

CARLSON LYNCH LLP
Todd D. Carpenter (CA 234464)
tcarpenter@carsonlynch.com
Scott G. Braden (CA 305051)
sbraden@carsonlynch.com
1350 Columbia Street, Ste. 603
San Diego, California 92101
Telephone: 619.762.1910
Facsimile: 619.756.6991

*Attorneys for Plaintiff and
Proposed Class Counsel*

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

MARION WILLIAMS, on behalf of himself and
all others similarly situated,

Plaintiff,

vs.

UDEMY, INC., a Delaware Limited Liability
Company, and DOES 1- 50, inclusive,

Defendants.

Case No. 3:21-cv-6489

CLASS ACTION COMPLAINT

- 1. Violation of California’s Unfair Competition Laws (“UCL”);
CAL. BUS. & PROF. CODE §§ 17200, *et seq.***
- 2. Violation of California’s False Advertising Laws (“FAL”);
CAL. BUS. & PROF. CODE §§ 17500, *et seq.***
- 3. Violations of California Consumer Legal Remedies Act (“CLRA”);
CAL. CIV. CODE §§ 1750, *et seq.***

[DEMAND FOR JURY TRIAL]

1 Plaintiff Marion Williams brings this action on behalf of himself and all others similarly situated
2 against Defendant Udemy, Inc. (“Defendant” or “Udemy”), and states:

3 I. NATURE OF THE ACTION

4 1. If truthful, discounts benefit both sellers and their customers. However, as stated by the
5 Ninth Circuit, sellers are “well aware of consumers’ susceptibility to a bargain, [and] therefore have an
6 incentive to lie to their customers.” *Hinojos v. Kohl’s Corp.*, 718 F.3d 1098, 1101 (9th Cir. 2013). This
7 class action seeks monetary damages, restitution, declaratory, and injunctive relief from Defendant arising
8 from its deceptive business practice of advertising fictitious “original” prices and corresponding phantom
9 discounts on its e-commerce website, Udemy.com, where it sells customers online instructional courses on
10 a variety of topics from online web design to time management.

11 2. False reference pricing occurs when a seller fabricates a false “original” price for a product,
12 then offers that product at a substantially lower price under the guise of a sale. The result is an artificial
13 price disparity that misleads consumers into believing that the product they are buying has a higher value
14 than has been established by the market and induces them into making a purchase. This practice artificially
15 inflates the true market price for these products by raising consumers’ internal reference price, and
16 therefore the value consumers ascribe to these products (i.e., demand). Consequently, this false reference
17 pricing scheme enables retailers, like Defendant, to sell products above their true market price and value—
18 and consumers are left to pay the price.

19 3. This illegal scheme and attendant harm can be demonstrated by the following example: a
20 seller is in the business of selling do-it-yourself DVDs. The seller knows it can sell a particular DVD at
21 \$5.00, which represents both the “market” price and the price at which the seller could regularly offer the
22 DVD and make a profit. However, instead, the seller creates an inflated “original” price for the DVD of
23 \$100.00 and advertises the DVD as “on sale” at **90% off**—rendering the **“sale” price** of the DVD \$10.00.
24 A consumer happens upon this sale and purchases the DVD, presuming he got a “good deal” on a DVD
25 previously sold—i.e., valued by others in the market—at an “original” price of \$100.00. By presenting the
26 consumer with a false “original” price of \$100.00, the seller has fabricated an increase in demand for the
27 DVD through the **perceived value** of both the DVD itself and the substantial discount of \$90.00. This, in
28 turn, impacts the market price of the DVD, as more consumers are willing to pay \$10.00 for a DVD they

1 believed was previously sold for \$100.00, when in fact, the true market price of the DVD was \$5.00. If
2 the seller tried to sell that same DVD for \$10.00 *without* referencing a false original price of \$100.00, and
3 the attendant 90% off discount, that seller would not be able to sell any DVDs at \$10.00 because the true
4 market price of the DVD, in actuality, is \$5.00. Thus, through the use of a false original price and the
5 corresponding phantom discount of 90% off, the seller created a false “market” price for the DVD at
6 \$10.00. Plaintiff’s case seeks to remedy that disparity—the impact on the increase in market price through
7 the Defendant’s application of an illegal discounting scheme.

8 4. It is well-established that false reference pricing violates state and federal law. However,
9 sellers, including Udemy, continue to use the tactic because they know they will be able to increase sales
10 and profits by tricking consumers into making purchasing decisions based on the advertised reference
11 prices. The information available to consumers varies for different types of products, but consumers
12 frequently lack full information about a product and, as a result, often incorporate information from sellers
13 to make purchase decisions.

14 5. Through its false and misleading marketing, advertising, and pricing scheme alleged herein,
15 Udemy violated, and continues to violate, California and Federal law, which prohibit the advertisement of
16 goods for sale discounted from former prices that are false. California and Federal law also prohibit the
17 dissemination of misleading statements about the existence and amount of price reductions. Specifically,
18 Defendant violated and continues to violate: California’s Unfair Competition Law, CAL. BUS. & PROF.
19 CODE §§ 17200, *et seq.* (the “UCL”); California’s False Advertising Law, CAL. BUS. & PROF. CODE
20 §§ 17500, *et seq.* (the “FAL”); the California Consumer Legal Remedies Act, CAL. CIV. CODE §§ 1750, *et*
21 *seq.* (the “CLRA”); and the Federal Trade Commission Act (“FTCA”), which prohibits “unfair or deceptive
22 acts or practices in or affecting commerce” (15 U.S.C. § 45(a)(1)) and false advertisements (15 U.S.C.
23 § 52(a)).

24 6. Plaintiff brings this action on behalf of himself and other similarly situated consumers who
25 have purchased one or more products through Udemy.com in California that was deceptively represented
26 as discounted from a false reference price. Plaintiff seeks to halt the dissemination of this false, misleading,
27 and deceptive pricing scheme, to correct the false and misleading perception it has created in the minds of
28 consumers, and to obtain redress for those who have purchased products tainted by this deceptive pricing

1 scheme. Plaintiff also seeks to enjoin Defendant from using false and misleading misrepresentations
2 regarding former price comparisons in its labeling, marketing, and advertising permanently. Further,
3 Plaintiff seeks to obtain damages, restitution, and other appropriate relief in the amount by which Defendant
4 was unjustly enriched as a result of its sales offered at a false discount.

