Aeropostale's brick-and-

**C**.

1 mortar stores in California.

- 116. For example, on November 7, 2019, Mr. Andrews visited an Aeropostale store
  located in the Moreno Valley Mall in Moreno Valley, California 92553.
- Prior to entering the store, Mr. Andrews saw a large sign hanging in the window
  by the storefront entrance advertising "Up to 70% OFF" all items in the store. While at the
  store, Mr. Andrews saw prominent signs that advertised significant sales and percentage-off
  discounts on merchandise throughout the store.
- 8 118. Mr. Andrews viewed signage adjacent to a black knit hat ("Hat") which 9 advertised that the Hat was on sale for "60% OFF." Mr. Andrews also viewed the price tag 10 attached to the Hat, which showed a price of \$19.50.
- 11 119. Relying on Aeropostale's representations, Mr. Andrews reasonably believed that 12 the Hat was normally offered for sale and sold by Aeropostale for the \$19.50 tagged price. Mr. 13 Andrews reasonably believed that the Hat was thereby worth and had a value of \$19.50, the 14 price set forth on the price tag by Aeropostale. Mr. Andrews reasonably believed that the 15 advertised discount of "60% OFF"—which resulted in a purported "sale" price of \$7.80 and a 16 purported monetary discount of \$11.70—represented a special bargain.

17 120. Relying on Aeropostale's representations, Mr. Andrews purchased the Hat18 (Item #92652883).

19 121. On the paper receipt that Mr. Andrews received at the cash register and which 20 Mr. Andrews viewed, Aeropostale made additional product pricing and value representations 21 regarding the Hat. Aeropostale printed on the receipt that the sale price of the Hat was "\$7.80," 22 and that Mr. Andrews was enjoying a "PROMO" of "60% OFF" the regular price of "\$19.50" 23 and a monetary discount of "(\$11.70)." These representations on the receipt further indicated 24 to Mr. Andrews that the Hat had a value of and was normally and regularly sold by Aeropostale 25 for \$19.50, and that the lower \$7.80 price he paid was a bargain price after Aeropostale applied 26 a special "60% OFF" "PROMO" discount that resulted in a monetary savings of "(\$11.70)." 27 122. However, the \$19.50 reference price printed on Aeropostale's price tag and 28 receipt and the advertised discounts of "60% OFF" and \$11.70 in monetary savings were false

and deceptive. In reality, and unbeknownst to Mr. Andrews, Aeropostale had never offered the
 Hat at the purported regular price of \$19.50 in its stores.

3 123. Aeropostale's advertised false reference prices and advertised false discounts
4 were material misrepresentations and inducements to Mr. Andrews' purchase.

5 124. As a direct and proximate result of Aeropostale's acts and omissions, Mr.
6 Andrews was harmed, suffered an injury-in-fact, and lost money or property.

7 125. Mr. Andrews reasonably relied on Aeropostale's material misrepresentations. If 8 Mr. Andrews had known the truth, he would not have purchased the Hat from Aeropostale at 9 the price he paid. Mr. Andrews did not enjoy the discount Aeropostale represented and 10 promised to him. The Hat was not in fact worth the inflated amount that Aeropostale 11 represented to him. In fact, the Hat did not normally sell for, and was not actually worth, the 12 fictitious and invented list price that Aeropostale printed on its price tag and on the receipt. 13 Additionally, Aeropostale's false advertising scheme fraudulently increased demand for 14 Aeropostale's products including the Hat, thereby shifting the demand curve and enabling 15 Aeropostale to charge Mr. Andrews more for the Hat than Aeropostale otherwise could have 16 charged.

17 126. Mr. Andrews has a legal right to rely now, and in the future, on the truthfulness
18 and accuracy of Aeropostale's representations regarding its advertised reference prices and
19 discounts.

20 127. Mr. Andrews has been a regular shopper at Aeropostale, and would shop there
21 again if he could have confidence regarding the truth of Aeropostale's prices and the value of
22 its products.

