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13 **Attorneys for Plaintiffs and the Proposed Class**

14 **UNITED STATES DISTRICT COURT**
15 **CENTRAL DISTRICT OF CALIFORNIA**

16 CATS AND DOGS ANIMAL HOSPITAL,
INC.; ASTRO APPLIANCE SERVICE;
17 BLEEDING HEART, LLC d/b/a
BLEEDING HEART BAKERY;
18 CALIFORNIA FURNISHINGS, INC. d/b/a
SOFA OUTLET; CELIBRÉ, INC.; J.L.
19 FERRI ENTERTAINMENT, INC. d/b/a
ADULT SOCIALS; LE PETITE
20 RETREAT DAY SPA, LLC; SAN
FRANCISCO BAY BOAT CRUISES, LLC
21 d/b/a MERMAIDS CRUISE; WAG MY
22 TAIL, INC.; and ZODIAC RESTAURANT
GROUP, INC. d/b/a SCION
23 RESTAURANT, on behalf of themselves
24 and all others similarly situated,

Plaintiffs,

25 v.

26 YELP! INC.,

Defendant.

Case No: 2:10-cv-01340-VBF-SS
Pleading Type: Class Action

FIRST AMENDED COMPLAINT FOR:

EXTORTION;
ATTEMPTED EXTORTION;
INTENTIONAL INTERFERENCE
WITH PROSPECTIVE BUSINESS
ADVANTAGE; AND
VIOLATIONS OF THE UNFAIR
COMPETITION LAW, CAL. BUS &
PROF. CODE § 17200.

DEMAND FOR JURY TRIAL

2010 MAR 16 PM 1:54
CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

FILED

1 Plaintiffs Cats and Dogs Animal Hospital, Inc., Astro Appliance Service,
2 Bleeding Heart, LLC d/b/a Bleeding Heart Bakery, California Furnishings, Inc.
3 d/b/a Sofa Outlet, CeliBré, Inc., J.L. Ferri Entertainment, Inc. d/b/a Adult Socials,
4 Le Petite Retreat Day Spa, LLC; San Francisco Bay Boat Cruises, LLC d/b/a
5 Mermaids Cruise, Wag My Tail, Inc. and Zodiac Restaurant Group, Inc. d/b/a
6 Scion Restaurant, on behalf of themselves and all others similarly situated, by and
7 through undersigned counsel, hereby sue Defendant Yelp! Inc. and, upon
8 information and belief and investigation of counsel, allege as follows:

9 **JURISDICTION AND VENUE**

10 1. This Court has original jurisdiction under 28 U.S.C. § 1332(d)(2) (The
11 Class Action Fairness Act) because the matter in controversy exceeds the sum or
12 value of \$5,000,000 exclusive of interest and costs and more than two-thirds of the
13 members of the Class reside in states other than that state of which Defendant is a
14 citizen.

15 2. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 because at
16 least one Plaintiff resides in and suffered injuries as a result of Defendant's acts in
17 this district, many of the acts and transactions giving rise to this action occurred in
18 this district, and Defendant (1) is authorized to conduct business in this district and
19 has intentionally availed itself of the laws and markets of this district through the
20 promotion, marketing, and sale of advertising in this district; (2) resides in this
21 district, and (3) is subject to personal jurisdiction in this district.

22 **PARTIES**

23 **The Non-Sponsor Plaintiffs**

24 3. Plaintiff Cats and Dogs Animal Hospital, Inc. ("Cats and Dogs") is a
25 California corporation with its principal place of business in Long Beach,
26 California.

27

1 **Defendant**

2 13. Defendant Yelp! Inc. (“Yelp”) is a Delaware corporation with its
3 principal place of business in San Francisco, California. Yelp owns and operates
4 Yelp.com, a popular online business directory and user-ratings website.

5 **INTRODUCTION AND BACKGROUND**

6 14. The term “Web 2.0” describes internet websites and applications that
7 revolve around information sharing and user-centered design. Examples of Web
8 2.0 websites include social networking sites (e.g., Facebook.com), video sharing
9 sites (e.g., YouTube.com), wikis (e.g., Wikipedia.com), blogs, and many other
10 sites that allow users to create, upload, or modify content. Web 2.0 websites thus
11 allow internet users to do much more than simply retrieve information—the users
12 choose what information to interact with, how they interact with it, and how to
13 modify or add to pre-existing content.

14 15. Online review applications are an increasingly popular form of Web
15 2.0. Companies such as Amazon.com, Best Buy, and TripAdvisor.com embed Web
16 2.0 applications within their websites, which allow users to rate products and
17 services and share their experiences.

18 16. Yelp.com, a website owned and operated by Defendant Yelp, is a
19 website that utilizes Web 2.0 user-website interaction.

20 17. Yelp.com consists of an online directory of businesses in multiple
21 categories, much like an online Yellow Pages. Each business listed on Yelp.com
22 has a unique Yelp.com listing page, which provides basic business information
23 (such as address, phone number and hours of operation), and user-generated ratings
24 and reviews.

25 18. To rate and review businesses, internet users simply register on the
26 Yelp.com website. Any internet user (whether registered or not) can browse
27 Yelp.com to find ratings and reviews of businesses.

1 (c) a limited ability to send messages directly to a reviewer
2 (for example, responding to a review), although
3 reviewers can choose to disable this feature.

4 25. Once a business listing is created, individuals registered on Yelp may
5 rate and review the business.

6 26. Individuals register on the Yelp.com website by creating an individual
7 profile, much like a profile on popular social networking sites like Facebook.com.
8 The profile allows individuals to choose a screen name and upload photos,
9 including a profile photo. The individual's reviews are listed within his profile, and
10 the profile has other functions and information such as "Friends" and
11 "Compliments."

