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11 *and all others similarly situated*

12 **UNITED STATES DISTRICT COURT**
13 **NORTHERN DISTRICT OF CALIFORNIA**
14 **SAN JOSE DIVISION**

15 ARAM HOVSEPIAN, individually and on
16 behalf of all others similarly situated,

17 Plaintiff,

18 vs.

19 APPLE, INC.,

20 Defendant.

Case No. C08-05788 JF

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
PLAINTIFF'S OPPOSITION TO
DEFENDANT'S MOTION TO DISMISS
SECOND AMENDED COMPLAINT**

Honorable Judge Jeremy Fogel
Courtroom 3, 5th Floor
Hearing Date: December 4, 2009
Time: 9:00 a.m.

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1 Apple's Motion to Dismiss Plaintiff's Second Amended Complaint (the "SAC") ignores
2 critical nuances in the SAC and relies almost entirely on federal courts interpreting California law
3 while sitting in diversity. A federal court -- as this court must, under the law -- attempting to divine
4 how the California Supreme Court would address the issue, would not conclude that the duty to
5 disclose under the UCL and CLRA is limited solely to when a safety issue is implicated. As this
6 Court observed at the last hearing, the California Supreme Court "always have [erred on the side of
7 expansiveness] with regard to the UCL." Aug. 14, 2009 Tr. at 19:25-20:1 (attached as Exhibit 1
8 hereto). The Court's comment at the August hearing is particularly apt in light of the expansive
9 interpretation of the scope of the UCL provided by the California Supreme Court in *In re Tobacco II*
10 *Cases*, 46 Cal. 4th 298 (2009). *Tobacco II* was decided after all of the federal cases cited in Apple's
11 brief, and therefore those courts did not have available to them the most recent holdings and
12 views of the California Supreme Court.

13 Further, and a critical point of emphasis, Plaintiff challenges Apple's conduct under
14 California common law fraud, and the law could not be clearer that the scope of common law fraud
15 is broader than that which is actionable under the UCL and CLRA. Under common law fraud, the
16 duty to disclose exists "whether the product is a mechanical heart valve or frozen yogurt." *Kahn v.*
17 *Shiley*, 217 Cal. App. 3d 848, 858 (1990).

18 Because Plaintiff's complaint sets forth facts establishing (1) a material defect, (2) of which
19 Apple has exclusive knowledge and of which (3) Apple has actively concealed, Plaintiffs have stated
20 a claim under the UCL, CLRA and common law fraud. Accordingly, the motion to dismiss should
21 be denied.

22 **I. PLAINTIFF'S COMPLAINT PREDICATED ON APPLE'S FRAUDULENT**
23 **OMISSION COMPLIES WITH FRCP 9(b).**

24 Plaintiff's First Amended Complaint was dismissed for failure to comply with the
25 requirements of FRCP 9(b). It must be noted that Plaintiff has *never* argued that Rule 9(b) does not
26 apply to Plaintiff's claim. Rather, Plaintiff merely notes that 9(b) imposes a *lower* particularity
27 standard on fraudulent omission claims than exists for fraudulent misrepresentation claims. This
28 lower standard does not exist because California courts do not require heightened fraud pleading for

1 UCL and CLRA claims. Rather this lower standard exists because, by their nature, omission claims
2 are predicated on information *concealed* from the Plaintiff and the public. Apple’s characterization
3 of the heightened pleading standard for fraud claims under Rule 9(b) ignores this distinction and the
4 clear law supporting it.

