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10
 11 **IN THE UNITED STATES DISTRICT COURT**
SOUTHERN DISTRICT OF CALIFORNIA
 12

13 Case No. '21CV0238 JLS DEB

14 EMIL PETROSYAN, on behalf of
 himself and all others similarly situated,
 15
 Plaintiff,
 16

17 vs.

18 ROBINHOOD FINANCIAL LLC, a
 19 Delaware corporation; ROBINHOOD
 20 SECURITIES, LLC, a Delaware
 corporation; and ROBINHOOD
 21 MARKETS, INC., a Delaware
 22 corporation.

23 Defendants.
 24

CLASS ACTION COMPLAINT

1. Breach of Contract;
2. Breach of the Implied Covenant of Good Faith and Fair Dealing;
3. Negligence;
4. Breach of Fiduciary Duty;
5. Violation of California's Consumer Legal Remedies Act, Cal. Civ. Code §§ 1750;
6. Violation of California Unfair Competition Law, Cal. Bus. & Prof. Code §§ 17200, *et seq.*

JURY TRIAL DEMANDED

1 Plaintiff Emil Petrosyan (“Plaintiff”), by and through his attorneys, brings
2 this class action lawsuit against Defendants Robinhood Financial LLC,
3 Robinhood Securities, LLC; and Robinhood Markets, Inc. (“Defendants” or
4 “Robinhood”), on behalf of himself and all others similarly and alleges, upon
5 personal knowledge, information and belief, and the investigation of his counsel.
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7

8 NATURE OF ACTION

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10 1. Founded in 2013, Robinhood is a multi-billion online brokerage firm
11 and website investment service that places stock trade orders on behalf of users like
12 Plaintiff and Class members. According to its website, Robinhood is on a “mission
13 to democratize finance for all” with the belief that “the financial system should be
14 built to work for everyone.” (About Us, ROBINHOOD (2021),
15 <https://robinhood.com/us/en/about-us/> (last visited January 29, 2021). Robinhood,
16 as a brokerage firm, owes its clients the fiduciary duties of loyalty, good faith, to act
17 reasonably and to avoid choosing competing interests over the best interests of its
18 clients.
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21
22 2. On and around January 28, 2021, however, Robinhood deliberately,
23 willfully, and knowingly denied its retail investors, including Plaintiff and the Class,
24 access to various stocks, including, but not limited to, AMC Theatres “AMC” and
25 Nokia “NOK,” (the “Securities”) by restricting their ability to make transactions
26 with these stocks. Upon information and belief, by preventing and limiting the ability
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1 of Plaintiff and the Class to trade the Securities, Robinhood sought to benefit large,
2 institutional investors and hedge funds that bet against, or shorted, the Securities.

3
4 3. Upon information and belief, Plaintiff and the Class were denied
5 hundreds of millions of dollars in gains and potential gains, and denied the ability to
6 mitigate significant losses, as a result of Robinhood's actions. Robinhood acted
7 against the best interests of its clients and in favor of its own financial interests and
8 of other market participants.
9

10 **JURISDICTION AND VENUE**

11
12 4. This Court has subject matter jurisdiction over this action pursuant to
13 28 U.S.C. 1332(d)(2)(a). The aggregate claims of all members of the proposed Class
14 and are in excess of \$5,000,000, exclusive of interests and costs, and there are more
15 than one hundred (100) putative class members. Further, several members of the
16 putative class are citizens of a different state from Defendants.
17

18
19 5. This Court has personal jurisdiction over Defendants, who are citizens
20 of California, and conduct business in California, including the Southern District,
21 and a substantial portion of the acts complained of herein took place in California.
22

23 **VENUE**

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

PARTIES

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3 7. Plaintiff Emil Petrosyan is an adult citizen of California and resides in
4 San Diego County. At all times material hereto, Mr. Petrosyan acquired the
5 Robinhood mobile phone application and utilized the same to acquire trade-and -
6 hold securities in California. On or around March 2017, Plaintiff created a
7 Robinhood account and began using Robinhood for brokerage services. When
8 Defendant halted trading on its securities exchange platform of Nokia (NOK) and
9 AMC Theatres (AMC), among other securities, for retail investors, Mr. Petrosyan
10 owned shares in AMC and Nokia.
11

