	· ·	
1	GEORGE GASCÓN, SBN 182345 District Attorney of San Francisco	
2	JUNE D. CRAVETT, SBN 105094 Assistant Chief District Attorney	
3	EVAN H. ACKIRON, SBN 164628 Managing Assistant District Attorney	FILED
4	ERNST A. HALPERIN, SBN 175493 Assistant District Attorneys	San Francisco County Superior Court
5	White Collar Crime Division	MAR 1 4 2018
6	732 Brannan Street San Francisco, California 94103	CLERK OF THE COURT
7	(415) 551-9545 ernst.halperin@sfgov.org	Deputy Clerk
8	Attorneys for Plaintiff, The People of the State of California	•
9	The reopie of the state of Camornia	
10	SUPERIOR COURT OF THE STATE OF CALIFORNIA CITY AND COUNTY OF SAN FRANCISCO UNLIMITED JURISDICTION	
11		
12		
13	THE PEOPLE OF THE STATE OF CALIFORNIA,	Case NGC-18-565008
14	Plaintiff,) COMPLAINT FOR) PERMANENT INJUNCTION,
15	v. HOMEADVISOR, INC., a Delaware Corporation;) CIVIL PENALTIES,) RESTITUTION, AND OTHER) EQUITABLE RELIEF
16	ANGI HOMESERVICES, INC., a Delaware Corporation; and DOES 1 through 100, inclusive,)) Business and Professions Code
17	Defendants	§17200 et seq. & § 17500 et seq
18	Detendants	
19		{
20	The District Attorney for the City and County of San Francisco, authorized to protect the	
21	general public within the State of California from false and misleading representations and	
22	unlawful business practices, brings this suit in the name of the People of the State of California.	
23	The People hereby allege the following on information and belief:	
24	PARTIES AND VENUE	
25	1. The authority of the District Attorney for the City and County of San Francisco to	
26	bring this action is derived from the statutory law of the State of California, specifically Busines	
27	and Professions Code sections 17200 et seq. and 17500 et seq.	
28		

- 3. Defendant ANGI HOMESERVICES, INC. ("ANGI Homeservices") is a Delaware corporation with its headquarters and principal place of business located in Colorado at 14023 Denver West Parkway, Golden, CO 80401. According to the ANGI Homeservices Investor Relations Webpage (http://ir.angihomeservices.com/ last accessed March 2, 2018), "ANGI Homeservices operates 10 brands in eight countries, including HomeAdvisor®, Angie's List, mHelpDesk, HomeStars (Canada), Travaux.com (France), MyHammer (Germany), MyBuilder (UK), Werkspot (Netherlands) and Instapro (Italy)." ANGI Homeservices is not registered with the California Secretary of State.
- 4. The true names and capacities, whether individual, corporate, associate, or otherwise, of the defendants sued herein under the fictitious names of DOES 1 through 100, inclusive, are unknown to Plaintiff, who therefore sues said defendants by such fictitious names. Each fictitiously named defendant is responsible in some manner for the violations of law herein alleged. Plaintiff will amend its complaint to show the true names and capacities of such defendants, as well as the manner in which each fictitious defendant is responsible for the violations of law of HomeAdvisor herein alleged, when these facts are ascertained.
- 5. At all relevant times, the defendants committed the acts, caused others to commit the acts, ratified the commission of the acts, or permitted others to commit the acts alleged in this complaint and has made, caused, ratified, or permitted others to make the false or misleading statements alleged in this complaint. Whenever reference is made in this complaint to any act of the defendants, such allegation shall mean that each defendant acted individually and jointly with the other defendants named in that cause of action.
- 6. Whenever in this complaint reference is made to any act of any corporate defendant, such allegation shall be deemed to mean that such corporate defendant did the acts alleged in the

complaint through its officers, directors, agent, employees, and/or representatives while they were acting within the actual or ostensible scope of their authority.

- 7. Whenever in this complaint reference is made to any act of any individual defendant, such allegation shall be deemed to mean that such defendant, all times herein mentioned, was acting (a) as a principal, (b) under the express or implied agency conferred by the other defendants, and/or (c) with actual or ostensible authority to perform the acts so alleged.
- 8. The defendants at all times mentioned herein have transacted business within the City and County of San Francisco and throughout the State of California. The violations of law herein described have been committed within and from the City and County of San Francisco, and elsewhere within the State of California.
- 9. The actions of the defendants, as hereinafter set forth, are in violation of the laws and public polices of the State of California and are inimical to the rights and interests of the general public as consumers, competitors and citizens. Unless the People are granted the remedies sought herein, including injunctive relief by order of this Court, the defendants will continue to engage in the unlawful acts and practices set forth below and will continue to cause injury and harm to the general public.