12 27. Individuals who create profiles may do so anonymously by using a
13 nickname or "handle," and by not including photos of themselves in their profiles.
14 Anonymous users have the same rights to post ratings and reviews of businesses as
15 named users.

16 28. Any individual internet users, whether registered on the Yelp.com
17 website or not, may search the Yelp.com directory, view ratings, and read reviews.

18 29. Business ratings are made on a one- to five-star scale, with one star
19 being the lowest rating, and five stars the highest.

20 30. In addition to ratings, reviewers must provide a written review of the
21 business.

22 31. Business owners may not publicly (i.e., on their Yelp.com listing
23 page) respond to reviews.

24 32. Registered Yelp users may, but are not required to, vote on written
25 reviews, rating them as either "Useful," "Funny," or "Cool." There is no
26 negatively-spun voting criterion, such as "Not Useful," or "Thumbs Down."
27

1 33. Yelp purports to restrict ratings and reviews which constitute or
2 contain (a) conflicts of interest, (b) second-hand experiences or hearsay, (c)
3 personal attacks, (d) irrelevant material, (d) plagiarism, or (e) which are left blank.

4 34. Yelp also purports to “suppress” “a very small number” of reviews
5 which its “automated software” determines are likely to be “fake.”

6 35. Yelp refers to this “automated software” as its “algorithm.”

7 36. “Suppressed” reviews remain within Yelp’s system and are listed in a
8 registered user’s profile. Those reviews are not, however, displayed on the
9 reviewed business’s Yelp.com listing page, *except that* when a registered user is
10 logged-in to Yelp and navigates to the Yelp.com listing page of a business that the
11 user reviewed, the review appears *for that user only*. Thus logged-in users are
12 unable to determine when their reviews have been “suppressed.” While the public
13 sees one version of the business listing (the version with the review suppressed),
14 the reviewer sees a different version (the version where the review appears to
15 remain intact).

16 37. The Yelp.com website draws internet users with the promise that, by
17 conglomerating reviews of individuals with first-hand experiences of local
18 businesses, the site offers an objective ranking of competing businesses through
19 which users can determine the relative quality of a business when deciding where
20 to spend money. Yelp’s mantra embodying this promise is “Real people. Real
21 reviews.”

22 38. A business’s ranking on Yelp.com has immense power to direct
23 customers either to or away from the business. While Yelp’s readership has been
24 climbing, the website currently enjoys as least 29 million hits per month, and
25 includes at least 8 million reviews.

26 39. Yelp’s only stream of revenue is through the sale of advertisements on
27 the Yelp.com website.

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- (c) Ads for the Sponsor appear on competitors’ listing pages, while competitors’ ads do not appear on the Sponsor’s listing page;
- (d) The ability to post a photo slideshow;
- (e) The ability to add a “personal message” about their business;
- (f) The ability to update information on special offers and events; and
- (g) Access to an account manager who will help “maximize” the Sponsor’s experience with Yelp.

49. Yelp provides Sponsors with additional favors including:

- (a) Removing or relocating negative reviews, thereby affecting the perception of the business’s quality relative to its competitors;
- (b) Creating and posting positive reviews, thereby affecting the perception of the business’s quality relative to its competitors;
- (c) Allowing the business owner to determine the order in which reviews will appear;
- (d) Allowing the business owner to choose a “tagline” to be displayed on the business’s Yelp listing page; and
- (e) Ensuring negative reviews will not appear in Google or other search engine results.

50. Because these favors are designed at increasing a business’s rating, they do not strongly incentivize businesses which already enjoy a four- or five-star rating.

- 1 (c) Having a real photo of oneself on one's profile;
- 2 (d) Using one's real name to write reviews;
- 3 (e) Personal pizzazz!, or what Yelp calls "Yelptitude"; and
- 4 (f) Being of legal drinking age.

5 77. If individuals think they meet these criteria, they must send an email
6 to Yelp explaining why they should be admitted into the Yelp Elite Squad.

7 78. The primary benefit of becoming a Yelp Elite Squad member is
8 receiving frequent invitations to free Yelp Sponsored Events.

9 79. Yelp uses the Yelp Elite Squad as an agent of coercion, promising
10 businesses positive reviews from Elite Squad members, or threatening negative
11 reviews from Elite Squad members, depending upon whether a business agrees to
12 host a free Sponsored Event and/or become a Yelp Sponsor.

13 80. For example, a Yelp Elite Squad member systematically went through
14 businesses located in an arts district in Columbus, Ohio, giving negative reviews to
15 galleries and other businesses in the district, which he visited briefly—but did not
16 patronize—in order to review the businesses. When asked why he was doing this,
17 his response was "you need to contact your customers and have them put up good
18 reviews. My goal is to get you to use Yelp."

19 81. Yelp compensates Yelp Elite Squad members for their frequent
20 reviews through the provision of free parties, goods, services and other items.
21 Thus, Elite Squad members act as an agent of Yelp. When Elite Squad members
22 review Yelp Sponsors, Yelp is endorsing paid advertisers.

23 82. Individuals employed by Yelp also review Yelp Sponsors.

24 83. Yelp does not disclose that, through Yelp employees and the Yelp
25 Elite Squad writing reviews of Yelp Sponsors, Yelp endorses paid advertisers.

