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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

DAO PHONG, an individual, on behalf of herself
and all others similarly situated,

Plaintiff,

vs.

CARRIER IQ, INC.; and HTC AMERICA, INC.,

Defendants.

CV 11-06333

Case No.

HRL

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

Plaintiff Dao Phong ("Plaintiff"), individually and on behalf of all others similarly situated,
alleges as follows based on her counsel's investigation and her personal experience:

INTRODUCTION

1. Plaintiff brings this action for actual damages, equitable relief (including restitution, injunctive relief, and disgorgement of profits), civil penalties, and all other available relief on behalf of herself and all similarly-situated individuals and entities in the United States who, within four years of the filing of this litigation, bought a phone manufactured by Defendant HTC America, Inc. ("HTC") embedded with technology created and employed by Defendant Carrier IQ, Inc. ("Carrier IQ") (the "Class").

FAXED

1 2. All of the claims asserted herein arise out of Carrier IQ and HTC's misconduct in
2 connection with the Carrier IQ "rootkit" software application that is installed in more than 140 million
3 mobile phones. Based on information and belief, Plaintiff and Class members were not informed of the
4 presence of Carrier IQ software on their phones at the time of purchase.

5 3. According to a recent analysis conducted by computer security researcher Trevor
6 Eckhart, Carrier IQ software tracks and collects information related to every keystroke performed by the
7 mobile phone user without disclosing this invasive technology to users. Carrier IQ software tracks and
8 collects a wealth of private information these users perform on their phones such as when users turn
9 their phones on and off, what phone numbers users dial, the contents of users' text messages, the
10 websites users visit, the search terms users input into browsers, and the locations of users' phones.
11 Based on information and belief, Carrier IQ then intentionally divulges information from mobile phone
12 users to its clients, which include Handset Manufacturers such as HTC.

13 4. As alleged herein, Carrier IQ's conduct violates the Electronic Communications Privacy
14 Act, 18 U.S.C. § 2510 *et seq.* (the "Wiretap Act"); the Stored Communications Act of 1986 ("SCA"), 18
15 U.S.C. §§ 2701, *et seq.*; California's Computer Crime Law ("CCCL"), Cal. Penal Code § 502, *et seq.*;
16 and California's Unfair Competition Law, Bus. & Prof. Code § 17200, *et seq.*

17 **THE PARTIES**

18 5. Plaintiff Dao Phong is a citizen and resident of San Francisco, California. Plaintiff
19 purchased an HTC Evo mobile phone manufactured by Defendant HTC and activated and maintained
20 cellular service for this phone with Sprint. As a result of the misconduct alleged herein, Plaintiff has
21 suffered injury in fact and has lost money or property.

22 6. Defendant Carrier IQ is a Delaware corporation with its principal place of business
23 located at 1200 Villa Street, Suite 200, Mountain View, California 94041. Based on information and
24 belief, Carrier manufactures and supports a "rootkit" software application that is installed in mobile
25 phones by manufacturers.

26 7. Defendant HTC America, Inc. is a Washington corporation with its principal place of
27 business located at 811 1st Ave., Suite 530, Seattle Washington 98104.

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1 13. A recent analysis performed by computer security researcher Trevor Eckhart reveals that
2 Carrier IQ's software performs functions that are extremely intrusive to users' privacy. In a video
3 posted on YouTube, Mr. Eckhart demonstrates that Carrier IQ software can log every keystroke that the
4 user performs on her mobile phone.¹ The Eckhart video reveals that for the 140 million phones
5 embedded with the Carrier IQ software, Carriers IQ can track and collect a wealth of information by
6 tracking these keystrokes. For instance, Carrier IQ can collect information when users turn their phones
7 on and off, the phone numbers they dial, the contents of their text messages, the websites they visit, the
8 search terms they input into browsers, and their phones' locations. Carrier IQ can also collect these data
9 even when such data are supposed to be transmitted securely, e.g., by HyperText Transfer Protocol over
10 Secure Socket Layer ("https").² Moreover, Carrier IQ can collect data for the location of the users'
11 phone even when the user has expressly denied location access to the phone's location.

