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### NATURE OF THE CASE

- 1. This is a class action brought on behalf of all individuals in California whose telephone conversations with defendant SEARS HOLDINGS MANAGEMENT CORPORATION ("Defendant" or "Sears") were recorded by Defendant without the individual's knowledge or consent.
- 2. Plaintiff brings this class action for damages, injunctive relief, and any other available legal or equitable remedies, resulting from the illegal actions of Defendant and its related entities, subsidiaries and agents in willfully employing and/or causing to be employed certain eavesdropping, recording and listening equipment in order to record, monitor or listen to the telephone conversations of Plaintiff without the knowledge or consent of Plaintiff, in violation of California Penal Code sections 630 *et seq.*, thereby invading Plaintiff's privacy.
- 3. California Penal Code section 632.7 prohibits intentionally monitoring or recording a cellular or cordless telephone conversation without the consent of all parties to the call. Plaintiff alleges that Defendant violated and continues to violate Penal Code section 632.7 by secretly recording and/or monitoring telephone conversations with California residents using cellular and/or cordless telephones.

### **JURISDICTION AND VENUE**

4. This court has subject matter jurisdiction over this class action under 28 U.S.C. § 1332(d)(2) because both its minimal-diversity requirement and its amount-in-controversy requirement are satisfied. First, with respect to minimal diversity, Plaintiff is a citizen of the State of California whereas Defendant Sears is a citizen of the State of Delaware (where it is incorporated) and the State of Illinois (where it has its principal place of business). Second, with respect to the amount in controversy, Plaintiff seeks \$5,000 in statutory damages for each violation of California Penal Code section 632.7, as provided under Penal Code §

637.2. Thus, the alleged damages of the proposed class, which numbers in the thousands, exceed \$5,000,000.

5. Venue is proper in the United States District Court for the Southern District of California pursuant to 28 U.S.C. § 1391(b) because the telephone conversation at issue occurred in this District and Defendant does business in the County of San Diego. For instance, Defendant operates retail stores in the Southern District under the "Sears" and "Kmart" brands.

### **PARTIES**

- 6. Plaintiff is a natural person residing in the County of San Diego, State of California.
- 7. Defendant Sears owns and operates over 1,000 retail stores in the United States, and bills itself as "the nation's No. 1 provider of appliance and product repair services."
- 8. Defendant also operates a free, membership-based loyalty program called "Shop Your Way," which Defendant touts as "connect[ing] all of the ways members shop in store, at home, online and by phone."
- 9. Defendant also operates websites for the Shop Your Way program, and its Sears, Kmart, and Sears Home Services brands (collectively, "Websites").
- 10. The true names and capacities of the defendants sued herein as DOES 1 through 10, inclusive, are currently unknown to Plaintiff, who therefore sues such Defendant by fictitious names. Each of the defendants designated herein as a DOE is legally responsible for the unlawful acts alleged herein. Plaintiff will seek leave of Court to amend the Complaint to reflect the true names and capacities of the DOE Defendant when he learns them.
- 11. Plaintiff is informed and believes that at all relevant times, each and every defendant was acting as an agent and/or employee of each of the other defendant and was acting within the course and scope of said agency and/or employment with the full knowledge and consent of each of the other defendant.

Plaintiff is informed and believes that each of the acts and/or omissions

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Defendant.

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complained of herein was made known to, and ratified by, each of the other

#### **FACTUAL ALLEGATIONS**

- 12. During 2017, Plaintiff received numerous promotional emails from Sears.
- Plaintiff did not want to receive these emails, which he considered 13. spam.
- 14. Defendant purported to instruct recipients such as Plaintiff regarding how to stop receiving its promotional emails.
- For instance, Defendant's Privacy Policy states: "If you would no 15. longer like to receive e-mails with promotional offers and messages from this Site, you can unsubscribe from these e-mails by following the unsubscribe link located at the bottom of each promotional e-mail."
- Plaintiff attempted to unsubscribe from Defendant's emails by 16. following Defendant's instructions.
- 17. For instance, Plaintiff followed Defendant's instructions to use the unsubscribe link at the bottom of Defendant's promotional emails.
- 18. These attempts failed. Defendant continued sending Plaintiff promotional emails.
- 19. On or about October 30, 2017, Plaintiff sent Sears a letter via U.S. Mail requesting assistance to unsubscribe from Defendant's promotional emails.
- 20. On or about November 4, 2017, Defendant called Plaintiff on his cellular telephone in response to the letter. Sears confirmed having received Plaintiff's letter requesting to be unsubscribed from all promotional emails. Defendant asked Plaintiff for his email address (which Plaintiff had already provided in the letter about which Defendant was calling). Only after speaking with Plaintiff at length did the caller inform Plaintiff for the first time that the call

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was being recorded.

