

FILED

Superior Court of California
County of San Francisco

JUL 31 2018

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BY: [Signature]
Deputy Clerk
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9

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
11 UNLIMITED JURISDICTION

12 THE PEOPLE OF THE STATE OF CALIFORNIA,) Case No. **CGC-18-568520**
13)
Plaintiff,) **COMPLAINT FOR**
14) **PERMANENT INJUNCTION,**
v.) **CIVIL PENALTIES,**
15) **RESTITUTION, AND OTHER**
ANGIE'S LIST, INC., a Delaware Corporation, and) **EQUITABLE RELIEF**
16 DOES 1 through 100, inclusive,)
17 Defendants) Business and Professions Code
§17200 *et seq.* & § 17500 *et seq.*
18)
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 Business
27 and Professions Code sections 17200 *et seq.* and 17500 *et seq.*

28 ///

2. Defendant ANGIE'S LIST, INC., ("Angie's List") is a Delaware corporation with its headquarters and principal place of business located in Indiana at 1030 East Washington Street, Indianapolis, IN 46202. According to Angie's List, "More than 6 million households nationwide check Angie's List reviews to find the best local service providers, like roofers, plumbers, handymen, mechanics, doctors and dentists" (www.angieslist.com/aboutus.htm last checked June 28, 2018). Angie's List is registered with the California Secretary of State as a foreign corporation doing business in California.

3. 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 Angie's List herein alleged, when these facts are ascertained.

4. 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.

5. 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.

6. 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.

7. 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.

8. The actions of the defendants, as hereinafter set forth, are in violation of the laws and public policies 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.