INTRODUCTION

10. HomeAdvisor describes itself as "the operator of the largest home services marketplace across the globe." According to the HomeAdvisor website, "[w]ith HomeAdvisor's on-demand platform, homeowners can find and vet local, prescreened home service professionals; view average home project costs using True Cost Guide; and instantly book appointments online or through HomeAdvisor's award-winning mobile app" (www.abouthomeadvisor.com/ - last accessed March 4, 2018). In the Apple App Store, HomeAdvisor tells consumers:

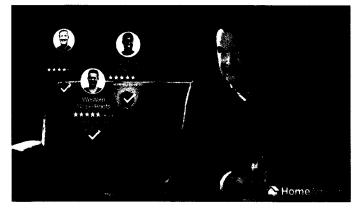
"HomeAdvisor is the #1 home improvement marketplace connecting homeowners with home service contractors. Nationwide, we have a network of hundreds of thousands of background-checked pros specializing in more than 500 home renovation projects."

- 11. HomeAdvisor's television and radio advertisements broadcast in California represent that service professionals retained through HomeAdvisor have been background-checked.
- 12. HomeAdvisor's advertisements are false and misleading because they are likely to deceive consumers into believing that all service professionals hired through HomeAdvisor who come into their homes have passed criminal background checks. That is not the case. The only person who undergoes a background check is the owner/principal of an independently-owned business. HomeAdvisor does not perform any background check whatsoever (not even on the owner/principal) when the business is a franchisee, dealer, or independent contractor of a larger national company or corporate account advertising on HomeAdvisor.
- 13. On December 28, 2017 the District Attorneys sent HomeAdvisor a cease-and-desist letter telling HomeAdvisor to stop broadcasting its misleading representations in California. HomeAdvisor responded on January 29, 2018 and did not agree to stop broadcasting them.

ALLEGATIONS

False and Misleading Television Advertisements.

- 14. HomeAdvisor broadcasts a number of false and misleading advertisements. These include, but are not limited to, the following advertisements.
- 15. <u>CARL</u>: This ad features a middle-aged man sitting on his living room sofa talking about why he feels comfortable having contractors he finds through HomeAdvisor come to his elderly mother's home when he is not available. Carl says, "my mom is



getting older and projects around the house aren't as easy for her to handle by herself. But I can't always be there when she needs me. So when her roof started to leak I went to HomeAdvisor and found the right Pro to help. *They are background checked*. I can read their reviews check their credentials, and it's free to use. If anything comes up with my mom's home and I'm not available, HomeAdvisor always is."

16. <u>HAPPY HOMEOWNERS:</u> This ad features Amy Matthews introducing the benefits of HomeAdvisor. A series of homeowners then express what they like about HomeAdvisor, including a woman standing with two young children who says, "As a single"



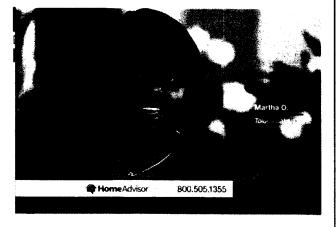
mom, I love that HomeAdvisor does background checks on pros." The frame zooms in on her and the words "Background Checks" appear in the screen with her. The shot then cuts to a man with the same words "Background Checks" on the screen, who says, "Gives me peace of mind."

17. <u>BUSY MOM</u>: This ad features a new mom with her baby talking about the difficulty of finding time to do home projects, like fixing a clogged drain or painting a room. She then says, "But, thankfully, with HomeAdvisor, it's easy to find a local pro that I can trust—because they've been background-checked."



18. <u>TV AD FEATURING JASON</u>

<u>CAMERON</u>: This ad features TV Show Host
Jason Cameron extolling the benefits of
HomeAdvisor. He tells the viewers, "With
HomeAdvisor you know that you'll get a
reliable pro because they must pass criminal
and financial background checks before they're



listed." The camera then cuts to a woman standing in front of her house in Toluca Lake, California who says, "As a single mom I have to be careful with who I invite to my home."

| |///

///

///

///

19. <u>HOMEADVISOR TESTIMONIALS:</u>

This ad features testimonials from consumers in California and other states. In it, TV host Amy Matthews says, "HomeAdvisor pros pass criminal and financial background checks before they're listed." The camera then cuts to a woman standing alone in the bathroom of her



home who says, "I love the fact that they are background-checked – that's a great feeling," and then to a woman standing in her kitchen who says, "You can feel safe with them coming into your home."