5 7. Finally, Plaintiff seeks reasonable attorneys' fees pursuant to CAL. CIV. PROC. CODE
6 § 1021.5, as this lawsuit seeks the enforcement of an important right affecting the public interest and
7 satisfies the statutory requirements for an award of attorneys' fees.

8 II. JURISDICTION AND VENUE

9 8. This Court has original jurisdiction of this action pursuant to the Class Action Fairness Act,
10 28 U.S.C. § 1332(d)(2). The matter in controversy, exclusive of interest and costs, exceeds the sum or
11 value of \$5,000,000 and at least some members of the proposed Class (defined below) have a different
12 citizenship from Defendant.

13 9. The Northern District of California has personal jurisdiction over Defendant and is the
14 proper venue for this action pursuant to 28 U.S.C. § 1391(b)(1) because Defendant is a corporation or other
15 business entity that maintains its principal place of business in this jurisdiction and because Defendant
16 conducts substantial business in this district and has sufficient minimum contacts in California, and/or
17 otherwise intentionally avail itself to the California market through the operation of its e-commerce website
18 and headquarters within the State of California.

19 III. GENERAL ALLEGATIONS

20 A. Retailers Benefit from False Reference Pricing Schemes.

21 10. Udemy engages in a false and misleading reference price scheme in the marketing and
22 selling of its products on the Udemy e-commerce website.

23 11. Sellers substantially benefit from employing false reference pricing schemes and experience
24 increased sales because consumers use advertised reference prices to make purchase decisions. The
25 information available to consumers can vary significantly amongst different types of products,¹ but

26 _____
27 ¹ Even within a product, consumers may have imperfect information on the individual attributes.
28 Economists describe "search goods" as those whose attributes "can be ascertained in the search process
prior to purchase" (e.g., style of a shirt), "experience goods" as those whose attributes "can be discovered
only after purchase as the product is used" (e.g., longevity of a shirt), and "credence goods" as those whose
attributes "cannot be evaluated in normal use" (e.g., whether the shirt's cotton was produced using organic

1 consumers frequently lack fundamental information about a product and, as a result, often rely on
 2 information from sellers to make purchase decisions, especially when a product's value or quality is
 3 otherwise difficult to discern.²

4 12. Defendant's deceptive advertised reference prices are thus incorporated into the consumer's
 5 decision process. First, a product's "price is also used as an indicator of product quality."³ In other words,
 6 consumers view Defendant's deceptive advertised reference prices as a proxy for product quality. Second,
 7 reference prices "appeal[] to consumers' desire for bargains or deals."⁴ Academic researchers note how
 8 consumers "sometimes expend more time and energy to get a discount than seems reasonable given the
 9 financial gain involved," and "often derive more satisfaction from finding a sale price than might be
 10 expected on the basis of the amount of money they actually save."⁵ Under this concept, coined "transaction
 11 utility" by Noble Prize-winning economist Richard Thaler, consumers place some value on the
 12 psychological experience of obtaining a product at a perceived bargain.⁶

13 13. Research in marketing and economics has long recognized that consumer demand can be
 14 influenced by "internal" and "external" reference prices.⁷ Internal reference prices are "prices stored in

15 _____
 16 farming methods). Darby, Michael R., and Edi Karni. "Free Competition and the Optimal Amount of
 17 Fraud." *The Journal of Law and Economics* 16 no. 1 (1973): 67-88, pp. 68-69.

18 ² "Not only do consumers lack full information about the prices of goods, but their information is probably
 19 even poorer about the quality variation of products simply because the latter information is more difficult
 20 to obtain". Nelson, Phillip. "Information and Consumer Behavior." *Journal of Political Economy* 78, no. 2
 21 (1970): 311-329, pp. 311-312. *See also* David Adam Friedman, *Reconsidering Fictitious Pricing*, 100
 22 Minn. L. Rev. 921, 935 (2016).

23 ³ Grewal, Dhruv, and Larry D. Compeau. "Comparative price advertising: Informative or deceptive?"
 24 *Journal of Public Policy & Marketing* (1992): 52-62, p. 54. *Also see* Thaler, Richard. "Mental Accounting
 25 and Consumer Choice." *Marketing Science* 4, no. 3 (1985): 199-214, p. 212 ("The [reference price] will
 26 be more successful as a reference price the less often the good is purchased. The [reference price] is most
 27 likely to serve as a proxy for quality when the consumer has trouble determining quality in other ways
 28 (such as by inspection)").

⁴ Grewal, Dhruv, and Larry D. Compeau. "Comparative price advertising: Informative or deceptive?"
Journal of Public Policy & Marketing (1992): 52-62, p. 52.

⁵ Darke, Peter and Darren Dahl. "Fairness and Discounts: The Subjective Value of a Bargain." *Journal of
 Consumer Psychology* 13, no 3 (2003): 328-338, p. 328.

⁶ "To incorporate ... the psychology of buying into the model, two kinds of utility are postulated:
acquisition utility and *transaction utility*. The former depends on the value of the good received compared
 to the outlay, the latter depends solely on the perceived merits of the 'deal'". Thaler, Richard. "Mental
 Accounting and Consumer Choice." *Marketing Science* 4, no. 3 (1985): 199-214, p. 205.

⁷ Empirical results "suggest that internal reference prices are a significant factor in purchase decisions. The
 results also add empirical evidence that external reference prices significantly enter the brand-choice
 decision." Mayhew, Glenn E. and Russell S. Winer. "An Empirical Analysis of Internal and External
 Reference Prices using Scanner Data." *Journal of Consumer Research* 19, no. 1 (1992): 62-70, p. 68.