- At no time did Plaintiff give consent for the telephone call to be 21. monitored, recorded and/or eavesdropped upon.
- 22. Plaintiff is informed and believes, and thereon alleges, that during the relevant time period, Defendant had a policy and a practice of secretly telephone conversations with consumers. recording and/or monitoring Defendant's employees and agents are directed, trained and instructed to, and do, monitor, record and/or eavesdrop upon telephone conversations with members of the public, including Plaintiff and other California residents.
- Plaintiff is informed and believes, and thereon alleges, that 23. Defendant has installed and/or caused to be installed certain eavesdropping and listening equipment on its employees' or agents' telephone lines. Defendant uses these devices to overhear, record, and listen to the telephone conversations on said telephone lines.
- 24. Plaintiff is informed and believes, and thereon alleges, that during the relevant time period, Defendant has had all of its calls with members of the public, including those with California residents, recorded, monitored and/or eavesdropped upon without the knowledge or consent of the recorded party, including Plaintiff and other California residents.
- 25. Each of Defendant's Websites offers to its visitors a contract with a provision that purports to prohibit the visitors from making statements about Defendant, or its employees or agents, or concerning Defendant's goods or services (each, a "Gag Order").
- 26. Defendant purports to bind visitors to its Websites to the contracts offered therein by virtue of the visit.
  - 27. Plaintiff has visited Defendant's Websites.
- 28. Plaintiff is a member of Defendant's Shop Your Way program. As such, he is subject to the Shop Your Way terms and conditions, including its Gag

Order.

29. Defendant has threatened to enforce its Gag Order provisions against Plaintiff.

### **CLASS ALLEGATIONS**

- 30. Plaintiff brings this action on behalf of himself and two classes, each of which he is a member (the "Classes").
- 31. Plaintiff represents and belongs to the "Cellular Class," defined as follows: "All persons in California who answered a call from Sears on their cellular telephone during the year ending on the date of the filing of the original Complaint in this action."
- 32. Plaintiff represents and belongs to the "Website Class," defined as follows: "All persons in California who were a member of Defendant's Shop Your Way program, or made a purchase on one or more of Defendant's Websites, within one year before the filing of the original Complaint in this action."
- 33. Defendant, its employees and its agents are excluded from the Classes. Plaintiff does not know the number of members in each of the Classes, but believes each numbers in the tens of thousands, if not more, because Defendant owns and operates more than 1,000 retail stores in the United States and advertises itself as "the nation's No. 1 provider of appliance and product repair services."
- 34. This suit seeks only damages and injunctive relief for recovery of economic injury on behalf of the Class. It does not seek recovery for personal injury and claims related thereto.
- 35. Plaintiff reserves the right to expand the Class definition to seek recovery on behalf of additional persons as warranted by facts learned from further investigation and discovery.
- 36. The joinder of class members is impractical and the disposition of their claims in this class action will provide substantial benefits to both the parties

and the Court. The Classes can be identified through Defendant's records, calling records and databases of cell phone numbers.

