

## ADT Agrees To Pay \$16M To End Alarm Hackability Suits

By **Daniel Siegal**

Law360, Los Angeles (March 24, 2017, 7:39 PM EDT) -- ADT LLC has agreed to pay \$16 million to end five separate proposed class actions alleging the home security company deceived consumers about the efficiency of its devices and their vulnerability to hacking, according to documents filed in California federal court on Thursday,

Named plaintiffs Michael Edenborough and Patricia Wilson filed their 32-page motion for preliminary approval with U.S. District Judge Jon S. Tigar, revealing the details of the agreement they and the home security company **told the court** they had reached in principle in January. ADT had been facing claims from consumers in Illinois, Arizona, Florida and California that it fraudulently hid material information from consumers about the hackability of its devices.

On Thursday the plaintiffs asked Judge Tigar to preliminarily approve a deal that will see ADT pay a total of \$16 million, which is not reversionary, in order to pay out a planned \$15 or \$45 to each class member that makes a claim, depending on when they signed their ADT contract.

"The proposed settlement has no obvious deficiencies. It provides monetary relief and not coupons. The claims process is simple, easy to do, and encourages claims. The Notice program is reasonable," Edenborough and Wilson argue. "The monetary relief is adequate based on the hurdles that would be faced if litigation were to continue and plaintiffs would have to obtain class certification and establish liability and damages on a class-wide basis."

The plaintiffs also argue that in addition to the monetary relief, their suit has gotten ADT to improve its practices, making better disclosures to customers about the risks of hacking.

Class counsel are seeking one-third of the settlement fund, or roughly \$5.3 million, in attorneys' fees.

Edenborough alleged in his March 2016 complaint, which was amended several months later, that when he signed up for ADT's service in early 2012, the company was fully aware that wireless systems such as its own were vulnerable to disruption because they lacked encryption, and even disclosed in a 2016 U.S. Securities and Exchange Commission filing that some of its devices may be subject to hacking.

ADT had argued back that Edenborough's allegations were unspecific and inadequate, and did not establish the company was aware in 2012 that a hacker could intercept and disrupt unencrypted wireless signals from an alarm sensor.

In October 2016, Judge Tigar **dismissed several of Edenborough's claims**, but ruled that his fraudulent omission could proceed, holding that the consumer's accusation that ADT had material knowledge of the vulnerability yet failed to disclose it was sufficient.

In January, Edenborough and ADT filed a joint notice of settlement that, while not including any details about the settlement, informed Judge Tigar that mediation resulted in an agreement to settle, through a nationwide class, the claims alleged in Edenborough's own suit, along with those filed by lead plaintiffs Dale Baker, Janet Cheatham, Santiago Hernandez and Wilson.

The parties had initially planned to file for settlement approval in Baker's suit in Illinois federal court, but Baker had a "change in direction," and so the plaintiffs decided to add a national class to the Edenborough's suit and get the deal approved in California federal court instead, according to the plaintiffs' preliminary approval briefing. This allows Baker to preserve his individual rights while still preserving the settlement, according to the briefing.

The consumers are represented by Mark Chavez and Dan Gildor of Chavez & Gertler LLP, Francis J. Balint Jr. and Andrew S. Friedman of Bonnett, Fairbourn, Friedman & Balint PC, and Tom Zimmerman of Zimmerman Law Offices PC.

ADT is represented by Mark L. Levine, Mark Ouweleen and Daniel R. McElroy of Bartlit Beck Herman Palenchar & Scott LLP, C. Sanders McNew of McNew PA, and Matthew J. Vanis and Katherine A. Wolf of Shook Hardy & Bacon.

The case is Edenborough v. ADT LLC, case number 3:16-cv-02233, in the U.S. District Court for the Northern District of California.

– Additional reporting by Steven Trader. Editing by Kelly Duncan.