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UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

JARED FERGUSON,

Plaintiff,

v.

COINBASE, INC.,

Defendant.

Case No.

COMPLAINT

JURY DEMANDED

Jared Ferguson, Plaintiff herein, by his attorneys, alleges and complains of Defendant
Coinbase, Inc. as follows:

PRELIMINARY STATEMENT

1. Jared Ferguson (“Plaintiff or “Mr. Ferguson”) is a victim of identity theft.
2. The perpetrator, who is unknown to Plaintiff, unlawfully transferred approximately \$96,000 out of his Coinbase account (the “Account”).
3. Plaintiff immediately and repeatedly disputed the charges with Coinbase, Inc. (“Defendant” or “Coinbase”).

1 4. Despite its obligation under federal and state laws to promptly credit Plaintiff's
2 account in full, Coinbase has refused to credit Plaintiff's account for the unauthorized
3 transactions in the Account (the "Stolen Funds").

4 5. Plaintiff brings claims against Coinbase for violations of the Electronic Fund
5 Transfer Act, 15 U.S.C. § 1693, *et seq.* ("EFTA"); Article 4A of the California Uniform
6 Commercial Code ("UCC"); California Business & Professions Code § 17200, *et seq.*; and
7 Conversion.

8 **JURISDICTION AND VENUE**

9 6. The Court has jurisdiction pursuant to 15 U.S.C. § 1693m and 28 U.S.C. § 1331.

10 7. This Court also has jurisdiction under 28 U.S.C. § 1332 because there is complete
11 diversity of citizenship between the parties and an amount in controversy greater than \$75,000.

12 8. Supplemental jurisdiction exists for the state law claims pursuant to 28 U.S.C. §
13 1367.

14 9. Jurisdiction over Plaintiff's claim for declaratory relief is conferred by 28 U.S.C.
15 § 2201.

16 10. Venue is proper in this District because Defendant resides in this District, a
17 substantial part of the events and occurrences underlying this litigation occurred within this
18 District, and Defendant regularly conducts business here.

19 **PARTIES**

20 11. Plaintiff is a natural person and citizen of New York residing in Staten Island,
21 New York.

22 12. Plaintiff is a "consumer" as defined by the EFTA, 15 U.S.C. § 1693a(6). His
23 account with Coinbase was used for personal, family, or household purposes.
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1 23. That same day, after restoring service to his iPhone, Plaintiff checked his
2 Coinbase account and discovered that thieves had transferred approximately \$96,000 from his
3 Coinbase wallet, 90% of his life savings.

4 24. Plaintiff immediately contacted Coinbase telephone support about the identity
5 theft and unauthorized transfers.

6 25. Defendant requested information about the security of his devices, the last
7 authorized transaction, and a list of unauthorized transactions, which Plaintiff timely provided
8 upon request.

9 26. On May 17, 2022, Plaintiff filed a report with the police concerning the
10 unauthorized transfers.

11 27. On May 25, 2022, Defendant denied Plaintiff’s dispute of the unauthorized
12 transactions money, stating that “Customers ... are responsible for any activity that occurs when
13 those devices or passwords are compromised.”

14 28. Coinbase’s email disclaimed any responsibility for the hacking of its customers’
15 accounts, stating: “Please note you are solely responsible for the security of your e-mail, your
16 passwords, your 2FA codes, and your devices.”

17 **FIRST CLAIM FOR RELIEF**

18 **(Electronic Fund Transfer Act, 15 U.S.C. § 1693 *et seq.*)**

19 29. Plaintiff realleges each of the foregoing paragraphs of this Complaint as if fully
20 set forth herein.

21 30. Per the EFTA, Regulation E, and Regulation E’s Official Interpretations,
22 Coinbase bears the responsibility for unauthorized withdrawals. *See* 1693g, *et seq.*
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1 31. In addition, once Plaintiff notified Coinbase that his phone had been
2 compromised, Coinbase had an obligation to cancel the transfers and freeze the Account to
3 prevent further unauthorized charges.

4 32. Coinbase failed to reimburse Plaintiff for the unauthorized transfers.

5 33. Moreover, the EFTA places the burden of proof on the financial institution to
6 demonstrate that challenged transfers were authorized or, if they were unauthorized, that the
7 consumer can be held liable for them. 15 U.S.C. § 1693g(b).