128. Mr. Andrews will be harmed if, in the future, he is left to guess as to whether
Aeropostale is providing a legitimate sale or not, and whether products are actually worth the
amount that Aeropostale is representing.

129. If Mr. Andrews were to purchase again from Aeropostale without Aeropostale
having changed its unlawful and deceptive conduct alleged herein, Mr. Andrews would be
harmed on an ongoing basis and would be harmed once or more in the future.

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# 1 VIII. <u>CLASS ACTION ALLEGATIONS</u>

2 130. Plaintiffs bring this class-action lawsuit on behalf of themselves and the 3 members of the following class (the "Class"): 4 All citizens of the State of California who, within the applicable limitations period, purchased from an Aeropostale store located in 5 California or from the Aeropostale website one or more products which was advertised or promoted by displaying or disseminating a 6 reference price or discount or a "Buy 1 Get 1 Free" or "Buy 1 Get 2 Free" offer. 7 8 All claims and the Class definition are limited to claims which have not been 131. 9 discharged in bankruptcy. 10 132. Specifically excluded from the Class are the Defendants, any entity in which a 11 Defendant has a controlling interest or which has a controlling interest in a Defendant, each 12 Defendant's agents and employees and attorneys, the bench officers to whom this civil action is 13 assigned, and the members of each bench officer's staff and immediate family. 14 133. *Numerosity.* Plaintiffs do not know the exact number of Class members but is 15 informed and believe that the Class easily comprises tens of thousands of individuals. As such, 16 Class members are so numerous that joinder of all members is impracticable. 17 134. Commonality and Predominance. Well-defined, nearly identical legal or factual 18 questions affect the members of the Class. These questions predominate over questions that 19 might affect individual Class members. These common questions include, but are not limited 20 to, the following: 21 Aeropostale's policies and actions regarding its advertising; а. 22 b. The accuracy of Aeropostale's advertised reference prices and discounts; 23 The accuracy of Aeropostale's advertised free offers such as "Buy 1 Get C. 24 1 Free" and "Buy 1 Get 2 Free"; 25 d. Whether the alleged conduct of Aeropostale violates California Civil 26 Code § 1750 et seq., California Business & Professions Code § 17500 et seq., and California 27 Business & Professions Code § 17200 et seq.; 28 Whether Plaintiffs and the Class have suffered injury and have lost e.

1 money or property as a result of such false or misleading discounts and reference prices;

2 f. Whether Defendants should be ordered to disgorge their unjust
3 enrichment; and

4 g. Whether Aeropostale should be enjoined from further engaging in the
5 misconduct alleged herein.

6 135. The prosecution of separate actions by individual members of the Class would 7 create a risk of inconsistent or varying adjudications with respect to individual members of the 8 Class which would establish incompatible standards of conduct for the party opposing the 9 Class.

10 136. The party opposing the Class has acted or refused to act on grounds generally
11 applicable to the Class, thereby making appropriate final injunctive relief with respect to the
12 Class as a whole.

13 137. *Typicality.* Plaintiffs' claims are typical of Class members' claims. Plaintiffs and
 14 Class members all sustained injury as a result of Defendants' practices and schemes.

15 138. Adequacy. Plaintiffs will fairly and adequately protect Class members' interests.
 Plaintiffs have no interests antagonistic to Class members' interests. Plaintiffs have retained
 counsel who have considerable experience and success in prosecuting complex class action and
 consumer protection cases.

19 139. Further, a class action is superior to all other available methods for fairly and 20 efficiently adjudicating this controversy. Each Class member's interests are small compared to 21 the burden and expense required to litigate each of their claims individually, so it would be 22 impractical and would not make economic sense for Class members to seek individual redress 23 for Aeropostale's conduct. Individual litigation would add administrative burden on the courts, 24 increasing the delay and expense to all parties and to the court system. Individual litigation 25 would also create the potential for inconsistent or contradictory judgments regarding the same 26 uniform conduct. A single adjudication would create economies of scale and comprehensive 27 supervision by a single judge. Moreover, Plaintiffs do not anticipate any difficulties in 28 managing a class action trial.