12 14. Based on information and belief, neither Carrier IQ or HTC disclose to mobile phone
13 users that Carrier IQ software is embedded in their phone and that the software tracks and collects users'
14 actions. Based on information and belief, Carrier IQ software does not make itself readily apparent to a
15 user and does not show up in a phone's list of active processes. Even if a technologically-savvy user is
16 able to find out that Carrier IQ is running, users are not given an option to shut down the software.

17 15. Based on information and belief, once Carrier IQ collects these data from mobile phone
18 users, it provides this information to its clients, which include Handset Manufacturers such as Defendant
19 HTC. As the company states on its website, Carrier IQ "give[s] Wireless Carriers and Handset
20 Manufacturers unprecedented insight into their customers' mobile experience." Carrier IQ further states
21 that it provides "real-time data direct from [...] customers' handsets." Wireless carriers AT&T Inc., T-
22 Mobile, and Sprint (Plaintiff's wireless carrier) have admitted that Carrier IQ is present on their phones.

23 16. After news outlets reported on Eckhart's analysis of Carrier IQ, Carrier IQ issued a
24 statement denying that its software tracked usage or recorded keystrokes. This statement, however, is
25

26 ¹ The full video is available at http://www.youtube.com/user/TrevorEckhart#p/u/0/T17XQI_AYNo (last
27 visited Dec. 1, 2011).

28 ² http://en.wikipedia.org/wiki/HTTP_Secure

1 apparently not only contradicted by the Company's own website representations but by the company's
2 own patent application for its software, in which the company describes its technology as a "method for
3 collecting data at a server coupled to a communications network, comprising: transmitting to a device a
4 data collection profile... wherein the set of data relates to an end user's interaction with the device...
5 [and] wherein the interaction with the device comprises the end user's pressing of keys on the device."

6 17. According to recent news reports, after Mr. Eckhart publicly expressed concerns over
7 Carrier IQ's capabilities, Carrier IQ sent a cease-and-desist letter threatening a lawsuit. Carrier IQ
8 withdrew this threat and publicly apologized after a non-profit group intervened on Mr. Eckhart's
9 behalf. Since news reports were released regarding Carrier IQ's tracking of users' mobile phones,
10 Senator Al Franken (D-MN) also opened a probe into Carrier IQ. Senator Franken described the
11 allegations surrounding Carrier IQ as "deeply troubling" and said that Congress should act "quickly" to
12 protect consumers' privacy.

13 STATUTES OF LIMITATION

14 18. **Discovery Rule.** The causes of action alleged herein accrued upon discovery of Carrier
15 IQ's wrongful conduct. Because telephone users could not readily determine their phones contained
16 Carrier IQ software and Carrier took steps to actively conceal them, Plaintiff and members of the Class
17 did not discover and could not have discovered Carrier IQ's wrongful conduct through reasonable and
18 diligent investigation. Moreover, reasonable and diligent investigation into Carrier IQ's wrongful
19 conduct did not and could not reveal a factual basis for a cause of action based on Carrier IQ's
20 nondisclosure or concealment of its actions.

21 CLASS ACTION ALLEGATIONS

22 19. Plaintiff brings this lawsuit as a class action on behalf of herself and all others similarly
23 situated as members of a proposed plaintiff Class pursuant to Federal Rule of Civil Procedure 23. This
24 action satisfies the ascertainability, numerosity, commonality, typicality, adequacy, predominance and
25 superiority requirements of those provisions.

26 20. The Class is initially defined as:

27 *All persons and entities residing in the United States who purchased an HTC device embedded*
28 *with Carrier IQ software.*

1 21. Excluded from the Class are (1) HTC and Carrier IQ, any entity in which HTC or Carrier
2 IQ have a controlling interest, and their legal representatives, officers, directors, employees, assigns and
3 successors, and (2) the judge to whom this case is assigned and any member of the judge's immediate
4 family.

