

MAY 15 2018

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ENDORSED  
FILED  
ALAMEDA COUNTY

MAY 15 2018

CLERK OF THE SUPERIOR COURT  
By Shay Ryans, Deputy

11 Attorneys for Plaintiff

12 *(For additional Plaintiff's counsel, see Appendix*  
13 *to Stipulation for Entry of Final Judgment)*

14 SUPERIOR COURT OF THE STATE OF CALIFORNIA

15 IN AND FOR THE COUNTY OF ALAMEDA

16 PEOPLE OF THE STATE OF CALIFORNIA,

Case No.: Ret 18 904840

17 Plaintiff,

18 vs.

FINAL JUDGMENT PURSUANT TO  
STIPULATION

19 DROPBOX, INC., a Delaware corporation.

20 Defendant.

21 Plaintiff, the PEOPLE OF THE STATE OF CALIFORNIA (hereinafter, "the People"), appears  
22 through and by Nancy E. O'Malley, District Attorney of Alameda County, by Matthew L. Beltramo,  
23 Deputy District Attorney, and Shara E. Beltramo, Deputy District Attorney; George Gascon, District  
24 Attorney of San Francisco, by Evan Ackiron, Managing Attorney, and Ernst Halperin, Assistant District  
25 Attorney; Summer Stephan, District Attorney of San Diego County, by Stephen Spinella, Deputy District  
26 Attorney; and Jill Ravitch, District Attorney of Sonoma County, by Matthew Cheever, Deputy District  
27 Attorney.

28 Defendant Dropbox, Inc., a Delaware company ("Defendant"), appears through and by Wilson  
Sonsini Goodrich & Rosati, P.C., by David H. Kramer Esq.

Plaintiff and Defendant (the "Parties") have stipulated that this Final Judgment Pursuant to  
Stipulation (herein the "Final Judgment") may be entered without trial or adjudication of any issue of fact

1 or law. The Parties enter this Final Judgment pursuant to a settlement of certain disputed claims between  
2 them as alleged in the Complaint. Nothing in this Final Judgment shall be construed as an admission or  
3 denial by Defendant of any fact, issue of law or violations of law.

4 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED AS FOLLOWS:**

5 1. The Final Judgment has been reviewed by this Court and is found to have been entered in  
6 good faith and to be, in all respects, just, reasonable, equitable and adequate to protect the public from the  
7 occurrence of future violations of the law.

8 2. Unless otherwise stated, all obligations imposed upon Defendant by the terms of this Final  
9 Judgment are ordered pursuant to sections 17200, *et seq.*, and 17500, *et seq.*, of the California Business  
10 and Professions Code, including sections 17203, 17206, 17535, and 17536.

11 3. The Parties waive the right to appeal this Final Judgment both as to form and content.

12 JURISDICTION AND VENUE

13 4. This civil enforcement action is brought by Plaintiff in the public interest under the laws  
14 of the State of California. As Defendant has offered for sale and/or sold services and products over the  
15 Internet and throughout the State of California, including Alameda County, the Alameda County Superior  
16 Court ("Court") has jurisdiction of the subject matter hereof and of the Parties hereto and is a proper  
17 venue for this action.

18 APPLICABILITY

19 5. This Final Judgment is applicable to Defendant and to its agents, servants, employees,  
20 representatives, officers, directors, managers, subsidiaries, successors and assigns with actual or  
21 constructive notice of this Final Judgment. Whenever the term "Defendant" is used herein, it shall be  
22 understood and defined as described above. Nothing about this Final Judgment shall act as a bar against  
23 any future action involving third-parties which may sell Defendant's services and whose actions are  
24 beyond the control of Defendant.

25 6. Nothing in this Final Judgment shall excuse Defendant from meeting any more stringent  
26 requirements which may be imposed hereinafter by changes in applicable and legally binding legislation,  
27 regulations, ordinances and/or permits.

