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ORIGINAL FILED  
Superior Court Of California  
County Of Los Angeles

OCT 07 2014

Sherri R. Carter, Executive Officer/Clerk  
By: Judi Lara, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF LOS ANGELES

BC 559774

THE PEOPLE OF THE STATE OF  
CALIFORNIA,  
  
Plaintiff,  
  
v.  
  
AARON'S, INC., a Georgia Corporation,  
  
Defendant.

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

**COMPLAINT FOR PERMANENT  
INJUNCTION, CIVIL PENALTIES,  
RESTITUTION, AND OTHER  
EQUITABLE RELIEF**

(BUS. & PROF. CODE, § 17200 et seq.)

1 Plaintiff, the People of the State of California, by and through Kamala D. Harris, Attorney  
2 General of the State of California, alleges the following on information and belief:

3 INTRODUCTION

4 1. For years, Defendant Aaron's, Inc. ("Aaron's"), one of the two largest rent-to-own  
5 companies in the United States, has denied its California customers the protections afforded by  
6 the nation's strongest state rent-to-own law: California's Karnette Rental-Purchase Act, Civil  
7 Code section 1812.620 et seq. ("Karnette Act"). Aaron's believes that through artful contract  
8 drafting it has found a loophole that exempts its conduct from the California law specifically  
9 designed to regulate it. Aaron's is wrong. There is no loophole; companies that engage in rent-  
10 to-own transactions in the State of California must comply with the Karnette Act without  
11 exception. By failing to provide the critical consumer protections embodied in the Karnette Act,  
12 Aaron's has caused serious harm to its customers, while profiting at their expense.

13 2. Aaron's also turned a blind eye as its franchisees installed spyware on computers rented to  
14 unsuspecting customers. The spyware program allowed a remote user to log keystrokes, take  
15 screenshots, and even operate the computer's webcam. Accordingly, these franchisees had the  
16 ability to secretly capture sensitive and personal information about their customers.

17 DEFENDANT AND VENUE

18 3. Defendant Aaron's is a Georgia corporation, with its principal place of business in  
19 Atlanta, Georgia.

20 4. At all relevant times, Aaron's has transacted business in the County of Los Angeles and  
21 elsewhere within the State of California. The violations of law described herein occurred in the  
22 County of Los Angeles and elsewhere in the State of California.

23 DEFENDANT'S BUSINESS PRACTICES

24 5. Aaron's is engaged in the rent-to-own business, operating through a network of company-  
25 owned stores and independently owned franchised stores. In total, Aaron's and its franchisees  
26 operate approximately 75 stores in California.

27 6. The rent-to-own industry (also known as the rental-purchase industry) consists of dealers  
28 that rent household merchandise, such as furniture, appliances, and home electronics, to

1 consumers for a recurring weekly or monthly payment.

2 7. For as long as the consumer chooses to keep the merchandise, the rent-to-own agreement  
3 automatically renews with each payment. Upon fulfillment of the rental contract – usually one to  
4 two years of periodic payments – title passes from the rent-to-own dealer to the consumer for no  
5 additional consideration. The consumer also has the option to purchase the merchandise before  
6 the end of the rental agreement for some proportion of the remaining balance. Ultimately, in  
7 order to complete the purchase, the consumer pays far more than the retail value of the  
8 merchandise.

9 8. The consumer may also elect to terminate the rent-to-own agreement without completing  
10 a purchase by returning the merchandise. Typically, the consumer may terminate the agreement  
11 at any time so there is no long-term obligation.

12 9. Because rent-to-own agreements require no down payment or credit check, they appeal to  
13 consumers who cannot afford to make an up-front cash purchase as well as those with poor access  
14 to traditional forms of credit.

15 10. In California, rent-to-own transactions and rent-to-own dealers are subject to the  
16 provisions of the Karnette Act, the most comprehensive state rent-to-own law in the country. The  
17 law protects California consumers through a series of requirements and prohibitions about both  
18 the form and substance of rent-to-own agreements executed in this state. For example, the  
19 Karnette Act prohibits exorbitant pricing, limits customers' liability for damage or theft, requires  
20 a grace period for late payments, and regulates the amount rent-to-own dealers can charge when a  
21 customer purchases the merchandise by paying off the agreement early.

22 11. In rent-to-own contracts executed at its California stores, Aaron's includes a provision  
23 obligating the customer to continue renting the merchandise for a minimum period of time that  
24 exceeds four months – in some cases Aaron's sets the minimum period at four months and one  
25 day. The consumer may not terminate the agreement during this minimum term without incurring  
26 a significant penalty, unlike the typical rent-to-own agreement which may be cancelled at any  
27 time without further obligation.

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1 12. Aaron's believes – wrongly – that the inclusion of this minimum rental term means its  
2 agreements no longer qualify as rent-to-own contracts as defined in the Karnette Act and are thus  
3 exempt from the Act's robust regulation. Because Aaron's incorrectly believes that its rent-to-  
4 own agreements are not subject to the Karnette Act, Aaron's ignores the provisions of the Act and  
5 therefore violates the law in myriad ways.

