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9 **UNITED STATES DISTRICT COURT FOR THE**
10 **NORTHERN DISTRICT OF CALIFORNIA**
11 **SAN FRANCISCO DIVISION**

12 **CHRISTIAN A. DALTON,**
13 **Individually and on Behalf**
14 **of All Others Similarly Situated,**

CIVIL ACTION NO:
3:21-cv-00697

15 **Plaintiffs,**

16 **v.**

17 **ROBINHOOD SECURITIES LLC;**
18 **ROBINHOOD FINANCIAL LLC; AND**
19 **ROBINHOOD MARKETS, INC.**

20 **Defendants.**

JURY TRIAL DEMANDED

21 Plaintiff CHRISTIAN A. DALTON ("Dalton" or "Plaintiff"), on behalf of
22 himself and all other similarly situated (the "Class," as defined below), alleges
23 as follows upon information and belief based, inter alia, upon investigation
24 conducted by Plaintiff and his counsel, except as to those allegations pertaining to
25 Plaintiff personally, which are alleged upon knowledge:
26

1 **INTRODUCTION**

2 1. ROBINHOOD is an online brokerage firm.

3
4 2. ROBINHOOD purposefully, willfully, and knowingly removed the
5 stocks Gamestop Corp. "GME"; AMC Entertainment Holdings Inc "AMC";
6 BlackBerry Ltd "BB"; Nokia Oyj "NOK"; Bed Bath & Beyond, Inc. "BBBY";
7 Express, Inc. "EXPR"; Koss Corporation "KOSS"; and Naked Brand Group Ltd
8 "NAKD" from its trading platform in the midst of an unprecedented stock rise thereby
9 depriving retail investors the ability to invest in the open-market and manipulate the
10 open-market.
11
12

13
14 3. Plaintiff and the Class were damaged because they were prevented from
15 using their accounts and making planned trades or exercising options, which would
16 have been very lucrative.
17

18 **JURISDICTION, VENUE AND INTRADISTRICT ASSIGNMENT**

19 4. This Court has subject-matter jurisdiction over this action pursuant to 28
20 U.S.C. § 1332(d)(2). The aggregate claims of all members of the proposed class
21 exceed \$5 million, exclusive of interest and costs, and there are more than 5,000 class
22 members. Many members of the proposed class are citizens of a state different from
23 Defendants.
24
25

26 5. This Court is the proper venue for this action because a substantial part
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28

1 contracts.

2
3 16. ROBINHOOD has experienced significant growth as a relatively new
4 online brokerage firm.

5
6 17. In 2019, ROBINHOOD raised \$323 million in funding at a \$7.6 billion
7 valuation. The firm markets itself primarily to younger investors and claims over 10
8 million users of its trading app.

9
10 18. On or about March 23, 2016, ROBINHOOD's official Twitter account
11 stated: "Let the people trade." They have since disregarded their mantra and have
12 blocked access for millions of its customers to trade particular securities.

13
14 19. On or around January 22, 2021, stocks in Gamestop Corp. "GME";
15 began to rise.

16
17 20. At that time, ROBINHOOD allowed retail investors to trade GME on the
18 open market.

19
20 21. On or about January 28, 2021, ROBINHOOD deprived Plaintiff and the
21 members of the Class the ability to use its services by intentionally, abruptly,
22 purposefully, willfully and knowingly preventing the legitimate trading of Gamestop
23 Corp. "GME"; AMC Entertainment Holdings Inc "AMC"; BlackBerry Ltd "BB";
24 Nokia Oyj "NOK"; Bed Bath & Beyond, Inc. "BBBY"; Express, Inc. "EXPR"; Koss
25 Corporation "KOSS"; and Naked Brand Group Ltd "NAKD" from their app.
26
27

1 Meaning, retail investors could no longer invest, day trade or even search for the
2
3 stocks on ROBINHOOD's app.

4 22. Upon information and belief, Defendants' actions were done
5 purposefully, knowingly and intentionally to manipulate the market for the benefit of
6
7 people and financial intuitions other than Defendants' own client investors.

8 23. Since pulling the stocks from their app, Defendants' have manipulated
9
10 the stock prices to go both up and down, depriving its client investors of potential
11 gains.

12 24. Additionally, Defendants deprived its client investors the ability to
13
14 "short" the stocks while day trading.

15 25. The Defendants have completely blocked its client investors from
16
17 purchasing the aforementioned stocks for no legitimate reason, thereby depriving its
18 client investors the benefits of Defendants' services.

