

ORIGINAL

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9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA – WESTERN DIVISION

11  
12 OLIVER GRIGSBY, individually,  
and on behalf of other members of  
13 the general public similarly situated,

14 Plaintiff,

15 vs.

16 VALVE CORPORATION, a  
Washington corporation,

17 Defendant.  
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Case No.

**CV11-09905** JAK (MANX)

**CLASS ACTION COMPLAINT FOR:**

- (1) Violation of the Consumers Legal Remedies Act (Cal. Civil Code §§ 1750 *et seq.*);
- (2) Violation of Unfair Competition Law (Cal. Business & Professions Code §§ 17200 *et seq.*);
- (3) Violation of False Advertising Law (Cal. Business & Professions Code §§ 17500 *et seq.*);
- (4) Breach of Express Contact;
- (5) Breach of Implied Warranty (Song Beverly Consumer Warranty Act, Cal. Civ. Code §§ 1792 and 1791.1, *et seq.*); and
- (6) Negligence.

**Jury Trial Demanded**

INITIATIVE LEGAL GROUP APC  
1800 CENTURY PARK EAST, SECOND FLOOR, LOS ANGELES, CALIFORNIA 90067

1 Plaintiff Oliver Grigsby (“Plaintiff”) individually and on behalf of all  
2 other members of the public similarly situated, alleges as follows:

3 **NATURE OF THE ACTION**

4 1. This is a consumer class action regarding an internet security breach  
5 in connection with an online video game distribution platform, Steam, owned  
6 and operated by VALVE CORPORATION (hereinafter “VALVE” or  
7 “Defendant”).

8 2. VALVE failed to take reasonable measures to secure its online  
9 distribution platform, “Steam,” and thereby failed to take reasonable measures to  
10 secure the personal and/or financial information of VALVE customers who gave  
11 that information in order to sign up for the service provided by Steam.

12 3. “Steam” is an online digital distribution platform established and  
13 operated by VALVE that distributes video games and related media. Steam also  
14 has community features such as chat, multi-player online play, automated game  
15 updates, and other functionalities. The number of active users of VALVE’S  
16 online distribution platform is over 35 million worldwide.

17 4. As part of the process of creating an account and purchasing content  
18 through the Steam platform, Plaintiff and Class Members were required to  
19 provide personal and/or financial information to VALVE including but not  
20 limited to their full names, email addresses, billing addresses, user names and  
21 passwords, dates of birth, and credit card information.

22 5. VALVE failed to take reasonable security measures to protect its  
23 distribution platform which directly resulted in third party(s) gaining  
24 unauthorized access to VALVE’S distribution platform and thereby obtaining the  
25 private and/or financial information of millions of consumers. In addition, on  
26 information and belief, VALVE failed to encrypt some of the personal and/or  
27 financial information it collected and maintained from Plaintiff and Class  
28 Members, thereby making it even more likely that the personal and/or financial

1 information of Class Members would be compromised.

2 6. Moreover, despite VALVE having knowledge that its online  
3 distribution platform had been hacked into and the personal and/or financial  
4 information of millions of customers had been compromised, VALVE failed to  
5 immediately warn customers about the full extent of the security breach.  
6 Instead, it was not until November 10, 2011, four (4) days after the security  
7 breach, that VALVE finally advised its customers that the the security breach  
8 likely affected the personal and financial information of all users.

### 9 JURISDICTION AND VENUE

10 7. Jurisdiction is proper in this Court pursuant to 28 U.S.C.  
11 § 1332(d)(2). The matter in controversy, exclusive of interest and costs, exceeds  
12 the sum or value of \$5,000,000 and is a class action in which members of the  
13 class of Plaintiff are citizens of states different from Defendant. Further, greater  
14 than two-thirds of the Class Members reside in states other than the states in  
15 which Defendant is a citizen. In addition, under 28 U.S.C. § 1367, this Court  
16 may exercise supplemental jurisdiction over the state law claims because all of  
17 the claims are derived from a common nucleus of operative facts and are such  
18 that Plaintiff ordinarily would expect to try them in one judicial proceeding.

19 8. Venue lies within this judicial district pursuant to 28 U.S.C.  
20 § 1391(b)-(c) because Defendant transact business in this judicial district, and  
21 certain acts giving rise to the claims asserted in this Complaint occurred within  
22 this District. Venue is proper in the Southern District of California pursuant to  
23 28 U.S.C. § 1391 because this District is a District in which a substantial part of  
24 the events or omissions giving rise to the claim occurred.

### 25 PARTIES

26 9. Oliver Grigsby (“Plaintiff”) is a resident of Los Angeles, California.

27 10. Defendant VALVE CORPORATION is a Washington corporation  
28 that does business in the State of California.

1 11. Whenever, in this Complaint, reference is made to any act, deed, or  
2 conduct of Defendant, the allegation means that Defendant engaged in the act,  
3 deed, or conduct by or through one or more of its officers, directors, agents,  
4 employees or representatives who was actively engaged in the management,  
5 direction, control or transaction of the ordinary business and affairs of  
6 Defendant.

7 **FACTUAL BACKGROUND**

8 12. VALVE CORPORATION is a privately held corporation that  
9 develops, produces, and operates entertainment software. Founded in 1996,  
10 VALVE CORPORATION was made famous by its highly successful video  
11 game, *Half-Life*, released in November 1998.

