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16	NORTHERN DISTRI	CT OF CALIFORNIA
17 18	<b>LOREN KELLY,</b> on behalf of himself and all others similarly situated,	Case No.
19	Plaintiff,	CLASS ACTION COMPLAINT AND DEMAND FOR JURY TRIAL
20	V.	
21	FUNPLUS INTERNATIONAL AG, a	
22	Swiss public limited company, and <b>KINGSGROUP HOLDINGS,</b> a Cayman	
23	Islands corporation,	
24	Defendants.	
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26 27		
27 28		
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_0	Case No. iii CLASS ACTION COMPLAINT

Plaintiff Loren Kelly ("Kelly" or "Plaintiff") on behalf of himself and all others similarly
situated, by and through his attorneys, for his Complaint against FunPlus International AG
and KingsGroup Holdings (collectively, "Defendants" or "FunPlus") alleges, on knowledge
as to his own actions, the investigation of Plaintiff's counsel, and otherwise upon
information and belief, as follows:

### PRELIMINARY STATEMENT

1. This is a class action lawsuit against FunPlus for falsely advertising price discounts for in-game purchases and other deceptive and unfair business practices in its mobile application game (or "app"), Guns of Glory: Lost Island ("GOG"). GOG is among the highest grossing mobile strategy games across both Apple and Android devices, grossing over \$510 million in worldwide revenue since its 2017 launch.

2. GOG has generated this half a billion dollars in revenue by offering players
 "microtransactions"—the ability, while in the game, to make discrete in-app purchases of
 in-game valuables necessary to level up one's account. These in-app purchases, or
 "packs," generally range in price from \$0.99 to \$99.99 each.

3. However, in its direct marketing to consumers (including representations
 made at the time of purchase), FunPlus advertises false former prices to induce players
 into believing they must act quickly to take advantage of a limited-time sale price.

4. Since GOG launched in 2017 and continuing to the present day, FunPlus
 deceives consumers by offering specific limited-time "bonuses" that purport to massively
 discount the price of its in-game goods. It uses strikethrough pricing and percentages to
 trick consumers into believing they are benefitting from limited-time promotions that
 substantially increase the value of their in-game purchases, especially in relation to
 purchases made by competing players. These purported savings are false, however,
 because the original pricing that these ads reference are fabricated.

5. These advertisements have run for years. But at no point, let alone within
 three months of the advertised discounts, have these in-game items ever actually been
 offered at a non-discounted price—*i.e.*, without their "limited-time" discounts. In other
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words, FunPlus never sells these items at their "original" price. It offers false discounts
 from an original price that did not exist, and its players bought packs on "sale" that were
 the same prices they would ordinarily pay.

- 6. Furthermore, the advertised "original" pricing does not reflect the prevailing
  market retail pricing for these virtual in-game items, which have no real-world value and
  whose pricing is entirely determined by FunPlus.
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7. The Federal Trade Commission ("FTC") describes these kinds of false former

8 pricing schemes as deceptive:

One of the most commonly used forms of bargain advertising is to offer a reduction from the advertiser's own former price for an article. If the former price is the actual, bona fide price at which the article was offered to the public on a regular basis for a reasonably substantial period of time, it provides a legitimate basis for the advertising of a price comparison. Where the former price is genuine, the bargain being advertised is a true one. If, on the other hand, the former price being advertised is not bona fide but fictitious – for example, where an artificial, inflated price was established for the purpose of enabling the subsequent offer of a large reduction – the "bargain" being advertised is a false one; the purchaser is not receiving the unusual value he expects. In such a case, the "reduced" price is, in reality, probably just the seller's regular price.

16 C.F.R. §233.1(a).

8. California statutory and regulatory law also expressly forbid such pricing

schemes. Specifically, Cal. Bus. & Prof. Code §17501 states:

No price shall be advertised as a former price of any advertised thing, unless the alleged former price was the prevailing market price as above defined within three months next immediately preceding the publication of the advertisement or unless the date when the alleged former price did prevail is clearly, exactly and conspicuously stated in the advertisement.

- 23
- 9. Defendants' tactics to induce players to spend tens, if not hundreds, of
- thousands of dollars each on purchases fall directly within the dark patterns—manipulative
- 25 design practices—that the FTC identified in its September 2022 report, Bringing Dark
- 26 Patterns to Light.<sup>1</sup>

 <sup>&</sup>lt;sup>1</sup> FTC Staff Report, *Bringing Dark Patterns to Light* (Sept. 14, 2022), available at
 <u>https://www.ftc.gov/system/files/ftc\_gov/pdf/P214800%20Dark%20Patterns%20Report%</u>
 <u>209.14.2022%20-%20FINAL.pdf</u> [hereafter FTC Staff Report—Bringing Dark Patterns to Case No.
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1 10. As the FTC Staff Report on Dark Patterns explains, "SCARCITY," such as a 2 "False Low Stock Message," "[c]reate[s] pressure to buy immediately by saying inventory 3 is low when it isn't."

11. 4 "URGENCY," like a "Baseless Countdown Timer" or "False Limited Time 5 Message" or "False Discount Claims," also "[c]reate[s] pressure to buy immediately."

12. 6 Defendants knew, or reasonably should have known, that their comparative price advertising is false, deceptive, misleading, and unlawful.

8 13. Defendants have fraudulently concealed from and intentionally failed to 9 disclose to Plaintiff and the putative class members the truth about their advertised price 10 discounts and former prices.

14. Through this false and deceptive marketing, advertising, and pricing scheme, FunPlus has violated California law prohibiting the advertisement of goods for sale as discounted from false former prices and prohibiting misleading statements about the existence and amount of price reductions.

15 15. The claims and issues asserted herein are governed by California state law. 16 The State of California has the greatest interest in policing corporate conduct occurring 17 within the State.

18 16. Upon information and belief, the false advertisements and misleading statements emanated from the State of California, where FunPlus's key executives, 19 20 subsidiaries, and offices are located.

21 17. Plaintiff, individually and on behalf of all others similarly situated, hereby 22 seeks restitution, injunctive relief, punitive damages, attorney's fees, and all other relief 23 which the Court may deem appropriate.

### JURISDICTION AND VENUE

25 18. Plaintiff Loren Kelly is a resident of California. He began playing GOG in April 26 2023. He purchased False Strikethrough Packs, False Bonus Packs, and False Limited 27

28 Light].

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**KRONENBERGER ROSENFEL** 150 Post Street, Suite 520 San Francisco, CA 94108

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1 Availability Packs (defined below) which he otherwise would not have purchased had he 2 known about the deceptive advertising which he reasonably relied upon in making those 3 purchases.

4 19. FunPlus was founded in California, apparently with the name Halfquest, and 5 has since gone through various iterations of names including "FunPlus" and "KingsGroup." 6 On information and belief, FunPlus has offices in San Francisco, San Mateo, and Irvine, California. Its high-level executives are also located in California, including: (a) Yitao Guan, 8 a resident of Menlo Park and FunPlus International's co-founder and Chief Technology 9 Officer; (b) Andy Zhong a/k/a Yingwu Zhong, a resident of San Francisco and co-founder 10 and Chief Executive Officer; (c) Jeremy Horn, a resident of Los Angeles and VP Head of Innovation; (d) Wei Wang, a resident of Irvine and Chief Creative Officer; and (e) Michael 12 Tong, a resident of San Francisco and Chief Strategy Officer.

13 20. Defendant FunPlus International AG ("FunPlus International") is a Swiss public limited company. FunPlus International was previously known as (i) KingsGroup Europe SA, (ii) KingsGroup International AG, and (iii) KingsGroup International SA. Its directors include Yingwu Zhong (a/k/a Andy Zhong).

17 21. Defendant KingsGroup Holdings is a Cayman Islands corporation. Yingwu 18 Zhong (a/k/a Andy Zhong) is one of its two directors.

22. 19 Defendants have operated through an opaque corporate structure. On 20 information and belief, Defendants conduct business or have conducted business through 21 (i) Funplus Interactive USA Inc. d/b/a FunPlus Interactive USA LLC, a Delaware company 22 with its principal place of business in San Francisco, California; and (ii) Imagendary USA, 23 LLC f/k/a FunPlus Interactive USA LLC f/k/a KingsGroup USA, LLC, a Delaware company, 24 with its principal place of business in San Francisco, California.

25 23. This Court has jurisdiction over this action under the Class Action Fairness 26 Act of 2005. Pursuant to 28 U.S.C. §1332(d)(2), this Court has original jurisdiction because 27 the aggregate claims of the putative class members exceed \$5 million, exclusive of interest 28 and costs, and at least one of the members of the proposed classes is a citizen of a **CLASS ACTION COMPLAINT** Case No. 4

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1 different state than Defendants.