- 37. There is a well-defined community of interest in the questions of law and fact involved affecting the parties to be represented, including:
  - a. Whether Defendant has a policy or practice of recording outbound calls;
  - b. Whether Defendant's call scripts warn at the outset of the call that the call may be recorded;
  - c. Defendant's policy and practice (or lack thereof) for obtaining California residents' consent to being recorded;
  - d. Whether Defendant's monitoring, recording and/or eavesdropping violates California Penal Code section 632.7;
  - e. Whether Defendant controls the Websites;
  - f. Whether defendant made an offer to contract to visitors to the Websites;
  - g. Whether there is any statement about Defendant, or its employees or agents, or concerning Defendant's goods or services, that the contracts offered on the Websites prohibit consumers from making; and
  - h. Whether Defendant should be enjoined from engaging in such conduct in the future.
- 38. Plaintiff is asserting claims that are typical of the Classes because the other members were subjected to similar, objectively measureable conduct and are, like Plaintiff, entitled to fixed statutory damages under the respective statutes.
- 39. Plaintiff will fairly and adequately represent and protect the interests of the Classes. Plaintiff has no interest adverse to those of the Classes. Plaintiff has retained counsel experienced in handling class action claims, including invasion-of-privacy claims.
- 40. Plaintiff and the members of the Classes have all suffered irreparable harm as a result of Defendant's unlawful and wrongful conduct. Absent a class

action, class members will continue to face the potential for irreparable harm. In addition, these violations of law will be allowed to continue unabated. Because of the size of an individual claim, few, if any, class members could afford to seek legal redress individually for the wrongs complained of herein.

- 41. A class action is a superior method for the fair and efficient adjudication of this controversy. Class-wide damages are essential to induce Defendant to comply with California law. The interest of class members in individually controlling the prosecution of separate claims against Defendant is small because the maximum statutory damages in an individual action are minimal. Management of these claims is likely to present significantly fewer difficulties than those presented in many class claims.
- 42. Defendant has acted on grounds generally applicable to the Classes, thereby making appropriate final injunctive relief and corresponding declaratory relief with respect to the Classes as a whole.

# FIRST CAUSE OF ACTION VIOLATION OF PENAL CODE § 632.7

- 43. Plaintiff incorporates by reference each of the above paragraphs of this Complaint as though fully stated herein.
- 44. California Penal Code section 632.7 prohibits intentionally monitoring or recording a cellular or cordless telephone conversation without the consent of all parties to the call.
- 45. The statute prohibits unconsented-to monitoring or recording of conversations even if the Plaintiff expects that the content of the conversation may later be conveyed to a third party. *Flanagan v. Flanagan*, 41 P.3d 575, 580 81 (Cal. 2002). Consent can only be given prospectively, not retrospectively. The only intent required by Penal Code § 632.7 is that the act of recording itself be intentional.
  - 46. Plaintiff is informed and believes, and thereupon alleges, that

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Defendant employed and/or caused to be employed certain eavesdropping, recording and listening equipment on the telephone lines of all employees, officers, directors and managers of Defendant.

- Plaintiff is informed and believes, and thereupon alleges, that all 47. these devices were maintained and utilized to overhear, record, and listen to each and every incoming and outgoing telephone conversation over said telephone lines.
- 48. This listening, recording and/or eavesdropping equipment was used to record, monitor or listen to the telephone conversations of Plaintiff and the members of the Cellular Class, in violation of California Penal Code section 632.7.
- 49. Defendant did not inform Plaintiff or the other members of the Cellular Class at the outset of conversations that Defendant was recording the calls. Plaintiff and the other members of the Cellular Class had not consented to such recording.
- Defendant intruded on Plaintiff's and Class members' privacy by 50. intentionally engaging in the aforementioned intercepting, eavesdropping, listening and recording activities.
- Plaintiff is informed and believes, and thereupon alleges, that many 51. if not most of the calls secretly recorded by Defendant were, like the one to which he was a party, calls during which the consumer was using a cordless or cellular telephone.

### **SECOND CAUSE OF ACTION VIOLATION OF CIVIL CODE § 1670.8**

- 52. Plaintiff incorporates by reference each of the above paragraphs of this Complaint as though fully stated herein.
- 53. California Civil Code section 1670.8 prohibits including a "provision" waiving the consumer's right to make any statement regarding the seller or lessor

or its employees or agents, or concerning the goods or services" in any "contract or proposed contract for the sale or lease of consumer goods or services."

