

1 Dennis Stewart (#99152)  
2 **GUSTAFSON GLUEK PLLC**  
3 600 W. Broadway  
4 Suite 3300  
5 San Diego, CA 92101  
6 Tel: (612) 333-8844  
7 dstewart@gustafsongluek.com

8 [Additional Counsel on Signature Page]

9 **UNITED STATES DISTRICT COURT**  
10 **NORTHERN DISTRICT OF CALIFORNIA**

11	MICHELLE SALINAS and	)	Case No. _____
12	RAYMEL WASHINGTON,	)	
13	individually and on behalf of	)	<b><u>CLASS ACTION COMPLAINT</u></b>
14	all others similarly situated,	)	
15	Plaintiffs,	)	
16	v.	)	<b><u>DEMAND FOR JURY TRIAL</u></b>
17	BLOCK, INC. and CASH	)	
18	APP INVESTING, LLC,	)	
19	Defendants.	)	

20 Individually and on behalf of others similarly situated, Plaintiffs Michelle Salinas  
21 (“Salinas” or “Plaintiff Salinas”) and Raymel Washington (“Washington” or “Plaintiff  
22 Washington”) bring this action against Defendants Block, Inc. (“Block”) and Cash App  
23 Investing, LLC, (“Cash App Investing”) (collectively, the “Defendants”). Plaintiffs’ allegations  
24 are based upon personal knowledge as to themselves and their own acts, and upon information  
25 and belief as to all other matters based on the investigation conducted by and through Plaintiffs’  
26 attorneys. Plaintiffs believe that substantial additional evidentiary support for the allegations set  
27 forth herein exists and will be revealed after a reasonable opportunity for discovery.

28

**INTRODUCTION**

1  
2 1. This is a class action for damages against Defendants for their failure to exercise  
3 reasonable care in securing and safeguarding consumer information in connection with a massive  
4 December 2021 data breach (the “Data Breach”) that resulted in the unauthorized public release  
5 of the personally identifiable information of 8.2 million current and former Cash App Investing  
6 customers, including Plaintiffs’ and proposed “Class” (defined below) members’ full names and  
7 brokerage account numbers (which are the personal identification numbers associated with Cash  
8 App Investing customers’ stock activity on the Cash App Investing platform), the value and  
9 holdings of brokerage portfolios, and trading activity (collectively, the “PII” or “Private  
10 Information”).<sup>1</sup>

11 2. According to Block’s disclosure of the Data Breach, a former employee who had  
12 access to the Private Information belonging to Cash App Investing users during his tenure  
13 downloaded the data without Defendants’ authorization.<sup>2</sup>

14 3. Cash App Investing is a stock trading platform by Block (formerly Square, Inc.).  
15 Accordingly, to the world of cybercriminals, Cash App Investing’s customer list, which was in  
16 Defendants’ possession and control at the time of the Data Breach, is highly valuable. By  
17 accessing Cash App Investing customers’ PII entrusted to Defendants, hackers can gain access to  
18 Cash App Investing users’ portfolios and account funds and use those funds to commit a wide  
19 range of fraudulent activities against the user, as was done here against Plaintiffs.

20 4. The security of Defendants’ customers’ Private Information is accordingly of the  
21 utmost importance. One instance of a former employee accessing, exfiltrating, and misusing  
22 and/or releasing for future misuse Plaintiffs’ and Class members’ Private Information to fellow

23 \_\_\_\_\_  
24 <sup>1</sup> See Defendant Block’s regulatory filing with the United States Securities and Exchange  
Commission (the “SEC”),  
25 <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d8k.htm> (last accessed May 25, 2022).

26 <sup>2</sup> See <https://www.cpomagazine.com/cyber-security/over-8-million-cash-app-users-potentially-exposed-in-a-data-breach-after-a-former-employee-downloaded-customer-information/> (last  
27 accessed May 25, 2022).  
28

1 cybercriminals can lead to substantial financial losses. As Defendants acknowledge, “Future  
2 costs associated with this incident are difficult to predict.”<sup>3</sup> These costs will not only impact  
3 Defendants’ bottom line but, more importantly, the millions of Cash App Investing users whose  
4 Private Information is now in the hands of cybercriminals.

5 5. Because of the Data Breach, Plaintiffs’ and Class members’ Private Information  
6 has been compromised and their financial accounts are no longer secure, including their Cash  
7 App Investing portfolio.

8 6. Defendants understand the seriousness of the misuse of customers’ PII, and  
9 purport to address these issues. For example, Defendants tout that they “take reasonable  
10 measures, including administrative, technical, and physical safeguards to protect [users’]  
11 information from loss, theft, and misuse, and unauthorized access, disclosures, alteration, and  
12 destruction.”<sup>4</sup> However, some believe the Data Breach occurred due to “an orphaned account  
13 still active on a third-party SaaS application like a cloud storage solution,” or due to “a lack of  
14 proper communication between the Human Resources and [] IT department on the status of  
15 terminated employees.”<sup>5</sup>

16 7. While the exact reason(s) for the Data Breach remain unclear, there is no doubt  
17 that Defendants failed to adequately protect Plaintiffs’ and Class members’ Private Information  
18 and such negligent failures resulted in the injuries alleged herein.

19 8. Defendants led Plaintiffs and Class members to believe that their Private  
20 Information was safe and secure, and that protection of that Private Information was a  
21 fundamental component of the Cash App Investing platform.

---

22 <sup>3</sup> See [https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d8k.htm)  
23 [8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d8k.htm) (last accessed May 25, 2022).

24 <sup>4</sup> *Privacy Policy*, BLOCK, INC., <https://cash.app/legal/us/en-us/privacy#security> (last accessed May  
25 25, 2022).

26 <sup>5</sup> See [https://www.cpomagazine.com/cyber-security/over-8-million-cash-app-users-potentially-](https://www.cpomagazine.com/cyber-security/over-8-million-cash-app-users-potentially-exposed-in-a-data-breach-after-a-former-employee-downloaded-customer-information/)  
27 [exposed-in-a-data-breach-after-a-former-employee-downloaded-customer-information/](https://www.cpomagazine.com/cyber-security/over-8-million-cash-app-users-potentially-exposed-in-a-data-breach-after-a-former-employee-downloaded-customer-information/) (last  
28 accessed May 25, 2022).

1 9. Thus, on behalf of the Class of victims impacted by the Data Breach described  
 2 herein, Plaintiffs seek, under state common law and consumer-protection statutes, to redress  
 3 Defendants’ misconduct.

4 **PARTIES**

5 ***Plaintiff Salinas***

6 10. Plaintiff Salinas is a citizen of Texas and resides in Del Rio, Texas. Plaintiff  
 7 Salinas became a Cash App Investing user in or around August of 2020. To invest through Cash  
 8 App’s investing feature, Plaintiff Salinas was required to provide her PII to Defendants’ online  
 9 service, including the types of PII mentioned above which was compromised in the Data Breach.

10 11. Plaintiff Salinas was led to believe that her Private Information was safe and  
 11 secure, and that protection of her Private Information was a fundamental component of the Cash  
 12 App Investing platform.

13 12. Following the Data Breach in December 2021 Plaintiff Salinas had multiple  
 14 unauthorized charges on her Cash App account in December, 2021, and January 2022 totaling  
 15 over \$50. These charges were for Amazon purchases. Plaintiff Salinas has not been reimbursed  
 16 by Defendants or Cash App for these unauthorized charges. As a result of the Data Breach,  
 17 Plaintiff Salinas has spent over 100 hours researching the validity of the Data Breach,  
 18 researching unauthorized charges and attempting to get reimbursement for them, searching  
 19 through all of her financial accounts for unauthorized charges, resetting billing instructions that  
 20 are tied to her Cash App account, researching credit monitoring, and dealing with false  
 21 information that appeared on her Experian credit report following the Data Breach.

22 13. Plaintiff Salinas has suffered damages as described herein and below, including  
 23 but not limited to, the fraudulent misuse of the funds in her Cash App account, and she remains  
 24 at a significant risk of additional attacks now that her PII has been compromised and exfiltrated.

25 ***Plaintiff Washington***

26 14. Plaintiff Washington is a citizen of Illinois and resides in Chicago, Illinois.  
 27 Plaintiff Washington became a Cash App Investing user in or around September of 2019. To  
 28 invest through Cash App’s investing feature, Plaintiff Washington was required to provide his

1 PII to Defendants' online service, including the types of PII mentioned above and compromised  
2 in the Data Breach.

3 15. Plaintiff Washington was led to believe that his Private Information was safe and  
4 secure, and that protection of his Private Information was a fundamental component of the Cash  
5 App Investing platform.

6 16. On or around February 2022 through May of 2022 there were numerous  
7 unauthorized attempts to withdraw money from his account. These unauthorized transactions  
8 were declined because Plaintiff Washington did not have enough funds in his Cash App account  
9 to cover these fraudulent transactions. However, Defendants did not take any action because  
10 Plaintiff Washington had no funds taken from his account. On June 1, 2022, Plaintiff  
11 Washington was alerted to numerous unauthorized transactions in his Cash App account which  
12 totaled \$394.85. Plaintiff Washington was unable to get that money back from Cash App. As a  
13 result of the Data Breach, Plaintiff Washington has spent at least 15 hours researching the  
14 validity of the Data Breach, researching unauthorized charges and attempting to get  
15 reimbursement for them, searching through all of his financial accounts for unauthorized  
16 charges, resetting billing instructions that are tied to his Cash App account, making a trip to the  
17 bank to get a new debit card that had to be cancelled as a result of the unauthorized charges, and  
18 researching credit monitoring.

19 17. Plaintiff Washington has suffered damages as described herein and below,  
20 including but not limited to, the fraudulent misuse of the funds in his Cash App account, and he  
21 remains at a significant risk of additional attacks now that his PII has been compromised and  
22 exfiltrated.

23 ***Defendant Block, Inc.***

24 18. Defendant Block, Inc. is a Delaware corporation based in San Francisco,  
25 California.

26 19. Block, Inc. is the parent company of Defendant Cash App Investing, LLC and, by  
27 virtue of its relationship with Cash App Investing, had access to and possession of Plaintiffs' and  
28 Class members' PII, which it failed to secure by failing to implement adequate security measures

1 or screening procedures to ensure that its agents, support representatives, and other individuals to  
2 whom Defendants provided access to the PII would ensure its secure handling.

3 ***Defendant Cash App Investing, LLC***

4 20. Defendant Cash App Investing is a limited liability brokerage firm and investment  
5 advisor firm with its main offices located at 400 SW 6<sup>th</sup> Avenue, 11<sup>th</sup> Floor, Portland, OR 97204.

6 21. Cash App Investing was formed in Delaware on February 22, 2019 and operates  
7 across the United States.

8 22. Cash App Investing is a subsidiary of Defendant Block, Inc. and, by virtue of its  
9 relationship with Block, had access to and possession of Plaintiffs' and Class members' PII,  
10 which it failed to secure by failing to implement adequate security measures or screening  
11 procedures to ensure that its current and/or former employees and other individuals to whom  
12 Defendants entrusted the Private Information would ensure its secure handling.

13 **JURISDICTION AND VENUE**

14 23. Jurisdiction of this Court is founded upon 28 U.S.C. § 1332(d) because the matter  
15 in controversy exceeds the value of \$5,000,000, exclusive of interests and costs, there are more  
16 than 100 class members, and the matter is a class action in which members of the class are  
17 citizens of a different state from that of a defendant.

18 24. This Court has personal jurisdiction since Defendant Block is headquartered in  
19 California and Defendants solicit customers and transact business in California. Plaintiffs are  
20 also informed and believe, and thereon allege, that acts and omissions giving rise to this action  
21 occurred in California.

22 25. Venue is also proper in this District under 28 U.S.C. § 1391(b)(1) because  
23 Defendant Block resides within this district and acts and omissions giving rise to this action  
24 occurred within this District.