12
13 8. Defendant Robinhood Markets, Inc. is a financial service holding
14 company incorporated in Delaware with its principal place of business located at 85
15 Willow Road, Menlo Park, CA 94025. It is the holding company for Defendants
16 Robinhood Financial LLC and Robinhood Securities, LLC. Defendant Robinhood
17 Markets, Inc. is a named party to the Robinhood Terms & Conditions Agreement
18 governing Robinhood’s website and mobile applications.
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21 9. Defendant Robinhood Financial LLC is a Delaware corporation with
22 its principal place at 85 Willow Road, Menlo Park, California 94025. It is a wholly-
23 owned subsidiary of Robinhood Markets, Inc. and an affiliate of Defendant
24 Robinhood Securities, LLC. Robinhood Financial, LLC is registered as a broker-
25 dealer with the U.S. Securities & Exchange Commission (“SEC”). Defendant
26 Robinhood Financial LLC, acts as an introducing broker-dealer, offering brokerage
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1 services to retail investors and allowing customers to open online accounts and
2 electronically deposit funds. It is a named party to the Robinhood Terms &
3 Conditions Agreement governing Robinhood's website and mobile applications. It
4 is also a party to the Robinhood Customer Agreements, governing the purchase, sale,
5 or carrying of securities or contracts and/or relating thereto and/or the borrowing of
6 funds.
7

8
9 10. Defendant Robinhood Securities, LLC is a Delaware corporation with
10 its principal place of business at 500 Colonial Center Parkway, Suite 100, Lake
11 Mary, Florida 32746. It is a wholly-owned subsidiary of Defendant Robinhood
12 Markets, Inc. and a registered as a broker-dealer with the SEC and full service
13 securities firm. Once a customer creates an account with Robinhood Financial LLC,
14 Defendant Robinhood Securities is the custodian of customers' funds and the
15 securities customers purchase. Defendant Robinhood Securities services customer
16 accounts; executes, clears, and settles customer trades; prepares and distributes
17 customer account statements and trade confirmations; and extends credit to customer
18 margin accounts. It is a party to the Robinhood Customer Agreements governing the
19 purchase, sale, or carrying of securities or contracts relating thereto and/or the
20 borrowing of funds, which transactions are cleared through it.
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1 **FACTUAL ALLEGATIONS**

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3 **Robinhood Targets Young Investors and Experiences Considerable**
4 **Growth.**

5 11. Founded in 2013, Robinhood is a registered broker-dealer with the
6 Securities Exchange Commission and a member of the Financial Industry
7 Regulation Authority (“FINRA”). It offers self-directed securities brokerage
8 services to customers through its website and smartphone applications. Robinhood
9 owes a duty of good faith and a duty of loyalty to its clients, requiring it to avoid
10 favoring competing interests over the best interests of its clients.
11

12
13 12. The average age of Robinhood’s customers is 28-41, and many of them
14 use Robinhood to make their first stock purchase. Vlad Tenev, a founder and co-
15 chief executive of Robinhood, explained in an interview that young investors risked
16 greater losses by not investing in stocks at all, as not participating in the markets
17 “ultimately contributed to the sort of the massive inequalities that we’re seeing in
18 society.”
19

20
21 13. In March 2015, Robinhood began offering retail brokerage accounts to
22 the general public, and in particular, targeted young adults that had little investing
23 experience. Robinhood promised “commission-free” and “discount” services, and
24 on March 23, 2016, Robinhood tweeted “Let the people trade.”
25

26 14. Robinhood has experienced significant growth as a relatively new
27 online brokerage firm. By 2019, Robinhood had a valuation of \$7.6 billion and in
28

