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ADT Gets Nod For \$16M Deal Over Security Systems

By **Mike Curley**

Law360 (July 22, 2019, 8:07 PM EDT) -- A California federal judge on Monday approved a \$16 million settlement between ADT LLC and customers who claimed the company hid that its security systems were vulnerable to hacking.

Under the settlement, ADT will set up a fund to reimburse customers who bought into the security system, with class members who bought the system after ADT became aware of the vulnerabilities getting a bigger piece of the fund.

Those who bought their systems between November 2009 and July 2014 can receive \$15, while those who bought their systems between July 2014 and August 2016 can receive \$45 each, U.S. District Judge Jon S. Tigar wrote Monday.

No portion of the money will go back to ADT, according to the judgment. In addition, the settlement preserves class members' right to pursue claims for property damage and personal injury.

While he gave preliminary approval to the deal in October 2017, Judge Tigar **put off weighing in** on the settlement until after the Ninth Circuit had its final say on a Hyundai and Kia settlement that a three-judge panel **vacated in January 2018**, in what the dissenting judge called "a major blow to multistate class actions."

In that case, which alleged Hyundai and Kia misstated vehicle fuel efficiency in their vehicles, the panel found a California federal judge failed to weigh variations in state law before certifying a nationwide class, putting into question some of the claims in the ADT suit that came from other states.

Now that an en banc review reversed the panel's decision, Judge Tigar approved the ADT settlement.

Given that the settlement class has had adequate notice by now and there has been an "overwhelmingly positive" response — an attorney for the class said 400,000 class members responded — Judge Tigar wrote he has no reason to change his conclusion that the deal is fair to the class members.

The settlement also includes \$4 million in attorneys fees, \$261,825 in litigation expenses and \$30,000 in incentive awards to the five named plaintiffs, with Dale Baker and Janet Cheatham each receiving \$10,000, Michael Edenborough receiving \$5,000, and Patricia Wilson and Santiago Hernandez each receiving \$2,500.

"We're pleased with the decision, obviously this was a long time coming," Tom Zimmerman of Zimmerman Law Offices PC, representing the class, told Law360 on Monday. "All the money's getting paid out to the claimants and we're very pleased with the result."

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.

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

Representatives for ADT could not immediately be reached for comment Monday.

The consumers are represented by Mark Chavez and Nance F. Becker 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 was 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 of Shook Hardy & Bacon as of March 2018.

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 Linda Chiem, Ben Kochman and Steven Trader. Editing by Emily Kokoll.