25 **FACTUAL ALLEGATIONS**

26 26. On or around December 10, 2021, Block determined that a former employee  
27 downloaded certain reports of its subsidiary, Cash App Investing, which contained U.S. customer  
28 Private Information. The Private Information was accessed without Defendants' permission.

1           27. In a recent regulatory filing with the SEC, Block disclosed the following as it  
2 relates to the Data Breach:

3                   “On April 4, 2022, Block, Inc. [] announced that it recently  
4 determined that a former employee downloaded certain reports of  
5 its subsidiary Cash App Investing LLC (“Cash App Investing”) on  
6 December 10, 2021 that contained some U.S. customer information.  
7 While this employee had regular access to these reports as part of  
8 their past job responsibilities, in this instance these reports were  
9 accessed without permission after their employment ended.

10                   The information in the reports included full name and brokerage  
11 account number (this is the unique identification number associated  
12 with a customer’s stock activity on Cash App Investing), and for  
13 some customers also included brokerage portfolio value, brokerage  
14 portfolio holdings and/or stock trading activity for one trading day.

15                   The reports did not include usernames or passwords, Social Security  
16 numbers, date of birth, payment card information, addresses, bank  
17 account information, or any other personally identifiable  
18 information. They also did not include any security code, access  
19 code, or password used to access Cash App accounts. Other Cash  
20 App products and features (other than stock activity) and customers  
21 outside of the United States were not impacted.

22                   Upon discovery, the Company and its outside counsel launched an  
23 investigation with the help of a leading forensics firm. Cash App  
24 Investing is contacting approximately 8.2 million current and  
25 former customers to provide them with information about this  
26 incident and sharing resources with them to answer their questions.  
27  
28

1           The Company is also notifying the applicable regulatory authorities  
2           and has notified law enforcement.<sup>6</sup>

3  
4           28.     Defendant Block offered no explanation for the four-month delay between the  
5 initial discovery of the Breach and the belated notification to affected customers, which  
6 resulted in Plaintiffs and Class members suffering harm they otherwise could have avoided had  
7 a timely disclosure been made.

8           29.     Defendants' notice of the Data Breach was not just untimely but woefully  
9 deficient, failing to provide basic details, including but not limited to, how the unauthorized  
10 former employee was able to access its networks, whether the Private Information accessed was  
11 encrypted or otherwise protected, or how it learned of the Data Breach. Even worse,  
12 Defendants failed to offer any credit or identity theft monitoring services for Plaintiffs and  
13 Class members.

14           30.     Plaintiffs' and Class members' Private Information has been accessed, viewed,  
15 exfiltrated, and fraudulently misused to their detriment.

16           31.     The Breach occurred because Defendants failed to take reasonable measures to  
17 protect the Private Information it collected and stored. Among other things, Defendants failed  
18 to implement data security measures designed to prevent this release of information to former  
19 employees.

20           32.     Defendants disregarded the rights of Plaintiffs and Class members by  
21 intentionally, willfully, recklessly, and/or negligently failing to take and implement adequate  
22 and reasonable administrative and data security measures to ensure that Plaintiffs' and Class  
23 members' PII was safeguarded from access by former employees. As a result, the Private  
24 Information of Plaintiffs and Class members were compromised through unauthorized access  
25

---

26 <sup>6</sup> See  
27 [https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d8k.htm)  
28 [8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001512673/000119312522095215/d343042d8k.htm) (last accessed July 13, 2022).



1 resulting in damage to Plaintiffs and Class members. Plaintiffs and Class members have a  
2 continuing interest in ensuring that their Private Information is and remains safe.

3 **Defendants' Privacy Promises**

4 33. Defendants made, and continue to make, various promises to its customers,  
5 including Plaintiffs, that it will maintain the security and privacy of their Private Information.

6 34. In its Privacy Notice, Defendants state the following:<sup>7</sup>

7 "We take reasonable measures, including administrative,  
8 technical, and physical safeguards, to protect your information  
9 from loss, theft, and misuse, and unauthorized access, disclosure,  
alteration, and destruction."<sup>8</sup>

10 35. By failing to do as they promised and protect Plaintiffs' and Class members'  
11 Private Information, and by allowing the Data Breach to occur, Defendants are in violation of  
12 their own Privacy Notice.

13  
14 **a. Defendant Failed to Maintain Reasonable and Adequate Data Security Measures  
to Safeguard Customers' Private Information**

15  
16 36. As a condition of engaging in financial-related services, Defendants require that  
17 customers entrust them with highly confidential Private Information. Defendants thus acquire,  
18 collect, and store a massive amount of their customers' protected Private Information, including  
19 financial information and other personally identifiable data. By obtaining, collecting, using,  
20 and deriving a benefit from Plaintiffs' and Class members' Private Information, Defendants  
21 assumed legal and equitable duties and knew or should have known that they were responsible  
22 for protecting Plaintiffs' and Class members' Private Information from unauthorized access.

23 37. Defendants had obligations created by industry standards, common law, and  
24 representations made to Plaintiffs and Class members to keep their Private Information  
25 confidential and to protect it from unauthorized access and disclosure.

26 \_\_\_\_\_  
27 <sup>7</sup> Privacy Notice, <https://cash.app/legal/us/en-us/privacy>.

28 <sup>8</sup> See <https://cash.app/legal/us/en-us/privacy#security>.

1           38. Defendants failed to properly safeguard Plaintiffs' and Class members' Private  
2 Information, allowing at least one known unauthorized actor to access the Private Information.

3           39. Plaintiffs and Class members provided their Private Information to Defendants  
4 with the reasonable expectation and mutual understanding that Defendants and any of their  
5 affiliates would comply with their obligation to keep such information confidential and secure  
6 from unauthorized access.

7           40. Prior to and during the Data Breach, Defendants promised customers that their  
8 Private Information would be kept confidential.

9           41. Defendants' failure to provide adequate security measures to safeguard  
10 customers' Private Information is especially egregious because Defendants operate in a field  
11 which has recently been a frequent target of scammers attempting to fraudulently gain access to  
12 customers' highly confidential Private Information.

13           42. In fact, Defendants have been on notice for years that Plaintiffs' and Class  
14 members' Private Information was a target for malicious actors. Despite such knowledge,  
15 Defendants failed to implement and maintain reasonable and appropriate administrative and  
16 data security measures to protect Plaintiffs' and Class members' Private Information from  
17 unauthorized access that Defendants should have anticipated and guarded against.

18           43. A 2021 study conducted by Verizon showed that internal mismanagement of  
19 data security represents nearly 44 percent of the data breaches in the financial sector.<sup>9</sup>

20           44. Private Information -related data breaches continued to rapidly increase into  
21 2021 when Defendants' data were breached.<sup>10</sup>

22  
23  
24  
25 \_\_\_\_\_  
26 <sup>9</sup> *Financial and Insurance Data Breaches*, VERIZON 2021 DIBR DATA BREACH SURVEY (2021),  
27 [https://www.verizon.com/business/resources/reports/dbir/2021/data-breach-statistics-by-](https://www.verizon.com/business/resources/reports/dbir/2021/data-breach-statistics-by-industry/financial-services-data-breaches/)  
28 [industry/financial-services-data-breaches/](https://www.verizon.com/business/resources/reports/dbir/2021/data-breach-statistics-by-industry/financial-services-data-breaches/).

<sup>10</sup> 2019 HIMSS Cybersecurity Survey, <https://www.himss.org/2019-himsscybersecurity-survey>.

1           45.     Almost half of data breaches globally are caused by internal errors relating to  
 2 either human mismanagement of sensitive information or system errors.<sup>11</sup> Cybersecurity firm  
 3 Proofpoint reports that since 2020, there has been an increase of internal threats through the  
 4 misuse of security credentials or the negligent release of sensitive information.<sup>12</sup> To mitigate  
 5 these threats, Proofpoint recommends that firms take the time to train their employees about the  
 6 risks of such errors.<sup>13</sup>

7           46.     As explained by the Federal Bureau of Investigation, “[p]revention is the most  
 8 effective defense against ransomware and it is critical to take precaution for protection.”<sup>14</sup>

9           47.     To prevent and detect unauthorized access, including the access by the former  
 10 employee(s) that resulted in the Data Breach, Defendants could and should have implemented,  
 11 as recommended by the Microsoft Threat Protection Intelligence Team, the following  
 12 measures:

13                   • **Secure internet-facing assets**

- 14                           • Apply the latest security updates
- 15                           • Use threat and vulnerability management
- 16                           • Perform regular audit; remove privilege  
 17   credentials;

18                   • **Include IT Pros in security discussions**

- 19                           • Ensure collaboration among [security  
 20   operations], [security admins], and [information  
 21   technology] admins to configure servers and  
 22   other endpoints securely;

23                   • **Build credential hygiene**

24                   

---

 25 <sup>11</sup> COST OF A DATA BREACH REPORT, *supra* note 8, at 30.

26 <sup>12</sup> *The Human Factor 2021*, PROOFPOINT (July 27, 2021),  
 27 <https://www.proofpoint.com/sites/default/files/threat-reports/pfpt-us-tr-human-factor-report.pdf>.

28 <sup>13</sup> *Id.*

<sup>14</sup> *See How to Protect Your Networks from RANSOMWARE*, FBI (2016) <https://www.fbi.gov/file-repository/ransomware-prevention-and-response-for-cisos.pdf/view>.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

- use [multifactor authentication] or [network level authentication] and use strong, randomized, just-in-time local admin passwords;
- **Apply principle of least-privilege**
  - Monitor for adversarial activities
  - Hunt for brute force attempts
  - Monitor for cleanup of Event Logs
  - Analyze logon events
- **Harden infrastructure**
  - Use Windows Defender Firewall
  - Enable tamper protection
  - Enable cloud-delivered protection
  - Turn on attack surface reduction rules and [Antimalware Scan Interface] for Office [Visual Basic for Applications].<sup>15</sup>

48. These are basic, common-sense security measures that every business, not only those who handle sensitive financial information, should be taking. Defendants, with the highly sensitive personal and financial information in their possession and control, should be doing even more. By adequately taking these common-sense solutions, Defendants could have prevented this Data Breach from occurring.

49. Charged with handling sensitive Private Information, including financial information, Defendants knew, or should have known, the importance of safeguarding the Private Information that was entrusted to them and of the foreseeable consequences of a lapse

---

<sup>15</sup> See *Human-operated ransomware attacks: A preventable disaster*, MICROSOFT (Mar. 5, 2020), <https://www.microsoft.com/security/blog/2020/03/05/human-operated-ransomware-attacks-apreventable-disaster/>.

1 in its data security. This includes the significant costs that would be imposed on Defendants’  
2 customers because of a breach. Defendants failed, however, to take adequate administrative  
3 cybersecurity measures to prevent the Data Breach from occurring.

4 50. The Private Information was maintained in a condition vulnerable to misuse.  
5 The mechanism of the unauthorized access and the potential for improper disclosure of  
6 Plaintiffs’ and Class members’ Private Information was a known risk to Defendants, and thus  
7 Defendants were on notice that failing to take reasonable steps necessary to secure the Private  
8 Information from those risks left the Private Information in a vulnerable position.

9 ***The Monetary Value of Privacy Protections and Private Information***

10 51. The fact that Plaintiffs’ and Class members’ Private Information was disclosed  
11 to bad actors that should not have had access to it—and has already been fraudulently  
12 misused—demonstrates the monetary value of the Private Information.

13 52. At all relevant times, Defendants understood Private Information it collects from  
14 its customers is highly sensitive and of significant property value to those who would use it for  
15 wrongful purposes.

16 53. Highly sensitive confidential information such as the Private Information  
17 accessed and misused here is a valuable and important commodity to identity thieves. As the  
18 FTC recognizes, identity thieves can use this information to commit an array of crimes,  
19 including identify theft and financial fraud.<sup>16</sup> Indeed, a robust “cyber black market” exists in  
20 which criminals openly post stolen Private Information including sensitive financial  
21 information on multiple underground Internet websites, commonly referred to as the dark web.