26
27

1 Allegations of Misconduct

2 84. A February 18, 2009 article in the East Bay Express, titled *Yelp and*
3 *the Business of Extortion 2.0*,¹ describes Yelp’s unlawful business practices.
4 According to the article:

5
6 • Yelp sales representatives contact business owners saying, “**[Y]ou have a**
7 **few bad [reviews] at the top. I could do something about those. . . . We**
8 **can move them. Well, for \$299 a month.**”

9
10 • Almost all the time when Yelp calls business owners, negative reviews
11 are at the top of the business’s Yelp.com listing page.

12
13 • Mary Seaton, the owner of a furniture store in San Mateo, **took Yelp up**
14 **on an offer to remove her negative reviews if she advertised at a cost of**
15 **\$350 per month for six months. During that time, her negative reviews**
16 **were removed and old positive ones showed up. After her contract was**
17 **up, a negative review appeared**, which Seaton said contained lies.

18
19 • Greg Quinn, the owner of a San Francisco bar and bistro, said **a Yelp**
20 **sales representative moved negative reviews further down his page in an**
21 **effort to entice him to advertise**. The sales rep called Mr. Quinn and said,
22 **“Did you notice what I did? Well, we can keep doing that for you.”**

23
24 • An East Bay business owner said **Yelp offered to move one- or two-star**
25 **reviews of his business if he advertised.**

26
27 ¹ Available at <http://www.eastbayexpress.com/eastbay/yelp-and-the-business-of-extortion-20/Content?oid=1176635>.

1 • Six people told the East Bay Express that Yelp sales representatives
2 promised to move or remove negative reviews if their businesses would
3 advertise.

4
5 • Six other people told the East Bay Express that positive reviews
6 disappeared, or negative reviews appeared, after owners declined to
7 advertise.

8
9 • Yelp pays its employees to write reviews of businesses; in one
10 documented instance, a business owner who declined to advertise
11 subsequently received a negative review from a Yelp employee. In other
12 cases, businesses that receive negative reviews from paid Yelp employees
13 are subsequently asked to advertise.

14
15 • Yelp's Chief Operating Officer, Geoff Donaker, said advertisers and
16 sales representatives do not have the ability to move or remove negative
17 reviews. Donaker's denials are challenged both by local business owners,
18 and by a former Yelp employee, who said that several sales reps told him
19 they promised to move reviews to get businesses to advertise.

20
21 85. As of February 8, 2010, there are 140 comments on the East Bay
22 Express website following the Yelp article, many from business owners describing
23 experiences similar to those discussed in the article.

24 86. A follow-up East Bay Express article provides further evidence of
25 Yelp's unlawful sales practices. The March 18, 2009 article, *Yelp Extortion*
26 *Allegations Stack Up: More business owners come forward with tales of unethical*
27

1 behavior by the popular San Francisco-based web site² states that since the
2 publication of the first article:

3 [M]any business owners from around the country have come
4 forward—via emails or comments on the *Express*' web site—alleging
5 similar tales of extortionist tactics by Yelp sales reps. . . . Business
6 owners contend that they just want [an] opportunity to respond to
7 negative, false, or damaging information about their businesses.
8 Instead, the only way for them to salvage their businesses' reputation
9 is by paying Yelp—regardless of whether the reviews are true or false.
10 . . . [S]everal [interviewees] said that the reps would offer to move
11 negative reviews if they advertised; and in some cases positive
12 reviews disappeared when they refused, or negative ones appeared. In
13 one case, a nightclub owner said Yelp offered positive reviews of his
14 business in exchange for free drinks.

15 87. The article tells the stories of six California business owners'
16 experiences with Yelp:

- 17
- 18 • After Barry³ Hyde, owner of M&M Auto Werkes in Campbell, received a
19 negative rating from a customer's boyfriend, violating Yelp's Terms of
20 Service (prohibiting third parties from posting reviews), he contacted Yelp
21 sales representative Jacqueline Fitzhugh to complain. She told him, "**We**
22 **can't control that, but if you advertise you can control the order that**
23 **they're in.**" After declining, Mr. Hyde noticed some of his five-star posts
24 **were disappearing.** Yelp told him the website has a spam filter, like
25

26 ²Available at [http://www.eastbayexpress.com/eastbay/yelp-extortion-allegations-
27 stack-up/Content?oid=1176984](http://www.eastbayexpress.com/eastbay/yelp-extortion-allegations-stack-up/Content?oid=1176984).

³ The Article incorrectly identifies him as "Bob" Hyde.

1 Google. Hyde tracked his reviews, printing them daily to monitor which
2 ones would disappear. Some five-star reviews stayed up for as short as 31
3 days and as long as 131 days. **Yelp told Hyde that if he advertised, some**
4 **of those five-star reviews would come back.**

5
6 • Calvin Gee of Haight Street Dental in San Francisco saw his rating drop
7 from five-stars to 3.5-stars following his declining to buy advertising. **Yelp**
8 **reps told Gee that if he advertised, they would let him choose his**
9 **favorite review and would move the negative reviews to the bottom of**
10 **the page.** Gee noticed that one of his competitors, CitiDent, had two
11 separate listings on Yelp.com. The business had more positive reviews and a
12 higher star rating on the page that was marked a Yelp sponsor, and more
13 negative reviews and a lower star rating on the harder to find non-sponsored
14 page.