1 memory” (e.g., a consumer’s price expectations adapted from past experience) while external reference
 2 prices are “provided by observed stimuli in the purchase environment” (e.g., a “suggested retail price,” or
 3 other comparative sale price).⁸ Researchers report that consumer’s internal reference prices adjust toward
 4 external reference prices when valuing a product.⁹ For products purchased infrequently, external reference
 5 prices can be particularly influential because these consumers have little or no prior internal reference.¹⁰
 6 In other words, “[t]he deceptive potential of such advertised reference prices are likely to be considerably
 7 higher for buyers with less experience or knowledge of the product and product category.”¹¹ Academic
 8 literature further reports that “there is ample evidence that consumers use reference prices in making brand
 9 choices”¹² and publications have summarized the empirical data as follows:

10 Inflated reference prices can have multiple effects on consumers. They can increase
 11 consumers’ value perceptions (transaction value and acquisition value), reduce their search
 12 intentions for lower prices, increase their purchase intentions, and reduce their purchase
 13 intentions for competing products ... Inflated and/or false advertised reference prices
 enhance consumers’ internal reference price estimates and, ultimately, increase their
 perceptions of value and likelihood to purchase[.]¹³

14 14. Sellers, including Defendant, understand that consumers are vulnerable to a good bargain.
 15 Thus, Defendant has a substantial financial interest in exploiting this well-known consumer behavioral
 16 tendency by inducing consumers into believing they are receiving a good bargain—even when they are
 17 not. The human phenomena of disproportionately relying on an initial piece of information when making
 18

19
 20
 21 ⁸ Mayhew, Glenn E. and Russell S. Winer. “An Empirical Analysis of Internal and External Reference
 Prices using Scanner Data.” *Journal of Consumer Research* 19, no. 1 (1992): 62-70, p. 62.

22 ⁹ “Buyers’ internal reference prices adapt to the stimuli prices presented in the advertisement. That is,
 23 buyers either adjust their internal reference price or accept the advertised reference price to make judgments
 about the product’s value and the value of the deal.” Grewal, Dhruv, Kent B. Monroe, and Ramayya
 Krishnan. “The Effects of Price-Comparison Advertising on Buyers’ Perceptions of Acquisition Value,
 Transaction Value, and Behavioral Intentions.” *The Journal of Marketing* 62 (1998): 46-59, p. 48.

24 ¹⁰ As Thaler notes, “the [suggested retail price] will be more successful as a reference price the less often
 25 the good is purchased.” Thaler, Richard. “Mental Accounting and Consumer Choice.” *Marketing Science*
 4, no. 3 (1985): 199-214, p. 212.

26 ¹¹ Grewal, Dhruv, and Larry D. Compeau. “Pricing and public policy: A research agenda and an overview
 of the special issue.” *Journal of Public Policy & Marketing* 18, no. 1 (1999): 3-10, p. 7.

27 ¹² Kalyanaram, Gurusurthy, and Russell S. Winer. “Empirical Generalizations from Reference Price
 28 Research.” *Marketing Science* 14, no. 3 (1995): G161-G169, p. G161.

¹³ Grewal, Dhruv, and Larry D. Compeau. “Pricing and public policy: A research agenda and an overview
 of the special issue.” *Journal of Public Policy & Marketing* 18, no. 1 (1999): 3-10, p. 7.

1 a decision, otherwise known as “anchoring,”¹⁴ is especially relevant in this context.¹⁵ Reference prices are
 2 often the *first*, if not the *only*, insight into a product besides the sale price itself, thus consumers use the
 3 reference price as a baseline upon which they perceive a product’s value.

4 **B. California State and Federal Pricing Regulations Prohibit False “Original price”**
 5 **references and Out-Dated “Original price” references.**

6 15. Under California law, a seller may only discount an item from its own *original price* for up
 7 to 90 days; or in the alternative, it may offer a discount from the original price of an item being offered by
 8 a competitor, within the relevant market, for up to 90 days. In either scenario, a seller can only offer a
 9 “sale” from an original price for 90 days. At that point, on day 91, the seller has two options: the product
 10 must either return to its full original price, or the seller may continue to sell the product at the discounted
 11 price, as long as it discloses to the consumer the date on which the product was last offered for sale at
 12 its alleged former price. See BUS. & PROF. CODE § 17501. Under California law, a seller cannot use an
 13 old, outdated, “original price” as the basis for a sale or discount, unless it discloses to the consumer the
 14 date on which the prior original price was offered in the market. *Id.*

15 16. Additionally, under the FTCA, when a seller offers a discount from its own, former *original*
 16 *price*, the original price is required to have been a price at which the seller held that item out for sale on a
 17 regular basis, for a commercially reasonable period of time. See 16 C.F.R. § 233.1(a) and (b).

18 **C. Defendant’s Fraudulent Price Discounting Scheme Violates California State Law and**
 19 **Federal Regulations.**

20 17. Defendant engages in a false and misleading reference price scheme in the marketing and
 21 selling of the products offered on its e-commerce website. Defendant advertises instructional video courses
 22 for sale by listing them with a fictitious original price and a corresponding sale price. The original price
 23 communicates “the product’s worth and the prestige that ownership of the product conveys.” *Hinojos*, 718
 24 F.3d at 1106 (*citing* Dhruv Grewal & Larry D. Compeau, Comparative Price Advertising: Informative or
 25 Deceptive?, 11 J. Pub. Pol’y & Mktg. 52, 55 (Spring 1992) (“By creating an impression of savings, the
 26

27 ¹⁴ See Program on Negotiation, *Anchoring Effect*, HARV. L. SCH., <http://www.pon.harvard.edu/tag/anchoring-effect> (“[T]he anchoring effect, [is] the tendency for the first offer to “anchor” the bargaining that
 28 follows in its direction, even if the offer recipient thinks the offer is out of line.”).

¹⁵ Friedman, *supra* note 2, at 933.

1 presence of a higher reference price enhances subjects' perceived value and willingness to buy the
2 product.”). “Misinformation about a product’s ‘normal’ price is . . . significant to many consumers in the
3 same way as a false product label would be.” *Hinojos*, 718 F.3d at 1106.

4 18. Defendant consistently advertises its products alongside an original price, a calculation of
5 the discount percentage, and the corresponding sale price. The original price, or false reference price, is
6 printed with a “strikethrough,” which operates as a baseline that consumers rely on to assess a product’s
7 value. The discount percentage is shown alongside the original price to communicate to the consumer that
8 the product is being sold at a substantial discount. The sale price is displayed directly next to the false
9 reference price and discount percentage, thus conveying the “deep discount” at which the product is
10 presently being offered, ostensibly for a limited time.

11 19. However, the products sold on Defendant’s e-commerce website are never sold at the full
12 original price. The original price merely serves as a false reference price utilized by Defendant as part of
13 a larger scheme to deceptively manufacture deep discounts in an effort to incentivize consumers to make
14 purchases.