5 **Numerosity and Ascertainability**

6 22. On information and belief, the Class is comprised of millions of people, making joinder
7 impractical. As of December 2, 2011, Carrier IQ's website purports that Carrier IQ software is
8 embedded in more than 141 million handsets. Many of these handsets are persons who purchased an
9 HTC device.

10 23. The Class is composed of an easily ascertainable, self-identifying set of individuals and
11 entities who bought an HTC phone embedded with Carrier IQ technology in the four years leading up to
12 this litigation. Discovery will be used to populate the list of members of the Class.

13 **Community of Interest**

14 24. There is a well-defined community of interest among the Class members, and the
15 disposition of their claims in a single action will provide substantial benefits to all parties and to the
16 Court.

17 **Typicality**

18 25. The claims of the Representative Plaintiff are typical of the claims of the Class, in that
19 the Representative Plaintiff, like all members of the Class, bought an HTC phone embedded with Carrier
20 IQ software. The factual bases of the misconduct alleged herein are common to all Class members and
21 represent a common thread of fraudulent misconduct resulting in injury to all members of the Class.

22 **Predominance of Common Issues**

23 26. There are numerous questions of law and fact common to all Class members, and those
24 questions predominate over any questions that may affect only individual Class members.

25 27. The predominant questions include the following:

26 a. Whether Defendants conducted the common business practice of collecting,
27 tracking, and sharing with third parties the private mobile phone actions performed by users;

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1 b. Whether Defendants failed to disclose to Plaintiff and the Class that its software
2 collected, tracked, and shared with third parties their private mobile phone actions;

3 c. Whether Defendants knew and/or were reckless in not knowing of the unlawful
4 nature of their conduct;

5 d. Whether Defendants had a duty to Plaintiff and the Class to disclose their
6 wrongful conduct;

7 e. Whether Defendants' conduct violated the The Electronic Communications
8 Privacy Act, 18 U.S.C. § 2510 *et seq.*, the Stored Communications Act of 1986 ("SCA"), 18 U.S.C. §
9 2711(1), and California's Computer Crime Law, Cal. Penal Code § 502; and

10 f. Whether Defendants' active concealment of and/or failure to disclose the true
11 nature of its conduct was likely to mislead or deceive, and was therefore fraudulent, within the meaning
12 of Cal. Bus. & Prof. Code § 17200, *et seq.*

13 **Adequacy**

14 28. Plaintiff will fairly and adequately represent and protect the interests of the Class.
15 Plaintiff has retained counsel with substantial experience in prosecuting consumer class actions,
16 including actions involving privacy issues and the claims alleged herein.

17 29. Plaintiff and her counsel are committed to vigorously prosecuting this action on behalf of
18 the Class, and have the financial resources to do so. Neither Plaintiff nor her Counsel have interests
19 adverse to those of the Class.

20 **Superiority**

21 30. Absent class treatment, Plaintiff and members of the Class will continue to suffer harm
22 and damages as a result of Defendants' unlawful and wrongful conduct.

23 31. A class action is superior to all other available methods for the fair and efficient
24 adjudication of this controversy. Without a class action, individual Class members would face
25 burdensome litigation expenses, deterring them from bringing suit or adequately protecting their rights.
26 Because of the modest economic value of the individual Class members' claims, few if any could seek
27 their rightful legal recourse in an individual action. Absent a class action, Class members would
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1 continue to incur harm without remedy, while Defendants would continue to reap the benefits of its
2 misconduct.

3 32. The consideration of common questions of fact and law will conserve judicial resources
4 and promote a fair and consistent resolution of these claims.

5 **FIRST CAUSE OF ACTION**
6 **(Violation of the Wiretap Act)**

7 33. Plaintiff incorporates the foregoing allegations as if fully set forth herein.

