

**IN THE CIRCUIT COURT FOR THE 17th JUDICIAL CIRCUIT
IN AND FOR BROWARD COUNTY, FLORIDA**

GOLF CLUBS AWAY LLC, Individually and
On Behalf of a Class of Persons Similarly
Situated,

Plaintiff,

vs.

HOSTWAY CORPORATION, HOSTWAY
SERVICES, INC. and VALUEWEB,

Defendants.

Case No. 09-29596-13

ORDER GRANTING CLASS CERTIFICATION

Plaintiff, Golf Clubs Away LLC (“GCA” or “Plaintiff”) commenced this action on May 26, 2009, against Defendants, Hostway Corporation, Hostway Services, Inc., and ValueWeb (collectively referred to herein as “Hostway” or “Defendants”) and seeks certification of a class on behalf of itself and all other similarly situated customers (the “Class”), who directly or indirectly subscribed to Defendants’ e-mail services, including e-mail services provided by Defendants’ predecessors, affiliates, subsidiaries and/or parents, and whose e-mail accounts utilized Hostway’s shared servers located in Florida that were “blacklisted” at any time from November 1, 2008, through and including March 31, 2009 (the “Class Period”).

The complaint alleges claims under the Florida Deceptive and Unfair Trade Practices Act, Fla. Stat. § 501.201, *et. seq.* (“FDUTPA”), unjust enrichment, breach of the covenants of good faith and fair dealing, and breach of contract.¹ Plaintiff seeks

¹ Defendants motion for summary judgment was granted as to the breach of contract claim by order dated May 14, 2015.

both compensatory relief in the form of damages and declaratory and injunctive relief to end Defendants' alleged improper practices.

Defendants' Amended Answer was deemed filed pursuant to an Agreed Order dated August 4, 2011. The parties conducted class certification discovery, including the exchange of interrogatory responses, documents and the taking of depositions.²

On October 26, 2012, Plaintiff filed its motion for class certification (the "Motion") along with supporting briefing and documentation. On December 13, 2012, Defendants filed their brief in opposition to Plaintiff's motion for class certification, and on January 14, 2013, Plaintiff filed its reply brief in support of its motion for class certification.

On August 20, 2013, this Court conducted an evidentiary hearing on the motion for class certification. Stephen M. Shepherd, the lead systems administrator of Hostway and Gary Miller, the Chief Executive Officer of GCA, testified at the hearing.

This Court, having read and considered the Motion and the exhibits attached thereto, as well as all arguments, testimony and submissions by the Parties at the noticed hearing, hereby GRANTS the motion for class certification on plaintiff's claims for violations of FDUTPA, breach of good faith and fair dealing and unjust enrichment and makes the following findings of fact and conclusions of law:

I. FINDINGS OF FACT

Pursuant to *Fla. R. Civ. P.* 1.220 (d) (1), the Court makes the following findings of fact:

1. ValueWeb, a Hostway product, provided email hosting for thousands of small and medium businesses in the United States. Deposition of Arnold Choi ("Choi

² Defendants removed the case to federal court on October 28, 2011. The federal court remanded the action on April 19, 2012.

Dep.”)³ at 47:3-6. Hostway offered additional email products to many thousands of individual customers, which were also “using the same email servers” that ValueWeb used. See Deposition of Stephen Shepherd at 101:23-103:1 (“Shepherd Dep.”)⁴.

2. During the Class Period, all members of the Class, many of which were and are small businesses (Shepherd Dep. at 36:24-37:7; Choi Dep. at 47:3-6; 48:2-5), experienced interruptions in their ability to send and receive email because of the blacklisting of Defendants’ shared servers located in Florida. Many Class members had significant difficulty during the Class Period sending email to intended recipients and receiving email from senders due to the blacklisting. Defendants did not notify Class members that email had been blocked because of the blacklisting of Defendants’ shared servers. Class members did not know that they were unable to send or receive email consistently during the Class Period.⁵ See Shepherd Dep. at 26:25-27:2.

3. GCA is a New York limited liability corporation located in Cedarhurst, New York. GCA is registered to transact business in Florida. See Deposition of Gary Miller (“Miller Dep.”)⁶ at 28:16-18. Plaintiff is engaged in the business of golf club and golf equipment rentals. Miller Dep. at 29:11-17. A significant percentage of GCA’s business is conducted via email and through its web presence. See Miller Dep. 30:6-31:4. Plaintiff first became a ValueWeb Subscriber in 2007 and was a ValueWeb Subscriber

³ Cited portions of the Choi Deposition, which were attached to the Declaration of Benjamin Y. Kaufman in Support of Motion for Class Certification (“Kaufman Dec.”) as Exhibit B.