20. <u>PROS YOU CAN TRUST</u>: This ad features Amy Matthews touting HomeAdvisor's background checks. She says, "Every home repair or improvement project should start with a pro you know you can trust" and then says the service "instantly connects you with top-rated

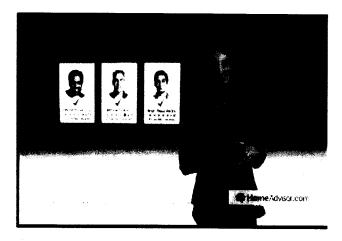


pros who have passed criminal and financial background checks" as the frame prominently displays the words "Background Checks" in a large size 3D font.

21. <u>NEIGHBORS</u>: This ad features two neighbors talking when one neighbor compliments the other's landscaping and asks who she used to do the work. The other neighbor says, "I found a great local pro on HomeAdvisor. It's really easy to use. I just put in what I need and then they connect me with background-checked pros who can help."



also features Amy Matthews touting the benefits of HomeAdvisor. In this one, she begins, "With the HomeAdvisor App, it's easy and free to find home pros for any project. Whether it's a simple repair and installation or a major remodel, just tell them



what you need and HomeAdvisor matches you with background-checked pros."

23. BASIC REPAIRS TO REMODELS:

This ad also features Amy Matthews touting the benefits of HomeAdvisor. She begins this ad with, "If you need anything, from a simple home repair to a major remodel, you need to know about HomeAdvisor. It's a totally free service



that matches you with background-checked pros for any home project."

24. <u>HOMEADVISOR MILLENNIAL</u>:

This ad features a scruffy-faced millennial extolling the benefits of HomeAdvisor He tells the audience, "with the HomeAdvisor app it's easy and free to find home pros for any project whether it's a simple repair and installation or a major remodel just tell them what you need and

homeadvisor matches you with background checks pros."



24 | ///

25 ||///

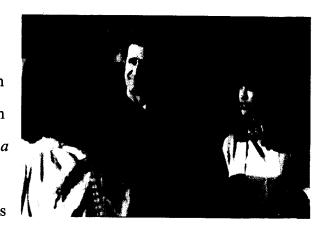
26 ||///

27 ||

///

28 | ///

25. <u>BAR-B-QUE</u>: This ad features two couples chatting when one of the men asks whether anyone knows a good handyman. When his friend says he might know someone, the man responds, "Outstanding. Could you possibly get a background check on them?" His wife then cuts in to say—"just to be safe"—before he continues to list other things he'd like, including reviews, qu



to list other things he'd like, including reviews, quotes and an appointment. The voice-over continues: "You can't expect your neighbors to do everything HomeAdvisor can. So to find and instantly book a *background-checked* home pro for free, just ask HomeAdvisor."

26. <u>JOGGER</u>: This ad features a jogger receiving a call from her friend who asks if she knows any good housepainters. When the jogger says she might, her friend says "Awesome, I'll take quotes from your top four guys, and free background checks and reviews for each of



them, and then why don't you go ahead and match me with the best ones for my job so I don't have to worry about picking." The voiceover continues: "You can't expect your neighbors to do everything HomeAdvisor can. So to find and instantly book a background-checked home pro for free, just ask HomeAdvisor."

27. <u>MAILBOXES</u>: This ad features one neighbor asking the other if he knows someone who can repair his roof. When the neighbor replies that he does, the first neighbor says, "Great! Can you do a free background check on him for me," and then proceeds to list other things he'd like, including reviews, multiple quotes and an appointment. The voice-over then



 continues: "You can't expect your neighbors to do everything HomeAdvisor can. So to find and instantly book a *background-checked* home pro for free, just ask HomeAdvisor."

28. <u>GRATEFUL DAD</u>: This ad features a dad explaining that he would rather be spending time with his kids than installing a toilet. He then says, "Thankfully, there's HomeAdvisor." After explaining that HomeAdvisor helps him find "the best home



pros in my area to handle any kind of project," he states: "They have verified reviews of the pros, and they do background checks so you know you can trust them with your home."