8 34. This burden of proof cannot be and was not plausibly met with regard to the
9 contested transactions, and Defendant could not have plausibly concluded that the transfers were
10 authorized.

11 35. Coinbase sent an email on May 25, 2022 to Plaintiff, in which Coinbase denied
12 Plaintiff's dispute, but failed to notify Plaintiff of his right to receive all supporting
13 documentation relied upon by Defendant to reach its decision, as required under the EFTA.

14 36. Coinbase violated the EFTA § 1693f(d) by issuing written dispute denials that do
15 not inform consumers of their rights to the documentation upon which Coinbase relied to reach
16 its decision.

17 37. Coinbase's acts and omissions set forth above violate the EFTA.

18 38. As a direct and proximate result of Defendant's violations of the EFTA, Plaintiff
19 is entitled to an award of actual damages, statutory damages, attorney's fees and costs.

20 39. Coinbase did not have a reasonable basis for believing the account was not in
21 error. *See* EFTA § 1693f.

1 46. Specifically, Coinbase’s security procedure fails to flag and hold obviously
2 fraudulent and unauthorized transactions such as the ones at issue here.

3 47. The unauthorized transactions on Plaintiff’s Account bore a series of
4 characteristics that, when taken together, render the transactions suspect, and likely to be
5 fraudulent.

6 48. For example, and without limitation, the transactions:

- 7 a. were entirely out of character with Plaintiff’s history of account usage;
- 8 b. drained the Account balance;
- 9 c. occurred within less than 8 hours;
- 10 d. occurred on a new device not previously associated with the Account;
- 11 e. occurred via a new IP address not previously associated with the Account;
- 12 f. occurred immediately after the password on the account was reset; and
- 13 g. occurred without facial recognition, which had previously been activated
14 continuously on Plaintiff’s Account.

15 49. Any commercially reasonable policy would have assessed this combination of
16 troubling factors, flagged the transactions as suspect, and held or rejected the transactions as
17 likely to be fraudulent.

18 50. Indeed, Coinbase acknowledged the suspicious and unauthorized nature of these
19 transactions based on this same information – all of which was available to it at the time of the
20 transactions – but only after it processed the transfers.

21 51. Coinbase also did not process the transfers in good faith. Specifically, Coinbase’s
22 willful blindness to the many badges of fraud present here constituted bad faith acceptance of the
23 unauthorized payment orders.
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1 52. In sum, Coinbase violated UCC § 4-A-202 by accepting unauthorized payment
2 orders in connection with Plaintiff's Coinbase account, failing to establish and/or follow
3 commercially reasonable security procedures, and not processing the transactions in good faith.

4 53. Plaintiff is therefore entitled to a refund of the full amounts of the unauthorized
5 payment orders, plus interest.

6 **THIRD CLAIM FOR RELIEF**

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

8 54. Plaintiff realleges each of the foregoing paragraphs of this Complaint as if fully
9 set forth herein.

10 55. Defendant engaged in unfair acts and practices with respect to its services by
11 denying transactions alleged to be unauthorized without first conducting a reasonable inquiry; by
12 denying transactions alleged to be unauthorized despite finding that the transactions were
13 unauthorized; by denying transactions alleged to be unauthorized that it has no legitimate basis to
14 conclude were authorized; by denying requests to reverse unauthorized transactions without
15 notifying the accountholder of the accountholder's right to reproductions of all documents on
16 which it relied in reaching its decision; and by establishing sub-standard security practices and
17 procedures described herein.

18 56. The acts and practices complained of herein constitute unfair business practices
19 because they are immoral, unethical, oppressive, unscrupulous, unconscionable, substantially
20 injurious to the general public, and offensive to public policy.

21 57. Defendant's acts and practices were likely to deceive Plaintiff and the public
22 regarding their rights.

1 58. Defendant failed to complete investigate the fraudulent transactions, denied
2 transactions were fraudulent with no legitimate basis for doing so, placed the burden on Plaintiff
3 and the general public to prove the transactions were unauthorized when the law requires the
4 opposite, and failed to inform Plaintiff and the general public of their legal rights.

5 59. The business acts and practices of Defendant constitute fraudulent business
6 practices because they are likely to deceive the public and affected consumers as to their legal
7 rights and obligations, and by use of such deception, may preclude consumers from exercising
8 legal rights to which they are entitled.