12 13. One of VALVE’S flagship services is the Steam online  
13 entertainment software distribution platform. Steam’s primary service is to  
14 allow its users to purchase and download games and other software that users  
15 have in their virtual software library to their local computers. Steam also has  
16 community features such as chat and multi-player online play, automated game  
17 updates, among other functionalities. “Through Steam, fans can easily buy, play,  
18 share, modify, and build communities around Valve products as well as titles  
19 from other independent game studios.”<sup>1</sup>

20 14. The number of active users of VALVE’S online distribution  
21 platform is over 35 million worldwide and according to VALVE it is “the  
22 world’s largest online gaming platform.”<sup>2</sup>

23 15. In order to create an account with the Steam platform and access the  
24 community and free entertainment features, the consumer is prompted his or her,  
25 email address, a login name and login password. In addition, VALVE collects

26 \_\_\_\_\_  
27 <sup>1</sup> See <http://www.valvesoftware.com/company/> (last visited November 11,  
28 2011).

<sup>2</sup> *Id.*

1 and retains credit and debit card information when consumers purchase goods or  
2 services:

3 **Collection and Use of Information**

4 By using Valve's online sites and products, users agree that  
5 Valve may collect aggregate information, individual  
6 information, and personally identifiable information, as  
7 defined by Valve below....<sup>3</sup>

8 16. VALVE, through its Privacy Policy, led Plaintiff and Class  
9 Members to believe to VALVE would take reasonable measures to protect this  
10 personal and/or private information from unauthorized third-party access.

11 VALVE claimed through its Privacy Policy that

12 Personally identifiable information will be processed and  
13 stored by Valve in databases hosted in the United States.  
14 Valve has taken reasonable steps to protect the information  
15 users share with us, including, but not limited to, setup of  
16 processes, equipment and software to avoid unauthorized  
17 access or disclosure of this information...."<sup>4</sup>

18 17. On information and belief, VALVE did not encrypt the personal  
19 information of Plaintiff and Class Members that it obtained and stored.

20 18. On November 6, 2011, the Steam distribution platform was hacked  
21 into and the personal and/or financial information of Plaintiff and Class  
22 Members was compromised.

23 19. Along with the personal and financial information described in  
24 paragraph 29 above, the hacker(s) had also gained access to Plaintiff's and Class  
25 Members' billing addresses, passwords, online handles/IDs, and related credit  
26 and/or debit card information.

27 20. It was not until November 10, 2011, that VALVE acknowledged

28 <sup>3</sup> See <http://www.valvesoftware.com/privacy.html> (last visited November 11, 2011)

<sup>4</sup> *Id.*

1 that the Steam user database had been hacked into and the personal and/or  
2 private information of consumers had been compromised:

3 Dear Steam Users and Steam Forum Users:

4 Our Steam forums were defaced on the evening of  
5 Sunday, November 6. We began investigating and  
6 found that the intrusion goes beyond the Steam forums.

7 We learned that intruders obtained access to a Steam  
8 database in addition to the forums. This database  
9 contained information including user names, hashed  
10 and salted passwords, game purchases, email addresses,  
11 billing addresses and encrypted credit card information.  
12 We do not have evidence that encrypted credit card  
13 numbers or personally identifying information were  
14 taken by the intruders, or that the protection on credit  
15 card numbers or passwords was cracked. We are still  
16 investigating.

17 We don't have evidence of credit card misuse at this  
18 time. Nonetheless you should watch your credit card  
19 activity and statements closely.

20 While we only know of a few forum accounts that have  
21 been compromised, all forum users will be required to  
22 change their passwords the next time they login. If you  
23 have used your Steam forum password on other  
24 accounts you should change those passwords as well.

25 We do not know of any compromised Steam accounts,  
26 so we are not planning to force a change of Steam  
27 account passwords (which are separate from forum  
28 passwords). However, it wouldn't be a bad idea to  
change that as well, especially if it is the same as your  
Steam forum account password.

I am truly sorry this happened, and I apologize for the  
inconvenience.

Gabe<sup>5</sup>

21. VALVE failed to maintain reasonable security with respect to  
VALVE'S Steam online services, failed to establish reasonable firewalls, failed  
to encrypt the personal information of Plaintiff and Class Members, and failed to

<sup>5</sup> See <http://forums.steampowered.com/forums/announcement.php?f=14>  
(last visited November 11, 2011).

1 timely notify Plaintiff and Class Members about the security breach. Subsequent  
2 to the breach, VALVE has failed to take reasonable measures to protect  
3 Plaintiff's and Class Members' personal and/or financial information from  
4 improper, fraudulent, and unauthorized use.

5 22. As a direct and proximate result of VALVE'S failure to take  
6 reasonable security precautions, failure to establish appropriate firewalls, failure  
7 to encrypt private information, and failure to inform Plaintiff and Class Members  
8 about the security breach, Plaintiff and Class Members have been harmed.  
9 Plaintiff and Class Members will continue to suffer damages and injuries  
10 including potential fraudulent activity as a result of VALVE'S improper conduct  
11 described above, including having various services and subscriptions interrupted,  
12 loss of data, personal and financial information, an inability to access various  
13 gaming networks, potential credit fraud, and time, effort, and money spent to  
14 protect their privacy, identities, and financial information.