CLASS ACTION COMPLAINT

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1	140.	By its conduct and omissions alleged herein, Aeropostale has acted and refused
2	to act on grou	inds that apply generally to the Class, such that final injunctive relief and
3	declaratory re	lief is appropriate respecting the Class as a whole.
4		CAUSES OF ACTION
5		COUNT I
6		Violation of the Consumers Legal Remedies Act California Civil Code § 1750 <i>et seq</i> .
7	141.	Plaintiffs reallege and incorporate by reference all paragraphs alleged
8	hereinbefore.	
9	142.	Plaintiffs bring this claim in their individual capacities, as private attorneys
10	general seekir	ng the imposition of public injunctive relief, and as representatives of a putative
11	class.	
12	143.	Each of Defendants Aero OpCo LLC, SPARC Group LLC, Aero Operations
13	LLC, and each	h Doe defendant is a "person," as defined by California Civil Code § 1761(c).
14	144.	Plaintiffs Janette Lisner, Jennifer Quiroz Nunez, and James Andrews are each a
15	"consumer," a	as defined by California Civil Code § 1761(d).
16	145.	The Aeropostale products purchased by each Plaintiff from Aeropostale are
17	"goods" as de	fined by California Civil Code § 1761(a).
18	146.	Plaintiffs' purchases from Aeropostale each constitutes a "transaction," as
19	defined by Ca	lifornia Civil Code § 1761(e).
20	147.	The unlawful methods, acts or practices alleged herein to have been undertaken
21	by Aeropostal	e were all committed intentionally. The unlawful methods, acts or practices
22	alleged herein	to have been undertaken by Aeropostale did not result from a bona fide error
23	notwithstandi	ng the use of reasonable procedures adopted to avoid such error.
24	148.	With regard to this count of the pleading which alleges one or more violations of
25	the CLRA, ve	nue is proper in the Los Angeles County Superior Court because, without
26	limitation, the	County of Los Angeles is the county in which at least one transaction which is
27	the subject of	this Complaint occurred. A declaration establishing that this Court has proper
28	venue for this	count is attached hereto as Exhibit A.

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1	149.	Aeropostale's methods, acts and practices, inclu	ding Aeropostale's			
2	misrepresenta	ions, active concealment, and failures to disclose	e, violated and continue to			
3	violate the CLRA in ways including, but not limited to, the following:					
4		a. Aeropostale misrepresented that its prod	ucts had characteristics, benefits,			
5	or uses that th	ey did not have (Cal. Civ. Code § 1770(a)(5));				
6		b. Aeropostale advertised its products with	an intent not to sell them as			
7	advertised (C	l. Civ. Code § 1770(a)(9));				
8		c. Aeropostale made false or misleading sta	atements of fact concerning			
9	reasons for, e	istence of, or amounts of, price reductions. (Cal.	Civ. Code § 1770(a)(13)); and			
10		d. Aeropostale represented that its products	were supplied in accordance			
11	with previous	representations when they were not (Cal. Civ. Co	ode § 1770(a)(16)).			
12	150.	With respect to omissions, Aeropostale at all rel	evant times had a duty to			
13	disclose the in	formation in question because, inter alia: (a) Aer	opostale had exclusive			
14	knowledge of material information that was not known to Plaintiffs and the Class;					
15	(b) Aeroposta	e concealed material information from Plaintiffs	and the Class; and			
16	(c) Aeroposta	e made partial representations which were false a	and misleading absent the			
17	omitted inform	nation.				
18	151.	Aeropostale's misrepresentations and nondisclo	sures deceive and have a			
19	tendency to d	ceive the general public.				
20	152.	Aeropostale's misrepresentations and nondisclo	sures are material, in that a			
21	reasonable pe	son would attach importance to the information a	and would be induced to act on			
22	the information	n in making purchase decisions.				
23	153.	As a direct and proximate result of these violation	ons, Plaintiffs and the Class were			
24	harmed, suffe	ed injury-in-fact, and lost money.				
25	154.	First, Plaintiffs and the Class were harmed beca	use they would not have			
26	purchased the	items at the prices they paid had they known the	items had not been regularly			
27	offered at the	nigher list price.				
28	155.	Second, Plaintiffs and the Class were harmed be	cause they did not enjoy the			
	CLASS ACTION	COMPLAINT	HATTIS & LUKACS 400 108 <sup>th</sup> Avenue Suite 500			

