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16	UNITED STATES	DISTRICT COURT						
17	EASTERN DISTRIC	CT OF CALIFORNIA						
18	SACRAMENTO DIVISION							
19								
20	KRISTEN WARREN, CHRISTOPHER	Case No:						
21	NEAL, AND C.N., individually and on behalf of all others similarly situated,	<b>CLASS ACTION COMPLAINT FOR:</b>						
22	) Plaintiffs,	1. NEGLIGENCE						
23	}	2. NEGLIGENCE PER SE						
24	v. (	2 DDE ACH OF IMPLIED CONTRACT						
25	POWERSCHOOL HOLDINGS, INC. AND POWERSCHOOL GROUP LLC,	3. BREACH OF IMPLIED CONTRACT						
26	TOWERSCHOOL GROUP LLC,	DEMAND FOR JURY TRIAL						
27	Defendants.							
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Plaintiffs Kristen Warren, Christopher Neal, and C.N. ("Plaintiffs"), individually and on behalf of the proposed class defined below, bring this action against Defendant PowerSchool Holdings, Inc. and Defendant PowerSchool Group LLC ("PowerSchool" or "Defendants") and alleges as follows:

#### I. SUMMARY OF THE ACTION

- 1. PowerSchool is the largest provider of cloud-based education software in the United States. It is used by more than 18,000 customers, primarily K-12 educators, to support more than 50 million students— more than 75% of K-12 students in North America. As part of its business, PowerSchool maintains in its computer systems the personally identifying information ("PII" or "Private Information") and/or protected health information ("PHI") of 60 million people, including teachers, students, and their guardians.
- 2. Despite holding the highly sensitive personal information of millions of people—many of whom are minors—PowerSchool neglected to adequately secure it. Unbeknownst to its customers or the end users PowerSchool stored PII and PHI in unencrypted formats on an Internet-accessible environment, vulnerable to exploitation.
- 3. At some point between December 19 and December 28, 2024, hackers breached the company's vulnerable systems and exfiltrated the valuable PII and PHI stored within (the "Data Breach" or "Breach." PowerSchool learned of the Data Breach on December 28, 2024, and began to investigate. Beginning on January 8, 2025, PowerSchool began notifying customers that their data was accessed and they were impacted.
- 4. Now, Plaintiffs and other members of the proposed class must deal with the fallout. The attack exposed over 60 million individuals' PII and PHI in total. For impacted individuals, PII and PHI stolen in the Data Breach include Social Security numbers, dates of birth, addresses, phone numbers, emails, photo identification, tax information numbers, health histories, and other medical information. Plaintiffs' information continues to reside on or remain accessible through PowerSchool's systems.
- 5. Plaintiffs by this action seek compensatory and statutory damages as well as injunctive relief to remediate PowerSchool's deficient cybersecurity and provide credit

monitoring, identity theft insurance, and credit repair services (or the money needed to secure those services) to protect her and the other breach victims from identity theft and fraud.

#### II. PARTIES

- 6. Plaintiff C.N. is a minor under the age of 18. At all relevant times, he has been domiciled in the state of Ohio. Plaintiff C.N. attends school in the West Clermont School District.
- 7. Plaintiff Kristen Warren is the mother and legal guardian of Plaintiff C.N. At all relevant times, she has been domiciled in the state of Ohio.
- 8. Plaintiff Christopher Neal is the father and legal guardian of Plaintiff C.N. At all relevant times, he has been domiciled in the state of Ohio.
- 9. Defendant PowerSchool Holdings, Inc., is a Delaware corporation with its principal place of business at 150 Parkshore Dr., Folsom, California 95630.
- 10. Defendant PowerSchool Group LLC is a Delaware Limited Liability Company with its principal place of business at 150 Parkshore Dr., Folsom, California 95630.
- 11. Defendant PowerSchool Holdings, Inc. and PowerSchool Group LLC are collectively referred to as PowerSchool or Defendants.
- 12. At all relevant times, each Defendant was a principal, agent, alter ego, joint venturer, partner, or affiliate of each other, and in doing the acts alleged herein, was acting within the course and scope of that principal, agent, alter ego, joint venture, partnership, or affiliate relationship. Each Defendant had actual knowledge of the wrongful act of each other; ratified, approved, joined in, acquiesced, or authorized the wrongful acts of each other; and retained the benefits of those wrongful acts.