15 23. Plaintiff seeks actual and/or compensatory damages, restitutionary  
16 and equitable relief, costs and expenses of litigation, attorneys' fees and all other  
17 available relief for Plaintiff and Class Members.

### 18 **PLAINTIFF'S CLAIMS AGAINST VALVE**

19 24. Oliver Grigsby is a resident of Los Angeles, California.

20 25. Mr. Grigsby created a Steam user account on May 15, 2010. In  
21 order for Mr. Grigsby to subscribe to the Steam platform, Mr. Grigsby was  
22 required to, and in fact did, provide his email address. In addition, Mr. Grigsby  
23 provided an online handle/ID and a password.

24 26. Thereafter, in order to purchase content, VALVE required Mr.  
25 Grigsby to provide his date of birth, credit card information, and billing address.

### 26 **CLASS ACTION ALLEGATIONS**

27 27. Plaintiff brings this action, on behalf of themselves and all others  
28 similarly situated, as a class action pursuant to Rule 23 of the Federal Rules of

1 Civil Procedure.

2 28. The class Plaintiff seeks to represent (the “Class”) is defined as  
3 follows:

4 All residents of the United States of America that  
5 subscribed to VALVE’S “Steam” service as of  
6 November 6, 2011.

7 29. Plaintiff also seeks to represent a Subclass of individuals  
8 (“California Subclass”) as follows:

9 All California residents that purchased goods or  
10 services through VALVE’S “Steam” online system as  
11 of November 6, 2011.

12 30. Excluded from the Class and California Subclass are VALVE, its  
13 affiliates, employees, agents, and attorneys, persons or entities that distribute  
14 Steam subscriptions to any VALVE online service, and the Court.

15 31. Plaintiff reserves the right to amend the Class and California  
16 Subclass definitions if discovery and further investigation reveals that they  
17 should be expanded or otherwise modified.

18 32. Plaintiff reserves the right to establish additional sub-classes as  
19 appropriate.

20 33. This action is brought and properly may be maintained as a class  
21 action pursuant to the provisions of Federal Rules of Civil Procedure 23(a)(1)-(4)  
22 and 23(b)(1), (b)(2) or (b)(3) and satisfies the requirements thereof. As used  
23 herein, the term “Class Members” shall mean and refer to the members of the  
24 Class and California Subclass.

25 34. Community of Interests: There is a well-defined community of  
26 interest among Class Members, and the disposition of the claims of these Class  
27 Members in a single action will provide substantial benefits to all parties and to  
28 the Court.

35. Numerosity: While the exact number of members of the Class is



1 unknown to the Plaintiff at this time and can only be determined by appropriate  
2 discovery, membership in the Class is ascertainable based upon the records  
3 maintained by Defendant. At this time, Plaintiff are informed and believe that the  
4 Class includes thousands of members. Therefore, the Class is sufficiently  
5 numerous that joinder of all members of the Class in a single action is  
6 impracticable under Federal Rule of Civil Procedure Rule 23(a)(1), and the  
7 resolution of their claims through the procedure of a class action will be of  
8 benefit to the parties and the Court.

9       36. Ascertainability: Names and addresses of members of the Class are  
10 available from Defendant's records. Notice can be provided to the members of  
11 the Class through direct mailing, publication, or otherwise, using techniques and  
12 a form of notice similar to those customarily used in consumer class actions  
13 arising under California state law and federal law.

14       37. Typicality: Plaintiff's claims are typical of the claims of the other  
15 members of the Class which he seeks to represent under Federal Rule of Civil  
16 Procedure 23(a)(3) because Plaintiff and each member of the Class have been  
17 subjected to the same deceptive and improper practices and have been damaged  
18 in the same manner thereby.

19       38. Adequacy: Plaintiff will fairly and adequately represent and protect  
20 the interests of the Class as required by Federal Rule of Civil Procedure Rule  
21 23(a)(4). Plaintiff is an adequate representatives of the Class, because Plaintiff  
22 has no interests which are adverse to the interests of the members of the Class.  
23 Plaintiff is committed to the vigorous prosecution of this action and, to that end,  
24 Plaintiff has retained counsel who are competent and experienced in handling  
25 class action litigation on behalf of consumers.

26       39. Superiority: A class action is superior to all other available methods  
27 of the fair and efficient adjudication of the claims asserted in this action under  
28 Federal Rule of Civil Procedure 23(b)(3) because:

- 1 (a) The expense and burden of individual litigation make it  
2 economically unfeasible for Class Members to seek to redress  
3 their “negative value” claims other than through the procedure  
4 of a class action.
- 5 (b) If separate actions were brought by individual Class  
6 Members, the resulting duplicity of lawsuits would cause  
7 members to seek to redress their “negative value” claims  
8 other than through the procedure of a class action; and
- 9 (c) Absent a class action, Defendant likely would retain the  
10 benefits of its wrongdoing, and there would be a failure of  
11 justice.

12 40. Common questions of law and fact exist as to the members of the  
13 Class, as required by Federal Rule of Civil Procedure 23(a)(2), and predominate  
14 over any questions which affect individual members of the Class within the  
15 meaning of Federal Rule of Civil Procedure 23(b)(3).