2 24. This Court has personal jurisdiction over Defendants because they have 3 offices and key executives in this District, committed the tortious acts alleged herein in this 4 District, regularly conduct business in this District, and have extensive contacts with this 5 forum. Additionally, it has personal jurisdiction over Defendants because Defendants have 6 purposefully availed themselves of the California market, the claims described herein 7 involve sales made to California residents, and Defendants have purposefully targeted 8 California with their false advertisements.

9 25. Venue is proper in this District under 28 U.S.C. §1391(b)(2), in that a
10 substantial part of the events or omissions giving rise to the claim occurred in this District.

26. In addition, venue is proper in this District under 28 U.S.C. §1391(b)(1), in that all Defendants reside in this District and are subject to this Court's personal jurisdiction.

27. In the alternative, venue is proper in this District under 28 U.S.C. §1391(b)(3),
to the extent there is no district in which an action may otherwise be brought under 28
U.S.C. §1391(b)(1)–(2), because Defendants are subject to this Court's personal jurisdiction.

### INTRADISTRICT ASSIGNMENT

28. Because a substantial part of the events which give rise to Plaintiff's claims
occurred in San Francisco and San Mateo counties, pursuant to Local Civil Rule 3-2, this
action should be assigned to the San Francisco or Oakland Division.

#### **FACTUAL ALLEGATIONS**

22 29. GOG is a mobile application strategy game developed and operated by 23 Defendants and available on iPhone and Android devices through the Apple App Store, 24 Samsung Galaxy Store, Amazon Appstore, and Google Play platforms. GOG is a historical 25 fiction, strategy, and resource management game. Aside from the fact that the aesthetics 26 and story of the game feature guards, lords, and a player's growing estate, it otherwise 27 possesses nearly identical gameplay and monetization features to other resource 28 management games developed by Defendants, such as State of Survival, and Frost and Case No. **CLASS ACTION COMPLAINT** 5

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1 Flame: King of Avalon.

30. GOG belongs to a category of apps known as "freemium" apps. A freemium
app is one in which users do not have to pay to commence playing a functional game—
the game is free to download and start playing.

5 31. The term freemium is a misnomer, however, as users are given multiple 6 purchase opportunities, known as microtransactions or in-app purchases ("IAPs"), to 7 augment their playing experience. Users can buy in-game currency, weapons, garments, 8 and even time.

32. The popularity of freemium apps featuring in-app purchases has skyrocketed. In 2022, 97% of apps in the Google Play app store were free-to-download.<sup>2</sup> Even so, in-app purchases accounted for 48.2% of mobile app earnings.<sup>3</sup> GOG has generated over \$500 million since its release.

33. Because users can try the app for free, freemium apps acquire new users
more rapidly than purchase-to-play apps. Enabling microtransactions at various points
throughout game play allows users time to develop app loyalty and engagement before
having to pay anything. The continued microtransactions also remove the upper limit of
user spending.<sup>4</sup>

34. Most of freemium app revenue is generated by big-spending "whales." In
2017, just 6% of customers on Apple's App Store accounted for 88% of all spending on
games.<sup>5</sup>

35. GOG has generated well over \$500 million in revenue since its inception. It
makes this revenue by offering players in-app purchases. These purchases include

- <sup>2</sup> <u>https://www.statista.com/statistics/263797/number-of-applications-for-mobile-phones</u>.
   <sup>3</sup> https://www.businessofapps.com/guide/in-app-purchases.
- <sup>25</sup> <sup>4</sup> Savannah Wei Shi, et al., *From Minnows to Whales: An Empirical Study of Purchase* <sup>26</sup> Behavior in Freemium Social Games, Int'l J. of Elec. Com. (2015).
- <sup>5</sup> Epic Games, Inc. v. Apple Inc., 559 F. Supp. 3d 898, 954 (N.D. Cal. 2021), aff'd in part, rev'd in part and remanded on other grounds, No. 21-16506, 2023 WL 3050076 (9th Cir.
   Apr. 24, 2023).

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1 building material, "recruitment banners," speed-ups, and other valuables. An "in-app 2 purchase" refers to a financial transaction initiated from within the mobile application itself. 3 The most common form of in-app purchases is for bundled groups of resources, or "packs," generally ranging in price from \$0.99 to \$99.99 each. 4

5 36. Players engage in "microtransactions" to make in-app purchases containing 6 items that are necessary to progress their account further and maintain competitiveness with other players. This business model contrasts with that of many other popular free apps 8 which offer only non-essential or cosmetic items for purchase. Because GOG offers in-app 9 purchases that advance one's account in direct proportion to the amount of money spent 10 by a player and confer advantages not reasonably attainable by in-game labor alone, it is most accurately classified as a "Pay to Win" mobile game.

12 37. In other words, a player who spends money in the game will be more 13 powerful in relation to players who choose not to spend money in the game. The game 14 leverages this by bombarding players with advertisements and invitations to buy additional 15 packs and resources whenever they reach a point in the game where their progress has 16 stalled. The game's model is designed to create a sense of urgency around the purchase 17 of in-game resources, and GOG further capitalizes on this sense of urgency by suggesting 18 that purchases are limited-time offerings made available at a substantial discount.

19 38. The strategies described above to induce players to spend upwards of 20 hundreds of thousands of dollars each are a few of the many deceitful tactics, known as 21 "dark patterns," employed within GOG. "Dark patterns" refer to "a[ny] user interface 22 carefully crafted to trick users into doing things they might not otherwise do," causing 23 players to "engage accidently or unwittingly in monetization activities thereby generating 24 more income for the developer."<sup>6</sup>

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39. As the computer and behavioral scientist Chris Lewis<sup>7</sup> writes, "[t]hese dark

26 <sup>6</sup> Dan Fitton, Janet C. Read, *Creating a Framework to Support the Critical Consideration* of Dark Design Aspects in Free-to-Play Apps, Assoc. for Computing Machinery 407 27 (2019), available at https://dl.acm.org/doi/pdf/10.1145/3311927.3323136.

<sup>7</sup> Chris Lewis, Irresistible Apps: Motivational Design Patterns for Apps, Games, and Web-Case No. **CLASS ACTION COMPLAINT** 7

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patterns violate user expectations by encouraging them to give up or jeopardize some
 resource to an extent that they were not expecting (time, money, social capital)."<sup>8</sup>

40. Indeed, and as further described below, many of GOG's tactics to induce
players to spend over a billion dollars on a "free game" fall directly within the dark patterns
that the FTC identified in its September 2022 report, *Bringing Dark Patterns to Light.*<sup>9</sup>

41. Prior to downloading GOG, the "Pay-to-Win" nature of the game is withheld or obscured from promotional material directed at potential consumers through various social media channels. Defendants invest in producing highly elaborate advertisements that suggest a fast-paced game with rousing visuals, many of which appear to be taken directly from other games, such as the popular strategy PC game, "Age of Empires 2."<sup>10</sup> The advertisements are designed to give the impression that they depict in-game footage. This, however, is false.

13 42. Once a player downloads the game, they are placed automatically into a 14 specific "Kingdom," or server, along with several thousand players who also created their 15 accounts at a similar period in time. In stark contrast to the advertisements, a player plays 16 by tapping on various icons of buildings surrounding a stronghold upon a mostly visually-17 simple, two-dimensional, and inert map. They are immediately tasked with upgrading the 18 level of their "Stronghold"<sup>11</sup> within their estate, and the buildings within it. They must do this 19 to strengthen their combat abilities and therefore maintain a competitive position among 20 other players in the server.

43. The purpose of the game is to advance the strength of one's estate byupgrading buildings, recruiting and upgrading heroes, training a large number of strong

- 23
- 24 based Communities (1st ed. 2014).

25<sup>8</sup> Lewis, *supra* note 17 (internal quotations omitted).

- 26 <sup>9</sup> FTC Staff Report—Bringing Dark Patterns to Light.
- 27 <sup>10</sup> For a collection of such advertisements, *see* <u>https://youtu.be/99yhvFeda1o</u> (footage seemingly taken from Age of Empires: 2 appears at around 01:20).

 <sup>28</sup> <sup>11</sup> Also called a "Castle" in certain servers of the app Case No.
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1 troops, and exploring the kingdom. The players join large allegiances of other players that 2 compete for dominance within the kingdom through various in-game events.

3 44. In order to progress past a certain level in the game, it is necessary to 4 purchase in-app "packs" that contain the required items to level up one's account in the 5 game. These essential items require spending real money, as they are otherwise only 6 available in insufficient amounts through in-game labor alone to make upgrades feasible.

45. After a few days of playing and regularly making upgrades, the cost to acquire the materials needed to make subsequent upgrades increases exponentially.