15
16 • Larry Trujillo owns the Uptown Nightclub in Oakland. Shortly after
17 opening the club, a Yelp sales rep began calling him “almost daily” about
18 advertising. The sales rep would say “**I notice you have a lot of positive**
19 **reviews. We could make sure that those reviews stay positive.**” Sarah
20 Lippman, a Sales Manager at Yelp, separately **asked Mr. Trujillo for free**
21 **use of his club with Yelp staff and alcohol expenses paid by the club in**
22 **exchange for positive reviews on the club’s Yelp.com listing page.**

23
24 • Debbie Leonardo, director of membership at the Ruby Hill Golf Club in
25 Pleasanton, received a phone call from a **Yelp sales representative who**
26 **told her that the business could get rid of its worst review if it purchased**
27 **advertising.**

1 • Bob Kurtz, owner of Collectors Real 3 in Oakland, was contacted by a
2 Yelp sales person after receiving a negative review. In an email, **Yelp told**
3 **him that, as a paid advertiser, the negative review could be dealt with.**
4

5 • Nicholas Paul, an instructor at a Chicago art studio, declined to purchase
6 advertising and shortly thereafter three positive reviews disappeared from
7 and two negative ones were added to the studio’s Yelp.com listing page. **A**
8 **Yelp sales rep told Mr. Paul he could control that.**
9

10 88. An August 13, 2008 article in The Register, a news website, titled
11 *Yelp “pay to play” pitch makes shops scream for help: User generated discontent*⁴
12 notes that:

13 At least some of Yelp’s sales staff hope to make money by offering to
14 hide what you and I have to say. Over the last year, five San Francisco
15 Bay Area business have told *The Register* that **the company has**
16 **offered to “push bad reviews to the bottom” of their yelp pages if**
17 **they paid to advertise on the site.** One restaurant owner was
18 contacted “five or six” times, and each time, the Yelp sales rep
19 insisted that if he forked over \$6,000 a year for “sponsored link”
20 status, the site would suppress user posts that put his restaurant in a
21 less-than-positive light. “They told me I had 60 reviews on my [Yelp]
22 page,” said the owner “They told me ‘No one is going to read all
23 60. They’re only going to read the first few.’”

24 89. A March 9, 2009 Chicago Tribune article, titled *Questions arise over*
25 *Yelp’s ads, reviews; Businesses say site rearranges opinions for price; CEO*
26 *denies,*⁵ reported:

27 _____
⁴ Available at http://www.theregister.co.uk/2008/08/13/yelp_sales_pitch/print.html

1 • Ina Pinkney of Ina’s restaurant in the West Loop said that last
2 summer **a Yelp salesperson offered “to move up my good reviews**
3 **if I sponsored one of their events. They called it rearranging my**
4 **reviews.”**

5
6 • Jason Luross, an attorney at Hudson & Luross in Napa, California,
7 stated “one of our reviews mysteriously disappeared, so I contacted
8 Yelp and was given the usual canned response about how no humans
9 control the reviews. But **when I said I would consider advertising if**
10 **they restored the review, it mysteriously reappeared.”**

11
12 90. An April 3, 2009 article in the Santa Monica Daily Press titled *Yelp*
13 *Sales Tactics Cause Concern Among Businesses*,⁶ reported:

14 After declining to advertise, the [Los Angeles area] business owner checked
15 the Yelp page again and noticed that at least 10 positive reviews had
16 disappeared while a few negative ones had been posted. . . . They estimate
17 that at least 20 positive reviews had been deleted from the site since the
18 conversation with Yelp about three weeks ago.

19 **A Summary of Yelp’s Misconduct**

20 91. Yelp sales people represent to businesses that Yelp has the power to
21 manipulate Yelp.com business listing pages, and that Yelp will yield that power in
22 favor of the business if it becomes a Yelp Sponsor, and against the business if it
23 declines to become a Yelp Sponsor.

24
25
26 ⁵ No longer available online.

27 ⁶ Available at http://www.smdp.com/Articles-c-2009-04-02-52021.113116_Yelp_sales_tactics_cause_for_concern_among_businesses.html

1 92. The mere representation of the ability to manipulate page content is
2 sufficient to instill in businesses the fear that, through such manipulation, the
3 business will suffer if it elects not to become a Yelp Sponsor. Businesses
4 frequently become Sponsors, not based on a cost-benefit analysis of the
5 advertising, but simply because they fear the consequences of declining a
6 Sponsorship.

7 93. Yelp in fact manipulates Yelp.com business listing pages in favor of
8 Yelp Sponsors and detrimentally to Yelp Non-Sponsors, including by (a)
9 relocating or removing negative reviews of Sponsors; (b) posting positive reviews
10 of Sponsors and urging others, such as Yelp Elite Squad members, to do the same;
11 (c) allowing Sponsors to choose the order in which reviews appear on their
12 Yelp.com listing pages; (d) removing positive reviews of Non-Sponsors; (e)
13 posting negative reviews of Non-Sponsors and urging others, such as Yelp Elite
14 Squad members, to do the same; and (f) enforcing Yelp's Terms of Service for
15 Sponsors, but refusing to enforce Yelp's Terms of Service for Non-Sponsors.

16 **PLAINTIFF-SPECIFIC FACTUAL ALLEGATIONS**

17 **THE NON-SPONSOR PLAINTIFFS**

18 **Plaintiff Cats and Dogs**

19 94. On September 12, 2009, Dr. Perrault, a veterinarian and the owner of
20 Cats and Dogs, became aware of a negative review posted by "Chris R." on the
21 Cats and Dogs Yelp.com listing page.

22 95. Concerned about the review's defamatory language, possible falsity,
23 and the adverse impact it could have on his business, Dr. Perrault cross-referenced
24 the factual information alleged in the review with his client history.

25 96. Upon finding that the review of Chris R. referenced a visit that
26 occurred over 18 months prior to its posting (6 months outside of Yelp's 12-month
27 policy), Javier Vargas, the Hospital Manager at Cats and Dogs, called Yelp, on or

1 around September 15, 2009, to request that the review be removed from the
2 Yelp.com website for violating Yelp’s review guidelines. The review was
3 subsequently removed from the Cats and Dogs Yelp.com listing page.

