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8 **IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA**  
 9 **IN AND FOR THE COUNTY OF MARICOPA**

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STATE OF ARIZONA, ex rel., TERRY  
 GODDARD, Attorney General,

Plaintiff,

-vs-

DIRECTV, INC, a California  
 corporation,  
 Defendant.

CV2010-033208

Case No. \_\_\_\_\_

**COMPLAINT**

(Non-classified Civil)

Plaintiff, State of Arizona, ex rel. Terry Goddard, Attorney General, alleges as follows:

**I. JURISDICTION AND VENUE**

1. This action is brought pursuant to the Arizona Consumer Fraud Act, A.R.S. § 44-1521 *et seq.*, to obtain injunctive relief, attorneys' fees and costs, investigative expenses and other relief to prevent the unlawful acts and practices alleged in this Complaint and to remedy the consequences of such practices.

2. Venue is proper in Maricopa County, Arizona.

1           3.     The Superior Court has jurisdiction to enter appropriate orders both prior to  
2 and following a determination of liability pursuant to A.R.S. § 44-1528.

3           4.     The allegations contained in this Complaint took place between January  
4 2007 to the present.

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6     **II. PARTIES**

7           5.     Plaintiff is the State of Arizona, ex rel. Terry Goddard, who is authorized  
8 to bring this action under the Arizona Consumer Fraud Act, A.R.S. § 44-1521 *et seq.*

9           6.     Defendant, DirecTV, Inc., is a California corporation, engaged directly or  
10 through its subsidiaries in the business of advertising, marketing and selling its satellite  
11 television services to residential and commercial consumers in Arizona, including the  
12 installation, activation, and delivery of DirecTV satellite television equipment and  
13 programming provided to consumers via direct broadcast satellites.

14           7.     When reference is made to DirecTV, it refers to the above Defendant  
15 corporation and to the actions of its owners, officers, managers, employees, agents and  
16 independent contractors.

17     **III. FACTUAL ALLEGATIONS**

18                             **Deceptive Advertising**

19           8.     DirecTV advertises widely in print and electronic media, often running  
20 special promotions that offer such incentives as rebates for services, referral awards for  
21 existing customers, “free” installation, “free” trial offers for premium movie channel  
22 programming, next day installation and “free” equipment upgrades.

23           9.     DirecTV advertises prices that include rebate amounts that do not apply to  
24 all Consumers, require a lengthy redemption period before taking effect, expire prior to  
25 redemption and are procedurally difficult to redeem.

26           10.    DirecTV advertises prices without clearly and conspicuously disclosing that

1 the advertised price requires Consumers to agree to receive account notifications by e-  
2 mail.

3 11. DirecTV advertises prices that do not apply to the entire term of the  
4 Consumer's service commitment.

5 12. DirecTV advertises a set price for 12 months, yet states in its Consumer  
6 service agreement that prices, programming and terms and conditions are subject to  
7 change at any time.

8 13. DirecTV's advertisements fail to clearly and conspicuously disclose  
9 material terms and conditions, such as the length of the service commitment, non-  
10 activation fees, equipment non-return fees and early cancellation fees.

11 14. DirecTV allows its authorized retailers to deceptively give the appearance  
12 of being DirecTV employees and agents in their advertisements.

13 15. DirecTV advertises free installation and free equipment upgrades as  
14 "special offers" when such offers are not special or meaningful, because they are always  
15 available.

16 **Deceptive Activity by Authorized Retailers**

17 16. DirecTV uses retailers such as Best Buy, WalMart, Satellite Junction,  
18 Qwest, and Direct Sat TV to advertise, market, sell and lease DirecTV goods and services  
19 in person, through door-to-door solicitation, by direct mail, by telephone, and via the  
20 internet.

21 17. DirecTV's retailers such as Best Buy, WalMart, Satellite Junction, Qwest,  
22 and Direct Sat TV fail to disclose material terms such as the existence of a service  
23 commitment, the length of service commitment, the existence of cancellation fees, that  
24 equipment is leased and not purchased, and promise prices and programming that are not  
25 available.

26 18. DirecTV fails to honor the promises, incentives and offers made by its

1 authorized retailers regarding DirecTV service agreements and refuses to cancel service  
2 without charging early cancellation fees.

3 19. DirecTV refuses to release customers from service commitments when  
4 material terms were not disclosed to the customer by its authorized retailers.