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INJUNCTIVE RELIEF

7. For purposes of this Final Judgment, the following definitions apply:
- a. "AUTOMATIC RENEWAL CONTRACT" shall have the same meaning as that phrase is used in California Business & Professions Code section 17601(a), *i.e.*, a plan or arrangement in which a paid subscription or purchasing agreement is automatically renewed at the end of a definite term for a subsequent term.
  - b. "AUTOMATIC RENEWAL OFFER TERMS" shall mean and include all the required disclosures, and their manner of disclosure, set forth in California Business & Professions Code section 17601(b).
  - c. "CALIFORNIA CONSUMER" shall mean any individual who purchases a SERVICE from Defendant for personal, family or household purposes and uses a billing zip code located in the State of California.
  - d. "CLEAR AND CONSPICUOUS" shall have the meaning set forth in California Business and Professions Code Section 17601(c), *i.e.*, in larger type than the surrounding text, or in contrasting type, font, or color to the surrounding text of the same size, or set off from the surrounding text of the same size by symbols or other marks, in a manner that clearly calls attention to the language.
  - e. "CONTINUOUS SERVICE CONTRACT" means a plan or arrangement in which a subscription or purchasing agreement continues until the consumer cancels the service.
  - f. "DROPBOX PRO" means and refers to the paid service offered by Defendant under the trade name "Dropbox Pro," "Dropbox Plus," or any successor trade names, either on a free-trial or immediate-payment basis.
  - g. "DROPBOX FOR BUSINESS" means and refers to the paid service offered by Defendant under the trade name "Dropbox for Teams," "Dropbox for Business," "Dropbox Business," or any successor trade names, either on free-trial or immediate-payment basis.

1 h. "EFFECTIVE DATE OF JUDGMENT" means the date this judgment is file-endorsed  
2 by the Clerk of Court, following approval and signature by a Judge of the Superior  
3 Court.

4 i. "SERVICE" shall mean any paid service—either at the time of acceptance or  
5 following a free trial period—offered by Defendant to consumers, either directly or  
6 through an intermediary whose disclosure of AUTOMATIC RENEWAL OFFER  
7 TERMS is controlled by Defendant. SERVICE does not include DROPBOX FOR  
8 BUSINESS.

9 8. In connection with any SERVICE offered to CALIFORNIA CONSUMERS, Defendant is  
10 hereby enjoined and restrained from doing any of the following acts or practices in the State of  
11 California:

12 a. Making any materially false or misleading representation or omission regarding any  
13 AUTOMATIC RENEWAL CONTRACT or CONTINUOUS SERVICE  
14 CONTRACT;

15 b. Violating the provisions of California Business & Professions Code Section 17602, by  
16 offering any AUTOMATIC RENEWAL CONTRACT or CONTINUOUS SERVICE  
17 CONTRACT without complying with all provisions of Section 17602, including but  
18 not limited to:

19 i. Subsection (a)(1) pertaining to the presentation of AUTOMATIC RENEWAL  
20 OFFER TERMS. The AUTOMATIC RENEWAL OFFER TERMS must be  
21 presented in a CLEAR AND CONSPICUOUS manner before the subscription  
22 or purchasing agreement is fulfilled and in visual proximity, or in the case of  
23 an offer conveyed by voice, in temporal proximity, to the request for consent to  
24 the offer, and shall disclose: (1) that the subscription or purchasing agreement  
25 shall continue until the consumer cancels; (2) a description of the cancellation  
26 policy that applies to the offer; (3) the recurring charges that will be charged to  
27 the consumer as part of the automatic renewal plan; (4) the length of the  
28 automatic renewal term or that the service is continuous, unless the length of

1 the term is chose by the consumer; and (5) the minimum purchase obligation, if  
2 any;

3 ii. Subsection (a)(2) pertaining to the requirement that a customer's affirmative  
4 consent be obtained prior to any charge;

5 iii. Subsection (a)(3) pertaining to the requirement that a customer receive an  
6 acknowledgment that includes the AUTOMATIC RENEWAL OFFER  
7 TERMS or CONTINUOUS SERVICE CONTRACT terms, cancellation  
8 policy, and information regarding how to cancel in a manner that is capable of  
9 being retained by the consumer. If the automatic renewal offer includes a free  
10 trial, Defendant shall also disclose in the acknowledgment how to cancel, and  
11 allow the consumer to cancel before the consumer pays for the goods or  
12 services; and

13 iv. Subsection (b) pertaining to a cost-effective, timely, and easy-to-use  
14 mechanism for cancellation, said mechanism to be described in the  
15 acknowledgment referenced in subparagraph (iii) above.