1 2020, became worth approximately \$8.3 billion. As of its most recent SEC filing,
2 Robinhood has 13 million users.
3

4 **Robinhood Restricts Trading for Retail Investors In January 2021.**

5 15. On or around January 22, 2021 stocks in Nokia Corporation, (“NOK”)
6 began to rise.
7

8 16. On or around January 26, 2021, stocks in AMC Entertainment
9 Holdings, Inc. (“AMC”) began to rise.
10

11 17. At these times, Robinhood allowed retail investors, including Plaintiff
12 and the Class, to trade NOK and AMC on the open market.
13

14 18. On or about January 28, 2021, in order to slow the growth of NOK,
15 AMC, and other securities, Robinhood deprived its individual retail investor
16 customers the ability to transact on its platform for certain securities, including
17 NOK, and AMC.
18

19 19. Through its website, Robinhood stated, “[w]e continuously monitor the
20 markets and make changes where necessary. In light of recent volatility, we are
21 restricting transactions for certain securities to position closing only.”
22

23 [https://blog.robinhood.com/news/2021/1/28/keeping-customers-informed-through-
25 market-volatility](https://blog.robinhood.com/news/2021/1/28/keeping-customers-informed-through-
24 market-volatility) (Last visited February 2, 2021). These securities included AMC
26 and NOK.

27 20. A notification appeared on Robinhood telling its clients that they could
28 only close their position on NOK and AMC.

1 21. Robinhood had completely blocked retailer investors from purchasing
2 AMC, NOK, and other securities for no legitimate reason, therefore depriving
3 retailer investors from the benefits of Robinhood’s services.
4

5 22. Meanwhile, hedge funds and institutional investors were able to trade
6 these securities as normal.
7

8 23. Robinhood claims that it restricted trading of the Securities because it
9 needed to comply with deposit requirements mandated by SEC-registered
10 clearinghouses. [https://blog.robinhood.com/news/2021/1/29/what-happened-this-](https://blog.robinhood.com/news/2021/1/29/what-happened-this-week)
11 [week](https://blog.robinhood.com/news/2021/1/29/what-happened-this-week) (last visited February 3, 2021)
12

13 24. Upon information and belief, Robinhood’s actions were done
14 purposefully and knowingly to manipulate the stock market for the benefit of hedge
15 funds and institutional investors, and not its clients.
16

17 25. The Financial Industry Regulatory Authority (“FINRA”), which
18 governs brokers like Robinhood, espouses rule 5310 regarding “Best Execution and
19 Interpositioning.” Rule 5310.01 requires that Robinhood “must make every effort to
20 execute a marketable customer order that it receives promptly and fully.” By failing
21 to respond at all to customers’ placing timely trades—and outright blocking
22 customers from trading a security—Robinhood has breached these, among other,
23 obligations and caused its customers substantial losses due solely to its own
24 negligence and failure to maintain adequate infrastructure.
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1 ***Plaintiff's Experience***

2 26. On or around the morning of January 28, 2021, Plaintiff opened the
3 Robinhood mobile app to place an order for AMC and NOK, two stocks in which he
4 already owned share.

5
6 27. Plaintiff, however, found that the app prevented him from purchasing
7 additional stock in these companies. Plaintiff received a notification that he could
8 only “close [his] position in this stock[.]”

9
10 28. Because Robinhood prevented him from purchasing additional stock of
11 AMC and NOK, Plaintiff was divested of the ability to trade AMC and NOK. Thus,
12 Plaintiff was denied earning opportunities through AMC and NOK, was damaged in
13 the positions held, and/or was prevented from mitigating losses in these positions.

14
15 **CLASS ACTION ALLEGATIONS**

16
17 29. Plaintiff brings this claim pursuant to Federal Rule of Civil Procedure
18 23 on behalf of the Class, including, or in the alternative, all subclasses, as follows:

19 (a) All Robinhood clients within the United States who, due to
20 Robinhood’s purposeful and knowing disabling of any part of the
21 functionality of their accounts, were unable to execute trades on
22 AMC.