5 **Telephone Orders**

6 20. DirecTV representatives and authorized retailers offer monthly prices to  
7 Consumers over the telephone that are lower than the prices ultimately charged and  
8 include discounts that do not immediately apply, require application and processing of  
9 rebates for which not all Consumers qualify, and/or require Consumers to accept  
10 additional terms, such as receiving online account statements.

11 21. DirecTV representatives and authorized retailers fail to disclose material  
12 terms of the Consumers' agreement with DirecTV, including:

- 13 a. the actual monthly fee to be charged,
- 14 b. the length or existence of the term of the service commitment,
- 15 c. the amount or existence of a cancellation fee,
- 16 d. that by giving DirecTV their credit or debit card account information

17 Consumers are authorizing DirecTV to apply this method of payment to satisfy any and  
18 all amounts due upon cancellation, including early cancellation fees, equipment non-  
19 return fees and the amount of any outstanding bills without further notice,

20 e. that there is a early cancellation fee of up to \$480.00 if Consumers do  
21 not fulfill the terms of their service commitment,

22 f. that DirecTV may charge Consumers a fee of \$150.00 for each receiver  
23 that is not activated,

24 g. that DirecTV may charge Consumers a fee of \$55 to \$470 for each  
25 DirecTV receiver that is not returned to DirecTV,

26 h. that Consumers will be bound by the terms of the Equipment Lease

1 Addendum, which is not provided until after installation, and  
2 i. that Consumers will be bound by the terms of the DirecTV Consumer  
3 Agreement, a copy of which is not provided until the first bill.

4 22. DirecTV does not allow Consumers to cancel without penalty if the  
5 programming or price they receive does not match what they were promised by the  
6 authorized retailer or DirecTV telephone representative.

7 23. DirecTV fails to maintain recordings of the offers and disclosures made  
8 over the telephone by its sales representative.

9 24. DirecTV and its Retailers make oral representations that are inconsistent  
10 with the contract provisions in the equipment lease addendum and the DirecTV  
11 Consumer Agreement and then fail to honor the oral representations.

12 25. After an order, DirecTV sends out a confirmation letter or e-mail specifying  
13 the type of receiver ordered. On the reverse of the form under "Some Other Important  
14 Details to Remember:" in small print, is the statement "You're set to receive the best in  
15 TV entertainment for the period of time stated in your agreement." This time period is  
16 not specified. Sometimes this letter or e-mail arrives after installation has already  
17 occurred.

18 **Installation and DirecTV's Equipment Lease Addendum**

19 26. Installers of DirecTV equipment sometimes provide an Equipment Lease  
20 Addendum to a person present at installation that provides some of the terms of  
21 Consumers' service agreement with DirecTV.

22 27. The person present at installation who receives and/or signs the Equipment  
23 Lease Addendum is not necessarily the account holder who will be held to its terms by  
24 DirecTV.

25 28. Installers of DirecTV equipment frequently fail to provide a copy of the  
26 Equipment Lease Addendum to Consumers.



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**DirecTV's Protection Plan**

36. DirecTV often adds its Protection Plan, an additional service that provides technical support, service calls, and replacement of defective equipment, to Consumer's accounts without Consumer's knowledge or consent.

37. DirecTV initially provides its Protection Plan at no cost.

38. After including the Protection Plan at no cost, without the Consumer's knowledge or consent, for a specific period of time, DirecTV begins billing \$5.99 per month for the service.

**Equipment Replacement and Upgrades**

39. On occasion, DirecTV replaces Consumer's defective leased equipment or offers Consumers a free equipment upgrade.

40. DirecTV fails to disclose to existing Consumers that it extends the term of the Consumer's service obligation if the Consumer upgrades equipment, orders new equipment, replaces defective equipment with upgraded equipment, or takes advantage of a "special offer."

41. DirecTV fails to obtain the Consumer's consent to a new term of service if the Consumer upgrades equipment, orders new equipment, replaces defective equipment, or takes advantage of a "special offer."

42. DirecTV holds Consumers who did not agree to renew or extend their service commitment when upgrading equipment, ordering new equipment, replacing defective equipment or taking advantage of a "special offer" to a new term of service by imposing early cancellation fees.

**DirecTV's Customer Service**

43. DirecTV's Customer service representatives disconnect, place on hold, and falsely promise remedies and resolutions that are not annotated on the Consumer's account file or later honored by DirecTV.