16 v. A consumer who accepts an automatic renewal contract or continuous service  
17 contract online shall be allowed to terminate the automatic renewal or  
18 continuous service exclusively online, which may include a termination email  
19 formatted and provided by Defendant that a consumer can send to Defendant  
20 without additional information.

21 c. Charging any CALIFORNIA CONSUMER for an AUTOMATIC RENEWAL  
22 CONTRACT or CONTINUOUS SERVICE CONTRACT, whether on a free-trial or  
23 immediate-payment basis, without first obtaining the consumer's affirmative consent  
24 to the agreement containing the AUTOMATIC RENEWAL OFFER TERMS,  
25 including the amount of any recurring fee. As used herein, the "amount of recurring  
26 fee" shall mean the total amount to be charged by Defendant each year, for purposes  
27 of an annual contract, or the total amount to be charged by Defendant each month, for  
28 purposes of a monthly contract.

1 d. Nothing herein shall preclude Defendant from raising Business and Professions Code  
2 section 17604(b) in the event of any new action alleging a violation of the Automatic  
3 Renewal Law.

4 9. The consent required by paragraph 8.c., above, shall be obtained by requiring the  
5 consumer to check an online box, click on an express consent button, or take a functionally-equivalent  
6 action prior to charging the CALIFORNIA CONSUMER. This mechanism cannot be the same  
7 mechanism used to complete the actual purchase of the product or service (e.g., a “Buy Now” or “Pay  
8 Now” button). This mechanism shall specifically use the words “automatic renewal terms” in bold font  
9 or another CLEAR AND CONSPICUOUS manner, and shall be adjacent to the presentation of  
10 AUTOMATIC RENEWAL OFFER TERMS referenced in paragraph 8.b.i., such that it reflects a  
11 consumer’s explicit consent thereto.

12 10. With regard to any AUTOMATIC RENEWAL CONTRACT for any SERVICE offered to  
13 CALIFORNIA CONSUMERS and having a renewal period of one year or longer, Defendant shall, for a  
14 period of five (5) years from the EFFECTIVE DATE OF JUDGMENT, provide electronic or email  
15 notice to the consumer advising the consumer of an upcoming renewal charge. Said notice shall be  
16 provided within a reasonable period of time, and at least three (3) days, before the renewal in question is  
17 to occur.

18 11. In connection with DROPBOX FOR BUSINESS, the Defendant shall comply with the  
19 provisions of paragraphs 8, 9 and 10 above (notwithstanding the definition of “SERVICE” above), unless  
20 it does all of the following with respect to any customer with a California zip code:

- 21 a. Discloses as part of the sign-up process that the service is intended only for businesses  
22 or organizations and not for consumers. This disclosure shall appear either (i) in a  
23 CLEAR AND CONSPICUOUS manner on the final page of the sign-up process, or  
24 (ii) in a standalone sentence no smaller than the surrounding text and adjacent to the  
25 button or other mechanism used to complete the sign-up process. Nothing herein  
26 precludes Defendant from featuring this disclosure elsewhere on its website;
- 27 b. Ensures that all customer service representatives are trained not to recommend,  
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1 endorse, or promote DROPBOX FOR BUSINESS for or to any customer who  
2 indicates that he or she wishes to use Defendant's services for personal, family or  
3 household purposes; and

4 c. Adopts a policy which allows any customer who purchases DROPBOX FOR  
5 BUSINESS for a term exceeding one month and who does so for personal, family or  
6 household purposes to obtain a full refund of any payments within thirty (30) days of  
7 the date he or she was initially charged, *provided* that the customer states in writing  
8 that he or she enrolled in DROPBOX FOR BUSINESS for personal, family or  
9 household purposes. Nothing herein shall preclude Defendant from adopting a longer  
10 or more expansive refund policy as it pertains to DROPBOX FOR BUSINESS.