5 **A. RULE 9(b) IMPOSES A LOWER PARTICULARITY STANDARD ON**
6 **FRAUDULENT OMISSION CLAIMS, WHICH PLAINTIFF HAS MET.**

7 Apple ignores that this case is based on Apple’s fraudulent *omission* of material facts. *See*
8 SAC ¶¶ 3, 11, 21, 26, 34-35. Under circumstances such as these, federal courts do not require the
9 same specificity in pleading fraud claims that would be applied to an affirmative misrepresentation
10 case because “a plaintiff in a fraud by omission suit will not be able to specify the time, place, and
11 specific content of an omission as precisely as would a plaintiff in a false representation claim.
12 Another judge in this district has recognized that ‘a fraud by omission claim can succeed without the
13 same level of specificity required by a normal fraud claim.’” *Falk v. General Motors Corp.*, 496
14 F.Supp.2d 1088, 1098-99 (N.D. Cal. 2007). *See also Washington v. Baenziger*, 673 F.Supp. 1478,
15 1482 (N.D. Cal.1987) (“Where the fraud consists of omissions on the part of the defendants, the
16 plaintiff may find alternative ways to plead the particular circumstances of the fraud. [F]or example,
17 a plaintiff cannot plead either the specific time of the omission or the place, as he is not alleging an
18 act, but a failure to act.”) (internal citations and quotations omitted); *In re Whirlpool Corp. Front-*
19 *Loading Washer Products Liability Litigation*, Case No. 1:08-wp-65000, at 28 (N.D. Ohio Nov. 3,
20 2009) (“Courts have also recognized, however, that Rule 9(b) does not require fraud-by-omission
21 claims to ‘specify the time, place, and specific content of an omission as precisely as would a . . .
22 false representation claim.’ Requiring a plaintiff to identify (or suffer dismissal) the precise time,
23 place, and content of an event that (by definition) did not occur would effectively gut state laws
24 prohibiting fraud-by-omission.”); *Zwicker v. General Motors Corp.*, 2007 WL 5309204 at *4
25 (W.D.Wash. July 26, 2007) (defendant “overstates Rule 9(b)’s requirements in fraudulent omission
26 cases. . . . This Court finds the reasoning of *Falk* on the exact issue before this Court persuasive and
27 holds that the heightened pleading requirement is relaxed in cases of fraudulent omissions.”).

28 In the SAC, plaintiff has notified Apple of the time, place and circumstances of the omission

1 in conformance with 9(b). See SAC ¶¶ 25-38. The manner of pleading the omission claims utilized
2 in the SAC was explicitly adopted from the style of pleading used in *In re Whirlpool Corp.* In *In re*
3 *Whirlpool Corp.*, the plaintiffs alleged a defective product design and brought, among others, a fraud
4 by omission claim. There, the district court held that these virtually identical in style and content
5 pleading statements “are sufficient to meet Rule 9(b)’s particularity requirement.” *Id.* at 29.
6 (*Compare* ¶¶ 25-38 of Plaintiff’s SAC here to ¶¶ 26-55 of Plaintiff’s Second Amended Master
7 Complaint in *Whirlpool*, attached hereto as Exhibit 2) The *Whirlpool* court noted specifically that

8 Plaintiffs’ fraud-by-omission claims notify Whirlpool of the time
9 (never), place (nowhere), and content (nothing) of the alleged
10 misrepresentations, the Plaintiffs’ alleged reliance (materiality), the
11 fraudulent scheme (Whirlpool’s knowledge of the supposed defects
and problems), its fraudulent intent (failure to disclose them), and the
resulting injury (overpayment). Rule 9(b) does not require more.

12 *Id.* (citations omitted). Under this well-established law, plaintiff here has satisfied FRCP 9(b).

13 **B. THE COURT’S PRIOR 9(b) RULING WAS PREDICATED ON A FAILURE TO**
14 **PLEAD FACTS THAT WOULD COMPLY WITH THE DAUGHERTY/**
15 **OESTREICHER LINE OF CASES, THE HOLDINGS OF WHICH DO NOT**
16 **APPLY IN LIGHT OF TOBACCO II.**

17 A fair reading of the Court’s opinion dismissing Plaintiff’s First Amended Complaint on
18 FRCP 9(b) grounds is that the Court was not concerned with the specificity in Plaintiff’s complaint
19 as much as the Court instead felt that Plaintiff had not plead that a product safety issue was
20 implicated by the vertical lines defect as *Daugherty* and *Oestreicher* might require. For the reasons
21 discussed *infra*, Plaintiff need not plead product safety issues in order to state a claim for fraudulent
22 omission under the UCL, CLRA or common law fraud.