22 54. The Federal Trade Commission (the “FTC”) has also recognized that consumer  
23 data is a new (and valuable) form of currency. In an FTC roundtable presentation, another  
24 former Commissioner, Pamela Jones Harbour, underscored this point:

25  
26  
27 <sup>16</sup> Federal Trade Commission, *Warning Signs of Identity Theft* (Sept. 2018),  
28 <https://www.consumer.ftc.gov/articles/0271-warning-signs-identity-theft> .

1 Most consumers cannot begin to comprehend the types and amount  
2 of information collected by businesses, or why their information  
3 may be commercially valuable. Data is currency. The larger the data  
4 set, the greater potential for analysis—and profit.<sup>17</sup>

5 55. Recognizing the high value that consumers place on their Private Information,  
6 many companies now offer consumers an opportunity to sell this information.<sup>18</sup> The idea is to  
7 give consumers more power and control over the type of information that they share and who  
8 ultimately receives that information. And, by making the transaction transparent, consumers  
9 will make a profit from their Private Information. This business has created a new market for  
10 the sale and purchase of this valuable data.

11 56. Consumers place a high value not only on their Private Information, but also on  
12 the privacy of that data. Researchers have begun to shed light on how much consumers value  
13 their data privacy, and the amount is considerable. Indeed, studies confirm that the average  
14 direct financial loss for victims of identity theft in 2021 was, on average, \$1,100.<sup>19</sup>

15 57. The value of Plaintiffs' and Class members' Private Information on the black  
16 market is substantial. Sensitive financial information can sell for as much as \$1,000.<sup>20</sup> This  
17 information is particularly valuable because criminals can use it to target victims with frauds  
18 and scams that take advantage of the victim's information, as is the case here.

19 58. The compromised Private Information in the Data Breach is of great value to  
20 thieves and can be used in a variety of ways. Information about, or related to, an individual for

---

21 <sup>17</sup> *Statement of FTC Commissioner Pamela Jones Harbour—Remarks Before FTC Exploring*  
22 *Privacy Roundtable*, FED. TRADE COMM'N (Dec. 7, 2009),  
23 [https://www.ftc.gov/sites/default/files/documents/public\\_](https://www.ftc.gov/sites/default/files/documents/public_statements/remarks-ftc-exploring-privacy-roundtable/091207privacyroundtable.pdf)  
24 [statements/remarks-ftc-exploring-privacy-roundtable/091207privacyroundtable.pdf](https://www.ftc.gov/sites/default/files/documents/public_statements/remarks-ftc-exploring-privacy-roundtable/091207privacyroundtable.pdf).

25 <sup>18</sup> *Web's Hot New Commodity*, *supra* note 17.

26 <sup>19</sup> See Megan Leonhardt, *Consumers lost \$56 billion to identity fraud last year – here's what to*  
27 *look for* (March 23, 2021), [https://www.cnn.com/2021/03/23/consumers-lost-56-billion-dollars-](https://www.cnn.com/2021/03/23/consumers-lost-56-billion-dollars-to-identity-fraud-last-year.html)  
28 [to-identity-fraud-last-year.html](https://www.cnn.com/2021/03/23/consumers-lost-56-billion-dollars-to-identity-fraud-last-year.html) (last accessed July 5, 2022)

<sup>20</sup> See Zachary Ignoffo, *Dark Web Price Index 2021*, PRIVACY AFFAIRS (Nov. 21, 2021),  
<https://www.privacyaffairs.com/dark-web-price-index-2021/>

1 which there is a possibility of logical association with other information is of great value to  
2 unauthorized actors that wish to use individuals' information for several nefarious purposes.  
3 Indeed, "there is significant evidence demonstrating that technological advances and the ability  
4 to combine disparate pieces of data can lead to identification of a consumer, computer or device  
5 even if the individual pieces of data do not constitute PII."<sup>21</sup> For example, different Private  
6 Information elements from various sources may be linked in order to identify an individual, or  
7 access additional information about or relating to the individual.<sup>22</sup> Based upon information and  
8 belief, the unauthorized parties utilized the Private Information they obtained through the Data  
9 Breach to obtain additional information from Plaintiffs and Class members that was misused to  
10 perpetrate fraudulent purchases, applications for credit, and other identity theft in Plaintiffs'  
11 and Class members' names.

12 59. In addition, as technology advances, computer programs may scan the Internet  
13 with wider scope to create a mosaic of information that may be used to link information to an  
14 individual in ways that were not previously possible. This is known as the "mosaic effect."

15 60. Names and dates of birth, combined with contact information like telephone  
16 numbers and email addresses, are very valuable to identity thieves as this information allows  
17 them to access users' other accounts. Thus, even if payment card information was not involved  
18 in the Data Breach, the unauthorized parties could use Plaintiffs' and Class members' Private  
19 Information to access accounts, including, but not limited to email accounts and other financial  
20 information, to engage in the fraudulent activity identified by Plaintiffs.

---

21  
22  
23  
24 <sup>21</sup> *Protecting Consumer Privacy in an Era of Rapid Change: A Proposed Framework for*  
25 *Businesses and Policymakers, Preliminary FTC Staff Report*, FED. TRADE COMM'N 35-38 (Dec.  
26 2010), <https://www.ftc.gov/reports/preliminary-ftc-staff-report-protecting-consumer-privacy-era-rapid-change-proposed-framework>.

27 <sup>22</sup> *See id.* (evaluating privacy framework for entities collecting or using consumer data with can be  
28 "reasonably linked to a specific consumer, computer, or other device").

1           61.     Approximately 21% of victims do not realize their identify has been  
2 compromised until more than two years after it has happened.<sup>23</sup> This gives thieves ample time  
3 to make fraudulent charges under the victim’s name.

4           62.     Given these facts, any company that transacts business with customers and then  
5 causes and/or negligently permits the compromise of the privacy of customers’ Private  
6 Information has thus deprived them of the full monetary value of their transaction with the  
7 company.

8           63.     Plaintiffs and Class members have a property interest in their Private  
9 Information and were deprived of this interest when their Private Information was released to  
10 an unauthorized former employee because of Defendants’ negligent administrative and data  
11 security practices.

12           **b. *Defendants Failed to Comply with FTC Guidelines***

13           64.     Defendants were prohibited by the Federal Trade Commission Act (“FTC Act”)  
14 (15 U.S.C. §45) from engaging in “unfair or deceptive acts or practices in or affecting  
15 commerce.” The Federal Trade Commission (“FTC”) has concluded that a company’s failure to  
16 maintain reasonable and appropriate data security for consumers’ sensitive personal  
17 information is an “unfair practice” in violation of the FTC Act. *See, e.g., FTC v. Wyndham*  
18 *Worldwide Corp.*, 799 F.3d 236 (3d Cir. 2015).

19           65.     The FTC has promulgated numerous guides for businesses that highlight the  
20 importance of implementing reasonable data security practices. According to the FTC, the need  
21 for data security should be factored into all business decision-making.<sup>24</sup>

22  
23  
24  
25 <sup>23</sup> *See Medical ID Theft Checklist*, IDENTITYFORCE <https://www.identityforce.com/blog/medical-id-theft-checklist-2>.

26 <sup>24</sup> *Start With Security: A Guide for Business*, FED. TRADE. COMM’N (June 2015),  
27 <https://www.ftc.gov/system/files/documents/plain-language/pdf0205-startwithsecurity.pdf>  
28 [hereinafter *Start with Security*].



1           66.     In 2016, the FTC updated its publication, *Protecting Personal Information: A*  
2 *Guide for Business*, which established cybersecurity guidelines for businesses.<sup>25</sup> The guidelines  
3 note that businesses should protect the personal customer information that they keep; properly  
4 dispose of personal information that is no longer needed; encrypt information stored on  
5 computer networks; understand their network’s vulnerabilities; and implement policies to  
6 correct any security problems.

7           67.     The FTC further recommends that companies not maintain Private Information  
8 longer than is needed for authorization of a transaction; limit access to private data; require  
9 complex passwords to be used on networks; use industry-tested methods for security; monitor  
10 for suspicious activity on the network; and verify that third-party service providers have  
11 implemented reasonable security measures.<sup>26</sup>

12           68.     The FTC has brought enforcement actions against businesses for failing to  
13 adequately and reasonably protect customer data, treating the failure to employ reasonable and  
14 appropriate measures to protect against unauthorized access to confidential consumer data as an  
15 unfair act or practice prohibited by Section 5 of the Federal Trade Commission Act (“FTCA”),  
16 15 U.S.C. § 45. Orders resulting from these actions further clarify the measures businesses  
17 must take to meet their data security obligations.

18           69.     Defendants were, at all times, fully aware of their obligation to protect the  
19 Private Information of plan participants because of their position as a trusted financial and  
20 investment account administrator. Defendants were also aware of the significant repercussions  
21 that would result from their failure to do so.

22  
23  
24 \_\_\_\_\_  
25 <sup>25</sup> *Protecting Personal Information: A Guide for Business*, FED. TRADE. COMM’M (Oct. 2016),  
[https://www.ftc.gov/system/files/documents/plain-language/pdf-0136\\_proteting-personal-](https://www.ftc.gov/system/files/documents/plain-language/pdf-0136_proteting-personal-information.pdf)  
26 [information.pdf](https://www.ftc.gov/system/files/documents/plain-language/pdf-0136_proteting-personal-information.pdf).

27 <sup>26</sup> *Start With Security: A Guide for Business*, FED. TRADE. COMM’N (June 2015),  
<https://www.ftc.gov/system/files/documents/plain-language/pdf0205-startwithsecurity.pdf>  
28 [hereinafter *Start with Security*].

1           **c. Damages to Plaintiffs and the Class**

2           70. Plaintiffs and the Class have been damaged by the compromise of their Private  
3 Information in the Data Breach.

4           71. The ramifications of Defendants' failure to keep its account holders' Private  
5 Information secure are long lasting and severe. Once Private Information is stolen, fraudulent  
6 use of that information and damage to the victims may continue for years. Consumer victims  
7 of data breaches such as this are more likely to become victims of identity fraud.<sup>27</sup>

8           72. In addition to their obligations under state laws and regulations, Defendants  
9 owed a common law duty to Plaintiffs and Class members to protect Private Information  
10 entrusted to them, including to exercise reasonable care in obtaining, retaining, securing,  
11 safeguarding, deleting, and protecting the Private Information in its possession from being  
12 compromised, lost, stolen, accessed, and misused by unauthorized parties.

13           73. Defendants further owed and breached their duty to Plaintiffs and Class  
14 members to implement administrative processes and specifications as such relate to former  
15 employee access to customer Private Information that would have prevented the Data Breach  
16 from occurring.

17           74. As a direct result of Defendants' willful, reckless, and/or negligent conduct  
18 which resulted in the Data Breach, at least one known unauthorized party was able to access,  
19 acquire, view, publicize, and/or otherwise cause the identity theft and misuse of Plaintiffs' and  
20 Class members' Private Information, as detailed above, and Plaintiffs and Class members  
21 remain at a heightened and increased risk of future identity theft and fraud.

22           75. The risks associated with identity theft are serious. Some identity theft victims  
23 spend hundreds of dollars and many days repairing damage to their good name and credit  
24 record. Some consumers victimized by identity theft may lose out on job opportunities, or  
25

26  
27 <sup>27</sup> 2014 LexisNexis True Cost of Fraud Study, LEXISNEXIS (Aug. 2014),  
28 <https://www.lexisnexis.com/risk/downloads/assets/true-cost-fraud-2014.pdf>.

1 denied loans for education, housing or cars because of negative information on their credit  
2 reports.

3 76. Some of these risks associated with the loss of personal information have  
4 already materialized in the lives of Plaintiffs and Class members.

5 77. Plaintiffs and the Class have suffered or face a substantial risk of suffering out-  
6 of-pocket losses such as fraudulent charges on online accounts, credit card fraud, and similar  
7 identity theft.

