

1 Adam M. Apton (State Bar No. 316506)
2 **LEVI & KORSINSKY, LLP**
3 388 Market Street, Suite 1300
4 San Francisco, CA 94111
5 Telephone: 415-373-1671
6 Facsimile: 212-363-7171
7 Email: aapton@zlk.com

8 Mark S. Reich (*pro hac vice* to be filed)
9 Courtney E. Maccarone (*pro hac vice* to be filed)
10 **LEVI & KORSINSKY, LLP**
11 55 Broadway, 10th Floor
12 New York, NY 10006
13 Telephone: 212-363-7500
14 Facsimile: 212-363-7171
15 Email: mreich@zlk.com
16 cmaccarone@zlk.com

17 *Attorneys for Plaintiffs and the Proposed*
18 *Classes*

19 **UNITED STATES DISTRICT COURT**
20 **NORTHERN DISTRICT OF CALIFORNIA**

21 CHRISTOPHER CALISE and ANASTASIA
22 GROSCHEN, Individually and On Behalf of
23 All Others Similarly Situated,

24 Plaintiffs,

25 v.

26 FACEBOOK, INC.,

27 Defendant.

Case No.

CLASS ACTION COMPLAINT

- (1) Negligence
- (2) Breach of Contract
- (3) Breach of the Covenant of Good Faith and Fair Dealing
- (4) Violations of Cal. Bus. & Bus. Prof. Code § 17200, *et seq.*
- (5) Unjust Enrichment

JURY TRIAL DEMANDED

28

1 Plaintiffs Christopher Calise and Anastasia Groschen (“Plaintiffs”), individually and on
2 behalf of all others similarly situated, by and through their undersigned counsel, bring this class
3 action complaint seeking monetary and injunctive relief against Defendant Facebook, Inc.
4 (“Facebook” or the “Company”).¹ Plaintiffs allege the following upon information and belief
5 based on the investigation of counsel, except as to those allegations that specifically pertain to
6 Plaintiffs, which are alleged upon personal knowledge.²

7 NATURE OF THE ACTION

8 1. This case seeks to put an end to Facebook’s policy of actively soliciting,
9 encouraging, and assisting scammers it knows, or should know, are using its platform to defraud
10 Facebook users with deceptive ads, and compel Facebook to either compensate Facebook users
11 for their losses or disgorge the billions of dollars in profits it has unjustly earned from such
12 misconduct.

13 2. Facebook collects vast amounts of data from each Facebook user. While Facebook
14 does not pay users for it, this data has enormous financial value since it enables Facebook to sell
15 precisely targeted ads to millions of advertisers. Scammers discovered they could exploit these
16 targeting capabilities to get deceptive, false and/or misleading ads viewed by the Facebook users
17 most likely to click those ads and be lured into bait-and-switch and other fraudulent schemes (the
18 “Deceptive Facebook Ads”). As various scammers told Bloomberg News in 2017, Facebook has
19 “revolutionized scamming.”³

20 3. Given the foreseeability of material harm to Facebook users from scammers,
21 Facebook should have promptly shut down these scammers as soon as they started surfacing on its
22 platform. Facebook had and continues to have a duty to do so given, among other factors, (i)
23 promises in its Terms of Service to remove false and misleading ads, (ii) advertising policies

24 _____
25 ¹ Plaintiff Calise sought to address and resolve the allegations and relief sought in this complaint
26 through a pre-suit demand, dated June 1, 2021, and subsequent discussions by and between counsel
27 for Plaintiffs and Facebook.

28 ² All emphasis herein is added, unless otherwise noted.

³ Zeke Faux, *How Facebook Helps Shady Advertisers Pollute the Internet*, BLOOMBERG
BUSINESSWEEK (March 27, 2018) [https://www.bloomberg.com/news/features/2018-03-27/ad-
scammers-need-suckers-and-facebook-helps-find-them](https://www.bloomberg.com/news/features/2018-03-27/ad-scammers-need-suckers-and-facebook-helps-find-them) (last visited on July 2, 2021).

1 strictly prohibiting such ads, and (iii) the vast investigative, technical, and financial capabilities
2 and resources at Facebook’s disposal to combat fraud. But Facebook refuses to drive scammers
3 off its platform because it generates billions of dollars per year in revenue from Deceptive
4 Facebook Ads.

5 4. Facebook has done much more than passively create and maintain a platform on
6 which scammers can brazenly target users with scams. According to internal Facebook
7 documents, and current and former Facebook employees and contractors recently interviewed by
8 various investigative journalists at prominent publications,⁴ Facebook actively solicits,
9 encourages, and assists scammers in numerous ways. On the revenue side, according to these
10 investigations, Facebook’s sales teams have presented at conferences heavily attended by known
11 scammers, socialized with known scammers for business development purposes, and met revenue
12 quotas by encouraging known scammers to continue buying Facebook ads. Facebook’s sales teams
13 have also been aggressively soliciting ad sales in China and providing extensive training services
14 and materials to China-based advertisers, despite an internal study showing that *nearly thirty*
15 *percent (30%)* of the ads placed by China-based advertisers — estimated to account for \$2.6 billion
16 in 2020 ad sales alone — violated at least one of Facebook’s own ad policies.