19 26. The Financial Industry Regulatory Authority ("FINRA"), which governs
20
21 brokers like ROBINHOOD, espouses rule 5310 regarding "Best Execution and
22 Interpositioning." Rule 5310.01 requires that ROBINHOOD "must make every effort
23
24 to execute a marketable customer order that it receives promptly and fully." By failing
25
26 to respond at all to its client investors' placing timely trades and outright blocking its
27 clients investors from trading in stocks, the Defendants have breached their duty and

1 obligations to its client investors and caused substantial losses due solely to the
2 Defendants' intentional acts.
3

4 27. Upon information and belief, ROBINHOOD is pulling securities like
5 Gamestop Corp. "GME"; AMC Entertainment Holdings Inc "AMC"; BlackBerry Ltd
6 "BB"; Nokia Oyj "NOK"; Bed Bath & Beyond, Inc. "BBBY"; Express, Inc.
7 "EXPR"; Koss Corporation "KOSS"; and Naked Brand Group Ltd "NAKD," from
8
9 its platform in order to prevent its client investors the ability to trade the stocks in the
10 open market, thereby, slowing growth which in turn helped benefit individuals and
11 institutions who are not clients of ROBINHOOD but are ROBINHOOD's large
12
13 institutional investors or potential investors.
14

15 28. On January 28, 2021, Plaintiff used his ROBINHOOD app and was
16
17 unable to purchase "GME" stock as planned for that day but was limited to only
18
19 selling the stocks that Defendants' unlawfully blocked from purchasing. At times,
20
21 some members of the Class could not find the stocks on the ROBINHOOD app,
22
23 although all of these stocks are publicly traded companies available on other
24
25 platforms.
26

27 29. Thus, Plaintiff and members of the Class lost out on earning and profit
28 opportunities.

CLASS ALLEGATIONS

1
2
3 30. Plaintiff brings this action individually and on behalf of a Class, defined
4 as "All customers of ROBINHOOD's trading platform." Excluded from the Class are
5 Defendants, and any of their officers, directors, and employees, and their legal
6 representatives, heirs, successors, or assigns.
7

8 31. This action is properly maintainable as a class action because: (1) The
9 Class is so numerous that joinder of all members is impracticable; (2) There are
10 questions of law and fact which are common to the Class including, whether the
11 Defendants violated various laws or were fraudulent or negligent, and whether the
12 Class is entitled to damages, as a result of Defendants' wrongful conduct; (3) Plaintiff
13 is committed to prosecuting this action and has retained competent counsel
14 experienced in litigation of this nature; (4) Plaintiff's claims are typical of the claims
15 of other members of the Class and Plaintiff has the same interests as the other
16 members of the Class, such that Plaintiff will fairly and adequately represent the
17 Class; (5) the prosecution of separate actions by individual members of the Class
18 would create a risk of inconsistent or varying adjudications with respect to individual
19 members of the Class which would establish incompatible standards of conduct for
20 Defendants, or adjudications with respect to individual members of the Class which
21 would, as a practical matter, be dispositive of the interests of other members not
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1 parties to the adjudications or substantially impair or impede their ability to protect
2 their interests; and (6) a class action is superior to all other available methods for the
3 fair and efficient adjudication of this controversy since joinder of all members is
4 impracticable. Furthermore, as the damages suffered by individual Class members
5 may be relatively small, the expense and burden of individual litigation make it
6 impossible for members of the Class to individually redress the wrongs done to them.
7 There will be no difficulty in the management of this action as a class action.
8
9

10 CAUSES OF ACTION

11 FIRST CAUSE OF ACTION – FRAUD AND DECEIT

12 32. Plaintiff hereby incorporates all of the foregoing paragraphs.

13 33. Upon information and belief, Defendants' conduct constitutes fraud
14 against Plaintiff and the members of the Class. Defendants, directly or through their
15 agents and employees, prevented Plaintiff and the members of the Class the ability
16 to use the ROBINHOOD app to buy Gamestop Corp. "GME"; AMC Entertainment
17 Holdings Inc "AMC"; BlackBerry Ltd "BB"; Nokia Oyj "NOK"; Bed Bath &
18 Beyond, Inc. "BBBY"; Express, Inc. "EXPR"; Koss Corporation "KOSS"; and
19 Naked Brand Group Ltd "NAKD," stocks for no other legitimate reason but to
20 manipulate the stock prices to decline. Defendants intended to defraud Plaintiff and
21 the Class by concealing that the service would block the legitimate buying and selling
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1 of the aforementioned stocks; complete access to their accounts; or make trades
2 and/or the ability to access their funds to transfer to another brokerage firm in order
3 to make legitimate and lawful day trades.
4