- 54. Defendant's terms and conditions for its Shop Your Way program, are a consumer contract because they describe how customers may make purchases to earn loyalty points as part of the program. For instance, the terms and conditions define what "Qualifying Purchases" earn loyalty points and what "Excluded Purchases" do not earn loyalty points.
- 55. The terms and conditions for Defendant's Shop Your Way program, as well as the terms and conditions for its Websites, contain Gag Orders in violation of Civil Code section 1670.8.
  - 56. Defendant has proposed a Gag Order to Plaintiff numerous times.
- 57. Plaintiff is informed and believes, and thereupon alleges, that Defendant has proposed the same Shop Your Way terms and conditions with the same Gag Order to each of its Shop Your Way members, as it did to Plaintiff.
- 58. Plaintiff is informed and believes, and thereupon alleges, that Defendant did not show Plaintiff special versions of its Website terms and conditions.
- 59. On or about February 14, 2018, Defendant threatened Plaintiff with enforcement of its Gag Order.
- 60. Plaintiff is informed and believes, and thereupon alleges, that Defendant has a policy or practice of enforcing or threatening to enforce its Gag Orders, as it did to Plaintiff.

### **PRAYER FOR RELIEF**

- 61. Wherefore, Plaintiff respectfully requests the Court grant Plaintiff and members of the Classes the following relief against the defendants:
- A. That this action be certified as a class action on behalf of the Cellular Class and the Website Class and Plaintiff be appointed as the representative of the Classes;

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- B. Statutory damages of \$5,000 per violation of Penal Code section 632.7 pursuant to Penal Code § 637.2(a) for Plaintiff and each member of the Cellular Class:
- C. Statutory damages of up to \$5,000 per violation of Civil Code section 1670.8 pursuant to Civil Code section 1670.8(c)-(d) for Plaintiff and each member of the Website Class;
- D. Statutory damages of up to \$10,000 per willful, intentional or reckless violation of Civil Code section 1670.8 pursuant to Civil Code section 1670.8(c)-(d) for Plaintiff and each member of the Website Class;
- E. That the Court permanently enjoin Defendant from monitoring, recording and eavesdropping upon all telephone conversations with California residents, including Plaintiff and members of the Cellular Class, without their prior consent, as required by California Penal Code section 632.7;
- F. That the Court permanently enjoin Defendant from proposing or threatening to enforce a provision in any contract for the sale of consumer goods or services that prohibits the consumer from making any statements about Defendant, its employees or agents, or its goods or services, in violation of California Civil Code section 1670.8;
  - G. General damages according to proof;
  - H. Special damages according to proof;
  - I. Costs of suit;
- J. Attorneys fees, as allowed by law, equity or California Code of Civil Procedure section 1021.5;
  - K. Prejudgment interest at the legal rate; and
- L. Such further relief as this Court deems necessary, just and proper.

**DEMAND FOR JURY TRIAL** Plaintiff demands a trial by jury of each and every claim so triable. Respectfully submitted, Dated: August 24, 2018 LAW OFFICES OF TODD M. FRIEDMAN, P.C. s/Todd M. Friedman\_ Todd M. Friedman Attorney for Plaintiff 

