# **COMMONWEALTH OF MASSACHUSETTS**

MIDDLESEX, ss

SUPERIOR COURT DOCKET NO.

23CU 3402

MELISSA SCANLON AND SHANE HARRIS, on Behalf of Themselves and All Others Similarly Situated

Plaintiffs,

v.

DRAFTSKINGS, INC.,

Defendant.

RECEIVED

<sup>12/8/2023</sup> MG

# **CLASS ACTION COMPLAINT**

Plaintiffs, by and through their attorneys, bring this action on behalf of themselves and all others similarly situated, based, *inter alia*, upon the investigation of their counsel, against Defendant DraftKings, Inc. ("DraftKings"). Plaintiffs hereby allege as follows:

# I. NATURE OF THE ACTION/INTRODUCTION

 This is a class action for damages under the Massachusetts Consumer Protection Act, G.L. c. 93A, and other statutory law, on behalf of all citizens of Massachusetts who opened a new account with DraftKings sports betting platform in response to an advertising promotion offering a bonus of up to \$1,000 for new customers who opened accounts and deposited money with DraftKings. Plaintiffs allege that the offer of the \$1,000 bonus (hereinafter the "\$1,000 Bonus"), was and is unfair and deceptive because, among other things, a new customer would, in order to get a \$1,000 bonus, actually need to deposit five times that amount and then, within 90 days, place \$25,000 in bets with only certain odds of return. In other words, the "\$1,000 Bonus" is structured so that it is inordinately expensive to obtain \$1,000, and the new user is, instead, statistically likely to lose money by chasing the bonus.

- 2. DraftKings' advertising of the Bonus is also unfair and deceptive because an eligible consumer who, by definition, is a new participant in Massachusetts sports betting, like the Plaintiffs, would be unlikely to understand the cost and risk involved in qualifying for the \$1,000 Bonus. In fact, if the Plaintiffs had understood the cost or the odds of winning the Bonus, they would not have acted upon the promotion.
- DraftKings advertised the "\$1,000 Bonus" as a reward for signing for its Sportsbook platform in these terms:

JOIN DRAFTKINGS SPORTSBOOK NEW CUSTOMERS GET A \$1,000 DEPOSIT BONUS IN DK DOLLARS!



Figure 1- Screen Capture from DraftKings' Website on 3/13/2023 via Wayback Machine: https://web.archive.org/web/20230313185638/https://sportsbook.draftkings.com/featured



Figure 2 - Screen Capture of DraftKings iPhone App

- 4. However, a new customer of DraftKings was never going to simply receive "up to \$1,000" in exchange for signing up for the Sportsbook platform, as the ad implied. In order for a new customer to obtain the "\$1,000 Bonus," he or she would in fact have to satisfy three significant requirements, explained only in the unreadable font size attached hereto as Exhibits A and B:
  - They would have to deposit \$5,000 up front;
  - They would have to bet \$25,000 within 90 days;
  - Their \$25,000 in bets would have to place bets with odds of "-300 or longer."
- 5. A new consumer could not reasonably have been expected to understand from the face of DraftKings' advertisement that, in order to ever get a \$1,000 bonus, he or she needed to immediately deposit \$5,000, because the bonus amount is calculated as 20% of the consumer's *first* deposit.
- 6. A new consumer could not reasonably have been expected to understand from the face of DraftKings' advertisements that the \$1,000 bonus would not be provided at the time of their initial deposit, but that instead he or she would earn the bonus only \$1 at a time for every \$25 wagered. Thus, to receive the \$1,000 bonus, the new customer would have to gamble and risk \$25,000 within 90 days.
- 7. The Plaintiffs did not in fact understand, and could not reasonably have been expected to understand, that in order to place bets for at least \$25,000 over 90 days to qualify for the Bonus, they would have had to wager an average of more than \$276 gambling on sports every day for three months. Were players only to gamble, for example, every third day over that period, their average daily wager would have had to be \$828 in order to qualify for the Bonus.