5 34. Plaintiff and the Class justifiably relied on the Defendants representations
6 and would not have invested in the ROBINHOOD app and services had they known
7 that the Defendants would prevent them from legitimate day trading and access to
8 their funds. As a result, Plaintiff and the members of the Class sustained damages.
9
10

11 35. Defendants, directly and indirectly, made substantially similar
12 misrepresentations and material omissions to Plaintiff and each member of the Class.
13

14 36. On information and belief, Defendants were aware of the fraudulent
15 nature of their actions which caused Plaintiff and members of the Class damages.
16

17 37. As a result of Defendants' wrongful conduct, Plaintiff and the members
18 of the Class have suffered and continue to suffer economic losses and other general
19 and specific damages.
20

21 38. Defendants' acts were done maliciously, oppressively, and with intent
22 to defraud, and Plaintiff and the Class are entitled to punitive and exemplary damages
23 in an amount to be shown according to proof at the time of trial.
24

25 **SECOND CAUSE OF ACTION – VIOLATION OF CLRA**

26 39. Plaintiff incorporates by reference each and every allegation contained
27
28

1 above.

2
3 40. The acts and practices of Defendants as described above were intended
4 to deceive Plaintiff and the Class as described herein and have resulted in harm to
5 Plaintiff and the Class.
6

7 41. The actions violated and continue to violate the California Consumer
8 Legal Remedies Act (CLRA) in at least the following aspects:
9

10 a. In violation of Section 1770(a)(5) of the CLRA, Defendants' acts
11 and practices constitute representations that the services have characteristics, uses or
12 benefits, which they do not.
13

14 b. In violation of Section 1770(a)(7) of the CLRA, Defendants' acts
15 and practices constitute representations that the services are of a particular quality,
16 which they are not.
17

18 42. By committing the acts alleged above, Defendants have violated the
19 CLRA.
20

21 43. Pursuant to California Civil Code § 1780(a) Plaintiff and the Class are
22 entitled to an order enjoining the above-described wrongful acts and practices of
23 Defendants, restitution, an order awarding the payment of costs and attorneys' fees,
24 and any other relief deemed appropriate and proper by the Court under California
25 Civil Code § 1780.
26
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1 **THIRD CAUSE OF ACTION – DECLARATORY RELIEF**
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3 44. Plaintiff incorporates by reference each and every allegation contained above

4 45. An actual controversy has arisen and now exists between Plaintiff and the
5 Defendants. As described above, Plaintiff contends that Defendants' conduct
6
7 violated certain rights and duties.

8 46. A judicial determination of these issues and of the respective rights and duties
9 of Plaintiff and Defendants is necessary and appropriate at this time under the
10 circumstances, including, but not limited to, a determination of any question of
11 interpretation and validity of the written agreements between the parties and the
12
13 Defendants attempts to limit liability.
14

15 47. Plaintiff seeks a judicial determination of the duties Defendants owe to their
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17 users, their duty to operate reliable services, and their duty not to prevent the
18 trading of Gamestop Corp. "GME"; AMC Entertainment Holdings Inc "AMC";
19 BlackBerry Ltd "BB"; Nokia Oyj "NOK"; Bed Bath & Beyond, Inc. "BBBY";
20 Express, Inc. "EXPR"; Koss Corporation "KOSS"; and Naked Brand Group Ltd
21
22 "NAKD."
23

24 48. Plaintiff seeks a judicial determination of the rights of Plaintiff and the class
25
26 under the circumstance alleged herein.

27 **FOURTH CAUSE OF ACTION – VIOLATION OF UCL**
28

1 49. Plaintiff incorporates by reference each of the preceding paragraphs as
2 if fully set forth herein.
3

4 50. California's Unfair Competition Law (Cal. Bus. & Prof. Code § 17200,
5 et seq.) is designed to protect consumers from unlawful, unfair, or fraudulent business
6 acts or practices, including the use of any deception, fraud, false pretense,
7 misrepresentation, or the concealment, suppression, or omission of any material fact.
8

9 51. Defendant has engaged, and continues to engage, in unfair business
10 practices with regard to its services, as alleged herein. Defendants' conduct is not
11 outweighed by any countervailing benefits to consumers.
12