15 20. How the scheme works: the products (virtual courses) sold on Udemy.com show the original
16 price with a strikethrough alongside the discount percentage, with the corresponding sale price immediately
17 next to the item. For example, as seen in Exhibit A, a product entitled “The Web Developer Bootcamp”
18 shows an original price of “~~\$199.99~~” directly next to “94% off,” which both appear next to the sale price
19 of “\$10.99.” Frequently, this appears above prominent red text intended to signal the fast-approaching end
20 of the sale, which also can be seen in Exhibit A as “**5 hours left at this price!**” (emphasis original). Attached
21 hereto as Exhibit A are numerous snapshots from Udemy.com acquired through the Wayback Machine—
22 a well-regarded archive of internet webpages as they existed at a singular point in time—depicting the false
23 reference pricing scheme, including of the product used in the above-mentioned example and of the product
24 purchased by Plaintiff.

25 21. Defendant further encourages a sense of urgency to act on a “short-lived deal” through the
26 use of an active countdown bar highlighted in yellow at the top of the Udemy.com homepage. However,
27
28

1 when the countdown expires it continues to display “ends in 0s.” Attached hereto as Exhibit B are snapshots
2 depicting the yellow countdown bar.¹⁶

3 22. This purposeful practice operates by deceiving consumers into (1) making purchases they
4 otherwise would not have made; and/or (2) paying substantially more for products that consumers believed
5 are heavily discounted, and thus, worth more than their actual value. Thus, Defendant increases sales by
6 creating the illusion of short-lived bargains purporting to offer products on sale from false original prices.
7 The only plausible explanation for this practice is to drive sales, and artificially inflate the perceived value,
8 and consequently the price, at which consumers are willing to buy Defendant’s products.

9 23. Defendant’s perpetual discounting of its products constitutes false, fraudulent, and
10 deceptive advertising because the advertised reference prices it employs list substantially higher prices than
11 those actually offered by Defendant. The reference prices only serve to deceive consumers by providing a
12 benchmark price from which the false discount and corresponding “sale” price are derived. In effect,
13 Defendant’s scheme trick consumers into justifiably believing they are getting a significant deal—when,
14 in reality, consumers are paying the usual retail price for products.

15 24. The products sold through Defendant’s e-commerce website are *never* offered for sale, nor
16 actually sold, at the advertised reference price. Thus, the purpose of these advertised reference prices is to
17 induce consumers into believing that the products were once sold at the reference price and will be again
18 if the consumer does not act fast in purchasing at the “bargain” price. Defendant engages in this practice
19 fully aware that the advertised products are never actually offered nor sold at the advertised reference prices
20 in order to facilitate sham markdowns and to drive sales, thereby deceiving its customers into believing
21 they are receiving a substantial bargain. Defendant engages in this practice knowing full well that the
22 advertised products are never actually offered nor sold at the advertised reference prices, or never actually
23 offered nor sold at the advertised reference prices within 90 days of them being discounted on Udemy’s e-
24 commerce website.

25
26
27
28 ¹⁶ This yellow banner further appears to be just for show because clicking on the banner does not link users
to any other webpages providing purported sales and it simply displays text (“Get courses from \$14.99 for
a limited time a special offer for new students”). Additionally, the countdown pauses if the user minimizes
the browser tab or if the computer goes to sleep.

1 25. Nowhere on Defendant’s website does Defendant disclose that the reference or original
2 prices used are not: (1) former prices; or (2) are not recent (within 90 days), regularly offered former prices;
3 (3) or prices at which identical products are sold elsewhere in the market. The omission of these
4 disclosures, coupled with Defendant’s use of fictitious advertised reference prices, renders Defendant’s
5 pricing scheme inherently misleading.

6 26. Moreover, the advertised discounts were fictitious because the reference prices did not
7 represent a *bona fide* price at which Defendant previously sold or offered to sell the products, on a regular
8 basis, for a commercially reasonable period of time, as required by the Federal Trade Commission (“FTC”).
9 In addition, the represented advertised reference prices were not the prevailing market retail price within
10 the three months (90 days) immediately preceding the publication of the advertised former reference price,
11 as required by California law.

12 27. Thus, Defendant’s scheme intends to, and does, provide misinformation to the customer.
13 This misinformation communicates to consumers, including Plaintiff, that the products sold on Defendant’s
14 e-commerce website have greater value than the advertised discounted price.

15 **D. Investigation**

16 28. Products sold on Udemy’s e-commerce website are priced uniformly. That is, the products
17 sold by Defendant bears a substantially discounted sale price that appears next to both the “crossed out” or
18 “strikethrough” original price, and the discount percentage, appearing as “___% off,” with discounts
19 typically ranging from 80% to 90% off. Plaintiff’s counsel’s investigation confirmed that the merchandise
20 purchased by Plaintiff was priced with a false reference price and a corresponding discounted price for at
21 least the 90-day period immediately preceding Plaintiff’s purchase in violation of California law. The
22 merchandise purchased by Plaintiff was not, and is not, offered for sale in any other market.

23 29. Plaintiff’s counsel’s investigators tracked the pricing of certain merchandise offered for sale
24 through Udemy.com at various points from 2019 to 2021. A sample of the items tracked include: The Web
25 Developer Bootcamp; Machine Learning A-Z™: Hands-On Python & R in Data Science; An Entire MBA
26 in 1 Course: Award Winning Business School Prof; Complete Blender Creator: Learn 3D Modelling for
27 Beginners; Become a SuperLearner 2: Learn Speed Reading & Boost Memory. For the duration of the
28 tracking period, each product remained significantly discounted from its reference price. Additionally,

1 none of the products were ever offered for sale at their respective advertised reference price. The
2 investigation indicated that the false reference pricing scheme was uniform across Defendant’s e-commerce
3 website.

4 30. Plaintiff’s counsel also researched Defendant’s e-commerce website through the Wayback
5 Machine. The website snapshots recorded by the Wayback Machine observed across the several months
6 before and after Plaintiff’s purchase indicated perpetual discounting uniformly across Defendant’s
7 products. *See Exhibit A.*

8 31. The false reference price and corresponding discount price scheme were both uniform and
9 identical on almost all products sold through Defendant’s e-commerce website. The only change was the
10 requisite “___% off” on certain products.