8 78. Plaintiffs and Class members have, may have, and/or will incur out of pocket  
9 costs for protective measures such as credit monitoring fees, credit report fees, credit freeze  
10 fees, and similar costs directly or indirectly related to the Data Breach.

11 79. Plaintiffs and Class members did not receive the full benefit of the bargain made  
12 with Defendants and, instead, received services that were of a diminished value to that  
13 described in their agreements with Defendants. They were damaged in an amount at least equal  
14 to the difference in the value of the services *with* data security protection that they paid for and  
15 the services they actually received.

16 80. Plaintiffs and Class members would not have obtained services from Defendants  
17 had Defendants told them that it failed to properly train its employees, lacked administrative  
18 safety controls over the Private Information, and did not have proper data security practices to  
19 safeguard their Private Information from disclosure to unauthorized actors.

20 81. As a result of the Data Breach, Plaintiffs' and Class members' Private  
21 Information has also diminished in value.

22 82. The Private Information belonging to Plaintiffs and Class members is private in  
23 nature and was left inadequately protected by Defendants who did not obtain Plaintiffs' or  
24 Class members' consent to disclose such Private Information to any other person (especially  
25 not to a former employee), as required by Defendants' Privacy Notice, applicable law, and  
26 industry standards.

27 83. The Data Breach was a direct and proximate result of Defendants' failure to (a)  
28 properly safeguard and protect Plaintiffs' and Class members' Private Information from

1 unauthorized access, use, and disclosure, as required by their own Privacy Notice, various state  
2 and federal regulations, industry practices, and common law; (b) establish and implement  
3 appropriate administrative, technical, and physical safeguards to ensure the security and  
4 confidentiality of Plaintiffs' and Class members' Private Information; and (c) protect against  
5 reasonably foreseeable threats to the security or integrity of such Private Information.

6 84. Defendants had the resources necessary to prevent the Data Breach, but  
7 neglected to adequately implement data security measures, despite their obligation to protect  
8 customer data.

9 85. Had Defendants remedied the deficiencies in their data security practices,  
10 procedures, and protocols and adopted adequate data security measures recommended by  
11 experts in the field, they would have prevented the intrusions into their systems by their former  
12 employee(s) and, ultimately, the theft of Plaintiffs' and Class members' Private Information.

13 86. As a direct and proximate result of Defendants' wrongful actions and inactions,  
14 Plaintiffs and Class members have been placed at an imminent, immediate, and continuing  
15 increased risk of harm from identity theft and fraud, requiring them to take the time which they  
16 otherwise would have dedicated to other life demands such as work and family to mitigate the  
17 actual and potential impact of the Data Breach on their lives.

18 87. The U.S. Department of Justice's Bureau of Justice Statistics found that "among  
19 victims who had personal information used for fraudulent purposes, twenty-nine percent spent  
20 a month or more resolving problems" and that "resolving the problems caused by identity theft  
21 [could] take more than a year for some victims."<sup>28</sup>

22 88. Defendants' failure to adequately protect Plaintiffs' and Class members' Private  
23 Information has resulted in Plaintiff and Class members having to undertake these tasks, which  
24 consume time and expense while Defendants do nothing to assist those affected by the Data  
25

---

26 <sup>28</sup> See U.S. Dep't of Justice, *Victims of Identity Theft*, OFFICE OF JUSTICE PROGRAMS: BUREAU OF JUSTICE STATISTICS  
27 1 (Nov. 13, 2017), <https://www.bjs.gov/content/pub/pdf/vit14.pdf> [hereinafter *Victims of Identity Theft*].

1 Breach. Instead, Defendants are putting the burden on Plaintiffs and Class members to discover  
2 possible fraudulent activity and identity theft and mitigate such harms.

3 89. The Private Information stolen in the Data Breach can be misused on its own or  
4 can be combined with personal information from other sources such as publicly available  
5 information, social media, etc. to create a package of information capable of being used to  
6 commit further identity theft. Thieves can also use the stolen Private Information to send spear-  
7 phishing emails to Class members to trick them into revealing additional sensitive information.  
8 Lulled by a false sense of trust and familiarity from a seemingly valid sender, the individual  
9 provides sensitive information such as login credentials, account numbers, and the like.

10 90. As a result of Defendants' failures to prevent the Data Breach, Plaintiffs and  
11 Class members have suffered, will suffer, and are at increased risk of suffering:

- 12 • The compromise, publication, theft and/or unauthorized use of  
13 their Private Information;

14 Out-of-pocket costs associated with the prevention, detection,  
15 recovery and remediation from identity theft or fraud;

- 16 • Lost opportunity costs and lost wages associated with efforts  
17 expended and the loss of productivity from addressing and  
18 attempting to mitigate the actual and future consequences of the  
19 Data Breach, including but not limited to efforts spent  
researching how to prevent, detect, contest and recover from  
identity theft and fraud;

- 20 • The continued risk to their Private Information, which remains  
21 in the possession of Defendants and is subject to further breaches  
22 so long as Defendants fail to undertake appropriate measures to  
protect the Private Information in its possession;

23 Current and future costs in terms of time, effort and money that  
24 will be expended to prevent, detect, contest, remediate and repair  
the impact of the Data Breach for the remainder of the lives of  
25 Plaintiff and Class members; and

- 26 • Anxiety and distress resulting fear of misuse of their Private  
27 Information.

1 91. In addition to a remedy for the economic harm, Plaintiffs and Class members  
2 maintain an undeniable interest in ensuring that their Private Information remains secure and is  
3 not subject to further misappropriation and theft.

4 **CLASS ACTION ALLEGATIONS**

5 92. Plaintiffs incorporate by reference all other paragraphs of this Complaint as if  
6 fully set forth herein.

7 93. Plaintiffs bring this action individually and on behalf of all other persons  
8 similarly situated (the “Class”) pursuant to Federal Rule of Civil Procedure 23(b)(1), (b)(2),  
9 (b)(3) and/or (c)(4).

10 94. Plaintiffs propose the following Class definition subject to amendment based on  
11 information obtained through discovery. Notwithstanding, at this time, Plaintiffs bring this  
12 action and seek certification of the following Nationwide Class, California Subclass, Illinois  
13 Subclass and Texas Subclass (collectively defined herein as the “Class”):

14 **Nationwide Class**

15 All persons nationwide whose Private Information was  
16 compromised because of the Data Breach.

17 **California Subclass**

18 All persons residing in California whose Private Information was  
19 compromised because of the Data Breach.

20 **Illinois Subclass**

21 All persons residing in Illinois whose Private Information was  
22 compromised because of the Data Breach.

23 **Texas Subclass**

24 All persons residing in Texas whose Private Information was  
25 compromised because of the Data Breach.

26 Excluded from the Class are Defendants and Defendants’ affiliates, parents, subsidiaries,  
27 employees, officers, agents, and directors. Also excluded is any judicial officer presiding over  
28 this matter and the members of their immediate families and judicial staff.

1           95.     Certification of Plaintiffs’ claims for class-wide treatment is appropriate because  
2 Plaintiffs can prove the elements of their claims on a class-wide basis using the same evidence  
3 as would be used to prove those elements in individual actions alleging the same claims.

4           96.     **Numerosity—Federal Rule of Civil Procedure 23(a)(1).** The members of the  
5 Class are so numerous that joinder of all Class members would be impracticable. According to  
6 Defendants, millions of individuals were affected by the Data Breach.

7           97.     **Commonality and Predominance—Federal Rule of Civil Procedure 23(a)(2)**  
8 **and 23(b)(3).** Common questions of law and fact exist as to all members of the Class and  
9 predominate over questions affecting only individual members of the Class. Such common  
10 questions of law or fact include, *inter alia*:

- 11                   1. Whether Defendants’ data security measures prior to and during  
12                   the Data Breach complied with applicable data security laws and  
13                   regulations;
- 14                   2. Whether Defendants’ data security measures prior to and during  
15                   the Data Breach were consistent with industry standards;
- 16                   3. Whether Defendants properly implemented their purported data  
17                   security measures to protect Plaintiffs’ and the Class’s Private  
18                   Information from unauthorized capture, dissemination, and  
19                   misuse;
- 20                   4. Whether Defendants took reasonable measures to determine the  
21                   extent of the Data Breach after it first learned of same;
- 22                   5. Whether Defendants disclosed Plaintiffs’ and the Class’s Private  
23                   Information in violation of the understanding that the Private  
24                   Information was being disclosed in confidence and should be  
25                   maintained;
- 26                   6. Whether Defendants willfully, recklessly, or negligently failed  
27                   to maintain and execute reasonable procedures designed to  
28

1 prevent unauthorized access to Plaintiffs’ and the Class’s Private  
2 Information;

3 7. Whether Defendants were negligent in failing to properly secure  
4 and protect Plaintiffs’ and the Class’s Private Information;

5 8. Whether Defendants were unjustly enriched by their actions; and

6 9. Whether Plaintiffs and the other members of the Class are  
7 entitled to damages, injunctive relief, or other equitable relief,  
8 and the measure of such damages and relief.

9 98. Defendants engaged in a common course of conduct giving rise to the legal  
10 rights sought to be enforced by Plaintiffs, on behalf of himself and other members of the Class.  
11 Similar or identical common law violations, business practices, and injuries are involved.  
12 Individual questions, if any, pale by comparison, in both importance and number, to the  
13 numerous common questions that predominate in this action.

14 99. **Typicality—Federal Rule of Civil Procedure 23(a)(3).** Plaintiffs’ claims are  
15 typical of the claims of the other members of the Class because, among other things, all Class  
16 members were similarly injured through Defendants’ uniform misconduct described above and  
17 were thus all subject to the Data Breach alleged herein. Further, there are no defenses available  
18 to Defendant that are unique to Plaintiffs.

19 100. **Adequacy of Representation—Federal Rule of Civil Procedure 23(a)(4).**  
20 Plaintiffs are adequate representatives of the Nationwide Class because their interests do not  
21 conflict with the interests of the Class they seek to represent, they have retained counsel  
22 competent and experienced in complex class action litigation, and they will prosecute this  
23 action vigorously. The Class’s interests will be fairly and adequately protected by Plaintiffs and  
24 their counsel.

25 101. **Injunctive Relief—Federal Rule of Civil Procedure 23(b)(2).** Defendants  
26 have acted and/or refused to act on grounds that apply generally to the Class, making injunctive  
27 and/or declaratory relief appropriate with respect to the Class under Fed. Civ. P. 23 (b)(2).  
28



1           102.   **Superiority—Federal Rule of Civil Procedure 23(b)(3).** A class action is  
2 superior to any other available means for the fair and efficient adjudication of this controversy,  
3 and no unusual difficulties are likely to be encountered in the management of this class action.  
4 The damages or other financial detriment suffered by Plaintiffs and the other members of the  
5 Class are relatively small compared to the burden and expense that would be required to  
6 individually litigate their claims against Defendants, so it would be impracticable for members  
7 of the Class to individually seek redress for Defendants’ wrongful conduct. Even if members of  
8 the Class could afford individual litigation, the court system could not. Individualized litigation  
9 creates a potential for inconsistent or contradictory judgments and increases the delay and  
10 expense to all parties and the court system. By contrast, the class action device presents far  
11 fewer management difficulties and provides the benefits of a single adjudication, economy of  
12 scale, and comprehensive supervision by a single court.

13           103.   Alternatively, to the extent the Court determines that Rule 23(b)(2) or Rule  
14 23(b)(3) certification is not appropriate, the Court may certify a Rule 23(c)(4) issues class for  
15 determination of common material fact issues in the case, and/or liability.

16  
17                                   **COUNT I**  
18                                   **NEGLIGENCE**

19                                   **(On Behalf of Plaintiffs and the Nationwide Class or, Alternatively, the California, Illinois**  
20                                   **and Texas Subclasses)**

21           104.   Plaintiffs fully incorporates by reference all of the above paragraphs, as though  
22 fully set forth herein.