23
24 (b) All Robinhood clients within the United States who, due to
25 Robinhood’s purposeful and knowing disabling of any part of the
26 functionality of their accounts, were unable to execute trades on
27 NOK.
28

1 30. Explicitly excluded from the Class are: (i) Robinhood entities and their
2 current officers, agents, and employees; (ii) counsel for either party; and (iii) the
3 Court and its personnel presiding over this action.
4

5 31. Plaintiff hereby reserves the right to amend or modify the Class
6 definitions with greater specificity or division after having had an opportunity to
7 conduct discovery.
8

9 32. The proposed Classes meet the criteria for certification under Rules
10 23(a) and (b)(3).
11

12 33. **Numerosity. Fed. R. Civ. P. 23(a)(1).** The members of the Classes are
13 so numerous that the joinder of all members is impractical. Robinhood had
14 approximately 13 million user accounts in November 2020. Upon information and
15 belief, Plaintiff states that there are at least hundreds of thousands of Class members
16 who have been damaged by Robinhood’s conduct as alleged herein. The precise
17 number of Class members is unknown to Plaintiff but can be readily ascertained
18 from Robinhood’s records.
19

20 34. **Commonality and Predominance. Fed. R. Civ. P. 23(a)(2) and**
21 **(b)(3).** This action involves common questions of law and fact, which predominate
22 over any questions affecting individual Class members. These common legal and
23 factual questions include, but are not limited to, the following:
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- 26 (a) Whether Robinhood breached their agreement with Plaintiff and the
27 Class to permit trading of the Securities on Robinhood’s platform;
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- (b) Whether Robinhood’s conduct unfairly divested Plaintiff and the Class of the benefit of their agreement with Robinhood;
- (c) Whether Robinhood failed to meet its duty of care to Plaintiff and the Class to diligently execute or permit reasonable trading requests;
- (d) Whether Robinhood failed to meet its duty of care when it purposefully, knowingly, and without justification or notice, disabled certain trading privileges of Plaintiff and the Class;
- (e) Whether Robinhood failed to meet its duty of care when it purposefully, knowingly, and without justification or notice, restricted certain abilities of Plaintiff and the Class to freely participate in the trading of the Securities, thereby causing Plaintiff and the Class to suffer damages;
- (f) Whether Robinhood breached its duty of care when it purposefully, knowingly, and without justification or notice, failed to provide financial services in connection with the Securities;
- (g) Whether Robinhood violated the Financial Industry Regulator Authority Rule, 5310;
- (h) Whether Robinhood breached its fiduciary duties to Plaintiff and the Class;
- (i) Whether Robinhood violated the CLRA;

1 (j) Whether Robinhood engaged in unlawful business practices in
2 violation of Cal. Bus. & Prof. Code § 17200;

3
4 (k) Whether Robinhood engaged in unfair business practices in
5 violation of Cal. Bus. & Prof. Code § 17200;

6
7 (l) Whether Plaintiff and the Class were injured as a result of
8 Robinhood's conduct.

9 35. **Typicality. Fed. R. Civ. P. 23(a)(3).** Plaintiff's claims are typical of
10 those of other Class members. All claims depend on Robinhood's uniform course of
11 conduct described herein, and any factual differences in individual Class members'
12 claims are rooted in the same cause. Plaintiff's damages and injuries are akin to other
13 Class members, all of those injuries and damages arise from Robinhood's uniform
14 conduct, and Plaintiff seeks relief consistent with the relief sought by the Classes.
15
16

17 36. **Adequacy. Fed R. Civ. P. 23(a)(4).** Plaintiff is an adequate
18 representative of the Class because he is a member of the Classes he seeks to
19 represent, he is committed to pursuing this matter against Robinhood to obtain relief
20 for the Classes, and has no conflicts of interest with the Class members. Furthermore,
21 Plaintiff's counsel are competent and experienced in litigating class actions,
22 including litigation of this kind. Plaintiff intends to vigorously prosecute this case
23 and will fairly and adequately protect the interests of the Class members.
24
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27 37. **Superiority Fed. R. Civ. P. 23(b)(3).** A class action is superior to all
28 other available means for the fair and efficient adjudication of this controversy, and