6 13. Aaron's also fails to adequately disclose its mandatory "Service Plus" fee, which is an  
7 additional 10 percent added to the rental price that it advertises to consumers. The Service Plus  
8 program purports to provide benefits, such as free delivery and the right to reactivate a cancelled  
9 rental agreement at a later time. Aaron's requires that all of its California rent-to-own customers  
10 sign up for this Service Plus program but fails to adequately disclose the existence and amount of  
11 the mandatory charge in its advertisements. For example, Aaron's will advertise a product on a  
12 rent-to-own basis for "\$99.99/month\*". The fine print associated with the asterisk will then state  
13 "Just add tax & Aaron's Service Plus," making the true cost to the consumer \$109.99/month plus  
14 tax. Moreover, Aaron's Service Plus program itself is largely illusory because the Karnette Act  
15 mandates that many of the benefits purportedly included in the program be provided at no charge  
16 in connection with all rent-to-own transactions.

17 14. In addition, Aaron's has misled consumers about its purported sweepstakes offerings.  
18 During the relevant time period, Aaron's used a document entitled "Sweepstakes Entry Form" to  
19 solicit personal information from prospective customers, including the prospective customer's  
20 name, mailing address, and phone number. Aaron's, however, did not enter individuals who  
21 completed the form into any sweepstakes. Instead, Aaron's used this form to collect sales leads  
22 and to get potential customers comfortable with providing their personal information.

23 15. Since 2009 or earlier and continuing through 2012, Aaron's also permitted and even  
24 facilitated the use of spyware by its California franchisees.

25 16. Nearly all of Aaron's franchisees in California licensed a software program named PC  
26 Rental Agent from DesignerWare, LLC and installed that program on computers that they then  
27 rented to California customers. PC Rental Agent included an add-on feature known as "Detective  
28 Mode," which allowed the user of the software to remotely log keystrokes, capture screenshots,

1 and operate the computer's webcam. Consequently, Aaron's California franchisees had the  
2 ability to surreptitiously monitor the activity of any individual using the rented computers.  
3 Aaron's franchisees could also use the software to track the physical location of rented computers  
4 and to gather personal information from consumers through the use of fake registration windows.

5 17. Aaron's California franchisees installed PC Rental Agent on rented computers without  
6 their customers' knowledge or consent and did not disclose to their customers that PC Rental  
7 Agent could be used to remotely spy on the computer users' activities.

8 18. Aaron's knew its franchisees were using the PC Rental Agent software and even provided  
9 technical instructions, troubleshooting, and server space in connection with its use.

10 FIRST CAUSE OF ACTION

11 VIOLATIONS OF BUSINESS AND PROFESSIONS CODE

12 SECTION 17500 ET SEQ.

13 (False or Misleading Statements)

14 19. The People reallege and incorporate by reference each of the paragraphs above as though  
15 fully set forth herein.

16 20. Aaron's has violated, and continues to violate, Business and Professions Code section  
17 17500 et seq. by making or disseminating, or causing to be made or disseminated, false or  
18 misleading statements with the intent to induce members of the public to rent or purchase Aaron's  
19 products when Aaron's knew, or by the exercise of reasonable care should have known, that the  
20 statements were false or misleading. The false or misleading statements include, but are not  
21 limited to, the following:

22 a. In Aaron's print and televised advertisements, Aaron's advertises a periodic rental  
23 payment amount that does not clearly and conspicuously disclose the mandatory 10 percent  
24 Service Plus fee that Aaron's adds to each rental payment; and

25 b. In Aaron's stores, Aaron's has solicited consumers' personal information under the  
26 false pretense that it would use the personal information to enter those consumers into some  
27 kind of sweepstakes.

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1 installation of a spyware program on rented computers that had the capability of secretly  
2 collecting personal information from authorized users of those rented computers.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff prays for judgment as follows:

5 1. Pursuant to Business and Professions Code section 17535, that Aaron's, its successors,  
6 agents, representatives, employees, and all persons who act in concert with Aaron's, be  
7 permanently enjoined from making any false or misleading statements in violation of Business  
8 and Professions Code section 17500 as alleged in this complaint;

9 2. Pursuant to Business and Professions Code section 17203, that Aaron's, its successors,  
10 agents, representatives, employees, and all persons who act in concert with Aaron's, be  
11 permanently enjoined from committing any acts of unfair competition in violation of Business  
12 and Professions Code section 17200 as alleged in this complaint;

13 3. Pursuant to Business and Professions Code section 17536, that the Court assess a civil  
14 penalty of \$2,500 for each violation of Business and Professions Code section 17500, as proved at  
15 trial;

16 4. Pursuant to Business and Professions Code section 17206, that the Court assess a civil  
17 penalty of \$2,500 for each violation of Business and Professions Code section 17200, as proved at  
18 trial;

19 5. That Aaron's be ordered to make restitution of any money or other property that may have  
20 been acquired by its violations of Business and Professions Code section 17200, as proved at  
21 trial;

22 6. That Plaintiff recover its costs of suit, including costs of investigation; and

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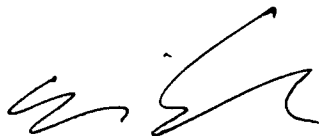
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7. For such other and further relief that the Court deems just and proper.

Dated: October 6, 2014

Respectfully Submitted,  
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Attorney General of California  
NICKLAS A. AKERS  
Acting Senior Assistant Attorney General  
MICHELE VAN GELDEREN  
Supervising Deputy Attorney General



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