### $_{ m JS~44~(Rev.~06/1)}$ Case 3:18-cv-01980-BEN-KSC Pecument 1.1 Silect 08/24/18 Page I of 2

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

purpose of illitiating the civil do	ocket sheet. (SEE INSTRUC	TIONS ON NEXT FAGE OF	r mis ro	NM.)					
I. (a) PLAINTIFFS				DEFENDANTS					
GORDON SIU, on behalf of himself and all others similarly situated				SEARS HOLDINGS MANAGEMENT CORPORATION; and DOES 1 through 10, inclusive, and each of them,					
(b) County of Residence of First Listed Plaintiff San Diego  (EXCEPT IN U.S. PLAINTIFF CASES)				County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)					
(22				NOTE: IN LAND CO		ON CASES, USE T		OF	
(c) Attorneys (Firm Name, Address, and Telephone Number)				Attorneys (If Known) '18 CV1980 BEN KSC					, ,
Law Offices of Todd Frie 21550 Oxnard St., Ste. 7 877-206-4741		367				-			_
II. BASIS OF JURISDI	CTION (Place an "X" in O	ne Box Only)		TIZENSHIP OF P	RINCIPA	L PARTIES		-	
☐ 1 U.S. Government ☐ 3 Federal Question Plaintiff (U.S. Government Not a Party)				(For Diversity Cases Only)  PTF DEF  Titizen of This State  1 1 1 Incorporated or Principal Place of Business In This State  and One Box for Defendant)  PTF DEF  itizen of This State					
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IV. NATURE OF SUIT (Place an "X" in One Box Only)  CONTRACT TORTS				Click here for: Nature of Suit Code Descriptions.  FORFEITURE/PENALTY BANKRUPTCY OTHER STATUTES					_
☐ 110 Insurance	PERSONAL INJURY	PERSONAL INJURY		25 Drug Related Seizure		eal 28 USC 158	☐ 375 False Cl		
☐ 120 Marine ☐ 130 Miller Act	☐ 310 Airplane ☐ 315 Airplane Product	☐ 365 Personal Injury - Product Liability	□ 69	of Property 21 USC 881	☐ 423 Withdrawal 28 USC 157		☐ 376 Qui Tam (31 USC 3729(a)) ☐ 400 State Reapportionment ☐ 410 Antitrust ☐ 430 Banks and Banking ☐ 450 Commerce ☐ 460 Deportation		
<ul> <li>☐ 140 Negotiable Instrument</li> <li>☐ 150 Recovery of Overpayment</li> </ul>	Liability ☐ 320 Assault, Libel &	☐ 367 Health Care/ Pharmaceutical			PROPERTY RIGHTS				
& Enforcement of Judgment	Slander	Personal Injury			☐ 820 Copyrights				
<ul><li>☐ 151 Medicare Act</li><li>☐ 152 Recovery of Defaulted</li></ul>	☐ 330 Federal Employers' Liability	Product Liability ☐ 368 Asbestos Personal			☐ 830 Patent ☐ 835 Patent - Abbreviated				
Student Loans (Excludes Veterans)	☐ 340 Marine ☐ 345 Marine Product	Injury Product Liability			New Drug Application ☐ 840 Trademark		470 Racketeer Influenced and Corrupt Organizations		
☐ 153 Recovery of Overpayment	Liability	PERSONAL PROPER		LABOR SO		AL SECURITY 480 Consumer C		er Credit	
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<ul><li>190 Other Contract</li><li>195 Contract Product Liability</li></ul>	Product Liability  X (in the part of the p	☐ 380 Other Personal Property Damage	□ 72	O Labor/Management Relations	☐ 863 DIW ☐ 864 SSID	C/DIWW (405(g)) Title XVI	Exchange St. 890 Other St.		ctions
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☐ 240 Torts to Land	□ 443 Housing/	Sentence				ISC 7609	Agency	Decision	
<ul><li>245 Tort Product Liability</li><li>290 All Other Real Property</li></ul>	Accommodations  445 Amer. w/Disabilities -	☐ 530 General ☐ 535 Death Penalty		IMMIGRATION			☐ 950 Constitu State Sta		1
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VI. CAUSE OF ACTION	28 H.S.C. 1332		re filing (1	Do not cite jurisdictional sta	tutes unless di	versity):			
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VII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.			•	DEMAND \$ CHECK YES only if demanded in complaint: 5,000,000.00 JURY DEMAND: ▼ Yes □ No					ıt:
VIII. RELATED CASI IF ANY	E(S) (See instructions):	JUDGE			DOCKE	ET NUMBER			
DATE		SIGNATURE OF ATT	TORNEY (	OF RECORD					
08/24/2018 FOR OFFICE USE ONLY		s/Todd M. Fried	dman						
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#### INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- **I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence. For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys. Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- **II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
  - United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here. United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.
  - Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
  - Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- **III. Residence** (citizenship) of Principal Parties. This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit. Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: Nature of Suit Code Descriptions.
- **V. Origin.** Place an "X" in one of the seven boxes.
  - Original Proceedings. (1) Cases which originate in the United States district courts.
  - Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.
  - Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
  - Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date. Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
  - Multidistrict Litigation Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407
  - Multidistrict Litigation Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket. **PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7.** Origin Code 7 was used for historical records and is no longer relevant due to changes in statue.
- VI. Cause of Action. Report the civil statute directly related to the cause of action and give a brief description of the cause. Do not cite jurisdictional statutes unless diversity. Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service
- VII. Requested in Complaint. Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.

  Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.

  Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases. This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

**Date and Attorney Signature.** Date and sign the civil cover sheet.

### **ClassAction.org**

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: <u>Class Action Claims Sears Recorded Customer Phone Calls Without Consent</u>