46. In other words, GOG is made up of feedback loops-the output of the system becomes the input for the next iteration of the system. Every action made in the game thus gives the user access to future actions, giving users a sense of player progress and motivation.

13 47. At the beginning of the game the time between input and output is immediate and allows the user to complete the next action right away. But as the user performs more actions and levels up in the game, the time between input and output increases. There comes a point in the game where the user can no longer advance due to the time required to complete the next action. At this point, without making an in-app purchase, the user is at a standstill.

48. 19 Because users are so accustomed to short wait times or using the speed up, 20 skip, or coin (spending in-game resources) features, by the time this standstill occurs (that 21 is, if no additional purchases are made) a user is predisposed to make in-app purchases.

22 49. For example, to upgrade one's Stronghold to level 2 costs a trivial number of 23 resources acquired with no labor because sufficient quantities are possessed upon 24 account creation. The upgrade is also completed instantly with one click. But subsequent 25 upgrade costs increase exponentially, with latter levels costing hundreds of millions-and, 26 in some cases, *billions*—of resources. Once initiated, these latter upgrades take real-world 27 **months** to complete, unless players purchase construction speed-up boosters. For 28 example, after a player gathers the necessary resources to advance from Stronghold level **CLASS ACTION COMPLAINT** Case No. 9

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1 39 to 40 and clicks "upgrade," the completion time is 163 days, 19 hours, 52 minutes, and 2 43 seconds.

3 50. If a player does not make any purchases in the game, it would require years 4 of playing two hours each day, 365 days a year, to gather the necessary resources to 5 upgrade their Stronghold to levels 40 and beyond.

6 51. Defendants build off the compulsive feedback loops that their game 7 intentionally creates to induce Plaintiff and other players to spend upwards of hundreds of thousands of dollars each.<sup>12</sup> GOG reminds players that instead of devoting countless hours 8 9 to progress in the game, they can simply purchase packs. The game designs these 10 upgrades to lure players into spending money on resources.

52. These upgrades all cost players real money. The packs necessary for these 12 upgrades are generally offered at the following prices: \$99.99, \$49.99, \$19.99, \$9.99, 13 \$4.99, \$1.99, and \$0.99. The advertisements for a particular pack at different pricing levels 14 usually have similar graphical advertisements but contain varying amounts of items in 15 proportion to their price.

16 53. To acquire the resources necessary to reach Stronghold level 40, a player 17 would need to spend thousands of dollars on packs. However, this cost is never made 18 clear to the player because Defendants know that players would not be willing to pay this

20 <sup>12</sup> GOG also employs compulsion loops, a sinister-sounding term for a simple process. To create a compulsion loop, game developers make users anticipate a reward, such as a 21 more powerful sword or the prospect of traveling to a new game area. Next, users are given a challenge, such as killing monsters or solving a puzzle. By completing the 22 challenge, the user earns their anticipated reward, which in turn presents or unlocks more challenges for yet more rewards (e.g., the new game area includes a new guest giver). 23 Compulsion loops can lead to compulsive behavior. Adrian Hon, You've Been Played: How 24 Corporations, Governments, and Schools Use Games to Control Us All, p. 144. GOG likewise employs treatmills, a refinement of compulsion loops, where incremental gains are 25 constantly doled out, with the intention of engaging players indefinitely. Treatmills are designed to ensure the game occupies an enormous amount of a user's time, stays 26 relevant as long as possible, and as a result maximizes the time where a user might refer the game to a friend. Games can easily consume hundreds of hours of users' time by 27 incrementally unlocking a few more secrets and a few more power-ups after every loop. 28 Id. at 152.

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price if they were aware of the total cost up front. After all, these are players who specifically
 selected a free-to-play game instead of spending \$20 to \$60 on a traditional video game
 that is available for one-time purchase, and with the same mechanics.

54. Knowing this, Defendants instead leverage the incremental upgrade system
to spread this total cost over numerous separate upgrades, all while keeping consumers
in the dark. There is no in-game mechanism to review one's purchase history or the total
amount one has spent. Upgrade costs are only shown for those upgrades for which the
player is currently eligible, meaning Defendants hide the explosive exponential costs of ingame upgrades until the game's players have already invested months of time and money
into the game.

55. Once players are fully invested, Defendants then use packs to create a false sense of urgency and scarcity to pressure players into making several dozen smaller purchases over a period of days, weeks, or months.

14 56. In other words, at no point are players told it will cost them thousands to
15 upgrade their Stronghold to level 40. Instead, they are bombarded with an endless series
16 of advertisements urgently offering limited-time sales, each providing the opportunity to
17 purchase just the incremental resources needed at the time to reach the next level of
18 upgrade.

19 57. Defendants follow this model intentionally to foster dangerous consumer20 behaviors that ultimately result in more purchases, at the expense of its players.

58. Research into microtransactions and human behavior shows that a critical
link between microtransaction purchases and problem gaming behavior (*i.e.*, behavior
associated with gambling addiction) forms with high frequency purchases.<sup>13</sup> Of note, "Both
classical and operant conditioning theories suggest that more frequent events or quicker
pay out frequencies could increase the likelihood of problematic microtransaction purchase

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 <sup>&</sup>lt;sup>13</sup> Erin Gibson et. al, *The relationship between videogame micro-transactions and problem gaming and gambling: A systematic review*, 131 Computers in Human Behavior 107219
 (2022).

1 behavior and problem gambling symptoms through reinforcement."<sup>14</sup>

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59. Thus, by luring players into making several smaller, time-sensitive purchases of purportedly high-value packs, Defendants specifically intend to foster addictive

4 behaviors by luring consumers into dangerous spending habits.

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60. As a result of Defendants' predatory monetization schemes and false advertising, numerous players, like Plaintiff, end up spending tens of thousands—if not hundreds of thousands—of dollars on GOG.

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KRONENBERGER ROSENFEL 150 Post Street, Suite 520 San Francisco, CA 94108 61. As an editorial in the Society for the Study of Addiction has observed:

Predatory monetization schemes in video games are purchasing systems that disguise or withhold the long-term cost of the activity until players are already financially and psychologically committed. Such schemes contribute to the increasing similarity of gaming and gambling and the potential for financial harm for those with Internet gaming disorder.

Game monetization schemes have become increasingly sophisticated and have been featured more prominently within popular on-line games. In our view, some of these schemes could be considered predatory. Predatory monetization schemes typically involve in-game purchasing systems that disguise or withhold the true long-term cost of the activity until players are already financially and psychologically committed. Such schemes are designed to encourage repeated player spending using tactics or elements that may involve, either singularly or in combination, limited disclosure of the product; intrusive and unavoidable solicitations; and systems that manipulate reward outcomes to reinforce purchasing behaviors over skillful or strategic play. Such strategies may exploit inequalities in information between purchaser and provider, such as when the industry uses knowledge of the player's game-related preferences, available funds and/or playing and spending habits, to present offers predetermined to maximize the likelihood of eliciting player spending.<sup>15</sup>

23 62. Layered on top of its predatory and addictive monetization schemes, GOG
 24 relies on four primary categories of deceptive pack advertisements within GOG: (a) packs
 25 that offer the illusion of price discounts through the strikethrough graphics, hereafter
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27 <sup>14</sup> *Id.* 

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<sup>28 &</sup>lt;sup>15</sup> https://onlinelibrary.wiley.com/doi/epdf/10.1111/add.14286.

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1 referred to as "False Strikethrough Packs"; (b) packs that falsely advertise that a pack 2 contains extra value by containing an extra percentage increase value relative to normal 3 versions of the same pack, hereafter referred to as "False Bonus Packs"; (c) packs that 4 falsely allege the limited availability of purchases, hereafter referred to as "False Limited 5 Availability Packs"; and (d) items that "randomly" generate an in-game prize once 6 purchased, hereafter referred to as "Loot Boxes." Any deceptively advertised pack can 7 belong to more than one of these categories simultaneously or may be deceptive for a 8 separate reason outside of the ones belonging to the four main categories.

9 63. However, these advertisements are false, deceptive, and intended to mislead
10 players into making in-app purchases that they otherwise would not have made.

64. Defendants falsely promote these packs as being on sale or discounted by misrepresenting that such packs are currently being offered at a lower price than normal, include limited-time bonuses that purport to substantially increase the value of the packs, or have limited availability. Since the game pits players against each other, there is significant pressure on players to take advantage of these limited-time offerings so that they can gain a competitive edge against opponents who presumably are left to pay full price.

65. Additionally, the advertisements mislead players into believing they will find
themselves at a competitive *disadvantage* if they do not purchase packs now, since they
will be left paying full price for items their opponents were able to purchase at a discount.