11 12. Nothing in this Final Judgment shall be construed as permitting or allowing Defendant to  
12 engage in any violation of law that occurs, takes place or exists as of the time of entry of judgment or at  
13 any time thereafter. Further, nothing in this Final Judgment shall relieve Defendant of the obligation to  
14 follow any applicable law or statute not referenced herein. Any amended statute or regulation, successor  
15 statute or regulation or renumbered statute or regulation will have the same force and effect as the  
16 statutes and regulations cited in this Final Judgment. Except as otherwise set forth herein, this Final  
17 Judgment shall not be construed to require Defendant to engage in conduct above and beyond that which  
18 is required by law. In the event of any future amendments to California's Automatic Renewal Law  
19 (Business and Professions Code sections 17601, et seq.) or to any other statute, law or regulation  
20 affecting the Automatic Renewal Law, Defendant shall be permitted to change its practices consistent  
21 with the change in statute, law or regulation, provided such changed practices do not otherwise result in a  
22 violation of another law, statute or regulation.

23 13. Defendant shall have sixty (60) days from the EFFECTIVE DATE OF JUDGMENT to  
24 comply with the Injunctive terms of this Final Judgment. With the exception of paragraph 10, the  
25 obligations imposed under this Final Judgment shall not apply retroactively to customers who signed up  
26 for Defendant's services before the EFFECTIVE DATE OF JUDGMENT. The provisions of paragraphs  
27 9, 10, 11 and 14 of this Final Judgment shall terminate without any further acts by any party or the Court  
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1 five (5) years after the EFFECTIVE DATE OF JUDGMENT:

2 COMPLIANCE

3 14. On or before the EFFECTIVE DATE OF JUDGMENT, and for a period of five (5) years  
4 from the EFFECTIVE DATE OF JUDGMENT, Defendant shall appoint an executive-level employee or  
5 vice president (hereinafter the "Compliance Officer"), who, with the aid of any necessary staff, shall be  
6 responsible for all of the following:

- 7 a. Creating a policy written in plain English that adequately sets forth practices and  
8 procedures for compliance with the injunctive terms of the Final Judgment (hereinafter  
9 "Compliance Policy"). The Compliance Policy shall be created on or before the  
10 EFFECTIVE DATE OF JUDGMENT and shall be provided to the People upon request.
- 11 b. Within thirty (30) days of the EFFECTIVE DATE OF JUDGMENT, distributing the  
12 Compliance Policy and a copy of the injunctive terms set forth in this Final Judgment to  
13 all corporate officers, directors, managers, employees, and programmers who are  
14 responsible for designing, creating, implementing or displaying the terms of enrollment in  
15 any AUTOMATIC RENEWAL CONTRACT, and to any newly hired officer, director,  
16 manager, employee, or programmer who assumes any such position or job duty.
- 17 c. Retaining for a period of four (4) years from the EFFECTIVE DATE OF JUDGMENT  
18 proof of having delivered the Compliance Policy and the injunctive terms set forth in this  
19 Final Judgment to each person set forth above. Such proof shall be provided to the People  
20 promptly upon request.

21 RESTITUTION

22 15. The total restitution obligation in this case is five hundred thousand dollars (\$500,000.00).

23 It shall be paid as follows:

- 24 a. Restitution Fund: A fund (hereinafter the "Restitution Fund") in the amount of four  
25 hundred fifty thousand dollars (\$450,000.00) shall be established, administered and  
26 distributed according to the provisions of this subparagraph.



