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**STATE OF WASHINGTON  
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,

Plaintiff,

v.

ARROW OUTLET, LLC, A  
DELAWARE LIMITED LIABILITY  
COMPANY DOING BUSINESS AS  
WWW.ARROWOUTLET.COM,

Defendant.

NO.

COMPLAINT FOR INJUNCTIVE  
AND OTHER RELIEF

**COMES NOW**, Plaintiff, State of Washington (hereinafter “the State”), by and through its attorneys Robert M. McKenna, Attorney General, and Jason E. Bernstein, Assistant Attorney General, and brings this action against Defendant named herein. The State alleges the following on information and belief:

**I. JURISDICTION AND VENUE**

**1.1** This Complaint is filed and these proceedings are instituted under the provisions of the Consumer Protection Act (CPA), RCW 19.86.

**1.2** Jurisdiction of the Attorney General to commence this action is conferred by RCW 19.86.080.

**1.3** Venue is proper in King County pursuant to RCW 4.12.025.

**1.4** The violations alleged herein have been committed in whole or in part in King County, in the state of Washington by Defendant named herein or its agents.

1 **II. DEFENDANT**

2 **2.1** Defendant Arrow Outlet, LLC is a Delaware for profit Limited Liability  
3 Company located at 955 Massachusetts Avenue, Suite 120, Cambridge, Massachusetts 02139.

4 **III. NATURE OF TRADE OR COMMERCE**

5 **3.1** Defendant was at all times relevant to this lawsuit, engaged in trade or  
6 commerce within the meaning of RCW 19.86.020 through advertising, marketing, promotion,  
7 and provision of an online “penny auction” website.

8 **3.2** Defendant was at all times relevant to this action in competition with others  
9 engaged in similar business in the state of Washington.

10 **IV. FACTS**

11 **4.1** Defendant operated a “penny auction” website located at  
12 www.arrowoutlet.com. This website sold general consumer products, typically electronics,  
13 through an auction-like system where consumers purchased individual bids and used them in  
14 an attempt to “win” the auction on each individual item. Penny auctions are timed auctions in  
15 which each bid also increases the amount of time remaining in the auction.

16 **4.2** Prior to approximately March 2012, when a consumer wished to participate in  
17 the auctions, he or she created an account with www.arrowoutlet.com and signed in. As of  
18 February 28, 2012, it was necessary for users to first sign up to receive an “invitation.” The  
19 site was otherwise inaccessible to non-members. This differs from August 1, 2010 to that date,  
20 when the site was generally accessible, but only members could sign in and participate in  
21 auctions.

22 **4.3** Bids must have been purchased before a member could participate in an  
23 auction. Bids cost 50 cents each and could be purchased in a Bid Pack. Each bid raised the  
24 price of an auctioned item by one-cent when used. A participant placed a bid by clicking a  
25 button marked “Bid!” next to the item up for auction.  
26

1           **4.4** All auctions were time-limited, usually beginning with a time limit of several  
2 days. When the time remaining ticked below 15 seconds, each bid that was placed increased  
3 the time remaining by 15 seconds. In this fashion, continued bidding prevented an auction  
4 from concluding until no more bids were placed.

5           **4.5** When an auction closed, the individual who had placed the last bid was required  
6 to pay the final auction price of the item in addition to any shipping and handling charges and  
7 was considered the auction winner. In a typical arrangement, Defendant would then ship the  
8 product to the winner.

9           **4.6** In many auctions, Defendant activated an “auto-bid” script that simulated  
10 bidding activity through fake bids (in penny auction circles, this script is also called a “bot,”  
11 “botbidder,” “bidbot,” or “shill bidder”). This “auto-bid” script could be seen functioning in  
12 data obtained by a group of mathematics graduate students and posted online at  
13 [www.arrowoutletinfo.com](http://www.arrowoutletinfo.com). These auto-bids were not purchased by real individuals; rather,  
14 Defendant simply executed these bids through the use of programming designed to mimic  
15 bidding activity. No actual participant paid for the bids made using the auto-bid script.

16           **4.7** By using the auto-bid script, Defendant artificially inflated the number of bids  
17 required to win an auction for real consumers, thereby increasing the price of winning auctions.

18           **4.8** Using the auto-bid script also artificially inflated the number of apparent users  
19 of a penny auction site. This helped to drive more traffic to the site because artificially inflated  
20 user numbers indicate popularity and provided enhanced credibility and legitimacy to the site.

21           **4.9** In the event that the auto-bid script placed the final bid in an auction, Defendant  
22 did not need to purchase the item and instead retained the money spent by real bidders as  
23 profit.

24           **4.10** Use of the auto-bid script also increased the length of auctions and made certain  
25 items appear artificially popular, potentially driving additional legitimate bidding activity.  
26



1           **6.3**     That the Court issue a permanent injunction enjoining and restraining Defendant  
2 and its representatives, successors, assigns, officers, agents, servants, employees, and all other  
3 persons acting or claiming to act for, on behalf of, or in active concert or participation with  
4 Defendant from continuing or engaging in the unlawful conduct complained of herein.

5           **6.4**     That the Court assess civil penalties, pursuant to RCW 19.86.140, of up to two  
6 thousand dollars (\$2,000) per violation against the Defendant for each and every violation of  
7 RCW 19.86.020 caused by the conduct complained of herein.


8           **6.5**     That the Court make such orders pursuant to RCW 19.86.080 as it deems  
9 appropriate to provide for restitution to consumers of money or property acquired by Defendant as  
10 a result of the conduct complained of herein.

11           **6.6**     That the Court make such orders pursuant to RCW 19.86.080 to provide that  
12 Plaintiff, State of Washington, have and recover from Defendant the costs of this action, including  
13 reasonable attorney's fees.

14           **6.7**     That the Court order such other relief as it may deem just and proper to fully and  
15 effectively dissipate the effects of the conduct complained of herein, or which may otherwise  
16 seem proper to the Court.

17           DATED this 10<sup>th</sup> day of January 2013

18   ROBERT M. MCKENNA  
19   Attorney General

20     
21   \_\_\_\_\_  
22   JASON E. BERNSTEIN, WSBA #39362  
23   Assistant Attorney General  
24   Attorneys for Plaintiff  
25   State of Washington  
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