PAULA T. DOW ATTORNEY GENERAL OF NEW JERSEY Division of Law 124 Halsey Street - 5th Floor P.O. Box 45029 Newark, New Jersey 07101 Attorney for Plaintiffs

By: Nicholas Kant

Deputy Attorney General (973) 648-3441

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SUPERIOR COURT OF NEW JERSEY CHANCERY DIVISION MERCER COUNTY DOCKET NO. MER-C-

PAULA T. DOW, Attorney General of the State of New Jersey, and THOMAS R. CALCAGNI, Acting Director of the New Jersey Division of Consumer Affairs,

Plaintiffs,

Civil Action

COMPLAINT

v.

DIRECTV, INC., a California corporation,

Defendant.

1. Plaintiffs Paula T. Dow, Attorney General of the State of New Jersey ("Attorney General"), with offices located at 124 Halsey Street, Fifth Floor, Newark, New Jersey, and Thomas R. Calcagni, Acting Director of the New Jersey Division of Consumer Affairs ("Director"), with offices located at 124 Halsey Street, Seventh Floor, Newark, New Jersey (collectively, "Plaintiffs"), bring this civil action pursuant to the New Jersey Consumer Fraud Act ("CFA"), N.J.S.A. 56:8-1 et seq., as follows.

- 2. Plaintiffs have reason to believe that defendant DIRECTV, Inc. ("DIRECTV" or "Defendant") has violated the CFA by, among other things, failing to clearly and conspicuously disclose the terms of contracts regarding DIRECTV goods and services.
 - 3. This Complaint is being filed concurrently with a Final Consent Judgment.

JURISDICTION AND VENUE

4. This Court has jurisdiction over the subject matter of this action pursuant to the CFA and over Defendant pursuant to the CFA. Venue in this court is proper under R. 4:3-2, because it is a county in which the Defendant has advertised and conducted business.

PARTIES

- 5. Plaintiffs bring this action in the public interest pursuant to the authority granted under the CFA, specifically N.J.S.A. 56:8-8, 56:8-11, 56:8-13 and 56:8-19.
- 6. DIRECTV is a corporation organized under the laws of the State of California with its principal place of business in El Segundo, California.

FACTUAL ALLEGATIONS

7. DIRECTV engages in the business of providing television viewing services to consumers. Defendant was engaged in this business at all times relevant to this complaint. During the period from 2006 through 2009, DIRECTV, INC. was engaged in the business of selling and leasing equipment and services to consumers in the State of New Jersey ("New Jersey"), engaging in the sale, lease, or other distribution of DIRECTV services and products by and through its authorized distributors, retailers, or installers, and engaging in contractual relationships with New Jersey consumers directly and through its authorized distributors, retailers or installers.

- 8. All the allegations contained in this Complaint took place between January 2006 to the present.
- 9. At all relevant times, DIRECTV included terms in advertisements without clearly and conspicuously disclosing the terms and conditions that applied to the advertised offer. By way of example, the attached Exhibit A is a 4 page flyer ad used by DIRECTV to promote its services.
- 10. In DIRECTV's advertisements, such as Exhibit A, DIRECTV failed to clearly and conspicuously disclose the actual terms of its offers. When it did disclose such terms, they were often misleading, incomplete, or difficult to locate. In many instances they were displayed in small print, typeface, or font, in low-contrast with the body of the advertisement, on a separate page from the main advertising statement, or on the screen in a television advertisement for as little time as two to three seconds.
- 11. For example, many of the material disclosures related to the offer advertised in Exhibit A are difficult to find. The inside of the advertisement includes a flap that opens to reveal several lines of very small print, where many of the material disclosures are made. The disclosures in Exhibit A are not clear and conspicuous and are not in direct proximity to the term that the disclosure is intended to limit.
- 12. Many DIRECTV advertisements, including Exhibit A, offer packages advertised at "\$29.99/MONTH FOR 12 MONTHS," or using similar words. In such advertisements, DIRECTV often fails to clearly disclose the material limitations on a consumer's ability to obtain the advertised price, for example, by failing to clearly disclose the fact that a 24 month commitment to DIRECTV service is required to obtain the 12 month promotional price. In Exhibit A, inside the flyer, under the flap, on the 16th line of the smallest print, the consumer is

informed: "SYSTEM LEASE: Purchase of 24 consecutive months of any DIRECTV base programming package (\$29.99/mo. or above) or qualifying international services bundle required."