1 no unusual difficulties are likely to be encountered in the management of this class
2 action. The paramount purpose of a class action mechanism is to permit litigation
3 against any wrongdoers even when damages to an individual plaintiff may not be
4 sufficient to justify individual litigation. The Classes are largely comprised of
5 individuals without much investing experience, not large institutional investors.
6 Thus, the damages suffered by Plaintiff and Class members are relatively small
7 compared to the burden and expense required to individually litigate their claims
8 against Robinhood, and therefore individual litigation to redress Robinhood's
9 wrongful conduct would be impracticable. Individual litigation by each Class
10 member would also strain the court system, increase the delay and expense to all
11 parties, and create the potential for inconsistent or contradictory judgments. By
12 contrast, the class action device presents far fewer management difficulties and
13 provides the benefits of a single adjudication, economies of scale, and
14 comprehensive supervision by a single court.
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20 38. Unless a Class is certified, Robinhood will retain monies received as a
21 result of its conduct that were undertaken from Plaintiff and Class members.
22

23 **COUNT I**

24 **Breach of Contract**

25 39. Plaintiff re-alleges and incorporates paragraphs 1-37 of this Complaint as
26 though fully set forth herein.
27
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1 40. To use Robinhood’s Trading Platform, clients, including Plaintiff and
2 the Class, must enter into a Customer Agreements with Robinhood.

3
4 41. Plaintiff and the Class entered into a Customer Agreements with
5 Robinhood;

6 42. Plaintiff and the Class fulfilled their obligations under the Customer
7 Agreements by adhering to their terms and using Robinhood’s trading services
8 through its website and trading platform.

9
10 43. Robinhood was obligated to provide trading services required under
11 those contracts at all times, including but not limited to, trades for AMC and/or
12 NOK.

13
14 44. Robinhood unfairly interfered with the rights of Plaintiff and the Class
15 and breached its Customer Agreements by, among other things, (i) failing to disclose
16 that its platform was going to arbitrarily remove profitable stocks from its platform;
17 (ii) that Robinhood failed to provide adequate explanation to their customers; (iii)
18 that Robinhood knowingly put their clients at a disadvantage compared to customers
19 who used other trading apps; (iv) that Robinhood failed to provide access to its own
20 financial incentives to remove certain securities including AMC and NOK; (v) that
21 Robinhood’s prohibited plaintiffs from performing in a timely manner, if at all,
22 under the contract; (vi) that Robinhood failed to comply with all applicable legal,
23 regulatory, and licensing requirements; and (viii) Robinhood failed to exercise trades
24 and actions requested by customers.
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1 and (iii) knowingly undertaking certain acts that undermined Plaintiffs' rights under
2 the Customer Agreements and their interest in the Securities.

3
4 51. Plaintiff and the Class expected that Robinhood would use its best
5 efforts to support and fulfill the terms of the Customer Agreement. The actions of
6 Robinhood as described in this Complaint violate the implied covenant of good faith
7 and fair dealing and have caused Plaintiff and the Class to suffer damages in an
8 amount to be determined at trial.

9
10 52. As direct and proximate cause of Robinhood's breach of the implied
11 covenant of good faith and fair dealing, Plaintiff and the Class have been materially
12 prejudiced and have sustained damages in an amount to be proven at trial.

13
14
15 **COUNT III**

16 **Negligence**

17 53. Plaintiff hereby incorporates by reference the factual references set
18 forth above.

19
20 54. Robinhood had a duty to exercise reasonable care in conducting and
21 facilitating transactions for its clients, including retail investors such as Plaintiff and
22 the Class.

23
24 55. Robinhood had a duty to exercise reasonable care in providing trades
25 on the free, open market for its customers.