# False Strikethrough Packs

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1 66. The False Strikethrough Packs display an advertised price for which the pack 2 is currently offered. On the left side of the arrow graphic is a significantly higher price struck 3 through with a red "X." The advertisements suggest that the pack was formerly offered at 4 the higher price but is now heavily discounted.



67. However, these packs were in fact never offered at the advertised former reference price.

There are dozens of False Strikethrough Packs sold at multiple pricing tiers, 68. including: "First Top-up Bonus" packs that purport to offer in-game resources across the \$4.99, \$9.99, and \$19.99 pricing tiers (the last of which is labeled as "HOT" and described as "Extreme value, super deal!"). None of these packs were ever offered at the former reference prices.

19 69. Defendants use false reference pricing schemes to increase sales because they know these reference prices influence purchasing decisions, as consumers want bargains. Fake discounting and false reference prices are widely recognized to be powerful tools in convincing customers to make purchases, and this issue has been studied repeatedly. As one recent research study from the Harvard Business School summarized: Taken together, evidence from our analysis of observational transaction data and our laboratory experiment suggests that fake prices provide sellers with a powerful tool to enhance demand, but one that may come at the expense of misleading consumers about products' true initial selling prices. Consumers take initial prices as signals of product quality and rate offers as

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being better deals the higher these initial prices are with respect to present

selling prices. Accordingly, fake prices have the highest influence on purchase likelihood for less-informed consumers.

By definition, a fake price offers a fake discount—a discount that does not represent a decrease from some previous selling price but, rather, the difference between the current selling price and a fake introductory price. There is much existing literature on the impact of discounts on consumer behavior beyond ....<sup>16</sup>

70. Defendants had actual knowledge that the False Strikethrough Packs contained false or misleading representations as to their former prices. Defendants designed and promoted these advertisements from 2017 until the present day, as the practice of offering these deceptive packs continues.

71. The price at which a pack is obtained is a material consideration when reasonable players, including Plaintiff, decide to make purchases. Players seek to maximize the amount of items obtained from the pack for the lowest cost. Defendants deceive players into taking advantage of discounts so that players believe they may achieve a competitive advantage on the mistaken belief that other players may have to pay the substantially higher non-discounted price for the same number of items.

Plaintiff and the Classes reasonably relied on the "strikethrough" pricing
 when purchasing numerous False Strikethrough Packs. Had Plaintiff known the
 "strikethrough" pricing was false, Plaintiff would not have purchased many of the False
 Strikethrough Packs that they purchased.

73. If Plaintiff and the Classes could ever have reasonably realized that the False
 Strikethrough Packs were never sold at the original reference price, such realization would
 have occurred only after enough game play that Defendants would have already achieved
 their goal of establishing addictive spending habits. Thus, to the extent Plaintiff or any of

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 <sup>&</sup>lt;sup>16</sup> Donald Ngwe, *Fake Discounts Drive Real Revenues in Retail*, Harvard Business
 School Working Paper (2018) (available at

https://www.hbs.edu/ris/Publication%20Files/18-113\_16977967-84c0-488d-96e5-28 ffba637617d9.pdf).

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the Classes continued to make purchases after developing an understanding that the
packs were never offered at the original price, this was the calculated and intended result
that Defendants sought when engaging in this deceptive and unfair practice in the first
place.

### **False Bonus Packs**

6 74. The False Bonus Packs also falsely advertise that a pack possesses extra 7 value by containing a specific percentage increase in items or resources relative to normal 8 versions of the same pack. The false percentage is indicated by a large and attention-9 grabbing bubble in the pack's graphical advertisement that contains a quantitative claim 10 regarding the increase in value of this pack relative to packs which are not on sale.



19 75. For example, the "Value Deal" pack is offered with a graphical image of a red
20 bubble containing "7500%"—indicating to a reasonable consumer that this specific pack is
21 discounted because it contains a 7,500% increase in the value or quantity of items
22 contained within it when compared to a Value Deal pack without such a representation.

76. Defendants intentionally designed the packs to mislead players into believing
that the packs represented a sale value, including both a false original reference price and
an illusory increase in value, to induce those players to purchase the packs. Defendants
knowingly took those ordinary item packs and simply placed a percentage graphic on the
ad copies without altering anything else.

77. Defendants have been promoting these False Bonus Packs from 2017 until Case No. 16

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1 present day, as the practice continues.

78. Plaintiff reasonably relied on the percentage graphics on the False Bonus
Packs as a material consideration in purchasing those packs. Had Plaintiff known the
packs were not actually on sale in the manner represented, he would not have purchased
the False Bonus Packs.

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### False Limited Availability Packs

79. The False Limited Availability Packs indicate that a particular pack can only be purchased a finite number of times. For example, a pack might be described as a "Limited Construction Pack" with text underneath the advertisement that reads: "Only Once!" These advertisements create a sense of artificial scarcity whereby players are pressured into purchasing packs containing valuable items to enhance their accounts, ostensibly to simultaneously deprive competitors from accessing the same packs.



80. As shown above, Defendants also use graphics indicating a "Remaining Time" during which the pack will remain available to create a false sense of scarcity with its users.

81. However, Defendants' representations as to the scarcity of the packs are
 false. Other players are also able to purchase these packs even if another player buys all
 of the supposedly remaining packs. Furthermore, the player who purchased the False
 Limited Availability Pack is often offered the same pack to purchase again, especially at
 the \$99.99 pricing tier.

82. Similarly, Defendants attempt to lure players into bidding for items by placing
 urgent in-game banners that advertise "ending" auctions. Auctions are for in-game items,
 and players bid to purchase these in-game items using gold, the primary resource for which
 they pay money to acquire.

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83. These auctions, however, are likewise deceptive.

84. While the scrolling announcement urges players to "make [their] way to the Auction House" with the promise that bidding "closes in 10 minutes," (or at 15 minutes, or 20), in actuality, if a player places a bid with less than five minutes remaining until the close of the auction, the remaining time left in the auction will be extended by five minutes.

85. Additionally, any amounts of gold bid by players are held in reserve by the auction house until bidding has ended—even once a player has been outbid. As a result, GOG lures players with a false sense of urgency by deceiving them into believing that bidding will close imminently, then holds their resources hostage for an indeterminate amount of time: until five minutes have passed without a new bid being placed.

86. In doing so, GOG creates a false sense of scarcity and urgency, not only in
an effort to drive up the final price of the items, but to keep players from being able to
access their gold, driving them to purchase more gold while they wait for their resources
to be released from indefinite escrow.

19 87. None of this information, however, is disclosed in the in-game banner that
20 warns players bidding will close "in 10 minutes." Indeed, at 10 minutes, the bidding war
21 and game of continual timer reset has not even begun, and so the banner serves primarily
22 to ensure that as many players as possible will have their gold rendered inaccessible while
23 the auction continues.

24 88. Defendants intentionally designed the packs and auctions to mislead players
25 into believing that they were limited in availability. Defendants knowingly added a message
26 to players communicating an artificial scarcity to induce them to purchase the packs and
27 bid on auction items immediately.

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 89.
 These false and deceptive tactics of scarcity and urgency are effective dark

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2 90. As the FTC explained, "SCARCITY" includes variants such as the "False Low 3 Stock Message" (e.g., "Only 1 left in stock—order soon"), which falsely claim inventory is 4 low. This message "[c]reate[s] pressure to buy immediately."

5 91. "URGENCY" includes variants such as the "Baseless Countdown Timer" 6 ("Offer ends in 00:59:48"), which shows a clock that goes away or resets when it times out: "False Limited Time Message" ("Deal ends soon"), which presents a meaningless deadline 8 that resets when reached; or "False Discount Claims" ("Sale"). All of these variants create 9 pressure to buy immediately.

92. Plaintiff reasonably relied on the textual advertisements of supposed scarcity accompanying the ad copy as a material consideration in purchasing those packs and purchasing gold to spend on in-game auctions. Had Plaintiff known the packs were not actually scarce or limited, he would not have made such purchases.

# Loot Boxes

15 93. Amplifying the addictive features of GOG, Defendants also entice players to 16 purchase Loot Boxes.

17 94. The use of Loot Boxes within GOG and other freemium games encourages further and unregulated problem gambling behavior<sup>17</sup> by providing players with the 18 19 opportunity to purchase items that yield randomized awards—mirroring gambling through 20 uncertainty in the outcomes of spending.

21 95. Loot Boxes allow players to purchase virtual "chances" to win rare in-game 22 items, but most players win only common virtual items, which can often be purchased for 23 far less than what the players spend on a "chance" at rare in-game loot.

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96. While this may sound similar to traditional gambling games, Loot Boxes

- https://www.jstor.org/stable/pdf/j.ctv1hp5hgw.14.pdf?refregid=excelsior%3Ae35b9894f00 27 3556c7dff9d435726e0dc&ab segments=0%2Fbasic search gsv2%2Fcontrol&origin=&a 28 cceptTC=1, p. 221.
  - Case No.