- 13. DIRECTV has, at times relevant to this Complaint, made misrepresentations regarding the availability of programming, including local channels and sports programming.
- 14. DIRECTV has engaged in the practice of contracting with consumers in a manner that is unfair or deceptive, by locking consumers into long-term contracts without clearly and conspicuously disclosing the existence and consequences of the long term contract.
- 15. DIRECTV has at times obligated consumers to a long term contract, without their knowledge, when consumers have any DIRECTV equipment installed, serviced or repaired.
- 16. At installation, consumers have been presented with a form entitled "EQUIPMENT LEASE ADDENDUM" which states that the consumer is bound to maintain a minimum level of programming for a period of eighteen (18) to twenty-four (24) months as a result of having any DIRECTV equipment installed, repaired or replaced. This "EQUIPMENT LEASE ADDENDUM" is sometimes placed on the back of an "Installation Checklist" which the consumer is presented after a third-party installer has completed installation of DIRECTV services. The consumer is not provided with clear and conspicuous notification that the consumer is entering into a long-term contract with DIRECTV.
- 17. DIRECTV provides consumers with an additional document entitled the "CUSTOMER AGREEMENT" when the consumer's first bill for DIRECTV arrives.
- 18. The "Customer Agreement" does not contain all of the most essential terms of the contract between DIRECTV and the consumer.

- 19. DIRECTV has not provided clear and conspicuous disclosures about promotional offers, including the price and length of such offers.
- 20. DIRECTV consumers are charged cancellation or equipment fees when the consumer does not realize that the fees will be charged.
- 21. Third Party Retailers of DIRECTV have failed to clearly and conspicuously disclose all the material terms of the contract with DIRECTV.

COUNT I

VIOLATION OF THE CFA BY DEFENDANT (UNCONSCIONABLE COMMERCIAL PRACTICES)

- 22. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 21 as if more fully set forth herein.
 - 23. The CFA, <u>N.J.S.A.</u> 56:8-2, prohibits:

The act, use or employment by any person of any unconscionable commercial practice, deception, fraud, false pretense, false promise, misrepresentation, or the knowing[] concealment, suppression, or omission of any material fact with intent that others rely upon such concealment, suppression or omission, in connection with the sale or advertisement of any merchandise . . .

- 24. All of the acts and practices engaged in and employed by the Defendant as alleged herein, are unconscionable commercial practices in violation of the CFA. Namely, Defendant violated the CFA by:
 - a. Representing that consumers will receive a certain amount of "free" programming without clearly and conspicuously disclosing that the receipt of "free" services is contingent upon the purchase of a separate programming package; and
 - b. Advertising DIRECTV services without clearly and conspicuously disclosing required contractual / commitment terms for DIRECTV service, the length of contractual relationships and/or all relevant fees and costs for canceling that agreement.

25. Each unconscionable commercial practice by Defendant constitutes a separate violation of the CFA, N.J.S.A. 56:8-2.

PRAYER FOR RELIEF

WHEREFORE, based upon the foregoing allegations, Plaintiffs respectfully request that the Court enter judgment against Defendant:

- (a) Finding that the acts and omissions of Defendant constitute multiple instances of unlawful practices in violation of the CFA, N.J.S.A. 56:8-1 et seq.;
- (b) Permanently enjoining Defendant and its owners, officers, directors, shareholders, founders, managers, agents, servants, employees, representatives, independent contractors, corporations, subsidiaries, affiliates, successors, assigns and all other persons or entities directly under their control, from engaging in, continuing to engage in, or doing any acts or practices in violation of the CFA, N.J.S.A. 56:8-1 et seq. including, but not limited to the acts and practices alleged in this Complaint;
- (c) Assessing the maximum statutory civil penalties against Defendant for each and every violation of the CFA, in accordance with N.J.S.A. 56:8-13;
- (d) Directing the assessment of costs and fees, including attorneys' fees, against Defendant, for the use of the State of New Jersey, as authorized by the CFA, N.J.S.A. 56:8-11 and 56:8-19;
- (e) Directing the assessment of restitution amounts against Defendant to restore to any affected person, whether or not named in this Complaint, any money or real or personal property acquired by means of any practice alleged herein to be unlawful and found to be unlawful, as authorized by the CFA, N.J.S.A. 56:8-8; and

(f) Granting such other relief as the interests of justice may require.

PAULA T. DOW ATTORNEY GENERAL OF NEW JERSEY Attorney for Plaintiffs

By:

Nicholas Kant

Deputy Attorney General

Dated: December 15, 2010

Newark, New Jersey

RULE 4:5-1 CERTIFICATION

I certify, to the best of my information and belief, that the matter in controversy in this

action involving the aforementioned violations of the CFA, N.J.S.A. 56:8-1 et seq., is not the

subject of any other action pending in any other court of this State. I am aware that private

contract and other actions have been brought against Defendant, but have no direct information

that any such actions involve consumer fraud allegations. Further, private plaintiffs could not

seek relief demanded by the Attorney General under the CFA. I also certify, to the best of my

information and belief, that the matter in controversy in this action is not the subject of a pending

arbitration proceeding in this State, nor is any other action or arbitration proceeding

contemplated.