- 8. Plaintiffs also did not understand that, even if they met the \$5,000 initial deposit and \$25,000 of gambling in 90 days requirements, the Bonus would not be awarded in funds that could be withdrawn, but only as a non-withdrawable credit ("play money") to be used for further gambling.
- 9. A new customer also could not reasonably be expected to understand that not all bets they made on DraftKings Sportsbook would count toward the \$1,000 bonus, that only bets with odds of "-300 odds or longer" would qualify, or even what odds of "-300 odds or longer" even means. In fact, only bets where a \$300 (or lower) wager is required to win a minimum of \$100 would count toward the required total bets of \$25,000 within 90 days. Therefore, betting on more likely outcomes, e.g., -400 wagers, where a \$400 successful wager nets \$100, do not count toward the \$25,000 gambling requirement.
- 10. DraftKings knew, or should have known, that its advertisement and promotion was deceptive to its target customers, who were customers *new* to sports betting and who were extremely unlikely to understand the details of the promotion, even if it were in readable English on the company's platform or in a font size that a reasonable consumer could be expected to actually read.
- 11. DraftKings knowingly and unfairly designed its promotion to maximize the number of consumers that would sign up for its sports gambling platform, the number of bets that would be placed through the platform, and the amount of money that would be placed on bets through its platforms. This is a particularly unfair business practice because of the addictive nature of the underlying product offered by Defendant.
- 12. Gambling products are not typical consumer products. They are addictive. Both the Fifth Edition (current) of the American Psychiatric Association's Diagnostic and Statistical

Manual of Mental Disorders (DSM-5) and the World Health Organization treat addiction to gambling in the same diagnostic category as addiction to heroin, cocaine, and tobacco. Marketers of a known addictive product should take special precautions to minimize addiction risk, not require \$25,000 of gambling to qualify for a promotional offer to new customers who are likely to be gambling-naive. DraftKings' promotion is an unfair business practice for this reason as well.

13. While plaintiffs are not alleging herein an addiction injury, Plaintiffs seek economic damages, statutory damages, treble damages, injunctive relief, and such other and further relief as may be available to them under G.L. c. 93A and Massachusetts law, including orders that DraftKings cease this promotion and substantially similar promotional advertising which are continuing at the time of this filing.

#### II. PARTIES, JURISDICTION AND VENUE

- 14. The Plaintiffs bring this action in their individual capacities and on behalf of all others similarly situated.
- 15. Plaintiff Melissa Scanlon is a resident of Woburn, Massachusetts. She opened an account with Defendant's sports gambling platform and made an initial deposit in response to the Bonus promotion on April 9, 2023.
- 16. Plaintiff Shane Harris is a resident of New Bedford, Massachusetts. He opened an account with Defendant's sports gambling platform and made an initial deposit in response to the Bonus promotion around the time the Sportsbook launched in March of 2023.
- DraftKings is a Massachusetts corporation with its principal place of business at 222
   Berkeley Street, 5th floor, Boston, MA 02116. DraftKings transacts business in

Massachusetts and holds a Category 3 Temporary License to Conduct Sports Wagering issued by the Massachusetts Gaming Commission under the name "Crown MA Gaming LLC (DraftKings)."

- 18. This Court has jurisdiction over the subject matter of this action pursuant to G.L. c. 212,
  § 4. This Court has personal jurisdiction over Defendant pursuant to G.L. c. 223A, §§ 2 and 3.
- 19. Venue is proper in Middlesex County pursuant to G.L. c. 223 § 8(4).

## III. CLASS ACTION ALLEGATIONS/VIOLATIONS OF 93A

- 20. This action is brought pursuant to Rule 23 of the Massachusetts Rules of Civil Procedure and G.L. c. 93A, § 9(2).
- 21. Plaintiffs bring this action on their own behalf and on behalf of a Class of all others similarly situated. The Class that Plaintiffs seek to represent consists of all citizens of Massachusetts who opened an account and deposited funds with DraftKings' Massachusetts sports betting platform in response to the "\$1,000 Bonus" promotion and placed monetary bets through DraftKings's Massachusetts sports betting platform and were damaged thereby. The Class Period commences on the first date that the \$1,000 Bonus" promotion was legally offered in Massachusetts and runs until the conclusion of the "\$1,000 Bonus" promotion in Massachusetts. Not included within the Class are individuals who are directors and officers of DraftKings or its affiliates.
- 22. The Class is composed of thousands of persons, the joinder of whom is impracticable except by means of a class action. DraftKings has advertised this, and substantially similar Bonus offers to an unquantifiable number of people in Massachusetts through social media platforms, third party marketing affiliates, websites, billboards, flyers,

television and radio broadcasts, and other means, and therefore the Class is sufficiently numerous to make joinder impracticable, if not impossible. At the same time, the disposition of the claims of the Class through a class action will benefit both the parties and the Court.