⁴ Cited portions of the Shepherd Depositions dated June 17, 2011 and August 21, 2012, which were attached to the Kaufman Dec. as Exhibit C.

⁵ As Mr. Shepherd testified, when emails are sent and the senders’ IP Address is blocked, at least some of the time no bounce-back would be received by the senders. Shepherd Dep. at 23:8-18.

⁶ Cited portions of the Miller Dep. were attached to the Kaufman Dec. as Exhibit D.

throughout the Class Period. See Miller Dep. at 50:12-51:19. Plaintiff, like all Hostway customers, agreed to pay for services rendered, and Plaintiff assented to a WebHosting and Acceptable Use Agreements. See Shepherd Dep. 111:18-112:13; 206:15-207:10. On or around November 1, 2008, GCA began experiencing issues sending email to intended recipients at Yahoo and AT&T. See Miller Dep. at 129:3-21. After the problem persisted for some time, Plaintiff inquired and was informed by a Hostway employee, Bill Daly, that the issue was a result of Hostway's servers being blacklisted. See Miller Dep. at 129:3-21.

4. Defendants' shared servers, from which Plaintiff and the Class sent its emails, were placed on various blacklists by certain Internet Service Providers ("ISPs") as a result of the use of Defendants' shared servers for spamming. Specifically, Defendants' shared servers were blacklisted at various times by AT&T, BellSouth, AOL, MSN, Yahoo, and Hotmail among others. See Shepherd Dep. at 166:4-167:8. Many of these blacklistings were the result of fraudulent accounts set up with Hostway. See Shepherd Dep. at 126:7-24. Hostway's internal controls either did not detect these fraudulent accounts or did not detect them in a timely fashion to prevent the blacklisting.

5. Defendants did not inform Plaintiff and the Class of the blacklisting and the possibility that their emails were not reaching the intended destinations. Plaintiff and the Class have adequately alleged and the evidence supports that they have been damaged as a result of Defendants' omissions and Defendants' complicity through their insufficient internal controls in the continued blocking of Plaintiff and the Classes' emails

from reaching the respective recipients. Plaintiff and the Class paid for uninterrupted e-mail service and did not receive it.

II. LEGAL CONCLUSIONS

Pursuant to *Fla. R. Civ. P.* 1.220 (a), the movant for class certification must establish the following four prerequisites:

(1) the members of the class are so numerous that separate joinder of each member is impracticable, (2) the claim or defense of the representative party raises questions of law or fact common to the questions of law or fact raised by the claim or defense of each member of the class, (3) the claim or defense of the representative party is typical of the claim or defense of each member of the class, and (4) the representative party can fairly and adequately protect and represent the interests of each member of the class.

A. Plaintiff Satisfies the Requirements of Rule 1.220 (a)

1. Numerosity

With regard to Rule 1.220 (a) (1), Plaintiff must show that “the members of the class are so numerous that separate joinder of each member is impracticable” before a class may be certified.

In this case, the members of the Class are customers who, directly or indirectly, paid subscription fees for e-mail services from Hostway, who had email addresses on Hostway’s shared servers located in Florida, which were blacklisted between November 1, 2008 and March 31, 2009. Hostway stated in its interrogatory answers that as of August 28, 2008, ValueMail Pro, just one of many Hostway email services which utilized the shared servers in Florida during the Class Period, had 1,593 subscribers. Further, Stephen Shepherd, Defendants’ corporate representative, testified that many other products offered by Hostway, including SharePoint Express, SharePoint Advanced, SharePoint Pro, and Express Advance, all provided email accounts during the Class

Period on Hostway's shared servers located in Florida. See Shepherd Dep. at 101:6-103:2. Mr. Shepherd further testified that during the Class Period Hostway had "hundreds of thousands of customers." Shepherd Dep. at 103:22 - 104:2.⁷

Thus, Plaintiff has satisfied the numerosity requirement of Rule 1.220 (a) (1).

2. Commonality

With regard to *Fla. R. Civ. P.* 1.220 (a) (2) there must be common questions of law or fact concerning the claim or defense of each class member. "The threshold of the commonality requirement is not high." *Sosa v. Safeway Premium Finance Co.*, 73 So. 3d 91, 107 (Fla. 2011). It suffices that there be one issue of law or fact common to all members of the class. "The primary concern in the consideration of commonality is whether the representative's claim arises from the same practice or course of conduct that gave rise to the remaining claims and whether the claims are based on the same legal theory." *Id.* Here, the central issues are: (i) whether Defendants' servers were blocked; (ii) whether the blocking of those servers interrupted the email service Defendants agreed to provide to Class members during the Class Period; and (iii) whether Defendants' actions were deceptive within the meaning of the FDUTPA statute. These questions of fact and law are common to all or a substantial number of the Class members.