16 41. The common questions of fact include, but are not limited to, the  
17 following:

- 18 (a) Whether Defendant misled Plaintiff and Class Members by  
19 claiming it enacted reasonable security measures to protect  
20 consumers’ personal and/or financial information;
- 21 (b) Whether Plaintiff and Class Members justifiably relied on  
22 Defendant’s statements that it took reasonable measures to  
23 protect their personal and/or private information and then did  
24 provide that information in accordance with that reliance;
- 25 (c) Whether Defendant concealed and failed to disclose that  
26 Defendant’s Networks had been hacked into and that  
27 consumers’ personal and/or financial information had been  
28 compromised;

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- (d) Whether Defendant failed to take reasonable care to protect the personal and/or financial information of Plaintiff and Class Members once Defendant became aware of the security breach;
- (e) Whether Defendant violated the Consumer Legal Remedies Act based upon the conduct described above;
- (f) Whether Defendant violated the Business and Professions Code based upon the conduct described above;
- (g) Whether Defendant breached its express warranty that it would take reasonable care to protect the personal and/or financial information of Plaintiff and Class Members that was provided when it subscribed to VALVE'S online services;
- (h) Whether Defendant breached its implied warranty to take reasonable care to protect the personal and/or financial information of Plaintiff and Class Members that was provided when it subscribed to VALVE'S online services;
- (i) Whether Defendant was negligent by failing to take reasonable care to protect the personal and/or financial information of Plaintiff and Class Members that was provided when it utilized VALVE'S online services, by failing to timely and reasonably notify Plaintiff and Class members of the security breach, or by failing to take reasonable care to protect the personal and/or financial information of Plaintiff and Class Members once Defendant became aware of the security breach;
- (j) Whether Defendant engaged in unlawful, unfair, misleading, or deceptive business acts or practices;
- (k) Whether Defendant's conduct was wilful or reckless;

- 1 (l) Whether Plaintiff and Class Members are entitled to an award
- 2 of reasonable attorneys' fees, pre-judgment interest, and costs
- 3 of this suit;
- 4 (m) The appropriate amount of damages and injunctive relief for
- 5 Defendant's improper conduct as described.

6 42. In the alternative, this action is certifiable under the provisions of  
7 Federal Rule of Civil Procedure 23(b)(1) and/or 23(b)(2) because:

- 8 (a) The prosecution of separate actions by individual Class
- 9 Members would create a risk of inconsistent or varying
- 10 adjudications with respect to individual Class Members which
- 11 would establish incompatible standards of conduct for
- 12 Defendant.
- 13 (b) The prosecution of separate actions by individual Class
- 14 Members would create a risk of adjudications as to them
- 15 which would, as a practical matter, be dispositive of the
- 16 interests of the other Class Members not parties to the
- 17 adjudications, or substantially impair or impede their ability
- 18 to protect their interests; and
- 19 (c) Defendant has acted or refused to act on grounds generally
- 20 applicable to the Class, thereby making appropriate final
- 21 injunctive relief or corresponding declaratory relief with
- 22 respect to the Class as a whole and necessitating that any such
- 23 relief be extended to Class Members on a mandatory, class-
- 24 wide basis.

25 43. Plaintiff are not aware of any difficulty which will be encountered in  
26 the management of this litigation which should preclude its maintenance as a  
27 class action.

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**FIRST CAUSE OF ACTION**

**Violation of the Consumers Legal Remedies Act**

**(Cal. Civil Code § 1750 *et seq.*)**

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4 44. Plaintiff hereby incorporates by reference the allegations contained  
5 in the preceding paragraphs of this Complaint.

6 45. Plaintiff brings this cause of action on behalf of himself and the  
7 members of the California Subclass.

8 46. This cause of action is brought pursuant to the Consumers Legal  
9 Remedies Act, California Civil Code §§ 1750 *et seq.* (“CLRA”).

10 47. The California Consumer Legal Remedies Act, California Civ. Code  
11 sections 1750 *et seq.* (“CLRA”), has adopted a comprehensive statutory scheme  
12 prohibiting various deceptive practices in connection with the conduct of a  
13 business providing goods, property or services to consumers primarily for  
14 personal, family or household purposes.

15 48. VALVE is a “person” as defined by Civil Code section 1761(c)  
16 because it is a corporation.

17 49. Plaintiff and Class Members are “consumers” within the meaning of  
18 Civil Code section 1761(d) because they are individuals that created accounts  
19 with and utilized VALVE’S online services for personal use.

20 50. VALVE’S Steam online distribution platform is a service within the  
21 meaning of California Civil Code § 1761 (b) because it is a media service.

22 51. Plaintiff’s and Class Members’ purchases or leases of content  
23 through VALVE’S Steam service are “transaction[s]” as defined by Civil Code  
24 section 1761 (e) because VALVE entered into an agreement to provide certain  
25 services in exchange for Plaintiff’s and Class Members’ subscriptions to  
26 VALVE’s Steam online distribution platform and provision of personal and/or  
27 financial information. Plaintiff has standing to pursue this claim as Plaintiff has  
28 suffered injury in fact and have lost money as a result of Defendant’s actions as

1 set forth herein. Specifically, Plaintiff subscribed to VALVE'S Steam online  
2 services for personal use. In doing so, Plaintiff reviewed, believed, and relied  
3 upon the statements made by Defendant including the statement that Defendant  
4 took reasonable measures to protect Plaintiff's personal and/or financial  
5 information.