PAULA T. DOW

ATTORNEY GENERAL OF NEW JERSEY

Attorney for Plaintiffs

Deputy Attorney General

Dated: December 15, 2010

Newark, New Jersey

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RULE 1:38-7(e) CERTIFICATION OF COMPLIANCE

I certify that confidential personal identifiers have been redacted from documents now submitted to the court, and will be redacted from all documents submitted in the future in accordance with Rule 1:38-7(b).

PAULA T. DOW ATTORNEY GENERAL OF NEW JERSEY Attorney for Plaintiffs

Deputy Attorney General

Dated: December 15, 2010 Newark, New Jersey

DESIGNATION OF TRIAL COUNSEL

Pursuant to R. 4:25-4, Nicholas Kant, Deputy Attorney General, is hereby designated as trial counsel on behalf of Plaintiffs in this action.

PAULA T. DOW ATTORNEY GENERAL OF NEW JERSEY Attorney for Plaintiffs

Bv:

Nicholas Kant

Deputy Attorney General

Dated: December 15, 2010 Newark, New Jersey

EXHIBIT A

Switch today.11-388:-77/8-897/2 or ull edity com EVISION Committee Constitution on DIRECTVITA S

& special offers! programming Por featured Lift here



aggerated channel counts and embarrassing technol-

ogy claims. DISH Network is nothing like DIRECTV.

THE SELECTION OF THE PERSON OF

DISH Network charges \$5 extra every month for

local channels*

· Every time DISH Network loses a customer, DISH Network was ranked one of the worst

DIRECTV gains 5

15 companies in customer service

DISH Network is filled with dozens of channels

you've never heard of like Starfish Television

Network and over 15 shopping networks

信用が大学的

the day, it's going to cost you. How? In hidden fees, ex-DISH Network may sound cheaper, but at the end of

DISH Network is not DIRECTV

REASON TO SELLER

REASON TO SWITCH

Barely over 100

The best and most channels in

"--with the capacity for

200 coming soon

57

9

Movies in 1080p HD and Dalby st

Digital 5.1 surround sounds

99,9% signal reliability NFL SUNDAY TICKET"

(4st)

DIRECTY BEATS DISH EVERY TIME

99.9% signal reliability

IV service with a signal you can Digital 5.1 surround sound; and channel. It's time to switch to a DIRECTV. DIRECTV has crystal clear HD channels¹ with Dollby 100% digital quality for every Cable doesn't come close to the reliability and quality of depend on—DIRECTV. will go out." Wrong. DIRECTV's high-My signal powered satellites deliver 99.9% signal reliability warry-free,

\$5/mo. \$5/mo.

88

· Phone line hook-up fee

Local channels fee

Unnecessary fees

2

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#1 fastest growing TV service[§] #1 in customer salisfaction

in the past year









Cet 24 TREM DIGHTUM FREE for 3 months when you sign up for the CHOICE XTRA" HOVIE CHANNELS Y Get Starz® and SHOWTIME® package or higher.

A new customer joins every 8 seconds!

Stan 12 channets

REASON #101 to switch to DIRECTV...exclusive entertainment



Shift Into Top Gear

Tune in to Channel 101 for critically acclaimed series and exclusive performances by today's hottest bands. Get sneak peeks from premium programmers like SHOWTIME® and HBO®. Then see **Top Gear** from BBC America. Full of extreme stunts and challenges that take cars to the limit, testing them to see if they're half as good as manufacturers claim. Watch it on The 101 Network. Compliments of DIRECTV.

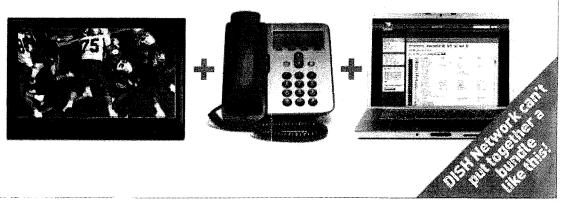
Premieres November 24, at 9pm ET/PT on Channel 101



Coast-to-coast coverage all bundled up!

Only DIRECTV offers America's most popular integrated bundling service—partnering with these top companies





Number of 100 charmels wine by projectioning surkage, see action. To access LIBERTY 90 integrations, and other conditions are considered some conditions. A little of the control of th



sports coverage

Champion

No matter where you live, you can follow your favorite sports packages, featuring: NFL SUNDAY TICKET"; to watch are right here. With DISH Network, you'll miss thousands of games a year. Another reason team with DIRECTV? No one has a better lineup of NCAA® MEGA MARCH MADNESS® and NASCAR HotPass". Whether you're into football, baseball, a team cable and DISH Network just can't beat. DIRECTV is the undisputed leader in sports soccer, tennis or cricket, the games you want