#### III. JURISDICTION AND VENUE

13. This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1332(d). The amount in controversy in this class action exceeds \$5,000,000, exclusive of interest and costs, and there are numerous Class members who are citizens of states other than Defendants' states of citizenship.

- 14. This Court has personal jurisdiction over Defendants because they are headquartered in and have their principal place of business in this district. Defendants conduct substantial business and have minimum contacts with the State of California.
- 15. Venue is proper in this District under 28 U.S.C. §1391(b) because Defendants are headquartered in this District, and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in this District.

#### IV. FACTUAL BACKGROUND

#### A. Background on PowerSchool

- 16. PowerSchool holds itself out "[a]s a leading provider of cloud-based software in North America. Its product supports vast numbers of teachers, students, and their parents. Seventy-five percent of American school children, over 35 million, use PowerSchool. Over 16,000 customers rely on PowerSchool, including 90 of the largest 100 districts by student enrollment.
  - 17. In 2024, Bain Capital acquired PowerSchool for \$5.6 billion.
- 18. The data PowerSchool collects far exceeds traditional education records of schoolage children, including thousands of person-specific data fields.
- 19. PowerSchool does not fully disclose what data it collects from school-age children or their parents.
- 20. PowerSchool refuses to provide children and parents access to their data or the information it generates using that data.
- 21. On information and belief, PowerSchool collects and maintains the PHI and PII of customers, including but not limited to:
  - a. name, residential address, phone number, and email address
  - b. date of birth
  - c. demographic information
  - d. Social Security number
  - e. tax identification number
  - f. financial information

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- g. medication information
- h. disability information
- i. health insurance information
- j. photo identification
- k. employment information

#### B. PowerSchool's Data Security Representations

22. PowerSchool has multiple webpages dedicated to its privacy and security capabilities. It represents that it uses "industry standards" to "improve data integrity and security." It claims that all products are "[c]ertified to meet the 1EdTech open standard data & privacy rubric," and have received "ISO 27001" certification through "A-LIGN."

TrustEd Apps
 Certified to meet the 1EdTech\* open standard data & privacy rubric
 SOC 2 Type 2
 Auditor reports available for many products
 ISO 27001
 Certification through A-LIGN
 \*1EdTech, a member driven organization that brings educational leaders and EdTech suppliers together to create open standards.

23. In its privacy policy, PowerSchool boasts that it "places great importance and value on the proper handling of personal data that flows within our product as we provide services to our customers." To this end, PowerSchool claims that it has the "relevant security and privacy policies to drive expectations from the workforce":

We seek to protect our customers' personal data from unauthorized access, use, modification, disclosure, loss, or theft by leveraging various reasonable security measures and methods to secure our customers' personal data throughout its processing lifecycle with PowerSchool

https://www.powerschool.com/interoperability-overview/ (last visited January 31, 2025).

<sup>&</sup>lt;sup>2</sup> https://www.powerschool.com/privacy/ (last visited January 31, 2025).

applications. Our overall aim is to ensure the confidentiality, integrity, and availability of our customers' personal data by leveraging technical, organizational, and where appropriate, physical security methods. Security protection at PowerSchool is a cross-functional activity that intersects our workforce duties, and we have relevant security and privacy policies to drive expectations from the workforce.<sup>3</sup>

- 24. Under the "Frequently Asked Questions," PowerSchool represents that it protects data by using "state-of-the-art, and appropriate physical, technical, and administrative security measures to protect the personal data that we process."
- 25. PowerSchool's Global Privacy Statement, last updated October 1, 2024, makes the following representations about PowerSchool's data security measures:

Whether PowerSchool is a collector or processor or your data, PowerSchool is committed to protecting your personal information. PowerSchool uses commercially reasonable physical, administrative, and technical safeguards to preserve the confidentiality, integrity, and availability of your personal information. Our systems are regularly certified by third parties against industry security standards from AIPCA and ISO. As customers provide PowerSchool with Customer Data to process, PowerSchool makes commercially reasonable efforts to ensure the security of our systems. Please note that this is not a guarantee that such information may not be accessed, disclosed, altered, or destroyed by breach of any of our physical, administrative, and technical safeguards.

. . .