6 52. Plaintiff used VALVE'S Steam online services as directed and  
7 provided personal and/or financial information, but VALVE failed to take  
8 reasonable measures to protect the security of their personal and/or financial  
9 information and as a result that information was compromised.

10 53. As set forth above, Defendant violated and continue to violate the  
11 CLRA by engaging in the following practices proscribed by California Civil  
12 Code § 1770(a) in transactions with Plaintiff and the Class, which were intended  
13 to result in, and did result in, the subscription to the VALVE online services, and  
14 the dissemination of Plaintiff's and Class Members personal and/or financial  
15 information:

16 (5) Representing that [the Product have]...  
17 characteristics...[and] uses...which they do not have....

18 (7) Representing that [the Product] are of a particular  
19 standard...if they are of another.

20 (9) Advertising goods...with intent not to sell them  
21 as advertised.

22 (16) Representing that the subject of a transaction has  
23 been supplied in accordance with previous  
24 representations when it has not.

25 54. Defendant violated the CRLA by representing and advertising that it  
26 had taken reasonable measures to protect the security of the personal and/or  
27 private information it collected from Plaintiff and Class Members. Defendant  
28 knew, however, that this was not the case and that this information was not  
adequately protected.

55. Accordingly, Defendant has failed to comply with its obligations

1 under its implied warranty of merchantability.

2 56. On November 17, 2011, pursuant to § 1782 of the CRLA, Plaintiff  
3 notified Defendant in writing of the particular violations of § 1770 of the CLRA  
4 and demand that Defendant rectify the problems associated with the behaviour  
5 detailed above, which acts and practices are in violation of Civil Code § 1770.  
6 True and correct copies of the CLRA letters are attached as Exhibit B.

7 57. Defendant failed to adequately respond to Plaintiff's above-  
8 described demands and failed to give notice to all affected consumers, pursuant  
9 to Civil Code § 1782.

10 58. Plaintiff has filed concurrently herewith the declarations of venue  
11 required by Civil Code section 1780(d).

12 59. Plaintiff seeks an order enjoining the act and practices described  
13 above, restitution of property, any other relief that the court deems proper.

14 60. Currently, Plaintiff only seek equitable and injunctive relief through  
15 the CLRA. Upon Defendant's failure to rectify or agree to adequately rectify the  
16 problems associated with the actions detailed above, Plaintiff will amend his  
17 complaint to additionally seek damages under § 1780(a) of the CRLA.

18 61. Defendant engage in conduct that is malicious, fraudulent, and  
19 wanton, and intentionally withhold material information from consumers in order  
20 to increase the number of subscribers VALVE'S Steam online services, the sale  
21 of entertainment software, and to increase the number of consumers who provide  
22 personal and/or financial information to Defendant.

23 **SECOND CAUSE OF ACTION**

24 **Violation of Unfair Business Practices Act**

25 **(California Business & Professions Code §§ 17200 *et seq.*)**

26 62. Plaintiff hereby incorporate by reference the allegations contained in  
27 the preceding paragraphs of this Complaint.

28 63. Plaintiff brings this cause of action on behalf of themselves and the

1 members of the California Subclass.

2 64. California Business and Professions Code § 17200 prohibits “any  
3 unlawful, unfair or fraudulent business act or practice.” For the reasons  
4 described above, Defendant has engaged in unlawful, unfair, and/or fraudulent  
5 business acts or practices in violation of California Business and Professions  
6 Code §17200.

7 65. Defendant misrepresented facts, including the fact that it had taken  
8 reasonable measures to protect the security of Plaintiff’s and Class Members’  
9 personal and/or financial information. Moreover, Defendant made material  
10 omissions in failing to inform Plaintiff and Class Members that a breach had  
11 occurred and their personal and/or financial information had been compromised.

12 66. Defendant’s misrepresentations and omissions of material facts, as  
13 set forth herein, constitute an unlawful practice because they violate California  
14 Civil Code §§ 1572, 1573, 1709, 1710, 1711, 1770, California Business and  
15 Professions Code §§ 17200 *et seq.* and the common law.

16 67. Defendant’s misrepresentations and omissions of material facts, as  
17 set forth herein, also constitute “unfair” business acts and practices within the  
18 meaning of California Business and Professions Code §§ 17200 *et seq.*, in that its  
19 conduct was injurious to consumers, offended public policy, and was unethical  
20 and unscrupulous. Plaintiff also assert a violation of public policy by  
21 withholding material facts from consumers including, but not limited to, that it  
22 had not take reasonable security measures and that VALVE’s Steam service had  
23 been hacked into and the personal and/or private information of Plaintiff and  
24 Class Members had been compromised. Defendant’s violation of consumer  
25 protection and unfair competition laws in California and other states resulted in  
26 harm to consumers.

27 68. There were reasonable alternatives available to Defendant to further  
28 Defendant’s legitimate business interests, other than the conduct described



1 herein.

2 69. California Business and Professions Code § 17200 also prohibits  
3 any “fraudulent business act or practice.”

4 70. Defendant’s concealment of material facts, as set forth above, were  
5 false, misleading, and/or likely to deceive the public within the meaning of  
6 California Business and Professions Code § 17200.

