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STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

STATE OF WASHINGTON,
Plaintiff,

v.

HOUSEVALUES, INC., a Washington
Corporation, in its own name and doing
business as HOUSEVALUES.COM, and
JUSTLISTED.COM,
Defendant.

NO. 07-2-35455-7SEA

COMPLAINT FOR
INJUNCTIVE AND OTHER
RELIEF UNDER THE
CONSUMER PROTECTION
ACT

The Plaintiff, State of Washington, by and through its attorneys Robert M. McKenna, Attorney General, and Shannon Smith, Assistant Attorney General, brings this action against the Defendant named herein. The State alleges the following on information and belief:

I. INTRODUCTION

1.1 The Plaintiff, State of Washington, brings this action pursuant to RCW 19.86, the Consumer Protection Act. Plaintiff seeks a permanent injunction, and other equitable relief, including civil penalties, and attorneys' costs and fees, based on violations of the Consumer Protection Act.

II. PLAINTIFF

2.1 The Plaintiff is the State of Washington ("State").

COPY ORIGINAL

1 telemarketing. The leads ostensibly identify individuals who are interested in selling or buying
2 real estate.

3 6.2 HouseValues obtains its inventory of leads from individuals who provide
4 information to HouseValues through its Housevalues.com and Justlisted.com Web sites.
5 Through its Housevalues.com Web site, HouseValues offers prospective “sellers” a free home
6 valuation report. HouseValues does not provide a report, however. Once the person enters his
7 or her personal information on the Housevalues.com Web site, HouseValues sends the
8 information to a subscribing real estate agent, who will contact the person and offer to provide
9 the person with a home valuation report.

10 6.3 Justlisted.com works in a similar way, only it is designed to capture information
11 about individuals who are interested in purchasing real estate. Through its JustListed.com
12 Web site, HouseValues offers to provide prospective “buyers” with free real estate listings in
13 their area. HouseValues does not provide the individuals with listings. Once the person enters
14 his or her personal information on the JustListed.com Web site, HouseValues sends the
15 information to real estate agents who subscribe to its services, and the subscribing agents
16 provide the individuals with listings in their desired areas.

17 6.4 The price for a subscription to Housevalues.com or Justlisted.com varies
18 depending on the number and type of leads HouseValues will provide to the subscriber. For
19 example, HouseValues charged a real estate agent \$369.00 per month for three (3) listing leads
20 per month in the Kirkland, Washington area from Housevalues.com. HouseValues charged the
21 same real estate agent \$279.00 per month for three (3) home buyer leads per month in the
22 Woodinville, Washington area from Justlisted.com. HouseValues charged the real estate agent
23 \$195.00 to set up the service.

24 6.5 Typically, HouseValues’ subscription term is 12 months. At the expiration of
25 the first 12 months, the subscription will continue on a month-to-month basis. HouseValues
26

1 imposes an early termination penalty of 50% of the remaining balance under the agreement on
2 agents who cancel before the expiration of the initial term.

3 6.6 In its marketing and advertising, HouseValues represents expressly or by
4 implication that the leads are good quality.

5 6.7 HouseValues represents that its leads are good quality; however, HouseValues
6 has sold leads to subscribers that plainly are not valid leads.

7 6.8 During sales presentations, HouseValues has represented to real estate agents
8 that they may subscribe to its services on a "trial" basis. HouseValues also has represented to
9 real estate agents that they may cancel their subscriptions at any time if they are not satisfied
10 with the service. A typical trial offer is a three-month lead subscription for \$99.00 per month.
11 Despite these representations of a trial period or easy cancellation, HouseValues requires each
12 subscriber to sign an agreement for an initial term, which typically is 12 months. If a real
13 estate agent cancels his or her subscription during that initial period, HouseValues charges the
14 real estate agent an early termination penalty of 50% of the remaining charges due under the
15 agreement.

16 **VII. FIRST CAUSE OF ACTION**
17 **False, Deceptive, or Misleading Representations about Lead Quality**

18 7.1 Plaintiff realleges Paragraphs 1.1 through 6.8 and incorporates them herein as if
19 set forth in full.

20 7.2 HouseValues misrepresents expressly or by implication that the leads it sells to
21 subscribers are good quality.

22 7.3 HouseValues misrepresents expressly or by implication that 22% of the leads it
23 sells will result in a real estate transaction for its subscribers.

24 7.4 HouseValues misrepresents expressly or by implication that the contact
25 information for each lead is accurate.

26 7.5 The conduct described in paragraphs 7.2 through 7.4 separately and taken

1 together, has the capacity to mislead a substantial number of consumers and constitutes unfair
2 or deceptive acts or practices in trade or commerce, and unfair methods of competition in
3 violation of RCW 19.86.020.

4 **VIII. SECOND CAUSE OF ACTION**
5 **Misrepresentation of Ability to Cancel**

6 8.1 Plaintiff realleges Paragraphs 1.1 through 7.7 and incorporates them herein as if
7 set forth in full.

8 8.2 HouseValues misrepresents expressly or by implication that real estate agents
9 may try its subscription service for a trial period or other period of shorter duration than its
10 typical 12 month subscription term, without incurring an early termination penalty upon
11 cancellation.

12 8.3 HouseValues has imposed early termination penalties against real estate agents
13 who have cancelled their subscriptions despite HouseValues' express or implied
14 representations that it would not do so.

15 8.4 The conduct described in paragraphs 8.1 to 8.3 has the capacity to mislead a
16 substantial number of consumers and constitutes unfair or deceptive acts or practices in trade
17 or commerce, and unfair methods of competition in violation of RCW 19.86.

18 **IX. PRAYER FOR RELIEF**

19 WHEREFORE, Plaintiff, State of Washington, prays for relief as follows:

20 9.1 That the Court adjudge and decree that the Defendant has engaged in the
21 conduct complained of herein.

22 9.2 That the Court adjudge and decree that the conduct complained of constitutes
23 unfair or deceptive acts and practices and an unfair method of competition and is unlawful in
24 violation of the Consumer Protection Act, RCW 19.86.

25 9.3 That the Court issue a permanent injunction enjoining and restraining the
26 Defendant, and its representatives, successors, assigns, officers, agents, servants, employees,

1 and all other persons acting or claiming to act for, on behalf of, or in active concert or
2 participation with the Defendant, from continuing or engaging in the unlawful conduct
3 complained of herein.

4 9.4 That the Court assess civil penalties, pursuant to RCW 19.86.140, of up to two
5 thousand dollars (\$2,000.00) per violation against the Defendant for each and every violation
6 of RCW 19.86.020 caused by the conduct complained of herein.


7 9.5 That the Court make such orders pursuant to RCW 19.86.080 as it deems
8 appropriate to provide for restitution to consumers of money or property acquired by the
9 Defendant as a result of the conduct complained of herein.

10 9.6 That the Court make such orders pursuant to RCW 19.86.080 to provide that the
11 Plaintiff, State of Washington, have and recover from the Defendant the costs of this action,
12 including reasonable attorneys' fees.

13 9.7 For such other relief as the Court may deem just and proper.

14 DATED this 14 day of November, 2007.

15 ROBERT M. MCKENNA
16 Attorney General

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18 SHANNON E. SMITH, WSBA # 19077
19 Assistant Attorney General
20 Attorneys for Plaintiff
21 State of Washington
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