29. HOMEADVISOR APP - FREE TO

<u>USE</u>: Amy Matthews introduces the commercial saying, "There are a lot of reasons so many people have used the HomeAdvisor App to find home-repair and improvement pros."

Homeowners then explain how easy it was to find an electrician, a painter, and a landscaper



while grocery shopping, walking the dog, and sitting by the pool. Then a homeowner standing in front of his water heater says, "And because pros on HomeAdvisor are background-checked, I feel confident hiring them right when I need them."

False and Misleading Radio Advertisements.

- 30. In addition to the television advertisements described above, HomeAdvisor also broadcasts over the radio in California its false and misleading message regarding background checks.
- 31. These advertisements, at a minimum, include sponsored radio segments on public broadcasting stations in California such as San Francisco's KQED, which utilize the tag line, "Support for NPR comes from NPR stations and HomeAdvisor, matching homeowners with background-checked professionals."

32. In the San Francisco Bay Area, the advertisements also include sponsored radio segments on KALW 91.7 which can be heard in San Francisco. The radio segments utilize tag lines saying that HomeAdvisor matches homeowners with "background-checked pros." Another version of the radio segment says that HomeAdvisor matches homeowners with "prescreened" pros.

Falsity of HomeAdvisor's Ad Campaign

- 33. HomeAdvisor's television and radio advertisements are false and misleading. The advertisements are likely to deceive consumers into believing that all service personnel hired through HomeAdvisor who come into their homes have passed criminal background checks when that is not the case.
- 34. HomeAdvisor makes these misrepresentations willfully in order to appeal to its customers' desire for background checks on service personnel who will be coming into their homes. HomeAdvisor's April 7, 2017 press-release announcing the launch of its "Just Ask HomeAdvisor" advertising campaign quoted its Chief Executive Officer, Chris Terrell as follows:

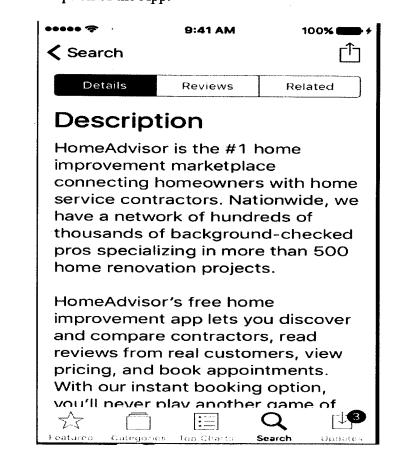
"Ninety percent of project referrals are word-of-mouth, yet the majority of homeowners consistently tells us they want background checks and scheduling – features only HomeAdvisor provides," said Chris Terrill, CEO, HomeAdvisor. "HomeAdvisor is built to do what neighbors and friends can't, and this campaign exposes the shortfalls of the status quo and demonstrates a better way." (emphasis added)

- 35. However, HomeAdvisor performs no background checks at all on the employees of the business who will be coming into a consumer's home. The only person who undergoes a background check is the owner/principal of an independent business. HomeAdvisor does not perform any background check whatsoever (not even on the owner/principal) when the business is a franchisee, dealer, or independent contractor of a larger national company or corporate account advertising on HomeAdvisor.
- 36. The fact that HomeAdvisor performs no background checks on employees of the business and only performs a background check on the owner/principal of independently-owned business appears nowhere in the company's radio advertisements. This fact appears nowhere in HomeAdvisor's television advertisements. Instead, for a few seconds, the offending television ads

display a difficult to read message in tiny print in a light-colored font saying, "Learn more about HomeAdvisor's screening procedures at www.homeadvisor.com/screening." In a number of the advertisements this message is made even more difficult to comprehend by being mixed in with several sentences of trademark and service mark notices.