ABC HD

Wrong DISH Retwork has more HD. Ę

FXHO cable!" Don't be fooled; DIRECTV DIRECTV has 24 more full-time HD channels than DISH Network, On times more than

Biography Channel HD Discovery Channel HD Cartoon Network HD Disney Channel HD Food Network HD Animal Planet HD Cinemax HD [2] Disney XD HD Bravo HD ESPN MD CBS HDs FOX HD: CNNHO

USA Network HD MLB Natwork HD Universal HD MIVED CH IHA ABC Family HD

SNTd SHOWTIME HD [6] Syfy Channel HD NFL Network NHL Network Starz HD[5] NBA TV HD NBC HD3 Spike HD TLCHD TNTHD TBS HD

No equipment to buy. No start-up costs.

For 3 months, OVER *38 VALUE! For a finalize time

* FREE CONTRE

■ 100% digital-quality picture and sound

■ OVER 150 all-digital channels

Local channels included³

FREE professional installation.

PACKAGE

OVER 200 all-digital channels

Pass over 166 mare

HBO HD [2]

YES HD

Local channels included³

■ 100% digital-quality picture and sound FREE professional installation.

No equipment to buy. No start-up costs.

■ FREE HD DVR receiver upgrade *199*VALUE! For 3 months, OVER \$70 VALUE! for all refet time. * FREE STORY OFFI

SNTd

technology

"BIRECTV has 1080p movies Metwork. That's the same

DYSCHEDULER Sales Mayor Cive an first energy, Househor 12 energy no Pape

two times more than DISM



PLUSDVR PACKAGE

■ OVER 200 all-digital channels

* 100% digital-quality picture and sound Local channels included³

Call 1-888-778-8972 or directv.com

FREE professional installation.

No equipment to buy. No start-up costs. Pause, rewind and record your favorite shows! Monthly DVR service included

PLUS

* FREE SICIZ DIMINE 199 VALUE

* FREE HD DVR receiver upgrade

For 3 months, DVER 570 VALUEI For a limited frame.

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Nobody has more PEASON TO SWITCH

HD channels. Nobody. in home theater Dolby® Digital 5.1 surround sound.ª ies in 1080p8—the same quality as Blu-ray. And it's with the best HD picture quality and the most movsatellite TV service. Transform your flat-screen TV Can't get that on cable! If you have an HD TV, you need DIRECTV to experience it at its best. Get If it's in HD, watch it on DIRECTV-America's #1 DIRECTY now.

DIRECTY crushes the cable competition once again —with exclusive programming, the most HD channels, the most live sports and many channels not available on cable or DISH Network. Don't miss

out on three of our exciting entertainment

package offers. Call now!

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DIRECTY: A value

REASON TO SAILER

cable can't beat



is the clear leader. average, that's two

Cutting-edge REASON TO SWITCH

With DIRECTV® DVR Scheduler, you'll never have to worry about missing a show when you're away use any computer or cell phone to program your from home. No matter where you are, you can home DVR:

HD quality









SAVE \$26 EVERY MONTH AND LOCK N VOUR PRICE UNTIL 2011

CHOICE" PACKAGE

FOR 12 MONTHS

BEATS CABLE! THE TV PACKAGE THAT

■ PLUS, for a limited time, 9 premium movie channels included OVER 150 digital channels

TELF FOR 3 DWTIME Generals

OVER 138 VALUE!

EVERY PACKAGE INCLUDES:

LOCAL CHANNELS

99.9% SIGNAL RELIABILITY

#1 IN CUSTOMER SATISFACTION

Among the largest national cable & satellite TV providers. 2009 American Customer Satisfaction Index, University & Michigan Business School.

It's as easy as 1-2-3 GET DIRECTV

Z SELECT the programming package you want CALL free installation

B ENJOY America's "1

CHOICE XTRA" PACKAGE

PLUS DVR" PACKAGE

MORE CHANNELS,

MORE CHANNELS, MOVIES, SPORTS

& DVR SERVICE!

MOVIES & SPORTS!

OVER 200 digital channels

FREE HD DVR Receiver Upgrade
 199 VALUE!

■ FREE HD DVR Receiver Upgrade \$199 VALUE! Monthly DVR Service included

OVER 200 digital channels

F FOR 3 21 PREMIUM MOVIE CHANNELS Starz + Griffing

OVER 470 VALUE!

FOR 3 21 PREMIUM MOVIE CHANNELS

OVER 578 VALUE!

Starz + Dwmm

Plus, get all this with your order:

PROFESSIONAL INSTALLATION IN UP TO 4 ROOMS

HD DVR RECEIVER UPGRADE \$199 VALUE!

Pause and rewind live TV for up to 90 minutes

® Record up to 200 hours:
® Crystal clear hi-def' picture

■ No equipment to buy No start-up costs

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