26
27 56. Robinhood breached its duties by, among other things:
28

- 1 (a) failing to diligently permit and execute reasonable trading requests
- 2 on behalf of Plaintiff and the Class;
- 3
- 4 (b) disabling the trading privileges of Plaintiff and the Class without
- 5 justification or notice;
- 6
- 7 (c) restricting the ability of Plaintiff and the Class to freely participate
- 8 in trading of the Securities without justification or notice;
- 9
- 10 (d) failing to provide financial services related to the Securities;

11 57. Robinhood’s negligent breaches of its duties directly and proximately
12 caused harm to Plaintiff and the Class that would not have occurred but for
13 Robinhood’s breaches of its duty of care.

14 58. As a result and proximate cause of Robinhood’s negligence, Plaintiff
15 and the Class suffered damages in an amount to be determined at trial.

17 **COUNT IV**

18 **Breach of Fiduciary Duty**

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20 59. Plaintiff hereby incorporates by reference the factual references set
21 forth above.

22

23 60. As a licensed provider of financial services, Robinhood owed a
24 fiduciary duty to Plaintiff and the Class and owed them the highest duties of loyalty,
25 care, good faith, and to act reasonably and avoid choosing competing interests over
26 that of its clients.
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1 and deceptive business practices. To this end, the CLRA sets forth a list of unfair
2 and deceptive acts and practices in Civil Code section 1770.
3

4 66. The CLRA applies to Robinhood’s actions and conduct described
5 herein because it extends to the transactions involving the sale of goods or services
6 for personal, family, or household use within the meaning of Civil Code section
7
8 1761.

9 67. At all relevant times, Plaintiff and members of the Class were
10 “consumers” as that term is defined in Civil Code section 1761(d).
11

12 68. Robinhood’s practices in connection with the marketing and sale of its
13 financial services violate the CLRA in at least (but not limited to) the following
14 respects:
15

16 (a) Section 1770(a)(5): Robinhood knowingly misrepresented its
17 services;

18 (b) Section 1770(a)(7): Robinhood represented its financial services to
19 be of a particular standard, quality, or grade, but they were not;
20

21 (c) Section 1770(a)(9): Robinhood knowingly advertised its financial
22 services with the intent not to sell and perform the services as
23 advertised.
24

25 69. Pursuant to § 1782(d) of the CLRA, Plaintiff and Class members seek
26 a Court order for injunctive relief, and reserve the right to amend the Complaint for
27 an order seeking damages under § 1782.
28

1 77. Robinhood’s conduct, as described herein, violates the UCL’s unlawful
2 prong because (1) it violates the CLRA in connection with the sale of goods and
3 services; (2) constitutes a breach of contract and/or a breach of the implied covenant
4 of good faith and fair dealing, (3) constitutes a breach of fiduciary duty; (4)
5 constitutes negligence and/or gross negligence; (5) violates FINRA Rule; and (6)
6 has potentially unlawfully and unjustly enriched Robinhood.
7

9 78. Robinhood’s conduct, as described herein, violates the UCL’s unfair
10 prong because it violates established public policy intended to regulate the fair and
11 ethical sale of goods and services (securities) to consumers as set forth in the CLRA
12 and by FINRA, and because it is immoral, unethical, oppressive, or unscrupulous
13 and has caused injuries to the Plaintiff and the Class that outweigh any purported
14 benefit.
15

17 79. Plaintiff has standing to pursue this claim because he has been injured
18 by suffering a loss of money and/or property as a result of the wrongful conduct
19 alleged herein.
20

21 80. Plaintiff would not have used Robinhood’s services and/or placed
22 trades and made financial transactions through those services had he known the truth
23 and Robinhood’s plan to forbid the trading of certain securities, though he has an
24 interest in continuing to use the service in the future should Robinhood cure the
25 problems set forth in this Complaint.
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DATED: February 9, 2021

Respectfully submitted,

s/Rebecca A. Peterson
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