<sup>&</sup>lt;sup>17</sup> Matthew E. Perks, "Regulating In-Game Monetization: Implications of Regulation on 26 Games Production," (2021), available at

contain only virtual items and not physical objects, and therefore are arguably not subject
 to laws that typically apply to gambling activities.

97. Loot Boxes are classified as a type of "monetary dark pattern," and as such
GOG, "a video game that employs loot boxes[,] is just utilizing the 'monetized rivalries' dark
pattern"—the exploitation of user competitiveness which encourages players to spend
money they would not otherwise spend, in order to achieve status.<sup>18</sup>

98. Further, academic literature on the subjects of predatory monetization and addiction to loot-box-microtransactions suggests that there is a link between chance-based gambling and player behavior on these apps. Studies in psychology show that loot box consumption mimics gambling as it involves the betting and spending of real currency for unpredictable in-game rewards, with the ambiguity of the valuation for in-game vs. real-world currency making this a habit that is easy to fall into.<sup>19</sup>

99. The similarities between gambling and Loot Boxes are especially dangerous
for individuals who are already problem gamblers, as the high degree of likeness to other
forms of gambling may cause them "to spend large amounts of money on buying loot boxes
in games, just as they would spend large amounts of money on other forms of gambling."<sup>20</sup>

17 100. This is particularly problematic because studies have repeatedly confirmed
18 that problematic and pathological gambling habits develop at a higher rate among those
19 who participate in virtual, online gambling activities.<sup>21</sup>

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<sup>21 &</sup>lt;sup>18</sup> Lewis, *supra* note 17.

 <sup>&</sup>lt;sup>19</sup> Tom Brock, Mark Johnson, *The Gamblification of Digital Games*, 21 J. Consumer Culture (2021) available at
 <sup>23</sup> https://iourpals.acgonub.com/doi/full/10\_1177/1460540521002004

<sup>&</sup>lt;sup>23</sup> <u>https://journals.sagepub.com/doi/full/10.1177/1469540521993904</u>.

 <sup>&</sup>lt;sup>20</sup> David Zendle, Paul Cairns, *Video Game Loot Boxes are Linked to Problem Gambling: Results of a Large-scale Survey*, PLOS ONE (2018), available at <a href="https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0206767">https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0206767</a>.

<sup>26</sup> <sup>21</sup> See, e.g., Brunelle, Leclerc, Cousineau, Dufour, Gendron, & Martin, Internet gambling, substance use, and delinguent behavior: An adolescent deviant behavior involvement 27 pattern. Addictive Psych of **Behaviors** available 26 365-70 (2012),at 28 https://doi.org/10.1037/a0027079.

1 101. Additionally, younger individuals (those under 30 and, in particular, those
 under 18) are particularly susceptible to developing problematic gambling pathologies,
 including gambling addiction.<sup>22</sup>

4 102. GOG, which is marketed to individuals 13 and older, leverages these
5 predispositions to foster addiction and other pathological behaviors with its chance-based
6 loot box system.

7 103. Upon information and belief, Defendants are aware of the addictive nature of
8 Loot Boxes and have designed GOG specifically to leverage consumer psychology in an
9 effort to maximize consumer addiction and promote virtual gambling.

104. In order to power-up their accounts and progress through the game's content, players must obtain "heroes," consisting of trading card like depictions of various in-game characters. These heroes provide unique abilities and bonuses to aid one's troops in succeeding in various combat scenarios. Heroes are classified into tiers within the game, with Tier A or S Heroes providing the greatest statistical advantages to a player.

105. Players recruit heroes by way of the "Tavern," one of the buildings in a
player's in-game estate. The Tavern allows players to draw hero cards by chance, from
two piles: Master or Standard. The former proports to increase the odds of drawing a
premium Tier S or A hero. A Tier S hero is superior to a Tier A hero.

19 106. GOG employs Loot Boxes in the form of its "Tavern," where players
20 encounter a graphical depiction of two different kinds of heroes: "Standard" and "Master,"
21 with the "Master" recruitment requiring premium items:

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 <sup>&</sup>lt;sup>22</sup> See Kristjansdottir *et al*, *Internet gambling and problem gaming among 13 to 18 year old adolescents in Iceland*, 9 Int'I J. Mental Health & Addiction 257 (2011), available at
 <u>https://doi.org/10.1007/s11469-010-9280-7</u>; *Gainsbury et al*, The Impact of Internet
 Gambling on Gambling Problems: A Comparison of Moderate-Risk and Problem Internet
 and Non-Internet Gamblers, 27(4) Psychology of Addictive Behaviors (2013), available at
 <u>https://psycnet.apa.org/fulltext/2013-05953-001.pdf</u>.



Specifically, "Master" mode requires a player to obtain "Recruitment 107. Banners," which the game describes as being "[u]sed to Recruit Master Heroes in the Tavern."

108. Within the Tavern, there is no published list of odds of drawing specific heroes, or a "drop rate," that is readily apparent. Instead, players must intuit that they should tap on the intentionally unobtrusive "!" at the top right of each hero's portrait. Doing so takes them to a screen that reveals the odds for each category of hero:



23 109. As this screen reveals, players who spend real money to purchase items that 24 summon "Master-tier" heroes from the "Master" summoning screen will receive a 25 "Standard-tier" hero most of the time. The odds of actually obtaining a master Tier S hero 26 are only 5% and the odds of obtaining even a "Tier A" hero are only 34%—the rest are "Tier B" heroes. (There are no other prizes available.)

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That fact is particularly poignant when one notes that even the most house-110. **CLASS ACTION COMPLAINT** Case No. 22

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1 friendly slot machines in the country have a payout rate of approximately 80%.<sup>23</sup> 2 **CLASS ALLEGATIONS** 3 111. Plaintiff brings this action pursuant to Fed. R. Civ. P. 23(a), (b)(2), and (b)(3), 4 on behalf of himself and the following proposed "Global Class": 5 All persons, within the applicable statute of limitations, who purchased False Strikethrough Packs, False Bonus Packs, False Limited Time Availability packs, 6 and/or Loot Boxes, and/or such subclasses as the Court may deem appropriate. 7 112. Plaintiff also brings this action on behalf of the following subclass (the 8 "California Class"): 9 All persons in California, within the applicable statute of limitations, who purchased 10 False Strikethrough Packs, False Bonus Packs, False Limited Time Availability packs, and/or Loot Boxes and/or such subclasses as the Court may deem 11 appropriate. 12 113. Excluded from the proposed Classes are Defendants and their employees, 13 officers, directors, legal representatives, heirs, successors, subsidiaries, and affiliates, and 14 the judicial officers and their immediate family members and associated court staff 15 assigned to this case, as well as all persons who make a timely election to be excluded 16 from the proposed Classes. 17 114. Certification of Plaintiff's claims for class-wide treatment is appropriate 18 because Plaintiff can prove the elements of his claims on a class-wide basis using the 19 same evidence he would use to prove those elements in individual actions alleging the 20 same claims. 21 115. This action meets all applicable standards of Fed. R. Civ. P. 23 for class 22 certification, in that Plaintiff can demonstrate the elements delineated below. 23 116. **Numerosity.** The members of the proposed Classes are so numerous and 24 geographically dispersed that individual joinder of all proposed class members is 25 impracticable. See Fed. R. Civ. P. 23(a)(1). While Plaintiff believes that there are hundreds

26 of thousands of members of the proposed Classes, the precise number of class members

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<sup>27</sup> <sup>23</sup> See Slot Machine Payback Statistics, American Casino Guide, available at 28 https://www.americancasinoguide.com/info/slot-machine-payback-statistics.

is unknown, but may be ascertained from Defendants' books and records. On information
and belief, Defendants maintain a list of users that includes personal information for the
user including their email addresses, whether they have made in-app purchases, and
which in-app purchases they have made.

117. Applying a reasonable and prudent person standard to the users of GOG under the same or similar circumstances, each user would qualify to be a class member requesting the right to cancel and obtain refunds on their in-app purchases. Any reasonable and prudent person under the same or similar circumstances wants to have the flexibility to disaffirm an in-app purchase that was made while believing that the packs they purchased were part of a sale or promotion but, in reality, were not.