11 32. Thus, the fraudulent price scheme applies to all products offered for sale through
12 Defendant’s e-commerce website, including the product purchased by Plaintiff.

13 IV. PARTIES

14 Plaintiff

15 33. Marion Williams resides in Upper Marlboro, Maryland. Plaintiff, in reliance on Defendant’s
16 false and deceptive advertising, marketing and discounting pricing schemes, purchased “AWS Certified
17 Solutions Architect – Associate 2020” from Udemy’s e-commerce website on his computer on
18 September 25, 2020. Plaintiff examined several products on Defendant’s website before deciding to
19 purchase “AWS Certified Solutions Architect – Associate 2020” after reviewing the item’s advertised sale
20 price. The course Plaintiff purchased was advertised as having an original price of \$94.99. Defendant
21 advertised the item as having a sale price, of \$12.99, at roughly an 86% discount.

22 34. After observing the original price of the item and the accompanying the sale price, Plaintiff
23 believed he was receiving a significant discount on the product he had chosen. Because he was interested
24 in the material presented in the video course and felt that the discounted price would likely not last, and
25 that he was getting a significant bargain on the product, he proceeded to finish checking out and purchased
26 the “AWS Certified Solutions Architect – Associate 2020” course for \$12.99.

27 35. However, this product was never offered for sale at the original price listed on Udemy’s e-
28 commerce website—\$94.99—and certainly not within the 90 days preceding Plaintiff’s purchase. Neither

1 Plaintiff's receipt nor any other language on the website observed or relied upon by Plaintiff indicated that
2 the product was not offered previously at the advertised reference price.

3 36. Plaintiff was damaged in his purchase because Defendant's false reference price discounting
4 scheme inflated the true market value of the item he purchased. Plaintiff is susceptible to this reoccurring
5 harm because he cannot be certain that Defendant has corrected this deceptive pricing scheme and he
6 desires to shop at Udemy's e-commerce website in the future as he desires to take additional online courses
7 in areas that interest him. However, he currently cannot trust that Defendant will accurately price its
8 products truthfully and in a non-misleading fashion in compliance with applicable law. Plaintiff does not
9 have the resources on his own to determine whether Defendant is complying with California and Federal
10 law with respect to its pricing practices.

11 37. Additionally, because of the wide selection of instructional courses available on
12 Defendant's website, and due to the likelihood that Defendant may yet develop and market additional
13 falsely priced courses for sale online, Plaintiff may again, though by mistake, purchase a falsely discounted
14 instructional course from Defendant under the impression that the advertised reference price represented a
15 *bona fide* former price at which the item was previously offered for sale by Defendant. Indeed, Plaintiff
16 desires to continue purchasing instructional courses from Udemy.com in the future. Moreover, Class
17 members will continue to purchase the Udemy courses while reasonably but incorrectly believing that their
18 advertised reference prices represent *bona fide* former prices at which they were previously offered for sale
19 by Defendant.

20 38. Absent an equitable injunction enjoining Defendant from continuing in the unlawful course
21 of conduct alleged herein, Plaintiff, Class members and the public will be irreparably harmed and denied
22 an effective and complete remedy because they face a real and tangible threat of future harm emanating
23 from Defendant's ongoing conduct which cannot be remedied with monetary damages. Accordingly,
24 Plaintiff, Class members, and the general public lack an adequate remedy at law and an injunction is the
25 only form of relief which will guarantee Plaintiff and other consumers the appropriate assurances.

26 39. Moreover, Plaintiff lacks adequate remedy at law with respect to his claim for equitable
27 restitution because he has not yet retained an expert to determine whether an award of damages can or will
28 adequately remedy his monetary losses caused by Defendant. Particularly, as legal damages focus on

1 remedying the loss to the plaintiff and equitable restitution focuses wholly distinctly on restoring monies
2 wrongly acquired by the defendant, legal damages are inadequate to remedy Plaintiff's loss because
3 Plaintiff does not know at this juncture, and is certainly not required to set forth evidence, whether a model
4 for legal damages (as opposed to equitable restitution) will be viable or will adequately compensate
5 Plaintiff's losses.

6 40. Finally, Plaintiff's case is substantially predicated on Defendant's violation of CAL BUS. &
7 PROF. CODE § 17501, an equitable claim, as Plaintiff's counsel's investigation revolved around ensuring
8 that Defendant did not sell products at the indicated reference price within the 90 days preceding Plaintiff's
9 purchase and, likewise, that Defendant failed to disclose to consumers the date on which products was last
10 offered at its advertised reference price. This claim and test of liability go to the heart of Plaintiff's case
11 and the same test is not available under a CLRA legal claim for damages. Thus, Plaintiff does *not* have an
12 adequate remedy at law because the CLRA does not provide the same metric of liability as CAL BUS. &
13 PROF. CODE § 17501, which is integral not only to Plaintiff's prayer for restitution, but also to Plaintiff's
14 very theory of liability at trial.

15 **Defendant**

16 41. Defendant is incorporated in Delaware with its principal executive offices in San Francisco,
17 California. Plaintiff is informed and believes that Defendant operates its e-commerce website,
18 Udemy.com, and advertises, markets, distributes, and/or sells products in California and throughout the
19 United States. Defendant's Terms of Use provides that all claims brought against Udemy, including
20 Plaintiff's here, are governed by the laws of the State of California.

21 42. Plaintiff does not know the true names or capacities of the persons or entities sued herein as
22 Does 1-50, inclusive, and therefore sues such defendants by such fictitious names. Plaintiff is informed
23 and believes, and upon such information and belief alleges, that each of the Doe defendants is in some
24 manner legally responsible for the damages suffered by Plaintiff and the Class members as alleged herein.
25 Plaintiff will amend this Complaint to set forth the true names and capacities of these defendants when
26 they have been ascertained, along with appropriate charging allegations, as may be necessary.

1 43. The reference prices listed and advertised on products sold through Defendant’s e-
2 commerce website are false or severely outdated reference prices, utilized only to perpetuate Defendant’s
3 false discount scheme.

4 44. Defendant knows that its reference price advertising is false, deceptive, misleading, and
5 unlawful under California and federal law.