1 actual discounts Aeropostale represented and promised to them.

156. Third, Plaintiffs and the Class were harmed because the items they purchased
were not in fact worth the inflated amount that Aeropostale represented to them. In fact, the
items did not normally sell for, and were not actually worth, the fictitious and invented list
price that Aeropostale printed on its price tags and listed on its website.

6 157. Fourth, Plaintiffs and the Class were harmed because they were victims of 7 Aeropostale's fraud on the market. Aeropostale's false advertising scheme fraudulently 8 increased demand for Aeropostale's products, thereby shifting the demand curve and enabling 9 Defendants to charge their customers more than they otherwise could have charged. 10 Aeropostale's fraud on the market enabled Aeropostale to charge everyone more for all of its 11 products, by artificially stimulating demand based on false pretenses and fraud. But for the 12 false advertising scheme, Aeropostale would have had to charge less money for its products in 13 order to enjoy the same level of demand for its products.

14 158. Aeropostale's conduct alleged herein caused substantial injury to Plaintiffs, the 15 Class, and the public. Aeropostale's conduct is ongoing and is likely to continue and recur 16 absent a permanent injunction. Accordingly, Plaintiffs seek an order enjoining Aeropostale 17 from committing such practices. Plaintiffs also seek attorneys' fees and costs.

18 159. Plaintiffs individually seek public injunctive relief, under the CLRA, to protect
19 the general public from Aeropostale's false discount advertising and omissions.

20 160. In accordance with California Civil Code § 1782(a), on April 29, 2021,

21 Plaintiffs' counsel, on behalf of Plaintiff James Andrews, served Aeropostale with notice of its

22 CLRA violations by certified mail, return receipt requested. On June 2, 2021, Plaintiffs'

23 counsel, on behalf of Plaintiffs Janette Lisner and Jennifer Quiroz Nunez, likewise served

24 Aeropostale with notice of its CLRA violations by certified mail, return receipt requested.

161. If Aeropostale fails to provide appropriate relief for its CLRA violations within
30 days of its receipt of Plaintiffs' June 2, 2021 notification letter, Plaintiffs will amend this

27 complaint to seek compensatory and exemplary damages as permitted by Cal. Civ. Code §§

28 1780 and 1782(b), along with attorneys' fees and costs.

1 **COUNT II** Violation of California's False Advertising Law 2 California Business and Professions Code § 17500 et seq. Plaintiffs reallege and incorporates by reference all paragraphs alleged 162. 3 hereinbefore. 4 163. Plaintiffs bring this claim in their individual capacities, as private attorneys 5 general seeking the imposition of public injunctive relief, and as representatives of a putative 6 class. 7 164. Aeropostale has engaged in false or misleading advertising in violation of 8 California's statutory False Advertising Law ("FAL"). 9 Aeropostale has advertised reference prices and corresponding discounts that are 165. 10 false, misleading, and have a capacity, likelihood or tendency to deceive reasonable consumers. 11 See, e.g., Kasky, 27 Cal.4th at 951 (UCL and FAL prohibit "not only advertising which is false, 12 but also advertising which, although true, is either actually misleading or which has a capacity, 13 likelihood or tendency to deceive or confuse the public" (citation omitted)); Hansen v. 14 Newegg.com Americas, Inc., 25 Cal.App. 5th 714, 722 (2018) (same); Overstock.com, Inc., 15 2014 WL 657516, at \*23 (same). 16 Aeropostale, with intent directly or indirectly to dispose of personal property or 166. 17 to perform services, or to induce the public to enter into any obligation relating thereto, makes, 18 disseminates, has made or disseminated, causes to be made or disseminated, and has caused to 19 be made or disseminated, before the public in the State of California and throughout the United 20 States, in any newspaper or other publication, or any advertising device, or by public outcry or 21 22 by proclamation, or in any other manner or means, including over the Internet, statements concerning that personal property or those services, and concerning any circumstance or matter 23 of fact connected with the proposed performance or disposition thereof, which are untrue or 24 25 misleading and which are known (or which by the exercise of reasonable care should be known) to be untrue or misleading. 26 167. Independently, Aeropostale has made or disseminated or caused to be so made 27 28 or disseminated any such statement as part of a plan or scheme with the intent not to sell that