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- i. Payment: No later than ten (10) business days following the EFFECTIVE DATE OF JUDGMENT, Defendant shall deliver a cashier's check, money order or company check in the amount set forth above payable to "Restitution Fund: People v. Dropbox, Inc." and delivered to Matthew Beltramo, Deputy District Attorney, 7677 Oakport Street, Suite 650, Oakland, CA 94621.
  - ii. Use of Fund: The Restitution Fund shall be used by the People, acting through the District Attorneys appearing in this action, to facilitate refunds to any California customer who believes he or she lost money as a result of the practices at issue in this case, provides adequate proof to this effect and makes that claim known within 365 days of the EFFECTIVE DATE OF JUDGMENT (hereinafter, "Eligible Consumer"). As used herein, Eligible Consumer means any consumer with a California billing zip code who: (a) first signed up for DROPBOX PRO between February 24, 2013 and August 1, 2014; did so for personal, family or household reasons; paid any money to Defendant as a result thereof; did not use the service more than 30 days after first paying for it; and did not already receive a refund of the full amount paid; or (b) signed up for DROPBOX FOR BUSINESS within four years prior to the EFFECTIVE DATE OF JUDGMENT; did so for personal, family or household reasons; paid money for the service; did not use the service more than 30 days after first paying for it; and did not already receive a refund of the full amount paid. The People shall have sole and exclusive discretion to process restitution claims, analyze and evaluate such claims in light of the eligibility criteria above, provide restitution in extraordinary circumstances to consumers who do not technically satisfy each of the criteria set forth above, request supporting information from claimants, and distribute funds in amounts that they deem to be just, fair and equitable. Any restitution checks issued to Eligible Consumers shall remain valid for one-hundred eighty days (180) days from the date of issuance and, if not cashed or

1 deposited in that period of time, shall become part of the remainder set forth in  
2 Paragraph 15.a.v., below.

3 iii. Administration: The People may use a portion of the Restitution Fund, not to  
4 exceed fifty thousand (\$50,000.00) dollars (without additional court approval) to  
5 administer any restitution. In this regard, the People may retain the services of a  
6 third-party administrator, provided any such administrator shall remain subject to  
7 the supervision and control of the People acting through counsel. Among other  
8 things, the third-party administrator may be used for receiving restitution funds,  
9 distributing notices, purchasing advertisements, processing claims, distributing  
10 restitution amounts in accordance with the People's directives and accounting for  
11 the distribution of funds. Nothing herein shall preclude the People from taking  
12 other steps deemed necessary and appropriate to publicize and administer the  
13 Supplemental Restitution Fund, provided the total costs do not exceed \$50,000  
14 without court approval.

15 iv. Cooperation: If necessary to evaluate and process a refund claim, the People will  
16 provide Defendant, by email, the following information, at a minimum: (a) the  
17 email address of the user requesting a refund; and (b) confirmation that the user's  
18 request originated from the email address identified in (a), or other sufficient  
19 proof of account ownership. In response, Defendant will provide the amounts  
20 and dates of any charges, refunds, and chargebacks that occurred on or after  
21 February 24, 2013. With the customer's consent, Defendant shall provide the  
22 People with any other reasonably accessible information deemed necessary to  
23 process a claim. If, within 365 days of the EFFECTIVE DATE OF  
24 JUDGMENT, any potential refund claimant contacts Defendant to request a  
25 refund, references this case or Final Judgment, and is not refunded by Defendant  
26 directly, Defendant shall promptly provide said individual with the contact  
27 information for a designated representative of the People. The parties shall work  
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1 together cooperatively and in good faith with regard to the exchange of  
2 information, the Court retaining jurisdiction to resolve any disputes that may  
3 arise.

4 v. Remainder: If, after a period of 365 days from the EFFECTIVE DATE OF  
5 JUDGMENT, the aggregate amounts paid out of the Restitution Fund are less  
6 than four hundred fifty thousand dollars (\$450,000.00), inclusive of the costs of  
7 administration, then the remainder shall convert to *cy pres* and be made payable  
8 to the "California Consumer Protection Prosecution Trust Fund," as set forth in  
9 below. If, at any point, the amount of refunds and administrative costs paid out  
10 of the Restitution Fund exceeds four hundred fifty thousand dollars  
11 (\$450,000.00) then no further payments from that fund shall be required.  
12 Further, once the time available to cash or deposit any outstanding restitution  
13 checks elapses, the total amount of uncashed or undeposited funds shall convert  
14 to *cy pres* as set forth above and be made payable in the same fashion.