17 5. On the enforcement side, according to these investigations, Facebook has
18 affirmatively directed employees and contractors tasked with monitoring Facebook’s platform for
19 deceptive ads to (i) ignore ads placed by hacked Facebook accounts and pages, as long as Facebook
20 gets paid for these ads, and (ii) ignore violations of Facebook’s Ad Policies, especially by China-
21 based advertisers (since Facebook “want[s] China revenue”).

22 6. In October 2020, the Federal Trade Commission (“FTC”) reported that about 94%
23 of the complaints it collected concerning online shopping fraud on social media identified
24 Facebook (or its Instagram site) as the source.⁵

25 _____
⁴ See footnotes 21-34 and 40 *infra*.

26 ⁵ Press Release, Federal Trade Commission, FTC Data Shows Big Jump in Consumer Reports
27 about Scams Originating on Social Media (Oct. 21, 2020), [https://www.ftc.gov/news-
28 events/press-releases/2020/10/ftc-data-shows-big-jump-consumer-reports-about-scams-
originating](https://www.ftc.gov/news-events/press-releases/2020/10/ftc-data-shows-big-jump-consumer-reports-about-scams-originating), (last visited on July 2, 2021).

1 7. Cracking down on scammers would jeopardize the billions of dollars per year in ad
2 revenue that Facebook collects from scammers. Therefore, even as Facebook’s public relations
3 team touts the closing of certain accounts and lawsuits targeting a few scammers, Facebook
4 remains economically motivated to continue soliciting, encouraging, and assisting scammers at the
5 expense of its users. As Tim Hwang, the author of a book on ad fraud, told BuzzFeed, “I think the
6 profit motive definitely makes it harder for Facebook to take real steps here.”⁶ Therefore,
7 declaratory and injunctive relief is necessary to prevent future harm to Facebook users.

8 8. The injunctive relief (“Proposed Injunctive Relief”) that Plaintiffs seek includes,
9 but is not limited to, directing Facebook to implement and monitor changes to Facebook’s
10 processes, practices, and policies to substantially reduce the display of Deceptive Facebook Ads
11 on Facebook’s website and protect Facebook users from being victimized by scam ads, including
12 without limitation, implementing and monitoring changes to processes, practices, and policies with
13 respect to:

- 14 (a) vetting new advertisers before permitting them to display ads – particularly
15 prospective advertisers based in China and other countries where a material
16 percentage of ads violate Facebook's ad policies;
- 17 (b) preventing repeat offenders from circumventing enforcement mechanisms
18 to continue displaying scam ads (*e.g.*, through hacking and/or set-up of new
19 Facebook accounts);
- 20 (c) promptly processing and responding to reports of scam ads submitted by
21 Facebook users;
- 22 (d) identifying and promptly removing ads that violate Facebook’s ad policies;
- 23 (e) educating users about the location and use of tools available to protect
24 themselves against scam ads, and how to report scam ads to Facebook;

26 _____
27 ⁶ Craig Silverman and Ryan Mac, *Facebook Gets Rich Off Of Ads That Rip Off Its Users*
28 [BUZZFEED NEWS](https://www.buzzfeednews.com/article/craigsilverman/facebook-ad-scams-revenue-china-tiktok-vietnam) (Dec. 10, 2020),
<https://www.buzzfeednews.com/article/craigsilverman/facebook-ad-scams-revenue-china-tiktok-vietnam> (last visited on July 2, 2021).

1 (f) compensating Facebook employees and contractors tasked with monitoring
2 Facebook’s websites for scam ads to ensure, among other things, that such
3 employees and contractors are incentivized to prioritize protection of
4 Facebook users from Deceptive Facebook Ads without having to consider
5 the ramifications of their actions on Facebook’s revenue;

6 (g) compensating Facebook’s sales, marketing, and business development
7 teams to ensure, among other things, that such teams are not financially
8 incentivized to solicit scammers or encourage scammers to continue
9 purchasing Facebook ads (including but not limited a review of ad sales
10 practices with respect to China and other countries where a material
11 percentage of ads violate Facebook’s ad policies); and

12 (h) expanding Facebook’s existing Purchase Protection program for purchases
13 made on the Facebook website to victims who are tricked by scammers into
14 fraudulent transactions occurring off the Facebook website.

15 9. Plaintiffs also seek monetary relief in the form of damages and/or disgorgement of
16 profits unjustly earned by Facebook. By collecting troves of data from Facebook users without
17 compensating them, and then earning vast sums from scammers who leverage that data to target
18 Deceptive Facebook Ads at vulnerable Facebook users, Facebook has breached legal and
19 contractual duties owed to its users, and unjustly enriched itself at their expense.

20 10. Plaintiffs seek monetary, declaratory, and injunctive relief against Facebook on behalf
21 of themselves and other similarly-situated Facebook users by asserting claims for negligence;
22 breach of contract; breach of the covenant of good faith and fair dealing; violations of California’s
23 Unfair Competition Law (Cal. Bus. & Prof. Code §§ 17200, *et seq.*) (“UCL”); and unjust
24 enrichment.

25 **PARTIES**

26 11. Plaintiff Christopher Calise is citizen and resident of the State of Oregon, and over
27 the age of eighteen years. Mr. Calise has had a Facebook account since 2009.

28

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