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12 JOSH GOSSETT and JAMES LAPLANT

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

15 JOSH GOSSETT and JAMES LAPLANT,
16 each individually, and on behalf of all
17 others similarly situated,

Case No.:

18 Plaintiffs,

**CLASS ACTION COMPLAINT FOR
DAMAGES**

19 v.

[DEMAND FOR JURY TRIAL]

20
21 ROBINHOOD FINANCIAL, LLC, a
Delaware limited liability company;
22 ROBINHOOD SECURITIES, LLC, a
Delaware limited liability company;
23 ROBINHOOD MARKETS, INC., a
24 Delaware Corporation; and DOES 1-100,
25 inclusive,

26 Defendants.

1 Plaintiffs JOSH GOSSETT and JAMES LEPLANT (“Plaintiffs”) bring this
2 class action complaint against Defendants, ROBINHOOD FINANCIAL, LLC, a
3 Delaware limited liability company; ROBINHOOD SECURITIES, LLC, a Delaware
4 limited liability company; ROBINHOOD MARKETS, INC., a Delaware Corporation
5 (collectively referred to herein as “Defendants” or “Robinhood”); and DOES 1-100,
6 inclusive, based on the following allegations:

7 **NATURE OF THE ACTION**

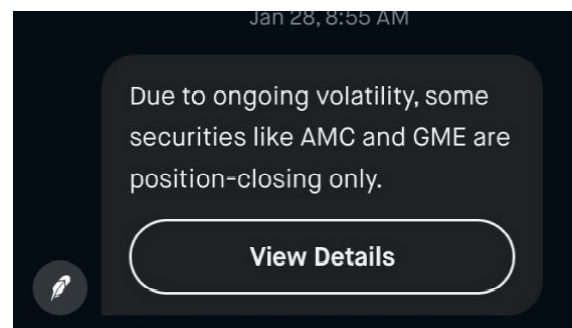
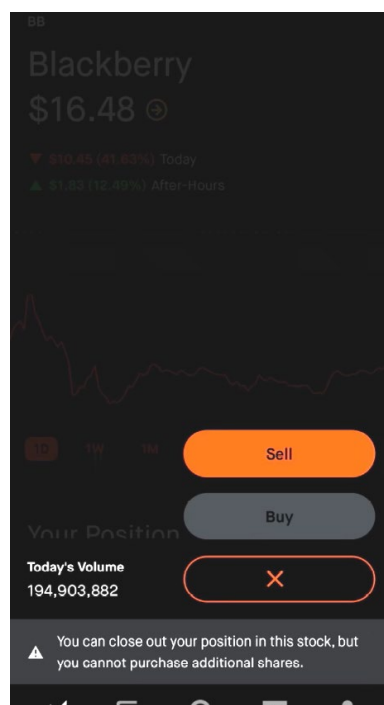
8 1. Robinhood, famous as the champion of the small retail investor, is a
9 multi-billion-dollar online brokerage which prides and markets itself on
10 “democratizing finance for all.” In a March 23, 2016 tweet, the company asserted
11 what one would expect from the self-professed “Robin Hood” of retail trading: “Let
12 the people trade.” Robinhood’s *raison d’etre* was to bring the advantages of market
13 participation to millions of average, non-institutional investors. As a broker,
14 Robinhood owed its clients fiduciary duties. These included the duty of loyalty, good
15 faith, to act reasonably and to avoid choosing competing interests over that of its
16 clients. That is what Robinhood’s clients expected and that is what they deserved. To
17 be treated with the same good faith as institutional market players. Robinhood
18 provided the platform. The clients would pick the market’s winners and losers.
19 However, on or about January 27, 2021, **Robinhood switched sides.**

20 2. Indeed, the Company plunged into infamy when it deliberately, willfully
21 and knowingly breached its duties to its own clients in favor of its own interest and
22 the interest of others. Acting against a large and defenseless portion of its customers,
23 Robinhood wantonly brought the ability of millions of its clients to freely trade
24 various securities on its platform to a screeching and unceremonious halt. Upon
25 information and belief, Robinhood’s actions immediately erased hundreds of millions
26 of dollars in client gains (and potential gains) and prevented clients from mitigating
27 significant losses. Robinhood acted contrary to the interests of its clients and anointed
28 itself as the overlord of the free market, opting to damage its clients in favor of its

1 own financial interests and the interests of other market participants, many of whom
2 had interests directly adverse to Robinhood’s clients.