4 97. A second defamatory review, from “Kay K.,” appeared on the Cats
5 and Dogs Yelp.com listing page within five days of the “Chris R.” review’s
6 removal. The review read:

7 *The only reason I am even giving one star is because it wouldn’t*
8 *allow me to continue without it . . . otherwise, I would have given*
9 *them no stars. Dr. Perrault is the rudest vet I’ve ever been to . . .*
10 *probably one of the rudest people I’ve had the displeasure of meeting.*
11 *I agree with the previous reviews about making you feel like an unfit*
12 *mom. My pup had been sick and I had a theory on what the problem*
13 *may have been and he wouldn’t even entertain the idea, but instead,*
14 *made me feel bad because my dog got sick. And, my poor dog was*
15 *terrified of him! He made me feel like I was 2 inches tall and*
16 *repeatedly looked down his nose at me. Oh, and OVER PRICED!*
17 *OMG! Who does he think he is??? I did not feel welcomed by him nor*
18 *his staff. I paid you for a service! No need to treat me so bad!*

19 98. Soon after the appearance of these negative reviews, Dr. Perrault and
20 Mr. Vargas began receiving frequent, high-pressure calls from Yelp sales
21 representatives, who promised to manipulate Cats and Dogs’ Yelp.com listing page
22 in exchange for Cats and Dogs purchasing an advertising subscription.

23 99. For example, on or about January 5, 2010, Cats and Dogs received a
24 Yelp sales call from “Kevin.” Kevin said that Cats and Dogs could advertise with
25 Yelp for a minimum payment of \$300 per month, with a minimum 12-month
26 commitment. Kevin stated that if Cats and Dogs purchased a one-year advertising
27 subscription from Yelp:

- 1 a. Yelp would hide negative reviews on the Cats and Dogs Yelp.com
- 2 listing page, or place them lower on the listing page so internet users
- 3 “won’t see” them;
- 4 b. Yelp would ensure negative reviews will not appear in Google and
- 5 other search engine results;
- 6 c. Yelp would allow Cats and Dogs to decide the order that its reviews
- 7 appear in on its Yelp.com listing page; and
- 8 d. Cats and Dogs could choose its “tagline,” i.e., the first few lines of a
- 9 single review shown on every search result page in which Cats and
- 10 Dogs appears (for instance, “Veterinarian in Long Beach”).

11 100. Dr. Perrault declined the offer, saying that he wanted to track referrals
12 from Yelp for three months without ads, but might thereafter be willing to test
13 Yelp’s advertising potential.

14 101. Within a week of declining Kevin’s advertising offer, the negative
15 review from Chris R. reappeared on the Cats and Dogs Yelp.com listing page.

16 102. Soon after, “Kay K.” posted a second negative review. This review
17 was added on January 6, 2010, one day after Kevin’s sales call:

18 *I’ve already left one review about how bad a vet Dr. Perrault is, but I*
19 *wanted to add something. I’ve been reading other people’s reviews*
20 *and I must have gone to a different Cats and Dogs Animal Hospital*
21 *with a vet named Dr. Perrault. Oh wait, no . . . he’s the only one.*
22 *Maybe it’s a Dr. Jeckyl / Mr. Hyde thing?! I don’t know. But the guy’s*
23 *an @\$\$. No other way around it. He’s a jerk, a D-Bag, And so*
24 *arrogant. I ran in to him in a neighborhood store right after he saw*
25 *my poor sick dog at his clinic and he looked right at me, recognized*
26 *me, rolled his eyes and looked away!!!! Seriously, someone needs to*
27 *knock this guy down to the size he really is. He needs to drop his*

1 *Napolean complex and be a professional. After my horrible*
2 *experience with him, I took my sick dog to Bixby Animal Clinic and I*
3 *have never had a more pleasant vet experience! Go there instead! My*
4 *dog loved everyone there! Sorry to rant, but I just wanted to get the*
5 *word out there. Don't spend the money on this overpriced arrogant*
6 *vet. It's not worth it!*

7 103. On or about January 12, 2010, Mr. Vargas contacted Yelp to protest
8 the reappearance of the "Chris R." review and the highly negative, inflammatory
9 "Kay K." reviews.

10 104. On January 13, 2010, Mr. Vargas received via email the following
11 response from Yelp:

12 We wanted to let you know that we've taken a close look at the
13 reviews by Chris R and Kay K, and after careful evaluation, we have
14 decided to leave both intact. Because we don't have firsthand
15 knowledge of a reviewer's identity or personal experience, we are not
16 in a position to verify your claims that these reviewers are the same
17 person, or that they are connected to the recent vandalism at your
18 hospital. If a review appears to reflect the personal opinion and
19 experiences of the reviewer while adhering to our review guidelines
20 [link], it is our policy to allow the reviewer to stand behind his or her
21 review.

22 105. As of January 18, 2010 Cats and Dogs enjoyed a 4-star rating (out of a
23 possible 5) on its Yelp.com listing page. Sixteen out of 26 reviews (over 60%)
24 gave Cats and Dogs a perfect 5-star rating. Despite this, as of January 18, 2010, a
25 Yelp.com search for "veterinarian in Long Beach" displayed the following tagline
26 for Dogs and Cats:

1 functions, Yelp has inexplicably divided the business into two separate listings,
2 one for the salon and one for the mobile service.

3 138. The Yelp sales representative who contacted Wag My Tail told the
4 company that if it advertised at a rate of \$135 per month for the Wag My Tail
5 salon, and \$270 per month for the mobile service, the representative's "assistant"
6 could help to manage the issues Wag My Tail was complaining about, and would
7 help the company better its rating. Wag My Tail has declined to become a Sponsor.