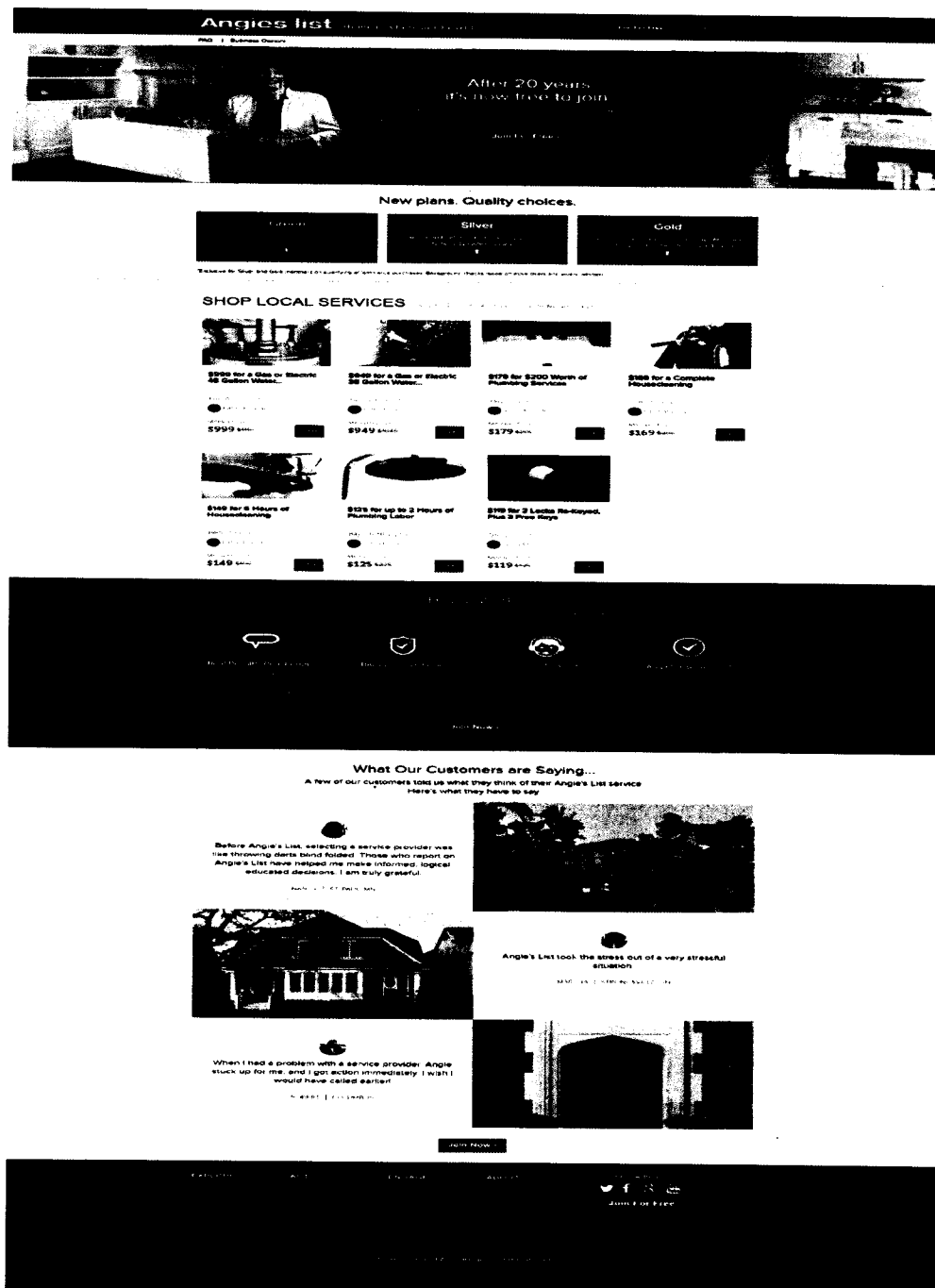
ALLEGATIONS

9. Angie's List's website tells consumers it can help them "find top-rated, certified pros for your project" (www.angieslist.com/ accessed July 6, 2018). Beginning on an unknown date that occurred on or after June 2013 and continuing within the period of the respective statutes of limitations for the claims in this lawsuit and through today, Angie's List has made a number of false and misleading representations about background checks. These representations have appeared on Angie's List's website; in television advertisements; and on the Angie's List smartphone app. They include, but are not limited to, the following statements.

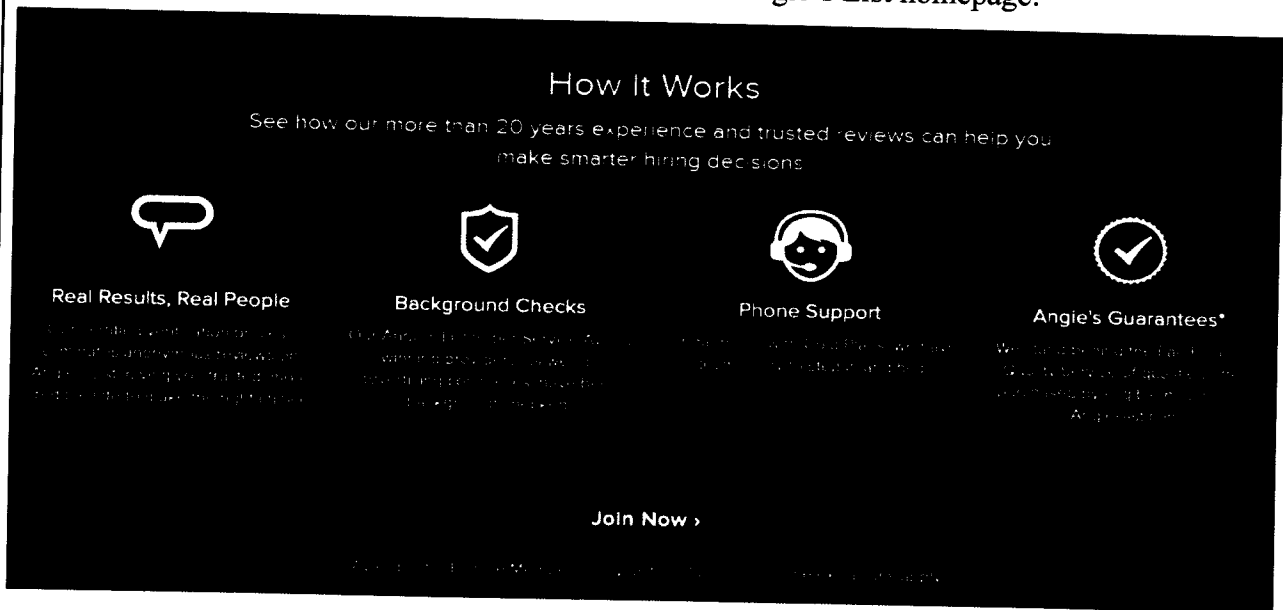
False and Misleading Website Statements.

10. Beginning on an unknown date that occurred on or after June 2013 and continuing within the period of the respective statutes of limitations for the claims in this lawsuit and through today, Angie's List has made false and misleading representations on its website that are likely to deceive consumers into believing Angie's List has background-checked the people coming into their homes. This is not the case. Angie's List only background-checks the principal/owner of the businesses consumers find through Angie's List. Angie's List has made its false and misleading representations on its homepage; on a separate "how-it-works" webpage accessed from the homepage by clicking either of two hyperlinks (one in a band at the top of the homepage, and the other on the bottom of the homepage); and in a list of Frequently Asked Questions "FAQs."