6 45. Defendant fraudulently concealed from and intentionally failed to disclose to Plaintiff and
7 other members of the Class the truth about its advertised discount prices and former reference prices.

8 46. At all relevant times, Defendant has been under a duty to Plaintiff and the Class to disclose
9 the truth about its false discounts.

10 47. Plaintiff reasonably relied upon Defendant’s artificially inflated reference prices and false
11 discounts when purchasing the “AWS Certified Solutions Architect – Associate 2020” course from
12 Defendant’s e-commerce website. Plaintiff would not have made such purchase but for Defendant’s
13 representations regarding the substantial discount being offered for the product. Plaintiff would like to
14 continue buying from Defendant’s e-commerce website in the future but cannot be certain of the veracity
15 of Defendant’s advertised bargains.

16 48. Plaintiff and the Class reasonably and justifiably acted and relied on the substantial price
17 differences that Defendant advertised, and made purchases believing that they were receiving a substantial
18 discount on a product of greater value than it actually was. Plaintiff, like other Class members, was lured
19 in, relied on, and was damaged by the deceptive pricing scheme that Defendant carried out.

20 **V. CLASS ALLEGATIONS**

21 49. Plaintiff brings this action on behalf of himself and all other similarly situated Class
22 members pursuant to Rule 23(a), (b)(2) and (b)(3) of the Federal Rules of Civil Procedure and seeks
23 certification of the following Class against Defendant:

24 All persons, within the United States, who, within the preceding four years (the “Class
25 Period”), purchased from Udemy’s e-commerce website, one or more products at discounts
26 from an advertised reference price and who have not received a refund or credit for their
purchase(s).

27 Excluded from the Class is Defendant, as well as its officers, employees, agents or affiliates, parent
28 companies and/or subsidiaries, and each of their respective officers, employees, agents or affiliates, and

1 any judge who presides over this action. Plaintiff reserves the right to expand, limit, modify, or amend this
2 Class definition, including the addition of one or more subclasses, in connection with his motion for class
3 certification, or at any other time, based upon, *inter alia*, changing circumstances and/or new facts obtained
4 during discovery.

5 50. **Numerosity:** The Class members are so numerous that joinder of all members is
6 impracticable. Plaintiff is informed and believes that the proposed Class contains at least thousands of
7 individuals who have been damaged by Defendant's conduct as alleged herein. The precise number of
8 Class members is unknown to Plaintiff at this time, but Plaintiff expects it can readily be established
9 through Defendant's records.

10 51. **Existence and Predominance of Common Questions of Law and Fact:** This action
11 involves common questions of law and fact, which predominate over any questions affecting individual
12 Class members. These common legal and factual questions include, but are not limited to, the following:

- 13 a. whether, during the Class Period, Defendant used advertised false reference prices
14 on products sold through its e-commerce website;
- 15 b. whether, during the Class Period, the original price advertised by Defendant was the
16 prevailing market price for the products in question during the three months period preceding the
17 dissemination and/or publication of the advertised former prices;
- 18 c. whether Defendant's alleged conduct constitutes violations of the laws asserted;
- 19 d. whether Defendant engaged in unfair, unlawful and/or fraudulent business practices
20 under the laws asserted;
- 21 e. whether Defendant engaged in false or misleading advertising;
- 22 f. whether Plaintiff and Class members are entitled to damages and/or restitution and
23 the proper measure of that loss;
- 24 g. whether an injunction is necessary to prevent Defendant from continuing to use
25 false, misleading or illegal price comparison; and
- 26 h. whether Plaintiff and the Class are entitled to an award of reasonable attorneys' fees,
27 interest, and costs of suit.
- 28

1 52. **Typicality:** Plaintiff’s claims are typical of the claims of the Class members because, *inter*
2 *alia*, all Class members have been deceived (or were likely to be deceived) by Defendant’s false and
3 deceptive price advertising scheme, as alleged herein. Plaintiff is advancing the same claims and legal
4 theories on behalf of himself and all Class members.

5 53. **Adequacy:** Plaintiff will fairly and adequately protect the interests of the Class members.
6 Plaintiff has retained counsel experienced in complex consumer class action litigation, and Plaintiff intends
7 to prosecute this action vigorously. Plaintiff has no antagonistic or adverse interest to those of the Class.

8 54. **Superiority:** The nature of this action and the nature of laws available to Plaintiff and the
9 Class make the use of the class action format a particularly efficient and appropriate procedure to afford
10 relief to him and the Class for the wrongs alleged. The damages or other financial detriment suffered by
11 individual Class members is relatively modest compared to the burden and expense that would be entailed
12 by individual litigation of their claims against Defendant. It would thus be virtually impossible for Plaintiff
13 and Class members, on an individual basis, to obtain effective redress for the wrongs done to them. Absent
14 the class action, Class members and the general public would not likely recover, or would not likely have
15 the chance to recover, damages or restitution, and Defendant will be permitted to retain the proceeds of its
16 fraudulent and deceptive misdeeds.

17 55. All Class members, including Plaintiff, were exposed to one or more of Defendant’s
18 misrepresentations or omissions of material fact in advertising false reference prices. Due to the scope and
19 extent of Defendant’s consistent false sale prices, advertising scheme, disseminated in a constant years-
20 long campaign to consumers, it can be reasonably inferred that such misrepresentations or omissions of
21 material fact were uniformly made to all members of the Class. In addition, it can be reasonably presumed
22 that all Class members, including Plaintiff, affirmatively acted in response to the representations contained
23 in Defendant’s false advertising scheme when purchasing products sold through Defendant’s e-commerce
24 website.

25 56. Defendant keeps extensive records of its customers through its online sales data, as well as
26 through, *inter alia*, general marketing programs. Defendant has one or more databases through which all,
27 or a significant majority of, Class members may be identified and ascertained, and it maintains contact
28

1 information, including email and home address, through which notice of this action could be disseminated
2 in accordance with due process requirements.

3 **VI. CAUSES OF ACTION**

4 **FIRST CAUSE OF ACTION**

5 **Violation of California’s Unfair Competition Law (“UCL”)**
6 **CAL. BUS. & PROF. CODE §§ 17200, *et seq.***

7 57. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if
8 fully set forth herein.