- 37. This suggestion to "learn more" that appears in tiny print for a few seconds in HomeAdvisor's television ads is not a disclaimer it does not signal to consumers that there might be qualifications to HomeAdvisor's representations about background-checks. Moreover, even if the suggestion was a disclaimer (which it is not) this reference to statements in another medium is ineffective to counter the misleading statements in HomeAdvisor's advertisements. Disclaimers must be clear and conspicuous, and Federal Trade Commission guidance and applicable case law holds that a reference in a television ad or print media to a disclaimer in another medium, such as a website, is insufficient.
- HomeAdvisor's television advertisements encourage consumers to use the HomeAdvisor mobile app. The <u>CARL</u>, <u>HAPPY HOMEOWNERS</u>, <u>BUSY MOM</u>, <u>NEIGHBORS</u>, <u>BASIC REPARIS TO REMODEL</u>, and <u>GRATEFUL DAD</u> ads all tell consumers they can download the free HomeAdvisor App. The <u>REPAIR OR REMODEL</u> ad starts with Amy Matthews telling consumers "with the HomeAdvisor App it's easy and free to find home pros for any project." The <u>HOMEADVISOR MILLENNIAL</u> ad shows the Millennial using the mobile app to find "pros." The <u>BAR-B-QUE</u>, <u>JOGGER</u>, and <u>MAILBOXES</u>, ads end with a closeup of a mobile device being used to find "pros." The <u>HOMEADVISOR APP FREE TO USE</u> advertisement starts with Amy Matthews telling the viewer, "there are a lot of reasons so many people have used the HomeAdvisor App to find home-repair and improvement pros."
- 39. Yet, HomeAdvisor has designed its mobile-application in such a way that a consumer who sees one of its misleading television advertisements or hears a misleading radio-spot about "background-checked" professionals will have the misleading message reinforced, and will go through the entire process of hiring a contractor advertising on HomeAdvisor without ever learning the truth. After watching one of HomeAdvisor's misleading television advertisements, a consumer who goes to download the HomeAdvisor App from the Apple App Store sees

HomeAdvisor's background-check misrepresentation in the very first paragraph of HomeAdvisor's description of the App.



40. When the consumer downloads and opens the HomeAdvisor App, a series of dialog boxes appear in which the consumer provides information about the project, leading to HomeAdvisor recommending a number of "Pros." The entire App experience reinforces HomeAdvisor's misleading message to consumers that all service personnel who come into their homes have passed criminal background checks

HomeAdvisor's Misleading Website

41. The HomeAdvisor website home page tells consumers that they can "Hire with confidence" because, "With more than two million verified pro reviews and one of the industry's most comprehensive screening processes, HomeAdvisor gives you the peace of mind that comes from knowing you hired a pro you can trust" (emphasis added). A customer testimonial in the middle of the home-page says, "HomeAdvisor is a secure way to find contractors. It allows me to feel more comfortable bringing someone into my home."



(www.homeadvisor.com, last accessed March 13, 2018).

18

19

20

21

22

23

24

25

26

27

28

42. However, HomeAdvisor never makes any clear disclosures to disabuse consumers of the impression that all service personnel coming into their homes have been background-checked. The fact that HomeAdvisor only performs a background check on the owner/principal of the business when it is independently owned - not on any of the other employees of the business even though it is those employees who will be performing the work inside the homes of consumers is never stated on HomeAdvisor's www.homeadvisor.com/screening web-page, or where the description of HomeAdvisor's screening process appears in other sections of the website. Instead, it has to be divined by negative implication after wading through all of the small print in the description of the process. On the www.homeadvisor.com/screening page, this fine print appears beneath a large title banner at the top in orange ink that reads, "HomeAdvisor's Screening Process." A large logo certificate with the words, "SCREENED APPROVED"

5

16

15

17 18

19 20

21 22

23

25

24

26

27

28 ///

appears immediately to the right of the title banner. A list of six impressive-sounding background-check steps accompanied by graphic icons appear in bold type below the banner: "Licensing" "Sex Offender Search" "Legal Search for Civil Judgments" "Criminal Records Search" "State Business Filings" and "Identity Verification."

HomeAdvisor's Screening Process

HomeAdvisor uses the following criteria to screen service professionals at the time they apply for membership in our network:



Licensing

Applicants must carry required state-level licensing to perform work in the trade and service area for which they apply.

Sex Offender Search

We check the official sex offender website in the state in which the owner/principal of the company is located to confirm that there is not a match with the applicant.

Legal Search for Civil Judgments

We use third-party data sources to check the principal/owner of each business for bankruptcy filings and significant state-level civil legal judgments, in the state in which the owner/principal of the company is located, occurring within 12 months prior to application for membership in the HomeAdvisor network



Criminal Records Search

HomeAdvisor uses third-party sources to conduct a criminal search, in the state in which the owner/principal of the company is located as well as any state that owner/principal has address history, for relevant criminal activity associated with the business owner/principal within three years prior to application.