11. Beginning on an unknown date that occurred on or after June 2013 and through at least October 2017, Angie's List's homepage (www.angieslist.com) represented to consumers that, "Our Angie's List Super Service award winning providers, as well as advertising companies, have been background checked." This representation appeared towards the middle of the homepage in a banner entitled, "How it Works" and immediately underneath an icon representing a law-enforcement shield and the words "Background Checks:"



(www.angieslist.com accessed October 20, 2017). Here is a closeup of the “Background Checks” representations on the “How It Works” banner from the Angie’s List homepage:

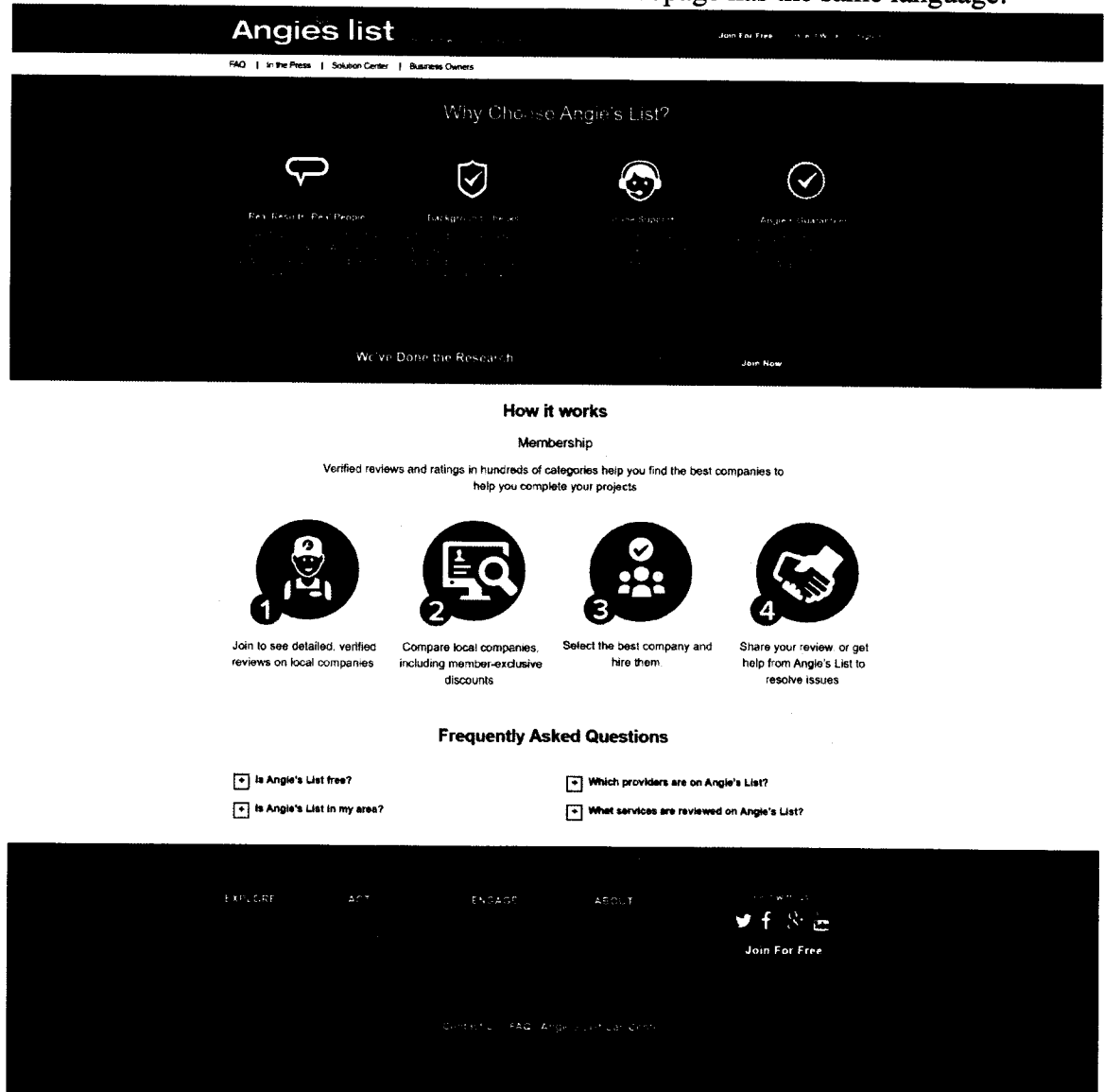


(Closeup of the “Background Checks” representations on the “How It Works” banner of www.angieslist.com accessed October 20, 2017.)