7 71. Defendant’s concealment was made with knowledge of its effect,  
8 and was done to induce Plaintiff and Class Members to subscribe to Defendant’s  
9 Steam online services, to purchase Defendant’s entertainment software, and to  
10 provide personal and/or financial information to Defendant. Plaintiff and Class  
11 Members justifiably relied on Defendant’s misrepresentations when subscribing  
12 to Defendant’s Steam online services, when purchasing Defendant’s  
13 entertainment software, and when providing personal and/or financial  
14 information to Defendant.

15 72. Defendant’s conduct caused and continues to cause injury to  
16 Plaintiff and the other Class Members. Plaintiff and Class Members have  
17 suffered injury in fact and have lost money as a result of Defendant’s fraudulent  
18 conduct.

19 73. Defendant has thus engaged in unlawful, unfair, and fraudulent  
20 business acts entitling Plaintiff and Class Members to judgment and equitable  
21 relief against Defendant, as set forth in the Prayer for Relief.

22 74. Additionally, pursuant to Business and Professions Code § 17203,  
23 Plaintiff and Class Members seek an order requiring Defendant to immediately  
24 cease such acts of unlawful, unfair, and fraudulent business practices and require  
25 Defendant to correct its actions.

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1 **THIRD CAUSE OF ACTION**

2 **Violation of the California False Advertising Act, Business & Professions**

3 **Code §§ 17500, et seq.**

4 **(Against All Defendants)**

5 75. Plaintiff hereby incorporate by reference the allegations contained in  
6 the preceding paragraphs of this Complaint.

7 76. Plaintiff brings this cause of action on behalf of themselves and the  
8 members of the California Subclass.

9 77. Through its marketing and sales advertisement campaign, Defendant  
10 offered to sell its entertainment software through its Steam online services  
11 throughout the United States, including California.

12 78. Defendant engaged in unfair, deceptive, untrue or misleading  
13 advertising by falsely representing, through its advertising, marketing, and other  
14 representations that Defendant took reasonable care to protect the personal  
15 and/or financial information of consumers who purchased defendant's  
16 entertainment software through its Steam online services.

17 79. Defendant disseminated or caused to be disseminated materially  
18 untrue and misleading advertising statements with the intent to either directly or  
19 indirectly induce members of the public, including Plaintiff and Class Members,  
20 to purchase defendant's entertainment software, to sign up for its Steam online  
21 services, and to provide personal and/or financial information to Defendant.

22 80. Defendant disseminated or caused to be disseminated advertising for  
23 its entertainment software and its Steam online services which omitted material  
24 information including that Defendant did not take reasonable measures to protect  
25 the personal and/or financial information of Plaintiff and Class Members, that  
26 their information was not properly encrypted, and that there had been a security  
27 breach which compromised the personal and/or financial information they  
28 provided to Defendant.



1 defendant's entertainment software and Steam online services, expressly  
2 warranted, as set forth more fully above, through advertising, that the personal  
3 and/or financial information it obtained from consumers would be reasonably  
4 protected and the information would be encrypted.

5 89. In addition, Defendant's promotional statements, advertisements,  
6 representations, and demonstrations regarding its entertainment software and  
7 Steam online services became part of the basis of the bargain between Plaintiffs,  
8 Class Members and Defendant, creating express warranties that the Steam online  
9 services would conform to the representations set forth above.

10 90. Plaintiff and Class Members reviewed, believed, and relied upon the  
11 statements made by Defendant, including the statement that the personal and/or  
12 financial information they provided to Defendant would be reasonably protected  
13 and the information encrypted.

14 91. Defendant breached its express warranties by selling its  
15 entertainment software through VALVE's Steam online services because  
16 Defendant failed to take reasonable measures to secure the personal and/or  
17 financial information it obtained from consumers and failed to encrypt that  
18 information.

19 92. Plaintiff, on his own behalf, and on behalf of Class Members, has  
20 provided Defendant reasonable notice of the breach of the express warranties  
21 through their CLRA letters and otherwise.

22 93. As a direct and proximate result of these misrepresentations,  
23 Plaintiff and Class Members have been damaged in an amount to be proven at  
24 trial. The damages suffered by Plaintiff and Class Members include, but are not  
25 limited to, the monies paid to Defendant for products and services which do not  
26 conform to the express warranties made by Defendant.

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**FIFTH CAUSE OF ACTION**  
**(Breach of Implied Warranty, Song-Beverly**  
**Consumer Warranty Act, Cal. Civ. Code §§ 1792 and**  
**1791.1, et seq.)**  
**(Against All Defendants)**

94. Plaintiff hereby incorporate by reference the allegations contained in the preceding paragraphs of this Complaint.

95. Plaintiff brings this cause of action on behalf of themselves and the members of the California Subclass.

96. Defendant is merchants engaged in the business of selling, among other things, entertainment software and other goods available only through VALVE's Steam online services.

97. Defendant's entertainment software and Steam online services are subject to an implied warranty of merchantability.

98. California Civil Code section 1791.1 defines "Implied warranty of merchantability" and "implied warranty that goods are merchantable" to mean "that the consumer goods meet each of the following: (1) Pass without objection in the trade under the contract description; (2) Are fit for the ordinary purposes for which such goods are used; (3) Are adequately contained, packaged, and labeled; and (4) Conform to the promises or affirmations of fact made on the container or label.

99. Defendant, as the designers, manufacturers, distributors, and/or sellers of entertainment software through its Steam online distribution platform, both expressly and impliedly, as set forth more fully above, through advertising, that the personal and/or financial information it obtained from consumers would be reasonably protected and the information encrypted.