23           105.   Upon Defendants’ accepting and storing the Private Information of Plaintiffs  
24 and the Class in their computer systems and on their networks, Defendants undertook and owed  
25 a duty to Plaintiffs and the Class to exercise reasonable care to secure and safeguard that  
26 information and to use commercially reasonable methods to do so. Defendants knew that the  
27 Private Information was private and confidential and should be protected as such.  
28

1           106. Defendants owed a duty of care not to subject Plaintiffs' and the Class's Private  
2 Information to an unreasonable risk of exposure and theft because Plaintiffs and the Class were  
3 foreseeable and probable victims of any inadequate security practices.

4           107. Defendants owed numerous duties to Plaintiffs and the Class, including the  
5 following:

- 6                   a. to exercise reasonable care in obtaining, retaining, securing,  
7                   safeguarding, deleting and protecting Private Information in  
8                   their possession;
- 9                   b. to protect Private Information using reasonable and adequate  
10                  administrative and data security procedures and systems that are  
11                  compliant with industry-standard practices; and
- 12                  c. to implement processes to quickly detect a data breach and to  
13                  timely act on warnings about data breaches.

14           108. Defendants also breached their duty to Plaintiffs and Class members to  
15 adequately protect and safeguard Private Information by disregarding standard information  
16 security principles, despite obvious risks, and by allowing unmonitored and unrestricted access  
17 to unsecured Private Information. Furthering their dilatory practices, Defendants failed to  
18 provide adequate supervision and oversight of the Private Information with which they were  
19 and are entrusted, in spite of the known risk and foreseeable likelihood of breach and misuse,  
20 which permitted a malicious third party to gather Plaintiffs' and Class members' Private  
21 Information and potentially misuse the Private Information and intentionally disclose it to  
22 others without consent.

23           109. Defendants knew, or should have known, of the risks inherent in collecting and  
24 storing Private Information and the importance of adequate data security. Defendants knew or  
25 should have known about numerous well-publicized data breaches.

26           110. Defendants knew, or should have known, that their data systems and networks  
27 did not adequately safeguard Plaintiffs' and Class members' Private Information.

28

1 111. Defendants breached their duties to Plaintiff and Class members by failing to  
2 provide fair, reasonable, or adequate data security practices to safeguard Plaintiffs' and Class  
3 members' Private Information.

4 112. Because Defendants knew that a breach of their systems would damage millions  
5 of their customers, including Plaintiffs and Class members, Defendants had a duty to  
6 adequately protect the Private Information.

7 113. Defendants' duty of care to use reasonable security measures arose because of  
8 the special relationship that existed between Defendants and their customers, which is  
9 recognized by laws and regulations including but not limited to common law. Defendants were  
10 in a position to ensure that their administrative and data security systems, practices, and  
11 protocols were sufficient to protect against the foreseeable risk of harm to Class members from  
12 a data breach.

13 114. In addition, Defendants had a duty to employ reasonable security measures  
14 under Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, which prohibits "unfair  
15 . . . practices in or affecting commerce," including, as interpreted and enforced by the FTC, the  
16 unfair practice of failing to use reasonable measures to protect confidential data.

17 115. Defendants are also bound by industry standards to protect confidential Private  
18 Information.

19 116. Defendants' conduct created a foreseeable risk of harm to Plaintiffs and Class  
20 members and their Private Information, which conduct included failing to: (1) secure Plaintiffs'  
21 and Class member's Private Information; (2) comply with industry standard security practices;  
22 (3) implement adequate system and event monitoring; (4) implement the systems, policies, and  
23 procedures necessary to prevent this type of data breach; and (5) failing to timely notify Class  
24 members about the Data Breach so that they could take appropriate steps to mitigate the  
25 potential for identity theft and other damages.

26 117. Through Defendants' acts and omissions described in this Complaint, including  
27 their failure to provide adequate data security and failure to protect Plaintiffs' and Class  
28 members' Private Information from being foreseeably captured, accessed, disseminated, stolen

1 and misused, Defendants unlawfully breached their duty to use reasonable care to adequately  
2 protect and secure Plaintiffs' and Class members' Private Information during the time it was  
3 within Defendants' possession or control.

4 118. Defendants' conduct was negligent and departed from all reasonable standards  
5 of care, including, but not limited to failing to adequately protect the Private Information and  
6 failing to provide Plaintiffs and Class members with timely notice that their sensitive Private  
7 Information had been compromised.

8 119. Neither Plaintiffs nor Class members contributed to the Data Breach and  
9 subsequent misuse of their Private Information as described in this Complaint.

10 120. As a direct and proximate cause of Defendants' conduct, Plaintiffs and Class  
11 members suffered damages as alleged above.

12 121. Plaintiffs and Class members are also entitled to injunctive relief requiring  
13 Defendant to, *e.g.*, strengthen data security systems and monitoring procedures, and  
14 immediately provide lifetime free credit monitoring to all Class members.

15 **COUNT II**

16 **BREACH OF CONTRACT/BREACH OF IMPLIED COVENANT OF  
17 GOOD FAITH AND FAIR DEALING**

18 **(On Behalf of Plaintiffs and the Nationwide Class or, Alternatively, the California, Illinois  
19 and Texas Subclasses)**

20 122. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
21 fully set forth herein.

22 123. Plaintiffs and Class members entered into valid and enforceable express  
23 contracts with Defendants under which Plaintiffs and Class members agreed to provide their  
24 Private Information to Defendants, and Defendants agreed to provide financial services and to  
25 protect Plaintiffs' and Class members' Private Information.

26 124. In every contract entered into between Plaintiffs and Class members and  
27 Defendants, including those at issue here, there is an implied covenant of good faith and fair  
28 dealing obligating the parties to refrain from unfairly interfering with the rights of the other

1 party or parties to receive the benefits of the contracts. This covenant of good faith and fair  
2 dealing is applicable here as Defendants were obligated to protect (and not interfere with) the  
3 privacy and protection of Plaintiffs' and Class members' Private Information.

4 125. To the extent Defendants' obligation to protect Plaintiffs' and Class members'  
5 Private Information was not explicit in those express contracts, the contracts also included  
6 implied terms requiring Defendants to implement data security adequate to safeguard and  
7 protect the confidentiality of Plaintiffs' and Class members' Private Information, including in  
8 accordance with trade regulations; federal, state and local laws; and industry standards. No  
9 customer would have entered into these contracts with Defendants without the understanding  
10 that their Private Information would be safeguarded and protected; stated otherwise, data  
11 security was an essential term of the parties' express contracts.

12 126. A meeting of the minds occurred, as Plaintiffs and Class members agreed,  
13 among other things, to provide their Private Information in exchange for Defendants'  
14 agreement to protect the confidentiality of that Private Information.

15 127. The protection of Plaintiffs' and Class members' Private Information was a  
16 material aspect of Plaintiffs' and Class members' contracts with Defendants.

17 128. Defendants' promises and representations described above relating to industry  
18 practices and Defendants' purported concern about their clients' privacy rights became terms of  
19 the contracts between Defendants and their clients, including Plaintiffs and Class members.  
20 Defendants breached these promises by failing to comply with reasonable industry practices.

21 129. Plaintiffs and Class members read, reviewed, and/or relied on statements made  
22 by or provided by Defendants and/or otherwise understood that Defendants would protect their  
23 customers' Private Information if that information were provided to Defendants.

24 130. Plaintiffs and Class members fully performed their obligations under their  
25 contracts with Defendants; however, Defendants did not.

26 131. As a result of Defendants' breach of these terms, Plaintiffs and Class members  
27 have suffered a variety of damages including but not limited to: the lost value of their privacy;  
28 not receiving the benefit of their bargain with Defendants; losing the difference in the value of

1 the services *with* adequate data security that Defendants promised and the services actually  
2 received; the value of the lost time and effort required to mitigate the actual and potential  
3 impact of the Data Breach on their lives, including, inter alia, that required to place “freezes”  
4 and “alerts” with credit reporting agencies, to contact financial institutions, to close or modify  
5 financial accounts, to closely review and monitor credit reports and various accounts for  
6 unauthorized activity, and to file police reports. Additionally, Plaintiff sand Class members  
7 have been put at increased risk of future identity theft, fraud, and/or misuse of their Private  
8 Information, which may take years to manifest, discover, and detect.

9 132. Plaintiffs and Class members are therefore entitled to damages, including  
10 restitution and unjust enrichment, disgorgement, declaratory and injunctive relief, and attorney  
11 fees, costs, and expenses.

12 **COUNT III**  
13 **BREACH OF IMPLIED CONTRACT**

14 **(On Behalf of Plaintiffs and the Nationwide Class or, Alternatively, the California, Illinois**  
15 **and Texas Subclasses)**

16 133. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
17 fully set forth herein.

18 134. Plaintiffs bring this claim alternatively to his claim for breach of contract.

19 135. Through their course of conduct, Defendants, Plaintiffs, and Class members  
20 entered into implied contracts for the provision of financial services, as well as implied  
21 contracts for the Defendants to implement data security adequate to safeguard and protect the  
22 privacy of Plaintiffs’ and Class members’ Private Information.

23 136. Specifically, Plaintiffs entered into a valid and enforceable implied contract with  
24 Defendants when he first entered into financial services agreements with Defendants.

25 137. The valid and enforceable implied contracts to provide financial services that  
26 Plaintiffs and Class members entered into with Defendants include Defendants’ promise to  
27 protect nonpublic Private Information given to them (or which Defendants created on its own  
28 from disclosure).

1           138. When Plaintiffs and Class members provided their Private Information to  
2 Defendants in exchange for Defendants' services, they entered into implied contracts with  
3 Defendants pursuant to which Defendants agreed to reasonably protect such information.

4           139. Defendants solicited and invited Plaintiffs and Class members to provide their  
5 Private Information as part of Defendants' regular business practices. Plaintiffs and Class  
6 members accepted Defendants' offer and provided their Private Information to Defendants.

7           140. In entering into such implied contracts, Plaintiffs and Class members reasonably  
8 believed and expected that Defendants' data security practices complied with relevant laws and  
9 regulations, and were consistent with industry standards.

10           141. Class members, including Plaintiff, who paid money to Defendants reasonably  
11 believed and expected that Defendant would use part of those funds to obtain and implement  
12 adequate data security measures. Defendants failed to do so.

13           142. Under implied contracts, Defendants and/or their affiliated providers promised  
14 and were obligated to: (a) provide financial services to Plaintiffs and Class members; and (b)  
15 protect Plaintiffs' and the Class members' Private Information provided to obtain such benefits  
16 of such services. In exchange, Plaintiffs and members of the Class agreed to pay money for  
17 these services, and to turn over their Private Information to Defendants.

18           143. Both the provision of financial services and the protection of Plaintiffs' and  
19 Class members' Private Information were material aspects of these implied contracts.

20           144. The implied contracts for the provision of financial services and maintenance of  
21 the privacy of Plaintiffs' and Class members' Private Information are also acknowledged,  
22 memorialized, and embodied in multiple documents, including (among other documents)  
23 Defendants' Privacy Notice.

24           145. Defendants' express representations, including, but not limited to, the express  
25 representations found in its Privacy Notice, memorializes and embodies the implied contractual  
26 obligation requiring Defendants to implement data security adequate to safeguard and protect  
27 the privacy of Plaintiffs' and protect the privacy of Plaintiffs' and Class members' Private  
28 Information.

1           146. Consumers of financial services value their privacy and the ability to keep their  
2 Private Information associated with obtaining such services. Plaintiffs and Class members  
3 would not have entrusted their Private Information to Defendants and entered into these  
4 implied contracts with Defendants without an understanding that their Private Information  
5 would be safeguarded and protected; nor would they have entrusted their Private Information to  
6 Defendants in the absence of the implied promise by Defendants to monitor the Private  
7 Information and to ensure that they adopted reasonable administrative and data security  
8 measures.

9           147. A meeting of the minds occurred, as Plaintiffs and Class members agreed and  
10 provided their Private Information to Defendants and/or their affiliated companies, and paid for  
11 the provided services in exchange for, amongst other things, both the provision of financial  
12 services and the protection of their Private Information.