1 cancellation fees, equipment non-return fees and account charges, causing overdraft fees,  
2 inability to pay other bills and great hardship to Consumers.

3 54. DirecTV makes charges to non-account holders' credit and debit cards  
4 without notice or consent, if a non-account holders' credit or debit card was used to make  
5 a payment on a Consumer's account.

6 **Equipment Non-Return Fees**

7 55. DirecTV fails to clearly and conspicuously disclose that its Consumers will  
8 be charged equipment non-return fees from \$55 to \$470 per receiver until the Consumer  
9 has already installed DirecTV equipment and cannot cancel without penalty.

10 56. DirecTV charges equipment non-return fees to Consumers' credit card and  
11 debit card accounts without adequate notice to Consumers.

12 57. DirecTV charges equipment non-return fees without waiting the time  
13 period after account disconnection or cancellation specified in its Equipment Lease  
14 Addendum.

15 58. DirecTV fails to provide the promised "recovery kits" and arrangement of  
16 ground or air freight service to return DirecTV equipment and then charges Consumers  
17 equipment non-return fees.

18 **Refunds**

19 59. DirecTV fails to make refunds to Consumers in a timely manner or when  
20 promised by Customer Service Representatives.

21 60. DirecTV fails to timely refund charges for unreturned equipment even after  
22 the equipment is returned.

23 61. DirecTV has willfully retained monies due to Consumers for refunds for  
24 periods of 3 months and more.

25 **Deceptive Use of the Word Free**

26 62. DirecTV offers free installation and equipment in connection with the sale

1 of its goods and services without discontinuing, or expecting, in good faith, to  
2 discontinue the offer after a limited time and to commence charging for equipment or  
3 service of installation. DirecTV recovers the cost of the free service by marking up the  
4 price of the service purchased.

5 **IV. VIOLATIONS OF THE ARIZONA CONSUMER FRAUD ACT**

6 63. A.R.S. § 44-1522 (A) of the Consumer Fraud Act, provides as follows:

7  
8 The act, use, or employment by any person of any deception, deceptive act  
9 or practice, fraud, false pretense, false promise, misrepresentation, or  
10 concealment, suppression or omission of any material fact with intent that  
11 others rely upon such concealment, suppression or omission, in connection  
12 with the sale or advertisement of any merchandise whether or not any  
13 person has in fact been misled, deceived, or damaged thereby, is declared  
14 to be an unlawful practice.

15 64. In all matters alleged in paragraphs 8 through 62, DirecTV violated the  
16 Arizona Consumer Fraud Act, A.R.S. § 44-1521, *et. seq.*

17 65. In all matters alleged in paragraphs 8 through 62, DirecTV acted willfully,  
18 subjecting itself to enforcement and penalties as provided in A.R.S. § 44-1531(A).

19 **V. RELIEF REQUESTED**

20 WHEREFORE, the State respectfully requests that the Court:

21 1. Prohibit DirecTV from violating the Consumer Fraud Act, A.R.S. § 44-  
22 1521 *et seq.*

23 2. Prohibit DirecTV from engaging in the courses of conduct alleged herein  
24 as violations of A.R.S. § 44-1522(A).

25 3. Order DirecTV to engage only in clear, conspicuous, truthful and non-  
26 misleading advertising, and to use advertising disclaimers and/or disclosures, no matter  
the medium, only in a clear, conspicuous, truthful and non-misleading manner.

4. Order DirecTV to immediately cease the deceptive use of the word "Free."

1           5.     Order DirecTV to restore to all persons in interest any monies or property,  
2 real or personal, which may have been acquired by means of any practice in this article  
3 declared to be unlawful.

4           8.     Order DirecTV to pay the State of Arizona \$10,000 per each willful  
5 violation of the Consumer Fraud Act pursuant to A.R.S. § 44-1531.

6           9.     Order DirecTV to pay the costs of investigation and reasonable attorneys'  
7 fees pursuant to A.R.S. § 44-1534.

8           10.    Order other and further relief as the Court may deem just and proper.

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RESPECTFULLY SUBMITTED: December 15, 2010

TERRY GODDARD  
Attorney General

By: Rebecca Salisbury  
Rebecca Salisbury  
Assistant Attorney General  
Attorney for Petitioner

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