⁷ According to Defendants' own website, "We have 600,000 direct customers, but we also serve more than 2 million customers indirectly through our white label and resale partnerships." <http://www.hostway.com/aboutus/our-story.html> (last visited on January 8, 2013). As such, there are more than enough class members to satisfy the numerosity and typicality issue. Although the identity of Hostway e-mail subscribers whose e-mail addresses utilized the shared servers in Florida during the Class Period is unknown, if only 5% of these were housed on the shared server environment, the class would consist of 30,000 subscribers.

The goal of the commonality analysis is to determine whether a resolution of the class action will “affect all or a substantial number of the Class members, and that the subject of the class action presents a question of *common or general interest*. (Internal citations omitted).” *Id.* “This core of the commonality requirement is satisfied if the questions linking the class members are substantially related to the resolution of the litigation even if the individuals are not identically situated. (Internal citation omitted.) *Id.* at 108. The primary concern is whether the claim “arises from the *same practice or course of conduct*” and whether the claims are based on the same legal theory. *Id.* at 110. Here the blacklisting is the same for all class members as are the causes of action for recovery.

The commonality requirement has been satisfied.⁸

3. *Typicality*

Rule 1.220 (a) (3) requires that the class representative’s claims are typical of the claims of each member of the Class. “The test for typicality is not demanding and focuses generally on the similarities between the class representative and the putative class members.” *Id.* at 114. “[T]he typicality requirement is satisfied when there is a strong similarity in the legal theories ... and the class members are not antagonistic to one another” notwithstanding “substantial factual differences”. *Id.* at 114-115.

The typicality requirement of Rule 1.220 (a) (3) is met here as Plaintiff and the proposed Class assert precisely the same claims which arise from the same course of conduct – the blocking of Defendants’ shared servers resulting in the deprivation of

⁸ The Class includes **customers** of channel partners, not channel partners themselves. In any event, the channel partners were not informed of the blacklisting.

email services to Plaintiff and all other Class members. In addition, the systemic problem of blacklisting injured Plaintiff in the same way as all the other Class members and this, too, weighs in favor of class certification.

4. Adequacy

To satisfy the adequacy requirement of Rule 1.220 (a) (4), a Plaintiff must show that “the representative party can fairly and adequately protect and represent the interests of each member of the class.” The inquiry into the adequacy-of-representation requirement is twofold: (1) whether class counsel are qualified, experienced, and generally able to conduct the proposed litigation, and (2) whether the class representatives have interests antagonistic to those of the rest of the class. *Id.* at 115 citing to *City of Tampa v. Addison*, 979 So. 2d 246, 255 (Fla. 2d DCA 2007).

Here, both aspects of the adequacy test are satisfied. Plaintiff’s interests are directly aligned with those of the Class, and Plaintiff has no interests antagonistic to the Class. Plaintiff maintains an interest in proving that Hostway engaged in a common course of conduct and knowingly deprived the Class of services under the contract. That interest is not antagonistic to other class members. It appears that Plaintiff is willing and able to vigorously prosecute this action on behalf of the Class.

Further, Plaintiff has retained experienced counsel to conduct the litigation. Wolf Haldenstein Adler Freeman & Herz LLP (“Wolf Haldenstein”) and Saxena White P.A. (“Saxena White”) are recognized as law firms that are highly experienced in class action litigation, including in the area of consumer protection. They are more than adequate to serve as Co-Lead Counsel to the Class. Moreover, Defendants have not challenged the adequacy of counsel.

Thus, Plaintiff and its counsel satisfy the adequacy requirement of Rule 1.220 (a) (4).

B. Plaintiff Satisfies the Requirements of Rule 1.220 (b) (3)

1. Predominance

This action is also properly certified as a class action because Plaintiff satisfies the so-called “predominance” and “superiority” prongs of Rule 1.220 (b) (3).

The predominance requirement is similar to commonality but not identical. In order to satisfy the predominance requirement “common questions must not only exist but also predominate and pervade”. *Sosa*, 73 So. 3d at 111.

[A] class representative establishes predominance if he or she demonstrates a reasonable methodology for generalized proof of class-wide impact. (Citation omitted.) A class representative accomplishes this if he or she, by proving his or her own individual case, *necessarily* proves the cases of the other class members. (Citations omitted.)

Id. at 112. When common issues of fact and law concerning blacklisting and theories of recovery impact more substantially the efforts of every class member to prove liability than the individual issues that may arise, then class claims predominate. *Id.* There is no dispute that, at various times during the Class Period, Defendants’ shared servers were blacklisted by significant ISPs. *Shepherd Dep.* at 166:4-167:8. Further, Defendants have admitted that when one of their servers is blacklisted, it impacts all Class members who use that shared server to send and receive email. See *Shepherd Dep.* at 103:3-9.