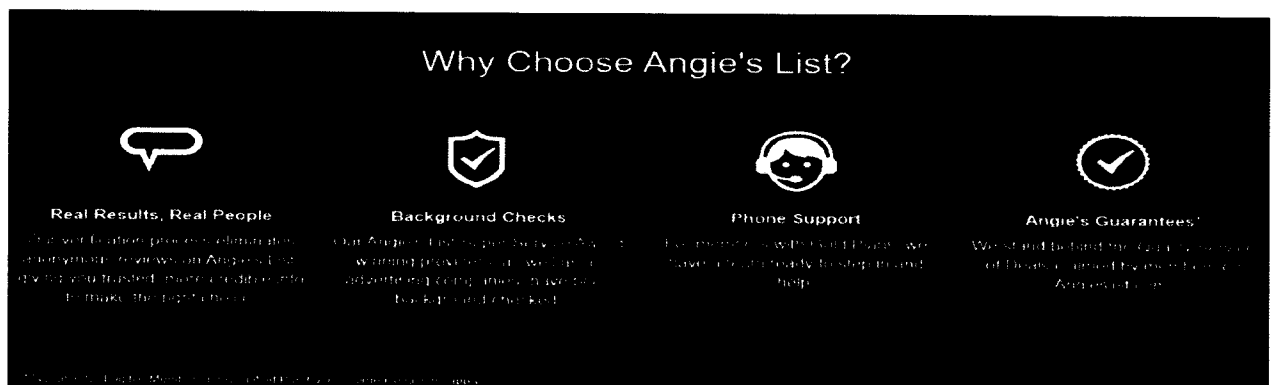
12. Beginning on an unknown date that occurred on or after June 2013 and through to the present, Angie’s List has also made false and misleading representations about its background checks on a separate “how-it-works” webpage (not to be confused with the “How It Works” banner on the homepage) that could be accessed from the homepage by clicking a hyperlink on the persistent¹ green banner at the top of the homepage or by clicking a hyperlink at the bottom of that page. Through at least May 16, 2016, Angie’s List’s “how-it-works” webpage told consumers, “All Super Service Award winning providers, as well as all advertisers on Angie’s List, have been background checked – giving you the confidence to hire right” (www.angieslist.com/how-it-works accessed May 16, 2016). This representation appeared below a banner heading entitled, “Why Choose Angie’s List” and immediately underneath an icon representing a law-enforcement shield and the words “Background Checks.” Starting at some time on or before June 29, 2016, Angie’s List changed the wording of the misrepresentation slightly, to read, “Our Angie’s List Super

¹ A persistent banner is a banner that remains at the top of the viewer’s screen when the viewer clicks through to another webpage on the site.

1 Service Award winning providers, as well as all advertising companies, have been background
2 checked.” The current version of the “how-it-works” webpage has the same language:



21 (www.angieslist.com/how-it-works.htm accessed July 3, 2018). A closeup of the Background
22 Checks representation on the “how-it-works” webpage appears below:



1 (Closeup of www.angieslist.com/how-it-works.htm accessed July 3, 2018.)

2 13. The statements on Angie's List's homepage and "how-it-works" webpage described
3 above are false and misleading. They are likely to deceive consumers into believing Angie's List
4 has background-checked the people coming into their homes. Angie's List intends for consumers
5 who see these representations to believe that Angie's List has background-checked the people
6 coming into their homes. This is shown by the fact that, at least through February 2017, Angie's
7 List asked the person registering a business with Angie's List to confirm that the business's
8 employees and contractors who service Angie's List customers had recently been background-
9 checked, even though Angie's List did not perform any background check at all on these people,
10 and had no way of even knowing who they were. During the business-registration process, a
11 person registering a business with Angie's List was asked to check a box next to text stating:

12 "I confirm I am an employee of this business and agree to the terms of service. I attest that I
13 have recently had a criminal background check run on my employees and contractors who
14 service Angie's list members. Further, I attest that all such employees and contractors have
15 met Angie's List's minimum criminal background check standards.

16 (www.business.angieslist.com/Registration/SimpleRegistration.aspx accessed February 14, 2017).

17 14. This business registration process occurred on a portion of the Angie's List website
18 dedicated to business and that consumers would have no reason to visit. And even if consumers
19 did visit the business pages of the Angie's List website, they would not have learned the truth –
20 that Angie's List did not background-check the people coming into consumers' homes. The
21 check-box described above did not appear until several steps into the process of registering a
22 business with Angie's List – a process consumers would have no reason to even begin.