100. Plaintiff and Class Members reviewed, believed, and relied upon the statements made by Defendant including the statement that the personal and/or

1 financial information they provided to Defendant would be reasonably protected  
2 and the information encrypted.

3 101. Defendant breached the duty of implied warranty by selling  
4 entertainment software through its Steam online distribution platform to  
5 Plaintiff and Class Members when it did not conform to the promises or  
6 affirmations of fact made by Defendant in that Defendant failed to take  
7 reasonable measures to secure the personal and/or financial information it  
8 obtained from consumers and failed to encrypt that information.

9 102. As a direct and proximate result of these misrepresentations,  
10 Plaintiff and Class Members have been damaged in an amount to be proven at  
11 trial. The damages suffered by Plaintiff and Class Members include, but are not  
12 limited to, the monies paid to Defendant for products and services which do not  
13 conform to the express warranties made by Defendant.

#### 14 **SIXTH CAUSE OF ACTION**

#### 15 **(Negligence)**

#### 16 **(Against All Defendants)**

17 103. Plaintiff hereby incorporate by reference the allegations contained in  
18 the preceding paragraphs of this Complaint.

19 104. Plaintiff brings this cause of action on behalf of themselves and the  
20 members of the Class.

21 105. Defendant, through its business relationship and otherwise, owed a  
22 duty of care to Plaintiff and Class Members.

23 106. Defendant was in a special and fiduciary relationship with Plaintiff  
24 and Class Members as a result of Defendant's request for their personal and/or  
25 financial information in connection with Plaintiff's and Class Members'  
26 purchase of entertainment software and use of Defendant's Steam online  
27 services. As a result of this special and fiduciary relationship, Defendant had a  
28 duty of care to use reasonable means to keep sufficient security in order to

1 prevent third party(s) from obtaining unauthorized access to its Steam user  
2 information databases, a duty of care to protect the personal and/or financial  
3 information Defendant collected from Plaintiff and Class Members from  
4 unauthorized access by a third party, a duty of care to encrypt the personal and/or  
5 financial information Defendant collected from Plaintiff and Class Members, and  
6 a duty of care to timely and adequately notify Plaintiff and Class Members about  
7 any unlawful and unauthorized breach of their security or that a third party may  
8 have obtained unauthorized access to their personal and/or financial information.

9 107. In addition, pursuant to the privacy rights provided by the California  
10 Constitution, Article I, Section I, the California Financial Information Privacy  
11 Act, California Finance Code sections 4050 et seq., and California Civil Code  
12 section 1798.81.5, Defendant had a duty to use reasonable care to prevent  
13 unauthorized access to Plaintiff's and Class Members' credit card information,  
14 birth date, address, telephone number, and passwords.

15 108. It was reasonably foreseeable that a third party hacker would  
16 attempt to gain unauthorized access to VALVE'S Steam online services and the  
17 personal and/or financial information obtained by VALVE from Plaintiff and  
18 Class Members.

19 109. Defendant breached its duty of care and was negligent in that it  
20 failed to maintain reasonable security with respect to VALVE'S Steam online  
21 services, failed to establish reasonable firewalls, failed to encrypt the personal  
22 and/or financial information of Plaintiff and Class Members, and failed to timely  
23 notify Plaintiff and Class Members about the security breach.

24 110. In addition, Defendant breached its duty of care and was negligent  
25 in that subsequent to the security breach, VALVE failed to take reasonable  
26 measures to protect Plaintiff's and Class Members' personal and/or financial  
27 information from improper, fraudulent, and unauthorized use.

28 111. As a direct and proximate result of VALVE'S failure to take

1 reasonable security precautions, failure to encrypt private and/or financial  
2 information, failure to inform Plaintiff and Class Members about the security  
3 breach, and failure to take reasonable measures to protect Plaintiff's and Class  
4 Members' personal and/or financial information from improper, fraudulent, and  
5 unauthorized use once the security breach occurred, Plaintiff and Class Members  
6 have been harmed. Plaintiff and Class Members will continue to suffer damages  
7 and injuries including potential fraudulent activity as a result of VALVE'S  
8 improper conduct described above, including having various services and  
9 subscriptions interrupted, loss of data, exposure of personal and financial  
10 information, an inability to access various gaming networks, potential credit  
11 fraud, and time, effort, and money spent to protect their privacy, identities, and  
12 financial information.

### 13 PRAYER FOR RELIEF

14 Plaintiffs, and on behalf of all others similarly situated, request the Court  
15 enter judgment against Defendant, as follows:

- 16 1. Certifying the Class and California Subclass as requested herein;
- 17 2. Ordering that Defendant is financially responsible for notifying all  
18 Class Members of the alleged misrepresentations discussed herein;
- 19 3. Ordering that Defendant is financially responsible for notifying all  
20 Class Members that the Steam online services have been hacked into by  
21 unauthorized third party(s) and the personal and/or financial information they  
22 gave to VALVE has been compromised;
- 23 4. Awarding Plaintiff and the proposed Class Members compensatory  
24 damages in an amount according to proof at trial;
- 25 5. Awarding restitution and disgorgement of Defendant's revenues to  
26 Plaintiff and the proposed Class Members;
- 27 6. Awarding declaratory and injunctive relief as permitted by law or  
28 equity, including: enjoining Defendant from continuing the unlawful practices as