118. <u>Commonality and Predominance</u>. This action involves common questions of law and fact, which predominate over any questions affecting individual class members. *See* Fed. R. Civ. P. 23(a)(2) and (b)(3). These include, without limitation:

a. Whether Defendants engaged in the conduct alleged in this Complaint;

- b. Whether Defendants violated the applicable statutes alleged herein;
- c. Whether Defendants designed, advertised, marketed, distributed, sold, or otherwise placed GOG into the stream of commerce in the United States;

d. Whether Defendants' conduct emanated from the State of California;

 e. Whether Plaintiff and the class members are injured and harmed directly by Defendants' false advertising designed to entice users into making in-app purchases they otherwise would not have made;

 f. Whether Plaintiff and the class members are entitled to damages due to Defendants' conduct as alleged in this Complaint, and if so, in what amounts; and

g. Whether Plaintiff and members of the Classes are entitled to equitable relief, including, but not limited to, restitution or injunctive relief as requested in this Complaint.

119. **<u>Typicality</u>**. Plaintiff's claims are typical of the putative class members' claims

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**CLASS ACTION COMPLAINT** 

because, among other things, all such class members were comparably injured through
 Defendants' wrongful conduct as described above. See Fed. R. Civ. P. 23(a)(3).
 Defendants' creation and display of its misleading advertisements is uniform for Plaintiff
 and class members.

5 120. <u>Adequacy</u>. Plaintiff is an adequate proposed class representative because
6 his interests do not conflict with the interests of the other members of the proposed Classes
7 he seeks to represent, because he has retained counsel competent and experienced in
8 complex class action litigation, and because he intends to prosecute this action vigorously.
9 The interests of the proposed Classes will be fairly and adequately protected by Plaintiff
10 and his counsel. See Fed. R. Civ. P. 23(a)(4).

121. **Declaratory and Injunctive Relief.** Defendants have acted or refused to act on grounds generally applicable to Plaintiff and the other members of the proposed Classes, thereby making appropriate final injunctive relief and declaratory relief, as described below, with respect to the proposed Classes as a whole. See Fed. R. Civ. P. 23(b)(2). Defendants' wrongful conduct alleged herein is grounded in the creation and dissemination of their pack offerings in-game, which are displayed uniformly. Plaintiff's and the class members' injuries are real, immediate, and ongoing. Plaintiff and the class members seek injunctive and declaratory relief from Defendants.

19 122. <u>Superiority</u>. A class action is superior to any other available means for the
20 fair and efficient adjudication of this controversy, and no unusual difficulties are likely to be
21 encountered in the management of this class action. The damages or other financial
22 detriment suffered by Plaintiff and putative class members are relatively small compared
23 to the burden and expense that would be required to individually litigate their claims against
24 Defendants, so it would be impracticable for members of the proposed Classes to
25 individually seek redress for Defendants' wrongful conduct.

26 123. Applying the principles of equity or balance of equities, expecting an
 27 individual plaintiff who is at a disadvantage with limited resources and spending capacity,
 28 and with minimal negotiating power, if any, to litigate claims against Defendants,
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multibillion-dollar corporations that have immense resources and deep pockets, would be
unfair. Class actions are a necessary and essential means to provide for public interest
litigations with checks and balances to curtail deceptive practices by powerful private
corporations, including Defendants.

124. There is no special interest in class members individually controlling the prosecution of separate actions. And even if class members could afford individual litigation, the court system could not. Individualized litigation creates a potential for inconsistent or contradictory judgments, and it increases the delay and expense to all parties and the court system. By contrast, the class action device presents far fewer management difficulties and provides the benefits of single adjudication, economy of scale, and comprehensive supervision by a single court. *See* Fed. R. Civ. P. 23(b)(3).

### **CALIFORNIA LAW APPLIES TO ALL CLASSES**

125. California's substantive laws apply to every class member, regardless of where the class member resides.

15 126. California's substantive laws may be constitutionally applied to the claims of
Plaintiff and the Classes under the Due Process Clause, 14th Amend. §1, and the Full
Faith and Credit Clause, Art. IV §1 of the U.S. Constitution. California has significant
contacts, or significant aggregation of contacts, to the claims asserted by Plaintiff and all
class members, thereby creating state interests that ensure that the choice of California
state law is not arbitrary or unfair.

127. FunPlus and its various operating entities were founded in California.
FunPlus maintains offices in California, and its co-founders and key executives reside in
California. On information and belief, Defendants' principal places of business are located
in California. FunPlus conducts substantial business in California. Therefore, California has
an interest in regulating Defendants' conduct under its laws.

128. FunPlus's decision to reside in California and avail itself of California's laws,
and to engage in the challenged conduct from and emanating out of California, renders the
application of California law to the claims herein constitutionally permissible.

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1 129. California is also the state from which Defendants' alleged misconduct and
 2 false statements emanated. This conduct similarly injured and affected Plaintiff and all
 3 other class members.

130. The application of California laws to the Classes is also appropriate under
California's choice of law rules because California has significant contacts to the claims of
Plaintiff and the proposed Classes, and California has a greater interest in applying its laws
here than any other interested state.

### FIRST CLAIM FOR RELIEF

### Violation of California's Unfair Competition Law ("UCL")

### Cal. Business & Professions Code §§17200 et seq.

(By Plaintiff, individually and on behalf of All Classes)

131. Plaintiff incorporates by reference all allegations in this Complaint and restates them as if fully set forth herein.

14 132. The UCL defines unfair business competition to include any "unlawful, unfair
15 or fraudulent" act or practice, as well as any "unfair, deceptive, untrue or misleading"
16 advertising. Cal. Bus. & Prof. Code §17200.

17 133. A business act or practice is "unlawful" under the UCL if it violates any other18 law or regulation.

19 134. A business act or practice is "unfair" under the UCL if the reasons,
20 justifications, and motives of the alleged wrongdoer are outweighed by the gravity of the
21 harm to the alleged victims.

135. A business act or practice is "fraudulent" under the UCL if it is likely to deceive
members of the consuming public.

24 136. Defendants have violated the "unlawful" prong under the UCL and have25 engaged in "unfair, deceptive, untrue or misleading" advertising.

137. The Federal Trade Commission Act prohibits "unfair or deceptive acts or
 practices in or affecting commerce" (15 U.S.C. §45(a)(1)) and specifically prohibits false
 advertisements. 15 U.S.C. §52(a). FTC Regulations describe false former pricing
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1 schemes—similar to Defendants' False Strikethrough Packs and False Bonus Packs in all

2 material respects—as deceptive practices that would violate the FTC Act.

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138. 16 C.F.R.§233.1 states:

(a) One of the most commonly used forms of bargain advertising is to offer a reduction from the advertiser's own former price for an article. If the former price is the actual, bona fide price at which the article was offered to the public on a regular basis for a reasonably substantial period of time, it provides a legitimate basis for the advertising of a price comparison. Where the former price is genuine, the bargain being advertised is a true one. If, on the other hand, the former price being advertised is not bona fide but fictitious—for example, where an artificial, inflated price was established for the purpose of enabling the subsequent offer of a large reduction—the "bargain" being advertised is a false one; the purchaser is not receiving the unusual value he expects. In such a case, the "reduced" price is, in reality, probably just the seller's regular price.

(b) A former price is not necessarily fictitious merely because no sales at the advertised price were made. The advertiser should be especially careful, however, in such a case, that the price is one at which the product was openly and actively offered for sale, for a reasonably substantial period of time, in the recent, regular course of his business, honestly and in good faith—and, of course, not for the purpose of establishing a fictitious higher price on which a deceptive comparison might be based. And the advertiser should scrupulously avoid any implication that a former price is a selling, not an asking price (for example, by use of such language as, "Formerly sold at \$\_\_\_\_\_"), unless substantial sales at that price were actually made.

139. California law also prohibits false former pricing schemes. Cal. Bus. & Prof.

Code §17501, entitled "Value determinations; Former price advertisements," states:

For the purpose of this article the worth or value of any thing advertised is the prevailing market price, wholesale if the offer is at wholesale, retail if the offer is at retail, at the time of publication of such advertisement in the locality wherein the advertisement is published.

No price shall be advertised as a former price of any advertised thing, unless the alleged former price was the prevailing market price as above defined within three months next immediately preceding the publication of the advertisement or unless the date when the alleged former price did prevail is clearly, exactly, and conspicuously stated in the advertisement.

24 140. As further detailed in the Second Claim for Relief below, California's False

Advertising Law also prohibits a business from "[a]dvertising goods or services with intent

not to sell them as advertised," Cal. Civ. Code §1770(a)(9), and prohibits a business from

- 27 "[m]aking false or misleading statements of fact concerning reasons for, existence of, or
- 28

1 amounts of price reductions." Id. §(a)(13).

2 Defendants' False Strikethrough Packs, False Bonus Packs, False Limited 141. 3 Availability Packs, and Loot Boxes violate the unlawful prongs of the UCL since they violate 4 16 C.F.R. §233.1, Cal. Bus. & Prof. Code §17501, and Cal. Civ. Code §§1770(a)(9) and 5 (a)(13).