State Business Filings

We confirm that service professionals applying as corporations or limited liability companies are in good standing in the state in which they



identity Verification (Social Security

Number)

HomeAdvisor verifies the social security numbers of business owners/principals to confirm their identities. (This applies primarily

Please see HomeAdvisor's Terms and Conditions for more detailed information on our pro requirements, screening processes, and disclaimers

(www.homeadvisor.com/screening/ - last accessed March 4, 2018).

- 43. The small print below the bolded impressive sounding background check steps never tells the consumer is plain English that employees of the business a consumer hires undergo no background checks, or that only the person who might undergo a background check is the owner/principal of the business.
- 44. Moreover, the www.homeadvisor.com/screening page fails to disclose the fact that HomeAdvisor performs no background check at all – not even on the business owner/principal – when the business is a franchisee, dealer, or independent contractor of a larger national or corporate account advertising on HomeAdvisor. That critical fact is further hidden from consumers' view, being buried below subparagraph (f) of Paragraph 10 of HomeAdvisor's Terms and Conditions in the discussion of "Corporate Accounts."

(www.homeadvisor.com/servlet/TermsServlet - last accessed March 4, 2018).

28 |

FIRST CAUSE OF ACTION

Business & Professions Code, § 17500, et seq.

(Untrue or Misleading Statements Against All Defendants)

- 45. Plaintiff, the People of the State of California, restates and incorporates paragraphs 1 through 44 as though fully set forth herein.
- 46. Beginning at an exact date unknown to Plaintiff, but in any event within three years of the filing of this complaint, and continuing to the present, The defendants, with the intent to perform services, or to induce members of the public to enter into obligations relation thereto, made or disseminated or cause to be made or disseminated before the public in the State of California statements concerning such services, or other matters of fact connected with the performance thereof, which were untrue or misleading, and which the defendants knew or reasonably should have known were untrue or misleading and likely to deceive members of the public, in violation of Business and Professions Code section 17500 *et seq*. Such statements include but are not limited to all of the representations set forth and discussed in paragraphs 10 through 44, inclusive.

SECOND CAUSE OF ACTION

Business & Professions Code, § 17200, et seq.

(Unfair Competition and Unlawful Business Practices Against All Defendants)

- 47. Plaintiff, the People of the State of California, restates and incorporates paragraphs 1 through 46 as though fully set forth herein.
- 48. Beginning at an exact date unknown to Plaintiff, but in any event within four years of the filing of this complaint, and continuing to the present, the defendants engaged in and continue to engage in acts of unfair competition and in unfair, deceptive or unlawful business practices within the meaning of Business and Professions Code section 17200, et seq., by engaging in the unlawful business practices set forth in this complaint.

///

///

8

10

12

16 17

18

19 20

21

22

23

24

25 26

27

28

///

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

- 1. That pursuant to Business and Professions Code sections 17203 and 17535, and the Court's inherent equitable powers, the defendants; their successors and the assigns of all or substantially all their assets; their directors, officers, employees, agents, independent contractors, partners, associates and representatives of each of them; and all persons, corporations and other entities acting in concert or in participation with the defendants, be permanently restrained and enjoined from:
- a. Making, disseminating, or causing to be made or disseminated, any misleading, false or deceptive statements in violation of section 17500 of the Business and Professions Code, including, but not limited to, the false or misleading statements alleged in the First Cause of Action of this complaint; and
- b. Engaging in any acts of unfair competition, in violation of section 17200 of the Business and Professions Code, including but not limited to the unlawful business acts and practices alleged in the Second Cause of Action of this complaint.
- 2. That pursuant to Business and Professions Code section 17536, The defendants be ordered to pay a civil penalty of Two Thousand Five Hundred Dollars (\$2,500.00) for each violation of Business and Profession Code section 17500, according to proof.
- 3. That pursuant to Business and Professions Code section 17206, The defendants be ordered to pay a civil penalty of Two Thousand Five Hundred Dollars (\$2,500.00) for each violation of Business and Profession Code section 17200, according to proof.
- 4. That pursuant to Business and Professions Code sections 17535 and 17203, and pursuant to the Court's inherent equitable power, the defendants be ordered to restore to every person in interest all money and property which was acquired by the defendants through their unlawful conduct, according to proof.
 - 5. That Plaintiff be awarded its costs of suit.

6. That Plaintiff be given such other and further relief as the nature of this case may require and this Court deems proper to fully and successfully dissipate the effect of the unlawful business practices and false or misleading representations contained herein. Dated: March 14, 2018 GEORGE GASCÓN District Attorney BY: **ERNST A. HALPERIN Assistant District Attorney**