13           148. Plaintiffs and Class members performed their obligations under the contract  
14 when they paid for Defendants' services and provided their Private Information to Defendants.

15           149. Defendants materially breached their contractual obligation to protect the  
16 nonpublic Private Information they gathered when the Private Information was compromised as  
17 a result of the Data Breach.

18           150. Defendants materially breached the terms of these implied contracts, including,  
19 but not limited to, the terms stated in the relevant Privacy Notice. Defendants did not maintain  
20 the privacy of Plaintiffs' and Class members' Private Information as evidenced by their  
21 disclosures of the Data Breach to the SEC. Specifically, Defendants did not comply with  
22 industry standards, standards of conduct embodied in statutes like Section 5 of the FTCA, or  
23 otherwise protect Plaintiffs' and Class members' Private Information as set forth above.

24           151. The Data Breach was a reasonably foreseeable consequence of Defendants' data  
25 security failures in breach of these contracts.

26           152. As a result of Defendants' failure to fulfill the data security protections promised  
27 in these contracts, Plaintiffs and Class members did not receive full benefit of the bargain, and  
28 instead received financial and other services that were of a diminished value to that described



1 in the contracts. Plaintiffs and Class members therefore were damaged in an amount at least  
2 equal to the difference in the value of the investing accounts *with* data security protection that  
3 they paid for and the services they actually received.

4 153. Had Defendants disclosed that their administrative and data security measures  
5 were inadequate or that they did not adhere to industry-standard security measures, neither the  
6 Plaintiffs, Class members, nor any reasonable person would have utilized services from  
7 Defendants and/or their affiliated entities.

8 154. As a direct and proximate result of the Data Breach, Plaintiffs and Class  
9 members have been harmed and suffered, and will continue to suffer, actual damages and  
10 injuries, including without limitation the release and disclosure of their Private Information, the  
11 loss of control of their Private Information, the imminent risk of suffering additional damages  
12 in the future, out of pocket expenses, and the loss of the benefit of the bargain they had struck  
13 with Defendants.

14 155. Plaintiffs and Class members are entitled to compensatory and consequential  
15 damages suffered as a result of the Data Breach.

16 156. Plaintiffs and Class members are also entitled to injunctive relief requiring  
17 Defendants to, *e.g.*, strengthen their data security systems and monitoring procedures, and  
18 immediately provide adequate credit monitoring to all Class members.

19 **COUNT IV**

20 **UNJUST ENRICHMENT/QUASI-CONTRACT**

21 **(On Behalf of Plaintiffs and the Nationwide Class or, Alternatively, the California, Illinois**  
22 **and Texas Subclasses)**

23 157. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
24 fully set forth herein.

25 158. Plaintiffs and Class members conferred a monetary benefit on Defendants.  
26 Specifically, they purchased goods and services from Defendants and provided Defendants  
27 with their Private Information. In exchange, Plaintiffs and Class members should have received  
28 from Defendants the goods and services that were the subject of the transaction and should

1 have been entitled to have Defendants protect their Private Information with adequate data  
2 security.

3 159. Defendants knew that Plaintiffs and Class members conferred a benefit on them  
4 and accepted or retained that benefit. Defendants profited from Plaintiffs' purchases and used  
5 Plaintiff's and Class member's Private Information for business purposes.

6 160. Defendants failed to secure Plaintiffs' and Class members' Private Information  
7 and, therefore, did not provide full compensation for the benefit the Plaintiffs' and Class  
8 members' Private Information provided.

9 161. Defendants acquired the Private Information through inequitable means as they  
10 failed to disclose the inadequate security practices previously alleged.

11 162. If Plaintiffs and Class members knew that Defendants would not secure their  
12 Private Information using adequate security, they would not have used Defendants' services.

13 163. Plaintiffs and Class members have no adequate remedy at law.

14 164. Under the circumstances, it would be unjust for Defendants to be permitted to  
15 retain any of the benefits that Plaintiffs and Class members conferred on them.

16 165. Defendants should be compelled to disgorge into a common fund or constructive  
17 trust, for the benefit of Plaintiffs and Class members, proceeds that they unjustly received from  
18 them. In the alternative, Defendants should be compelled to refund the amounts that Plaintiffs  
19 and the Class members overpaid for the use of Defendants' services.

20 **COUNT V**

21 **BREACH OF FIDUCIARY DUTY**

22 **(On Behalf of Plaintiffs and the Nationwide Class or, Alternatively, the California, Illinois**  
23 **and Texas Subclasses)**

24 166. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
25 fully set forth herein.

26 167. In providing their Private Information to Defendants in exchange for financial  
27 services, Plaintiffs and Class members justifiably placed a special confidence in Defendants to  
28

1 act in good faith and with due regard to the interests of Plaintiffs and Class members to  
2 safeguard and keep confidential that Private Information.

3 168. Defendants accepted the special confidence Plaintiffs and Class members placed  
4 in them.

5 169. In light of the special relationship between Defendants and Plaintiffs and Class  
6 members, whereby Defendants became guardians of Plaintiffs' and Class members' Private  
7 Information, Defendants became fiduciaries by their undertaking and guardianship of the  
8 Private Information, to act primarily for the benefit of their customers, including Plaintiffs and  
9 Class members for the safeguarding of Plaintiffs' and Class member's Private Information.

10 170. Defendants have a fiduciary duty to act for the benefit of Plaintiffs and Class  
11 members upon matters within the scope of their customers' relationship, in particular, to keep  
12 secure the Private Information of their customers.

13 171. Defendants breached their fiduciary duties to Plaintiffs and Class members by  
14 failing to protect the integrity of the systems containing Plaintiffs' and Class member's Private  
15 Information.

16 172. Defendants breached their fiduciary duties to Plaintiffs and Class members by  
17 otherwise failing to safeguard Plaintiff's and Class members' Private Information.

18 173. As a direct and proximate result of Defendants' breaches of their fiduciary  
19 duties, Plaintiffs and Class members have suffered and will suffer injury, including but not  
20 limited to: (i) actual identity theft; (ii) the compromise, publication, and/or theft of their  
21 Private Information; (iii) out-of-pocket expenses associated with the prevention, detection,  
22 and recovery from identity theft and/or unauthorized use of their Private Information; (iv) lost  
23 opportunity costs associated with efforts expended and the loss of productivity addressing and  
24 attempting to mitigate the actual and future consequences of the Data Breach, including but not  
25 limited to efforts spent preventing, detecting, contesting, and recovering from identity theft; (v)  
26 the continued risk to their Private Information, which remains in Defendants' possession and is  
27 subject to further unauthorized disclosures so long as Defendants fail to undertake  
28 appropriate and adequate measures to protect the Private Information in their continued

1 possession; (vi) future costs in terms of time, effort, and money that will be expended as result  
2 of the Data Breach for the remainder of the lives of Plaintiffs and Class Members; and  
3 (vii) the diminished value of Defendants' services they received.

4 174. As a direct and proximate result of Defendants' breaches of their fiduciary  
5 duties, Plaintiffs and Class members have suffered and will continue to suffer other forms of  
6 injury and/or harm, and other economic and non-economic losses.

7 **COUNT VI**  
8 **VIOLATION OF CALIFORNIA'S UNFAIR COMPETITION LAW ("UCL"),**  
9 **Cal. Bus. Prof. Code § 17200, *et seq.*,**  
10 **(On Behalf of Plaintiffs and the California Subclass)**

11 175. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
12 fully set forth herein.

13 176. Defendants violated California's Unfair Competition Law ("UCL") Cal. Bus.  
14 Prof. Code § 17200, *et seq.*, by engaging in unlawful, unfair or fraudulent business acts and  
15 practices and unfair, deceptive, untrue or misleading advertising that constitute acts of "unfair  
16 competition" as defined in the UCL, including, but not limited to, the following:

17 a. By representing and advertising that they would maintain adequate data  
18 privacy and security practices and procedures to safeguard Plaintiffs' and  
19 Class member's Personal and financial information from unauthorized  
20 disclosure, release, data breach, and theft; representing and advertising that  
21 they would and did comply with the requirement of relevant federal and state  
22 laws relating to privacy and security of Plaintiffs' and Class's Private  
23 Information; and omitting, suppressing, and concealing the material fact of  
24 the inadequacy of the privacy and security protections for the Private  
25 Information;

26 b. By soliciting and collecting Private Information from Plaintiff and Class  
27 members without adequately protecting or storing Private Information; and  
28

1 c. By violating the California Customer Records Act, as set forth in further detail  
2 below.

3 177. Defendants' practices were also contrary to legislatively declared and public  
4 policies that seek to protect consumer data and ensure that entities that solicit or are entrusted  
5 with personal data utilize appropriate security measures, as reflected by laws like the FTC Act,  
6 15 U.S.C. § 45.

7 178. As a direct and proximate result of Defendants' unfair and unlawful practices and  
8 acts, Plaintiff and the Class were injured and lost money or property, including but not limited  
9 to, overpayments Defendants received to maintain adequate security measures and did not, the  
10 loss of their legally protected interest in the confidentiality and privacy of their Private  
11 Information, and additional losses described above.

12 179. Defendants knew or should have known that their administrative and data security  
13 measures were inadequate to safeguard Plaintiff's and Class members' Private Information and  
14 that the risk of a data breach or unauthorized access was highly likely. Defendants had resources  
15 to secure and/or prepare for protecting customers' Private Information in a data breach.  
16 Defendants' actions in engaging in the above-named unfair, unlawful and deceptive acts and  
17 practices were negligent, knowing and willful, and/or wanton and reckless with respect to the  
18 rights of the Class.

19 180. Plaintiff seeks relief under the UCL, including restitution to the Class of money  
20 or property that the Defendants may have acquired by means of their deceptive, unlawful, and  
21 unfair business practices, declaratory relief, attorney fees, costs and expenses (pursuant to Cal.  
22 Code Civ. P. § 1021.5), and injunctive or other equitable relief.

23 **COUNT VII**  
24 **VIOLATION OF THE CALIFORNIA CUSTOMER RECORDS ACT ("CRA"),**  
25 **Cal. Bus. Prof. Code § 1798.80, et seq.,**  
26 **(On Behalf of Plaintiffs and the California Subclass)**

27 181. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
28 fully set forth herein.

1           182. At all relevant times, Defendants were a “business” under the terms of the CRA,  
2 operating in the State of California and owning or licensing computerized data that included the  
3 Private Information of Plaintiffs and the Class.

4           183. At all relevant times, Plaintiffs and the Class were “customers” under the terms  
5 of the CRA as natural persons who provided personal information to Defendants for the purpose  
6 of purchasing or leasing a product or obtaining a service from Defendants.

7           184. Section 1798.82 requires disclosure “shall be made in the most expedient time  
8 possible and without unreasonable delay...” By the acts described above, Defendants violated  
9 the CRA by allowing unauthorized access to customers’ personal and financial information and  
10 then failing to inform them for months when the unauthorized use occurred, thereby failing in  
11 their duty to inform their customers of unauthorized access expeditiously and without  
12 unreasonable delay.

13           185. The Data Breach described herein is a “breach of the security system” under  
14 Section 1798.82.

15           186. As a direct consequence of the actions as identified above, Plaintiffs and the Class  
16 incurred additional losses and suffered further harm to their privacy, including but not limited to  
17 economic loss, the loss of control over the use of their identity, harm to their constitutional right  
18 to privacy, lost time dedicated to the investigation of and attempt to recover the loss of funds  
19 and/or cure harm to their privacy, the need for future expenses and time dedicated to the recovery  
20 and protection of further loss, and privacy injuries associated with having their sensitive personal  
21 and financial information disclosed, that they would have not otherwise lost had Defendants  
22 immediately informed them of the unauthorized use.

23           187. Plaintiffs accordingly request the Court enter an injunction requiring Defendants  
24 to implement and maintain reasonable security procedures.