23 **Misleading and Ineffective FAQ About Background Checks**

24 15. Nothing on the Angie's List homepage or the "how-it-works" webpage corrects the
25 misleading message that Angie's List background-checks the people coming into consumers'
26 homes. Neither does anything on the "how-it-works" webpage. None of the four "Frequently
27 Asked Questions" listed prominently at the bottom of the "how-it-works" webpage even discusses
28 background checks. They are "Is Angie's List Free?", "Is Angie's List in my area?", "Which
providers are on Angie's List", and "What services are reviewed on Angie's List?" A closeup of

these four FAQs at the bottom of the “how-it-works” webpage appears below.

Frequently Asked Questions

☐ Is Angie's List free?

☐ Which providers are on Angie's List?

☐ Is Angie's List in my area?

☐ What services are reviewed on Angie's List?

(Closeup of the “Frequently Asked Questions” on www.angieslist.com/how-it-works.htm accessed July 3, 2018)

16. Instead of putting the FAQ that discusses background checks into the prominent “Frequently Asked Questions” on the “how-it-works” webpage, Angie’s List buries it in a list of FAQs that are on a separate webpage. This FAQ is not an effective disclaimer. Throughout 2015 and 2016 the FAQ reinforced the misleading impression that Angie’s List had background-checked the people coming into consumers’ homes. Moreover, the FAQ was not in proximity to the misrepresentations on the homepage and “how-it-works” webpage. Finally, when Angie’s List did change the FAQ to even hint at the possibility that not everybody within the businesses featured on Angie’s List had been background-checked, it sprinkled the FAQ with confusing jargon that left more questions than answers about who Angie’s List actually background-checks.

17. A consumer viewing Angie’s List’s homepage got no information whatsoever about background checks other than the misleading representations on the homepage that appeared through October 2017. The “how-it-works” webpage contains no FAQs that discuss background checks at all, much less counter the misleading representations on the webpage. A consumer looking for information about background checks would not find them in the prominent “Frequently Asked Questions” at the bottom of the “how-it-works” webpage. The consumer would have to click a different hyperlink entitled “FAQ” to be connected to an additional menu of FAQs in order to search for more information about background checks.

18. And, during 2015 and 2016 the consumer who went through all of these steps to search for additional information about background checks, and who managed to find the FAQ entitled

1 “Does Angie’s List do Background Checks on Providers” would receive a misleading message
2 reinforcing the impression that Angie’s List had background-checked the people coming into their
3 homes. The FAQ dated November 25, 2015 told consumers:

4 “Angie’s List has background checks performed on all “A”- and “B”-rated companies.
5 Background checks are not performed on “C”-, “D”-, or “F”-rated companies since we’ve
6 found that members tend to avoid these companies. Background checks may include
financial, reputational and annual criminal checks.”

7 19. In June of 2016, the People of the State of California served Angie’s List with an
8 administrative subpoena and administrative interrogatories. Both the subpoena and the
9 interrogatories informed Angie’s List that “The District Attorney of the City and County of San
10 Francisco reasonably believes that you may have violated Business and Professions Code sections
11 17200 et seq. and 17500 et seq. by making misleading representations on your webpages about
12 which personnel from Angie’s List providers undergo background checks and about the
13 comprehensiveness of the checks.”

14 20. Six months after Angie’s List received the People’s Administrative subpoena and
15 interrogatories, Angie’s List was continuing to use the “Does Angie’s List do Background Checks
16 on Providers” FAQ to reinforce the impression that Angie’s List background-checked all of the
17 businesses’ employees who would be servicing the consumer, although Angie’s List changed the
18 wording of the FAQ slightly. The FAQ dated November 30, 2016 told consumers:

19 “Angie’s List has background checks performed on all “A”, and “B” – rated companies that
20 have chosen to become advertisers with us. Background checks are not performed on “C” -,
21 “D”-, or “F”-rated companies since we’ve found that members tend to avoid these companies.
Background checks may include financial, reputational and annual criminal checks.”

Angie's list

Home is where our heart is

Join Now

FAQ | In the Press | Solution Center | Shop Offers | Business Owners

Does Angie's List do Background Checks on Providers?

Nov. 30, 2016

Angie's List has background checks performed on all "A" and "B" rated companies that have chosen to become advertisers with us. Background checks are not performed on "C", "D", or "F" rated companies since we've found that members tend to avoid these companies. Background checks may include financial, reputational and annual criminal checks.