8 139. Potential customers have told Wag My Tail that they have chosen not
9 to patronize the business based on Yelp reviews.

10 140. Wag My Tail was damaged as a result of Yelp's actions, including
11 through lost patronage and prospective business.

12 141. Wag My Tail's experience with Yelp was not unique, but rather
13 typical of Yelp's advertisement sales tactics.

14 **Plaintiff Scion**

15 142. Scion opened in Washington, D.C., in June 2009. In August, 2009,
16 Julie Liu, Scion's owner and operator, signed up for a free Yelp Business Owner
17 Account. Two weeks later, Ms. Liu began receiving calls from Yelp sales
18 representatives, offering Scion advertising packages. The calls were from different
19 Yelp sales representatives and occurred approximately bi-weekly.

20 143. A Yelp sales representative told Ms. Liu that negative reviews could
21 be removed with the payment of fees. Concerned that if she agreed, negative
22 reviews could be continuously added to Scion's Yelp.com listing page in order to
23 solicit more fees—a process which might be never-ending and completely out of
24 her control—Ms. Liu questioned the sales representative as to how she could be
25 sure that Yelp would not post negative reviews itself in order to request more fees
26 from Scion. The sales representative hung up on Ms. Liu. When Ms. Liu attempted
27 to call the sales representative back, there was no answer.

1 144. After two months of receiving sales calls and discussing the
2 possibility of becoming a Sponsor, Ms. Liu unequivocally declined to do so. The
3 following day, approximately five 5-star reviews disappeared from Scion's
4 Yelp.com listing page, and three negative reviews were posted to the page.

5 145. Two of the new negative reviews were demonstrably false. The
6 reviews commented on a menu that was still posted on Scion's website, but that
7 Scion was no longer actually using at the time the experiences described in the
8 reviews supposedly took place.

9 146. Scion was damaged as a result of Yelp's actions, including through
10 lost patronage and prospective business.

11 147. Scion's experience with Yelp was not unique, but rather typical of
12 Yelp's advertisement sales tactics.

13 **THE SPONSOR PLAINTIFFS**

14 **Plaintiff Bleeding Heart Bakery**

15 148. Bleeding Heart Bakery has two locations in Chicago. Each location
16 has a separate Yelp.com listing page.

17 149. Beginning in 2007, Yelp began calling Michelle Garcia, Bleeding
18 Heart Bakery's owner and operator, including on her personal cell phone, trying to
19 get Ms. Garcia to purchase a Yelp advertising subscription on behalf of the
20 Bleeding Heart Bakery.

21 150. On one or more occasions on these phone calls, Ms. Garcia pointed
22 out that some reviews of the Bleeding Heart Bakery were demonstrably "bogus,"
23 for example, purporting to describe an experience that occurred on a day that
24 Bleeding Heart Bakery was closed.

25 151. A Yelp sales person calling Ms. Garcia promised that, if she agreed to
26 purchase an advertising subscription, Yelp would push bad reviews to the very end
27 of Bleeding Heart Bakery's Yelp.com listing pages, and that the sales

1 representative would personally remove the “bogus” reviews Ms. Garcia
2 complained of.

3 152. Yelp further promised Ms. Garcia that, as a Yelp Sponsor, she would
4 be allowed to choose her favorite ten reviews, which would always appear at the
5 top of Bleeding Heart Bakery’s Yelp.com listing pages.

6 153. Yelp further promised Ms. Garcia that, as a Yelp Sponsor, she could
7 choose which pictures uploaded by reviewers would appear on Bleeding Heart
8 Bakery’s Yelp.com listing pages, and which would be removed.

9 154. Based on these promises, in November, 2008 Ms. Garcia agreed to
10 purchase an advertising subscription from Yelp. Although Yelp had urged her to
11 purchase a sponsorship for just one of the Bleeding Heart Bakery’s Yelp.com
12 listing pages for \$500 per month, Ms. Garcia eventually negotiated a deal that
13 would cover both of the Bleeding Heart Bakery’s Yelp.com listing pages for \$600
14 per month. The term of the contract was one year. Ms. Garcia paid the first
15 month’s charge by credit card, and Yelp automatically charged subsequent months
16 to her credit card on a monthly basis.

17 155. At the time Bleeding Heart Bakery became a Yelp Sponsor, the
18 company enjoyed a 4-star Yelp rating.

19 156. During the same month that Bleeding Heart Bakery became a Yelp
20 Sponsor, six negative reviews of the business were posted by Yelp Elite Squad
21 members. Some of the reviews contained personal attacks. During the same time,
22 several 4-star reviews disappeared from Bleeding Heart Bakery’s Yelp.com listing
23 page.

24 157. As a result of the new negative reviews and disappearing positive
25 reviews, Bleeding Heart Bakery’s rating dropped to 3.5-stars.

26 158. As a result of these negative reviews, Bleeding Heart Bakery’s
27 business suffered. For example, during a week following the posting of these

1 negative reviews by Yelp Elite Squad members, Bleeding Heart Bakery went from
2 typical sales of 300 cupcakes per week, to just 24 cupcakes, and was forced to
3 throw out the remainder of its inventory.

4 159. When Ms. Garcia called Yelp to complain about the reviews,
5 including the personal attacks, Yelp told her that if she became a “premier”
6 advertiser—at a higher cost—Yelp would talk to the Yelp Elite Squad and “ask
7 them to give the business another shot.”