3 3. Indeed, Robinhood deliberately, willfully and knowingly disabled the
4 “buy” function for any of its users who attempted to trade the following securities:
5 Gamestop (“GME”), AMC Entertainment Holdings, Inc (“AMC”) and BlackBerry
6 Ltd (“BB”), among other stocks. Collectively, GME, AMC, BB shall be referred to
7 as, the “Securities.” Such action is completely diametrical to Robinhood’s advertised
8 selling point of “democratizing finance” for all. The effect of Robinhood’s actions
9 were intentionally designed to benefit, and actually benefitted, large, corporate
10 financial interests that bet against, or shorted, the Securities. The presumptive
11 constituents of Robinhood’s “democracy,” the Company’s alleged “target market” of
12 average “Jack and Jill” traders, were sacrificed in favor of large institutions and
13 market players, and Robinhood’s own’s self-interest.

14 4. A significant number of retail investors who relied on Robinhood to be
15 their champion, and who chose Robinhood’s platform to invest their money, were
16 told that “ongoing volatility” was the reason for the sudden suspension of certain
17 basic and crucial account trading functions.



1 believe, and based thereon allege, that each of the fictitiously named defendants is the
2 agent, servant, employee, representative, partner, and/or joint venturer of their co-
3 defendants, and so ratifies all of their acts and conduct. Therefore, each Doe
4 Defendant is responsible in some manner for the occurrences herein alleged, and
5 Plaintiffs' damages as herein alleged were proximately caused by said Defendants.

6 12. At all relevant times, each Defendant was the agent of the other
7 Defendants and was at all times acting within the purpose and scope of such agency.
8 Moreover, in committing the acts and omissions asserted herein, Defendants, and
9 each of them, were acting in concert together, in the course and scope of their
10 respective relationship with each other, whether as employees, agents,
11 representatives, independent contractors, providers, service providers, as agents or
12 representatives of each other, respectively, or as joint venturers, co-conspirators or
13 otherwise.

14 JURISDICTION

15 13. This Court has subject-matter jurisdiction over this action pursuant to 28
16 U.S.C. § 1332(d)(2). The aggregate claims of all members of the proposed Class and
17 are in excess of \$5,000,000, exclusive of interest and costs, and there are more than
18 one hundred (100) putative class members. Further, several members of the putative
19 class are citizens of a state different from Defendants.

20 VENUE

21 14. Venue is proper pursuant to 28 U.S.C. §1391(b) because, on information
22 and belief, a substantial part of the events or omissions giving rise to the claims
23 occurred in this judicial district, and Plaintiffs' cause of action arose in this district.

24 CLASS ACTION ALLEGATIONS

25 15. Plaintiffs bring claims pursuant to Federal Rule of Civil Procedure 23 on
26 behalf of the Class, including, or in the alternative, all subclasses, as follows:

- 27 **(a) All Robinhood customers within the United States who,**
28 **due to Robinhood's willful, knowing and purposeful**

1 **disabling of any part of the functionality of their accounts,**
2 **were unable to execute trades on AMC.**

3 **(b) All Robinhood customers within the California who, due**
4 **to Robinhood’s willful, knowing and purposeful disabling**
5 **of any part of the functionality of their accounts, were**
6 **unable to execute trades on GME.**

7 **(c) All Robinhood customers within the United States who,**
8 **due to Robinhood’s willful, knowing and purposeful**
9 **disabling of any part of the functionality of their accounts,**
10 **were unable to execute trades on BB.**

11 16. Explicitly excluded from the Class are: (i) Robinhood entities and their
12 current officers, agents and employees; (ii) counsel for either party; and (iii) the Court
13 and its personnel presiding over this action.