8 34. The Electronic Communications Privacy Act, 18 U.S.C. § 2510 *et seq.* (the “Wiretap
9 Act”) broadly defines an “electronic communication” as “any transfer of signs, signals, writing, images,
10 sounds, data, or intelligence of any nature transmitted in whole or in part by a wire, radio,
11 electromagnetic, photoelectronic or photooptical system that affects interstate or foreign commerce...”
12 18 U.S.C. § 2510(12).

13 35. Pursuant to the Wiretap Act, Defendants operate an “electronic communications service”
14 as defined in 18 U.S.C. § 2510(15).

15 36. The Wiretap Act broadly defines the contents of a communication. Pursuant to the
16 Wiretap Act, “contents” of a communication, when used with respect to any wire, oral, or electronic
17 communications, include any information concerning the substance, purport, or meaning of that
18 communication. 18 U.S.C. § 2510(8). “Contents,” when used with respect to any wire or oral
19 communication, includes any information concerning the identity of the parties to such communication
20 or the existence, substance, purport, or meaning of that communication. The definition thus includes all
21 aspects of the communication itself. No aspect, including the identity of the parties, the substance of the
22 communication between them, or the fact of the communication itself, is excluded. The privacy of the
23 communication to be protected is intended to be comprehensive.

24 37. The Wiretap Act prevents an electronic communications service operator from
25 intentionally divulging the contents of any communication while in transmission on that service to any
26 person or entity other than an addressee or intended recipient of such communication. 18 U.S.C. §
27 2511(3)(a). Plaintiff and Class members are “person[s] whose ... electronic communication[s] [are]
28 disclosed... or intentionally used in violation of this chapter” within the meaning of 18 U.S.C. § 2520(a).
When users perform such functions on their phone as turning their phones on and off, dialing phone

1 numbers, sending text messages, visiting websites, users are unknowingly sending electronic
2 communications to Defendants. Users do not expect and do not consent to any disclosure of the
3 activities to their phone to Defendants or to any third parties to whom Defendants makes this
4 information available.

5 38. Based on information and belief, Defendants intentionally divulge the electronic
6 communications of mobile phone users to third parties. By divulging these communications and other
7 user information to third parties without user consent, Defendants intentionally violated 18 U.S.C. §
8 2511(3)(a).

9 39. Each incident in which Defendants divulged the electronic communications of mobile
10 phone users is a separate and distinct violation of the ECPA. Plaintiff and members of the Class
11 therefore seek remedies as provided for by 18 U.S.C. § 2520, including such preliminary and other
12 equitable or declaratory relief as may be appropriate, damages consistent with subsection (c) of that
13 section to be proven at trial, punitive damages to be proven at trial, and attorneys' fees and other
14 litigation costs reasonably incurred.

15 40. Plaintiff and the Class, pursuant to 18 U.S.C. § 2520(2), are entitled to preliminary,
16 equitable, and declaratory relief, in addition to statutory damages of the greater of \$10,000 or \$100 a day
17 for each day of violation, actual and punitive damages, reasonable attorneys' fees, and Defendants'
18 profits obtained from the violations described herein.

19 **SECOND CAUSE OF ACTION**

20 **(Violations of the Stored Communications Act)**

21 41. Plaintiff incorporates the foregoing allegations as if fully set forth herein.

22 42. The Stored Communications Act of 1986 ("SCA") incorporates the Wiretap Act's
23 definition of an "electronic communication service." 18 U.S.C. § 2711(1). As set forth above,
24 Defendants are electronic communications service providers within the meaning of the ECPA and is
25 therefore also subject to the restrictions contained in the SCA governing electronic communications
26 service providers. The SCA also incorporates the Wiretap Act's broad definition of "electronic
27 communication" and "electronic storage." 18 U.S.C. § 2711(1). Pursuant to the Wiretap Act and the
28 SCA, "electronic storage" means any "temporary storage of a wire or electronic communication

1 incidental to the electronic transmission thereof.” 18 U.S.C. § 2510(17)(A). This type of electronic
2 storage includes communications in intermediate electronic storage that have not yet been delivered to
3 their intended recipient.