23 Indeed, Plaintiff’s allegations here meet the requirements of *Iqbal* and *Twombly*. As a Court
24 in this District recently observed:

25 In [Erickson v. Pardus, 551 U.S. 89, 127 S.Ct. 2197, 167 L.Ed.2d 1081](#)
26 [\(2007\)](#) (per curiam), decided two weeks after *Twombly*, the Court
27 clarified that *Twombly* did not signal a switch to fact-pleading in the
28 federal courts. . . . the Court notes the parties’ respective arguments
about the proper standard for a motion to dismiss after the Supreme
Court’s opinion in *Twombly*. *In spite of arguments to the contrary, the*
pleading standard under the Federal Rules of Civil Procedure is

unchanged and, so too, the 12(b)(6) standard.

1
2 *Villegas v. J.P. Morgan Chase & Co.*, 2009 WL 605833 at *2-3 (N.D.Cal. March 09, 2009)
3 (emphasis added). Thus, it remains the case that a complaint passes Rule 12 muster when it puts the
4 defendant on notice of the claims against it and includes some plausible factual averments beyond
5 mere recitation of legal elements. *Id.* at *3 (“By requiring plausibility on the face of the complaint,
6 the Supreme Court was not re-writing Rule 8's requirement of a short and plain statement. . . . Rule
7 8(a) requires a claimant to provide ‘fair notice’ of the nature of the claim and the ‘grounds upon
8 which it rests.’”). It is also still the case that, “[f]or purposes of such a motion, the complaint is
9 construed in the light most favorable to the plaintiff and all properly pleaded factual allegations are
10 taken as true” and that “all reasonable inferences are to be drawn in favor of the plaintiff.” *Stoehr v.*
11 *UBS Securities, LLC*, 2008 WL 2705575 at *2 (N.D.Cal. July 10, 2008).

12 **II. THE DUTY TO DISCLOSE UNDER THE UCL AND CLRA IS NOT LIMITED**
13 **TO SITUATIONS INVOLVING PRODUCT SAFETY.**

14 Plaintiff here has asserted three causes of action, all arising under California substantive law.
15 The case is before the Court on the basis of diversity jurisdiction under the requirements of the Class
16 Action Fairness Act. The duty of this Court sitting in diversity is to apply state substantive law. *Erie*
17 *Railroad Co. v. Tompkins*, 304 U.S. 64 (1938). This burden is easy to carry out if the state’s highest
18 court has directly addressed the legal issue that governs the question the Court has to decide.
19 However, that is frequently not the case, and here the California Supreme Court has not directly
20 addressed the question of whether the duty to disclose a defect under the CLRA or UCL is limited to
21 situations where safety could be at issue if the defect were not disclosed.

22 If, as is the case here, the California Supreme Court has yet to decide the issue at hand, “the
23 Court must conduct a thorough analysis of all relevant sources of law and *attempt to approximate the*
24 *decision of the California Supreme Court.*” *Wolpin v. Philip Morris Inc.*, 189 F.R.D. 418, 430 (C.D.
25 Cal. 1999) (emphasis added). *See also Nidds v. Schindler Elevator Corp.*, 1994 WL 675719, *4
26 (N.D. Cal. Nov. 17, 1994) (“If the state’s highest court has yet to decide the issue, the district court
27 must attempt to predict how the state supreme court would rule.”).

28 In carrying out its duty sitting in diversity here, Plaintiff submits that the Court cannot point

1 to any evidence suggesting that the California Supreme Court would limit the CLRA and UCL in the
2 manner Apple urges. Indeed, the Court in its comments at the last hearing answered the question at
3 issue here when it noted that the California Supreme Court “always have [erred on the side of
4 expansiveness] with regard to the UCL.” (8/14/09 Tr. at 19:25-20:1)

5 **A. IN CALIFORNIA, A DUTY TO DISCLOSE IS ESTABLISHED IF APPLE IS**
6 **SHOWN TO HAVE HAD EXCLUSIVE KNOWLEDGE OF MATERIAL FACTS**
7 **NOT KNOWN TO PLAINTIFF OR WHERE APPLE HAS ACTIVELY**
8 **CONCEALED A MATERIAL FACT FROM PLAINTIFF.**