8 160. Yelp further told Ms. Garcia said that if Bleeding Heart Bakery
9 increased the amount of its advertising subscription to become a “premier”
10 advertiser, Yelp would bring Bleeding Heart Bakery’s star rating back up.

11 161. Bleeding Heart Bakery’s experience with Yelp was not unique, but
12 rather typical of Yelp’s advertisement sales tactics.

13 **Plaintiff Sofa Outlet**

14 162. Mary Seaton, Sofa Outlet’s owner, received a call from a Yelp sales
15 representative, who told her that, if Sofa Outlet agreed to purchase an advertising
16 subscription, Sofa Outlet’s positive reviews would be made more prominent while
17 Sofa Outlet’s negative reviews would be made less prominent and, eventually,
18 removed altogether.

19 163. On January 25, 2008, Mary Seaton entered into a \$350 per month
20 advertising subscription with Yelp on behalf of Sofa Outlet.

21 164. Sofa Outlet cancelled its advertising subscription on June 17, 2008,
22 which was officially terminated June 20, 2008.

23 165. Within approximately two weeks of Sofa Outlet’s termination date,
24 many positive reviews that Sofa Outlet had received, especially those written
25 during the subscription period, disappeared from the Sofa Outlet Listing Page,
26 while negative reviews that had been previously removed reappeared.

27

1 166. Sofa Outlet's experience with Yelp was not unique, but rather typical
2 of Yelp's advertisement sales tactics.

3 **Plaintiff Celibré**

4 167. Celibré is currently a Yelp Sponsor, having purchased an advertising
5 subscription in January, 2010 at a cost of \$300 per month.

6 168. Celibré became a Yelp Sponsor because a Yelp sales representative
7 promised Kevin DiCerbo, Celibré's owner, that Yelp would allow Celibré to
8 choose the order of reviews on its Yelp.com listing page in exchange for becoming
9 a Sponsor.

10 169. Yelp has in fact moved reviews on Celibré's Yelp.com listing page
11 according to Celibré's wishes.

12 170. Celibré's experience with Yelp was not unique, but rather typical of
13 Yelp's advertisement sales tactics.

14 **CLASS REPRESENTATION ALLEGATIONS**

15 171. Plaintiffs bring this action on behalf of themselves and the following
16 Classes:

17 **The Sponsor Class**

18 All persons and entities (excluding officers, directors, and employees
19 of Yelp) in the United States who, from October 1, 2004 to the
20 present, as a result of Yelp offering or threatening to manipulate a
21 Yelp.com listing page in exchange for purchasing or declining to
purchase advertising services, purchased advertising services from
Yelp.

22 **The Non-Sponsor Class**

23 All persons and entities (excluding officers, directors, and employees
24 of Yelp) in the United States to whom, from October 1, 2004 to the
25 present, Yelp offered or threatened to manipulate a Yelp.com listing
26 page in exchange for purchasing or declining to purchase advertising,
and who declined to purchase advertising.

27 172. Like Plaintiffs, all members of the Non-Sponsor and Sponsor Classes
have a Yelp.com listing page.

1 173. Like Plaintiffs, all members of the Non-Sponsor and Sponsor Classes
2 were contacted by Yelp sales representatives and asked to buy advertising
3 subscriptions from Yelp.

4 174. Like Plaintiffs, all members of the Non-Sponsor and Sponsor Classes
5 were promised that, if they purchased advertising from Yelp, negative reviews
6 would be removed or relocated from their Yelp.com listing pages, or those pages
7 would otherwise be favorably manipulated, including through their own input or
8 control.

9 175. Like Plaintiffs, all members of the Non-Sponsor and Sponsor Classes
10 were threatened, implicitly or expressly, that if they did not purchase advertising
11 from Yelp, their Yelp.com listing pages would be detrimentally manipulated,
12 including for example, by removing positive reviews and posting new, negative
13 reviews.

14 176. Like Non-Sponsor Plaintiffs Cats and Dogs, Astro, Adult Socials, Le
15 Petite Retreat, Mermaids Cruise, Wag My Tail, and Scion, all members of the
16 Non-Sponsor Class declined to become a Yelp Sponsor.

17 177. Like Non-Sponsor Plaintiffs Cats and Dogs, Astro, Adult Socials, Le
18 Petite Retreat, Mermaids Cruise, Wag My Tail, and Scion, all members of the
19 Non-Sponsor Class saw their Yelp.com listing pages detrimentally modified after
20 declining to become a Yelp Sponsor.

21 178. Like Non-Sponsor Plaintiffs Cats and Dogs, Astro, Adult Socials, Le
22 Petite Retreat, Mermaids Cruise, Wag My Tail, and Scion, all members of the
23 Non-Sponsor Class were damaged as a result of Yelp's actions.

24 179. Like Sponsor Plaintiffs Bleeding Heart Bakery, Sofa Outlet and
25 Celi-bré, all members of the Sponsor Class purchased advertising subscriptions
26 from Yelp based on Yelp's promises and threats, express or implicit.

27

1 180. Like Sponsor Plaintiffs Bleeding Heart Bakery, Sofa Outlet and
2 Celibré, all members of the Sponsor Class would not have purchased advertising
3 subscriptions with Yelp absent Yelp’s promises and threats, express or implicit.

4 181. Plaintiffs’ claims on behalf of the Class are maintainable under Rules
5 23(b)(2) and 23(b)(3) of the Federal Rules of Civil Procedure.