4 43. The SCA prohibits any electronic communications service provider from divulging to
5 any person or entity the contents of a communication while in electronic storage by that service. 18
6 U.S.C. § 2702(a)(1). Based on information and belief, Defendants provide this information to third
7 parties. When users perform functions on their phones such as making a phone call, sending a text
8 message, or browsing the internet, users do not expect, intend and consent for Carrier IQ to collect and
9 track this information or pass along the communications to a third party as a handset manufacturer.
10 Based on information and belief, Defendants provide users’ information regarding electronic
11 communications to third parties in violation of 18 U.S.C. § 2702(a)(1). By disclosing these
12 communications, Defendants violated 18 U.S.C. § 2702(a)(1).

13 44. The SCA definition of “electronic storage” also includes “storage of [a wire or electronic]
14 communication by an electronic communication service for purposes of backup protection of such
15 communication.” 18 U.S.C. § 2510(17)(B). The information that Defendants collect from users via
16 electronic communications are electronically stored by Defendants for backup purposes.

17 45. The SCA, at 18 U.S.C. § 2702(a)(2), provides that “a person or entity providing a remote
18 communication service to the public shall not knowingly divulge to any person or entity the contents of
19 any communication which is carrier or maintained on that service (A) on behalf of, and received by
20 means of electronic transmission...a subscriber or customer of such service; (B) solely for the purpose
21 of providing storage...to such subscriber or customer, if the provider is not authorized to access the
22 contents of any such communications for purposes of providing any services other than storage or
23 computer processing.”

24 46. Plaintiff and Class members are “person[s] aggrieved by [a] violation of [the SCA] in
25 which the conduct constituting the violation is engaged in with a knowing or intentional state or
26 mind...” within the meaning of 18 U.S.C. § 2707(a).

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1 47. Each incident in which Defendants divulged users' stored communications to a third
2 party is a separate and distinct violation of the SCA, subject to the remedies provided under the SCA,
3 and specifically pursuant to 18 U.S.C. § 2707(a).

4 48. Plaintiff and the Class therefore seek remedies as provided for by 18 U.S.C. § 2707(b)
5 and (c), including such preliminary and other equitable or declaratory relief as may be appropriate,
6 damages consistent with subsection (c) of that section to be proven at trial, punitive damages to be
7 proven at trial, and attorneys' fees and other litigation costs reasonably incurred.

8 49. Plaintiff and the Class, pursuant to 18 U.S.C. § 2707(c), are entitled to preliminary,
9 equitable, and declaratory relief, in addition to statutory damages of no less than \$1,000 per violation,
10 actual and punitive damages, reasonable attorneys' fees, and Defendants' profits obtained from the
11 violations described herein.

12 **THIRD CAUSE OF ACTION**

13 **Violation of California's Computer Crime Law ("CCCL"), Cal. Penal Code § 502**

14 50. Plaintiff incorporates the foregoing allegations as if fully set forth herein.

15 51. Defendants knowingly accessed and without permission used any data, computer,
16 computer system, or computer network in order to execute a scheme or artifice to deceive and/or to
17 wrongfully control or obtain money, property, or data in violation of Cal. Penal Code § 502(c)(1).

18 52. Defendants did so by accessing and sharing with wireless carriers and handset
19 manufacturers the mobile phone actions of Plaintiff and Class members in order to deceive and/or to
20 wrongfully profit by collecting, tracking and disclosing users' information.

21 53. Defendants knowingly accessed and without permission took, copied, or made use of
22 Plaintiff and Class members' information regarding actions performed on their mobile phones in
23 violation of § 502(c)(2).

24 54. Defendants knowingly and without permission used or caused to be used computer
25 services by impermissibly accessing, collecting, and transmitting Plaintiffs' and Class members'
26 personal information in violation of § 502(c)(3).

1 55. Defendants knowingly and without permission provided or assisted in providing a means
2 of accessing a computer, computer system, or computer network by creating a system that allowed third
3 parties to impermissibly access, collect, and transmit Plaintiffs' and Class members' private mobile
4 phone actions in violation of § 502(c)(6).