9 It is black letter law in California that a Plaintiff states a claim for fraudulent omission by
10 alleging that a defendant has a duty to disclose by establishing one or more of the following
11 circumstances:

- 12 (1) when the defendant is in a fiduciary relationship with the plaintiff;
13 (2) when the defendant had exclusive knowledge of material facts not
14 known to the plaintiff; (3) when the defendant actively conceals a
material fact from the plaintiff; and (4) when the defendant makes
partial representations but also suppresses some material fact.

15 *LiMandri v. Judkins*, 52 Cal. App. 4th 326, 337 (1997). The *LiMandri* factors have been cited
16 without controversy by California courts over 80 times. As stated in the SAC, Apple has a duty to
17 disclose by virtue of the second and third circumstances.¹

18 **B. IN LIGHT OF TOBACCO II, THE CALIFORNIA SUPREME COURT CLEARLY**
19 **WOULD NOT LIMIT THE DUTY TO DISCLOSE TO SITUATIONS**
20 **INVOLVING PRODUCT SAFETY.**

21 A handful of lower state courts and federal courts sitting in diversity have reached the
22 conclusion that the *LiMandri* factors do not mean what they say unless product safety is implicated.
23 *Daugherty; Oestreicher v. Alienware Corp.*, 544 F. Supp. 2d 964 (N.D. Cal. 2008); *Bardin v.*
24 *DaimlerChrysler Corp.*, 136 Cal. App. 4th 1255 (2006); *Long v. Hewlett-Packard Co.*, 2007 WL
25 2994812 (N.D. Cal. July 27, 2007); *Hoey v. Sony Elecs. Inc.*, 515 F. Supp. 2d 1099 (N.D. Cal. 2007).

26
27 ¹ The existence of a duty to disclose establishes not only a violation of the CLRA but also the
28 unlawful and unfair prongs of the UCL. Apple’s argument that the unlawful and unfair prongs have
not been met is entirely predicated on a lack of a duty to disclose. (See Apple Motion to Dismiss, at
7-9)

1 Notably, *LiMandri* itself does not provide this safety qualification, and the facts of *LiMandri* did not
2 lend themselves to such a limitation. Plaintiff respectfully submits that, in addition to a raft of other
3 defects/distinctions discussed below, each of these product safety-limited decisions fail to predict
4 what the California Supreme Court would do if confronted with the issue, and each such case was
5 decided before the California Supreme Court’s latest decision involving the UCL -- *In re Tobacco II*
6 *Cases*, 46 Cal. 4th 298 (2009) – a decision that leaves little room to doubt where the California
7 Supreme Court would come down on the scope of the duty to disclose.

8 In *Tobacco II*, the Court reached a conclusion concerning class certification requirements
9 applicable to the UCL that exist in no other state nor under federal law: that only named class
10 representatives need to show reliance, and thus that reliance cannot create individual issues which
11 could serve as a bar to class certification:

12 Notably, the references in section 17203 to one who wishes to pursue
13 UCL claims on behalf others are in the singular; that is, the “person”
14 and the “claimant” who pursues such claims must meet the standing
15 requirements of section 17204 and comply with Code of Civil
16 Procedure section 382. *The conclusion that must be drawn from these*
17 *words is that only this individual – the representative plaintiff – is*
required to meet the standing requirements. Thus, the plain language
of the statute lends no support to the trial court’s conclusion that all
unnamed class members in a UCL class action must demonstrate
section 17204 standing.