14 17. **Numerosity/Impracticability of Joinder:** The precise number of
15 members of the proposed Class is unknown to Plaintiffs at this time. However,
16 Plaintiffs are informed and believe, and based thereon allege, that the members of the
17 Class are so numerous that joinder of all members would be impractical and
18 unfeasible. Plaintiffs are informed and believe, and based thereon allege, that there
19 are hundreds of thousands of persons (if not more) within the Class. All members
20 may be notified of the pendency of this action by reference to Defendants’ records, or
21 via alternative means.

22 18. **Commonality and Predominance:** There are questions of law and fact
23 that are common to the claims of Plaintiffs and members of the proposed Class. These
24 common questions of law and fact exist as to all Class members and predominate any
25 questions affecting only individual members. Common questions of law and fact,
26 include, but are not limited to, the following:

27 (a) Whether Defendants breached their agreement with Named Plaintiffs and
28 the Class to permit trading of the Securities on the Defendants’ platform;

- 1 (b) Whether Defendants' conduct unfairly divested Named Plaintiffs and the
2 Class of the benefit of their agreement with the Defendants;
- 3 (c) Whether Defendants breached their duty to Named Plaintiffs and the Class
4 to diligently execute or permit reasonable trading requests;
- 5 (d) Whether Defendants failed to meet their duty of care when they wantonly,
6 and without justification or notice, disabled certain trading privileges of
7 the Named Plaintiffs and the Class;
- 8 (e) Whether Defendants intentionally, and without justification or notice,
9 restricted certain abilities of Named Plaintiffs and the Class to freely
10 participate in the trading of the Securities, thereby causing Named
11 Plaintiffs and the Class to suffer damages;
- 12 (f) Whether Defendants violated Financial Industry Regulator Authority
13 Rule, 5310;
- 14 (g) Whether Defendants breached their fiduciary duties to Named Plaintiffs
15 and the Class;
- 16 (h) Whether Defendants engaged in unlawful business practices in violation
17 of Cal. Bus. & Prof. Code § 17200;
- 18 (i) foregoing;
- 19 (j) Whether Named Plaintiffs and the Class were injured as a result of
20 Defendants' conduct.

21 19. **Typicality:** Plaintiffs' claims are typical of the claims of the members of
22 the proposed Class. All members of the proposed Class have been injured by
23 Defendants' unlawful conduct. Plaintiffs' claims arise from the same practices and
24 course of conduct giving rise to the claims of the members of the proposed Class.
25 Plaintiffs will fairly and adequately represent the interest of the proposed Class
26 because Plaintiffs are members of the proposed Class and do not have an interest
27 that is contrary to or in conflict with those members. There is a well-defined
28 community of interest in the questions of law and fact affecting the class of persons

1 that Plaintiffs represent as a whole. Plaintiffs were unable to trade the Securities as a
2 result of Defendants' unlawful conduct and sustained damages as a result.

3 20. **Superiority:** A class action is superior to any other form of action for
4 the fair and efficient adjudication of this lawsuit. Individual consumers such as
5 Plaintiffs have a difficult time prosecuting an individual action against large
6 corporations like Defendants. Even if any class member could afford individual
7 litigation against Defendants, it would be unduly burdensome to the court system.
8 Individual litigation of such numerous claims magnifies the delay and expense to all
9 parties and the court system. By contrast, a class action presents far fewer
10 management obstacles and affords the benefits of unitary adjudication, economies of
11 scale, and comprehensive supervision by a single court. A class action will promote
12 judicial economy and parity among the claims of the individual class members, as
13 well as judicial consistency. Notice of the pendency and any resolution of this action
14 can be efficiently provided to class members by mail, print, broadcast, internet,
15 and/or multimedia publication. Requiring each class member to both establish
16 individual liability and pursue an individual remedy would discourage the assertion
17 of lawful claims by customers who would be disinclined to pursue an action against
18 a corporate defendant like Robinhood. Proof of a common business practice or
19 factual pattern, of which the Plaintiffs experienced, is representative of the proposed
20 Class and will establish the right of each of the members of the proposed Class to
21 relief on the claims alleged herein.