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personal property or those services, professional or otherwise, so advertised at the price stated
 therein, or as so advertised.

168. With respect to omissions, Aeropostale at all relevant times had a duty to
disclose the information in question because, inter alia: (a) Aeropostale had exclusive
knowledge of material information that was not known to Plaintiffs and the Class;
(b) Aeropostale concealed material information from Plaintiffs and the Class; and
(c) Aeropostale made partial representations which were false and misleading absent the
omitted information.

9 169. Aeropostale committed such violations of the False Advertising Law with actual 10 knowledge that its advertising was untrue or misleading, or Aeropostale, in the exercise of 11 reasonable care, should have known that its advertising was untrue or misleading.

12 170. Plaintiffs and the Class reasonably relied on Aeropostale's representations and
13 omissions made in violation of the False Advertising Law.

14 171. As a direct and proximate result of these violations, Plaintiffs and the Class were
15 harmed, suffered injury-in-fact, and lost money.

16 172. First, Plaintiffs and the Class were harmed because they would not have
17 purchased the items at the prices they paid had they known the items had not been regularly
18 offered at the higher list price.

19 173. Second, Plaintiffs and the Class were harmed because they did not enjoy the
20 actual discounts Aeropostale represented and promised to them.

21 174. Third, Plaintiffs and the Class were harmed because the items they purchased 22 were not in fact worth the inflated amount that Aeropostale represented to them. In fact, the 23 items did not normally sell for, and were not actually worth, the fictitious and invented list 24 price that Aeropostale printed on its price tags and listed on its website.

175. Fourth, Plaintiffs and the Class were harmed because they were victims of
Aeropostale's fraud on the market. Aeropostale's false advertising scheme fraudulently
increased demand for Aeropostale's products, thereby shifting the demand curve and enabling

28 Defendants to charge their customers more than they otherwise could have charged.

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Aeropostale's fraud on the market enabled Aeropostale to charge everyone more for all of its
 products, by artificially stimulating demand based on false pretenses and fraud. But for the
 false advertising scheme, Aeropostale would have had to charge less money for its products in
 order to enjoy the same level of demand for its products.

5 176. Aeropostale should be ordered to disgorge or make restitution of all monies
6 improperly accepted, received or retained.

177. Aeropostale's conduct has caused substantial injury to Plaintiffs, the Class, and
the public. Aeropostale's conduct is ongoing and is likely to continue and recur absent a
permanent injunction. Accordingly, Plaintiffs seek an order enjoining Aeropostale from
committing such violations of the FAL. Plaintiffs further seeks an order granting restitution to
Plaintiffs and the Class in an amount to be proven at trial. Plaintiffs further seek an award of
attorneys' fees and costs under Cal. Code Civ. Proc. § 1021.5.

13 178. Absent injunctive relief, Aeropostale will continue to injure Plaintiffs and the
14 Class. Aeropostale's misrepresentations and omissions are ongoing. Even if such conduct were
15 to cease, it is behavior that is capable of repetition or reoccurrence by Aeropostale.

