

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO. 21-2989-MDL-ALTONAGA/Torres

IN RE:

**JANUARY 2021 SHORT SQUEEZE
TRADING LITIGATION**

This Document Relates to the Robinhood Tranche

**PLAINTIFFS' OPPOSITION TO DEFENDANTS ROBINHOOD MARKETS, INC.,
ROBINHOOD FINANCIAL LLC, AND ROBINHOOD SECURITIES, LLC'S
MOTION TO DISMISS THE ROBINHOOD TRANCHE COMPLAINT**

TABLE OF CONTENTS

INTRODUCTION..... 1

I. FACTUAL BACKGROUND.....7

A. Robinhood Profits From Exponential Customer Growth and High-Volume Trading.....7

B. The Regulatory Framework for Securities Trading and the Standard of Care for Broker-Dealers Professionals.....9

C. Robinhood’s History of Systemic Regulatory Failures10

D. The Events of January 2021.....10

II. LEGAL STANDARDS14

A. Standard of Review.....14

B. Applicable Law.....14

(i) Robinhood’s Contractual “Governing” Law Provision Does Not Govern Plaintiffs’ Tort Claims15

(ii) Florida has the “Most Significant Relationship” to Plaintiffs’ Tort Claims17

III. ARGUMENT19

A. Plaintiffs’ Detailed Factual Allegations Are More than Sufficient to State Plausible Negligence and Gross Negligence Claims (Counts I–II)19

(i) Robinhood Owes All Foreseeable Plaintiffs Independent Tort Duties.....20

(ii) The Economic Loss Rule Does Not Bar Plaintiffs’ Negligence Claims ...22

(iii) Robinhood’s Extreme Departures from the Standards and Regulations Governing Securities Brokers Support Plaintiffs’ Negligence Claims.....26

B. Plaintiffs’ Allegations Support a Plausible Breach of Fiduciary Duty (Count III)29

(i) Stockbrokers Have Fiduciary Duties, the Scope and Extent of Which Depends on the Particular Facts of Each Case.....29

(ii)	Plaintiffs’ Plead Facts Supporting a Fiduciary Relationship Arising from a Special or Confidential Relationship.....	31
(iii)	Defendants’ Cited Case Law is Inapposite	34
(iv)	Robinhood Securities Owed a Fiduciary Duty to the Robinhood Plaintiffs.....	35
C.	Plaintiffs Adequately Plead Alternative Claims for Breach of Implied Covenant of Good Faith and Fair Dealing and Duty of Care (Counts IV–V)	37
(i)	Robinhood’s Bad Faith and Unfair Dealing in Furnishing Brokerage Services Frustrated the Customer Agreement’s Purpose and Thwarted Plaintiffs’ Expectation of Contractual Benefits	37
(ii)	Plaintiffs Plead Sufficient Facts to Plausibly Allege Robinhood Financial and Robinhood Securities Breached their Implied Duties	43
D.	Plaintiffs’ Count VI States Plausible Claims for Tortious Interference with their Contractual and Business Relationships Against Robinhood Markets	45
(i)	Plaintiffs Plead Facts Showing that Robinhood Markets Interfered with their Contracts with its Subsidiaries	45
(ii)	Robinhood Markets’ Half-Hearted Assertion that Plaintiffs Do Not Plead it Acted Intentionally or Unjustifiably is Meritless	47
E.	Plaintiffs Plead the Essential Elements of Civil Conspiracy (Count VII)	49
F.	Should the Court Disagree, Any Dismissal Should Be with Leave to Amend.....	50
	CONCLUSION.....	50