18 *Id.* at 315-16 (emphasis added). The California Supreme Court’s holding in *Tobacco II* has
19 justifiably been characterized as breathtakingly expansive by legal commentators. *See California*
20 *Supreme Court Issues Opinion in Tobacco II Cases Re: Applicability of Standing Requirements for*
21 *Unnamed Class Members*, Cal Insurance Regulation, May 18, 2009 (noting the decision is “An
22 apparent victory for the plaintiff’s bar and the removal of a bar to putative UCL class actions
23 brought on behalf of individuals who have questionably suffered any injury-in-fact.”) (attached as
24 Exhibit 3 hereto²); Luanne Sacks et. al., *In re Tobacco II: California Supreme Court clarified*
25 *standing and reliance*, DLA Piper, May 21, 2009 (“The decision may, in certain circumstances,
26 reinvigorate filing of class actions under the UCL....The standing hurdle for absent class members

27 _____
28 ²available at www.calinsuranceregulation.com/home/2009/5/18/California-supreme-court-issues-opinion-in-tobacco-ii-cases.html

1 has been set aside by California courts for such actions.”) (attached as Exhibit 4 hereto³). Given this
2 recent decision, it is clear that the California Supreme Court would not limit the UCL as previous
3 cases have.

4 **C. THE SAC PROPERLY STATES A CLAIM FOR MISREPRESENTATION BY**
5 **OMISSION AS A RESULT OF APPLE’S DUTY TO DISCLOSE UNDER THE**
6 **LIMANDRI FACTORS.**

7 **1. APPLE HAS A DUTY TO DISCLOSE THE VERTICAL LINE DEFECT**
8 **BECAUSE IT HAS EXCLUSIVE KNOWLEDGE OF MATERIALS FACTS**
9 **NOT KNOWN TO PLAINTIFF**

10 The SAC sets forth several specific facts, which taken as true as they must be at this stage,
11 establish Apple’s duty to disclose as a result of its exclusive knowledge of material facts. These
12 facts include:

- 13 • Apple knows that a very high percentage of iMac display screens will develop the vertical
14 line problem within 2-3 years of first use. Apple is exclusively aware of this because only
15 Apple has all the data that reveals the depth of the problem. (SAC, at ¶23)
- 16 • Apple does not make public the number of complaints it receives, nor does it disclose the
17 number of warranty claims or repair orders it receives, let alone reveal that information by
18 part repaired or replaced or the problem with those parts repaired or replaced. (SAC, at ¶23)
- 19 • Apple, the designer of the screen and the components that interact with the screen, has
20 exclusive knowledge of the design or equipment characteristics that cause the defect. (SAC,
21 at ¶27)
- 22 • The Defect, while obvious to an expert engineer, is latent and not something that a Plaintiff
23 or Class members could, in the exercise of reasonable diligence, have discovered
24 independently prior to purchase. (SAC, at ¶ 86)

25 The facts set forth above are of the type that courts have found adequate to state a claim. For
26 example, the court in *Falk* found a duty to disclose and thus fraudulent concealment on the part of

27
28 ³ available at www.dlapiper.com/california-supreme-court-clarifies-standing-and-reliance-requirements/

1 GM because of its exclusive knowledge of a speedometer failure defect:

2 Plaintiffs allege that GM had exclusive knowledge of the putative
3 defect in their speedometers. Plaintiffs claim that “[o]nly GM had
4 access to the aggregate data from its dealers[,] only GM had access to
5 pre-release testing data[, and] only GM had access to the numerous
6 complaints from its customers.” When accepted as true for the
7 purposes of this Rule 12(b)(6) motion, plaintiffs' material allegations
8 suffice to state a claim that GM had exclusive knowledge of the
9 alleged defect in their speedometers. The record of complaints to GM
10 between 2003 and 2007 show that GM was clearly aware of a problem
11 with its speedometers; the record makes it equally clear that customers
12 only became aware of the problem if they actually experienced it first-
13 hand. Since, as plaintiffs argue, GM “was in a superior position to
14 know” that its speedometers might fail, plaintiffs successfully state a
15 CLRA claim for omission of a material fact which lay within GM's
16 exclusive knowledge. This alone defeats GM's 12(b)(6) motion to
17 dismiss for failure to state a claim.

18 496 F. Supp.2d at 1096-97. These facts, found sufficient to state a claim on a Rule 12 motion, are
19 almost identical to the facts alleged in the instant complaint.