1 set forth herein, and directing Defendant to identify, with Court supervision,  
2 victims of its conduct and pay them restitution and disgorgement of all monies  
3 acquired by Defendant by means of any act or practice declared by this Court to  
4 be wrongful;

5 7. Awarding Plaintiff and the Class punitive damages;

6 8. Ordering Defendant to engage in corrective advertising;

7 9. Ordering Defendant to take all reasonable measures to protect  
8 against any future security breaches of the kind described by this complaint;

9 10. Ordering Defendant to offer credit protection and/or credit card  
10 monitoring to all Class Members;

11 11. Awarding interest on the monies wrongfully obtained from the date  
12 of collection through the date of entry of judgment in this action;

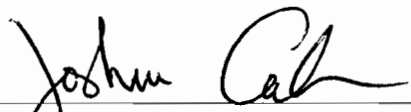
13 12. Awarding attorneys' fees, expenses, and recoverable costs  
14 reasonably incurred in connection with the commencement and prosecution of  
15 this action; and

16 13. For such other and further relief as the Court deems just and proper.

17 Dated: November 29, 2011

Respectfully submitted,

Initiative Legal Group APC

18  
19  
20 By:   
21 Miriam Schimmel  
22 Cory G. Lee  
23 Joshua Carlon  
24 Attorneys for Plaintiff Oliver Grigsby


**DEMAND FOR JURY TRIAL**

Plaintiff request a trial by jury on all issues so triable.

Dated: November 29, 2011

Respectfully submitted,

Initiative Legal Group APC

By:   
\_\_\_\_\_  
Miriam Schimmel  
Cory G. Lee  
Joshua Carlon  
Attorneys for Plaintiff Oliver Grigsby

INITIATIVE LEGAL GROUP APC  
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ORIGINAL

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA CIVIL COVER SHEET

ORIGINAL

I (a) PLAINTIFFS (Check box if you are representing yourself) OLIVER GRIGSBY, individually, and on behalf of other members of the general public similarly situated DEFENDANTS VALVE CORPORATION, a Washington corporation

II. BASIS OF JURISDICTION (Place an X in one box only.) III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant.)

IV. ORIGIN (Place an X in one box only.) 1 Original Proceeding 2 Removed from State Court 3 Remanded from Appellate Court 4 Reinstated or Reopened 5 Transferred from another district (specify): 6 Multi-District Litigation 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: 8 Yes 9 No (Check 'Yes' only if demanded in complaint.) CLASS ACTION under F.R.C.P. 23: 10 Yes 11 No MONEY DEMANDED IN COMPLAINT: \$

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.) 28 U.S.C. § 1332(d); violation of California Consumers Legal Remedies Act and Unfair Competition Law, Breach of Contract, Breach of Implied Warranty, Negligence

VII. NATURE OF SUIT (Place an X in one box only.) OTHER STATUTES CONTRACT TORTS TORTS PRISONER PETITIONS LABOR

CV11-09905

FOR OFFICE USE ONLY: Case Number: AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

**VIII(a). IDENTICAL CASES:** Has this action been previously filed in this court and dismissed, remanded or closed?  No  Yes

If yes, list case number(s): \_\_\_\_\_

**VIII(b). RELATED CASES:** Have any cases been previously filed in this court that are related to the present case?  No  Yes

If yes, list case number(s): \_\_\_\_\_

**Civil cases are deemed related if a previously filed case and the present case:**

- (Check all boxes that apply)  A. Arise from the same or closely related transactions, happenings, or events; or  
 B. Call for determination of the same or substantially related or similar questions of law and fact; or  
 C. For other reasons would entail substantial duplication of labor if heard by different judges; or  
 D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

**IX. VENUE:** (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.

Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Plaintiff Oliver Grigsby resides in Los Angeles County	

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.

Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	Defendant Valve Corporation resides in the state of Washington

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.

**Note: In land condemnation cases, use the location of the tract of land involved.**

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
See attachment	

\* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

**Note: In land condemnation cases, use the location of the tract of land involved**

X. SIGNATURE OF ATTORNEY (OR PRO PER): John A. Date 11/29/11

**Notice to Counsel/Parties:** The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

**Key to Statistical codes relating to Social Security Cases:**

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))

**Attachment to Civil Cover Sheet**

**I. (b) Attorneys for Plaintiff**

Miriam Schimmel (SBN 185089)

Cory Lee (SBN 216921)

Joshua Carlon (SBN 263838)

Initiative Legal Group APC

1800 Century Park East, 2nd Floor

Los Angeles, California 90067

Telephone: (310) 556-5637

**IX. (c) County in this District where each claim arose**

Violation of the Consumers Legal Remedies Act (Cal. Civil Code §§ 1750 *et seq.*) claim arose in Los Angeles County

Violation of Unfair Competition Law (Cal. Business & Professions Code §§ 17200 *et seq.*) claim arose in Los Angeles County

Violation of False Advertising Law (Cal. Business & Professions Code §§ 17500 *et seq.*) claim arose in Los Angeles County

Breach of Express Contact claim arose in Los Angeles County

Breach of Implied Warranty (Song Beverly Consumer Warranty Act, Cal. Civ. Code §§ 1792 and 1791.1, *et seq.*) claim arose in Los Angeles County

Negligence claim arose in Los Angeles County