- 23. DraftKings engaged in a largescale advertising campaign in Massachusetts for its newly licensed Sportsbook gambling service in 2023. As part of this enormous multimedia advertising campaign, DraftKings heavily promoted the "\$1,000 Bonus" to encourage new customers to sign up, deposit funds, and bet.
- 24. DraftKings advertised its Massachusetts Sportsbook on television, radio, print media, outdoor advertising, mass transit, social media, and through a large number of 3<sup>rd</sup>-party affiliates.
- 25. DraftKings utilized local sports heroes and celebrities in the course of its advertising campaign for its Massachusetts Sportsbook (see Figure 2).

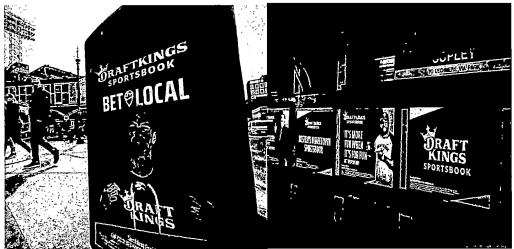


Figure 2- Boston Sports Heros Zdeno Chára in DraftKings' Ad Near Fenway Park and Red Sox Hero David Ortiz in DraftKings' Ad at the Copley Square MBTA Station

- 26. Because of the widespread advertising and promotion of the \$1,000 Bonus," this case presents multiple common questions of law and fact, and such common questions predominate over questions of law or fact which may affect only individual Class members. The common questions include:
  - a. Whether DraftKings misrepresented in its advertisements the Bonus it was offering to the Plaintiffs and the members of the Class;
  - Whether DraftKings intentionally designed its advertisements for the Bonus offer in such a way as to mislead the Plaintiffs and the other class members in order to induce them to sign up and wager;
  - c. Whether the DraftKings violated Massachusetts General Laws c. 93A, § 2 and the common law through its unfair and deceptive conduct alleged herein;
  - d. Whether DraftKings was unjustly enriched at the expense of the Plaintiffs and the Class members; and
  - e. The nature and extent of any additional relief which the Plaintiffs and the Class are entitled to recover under G.L. c. 93A or the common law.
- 27. Plaintiffs assert claims that are typical of the claims of the entire Class. They will fairly and adequately represent and protect the interests of the Class. Plaintiffs have no interests antagonistic to those of the Class. Plaintiffs have retained counsel who are competent and experienced in class action litigation.
- 28. DraftKings has acted or refused to act on grounds generally applicable to all members of the Class, thereby making appropriate final relief concerning the Class as a whole.

- 29. Plaintiffs anticipate that there will be no difficulty in the management of this litigation as a class action. To the contrary, a class action is superior to other available methods for the fair and efficient adjudication of this controversy.
- 30. Plaintiffs need not prove that any consumer was actually harmed or that DraftKings's acts caused any quantifiable economic injury, but instead need only prove that DraftKings' unfair and/or deceptive acts took place in trade or commerce.
- 31. By letter dated October 12, 2023, Plaintiffs sent a demand for relief to DraftKings in accordance with G.L. c. 93A, § 9(3). In response to Plaintiffs' demand for relief, DraftKings failed to make a written tender of settlement reasonable for the injuries suffered by Plaintiffs.

## **COUNT I: UNFAIR OR DECEPTIVE PRACTICES**

- 32. Plaintiffs restate and incorporate herein each of the prior allegations.
- 33. This claim is brought pursuant to G.L. c. 93A, § 2 and 9.
- 34. Sports betting was legalized in Massachusetts in 2022 pursuant to G.L. c.23N and Massachusetts' online sports betting platforms launched on March 10, 2023.
- 35. At all times relevant hereto, Plaintiffs and the Class were "persons" within the meaning of G.L. c. 93A, §1(a) and are entitled to relief under the act in accordance with G.L. 93A, §9.
- 36. At all times relevant hereto, DraftKings engaged in "trade and commerce" as defined by G.L. c. 93A, §1(b).

- 37. Plaintiffs and the Class entered into consumer transactions with DraftKings by creating new accounts and making deposits of funds through DraftKings's Massachusetts Sportsbook gambling platform.
- 38. As heretofore alleged, to induce these transactions, DraftKings engaged in unfair methods of competition, unconscionable acts or practices, and unfair or deceptive acts or practices in the conduct of trade or commerce, in violations of G.L. c. 93A, §2.
- 39. DraftKings engaged in unfair or deceptive acts within the meaning of G.L. c. 93A, § 2(a). Among other things, DraftKings engaged in advertising methods that rendered its advertisements false and misleading, such that Plaintiffs would not have engaged DraftKings' services had they known what the offers Defendant advertised actually entailed.
- 40. In Massachusetts, an advertisement is deceptive when it has the capacity to mislead consumers, acting reasonably under the circumstances, to act differently from the way they otherwise would have acted, including by enticing a reasonable consumer to purchase a product. Representations are deceptive if, when looked at as a whole, they are misleading, even if individual portions are factually true.
- 41. DraftKings' "\$1,000 Bonus" offer is both unfair and deceptive because the Plaintiffs and the members of the Class were required to act differently than they could reasonably expect in order to obtain the promised bonus. Plaintiffs and the members of the Class were required to deposit and wager large sums of money in a manner designed by Defendant to induce repeated exposure to a known addictive product.
- 42. DraftKings' "\$1,000 Bonus" offer also violates c. 93A because it violates the regulations of the Massachusetts Gaming Commission ("MGC"), in particular 205 CMR 256.04(1).