We always invite anyone with knowledge of legal, ethical or financial concerns regarding a company contact us by either logging in or selecting **Begin Live Chat** feature or **Send A Message** using our contact form. Angie's List will investigate any information we receive regarding a company's background.

While we always strive to provide the most current information, we also recommend that you perform your own research on the companies you hire.

Contact Us

Email our support team
angieslist@angieslist.com

Angie's List
1030 E. Washington St.
Indianapolis, IN 46202

Angie's List

Join Now

1 (www.angieslist.com/faq/does-angies-list-do-background-checks-providers/ accessed 12/19/2016).

2 21. It wasn't until 2017 that Angie's List changed the "Does Angie's List do Background
3 Checks on Providers" FAQ entry to even hint at the possibility that not everybody within the
4 businesses featured on Angie's List had been background-checked. But Angie's List sprinkled the
5 FAQ with confusing jargon that left more questions than answers about who Angie's List actually
6 background-checks. The "Does Angie's List do Background Checks on Providers" FAQ dated
7 February 8, 2017 read:

8 "Angie's List has criminal background checks performed annually on the principal/owner or
9 relevant manager of all "A"- and "B"-rated companies that are Certified Service Providers,
10 that offer ecommerce offers, that receive leads through the Projects Submissions platform, or
that are granted the super Service Award."

11 (www.angieslist.com/faq/does-angies-list-do-backgorund-checks-providers/ accessed February 22,
12 2017).

13 22. In an entry dated March 16, 2018, Angie's List changed its background-check FAQ
14 slightly, but continued to use confusing jargon that obfuscated, rather than clearly explained, who
15 Angie's List actually background-checks. The FAQ now reads:

16 "Angie's List has criminal background checks performed annually on the principal/owner
17 or relevant manager of all Certified Service Providers that offer ecommerce offers, that
18 receive leads through the Projects Submissions platform, or that are granted the Super
Service Award."

19 Background Checks On Pros

20 March 16, 2018

21 Angie's List has criminal background checks performed annually on the principal/owner or relevant manager of
all Certified Service Providers that offer ecommerce offers, that receive leads through the Projects Submissions
platform, or that are granted the Super Service Award.

22 Since we only perform these background checks annually, we ask anyone with knowledge of legal, ethical, or
23 financial concerns regarding a company contact us by either logging in and selecting Begin Live Chat feature or
Send A Message using our contact form . Angie's List may investigate information we receive regarding a
24 company's background.

25 While we always strive to provide the most current information, we also recommend that you perform your own
research on the companies you hire.

26 (www.angieslist.com/faq/background-checks-pros/ accessed June 28, 2018).

27 23. Neither the FAQ dated February 22, 2017 nor the FAQ dated March 16, 2018 are
28 effective disclaimers to counter the misleading statements on Angie's List's homepage that were

1 made through October 2017, and on Angie's List's "how-it-works" webpage that are still made
2 today. In addition to sprinkling the FAQ with confusing jargon, Angie's List buried the FAQ on a
3 separate web-page with no indication at all next to the homepage's and "how-it-works" webpages'
4 background-check representations that there are any qualifications to those representations. This
5 placement of the FAQ violates FTC proximity guidelines for effective disclosures (.COM
6 DISCLOSURES – HOW TO MAKE EFFECTIVE DISCLOSURES IN DIGITAL ADVERTISING, pp. 7-13 (FTC
7 March 2013)).

8 24. Moreover, even if a consumer could cut through all of the jargon on the "Does Angie's
9 List do Background Checks on Providers" FAQ dated February 22, 2017 and the FAQ dated
10 March 16, 2018 and divine that Angie's List has not background-checked the people coming to
11 the consumer's home, this message contradicts rather than qualifies or limits the claims made on
12 Angie's List's homepage and "how-it-works" webpages. Therefore, under Federal Trade
13 Commission guidance, the FAQ is not an effective disclaimer to counter the false and misleading
14 background-check representations on Angie's List's homepage and "how-it-works" webpage.
15 Federal Trade Commission guidance on electronic media disclosures provides:

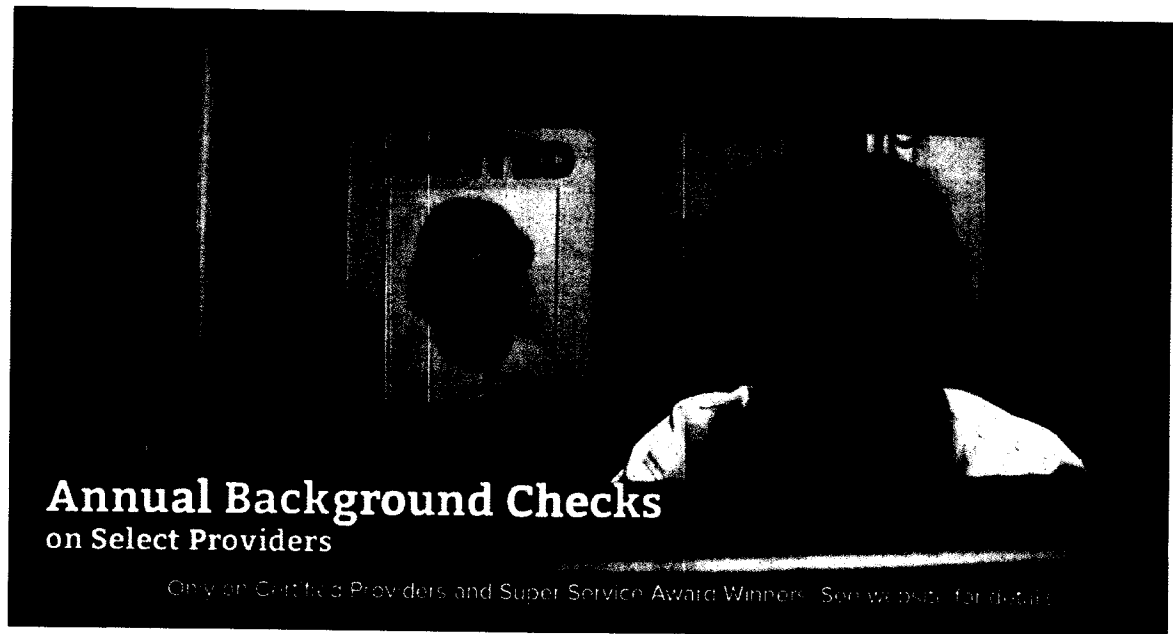
16 Advertisers are responsible for ensuring that all express and implied claims that an ad
17 conveys to reasonable consumers are truthful and substantiated. When identifying these
18 claims, advertisers should not focus only on individual phrases or statements, but should
19 consider the ad as a whole, including the text, product name, and depictions. If an ad
20 makes express or implied claims that are likely to be misleading without certain qualifying
21 information, the information must be disclosed. A disclosure can only qualify or limit a
claim to avoid a misleading impression. It cannot cure a false claim. If a disclosure
provides information that contradicts a material claim, the disclosure will not be sufficient
to prevent the ad from being deceptive. In that situation, *the claim itself must be modified.*

22 (.COM DISCLOSURES – HOW TO MAKE EFFECTIVE DISCLOSURES IN DIGITAL ADVERTISING, p. 5
23 (FTC March 2013)).

24 **False and Misleading Television Advertisements**

25 25. Angie's List has also broadcast television advertisements with a false and misleading
26 message regarding background checks. One such advertisement can be seen today from internet-
27 enabled devices in the City and County of San Francisco. The advertisement features a short-
28 order cook working in a restaurant kitchen next to a "Wanted" poster featuring his photograph. A

1 waiter picking up an order tells the cook, “Ya kinda look like that guy.” The cook looks at his
2 picture on the “Wanted” poster, then turns back to the waiter, and replies “nah.” An announcer
3 then says, “Annual background checks, another reason to get Angie’s List for your home.”



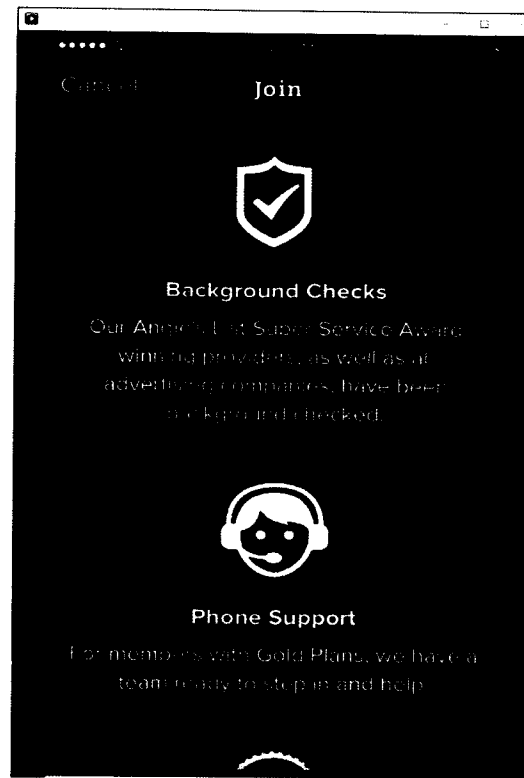
14 (www.youtube.com/watch?v=69IINH4CTA accessed July 3, 2018)

15 26. The “wanted” advertisement is false and misleading. It is clear that the purpose of the
16 advertisement is to convince consumers that they need Angie’s List for their homes because the
17 people they will be letting into their homes when they use Angie’s List will have passed annual
18 criminal background checks.