TABLE OF AUTHORITIES

Cases	Page(s)
<i>Aas v. Super. Ct.</i> , 24 Cal. 4th 627 (2000)	25, 26
<i>Am. Diversified Ins. Services, Inc. v. Union Fid. Life Ins. Co.</i> , 439 So.2d 904 (Fla. 2d DCA 1983)	49
<i>Am. United Life Ins. v. Martinez</i> , 480 F.3d 1043 (11th Cir. 2007)	14
<i>Applied Equip. Corp. v. Litton Saudi Arabia Ltd.</i> , 7 Cal. 4th 503 (1994)	50
<i>Apollo Capital Fund, LLC v. Roth Capital Partners, LLC</i> , 158 Cal. App. 4th 226 (2007)	30, 31, 33, 34
<i>April Enterprises, Inc. v. KTTV</i> , 147 Cal. App. 3d 805 (1983)	42
<i>AREI II Cases</i> , 157 Cal. Rptr. 3d 368 (Ct. App. 2013)	49, 50
<i>Arndt v. Twenty-One Eighty-Five, LLC</i> , 448 F. Supp. 3d 1310 (S.D. Fla. 2020)	15
<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009)	14
<i>Automatic Vending Co. v. Wisdom</i> , 182 Cal. App. 2d 354 (Ct. App. 1960)	41
<i>Badie v. Bank of Am.</i> , 67 Cal. App. 4th 779 (Ct. App. 1998)	41
<i>Banc of Am. Sec. LLC v. Stott</i> , No. 04-81086-CIV, 2005 WL 8156027 (S.D. Fla. Aug. 30, 2005)	29
<i>Bankest Imports, Inc. v. ISCA Corp.</i> , 717 F. Supp. 1537 (S.D. Fla. 1989)	31, 33
<i>Barnett Bank of W. Fla. v. Hooper</i> , 498 So. 2d 923 (Fla. 1986)	31, 33
<i>Barnext Offshore, Ltd. v. Ferretti Grp. USA, Inc.</i> , No. 10-23869, 2012 WL 1570057 (S.D. Fla. May 2, 2012)	4
<i>Bell Atl. v. Twombly</i> , 550 U.S. 544 (2007)	14
<i>Berwecky v. Bear Stearns & Co.</i> , 197 F.R.D. 65 (S.D.N.Y. 2000)	36

Bishop v. Fla. Specialty Paint Co.,
389 So. 2d 999 (Fla. 1980).....17

Britz Fertilizers, Inc. v. Bayer Corp.,
No. 1:07-cv-00846-OWW-SMS, 2008 WL 341628 (E.D. Cal. Feb. 5, 2008)43

Brown v. Cal. Pension Admin’r & Consultants, Inc.,
45 Cal. App. 4th 333, 52 Cal. Rptr. 2d 788 (1996)29

Bryant v. Avado Brands, Inc.,
187 F.3d 1271 (11th Cir. 1999)1, 3

Buckner v. Lower Fla. Keys Hosp. Dist.,
403 So.2d 1025 (Fla. 3d DCA 1981)49

Bulletin Mktg. LLC v. Google LLC,
No. 17-cv-07211-BLF, 2018 WL 3428562 (N.D. Cal. July 13, 2018).....43

Burger King Corp. v. Austin,
805 F.Supp. 1007 (S.D.Fla.1992)16

Burns v. Neiman Marcus Group,
173 Cal. App. 4th 479 (2009)19

Cannizzaro v. Bache, Halsey, Stuart, Shield, Inc.,
81 F.R.D. 719, 721 (S.D.N.Y. 1979)36

Catano v. Capuano,
No. 18-20223, 2020 WL 639406 (S.D. Fla. Feb. 11, 2020)31, 34

City of Santa Barbara v. Super. Ct.,
41 Cal. 4th 747, 161 P.3d 1095 (2007)19

Clay Elec. Co-op v. Johnson,
873 So. 2d 1182 (Fla. 2003).....19, 20, 21, 22, 23

Cobos v. Robinhood Financial LLC, et al.,
No. 2:21-cv-00843-VAP-MRWx, 2021 WL 1035123 (C.D. Cal. Feb. 10, 2021)5

Comunale v. Traders & Gen. Ins. Co.,
328 P.2d 198 (Cal. 1958)38

Cooper v. Meridian Yachts, Ltd.,
575 F.3d 1151 (11th Cir. 2009)14, 15, 38

Corral v. Select Portfolio Servicing, Inc.,
No. C-15-1542 EMC, 2015 WL 4149144 (N.D. Cal. July 9, 2015).....45

Day v. Taylor,
400 F.3d 1272 (11th Cir. 2005)14

Diamond Resorts Int’l, Inc. v. U.S. Consumer Attys., P.A.,
No. 18-80311-CIV-Rosenberg/Reinhart, 2019 WL 3412169, (S.D. Fla. May 14, 2019)48

Digerati Holdings, LLC v. Young Money Ent., LLC,
123 Cal. Rptr. 3d 736 (Ct. App. 2011).....38

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.