25           188. Plaintiffs further request the Court require Defendants to identify all of their  
26 impacted clients, to what degree their information was stolen, and to notify all members of the  
27 Class who have not yet been informed of the Data Breach by written email within 24 hours of  
28 discovery of a breach, possible breach, and by mail within 72 hours.

1 189. As a result of Defendants’ violations, Plaintiffs and the Class are entitled to all  
2 actual and compensatory damages according to proof, to non-economic injunctive relief  
3 allowable under the CRA, and to such other and further relief as this Court may deem just and  
4 proper.

5 **COUNT VIII**  
6 **VIOLATION OF THE ILLINOIS CONSUMER FRAUD ACT,**  
7 **815 ILCS §§ 505, *et seq.***

8 **(On Behalf of Plaintiff Salinas and the Illinois Subclass)**

9 190. Plaintiff fully incorporates by reference all of the above paragraphs, as though  
10 fully set forth herein.

11 191. Defendants are a “person” as defined by 815 Ill. Comp. Stat. §§ 505/1(c).

12 192. Plaintiff and Illinois Subclass members are “consumers” as defined by 815 Ill.  
13 Comp. Stat. §§ 505/1(e).

14 193. Defendants’ conduct as described herein was in the conduct of “trade” or  
15 “commerce” as defined by 815 Ill. Comp. Stat. § 505/1(f).

16 194. Defendants’ deceptive, unfair, and unlawful trade acts or practices, in violation of  
17 815 Ill. Comp. Stat. § 505/2, include:

- 18 a. Failing to implement and maintain reasonable security and privacy  
19 measures to protect Plaintiff and Illinois Subclass members’ Private  
20 Information, which was a direct and proximate cause of the Data Breach;
- 21 b. Failing to identify foreseeable security and privacy risks, remediate  
22 identified security and privacy risks, and adequately improve security and  
23 privacy measures following previous cybersecurity incidents, which was a  
24 direct and proximate cause of the Data Breach;
- 25 c. Failing to comply with common law and statutory duties pertaining to the  
26 security and privacy of Plaintiff and Illinois Subclass members’ Private  
27 Information, including duties imposed by the FTC Act, 15 U.S.C. § 45, and  
28

1 the Illinois Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat. §  
2 510/2(a), which was a direct and proximate cause of the Data Breach;

3 d. Misrepresenting that they would protect the privacy and confidentiality of  
4 Plaintiff and Illinois Subclass members' Private Information, including by  
5 implementing and maintaining reasonable security measures;

6 e. Misrepresenting that they would comply with common law and statutory  
7 duties pertaining to the security and privacy of Plaintiff Salinas and Illinois  
8 Subclass members' Private Information, including duties imposed by the  
9 FTC Act, and the Illinois Uniform Deceptive Trade Practices Act, 815 Ill.  
10 Comp. Stat. § 510/2(a);

11 f. Failing to timely and adequately notify Plaintiff Salinas and Illinois  
12 Subclass members of the Data Breach;

13 g. Omitting, suppressing, and concealing the material fact that it did not  
14 reasonably or adequately secure Plaintiff Salinas's and Illinois Subclass  
15 members' Private Information;

16 h. Omitting, suppressing, and concealing the material fact that it did not  
17 comply with common law and statutory duties pertaining to the security and  
18 privacy of Plaintiff and Illinois Subclass members' Private Information,  
19 including duties imposed by the FTC Act, 15 U.S.C. § 45, and the Illinois  
20 Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat. § 510/2(a).  
21

22  
23 195. Defendants' representations and omissions were material because they were likely  
24 to deceive reasonable consumers about the adequacy of Defendants' data security and ability to  
25 protect the confidentiality of consumers' Private Information.

26 196. Defendants' representations and omissions were material because they were likely  
27 to deceive reasonable consumers, including Plaintiff and the Illinois Subclass members, that their  
28



1 Private Information was not exposed and misled Plaintiff and the Illinois Subclass members into  
2 believing they did not need to take actions to secure their identities.

3 197. Defendants intended to mislead Plaintiff and Illinois Subclass members and  
4 induce them to rely on its misrepresentations and omissions.

5 198. The above unfair and deceptive practices and acts by Defendants offend public  
6 policy, and were immoral, unethical, oppressive, and unscrupulous. These acts caused substantial  
7 injury that these consumers could not reasonably avoid; this substantial injury outweighed any  
8 benefits to consumers or to competition.

9 199. Defendants acted intentionally, knowingly, and maliciously to violate Illinois's  
10 Consumer Fraud Act, and recklessly disregarded Plaintiff and Illinois Subclass members' rights.

11 200. As a direct and proximate result of Defendants' unfair, unlawful, and deceptive  
12 acts and practices, Plaintiff and Illinois Subclass members have suffered and will continue to  
13 suffer injury, ascertainable losses of money or property, and monetary and non-monetary  
14 damages, including from fraud and identity theft; time and expenses related to monitoring their  
15 financial accounts for fraudulent activity; an increased, imminent risk of fraud and identity theft;  
16 and loss of value of their Private Information.

17 201. Plaintiff and Illinois Subclass members seek all monetary and non-monetary relief  
18 allowed by law, including damages, restitution, punitive damages, injunctive relief, and  
19 reasonable attorneys' fees and costs.

20 **COUNT IX**  
21 **VIOLATION OF THE ILLINOIS UNIFORM DECEPTIVE TRADE PRACTICES ACT,**  
22 **815 ILCS §§ 510/2, *et seq.***

23 **(On Behalf of Plaintiff Salinas and the Illinois Subclass)**

24 202. Plaintiff fully incorporates by reference all of the above paragraphs, as though  
25 fully set forth herein.

26 203. Defendants are a "person" as defined by 815 Ill. Comp. Stat. §§ 505/1(5).

27 204. Defendants engaged in deceptive trade practices in the conduct of its business, in  
28 violation of 815 Ill. Comp. Stat. §§ 510/2(a), including:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

- a. Representing that goods or services have characteristics that they do not have;
- b. Representing that goods or services are of a particular standard, quality, or grade if they are of another;
- c. Advertising goods or services with intent not to sell them as advertised; and
- d. Engaging in other conduct that creates a likelihood of confusion or misunderstanding.

205. Defendants’ deceptive trade practices include:

- a. Failing to implement and maintain reasonable security and privacy measures to protect Plaintiff and Illinois Subclass members’ Private Information, which was a direct and proximate cause of the Data Breach;
- b. Failing to identify foreseeable security and privacy risks, remediate identified security and privacy risks, and adequately improve security and privacy measures following previous cybersecurity incidents, which was a direct and proximate cause of the Data Breach;
- c. Failing to comply with common law and statutory duties pertaining to the security and privacy of Plaintiff and Illinois Subclass members’ Private Information, including duties imposed by the FTC Act, 15 U.S.C. § 45, and the Illinois Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat. § 510/2(a), which was a direct and proximate cause of the Data Breach;
- d. Misrepresenting that it would protect the privacy and confidentiality of Plaintiff and Illinois Subclass members’ Private Information, including by implementing and maintaining reasonable security measures;
- e. Misrepresenting that it would comply with common law and statutory duties pertaining to the security and privacy of Plaintiff and Illinois Subclass

1 members' Private Information, including duties imposed by the FTC Act,  
2 and the Illinois Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat.  
3 § 510/2(a);

4 f. Failing to timely and adequately notify Plaintiff and Illinois Subclass  
5 members of the Data Breach;

6 g. Misrepresenting that certain sensitive Personal Information was not  
7 accessed during the Data Breach, when it was;

8 h. Omitting, suppressing, and concealing the material fact that it did not  
9 reasonably or adequately secure Plaintiff and Illinois Subclass members'  
10 Private Information; and

11 i. Omitting, suppressing, and concealing the material fact that it did not  
12 comply with common law and statutory duties pertaining to the security and  
13 privacy of Plaintiff and Illinois Subclass members' Private Information,  
14 including duties imposed by the FTC Act, 15 U.S.C. § 45 and the Illinois  
15 Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat. § 510/2(a)).  
16

17 206. Defendants' representations and omissions were material because they were likely  
18 to deceive reasonable consumers about the adequacy of Defendants' data security and ability to  
19 protect the confidentiality of consumers' Private Information.  
20

21 207. Defendants' representations and omissions were material because they were likely  
22 to deceive reasonable consumers, including Plaintiff and the Illinois Subclass members, that their  
23 Private Information was not exposed and misled Plaintiff and the Illinois Subclass members into  
24 believing they did not need to take actions to secure their identities.

25 208. The above unfair and deceptive practices and acts by Defendants were immoral,  
26 unethical, oppressive, and unscrupulous. These acts caused substantial injury to Plaintiff and  
27 Illinois Subclass members that they could not reasonably avoid; this substantial injury  
28 outweighed any benefits to consumers or to competition.



- 1 c. Advertising goods or services with intent not to sell them as advertised.
- 2 d. Defendants' false, misleading, and deceptive acts and practices include:
- 3 e. Failing to implement and maintain reasonable security and privacy
- 4 measures to protect Plaintiff and Texas Subclass members' Private
- 5 Information, which was a direct and proximate cause of the Data Breach;
- 6
- 7 f. Failing to identify foreseeable security and privacy risks, remediate
- 8 identified security and privacy risks, and adequately improve security and
- 9 privacy measures following previous cybersecurity incidents, which was a
- 10 direct and proximate cause of the Data Breach;
- 11 g. Failing to comply with common law and statutory duties pertaining to the
- 12 security and privacy of Plaintiff and Texas Subclass members' Private
- 13 Information, including duties imposed by the FTC Act, 15 U.S.C. § 45 and
- 14 Texas's data security statute, Tex. Bus. & Com. Code § 521.052, which was
- 15 a direct and proximate cause of the Data Breach;
- 16 h. Misrepresenting that it would protect the privacy and confidentiality of
- 17 Plaintiff and Texas Subclass members' Private Information, including by
- 18 implementing and maintaining reasonable security measures;
- 19 i. Misrepresenting that it would comply with common law and statutory duties
- 20 pertaining to the security and privacy of Plaintiff and Texas Subclass
- 21 members' Private Information, including duties imposed by the FTC Act,
- 22 15 U.S.C. § 45 and Texas's data security statute, Tex. Bus. & Com. Code §
- 23 521.052;
- 24
- 25 j. Failing to timely and adequately notify the Plaintiff and Texas Subclass
- 26 members of the Data Breach;
- 27 k. Misrepresenting that certain sensitive Personal Information was not
- 28 accessed during the Data Breach, when it was;

1           l. Omitting, suppressing, and concealing the material fact that it did not  
2           reasonably or adequately secure Plaintiff and Texas Subclass members’  
3           Private Information; and

4           m. Omitting, suppressing, and concealing the material fact that it did not  
5           comply with common law and statutory duties pertaining to the security and  
6           privacy of Plaintiff and Texas Subclass members’ Private Information,  
7           including duties imposed by the FTC Act, 15 U.S.C. § 45 and Texas’s data  
8           security statute, Tex. Bus. & Com. Code § 521.052.

9  
10           216. Defendants intended to mislead Plaintiff and Texas Subclass members and induce  
11 them to rely on its misrepresentations and omissions.

12           217. Defendants’ representations and omissions were material because they were likely  
13 to deceive reasonable consumers about the adequacy of Defendants’ data security and ability to  
14 protect the confidentiality of consumers’ Private Information.

15           218. Defendants’ representations and omissions were material because they were likely  
16 to deceive reasonable consumers, including Plaintiff and the Texas Subclass members, that their  
17 Private Information was not exposed and misled Plaintiff and the Texas Subclass members into  
18 believing they did not need to take actions to secure their identities.