6 142. The False Bonus Packs misrepresent the existence of a sale whereby 7 players can allegedly purchase more items and resources from a pack than they normally 8 could for the same price.

143. Defendants' use of the False Bonus Packs violates 15 U.S.C. §45(a)(1), 15 U.S.C. §52(a), and the FTC Guidelines published in Title 16, Code of Federal Regulations, Section 233.

12 144. Defendants also violated and continue to violate Cal. Bus. & Prof. Code 13 §17501, and Cal. Civ. Code §1770, sections (a)(9) and (a)(13), by advertising false 14 discounts from purported former prices that were, in fact, not the prevailing market prices 15 within three months preceding the publication and dissemination of advertisements 16 containing the false former prices.

17 Defendants have also violated the "unfair" prong of the UCL by falsely 145. 18 representing that their consumers received a discount from a referenced "original" former 19 price of their False Strikethrough Packs where, in fact, Defendants set an arbitrary price 20 for the goods contained in these packs and then falsely represented the packs had ever 21 been offered for sale without their supposed discount.

22 146. Additionally, Defendants have violated the "unfair" prong of the UCL by 23 falsely representing that their False Bonus Packs contained unique and specific increases 24 in items or resources when, in fact, they contained the same resources and in-game items 25 as they always do.

26 147. Defendants have also violated the "unfair" prong of the UCL by engaging in 27 predatory practices designed to foster gambling addiction in consumers, in that they: (a) 28 deploy their microtransactions in a way specifically designed to ensnare players into **CLASS ACTION COMPLAINT** Case No.

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addictive spending habits; (b) falsely create a sense of urgency, scarcity, and value in order
to secure addictive high frequency microtransactions, such as by deploying Loot Boxes,
which exploit user competitiveness and foster addiction; and (c) use incremental cost stepups to prevent players from realizing the true cost of the game and how much they have
spent. Defendants' goals in engaging in these practices are far outweighed by the harm
they cause.

148. These acts and practices are unfair because they were likely to cause consumers to falsely believe that Defendants were offering value, discounts, or bargains from the prevailing market value or worth of the products sold that do not, in fact, exist. As a result, purchasers (including Plaintiff) reasonably understood that they were receiving valuable price reductions on purchases of in-game items. This, in turn, has induced reasonable purchasers to buy such products from Defendants that they would not have otherwise purchased.

14 149. The gravity of the harm to Plaintiff and members of the Classes resulting from
15 these unfair acts and practices outweighs any conceivable reasons, justifications, or
16 motives that Defendants may have had for engaging in such deceptive acts and practices.

17 150. Additionally, Defendants have violated the "fraudulent" prong of the UCL
18 because their marketing and advertising materials included false "original" prices for their
19 False Strikethrough Packs, and because these same materials also suggested that the
20 offers in the False Bonus Packs and False Limited Availability Packs were unique, limited,
21 and would no longer be available at those price points following the conclusion of its sale
22 events. In actuality, the packs never contained the limited time deals or discounts they
23 purported to offer.

151. Defendants' acts and practices deceived Plaintiff and the Classes at large.
 Specifically, Plaintiff and the Classes relied on these misleading and deceptive
 representations regarding the limited-time bonuses they could expect to receive in the
 packs. Each of these representations and deceptions played a substantial role in Plaintiff's
 decisions to purchase the packs, and Plaintiff would not have done so in the absence of
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1 such representations.

2 152. Plaintiff and the Classes never received the benefit of their bargains with 3 Defendants, in that the "discounted" resources offered for sale in the packs did not give 4 them the anticipated competitive edge against their opponents. Competitors could simply 5 purchase packs at the same false sale pricing, or with the same number of items, or the 6 same pack availability, notwithstanding Defendants' representations that these were 7 limited time offers.

8 153. Similarly, players who purchased the False Bonus Packs and the False 9 Strikethrough Packs defensively (to protect against becoming overpowered by opponents 10 whom they believed had been able to take advantage of the purportedly limited-time bonuses) were deprived of the benefit of their bargains, because the threat itself was a 12 fabrication. There was never a risk of falling behind due to a player's failure to purchase 13 items at their discounted price, because the price was always discounted.

14 154. As a result of these violations under each of the fraudulent, unfair, and 15 unlawful prongs of the UCL, Defendants have been unjustly enriched at the expense of 16 Plaintiff and members of the proposed Classes. Specifically, Defendants have been 17 unjustly enriched by obtaining revenues and profits that they would not otherwise have 18 obtained absent their false, misleading, and deceptive conduct.

19 155. Through their unfair acts and practices, Defendants have improperly 20 obtained money from Plaintiff and the class members. As such, Plaintiff requests that this 21 Court cause Defendants to restore this money to Plaintiff and all class members, and to 22 enjoin them from continuing to violate the UCL, and/or from violating the UCL in the future. 23 Otherwise, Plaintiff, the class members, and members of the general public may be 24 irreparably harmed and/or denied an effective and complete remedy if such an order is not 25 granted.

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SECOND CLAIM FOR RELIEF

Violation of California's False Advertising Law ("FAL") Cal. Business & Professions Code §§17500 et seq. (By Plaintiff, individually and on behalf of All Classes)

5 156. Plaintiff incorporates by reference all allegations in this Complaint and 6 restates them as if fully set forth herein.

The FAL prohibits unfair, deceptive, untrue, or misleading advertising, 157. including, but not limited to, false statements as to worth, value, and former price.

Furthermore, the FAL provides that: "No price shall be advertised as a former 158. price of any advertised thing, unless the alleged former price was the prevailing market price as above defined within three months next immediately preceding the publication of the advertisement or unless the date when the alleged former price did prevail is clearly, exactly and conspicuously stated in the advertisement." Cal. Bus. & Prof. Code §17501.

14 The False Strikethrough Packs and the False Bonus Packs misrepresent the 159. 15 existence of a sale whereby players can allegedly purchase packs at a discounted price, 16 or with an increased percentage of items or resources. The False Limited Availability Packs misrepresent the exclusive nature, and therefore competitive value, of the packs.

18 Through their unfair acts and practices, Defendants have improperly 160. 19 obtained money from Plaintiff and the class members. As such, Plaintiff requests that this 20 Court cause Defendants to restore this money to Plaintiff and all class members, and to 21 prevent Defendants from continuing to violate the FAL, and/or from violating the FAL in the 22 future. Otherwise, Plaintiff, the class members, and members of the general public may be 23 irreparably harmed and/or denied an effective and complete remedy if such an order is not 24 granted.

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THIRD CLAIM FOR RELIEF

Violation of the California Consumers Legal Remedies Act ("CLRA")

### Cal. Civ. Code. §§1750 et seq.

### (By Plaintiff, individually and on behalf of All Classes)

5 161. Plaintiff incorporates by reference all allegations in this Complaint and 6 restates them as if fully set forth herein.

7 162. Plaintiff and the other class members are consumers within the meaning of Cal. Civ. Code §1761(d) and have engaged in a transaction within the meaning of Cal. Civ. 8 Code §§1761(e) and 1770. 9

10 163. Defendants are "persons" within the meaning of Cal. Civ. Code §§1761(c) and 1770, and they sell "goods or services" within the meaning of Cal. Civ. Code §§1761(a)–(b) and 1770.

13 GOG and the in-app purchases are a "good" or "service" within the meaning 164. 14 of Cal. Civ. Code. §§1761(a) and (b).

15 165. Defendants have violated Cal. Civ. Code. §1770(a)(5)'s proscription against 16 representing that goods have characteristics, uses, benefits, or quantities that they do not 17 have. The False Limited Availability Packs represent that they have the benefit of 18 conferring a competitive advantage, but those benefits are illusory.

19 166. Defendants have violated Cal. Civ. Code. §1770(a)(9)'s proscription against 20 advertising goods or services with intent not to sell them as advertised. The False Bonus 21 Packs falsely advertise that a pack of goods has extra value by containing a significant 22 increase in items or resources relative to normal versions of the same pack. The False 23 Limited Availability Packs falsely indicate that a particular pack can only be purchased a 24 finite number of times by competing players.

25 167. Defendants have violated Cal. Civ. Code. §1770(a)(13)'s proscription against 26 making false or misleading statements of fact concerning reasons for, existence of, or 27 amounts of, price reductions by misrepresenting the existence of discounts via False 28 Strikethrough Packs, misrepresenting the existence of special sales through their False Case No. **CLASS ACTION COMPLAINT** 33

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Bonus Packs, and misrepresenting the exclusive nature, and therefore competitive value,
 of the packs through their False Limited Availability Packs.

168. Defendants have violated Cal. Civ. Code. §1770(a)(14)'s proscription against
representing that a transaction conferred rights or obligations that it did not have. The False
Limited Availability Packs falsely represent that the purchase confers the right of a
competitive advantage, which it does not.