PowerSchool employs a variety of physical, administrative, and technological safeguards designed to protect your data against loss, misuse, and unauthorized access or disclosure. We strive to continuously maintain reasonable physical, administrative, and technical security measures. Our security measures consider the type and sensitivity of the data being collected, used, and stored, and the current state of technology and threats to data. PowerSchool independently verifies its security management system to the internationally recognized standard for security management and holds ISO 27001 and SOC2 certifications. PowerSchool also endeavors to align its privacy and security operations to best practices and relevant international regulations.<sup>5</sup>

<sup>4</sup> *Id*.

<sup>5</sup> *Id*.

<sup>&</sup>lt;sup>3</sup> *Id*.

#### C. The Data Breach

- 26. On December 22, 2024, hackers successfully breached PowerSchool's computer systems and exfiltrated customer PII and PHI. According to PowerSchool's breach notice, the hack occurred through the "PowerSchool customer support portal," which allowed "further access to the company's school information system, PowerSchool SIS." This is the information system schools use to manage student records, grades, attendance, and enrollment. PowerSchool learned of the hack six days later, on December 28, 2024, after the hackers contacted them to issue a ransom.
- 27. PowerSchool investigated the Data Breach and identified the compromised products and customers. It confirmed that the breach affected "families and educators." On January 8, 2025, it publicly announced the Data Breach and began notifying customers.
- 28. By failing to protect Plaintiffs' and Class members' PII and PHI, PowerSchool breached its duties and violated its privacy promises to its members and beneficiaries.
  - D. PowerSchool Failed to Maintain Adequate Cybersecurity Measures to Prevent the Data Breach.
- 29. PowerSchool did not reasonably and adequately protect the PII and PHI of its customers or their students, families, and educators.
- 30. According to PowerSchool's notification letter to affected clients, the hackers gained access "using a compromised credential."
- 31. PowerSchool was unable to prevent hackers from gaining access to its systems, detect that hackers had gained access to its systems and sensitive patient information, or determine that a breach had occurred until the hackers contacted them with a ransom demand.
- 32. PowerSchool failed to implement and maintain reasonable security measures to prevent and detect the Data Breach, such as auditing and monitoring its data retention, encryption, deletion, and vendor practices.

#### E. PII and PHI have concrete financial value

33. PHI and PII are inherently valuable, and they are becoming increasingly frequent targets of hackers. The PII and PHI taken from PowerSchool's systems are particularly sensitive.

- 34. Medical records and personally identifiable information are valuable to cybercriminals and routinely are sold and traded on the dark web. There is a robust black market in which criminals openly post stolen PHI and PII on multiple underground internet websites, commonly referred to as the dark web.
- 35. Identity theft results in a significant, negative financial impact on victims as well as severe distress.
- 36. PHI and PII are valuable commodities to identity thieves. As the FTC recognizes, identity thieves can use this information to commit an array of crimes, including identity theft and medical and financial fraud. There is accordingly a market for Plaintiffs' and Class members' PHI and PII.
- 37. PHI is particularly sensitive. Healthcare data can sell for as much as \$363 per record, according to the Infosec Institute.<sup>6</sup> PHI is especially valuable because criminals can use it to target victims with fraud and scams that take advantage of the victim's medical conditions or settlements. PHI can be used to create fake insurance claims, allowing for the purchase and resale of medical equipment, or to gain access to prescriptions for illegal use or resale.
- 38. Medical identity theft can result in inaccuracies in medical records and costly false claims. It can also have life-threatening consequences. If a victim's health information is mixed with other records, misdiagnosis or mistreatment can ensue. "Medical identity theft is a growing and dangerous crime that leaves its victims with little to no recourse for recovery," said Pam Dixon, executive director of World Privacy Forum. "Victims often experience financial repercussions and worse yet, they frequently discover erroneous information has been added to their personal medical files due to the thief's activities."
- 39. Similarly, Social Security numbers are valuable to criminals. This information can be, and has been, sold and traded on the dark web. The loss of a Social Security number is

<sup>&</sup>lt;sup>6</sup> https://resources.infosecinstitute.com/topics/healthcare-information-security/hackers-selling-healthcare-data-in-the-black-market/ (last accessed January 31, 2025).