19           219. Had Defendants disclosed to Plaintiff and Class members that its data systems  
20 were not secure and, thus, vulnerable to attack, Defendants would have been unable to continue  
21 in business and it would have been forced to adopt reasonable data security measures and  
22 comply with the law. Instead, Defendants were trusted with sensitive and valuable Private  
23 Information regarding millions of consumers, including Plaintiff, the Class, and the Texas  
24 Subclass. Defendants accepted the responsibility of being a steward of this data while keeping  
25 the inadequate state of its security controls secret from the public. Accordingly, because  
26 Defendants held themselves out as maintaining a secure platform for Private Information data,  
27 Plaintiff, the Class, and the Texas Subclass members acted reasonably in relying on Defendants’  
28 misrepresentations and omissions, the truth of which they could not have discovered.

1           220. Defendant had a duty to disclose the above facts due to the circumstances of this  
2 case, the sensitivity and extent of the Private Information in its possession, and the generally  
3 accepted professional standards in its industry. This duty arose because members of the public,  
4 including Plaintiff and the Texas Subclass, repose a trust and confidence in Defendants. In  
5 addition, such a duty is implied by law due to the nature of the relationship between consumers,  
6 including Plaintiff and the Texas Subclass, and Defendants because consumers are unable to  
7 fully protect their interests with regard to their data, and placed trust and confidence in  
8 Defendants. Defendants' duty to disclose also arose from its:

- 9                   a. Possession of exclusive knowledge regarding the security of the data in its  
10                   systems;
- 11                   b. Active concealment of the state of its security; and/or
- 12                   c. Incomplete representations about the security and integrity of its computer  
13                   and data systems, and its prior data breaches, while purposefully  
14                   withholding material facts from Plaintiff and the Texas Subclass that  
15                   contradicted these representations.  
16

17           221. Defendants engaged in unconscionable actions or courses of conduct, in  
18 violation of Tex. Bus. & Com. Code Ann. § 17.50(a)(3). Defendants engaged in acts or  
19 practices which, to consumers' detriment, took advantage of consumers' lack of knowledge,  
20 ability, experience, or capacity to a grossly unfair degree.

21           222. Consumers, including Plaintiff and Texas Subclass members, lacked knowledge  
22 about deficiencies in Defendants' data security because this information was known  
23 exclusively by Defendants. Consumers also lacked the ability, experience, or capacity to secure  
24 the Private Information in Defendants' possession or to fully protect their interests with regard  
25 to their data. Plaintiffs and Texas Subclass members lack expertise in information security  
26 matters and do not have access to Defendants' systems in order to evaluate its security controls.  
27 Defendants took advantage of its special skill and access to Private Information to hide its  
28

1 inability to protect the security and confidentiality of Plaintiff and Texas Subclass members’  
2 Private Information.

3           223. Defendants intended to take advantage of consumers’ lack of knowledge, ability,  
4 experience, or capacity to a grossly unfair degree, with reckless disregard of the unfairness that  
5 would result. The unfairness resulting from Defendants’ conduct is glaringly noticeable,  
6 flagrant, complete, and unmitigated. The Data Breach, which resulted from Defendants’  
7 unconscionable business acts and practices, exposed Plaintiff and Texas Subclass members to a  
8 wholly unwarranted risk to the safety of their Private Information and the security of their  
9 identity or credit, and worked a substantial hardship on a significant and unprecedented number  
10 of consumers. Plaintiff and Texas Subclass members cannot mitigate this unfairness because  
11 they cannot undo the data breach.

12           224. Defendants acted intentionally, knowingly, and maliciously to violate Texas’s  
13 Deceptive Trade Practices-Consumer Protection Act, and recklessly disregarded Plaintiff and  
14 Texas Subclass members’ rights.

15           225. As a direct and proximate result of Defendants’ unconscionable and deceptive  
16 acts or practices, Plaintiff and Texas Subclass members have suffered and will continue to  
17 suffer injury, ascertainable losses of money or property, and monetary and non-monetary  
18 damages, including from fraud and identity theft; time and expenses related to monitoring their  
19 financial accounts for fraudulent activity; an increased, imminent risk of fraud and identity  
20 theft; and loss of value of their Private Information. Defendants’ unconscionable and deceptive  
21 acts or practices were a producing cause of Plaintiff and Texas Subclass members’ injuries,  
22 ascertainable losses, economic damages, and non-economic damages, including their mental  
23 anguish.

24           226. Defendants’ violations present a continuing risk to Plaintiff and Texas Subclass  
25 members as well as to the general public.

26           227. Plaintiff and the Texas Subclass seek all monetary and non-monetary relief  
27 allowed by law, including economic damages; damages for mental anguish; treble damages for  
28



1 each act committed intentionally or knowingly; court costs; reasonably and necessary  
2 attorneys' fees; injunctive relief; and any other relief which the court deems proper.

3 **COUNT XI**

4 **DECLARATORY/INJUNCTIVE RELIEF**

5 **(On Behalf of Plaintiffs and the Nationwide Class or, Alternatively, the California, Illinois  
6 and Texas Subclasses)**

7 228. Plaintiffs fully incorporate by reference all of the above paragraphs, as though  
8 fully set forth herein.

9 229. Under the Declaratory Judgment Act, 28 U.S.C. §§ 2201, *et seq.*, this Court is  
10 authorized to enter a judgment declaring the rights and legal relations of the parties and  
11 granting further necessary relief. Furthermore, the Court has broad authority to restrain acts,  
12 such as here, that are tortious and violate the terms of the federal statutes described in this  
13 Complaint.

14 230. An actual controversy has arisen in the wake of the Data Breach regarding  
15 Defendants' present and prospective common law and other duties to reasonably safeguard  
16 Plaintiffs' and Class members' Private Information, and whether Defendants are currently  
17 maintaining data security measures, including employee (and former employee) practices,  
18 procedures, and protocols, adequate to protect Plaintiffs and Class members from future data  
19 breaches that compromise their Private Information. Plaintiffs and the Class remain at an  
20 imminent and substantial risk that further compromises of their Private Information will occur  
21 in the future.

22 231. The Court should also issue prospective injunctive relief requiring Defendants to  
23 employ adequate security practices consistent with law and industry standards to protect  
24 consumers' Private Information.

25 232. Defendants still possesses the Private Information of Plaintiffs and the Class.

26 233. To Plaintiffs' knowledge, Defendants have made little, if any, changes to its data  
27 storage or security practices relating to the security of the Private Information.

1           234. To Plaintiffs' knowledge, Defendants have not adequately remedied the  
2 vulnerabilities and negligent data security practices that led to the Data Breach.

3           235. If an injunction is not issued, Plaintiffs and the Class will suffer irreparable  
4 injury and lack an adequate legal remedy in the event of another data breach at Defendants. The  
5 risk of another such breach is real, immediate, and substantial.

6           236. The hardship to Plaintiffs and Class members if an injunction does not issue  
7 exceeds the hardship to Defendants if an injunction is issued. Among other things, if another  
8 data breach occurs, Plaintiffs and Class members will likely continue to be subjected to fraud,  
9 identify theft, and other harms described herein. On the other hand, the cost to Defendants of  
10 complying with an injunction by employing reasonable prospective data security measures is  
11 relatively minimal, and Defendants have a pre-existing legal obligation to employ such  
12 measures.

13           237. Issuance of the requested injunction will not disserve the public interest. To the  
14 contrary, such an injunction would benefit the public by preventing another data breach, thus  
15 eliminating the additional injuries that would result to Plaintiffs and Class members, along with  
16 other consumers whose PII would be further compromised.

17           238. Pursuant to its authority under the Declaratory Judgment Act, this Court should  
18 enter a judgment declaring that Defendant implement and maintain reasonable security  
19 measures, including but not limited to the following:

- 20           a. Engaging third-party security auditors and internal personnel to run automated  
21 data security monitoring;
- 22           b. auditing, testing, and training their security personnel and employees  
23 regarding any new or modified procedures;
- 24           c. purging, deleting, and destroying Private Information not necessary for their  
25 provisions of services in a reasonably secure manner;
- 26           d. conducting regular database scans and security checks; and
- 27           e. routinely and continually conducting internal employee training and education  
28 to inform internal security personnel and employees how to prevent or detect

1 a similar data breach when it occurs and what to do in response to such a  
2 breach.

3 **DEMAND FOR JURY TRIAL**

4 Plaintiffs demand a trial by jury of all claims so triable.

5 **REQUEST FOR RELIEF**

6 WHEREFORE, Plaintiffs, individually and on behalf of the Class proposed in this  
7 Complaint, respectfully requests that the Court enter judgment in his favor and against  
8 Defendants, as follows:

- 9 a. For an Order certifying this action as a class action and appointing Plaintiffs and  
10 their counsel to represent the Class;
- 11 b. For equitable relief enjoining Defendants from engaging in the wrongful conduct  
12 complained of herein pertaining to the misuse and/or disclosure of Plaintiffs' and  
13 Class members' Private Information, and from failing to issue prompt, complete  
14 and accurate disclosures to Plaintiffs and Class members;
- 15 c. For equitable relief compelling Defendants to utilize appropriate methods and  
16 policies with respect to consumer data collection, storage, and safety, especially  
17 as such methods and policies pertain to both current and former employees;
- 18 d. For equitable relief requiring restitution and disgorgement of the revenues  
19 wrongfully retained as a result of Defendants' wrongful conduct;
- 20 e. Ordering Defendants to pay for not less than three (3) years of credit monitoring  
21 services for Plaintiffs and the Class;
- 22 f. For an award of actual damages, compensatory damages, statutory damages, and  
23 statutory penalties, in an amount to be determined, as allowable by law;
- 24 g. For an award of punitive damages, as allowable by law;
- 25 h. For an award of attorneys' fees and costs, and any other expense, including expert  
26 witness fees;
- 27 i. Pre- and post-judgment interest on any amounts awarded; and such other and  
28 further relief as this court may deem just and proper.

1  
2 Date: August 23, 2022

Respectfully submitted,

3  
4 /s/Dennis Stewart

Dennis Stewart (#99152)  
**GUSTAFSON GLUEK PLLC**  
600 W. Broadway  
Suite 3300  
San Diego, CA 92101  
Tel: (612) 333-8844  
[dstewart@gustafsongluek.com](mailto:dstewart@gustafsongluek.com)

5  
6  
7  
8  
9 Daniel E. Gustafson\*  
David A. Goodwin\*  
Mary M. Nikolai\*  
**GUSTAFSON GLUEK PLLC**  
Canadian Pacific Plaza  
120 South Sixth Street, Suite 2600  
Minneapolis, MN 55402  
Tel: (612) 333-8844  
[dgustafson@gustafsongluek.com](mailto:dgustafson@gustafsongluek.com)  
[dgoodwin@gustafsongluek.com](mailto:dgoodwin@gustafsongluek.com)  
[mnikolai@gustafsongluek.com](mailto:mnikolai@gustafsongluek.com)

10  
11  
12  
13  
14  
15  
16 Nicholas A. Migliaccio\*  
[nmigliaccio@classlawdc.com](mailto:nmigliaccio@classlawdc.com)  
Jason S. Rathod\*  
[jrathod@classlawdc.com](mailto:jrathod@classlawdc.com)  
**Migliaccio & Rathod LLP**  
412 H Street NE  
Washington, DC 20002  
Tel: (202) 470-3520  
Fax: (202) 800-2730

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28 Gary S. Graifman\*  
Melissa R. Emert\*  
**KANTROWITZ, GOLDHAMER &  
GRAIFMAN, P.C.**  
135 Chestnut Ridge Road, Suite 200  
Montvale, New Jersey 07645  
T: 845-356-2570  
F: 845-356-4335  
[ggraifman@kgglaw.com](mailto:ggraifman@kgglaw.com)  
[memert@kgglaw.com](mailto:memert@kgglaw.com)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Scott. D Hirsch\*  
SCOTT HIRSCH LAW GROUP  
6810 N. State Road 7  
Coconut Creek, FL 33073  
(561) 569-7062  
[scott@scotthirschlawgroup.com](mailto:scott@scotthirschlawgroup.com)

*Counsel for Plaintiff and the Putative Class*

*\*Pro Hac Vice Application to be Submitted*