15 b. Additional Amount (Cy Pres): The parties having stipulated and agreed that it is  
16 impractical and unfeasible to make direct restitution to consumers other than through the  
17 processes set forth above, pursuant to California Business and Professions Code sections  
18 17203 and 17535, Defendant is ordered to pay *cy pres* restitution in the amount of fifty  
19 thousand dollars (\$50,000.00). Said amount shall be made payable to the "California  
20 Consumer Protection Prosecution Trust Fund," previously created by the Judgment and  
21 Permanent Injunction, filed on September 21, 1989, in the case of *People v. ITT Consumer*  
22 *Financial Corporation* (Alameda County Superior Court Case No. 656038-0) for the  
23 purpose of enhancing the investigation, prosecution, and enforcement of consumer  
24 protection actions brought pursuant to the unfair competition statutes of the State of  
25 California. This restitution check shall be delivered to Matthew Beltramo, Deputy District  
26 Attorney, 7677 Oakport Street, Suite 650, Oakland, CA 94621, no later than ten (10)  
27 business days following the EFFECTIVE DATE OF JUDGMENT.

1 CIVIL PENALTIES AND COSTS

2 16. Defendant is hereby ordered, pursuant to California Business & Professions Code sections  
3 17203, 17204, 17206, 17535 and 17536, to pay civil penalties and investigative costs in the total amount  
4 of one million seven hundred thousand dollars (\$1,700,000), as set forth below:

5 a. Defendant shall pay stipulated investigative costs in the amount of one hundred  
6 thousand dollars (\$100,000), said amount to be made payable as follows:

- 7 i. One check in the amount of twenty-five thousand dollars (\$25,000) shall be  
8 made payable to the "District Attorney of Alameda County – Costs";  
9 ii. One check in the amount of twenty-five thousand dollars (\$25,000) shall be  
10 made payable to the "District Attorney of San Diego County – Costs";  
11 iii. One check in the amount of twenty-five thousand dollars (\$25,000) shall be  
12 made payable to the "The City and County of San Francisco – Costs"; and  
13 iv. One check in the amount of twenty-five thousand dollars (\$25,000) shall be  
14 made payable to the "District Attorney of Sonoma County – Costs."

15 b. Pursuant to Business and Professions Code Section 17206, Defendant shall pay civil  
16 penalties in the amount of one million six hundred thousand dollars (\$1,600,000), said  
17 amount to be made payable in accordance with Government Code section 26506 as  
18 follows:

- 19 i. One check in the amount of four hundred thousand dollars (\$400,000) shall be  
20 made payable to the "Alameda County Treasurer f/b/o District Attorney's  
21 Office";  
22 ii. One check in the amount of four hundred thousand dollars (\$400,000) shall be  
23 made payable to the "San Diego County Treasurer f/b/o District Attorney's  
24 Office";  
25 iii. One check in the amount of four hundred thousand dollars (\$400,000) shall be  
26 made payable to the "The City and County of San Francisco"; and  
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iv. One check in the amount of four hundred thousand dollars (\$400,000) shall be made payable to the "Sonoma County Treasurer f/b/o District Attorney's Office."

c. All checks required under this paragraph shall be delivered to Matthew Beltramo, Deputy District Attorney, 7677 Oakport Street, Suite 650, Oakland, CA 94621, no later than ten (10) business days following the EFFECTIVE DATE OF JUDGMENT.

FAIR, JUST AND EQUITABLE SETTLEMENT

17. The Court finds that the injunctive provisions and civil penalties set forth and imposed in this Final Judgment constitute fair, reasonable, and appropriate resolution of this matter and of the allegations contained in the Complaint.

RETENTION OF JURISDICTION AND OTHER TERMS

18. This Court will retain jurisdiction to allow either party to apply at any time for any orders and directions that may be necessary to understand and carry out this Final Judgment, or to seek modification or termination of any of the injunctive terms, or to seek enforcement of any of those terms, or to obtain penalties or other punitive measures for any violations.

19. The parties will bear their own costs in this action.

20. Both parties have waived their right to appeal.

EFFECT AND ENTRY

21. This Final Judgment shall take effect immediately upon entry hereof. No notice of entry of judgment is required to be served upon either party.

DATED: May 14, 2018

By:   
\_\_\_\_\_  
Judge of the Superior Court