9 60. As a direct and proximate result of Defendant's acts and unfair practices, Plaintiff
10 and the public were injured and lost money or property, including but not limited to, the harm
11 suffered as a result of fraudulent transfers made their accounts with Defendant.

12 61. As a direct and proximate result of the acts and practices described herein,
13 Defendant has received and collected substantial monies or property to which Defendant is not
14 entitled. These illicit profits should be disgorged.

15 62. Defendant deals uniformly with a large volume of customers who dispute
16 unauthorized charges. For example, Defendant's misconduct as set forth above is part of uniform
17 policy and practice, as reflected in its standardized, boilerplate form communications. Each of
18 Defendant's deceptive acts and practices set forth above therefore have a broad impact on
19 consumers.

20 63. The harm these practices caused to Plaintiff and the general public outweigh their
21 utility, if any.

22 64. Plaintiff is entitled under the UCL to enjoin these acts and practices and to obtain
23 restitution of all funds obtained by Defendant by reason of and through the use of these unlawful
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1 and fraudulent acts and practices. Pursuant to the UCL, Plaintiff, individually and on behalf of all
2 members of the general public who are, have been, or may be subjected to Defendant’s unlawful
3 and fraudulent business acts and practices are entitled to declaratory and preliminary and
4 permanent injunctive relief prohibiting such practices in the future, and other orders as may be
5 necessary to restore to any person in interest, any money or property, real or personal, which
6 Defendant acquired by means of such unlawful, unfair and fraudulent business practices.

7 65. The unlawful, unfair, and fraudulent business acts and practices of Defendant
8 described herein present a continuing threat to Plaintiff and the public in that Defendant is
9 currently engaging in such acts and practices and will persist and continue to do so unless and
10 until an injunction is issued by this Court.

11 66. In addition, Plaintiff is entitled to recover reasonable attorneys’ fees, costs, and
12 expenses incurred in bringing this action under California Code of Civil Procedure §1021.5.

13 **FOURTH CLAIM FOR RELIEF**

14 **(Common Law Conversion)**

15 67. Plaintiff realleges each of the foregoing paragraphs of this Complaint as if fully
16 set forth herein.

17 68. Plaintiff had a possessory right to the funds in the Account.

18 69. Under the circumstances set forth herein, the funds constituted personal property.

19 70. Coinbase intentionally and without authority assumed and exercised control over
20 Plaintiff’s funds.

21 71. Coinbase’s dominion over the funds and interference with the funds—including
22 allowing the transfer of the Stolen funds out of Plaintiff’s Account—was in derogation of
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1 Plaintiff's rights, including but not limited to Plaintiff's right to use the funds as they saw fit and
2 have the funds returned to them.

3 72. Plaintiff demanded that Coinbase return the funds, but it has not.

4 73. As a result of Coinbase's actions, Plaintiff has suffered actual damages, including
5 but not limited to the amount of the funds converted.

6 **WHEREFORE**, Plaintiff respectfully prays for relief as set forth below:

7 A. An award of actual damages, including but not limited to the amount of the
8 unauthorized charges (and all associated interest, fees and costs), and emotional distress;

9 B. An award of statutory damages;

10 C. An award of punitive damages;

11 D. An award of treble damages;

12 E. An order of restitution;

13 F. Pre-judgment interest;

14 G. Attorneys' fees, costs, and expenses;

15 H. An order finding and declaring that Defendant's acts and practices as challenged
16 herein are unlawful, unfair, and fraudulent;

17 I. Injunctive relief pursuant to California Business and Professions Code §17203,
18 prohibiting Defendant from continuing its unlawful conduct, including but not limited to
19 prohibiting Defendant from (a) denying an unauthorized transaction dispute without first
20 conducting a reasonable inquiry into the allegedly unauthorized transaction and reasonably
21 finding that the transaction was authorized; and (b) denying any request to reverse allegedly
22 unauthorized transactions without notifying the accountholder of the accountholder's right to
23 reproductions of all documents on which Defendant relied in reaching its decision; and
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1 J. Such other and further relief as the Court may deem just and proper.

2 **DEMAND FOR JURY TRIAL**

3 Pursuant to Federal Rule of Civil Procedure 38, Plaintiff demands a trial by jury as to all
4 issues so triable.

5 RESPECTFULLY SUBMITTED and DATED this 6th day of March, 2023.

6 **TERRELL MARSHALL LAW GROUP PLLC**

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