16 179. Plaintiffs individually seek public injunctive relief, under the FAL, to protect the
17 general public from Aeropostale's false discount price advertising and omissions.

- 18
- 19

#### <u>COUNT III</u> Violation of California's Unfair Competition Law California Business and Professions Code § 17200 *et seq.*

20 180. Plaintiffs reallege and incorporate by reference all paragraphs alleged
21 hereinbefore.

181. Plaintiffs bring this claim in their individual capacities, as private attorneys
general seeking the imposition of public injunctive relief, and as representatives of a putative
class.

182. Defendant Aeropostale's acts and omissions alleged herein constitute unfair
competition and unlawful, unfair, or fraudulent business practices in violation of California
Business and Professions Code § 17200 *et seq*. (the "Unfair Competition Law" or "UCL").
183. Aeropostale's conduct and omissions alleged herein are immoral, unethical,

oppressive, unscrupulous, unconscionable, and substantially injurious to Plaintiffs and the
 Class. There is no utility to Aeropostale's conduct, and even if there were any utility, it would
 be significantly outweighed by the gravity of the harm to consumers caused by Aeropostale's
 conduct alleged herein.

184. Aeropostale's conduct and omissions alleged herein also violate California
public policy, including as such policy is reflected in Cal. Civ. Code § 1750 *et seq.* and Cal.
Civ. Code §§ 1709-1710.

8 185. By its conduct and omissions alleged herein, Aeropostale has violated the 9 "unlawful" prong of the UCL, including by making material misrepresentations and omissions 10 in violation of Cal. Bus. & Prof. Code § 17500 *et seq.* and Cal. Civ. Code § 1750, *et seq.*; 11 engaging in deceit in violation of Cal Civ. Code §§ 1709-1710; and employing deceptive 12 discount price advertisements as identified by 16 C.F.R § 233.1 *et seq.* and 16 C.F.R. § 251.1.

13 186. Aeropostale has violated the "fraudulent" prong of the UCL by advertising its
14 products with a false and inflated reference price, with a false discount, and with a false "free"
15 offer.

16 187. With respect to omissions, Aeropostale at all relevant times had a duty to
17 disclose the information in question because, inter alia: (a) Aeropostale had exclusive
18 knowledge of material information that was not known to Plaintiffs and the Class;
19 (b) Aeropostale concealed material information from Plaintiffs and the Class; and
20 (c) Aeropostale made partial representations which were false and misleading absent the
21 omitted information.

188. Aeropostale's material misrepresentations and nondisclosures were likely to
 mislead reasonable consumers, existing and potential customers, and the general public.

24 189. Aeropostale's misrepresentations and nondisclosures deceive and have a
25 tendency to deceive the general public and reasonable consumers.

26 190. Aeropostale's misrepresentations and nondisclosures are material, such that a
27 reasonable person would attach importance to the information and would be induced to act on
28 the information in making purchase decisions.

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1 191. Plaintiffs and the Class reasonably relied on Aeropostale's representations and 2 omissions made in violation of the UCL.

3 192. As a direct and proximate result of these violations, Plaintiffs and the Class were 4 harmed, suffered injury-in-fact, and lost money.

5 193. First, Plaintiffs and the Class were harmed because they would not have 6 purchased the items at the prices they paid had they known the items had not been regularly 7 offered at the higher list price.

8 194. Second, Plaintiffs and the Class were harmed because they did not enjoy the 9 actual discounts Aeropostale represented and promised to them.

10 195. Third, Plaintiffs and the Class were harmed because the items they purchased 11 were not in fact worth the inflated amount that Aeropostale represented to them. In fact, the 12 items did not normally sell for, and were not actually worth, the fictitious and invented list 13 price that Aeropostale printed on its price tags and listed on its website.