6 182. The questions of law and fact common to Plaintiffs and the Classes
7 include:

- 8 a. Whether Yelp extorted the Sponsor Plaintiffs and members of
9 the Sponsor Class;
- 10 b. Whether Yelp attempted to extort Plaintiffs and members of the
11 Classes;
- 12 c. Whether Yelp intentionally interfered with the prospective
13 economic advantage of Plaintiffs and members of the Classes;
- 14 d. Whether Yelp violated the “unlawful” prong of California’s
15 Unfair Competition Law, including by:
 - 16 i. Committing Extortion in violation of Cal. Pen. Code
17 §§518-19;
 - 18 ii. Committing Attempted Extortion in violation of Cal. Pen.
19 Code §524;
 - 20 iii. Intentionally interfering with the Non-Sponsor Plaintiffs’
21 and Non-Sponsor Class Members’ Prospective Economic
22 Advantages; and
 - 23 iv. Violating 16 C.F.R. Part 255 by failing to disclose that
24 Yelp provides endorsed reviews of paid advertisers;
- 25 e. Whether Yelp violated the “unfair” prong of California’s Unfair
26 Competition Law;
- 27 f. Whether Yelp violated the “fraudulent” prong of California’s
Unfair Competition Law;
- g. Whether Plaintiffs and the Classes were injured by the conduct
complained of herein;
- h. Whether the conduct described herein is ongoing;
- i. Whether Plaintiffs and members of the Classes are entitled to
damages;

- 1 j. Whether Plaintiffs and members of the Classes are entitled to
2 injunctive relief; and
3 k. Whether Plaintiffs and members of the Classes are entitled to
4 restitution.

5 **CLAIMS FOR RELIEF**

6 **COUNT I**

7 **Extortion**

8 **Cal. Pen. Code §§ 518-19**

9 **(With Respect to the Sponsor Plaintiffs and Sponsor Class)**

10 183. Plaintiffs reallege and incorporate the allegations elsewhere in the
11 Complaint as if set forth in full herein.

12 184. By the advertising and reviewing practices of Yelp as alleged herein,
13 Yelp obtained the property of the Sponsor Plaintiffs and members of the Sponsor
14 Class, with their consent, through the threat to do an unlawful injury to the person
15 or property of the Sponsor Plaintiffs and members of the Sponsor Class threatened.

16 185. Yelp's conduct constitutes a violation of Cal. Pen. Code §§ 518-19.

17 **COUNT II**

18 **Attempted Extortion**

19 **Cal. Pen. Code § 524**

20 **(With respect to All Plaintiffs and All Classes)**

21 186. Plaintiffs reallege and incorporate the allegations elsewhere in the
22 Complaint as if set forth in full herein.

23 187. By the advertising and review practices of Yelp as alleged herein,
24 Yelp attempted to obtain the property of Non-Sponsor Plaintiffs and members of
25 the Non-Sponsor class, with their consent, through the threat to do an unlawful
26 injury to the person or property of the Non-Sponsor Plaintiffs and members of the
27 Non-Sponsor Class.

1 188. Yelp had a specific intent to commit Extortion, in violation of Cal.
2 Pen. Code §§ 518-19, against the Non-Sponsor Plaintiffs and Non-Sponsor Class.

3 189. Yelp engaged in one or more direct ineffectual acts towards the
4 commission of Extortion against the Non-Sponsor Plaintiffs and members of the
5 Non-Sponsor Class.

6 190. The Non-Sponsor Plaintiffs and members of the Non-Sponsor Class
7 were harmed as a result of Yelp's actions.

8 191. The foregoing constitutes Attempted Extortion in violation of Cal.
9 Pen. Code § 524.

10 **COUNT III**

11 **Intentional Interference With Prospective Economic Advantage**
12 **(With Respect to All Plaintiffs and All Classes)**

13 192. Plaintiffs reallege and incorporate the allegations elsewhere in the
14 Complaint as if set forth in full herein.

15 193. There existed economic relationships between the Non-Sponsor
16 Plaintiffs and Non-Sponsor Class members, and third parties, with the probability
17 of future economic benefit to the Non-Sponsor Plaintiffs and Non-Sponsor Class
18 Members.

19 194. Yelp knew of these relationships.

20 195. Yelp intentionally committed wrongful acts designed to disrupt those
21 relationships.

22 196. Those relationships were actually disrupted.

23 197. The Non-Sponsor Plaintiffs and Non-Sponsor Class members suffered
24 economic harm proximately caused by Yelp's acts.

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COUNT IV
Violations of the Unfair Competition Law
Cal. Bus. & Prof. Code § 17200
(With Respect to All Plaintiffs and All Classes)

198. Plaintiffs reallege and incorporate the allegations elsewhere in the Complaint as if set forth in full herein.

“Unlawful”

199. Yelp violated Cal. Pen. Code §§ 518-19.

200. Yelp violated Cal. Pen. Code § 524.

201. Yelp intentionally interfered with prospective economic advantages held by the Non-Sponsor Plaintiffs and members of the Non-Sponsor Class.

202. Yelp violated 16 C.F.R. Part 255 by failing to disclose that the Yelp.com website provides endorsed reviews of Sponsors.

203. The practices of Yelp complained of herein therefore violated the “unlawful” prong of the California Unfair Competition Law.

“Unfair”

204. The practices of Yelp complained of herein are immoral, unscrupulous, and offend public policy.

205. The practices of Yelp complained of herein had no countervailing benefit to consumers or competition when weighed against the harm caused by such practices.

206. The practices of Yelp complained of herein therefore violated the “unfair” prong of the California Unfair Competition Law.

“Fraudulent”

207. Yelp’s conduct constitutes “fraudulent” business acts and practices because the conduct has a tendency to deceive the Plaintiffs and the Classes, and the general public.

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JURY DEMAND

Plaintiffs demand a trial by jury.

DATED: March 17, 2010

Respectfully Submitted,



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