22
23 21. Prosecution of separate actions by individual members of the proposed
24 Class would create a substantial risk of inconsistent or varying adjudications, which
25 may produce incompatible standards of conduct for Defendants. Prosecution of
26 separate actions by individual members of the proposed Class would create a risk of
27 adjudications with respect to individual members which may, as a practical matter,
28 be dispositive of the interest of other members not parties to the adjudication or

1 losses in the Securities.

2 *Allegations Relating to Plaintiff Josh Gossett*

3 28. On the morning of January 28, 2021, Mr. Gossett opened his Robinhood
4 app to place an order for GME and AMC, two stocks in which he already owned
5 shares. However, Mr. Gossett found that the app prevented him from purchasing
6 additional stock in these companies. Mr. Gossett, like Mr. LaPlant, received a
7 notification that he could only “close [his] position in this stock[.]”

8 29. Thus, Mr. Gossett was divested of the ability to trade on the AMC and
9 GME, and lost out on earning opportunities in GME and AMC. Thus, Mr. Gossett,
10 lost out on earning opportunities in GME, AMC, was damaged in the positions he
11 held and/or was prevented from mitigating losses in the said positions.

12 **FIRST CAUSE OF ACTION**
13 **BREACH OF IMPLIED COVENANT OF**
14 **GOOD FAITH AND FAIR DEALING**
15 **(Against All Defendants; and DOES 1-100)**

16 30. Plaintiffs hereby incorporate by reference Paragraphs 1 through 29 of
17 this Complaint as though fully set forth herein and for a cause of action alleges as
18 follows:

19 31. Plaintiffs and Defendants entered into a contract pursuant to which
20 Defendants agreed to provide brokerage services (the “Agreement”).

21 32. Every contract imposes upon each party a duty of good faith and fair
22 dealing in the performance of the contract such that neither party shall do anything
23 which will have the effect of destroying or injuring the right of the other party to
24 receive the fruits of the contract.

25 33. Defendants materially breached the covenant of good faith and fair
26 dealing implied in the Agreement as a matter of law by, among other things, failing to
27 provide notice that certain critical account functions of Plaintiffs would be suspended,
28 actually and in fact suspending such account functions, and knowingly undertaking

1 certain acts that undermined Plaintiffs' rights under the Agreement and their interests
2 in the Securities.

3 34. Plaintiffs expected that Defendants would use their best efforts to take
4 actions in support of and to fulfill the terms of the Agreement. The actions of
5 Defendants as hereinbefore described, are in violation of the implied covenant of
6 good faith and fair dealing and have caused Plaintiffs to suffer damages in an amount
7 to be determined at trial.

8 35. As a direct and proximate result of the foregoing breach, Plaintiffs have
9 been materially prejudiced and has sustained damages in an amount to be proven at
10 trial.

11 **SECOND CAUSE OF ACTION**
12 **NEGLIGENCE**
13 **(Against All Defendants; and DOES 1-100)**

14 36. Plaintiffs hereby incorporate by reference Paragraphs 1 through 35 of
15 this Complaint as though fully set forth herein and for a cause of action alleges as
16 follows:

17 37. Defendants had a duty to exercise reasonable care in conducting and
18 facilitating transactions on behalf of its clients. Defendants had a duty to exercise
19 reasonable care to facilitate, or otherwise permit, Plaintiffs to trade freely from their
20 Robinhood accounts. Defendants had a duty to exercise reasonable care to refrain
21 from taking steps which caused injury to the Plaintiffs in their trading activities and
22 market positions.