9 58. The UCL defines “unfair business competition” to include any “unlawful, unfair or
10 fraudulent” act or practice, as well as any “unfair, deceptive, untrue or misleading” advertising. CAL. BUS.
11 PROF. CODE § 17200.

12 59. The UCL imposes strict liability. Plaintiff need not prove that Defendant intentionally or
13 negligently engaged in unlawful, unfair, or fraudulent business practices—but only that such practices
14 occurred.

15 **“Unfair” Prong**

16 60. A business act or practice is “unfair” under the UCL if it offends an established public policy
17 or is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers, and that
18 unfairness is determined by weighing the reasons, justifications and motives of the practice against the
19 gravity of the harm to the alleged victims.

20 61. Defendant’s actions constitute “unfair” business practices because, as alleged above,
21 Defendant engaged in misleading and deceptive price comparison advertising that represented false
22 reference prices and corresponding deeply discounted phantom “sale” prices. Defendant’s acts and
23 practices offended an established public policy of transparency in pricing, and constituted immoral,
24 unethical, oppressive, and unscrupulous activities that are substantially injurious to consumers.

25 62. The harm to Plaintiff and Class members outweighs the utility of Defendant’s practices
26 because Defendant’s practice of advertising false discounts provides no utility. There were reasonably
27 available alternatives to further Defendant’s legitimate business interests other than the misleading and
28 deceptive conduct described herein.

1 **“Fraudulent” Prong**

2 63. A business act or practice is “fraudulent” under the UCL if it is likely to deceive members
3 of the consuming public.

4 64. Defendant’s acts and practices alleged above constitute fraudulent business acts or practices
5 as it has deceived Plaintiff and is highly likely to deceive members of the consuming public. Plaintiff
6 relied on Defendant’s fraudulent and deceptive representations regarding its false or outdated “original
7 prices” for products sold by Defendant through its e-commerce website. These misrepresentations played
8 a substantial role in Plaintiff’s decision to purchase the product at a purportedly steep discount, and Plaintiff
9 would not have purchased the product without Defendant’s misrepresentations.

10 **“Unlawful” Prong**

11 65. A business act or practice is “unlawful” under the UCL if it violates any other law or
12 regulation.

13 66. Defendant’s act and practices alleged above constitute unlawful business acts or practices
14 as it has violated state and federal law in connection with its deceptive pricing scheme. The FTCA prohibits
15 “unfair or deceptive acts or practices in or affecting commerce” (15 U.S.C. § 45(a)(1)) and prohibits the
16 dissemination of any false advertisements. 15 U.S.C. § 52(a). Under the FTC, false former pricing
17 schemes, like Defendant’s, are described as deceptive practices that would violate the FTCA:

18 (a) One of the most commonly used forms of bargain advertising is to offer a reduction
19 from the advertiser’s own former price for an article. If the former priced is the actual,
20 bona fide price at which the article was offered to the public on a regular basis for a
21 reasonably substantial period of time, it provides a legitimate basis for the advertising of a
22 price comparison. Where the former price is genuine, the bargain being advertised is a true
23 one. If, on the other hand, the former price being advertised is not bona fide but fictitious
24 – **for example, where an artificial, inflated price was established for the purpose of**
25 **enabling the subsequent offer of a large reduction – the “bargain” being advertised is a**
26 **false one**; the purchaser is not receiving the unusual value he expects. In such a case, the
27 “reduced” price is, in reality, probably just the seller’s regular price.

28 (b) A former price is not necessarily fictitious merely because no sales at the advertised
price were made. The advertiser should be especially careful, however, in such a case, that
the price is one at which the product was openly and actively offered for sale, for a
reasonably substantial period of time, in the recent, regular course of her business, honestly
and in good faith – and, of course, not for the purpose of establishing a fictitious higher
price on which a deceptive comparison might be based.

16 C.F.R. § 233.1(a) and (b) (emphasis added).

1 67. In addition to federal law, California law also expressly prohibits false former pricing
2 schemes. The FAL, BUS. & PROF. CODE § 17501, entitled “*Worth or value; statements as to former price,*”
3 states:

4 For the purpose of this article the worth or value of any thing advertised is the prevailing
5 market price, wholesale if the offer is at wholesale, retail if the offer is at retail, at the time
6 of publication of such advertisement in the locality wherein the advertisement is published.

7 No price shall be advertised as a former price of any advertised thing, unless the alleged
8 former price was the prevailing market price as above defined within three months next
9 immediately preceding the publication of the advertisement or unless the date when the
10 alleged former price did prevail is clearly, exactly and conspicuously stated in the
11 advertisement.

12 CAL. BUS. & PROF. CODE § 17501 (emphasis added).

13 68. As detailed in Plaintiff’s Third Cause of Action below, the CLRA, CAL. CIV. CODE
14 § 1770(a)(9), prohibits a business from “[a]dvertising goods or services with intent not to sell them as
15 advertised,” and subsection (a)(13) prohibits a business from “[m]aking false or misleading statements of
16 fact concerning reasons for, existence of, or amounts of price reductions.”

17 69. As detailed herein, the acts and practices alleged were intended to or did result in violations
18 of the FTCA, the FAL, and the CLRA.

19 70. Defendant’s practices, as set forth above, misled Plaintiff, the proposed Class, and the public
20 in the past and will continue to mislead in the future. Consequently, Defendant’s practices constitute an
21 unlawful, fraudulent, and unfair business practice within the meaning of the UCL.

22 71. Defendant’s violation of the UCL, through its unlawful, unfair, and fraudulent business
23 practices, are ongoing and present a continuing threat that Class members and the public will be deceived
24 into purchasing products based on price comparisons of arbitrary and inflated “reference” prices and
25 substantially discounted “sale” prices. These false comparisons created phantom markdowns and lead to
26 financial damage for consumers like Plaintiff and the Class.

27 72. Pursuant to the UCL, Plaintiff is entitled to preliminary and permanent injunctive relief
28 enjoining Defendant from further engagement in this unfair competition, as well as disgorgement and
restitution to Plaintiff and the Class of all Defendant’s revenues wrongfully obtained from them as a result
of Defendant’s unfair competition, or such portion of those revenues as the Court may find equitable.

1 **SECOND CAUSE OF ACTION**

2 **Violation of California’s False Advertising Law (“FAL”)**
3 **CAL. BUS. & PROF. CODE §§ 17500, *et seq.***

4 73. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if
5 fully set forth herein.