19 27. A message appears in small print at the bottom of the “Wanted” ad that states “Only
20 on Certified Providers and Super Service Award Winners. See website for details.” This message
21 does nothing to change the ad’s false and misleading message. Moreover, Federal Trade
22 Commission guidance and applicable case law holds that a reference in a television ad or print
23 media to a disclaimer in another medium, such as a website, is insufficient.

24 **False and Misleading Smartphone App Statements**

25 28. The Angie’s List app smartphone app has also repeated the false and misleading
26 statement that “Our Angie’s List Super Service award winning providers, as well as all advertising
27 companies, have been background checked.” In version 5.71 of the iOS app, the message
28 appeared when a user followed the “How it Works” link on the “Join” screen.



(iOS app version 5.71, screencast recorded on December 30, 2016)

29. As with the website, the FAQ section of Angie's List's iOS app conveyed a misleading message reinforcing the impression that Angie's List had background-checked the people coming into their homes. Version 5.71 iOS app FAQ repeated the entry dated Nov 30, 2016 from the website:

"Angie's List has background checks performed on all "A", and "B" – rated companies that have chosen to become advertisers with us. Background checks are not performed on "C" -, "D" -, or "F"-rated companies since we've found that members tend to avoid these companies. Background checks may include financial, reputational and annual criminal checks."



1 **TOLLING OF STATUTES OF LIMITATIONS**

2 30. The People have entered into a series of agreements with Defendant Angie's List, Inc.
3 to toll any applicable Statute of Limitations. As a result of these agreements, the period of time
4 from October 16, 2017 through July 5, 2018, inclusive ("Tolling Period"), will not be included in
5 computing the time limited by any Statute of Limitation under the causes of actions that may arise
6 out of claims covered by the tolling agreement. These claims include the claims that are brought
7 in this matter.

8 **FIRST CAUSE OF ACTION**

9 Business & Professions Code, § 17500, *et seq.*

10 (Untrue or Misleading Statements Against All Defendants)

11 31. Plaintiff, the People of the State of California, restates and incorporates paragraphs 1
12 through 30 as though fully set forth herein.

13 32. Beginning at an exact date unknown to The People of the State of California, but in any
14 event within three years of the filing of this complaint (plus additional time set forth in tolling
15 agreements), and continuing to the present, the defendants, with the intent to perform services, or
16 to induce members of the public to enter into obligations relation thereto, made or disseminated or
17 cause to be made or disseminated before the public in the State of California statements
18 concerning such services, or other matters of fact connected with the performance thereof, which
19 were untrue or misleading, and which the defendants knew or reasonably should have known were
20 untrue or misleading and likely to deceive members of the public, in violation of Business and
21 Professions Code section 17500 *et seq.* Such statements include but are not limited to all of the
22 representations set forth and discussed in paragraphs 9 through 29, inclusive.

23 **SECOND CAUSE OF ACTION**

24 Business & Professions Code, § 17200, *et seq.*

25 (Unfair Competition and Unlawful Business Practices Against All Defendants)

26 33. Plaintiff, the People of the State of California, restates and incorporates paragraphs 1
27 through 32 as though fully set forth herein.

28 ///

34. Beginning at an exact date unknown to The People of the State of California, but in any event within four years of the filing of this complaint (plus additional time set forth in tolling agreements), 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.

PRAYER FOR RELIEF

WHEREFORE, The People of the State of California pray 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.

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1 4. That pursuant to Business and Professions Code sections 17535 and 17203, and pursuant
2 to the Court's inherent equitable power, the defendants be ordered to restore to every person in
3 interest all money and property which was acquired by the defendants through their unlawful
4 conduct, according to proof.


5 5. That The People of the State of California be awarded their costs of suit.

6 6. That The People of the State of California be given such other and further relief as the
7 nature of this case may require and this Court deems proper to fully and successfully dissipate the
8 effect of the unlawful business practices and false or misleading representations contained herein.

9
10
11 Dated: July 31, 2018

GEORGE GASCÓN
District Attorney

12
13
14 BY:



ERNST A. HALPERIN
Assistant District Attorney