13 52. Defendants' conduct is also fraudulent. Defendants prevented Plaintiff
14 and members of the Class from trading Gamestop Corp. "GME"; AMC Entertainment
15 Holdings Inc "AMC"; BlackBerry Ltd "BB"; Nokia Oyj "NOK"; Bed Bath &
16 Beyond, Inc. "BBBY"; Express, Inc. "EXPR"; Koss Corporation "KOSS"; and
17 Naked Brand Group Ltd "NAKD" and prevented users from accessing their accounts
18 and their actual investment funds.
19
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22 53. Defendants' conduct and the harm it caused, and continues to cause, is
23 not reasonably avoidable by Plaintiff and the Class members. Defendants
24 intentionally prevented Plaintiff and the Class members from making legitimate
25 trades in the Gamestop Corp. "GME"; AMC Entertainment Holdings Inc "AMC";
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1 BlackBerry Ltd “BB”; Nokia Oyj “NOK”; Bed Bath & Beyond, Inc. “BBBY”;
2
3 Express, Inc. “EXPR”; Koss Corporation “KOSS”; and Naked Brand Group Ltd
4 “NAKD,” stocks.

5 54. Had Plaintiff and the Class members known that the Defendants' would
6 intentionally prevent them from trading Gamestop Corp. “GME”; AMC
7 Entertainment Holdings Inc “AMC”; BlackBerry Ltd “BB”; Nokia Oyj “NOK”; Bed
8 Bath & Beyond, Inc. “BBBY”; Express, Inc. “EXPR”; Koss Corporation “KOSS”;
9 and Naked Brand Group Ltd “NAKD,” and/or access to their accounts and actual
10 investment funds, then they would not have used the Defendants’ services.
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14 55. Defendant's conduct is also unlawful, and violates FINRA rules
15 requiring them to make required disclosures to consumers and not to make false and
16 misleading advertising, as alleged herein.
17

18 56. Defendants' unfair, fraudulent, and unlawful business practices directly
19 and proximately caused damages to Plaintiff and the Class members.
20

21 57. Pursuant to Cal. Bus. & Prof. Code § 17203, Plaintiff seeks an order:
22 (a) requiring Defendants to cease the deceptive and unfair business practices alleged
23 herein; (b) requiring Defendant to restore to Plaintiff and the Class members any
24 money acquired by means of the deceptive and unfair business practices
25 (restitution); and (c) awarding reasonable costs and attorneys' fees pursuant to Cal.
26
27

1 Civ. Code § 1021.5.
2

3 **FIFTH CAUSE OF ACTION – BREACH OF FIDUCIARY DUTY**

4 58. Plaintiff incorporates by reference each of the preceding paragraphs as
5 if fully set forth herein.
6

7 59. Defendants as brokers owe a fiduciary duty to their investors, including
8 Plaintiff and the members of the Class. Plaintiff and the members of the Class are
9 customers of Defendants and they trusted Defendants to provide the services the
10 Defendants advertised and promised.
11

12 60. The fiduciary duty arising from the relationship between Plaintiff and the
13 members of the Class and Defendants was breached by the Defendants' intentionally
14 preventing the Plaintiff and members of the Class from trading Gamestop Corp.
15 “GME”; AMC Entertainment Holdings Inc “AMC”; BlackBerry Ltd “BB”; Nokia Oyj
16 “NOK”; Bed Bath & Beyond, Inc. “BBBY”; Express, Inc. “EXPR”; Koss
17 Corporation “KOSS”; and Naked Brand Group Ltd “NAKD” and access to their
18 accounts and actual investment funds.
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22 61. Defendants breached their fiduciary duties directly and proximately
23 caused damage to Plaintiff and the members of the Class.
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PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on behalf of himself and the members of the Class, demands a jury trial and prays for judgment as follows:

A. For a declaration of the rights and duties of the parties;

B. For a declaratory judgment that Defendants' actions complained herein are violations of the laws set forth herein;

C. Preliminarily and permanently enjoining Defendants from violating their duties and the rights of Plaintiffs as alleged herein;

D. Declaring this action to be a proper class action and certifying Plaintiff as the Class Representative;

E. Awarding Plaintiff and the other members of the Class compensatory damages against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

F. Awarding punitive damages and restitution where available;

G. Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as reasonable attorneys' fees, expert witness fees, and other costs and disbursements; and

H. Awarding Plaintiff and the other members of the Class such other and

1 further relief as the Court may deem just and proper.
2

3 **JURY DEMAND**

4 62. Plaintiff and members of the Class hereby demand a trial by jury.

5 Dated: January 28, 2020
6

7 RESPECTFULLY SUBMITTED:

8 BY: /s/ *Richard C. Dalton*

9 Richard C. Dalton

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11 Louisiana Bar No. 23017

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