In addition, Defendants' responsibilities were the same to all the Class members, each of whom signed virtually identical service agreements. See Shepherd Dep. at 279:7-20; 281:1-13. Thus, all of the issues related to Plaintiff's claims are the same as the rest of the Class. Those common issues easily predominate over any potential individual questions, which would relate only to the amount of damages sustained by Plaintiff and members of the Class. Furthermore, there is no requirement that each member of the Class demonstrate that they were affected by the interruption of service resulting from the blacklistings in order to prove liability under FDUTPA or the claims for unjust enrichment and the breach of the covenants of good faith and fair dealing. Each member of the Class paid for uninterrupted e-mail service. Defendants did not provide such service and failed to inform its customers of the blacklistings.

The common questions of law and fact relating to the claims of the Class representative and the claims of each Class member predominate over any question of law or fact affecting only individual members of the Class.

2. *Superiority*

Plaintiff also satisfies the "superiority prong" of Rule 1.220 (b) (3), as class representation is superior to all other available methods for the fair and efficient adjudication of this case. It is the most manageable and efficient way to resolve the individual claims of each class member. *Sosa*, 73 So. 3d. at 116. The factors to consider are:

(1) whether a class action would provide the class members with the only economically viable remedy? *It does*;

(2) whether there is a likelihood that the individual claims are large enough to justify the expense of separate litigation? *They are not*; and

(3) whether a class-action cause of action is manageable? *It is*. *Sosa*, 73 So. 3d at 116.⁹

The aggregation of tens of thousands of individual claims in a class action promotes judicial economy and conservation of resources. The amount of damages for each individual class member is relatively small, *i.e.*, all or a portion of the \$19.99 monthly payment. It would be difficult, if not impossible, for individuals to find adequate representation to litigate such small, individual economic claims.¹⁰

Therefore, the superiority requirement of Rule 1.220 (b) (3) is satisfied. Accordingly,

It is ORDERED and ADJUDGED that:

1. Plaintiff's Motion for Class Certification is GRANTED. The following Class is hereby certified:

⁹ The factors in *Sosa* appear to subsume the factors of subsection (b) (3) - (A) the respective interest of each member of the class in individually controlling the prosecution of separate claims or defenses, (B) the nature and extent of any pending litigation to which any member of the class is a party and in which any question of law or fact controverted in the subject action is to be adjudicated, (C) the desirability or undesirability of concentrating the litigation in the form where the subject action is instituted, and (D) the difficulties likely to be encountered in the management of the claim or defense on behalf of a class.

¹⁰ See *Sosa*, 73 So. 3d at 116 (The "small individual economic claims involving a \$20 overcharge are not so large as to economically justify each individual filing a separate action. Allowing [Plaintiff] and the putative class members to proceed with this class action is the most economically feasible remedy given the potential individual damage recovery for each class member.").

All customers who directly or indirectly subscribed to Defendants' e-mail services, including e-mail services provided by Defendants' predecessors, affiliates, subsidiaries and/or parents, and whose e-mail accounts utilized Hostway's shared servers located in Florida that were "blacklisted" at any time from November 1, 2008, through and including March 31, 2009;

2. Plaintiff is appointed as Class Representative of the Class;

3. Wolf Haldenstein Adler Freeman & Herz LLP and Saxena White P.A. are appointed as Co-Lead Counsel for the Class;

4. The Class, as defined above, is certified pursuant to *Fla. R. Civ. P.* 1.220 (a), and (b) (3), and the Plaintiff's remaining claims are maintainable on behalf of that Class pursuant to *Fla. R. Civ. P.* 1.220 (d) (1);

5. As required by *Fla. R. Civ. P.* 1.220 (d), and in order to provide unnamed Class members the opportunity to opt-out of the Class under 1.220 (b) (3), the Notice of Pendency attached to this order as Exhibit A is to be disseminated by Defendants via email to all of its customers, including the customers of any predecessor, affiliate, subsidiary and parent, who subscribed to Defendants' e-mail service and whose e-mail services utilized shared e-mail servers located in Florida from November 1, 2008, through March 31, 2009. Defendants shall also post the Notice of Pendency on the Hostway website in the "Legal" section so that such notice is fully accessible to the public until further order of the Court. Plaintiff shall disseminate the Notice of Pendency via press release on BusinessWire or similar service and shall also post it on the websites of Co-Lead Counsel until further order of the Court.

Done at Fort Lauderdale, Florida on July 7, 2015.

/s/ William W. Haury, Jr.
WILLIAM W. HAURY, JR.
Circuit Judge

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