169. Defendants have violated Cal. Civ. Code. §1770(a)(16)'s proscription against representing that the subject of a transaction has been supplied in accordance with a previous representation when it has not by misrepresenting that the purchasers have received a competitive advantage in the game by purchasing "sale" and "limited availability" items.

12 170. Defendants have violated Cal. Civ. Code. §1770(a)(17)'s proscription against 13 representing that the consumer will receive an economic benefit, if the earning of the 14 benefit is contingent on an event to occur subsequent to the consummation of the 15 transaction, by misrepresenting that the purchaser of False Limited Availability Packs 16 would receive an economic benefit (*i.e.*, more goods than other players) and therefore a 17 competitive advantage as compared to players who did not take advantage of limited-18 availability sales. The economic benefit is contingent on other players not purchasing those 19 same packs, but there is not actually a limited supply of packs.

171. Plaintiff and the other class members suffered actual damages as a direct
and proximate result of the Defendants' actions, concealment, and/or omissions in the
advertising, marketing, and promotion of their in-app purchases, in violation of the CLRA,
as evidenced by the substantial sums Defendants pocketed from Plaintiff and the class
members.

25 172. Plaintiff, on behalf of himself and the class members, demands judgment
26 against Defendants for injunctive relief and attorney's fees.

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### FOURTH CLAIM FOR RELIEF

### Fraud

# (By Plaintiff, individually and on behalf of All Classes)

173. Plaintiff incorporates by reference all allegations in this Complaint and restates them as if fully set forth herein.

174. Defendants represented to Plaintiff that various purchased packs were on sale in that they were offered at a lower price than normal, that certain packs were offered with an increased percentage of items and resources compared to their normal counterparts, and that pack purchases were only available in limited quantities.

175. These representations were false because the packs were never offered at higher prices, the increased percentage versions of the packs were identical to their normal counterparts, the packs were not actually available in scarce quantities to other players in the State or to the individual player making the purchases, and the stated number of other players that had purchased the packs was fictitious.

176. Defendants intentionally designed the graphical images on the
advertisements to attract Plaintiff to the enticing but false claims regarding the existence
of sales, item and resource bonuses, and artificial scarcity.

18 177. Plaintiff reasonably relied upon the claims made in Defendants'19 advertisements in deciding to purchase the aforementioned packs.

20 178. Upon purchasing the packs, Plaintiff was harmed because, had Plaintiff
21 known Defendants' claims were false, he would not have made those purchases.

22 179. Plaintiff's reliance on Defendants' misrepresentations in their pack
23 advertisements was a substantial factor in causing harm to Plaintiff.

180. Defendants' conduct has therefore caused and is causing immediate and
irreparable injury to Plaintiff and the class members and will continue to both damage
Plaintiff and the class members and deceive the public unless enjoined by this Court.
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1	FIFTH CLAIM FOR RELIEF	
2	Unjust Enrichment	
3	(By Plaintiff, individually and on behalf of All Classes)	
4	181. Plaintiff incorporates by reference all allegations in this Complaint and	
5	restates them as if fully set forth herein.	
6	182. Defendants misrepresented the value of the items or resources purchased	
7	in the False Strikethrough Packs, False Bonus Packs, False Limited Availability Packs,	
8	and/or Loot Boxes or any packs for which Plaintiff was double charged.	
9	183. Plaintiff spent \$46.91 and cumulatively, members of the classes spent	
10	hundreds of millions on items and resources, induced by Defendants, thereby enriching	
11	Defendants.	
12	184. It would be unfair for Defendants to keep the money spent without	
13	compensating Plaintiff.	
14	PRAYER FOR RELIEF	
15	WHEREFORE, Plaintiff, on behalf of himself and the proposed Classes, prays for	
16	relief and judgment against Defendants as follows:	
17	(a) Certifying the Classes pursuant to Rule 23 of the Federal Rules of Civil	
18	Procedure, appointing Plaintiff as representatives of the Classes, and designating	
19	Plaintiff's counsel as class counsel;	
20	(b) Awarding Plaintiff and the class members compensatory damages and	
21	actual damages in an amount exceeding \$5,000,000, to be determined by proof;	
22	(c) Awarding Plaintiff and the class members appropriate relief, including actual	
23	and statutory damages;	
24	(d) For punitive damages;	
25	(e) For civil penalties;	
26	(f) For declaratory and equitable relief, including a declaration that Defendants	
27	violated and have continued to violate California's UCL, the FAL, and the CLRA, and an	
28	injunction requiring Defendants to comport with California Business & Professions Code	

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1 §§17200, et seq., and restitution and disgorgement;

2 (g) For an order enjoining Defendants from continuing to engage in the wrongful
3 acts and practices alleged herein;

4 (h) Awarding Plaintiff and the class members the costs of prosecuting this action,
5 including expert witness fees;

6 (i) Awarding Plaintiff and the class members' reasonable attorney's fees and
7 costs as allowable by law;

8 (j) Awarding Plaintiff and the class members reasonable attorney's fees 9 pursuant to Cal. Civ. Proc. Code 1021.5, as this lawsuit seeks the enforcement of an 10 important right affecting the public interest and satisfies the statutory requirements for an 11 award of attorney's fees;

(k) Awarding Plaintiff and the class members reasonable attorney's fees and costs, as well as injunctive relief, pursuant to the CLRA;

(I) Awarding pre-judgment and post-judgment interest; and

(m) Granting any other relief as this Court may deem just and proper.

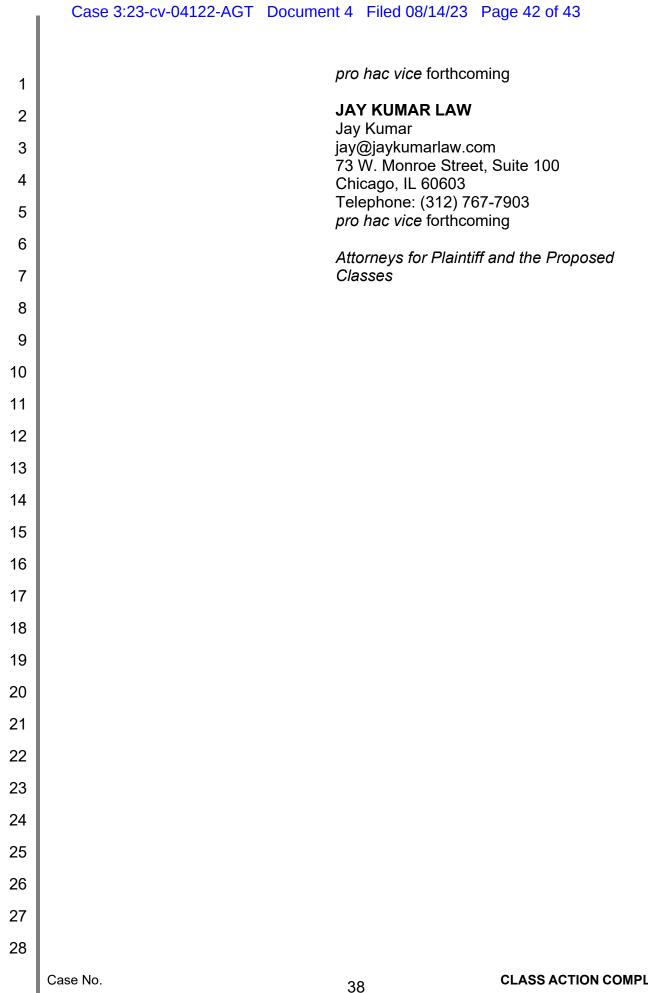
17	Respectfully Submitted,		
18	DATED: August 14, 2023	KRONENBERGER ROSENFELD, LLP	
19			
20		By: <u>s/ Karl S. Kronenberger</u> Karl S. Kronenberger	
21		-	
22		Attorneys for Plaintiff and the Proposed Classes	
23		POLLOCK COHEN LLP	
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28		New York, NY 10006 Telephone: (212) 337-5361	
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ROSENFEL KRONENBERGER ROSEN 150 Post Street, Suite 520 San Francisco, CA 94108

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	1	DEMAND FOR JURY TRIAL		
	2	Plaintiff, by and through his undersigned counsel, hereby demands a trial by jury for		
	3	all questions of fact that can be decided by a jury in the above-entitled action.		
	4			
	5	Respectfully Submitted,		
	6	DATED: August 14, 2023	KRONENBERGER ROSENFELD, LLP	
	7		Ry: c/Karl S. Krononborger	
	8 9		By: <u>s/ Karl S. Kronenberger</u> Karl S. Kronenberger	
ELD	9 10		Attorneys for Plaintiff and the Proposed	
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