5 56. Defendants knowingly and without permission accessed or caused to be accessed
6 Plaintiff and Class members' computers and/or computer networks by impermissibly divulging
7 Plaintiffs' and Class members' personal information to advertisers in violation of § 502(c)(7).
8 Defendants knowingly and without permission introduced a computer contaminant, as defined in §
9 502(b)(10), by introducing computer instructions designed to record or transmit to third parties Plaintiff
10 and the Class' private actions performed on their phones on Defendants' computer networks without the
11 intent or permission of Plaintiff or the Class in violation of § 502(c)(8). These instructions usurped the
12 normal operations of the relevant computers, which by normal operation would not transmit the private
13 mobile phone information of Plaintiff and/or the Class members.

14 57. As a direct and proximate result of Defendants' violation of § 502, Defendants caused
15 loss to Plaintiff and the Class members in an amount to be proven at trial. Plaintiff and the Class are
16 entitled to the recovery of attorneys' fees pursuant to § 502(e).

17 58. Plaintiff and Class members have also suffered irreparable injury as a result of
18 Defendants' unlawful conduct, including the collection and sharing of their personal mobile phone
19 information. Additionally, because the stolen information cannot be returned, the harm from this breach
20 is ongoing and compounding. Accordingly, Plaintiff and the Class have no adequate remedy at law,
21 entitling them to injunctive relief.

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23 **FOURTH CAUSE OF ACTION**

24 **Violation of California's Unfair Competition Law**
25 **Cal. Bus. & Prof. Code § 17200, *et seq.***

26 59. Plaintiff incorporates the foregoing allegations as if fully set forth herein. California
27 Business & Professions Code § 17200, *et seq.* ("UCL"), prohibits acts of "unfair competition." The
28 UCL defines unfair competition as any unlawful, unfair, or fraudulent business act or practice. Thus,

1 under the UCL, there are three categories of unfair competition: conduct that is unlawful, conduct that is
2 unfair, and conduct that is fraudulent.

3 60. Defendants violated the UCL by engaging in conduct that violated each of the three
4 prongs of the statute.

5 61. Defendants' practice of, among other things, collecting and tracking keystrokes by users
6 and disclosing them to third parties is unlawful because it violates, among other things, the Wiretap Act,
7 the SCA, and CCCL, as alleged above.

8 62. Defendants engaged in unfair business practices by, among other things:

9 g. Engaging in conduct that causes a substantial injury to consumers, specifically by
10 disclosing their private mobile information to third parties. Defendants' practices are not outweighed by
11 any countervailing benefits to consumers or to competition. Consumers could not have reasonably
12 avoided this injury.

13 h. Engaging in conduct that is immoral, unethical, oppressive, unscrupulous, or
14 substantially injurious to Plaintiff and other members of the Class; and

15 i. Engaging in conduct that undermines or violates the stated policies underlying the
16 SCA, Wiretap Act, and CCCL.

17 63. Defendants engaged in fraudulent business practices by concealing and/or failing to
18 disclose the true nature and characteristics of its collection, tracking, and disclosure of private mobile
19 phone information. Defendants had a duty to disclose such information by virtue of their exclusive
20 knowledge, among other things.

21 64. As a direct and proximate result of Defendants' violation of Cal. Bus. & Prof. Code §
22 17200, *et seq.*, Plaintiff suffered injury in fact and lost money or property, in that she paid money to
23 purchase her phone. Plaintiff and the Class members are entitled to monetary relief, including
24 restitution of all amounts that Defendants billed and collected, as well as attorneys fees under Cal. Code
25 of Civ. P. § 1021.5. Further, as a result of Defendants' violation of the UCL, Defendants have been
26 unjustly enriched and should be required to make restitution to Plaintiff and the Class or to disgorge its
27 ill-gotten profits pursuant to Cal. Bus. & Prof. Code § 17203.
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