- 43. 205 CMR 256.04(1) states that, "No Sports Wagering Operator shall allow, conduct, or participate in any unfair or deceptive advertising, marketing, or branding for Sports Wagering. Advertising, marketing, or branding that is unfair or deceptive includes, but is not limited to, advertising, marketing, or branding that would reasonably be expected to confuse and mislead patrons in order to induce them to engage in Sports Wagering."
- 44. DraftKings' "\$1,000 Bonus" is in fact intended to confuse and mislead consumers, including Plaintiffs, and is therefore in violation of the regulation.
- 45. The Plaintiffs, and the members of the Class, have suffered damages as a result of DraftKings' unfair and deceptive marketing promotion.

# COUNT II: UNTRUE AND MISLEADING ADVERTISING

- 46. Plaintiffs restate and incorporate herein each of the prior allegations.
- 47. G.L. c. 266, §91 punishes "[a]ny person who, with intent to sell or in any way dispose of merchandise, securities, service, or anything offered by such person, directly or indirectly, to the public for sale or distribution, or who, with intent to increase the consumption of or demand for such merchandise, securities, service or other thing, or to induce the public in any manner to enter into any obligation relating thereto, or to acquire title thereto, or an interest therein, makes, publishes, disseminates, circulates or places before the public, or causes, directly or indirectly, to be made, published, disseminated, circulated or placed before the public within the commonwealth, in a newspaper or other publication, or in the form of a book, notice, handbill, poster, bill, circular, pamphlet or letter, or in any other way, an advertisement of any sort regarding merchandise, securities, service or anything so offered to the public, which advertisement contains any assertion, representation or statement of fact which is untrue, deceptive or misleading.

and which such person knew, or might on reasonable investigation have ascertained to be untrue, deceptive or misleading."

- 48. The advertising and promotions for DraftKings' "\$1,000 Bonus" violate G.L. c. 266, §91 because, among other things, they contain untrue, deceptive or misleading statements.
- 49. Plaintiffs, and the Members of the Class, have suffered damages as a result of DraftKings' violations of G.L. c. 266, §91.

# IV. PRAYER FOR RELIEF

WHEREFORE, Plaintiffs and the Class request the following relief:

- Certification of this action as a class action pursuant to Rule 23 of the Massachusetts Rules of Civil Procedure and/or G.L. c. 93A, § 9(2), and designation of Plaintiffs as the representatives of the Class;
- A finding that DraftKings' "\$1,000 Bonus" promotion violated G.L. c. 93A, § 2, the regulations of the Massachusetts Gaming Commission, and G.L. c.266, §91, and enjoining DraftKings from future violations thereof;
- 3. A judgment awarding actual damages, including the \$1,000 bonus promised in the promotion, or statutory damages;
- An award of double or treble damages, reasonable costs and attorneys' fees, in accordance with G.L. c. 93A, §9, because these violations were made willfully and knowingly by Defendant;
- 5. Prejudgment and post-judgment interest as provided by law; and
- 6. Such other and further relief as this Court deems necessary, just, and proper.

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For the Plaintiffs,

Andrew A. Rainer BBO #542067 Mark Gottlieb BBO # 627008 Meredith K. Lever BBO #691953 Public Health Advocacy Institute 360 Huntington Ave. #117CU Boston, MA 02115 (617) 373-8487 <u>arainer@phaionline.org</u> mark@phaionline.org meredith@phaionline.org

#### **Exhibit** A

#### Bonus Requirements from DraftKings' Website - June 1, 2023

Captured from https://sportsbook.draftkings.com/acq-50-free-bet?referrer=singular\_click\_id%3dde4cf2d0-82f8-4878-921f-698391eb862a&wpcid=120699&wpcn=50freebetonFTD&wpcrid=&wpsrc=Lineups

Reproduced with similar font and color of original.