23 38. Defendants breached their duties to exercise reasonable care as described
24 hereinabove.

25 39. Plaintiffs were harmed as a result.

26 40. As result and proximate cause of Defendants' negligence Plaintiffs
27 suffered damages.
28

1 **THIRD CAUSE OF ACTION**
2 **BREACH OF FIDUCIARY DUTY**

3 **(Against All Defendants; and DOES 1-100)**

4 41. Plaintiffs hereby incorporate by reference Paragraphs 1 through 40 of
5 this Complaint as though fully set forth herein and for a cause of action alleges as
6 follows:

7 42. Plaintiffs allege that at all times herein mentioned, Defendants owed
8 fiduciary duties including, without limitation, the duties of loyalty, care, good faith, to
9 act reasonably and to avoid choosing competing interests over that of its clients.
10 Plaintiffs further alleges that Defendants breached their fiduciary duties to Plaintiffs
11 by participating in and facilitating improper and unlawful actions, or omissions as
12 alleged hereinabove.

13 43. At all times relevant herein mentioned, Defendants failed to act loyally,
14 in good faith, in the best interests of Plaintiffs, and with such care as an ordinarily
15 prudent person in a like position would use under similar circumstances.

16 44. Plaintiffs were harmed as a result.

17 45. Defendants' conduct was a substantial factor in causing Plaintiffs' harm.

18 **FOURTH CAUSE OF ACTION**
19 **UNLAWFUL BUSINESS PRACTICES**
20 **(CAL. BUS. & PROF. CODE § 17200, *et seq.*)**
21 **(Against All Defendants; and DOES 1-100)**

22 46. Plaintiffs hereby incorporate by reference Paragraphs 1 through 45 of
23 this Complaint as though fully set forth herein and for a cause of action alleges as
24 follows:

25 47. By the conduct described hereinabove, Defendants have engaged in an
26 unfair business act or practice in violation of Cal. Bus. & Prof. Code § 17200, *et seq.*

27 48. Plaintiffs are informed and believe, and based thereon allege, that the
28 Defendants actions as pleaded herein constitute unfair and unlawful business
practices, and, as a result thereof, caused damages to Plaintiffs. Defendants' conduct
was a substantial factor in causing Plaintiffs' harm.

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PRAYER

WHEREFORE, Plaintiffs pray for judgment against Defendants as follows:

1. For compensatory damages, in an amount according to proof;
2. For consequential damages, in an amount according to proof;
3. For restitution of all wrongfully acquired amounts and disgorgement of all ill-gotten profits, in an amount according to proof;
4. For all statutory penalties authorized by law;
5. For punitive and/or exemplary damages in an amount sufficient to punish Defendants for the wrongful conduct alleged herein and to deter such conduct in the future;
6. For Plaintiffs' reasonable attorneys' fees and costs pursuant to all applicable provisions of law;
7. For all costs of suit incurred herein;
8. For prejudgment and post judgment interest at the maximum legal rate; and
9. For such other relief as the Court may deem proper.

Dated: January 28, 2021

PESSAH LAW GROUP, PC

By: /s/ Maurice D. Pessah
Maurice D. Pessah
Michael Morris-Nussbaum
Summer E. Benson
Attorneys for Plaintiffs
and the Class

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CHELIN LAW FIRM

By: /s/ Stuart N. Chelin
Stuart Chelin
Attorneys for Plaintiffs
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DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a trial by jury.

Dated: January 29, 2021

PESSAH LAW GROUP, PC

By: /s/ Maurice D. Pessah
Maurice D. Pessah
Michael Morris-Nussbaum
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Attorneys for Plaintiffs
JOSH GOSSETT and
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