20 Apple's reliance on *Daugherty v. American Honda Motor Co., Inc.*, 144 Cal. App. 4th 824
21 (2006) is entirely misplaced because in *Daugherty*, Honda had *admitted* the existence of the defect
22 and promised to remedy it through a special extended warranty program. The plaintiffs in
23 *Daugherty* were trying to extend the warranty program or include earlier model years in the
24 program, claiming that certain people were left out of the notification program because they owned
25 vehicles that were manufactured before 1994, and that Honda had not provided adequate notice of
26 the program to those who were included in it. *Id.* at 827. It is difficult to argue that Honda had
27 exclusive knowledge of the defect after Honda had admitted the existence of the defect and offered
28 to have it remedied. Here, Apple has recalled nothing, has made no notification to any part of the
class, and in facts has continued to deny the existence of the defect. This case is thus nothing like
Daugherty.

Further, *Daugherty* actually supports the ability of Plaintiffs to proceed on a fraudulent
omission basis so long as the factual predicate of such a claim is established. As the *Falk* court
noted in discussing *Daugherty* and *Bardin v. DaimlerChrysler Corp.*, 136 Cal.App.4th 1255, 39
Cal.Rptr.3d 634 (2006), another case upon which Apple relies,

1 In both of these cases, the court's decision to dismiss a claim for
2 unlawful omission rested on the lack of a duty to disclose. *Both*
3 *Bardin and Daugherty allow CLRA claims for certain omissions,*
4 however, when the “omission [is] . . . of a fact the defendant was
5 obliged to disclose.”....Plaintiffs can therefore successfully pursue a
6 CLRA claim, despite *Daugherty* and *Bardin*, if GM was “obliged to
7 disclose” the potential for problems with the speedometers in certain
8 vehicles....

9 496 F. Supp.2d at 1096-97 (quoting *Daugherty*, 144 Cal.App.4th at 824, 51).

10 Apple tries to argue that it is absolved of a duty to disclose as a result of the complaints on
11 the Internet. (Apple Motion at 8) But this is a silly argument, as it ignores (1) the averment that
12 only Apple knows the complete universe of complaints and warranty claims (a consumer who spent
13 hours searching the Internet might know of those complaints where the iMac owner decided to post
14 their complaint on the internet, which is presumably a small part of the whole); and (2) the
15 complaints at most establish that others are having a similar problem, but not the existence of or
16 cause of the defect, which only Apple knows because of its proprietary knowledge of the design and
17 component testing and overall level of complaints and claims.

18 Indeed, the sheer number of publicly available complaints was a factor in *Plaintiff's favor* in
19 *Falk*, as the court noted that

20 In support of their claim, plaintiffs present several pages of quotations
21 containing Internet complaints about GM speedometers, all for
22 vehicles sold between 2003 and 2007. The amassed weight of these
23 complaints suggests that plaintiffs' speedometer failures were not
24 isolated cases. Instead, when viewed in the light most favorably to the
25 plaintiffs, these collected complaints suggest strongly that there was a
26 defect in the design of certain GM speedometers in the years from
27 2003 to 2007, which caused the speedometers to fail unexpectedly and
28 without warning.

Id. at 196.

**2. APPLE HAS A DUTY TO DISCLOSE THE VERTICAL LINE DEFECT
BECAUSE IT HAS ACTIVELY CONCEALED THE EXISTENCE OF
THIS DEFECT FROM PLAINTIFF**

Apple also ignores the averments of the complaint that establish Apple’s active concealment
of the defect:

- Apple has failed to take corrective action with regard to the Defect. Instead, Apple has

1 responded by uniformly denying, on its website and in its retail stores, customer complaints
2 and has sought to “run out the clock” on the warranties that accompanied the iMac. (SAC, at
3 ¶31)

- 4 • There is nothing in Apple’s advertising or marketing materials that discloses the truth about
5 the Defect, despite ample evidence that Apple is aware of the problem by virtue of, nothing
6 else, thousands and thousands of consumer complaints on the Internet and on Apple’s own
7 web site. Apple has at all times denied the existence of any Defect in the iMac. (SAC, at ¶59)

8 These factual averments establish that Apple has *actively* concealed the problem from
9 consumers. It has not anywhere acknowledged that there is a vertical line screen defect and it
10 continues to deny it in the apparent face of an avalanche of consumer complaints. Indeed, it
11 continues to deny the defect even in this litigation.