6 74. CAL. BUS. & PROF. CODE § 17500 provides:

7 It is unlawful for any . . . corporation . . . with intent directly or indirectly to dispose of . .
8 . personal property or to perform services, professional or otherwise, or anything of any
9 nature whatsoever or to induce the public to enter into any obligation relating thereto, to
10 make or disseminate or cause to be made or disseminated . . . from this state before the
11 public in any state, in any newspaper or other publication, or any advertising device, or by
12 public outcry or proclamation, or in any other manner or means whatever, including over
13 the Internet, any statement, concerning that . . . personal property or those services . . .
14 which is untrue or misleading, and which is known, or which by the exercise of reasonable
15 care should be known, to be untrue or misleading . . .

12 (Emphasis added).

13 75. The “intent” required by section 17500 is the intent to make or disseminate personal
14 property (or cause such personal property to be made or disseminated), and not the intent to mislead the
15 public in the making or dissemination of such property.

16 76. Similarly, this section provides, “no price shall be advertised as a former price of any
17 advertised thing, unless the alleged former price was the prevailing market price . . . within three months
18 next immediately preceding the publication of the advertisement or unless the date when the alleged former
19 price did prevail is clearly, exactly, and conspicuously stated in the advertisement.” CAL BUS. & PROF.
20 CODE § 17501.

21 77. Defendant’s routine of advertising discounted prices from false “reference” prices, which
22 were never the prevailing market prices of those products and were materially greater than the true
23 prevailing prices (i.e., Defendant’s actual sale price), constitutes an unfair, untrue, and misleading practice.
24 This deceptive marketing practice gave consumers the false impression that the products were regularly
25 sold on the market for a substantially higher price than they actually were; therefore, leading to the false
26 impression that the products sold through Udemy’s e-commerce website were worth more than they
27 actually were.

1 78. Defendant misled consumers by making untrue and misleading statements and failing to
2 disclose what is required as stated in the Code alleged above.

3 79. As a direct and proximate result of Defendant's misleading and false advertisements,
4 Plaintiff and Class members have suffered injury in fact and have lost money. As such, Plaintiff requests
5 that this Court order Defendant to restore this money to Plaintiff and all Class members, and to enjoin
6 Defendant from continuing these unfair practices in violation of the UCL in the future. Otherwise, Plaintiff,
7 Class members, and the broader general public, will be irreparably harmed and/or denied an effective and
8 complete remedy.

9 **THIRD CAUSE OF ACTION**

10 **Violation of California's Consumers Legal Remedies Act ("CLRA"),**
11 **CAL. CIV. CODE § 1750, et seq.**

12 80. Plaintiff repeats and re-alleges the allegations contained in every preceding paragraph as if
13 fully set forth herein.

14 81. This cause of action is brought pursuant to the CLRA, CAL. CIV. CODE § 1750, et seq.
15 Plaintiff and each member of the proposed Class are "consumers" as defined by CAL. CIV. CODE § 1761(d).
16 Defendant's sale of products through its e-commerce website, Udemy.com, were "transactions" within the
17 meaning of CAL. CIV. CODE § 1761(e). The products purchased by Plaintiff and the Class are "goods" or
18 "services" within the meaning of CAL. CIV. CODE §§ 1761(a) - (b).

19 82. Defendant violated and continues to violate the CLRA by engaging in the following
20 practices proscribed by CAL. CIV. CODE § 1770(a) in transactions with Plaintiff and the Class which were
21 intended to result in, and did result in, the sale of products sold through its website:

- 22 a. advertising goods or services with intent not to sell them as advertised; § 1770(a)(9);
23 and
24 b. making false or misleading statements of fact concerning reasons for, existence of,
25 or amounts of price reductions; § 1770(a)(13).

26 83. On August 23, 2021, Plaintiff, through counsel, sent a CLRA demand letter to Defendant
27 that provided notice of Defendant's violation of the CLRA and demanded Defendant correct, repair,
28 replace, or otherwise rectify the unlawful, unfair, false, and deceptive practices complained of herein. The

1 letter also stated that if Defendant refused to do so, Plaintiff would file a complaint seeking damages in
2 accordance with the CLRA. If Defendant does not respond to Plaintiff's letter or agree to rectify the
3 problems associated with the actions detailed above and give notice to all affected consumers within
4 30 days of the date of written notice pursuant to § 1782, Plaintiff will amend his complaint to seek actual,
5 punitive, and statutory damages, as appropriate against Defendant.

6 84. Attached hereto as Exhibit C is a declaration of venue pursuant to Cal. Civ. Code §1780(d).

7 **VII. PRAYER FOR RELIEF**

8 Wherefore, Plaintiff, on behalf of himself and all other members of the Class, requests that this
9 Court award relief against Defendant as follows:

10 a. an order certifying the class and designating Plaintiff Marion Williams as the Class
11 Representative and his counsel as Class Counsel;

12 b. awarding restitution and disgorgement of all profits and unjust enrichment that
13 Defendant obtained from Plaintiff and the Class members as a result of its unlawful, unfair, and
14 fraudulent business practices described herein;

15 c. awarding declaratory and injunctive relief as permitted by law or equity, including:
16 enjoining Defendant from continuing the unlawful practices as set forth herein, and directing
17 Defendant to identify, with Court supervision, victims of its misconduct and pay them all money
18 they are required to pay;

19 d. order Defendant to engage in a corrective advertising campaign;

20 e. awarding attorneys' fees and costs; and

21 f. for such other and further relief as the Court may deem necessary or appropriate.

22 **VIII. DEMAND FOR JURY TRIAL**

23 Plaintiff hereby demands a jury trial for all of the claims so triable.

24 Dated: August 23, 2021

CARLSON LYNCH, LLP

25 By: /s/ Todd D. Carpenter

26 Todd D. Carpenter (CA 234464)
27 tcarpenter@carlsonlynch.com
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Scott G. Braden (CA 305051)
sbraden@carlsonlynch.com
1350 Columbia Street, Ste. 603
San Diego, California 92101
Telephone: (619) 762-1910
Facsimile: (619) 756-6991

*Attorneys for Plaintiff and
Proposed Class Counsel*