<sup>\*</sup>Gambling Problem? Call (800) 327-5950 or visit gamblinghelplinens org (MA), Call 877-84-HOPENY (467369) (NY). If you or someone you know has a pumbling problem, crisis counseling and refernal services can be accessed by calling 1-800-GAMBLER (1-800-126-2537) (CO/ILINEAMD/MEND/PA/TNAVV/WY), 1-806-NEXT STEP (AZ), 1-800-522-4700 (KSN1), 888-789-7777/rsit orga org (CT), 1-806-BETS OFF (IA), viait OPGR org (OR), or 1-886-532-3500 (VA). 21+ (18+ NH/WY): Physically presen in AZ/CO/CTI/ILINA/KSK1A, tosleen prahises/MAAMD/MINH/MAV/WIOR/PA/TNAVV/WY only. Void in ONT: Eligibility restrictions apply, Min. 55 deposit. Deposit bonus requires 25x phay-thru Bonus tissaed as site credits, Min 55 deposit, Eligible users will be revarded one (1) 550 bonus bet moute be used within 30 days. Bonus bet amount is not included in any returns or winnings. Homus bet is not referenable for eash, non-infundable. See darkfings: com/aportshow for fill terms and coordilions. A susomer's first deposit min. 551 qualifies the user to receive up to \$1,000 in bonus finds in the form of \$1,000). Bonus funds will be used not be insolved to the logibility requires and upper deposite train of \$25,000 in being strands as in berefere up and \$1,000 in bonus funds and bonus formation and one of undable. See darkfings and solve that approximate and the form of \$1,000. Bonus funds will be used not be considered to the user according to the following play-through requirement; for every \$25 played on DraftKings in DFS/Sportsbol/Casino, flu user will receive \$1 in bonus funds as anisonit of \$1,000. Bonus funds will be used not \$1,000. The play-through requirement must be real \$25,000 in daily first deposit to receive any stimum benes flues are accessed in there of to receive the maximum possible bonus annount of \$1,000. Bonus funds will be used on the following play-through requirement to \$25,000 in daily first deposit to receive any innove bonus flues as pert of this promotion. Customers who previously made a deposit on DraftKings are inciglible for this

#### Exhibit B

# Current Bonus Requirements as Downloaded from

DraftKings' Website - December 7, 2023, at



#### LIFE'S MORE FUN WITH SKIN IN THE GAME.

Download DraftKings Sportsbook for the best gaming experience. Available on iOS and Android



GET A \$1,000 DEPOSIT BONUS!



You must download the app in order to play DraftKings Sportsbook. Lines and olds subject to change.

The promotional offer is wild between 8/27/023 at 12:0000 AM Eastern Time (ET) and 12/21/2022 at 11:5900 PM. Estern Time (ET) the "Promotional Pendor"). Must be physically located in A Bigble jurisdicion and botained the minimum age requirements: (2) have never had a Draffings Sportsbock account (3) must register and opt-in to the promotion using the promotion out of the promotion using the promotion out of the promotion soft promotion is offered and will be clearly and conspicuously disclosed to outsionest periods in which this promotion is offered and will be clearly and conspicuously disclosed to outsioners perior to opting in A Qualifying Deposit. The Qualifying Deposit account of the vertice of the maximum borus annount of ND Dollars. The usioner's Qualifying Deposit account of the vertice and emaximum borus annount of S1.000 to Dollars from the promotion the clearly and conspicuously disclosed to outsomer work of sput horugh the Qualifying Deposit account on the vertice and emaximum borus annount of S1.000 to Dollars from the promotion the clearly and conspicuously and provide a second on the second second account of the second second account on their payler account of the eligibie to receive the maximum borus annount of S1.000 to Dollars. The top-Biolary Oth Dollars will be availed to the outsomer excording to the following playthrough requirement: for every S15 glayed on any DortfNings popolat. The customer will receive 31 to bonus funds released into their player account (applicable only 2). Through Perioding and Deposit is make 52.000 to be eligible to receive the maximum bonus annount of S1.000 Do Do Dollars. The playthrough requirement for every S15 glayed on any DortfNings Sportsbook account of logs be promotion will be set at the maxima bonus free set of S1.000 to Dollars. The the available set of the customer's differed and will be clearly and the set of the customer's differed and will be clearly and the set of the customer's differed and will be the set of the set of S1.000 to Dollars. The set

# **ClassAction.org**

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: <u>DraftKings Lawsuit Says \$1,000 New-Customer Bonus Is Bogus</u>