12 This easily meets the legal standard, which is that “active concealment occurs when a
13 defendant prevents the discovery of material facts.” *Am-Mark Label, Inc. v. Chiang*, 2007 WL
14 4424952 at *9 (Cal. App. 2 Dist. December 19, 2007) (citing 5 Witkin, Summary of Cal. Law, Torts
15 §798 at 1155 (10th Ed. 2005)). *Compare Stickrath v. Globalstar, Inc.*, 527 F. Supp.2d 992, 1000-01
16 (N.D. Cal. 2007) (finding that, after complaint was replead to state materiality of the omission, the
17 following allegation likely sufficed to satisfy a duty to disclose based on active concealment: “Upon
18 information and belief, Defendant has known of the degradation of the communications satellites
19 and associated satellite telephone service since at least 2003, if not earlier, and has concealed from
20 purchasers of the satellite telephone service and/or failed to alert the purchasers of the degradation of
21 the communications satellites and associated satellite telephone service.”). Here, consumers who
22 complained to Apple have not been told of Apple’s knowledge of the defect.

23 **III. COMMON LAW FRAUD HAS A BROADER DUTY TO DISCLOSE IN**
24 **CALIFORNIA THAN THAT WHICH EXISTS FOR CAUSES OF ACTION**
25 **UNDER THE UCL.**

26 Plaintiff has also set forth a claim for common law fraud, and that claim is evaluated under
27 different legal standards than those which are applied to UCL and CLRA claims. It is well-
28 recognized that common law fraud encompasses a broader duty to disclose in California than is

1 called for by the UCL. In a common law fraud claim in California, “a manufacturer of a product
2 may be liable for fraud when it conceals material product information from potential users. *This is*
3 *true whether the product is a mechanical heart valve or frozen yogurt.*” *Kahn v. Shiley*, 217 Cal.
4 App. 3d 848, 858 (1990) (emphasis added). Therefore, a claim under common law fraud
5 encompasses a duty to disclose for a broad variety of scenarios, including the one that Plaintiff has
6 alleged.

7 Indeed, the *Oestreicher* district court noted and emphasized this distinction its opinion,
8 stating that the CLRA “does not codify all instances of common law fraud.” 544 F. Supp.2d 964,
9 970 (N.D. Cal. 2008). The *Oestreicher* district court then rejected the Plaintiff’s reliance on *Khan v.*
10 *Shiley* to support their CLRA claim by stating as follows:

11 [P]laintiff argues that California law has no requirement of a safety
12 hazard before a duty to disclose material facts about a product arises.
13 Though *this is correct with respect to common law*, it does not
14 demonstrate why the CLRA must be expanded from its present scope .
15 . . . [P]laintiff’s proposed expansion [of the CLRA] . . . is also wholly
unnecessary because *material product defects that are knowingly kept*
secret are also already actionable under common law fraud. The
court finds unpersuasive plaintiff’s rationale for making the CLRA co-
extensive with common law fraud.

16 *Id.* (emphasis added).

17 Thus regardless of the duty to disclose under the CLRA, the California courts, as recognized
18 even by the *Oestreicher* district court, have noted that common law fraud is broader than statutory
19 fraud and that a safety hazard is not required in order to trigger a duty to disclose.

20 Plaintiff here has properly alleged a claim for common law fraud. The duty to disclose
21 factors are discussed above, and the Court itself noted the material nature of the vertical screen
22 defect at the August 4 hearing when it stated that “you’re talking about a type of failure that goes to
23 the very heart of what you buy a computer for.” (Tr. At 19:14-16. Attached as Exhibit 1)

1 **IV. CONCLUSION**

2 Judged against these standards, it is clear that Plaintiff's complaint adequately states claims
3 against Apple that should be tested in discovery.

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Respectfully Submitted,

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