14 196. Fourth, Plaintiffs and the Class were harmed because they were victims of 15 Aeropostale's fraud on the market. Aeropostale's false advertising scheme fraudulently 16 increased demand for Aeropostale's products, thereby shifting the demand curve and enabling 17 Defendants to charge their customers more than they otherwise could have charged. 18 Aeropostale's fraud on the market enabled Aeropostale to charge everyone more for all of its 19 products, by artificially stimulating demand based on false pretenses and fraud. But for the 20 false advertising scheme, Aeropostale would have had to charge less money for its products in 21 order to enjoy the same level of demand for its products.

22 197. By its conduct and omissions alleged herein, Aeropostale received more money 23 from Plaintiffs and the Class than it should have received, and that money is subject to 24 restitution.

25 198. Aeropostale's conduct has caused substantial injury to Plaintiffs, Class 26 members, and the public. Aeropostale's conduct is ongoing and is likely to continue and recur 27 absent a permanent injunction. Accordingly, Plaintiffs seek an order enjoining Aeropostale 28 from committing such unlawful, unfair, and fraudulent business practices. Plaintiffs further **HATTIS & LUKACS** CLASS ACTION COMPLAINT 400 108<sup>th</sup> Avenue, Suite 500 Bellevue, WA 98004 425.233.8650 | FAX: 425.412.7171

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1 seek an order granting restitution to Plaintiffs and the Class in an amount to be proven at trial.

2 Plaintiffs further seek an award of attorneys' fees and costs under Cal. Code Civ. Proc. §

3 1021.5.

4 199. Absent injunctive relief, Aeropostale will continue to injure Plaintiffs and the
5 Class. Aeropostale's misrepresentations and omissions are ongoing. Even if such conduct were
6 to cease, it is behavior that is capable of repetition or reoccurrence by Aeropostale.

Plaintiffs individually seek public injunctive relief, under the UCL, to protect
the general public from Aeropostale's false discount advertising and omissions.

9

## PRAYER FOR RELIEF

10 A. In order to prevent injury to the general public, Plaintiffs Janette Lisner, Jennifer

11 Quiroz Nunez, and James Andrews each individually request that the Court enter a public

injunction enjoining Defendants from advertising false reference prices, false discounts, andfalse "free" offers.

B. Further, on behalf of themselves and the proposed Class, Plaintiffs request that
the Court order relief and enter judgment against Defendants as follows:

16 1. Declare this action to be a proper class action, certify the Class, and 17 appoint Plaintiffs and their counsel to represent the Class;

18 2. Order disgorgement or restitution, including, without limitation,

19 disgorgement of all revenues, profits and unjust enrichment that each Defendant obtained,

20 directly or indirectly, from Plaintiffs and the members of the Class or otherwise as a result of

21 the unlawful conduct alleged herein;

3. Permanently enjoin each Defendant from the unlawful conduct alleged
herein;

24 4. Retain jurisdiction to police each Defendant's compliance with the
25 permanent injunctive relief;

26 5. Order each Defendant to pay attorneys' fees, costs, and pre-judgment
27 and post-judgment interest to the extent allowed by law; and

28

6. Provide all other relief to which Plaintiffs and the Class may show

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1	themselves justly entitled.				
2	JURY DEMAND				
3	Plaintiffs Janette Lisner, Jennifer Quiroz Nunez, and James Andrews, on behalf of				
4	themselves and on behalf of the Class, demand a trial by jury on all issues so triable.				
5					
6	DATED this 3rd day of June, 2021.				
7	Presented by:				
8	HATTIS & LUKACS				
9	By: Dal AA				
10	Daniel M. Hattis (SBN 232141)				
11	Paul Karl Lukacs (SBN 197007) HATTIS & LUKACS				
12	400 108 <sup>th</sup> Avenue NE, Suite 500 Bellevue, WA 98004				
13	Telephone: (425) 233-8650 Facsimile: (425) 412-7171				
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18	Marlton, New Jersey 08057 Telephone: (856) 797-9951				
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21	Attorneys for Plaintiffs and the Proposed Class				
22	*Pro hac vice application to be submitted.				
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