<sup>&</sup>lt;sup>7</sup> Michael Ollove, *The Rise of Medical Identity Theft in Healthcare*, Kaiser Health News (Feb. 7, 2014), https://khn.org/news/rise-of-indentity-theft/ (last accessed January 31, 2025).

particularly troubling because it cannot be easily changed and can be misused in a range of nefarious activities, such as filing fraudulent tax returns to steal tax refund payments, opening new accounts to take out loans, and other forms of identity theft.

- 40. The detrimental consequences of PowerSchool's failure to keep its customers', students', families', and educators' PHI and PII secure are long lasting and severe. Once PHI and PII are stolen, fraudulent use of that information and damage to victims may continue for years. Fraudulent activity might not show up for months or years.
- 41. Children are particularly vulnerable targets in a data breach. Identity theft can result in malicious actors running up debts before the child even turns 18. The child might be unaware of these debts until years later when they enter into the credit market to apply for loans or financial aid.
- 42. Criminals often trade stolen PHI and PII on the dark web for years following a breach. Cybercriminals also can post stolen PHI and PII on the internet, thereby making the information publicly available without the knowledge or consent of the victim.
- 43. PowerSchool knew the importance of safeguarding the PHI and PII entrusted to it and the foreseeable adverse effects if its data security systems were breached. Those effects include the significant costs that would be imposed on affected students, their parents, and educators as a result of a breach. PowerSchool failed to implement reasonable and adequate cybersecurity measures, leading to the Data Breach.

#### F. PowerSchool Owed Duties to Safeguard Individuals' PII and PHI

- 44. Beyond the obligations arising from PowerSchool's own representations keeping Plaintiffs' and Class Members' data secure, Defendants owed Plaintiffs and Class members a duty to safeguard their PII and PHI.
- 45. As described further below, Defendants owed a duty to safeguard PII and PHI under several statutes, including the Federal Trade Commission Act ("FTC Act") and the Children's Online Privacy Protection Act ("COPPA"), to ensure that all information they maintained was secure. These statutes were enacted to protect Plaintiffs and the Class members from the type of conduct in which Defendants engaged.

- 46. Defendants owed a duty to safeguard PII and PHI because they were on notice that they were handling highly valuable data and knew there was a risk it would be targeted by cybercriminals. Moreover, Defendants knew of the extensive, foreseeable harm that would ensue for the victims of a data breach, and therefore owed a duty to safeguard that information.
- 47. Given the sensitive nature of the PII and PHI routinely contained in Defendants' systems, Defendants knew that hackers and cybercriminals would be able to commit identity theft, financial fraud, phishing, socially-engineered attacks, healthcare fraud, and other identity-related fraud upon exfiltrating that data from Defendants' system. Defendants also knew that individuals whose PII and PHI were maintained Defendants' system would reasonably spend time and effort to mitigate their damages and prevent identity theft and fraud, if that PII and PHI were taken.
- 48. Defendants also owed a duty to safeguard Plaintiffs' and Class members' data based upon the promises that they made to their clients and customers to securely store data. Defendants voluntarily undertook efforts to keep that data secure in their business operations and thus owe a continuing obligation to Plaintiffs and Class members to keep their PII and PHI secure.
- 49. The duty to protect Plaintiffs' PII and PHI is non-delegable. PowerSchool's business model is premised upon voluntarily assuming this duty, by soliciting customers to rely on its professed ability to store sensitive data securely. PowerSchool's duty is for the benefit of the individuals whose PII and PHI its products store and manage.
- 50. Defendants also owed a duty to comply with industry standards in safeguarding PII and PHI, which they did not do.
- 51. Because of the value of PII and PHI to hackers and identity thieves, companies in the business of storing, maintaining, or securing PII and PHI such as Defendants, have been identified as being particularly vulnerable to cyberattacks. Cybersecurity firms have promulgated a series of best practices that at a minimum should be implemented by sector participants including, but not limited to: installing appropriate malware detection software; monitoring and limiting the network ports; protecting web browsers and email management

systems; setting up network systems such as firewalls, switches and routers; monitoring and protection of physical security systems; protection against any possible communication system; and training staff regarding critical points.

- 52. Federal and state government bodies have likewise established security standards and issued recommendations to reduce the risk of data breaches and the resulting harm to consumers and financial institutions. The FTC has issued numerous guides for businesses highlighting the importance of robust and effective data and cyber security practices. According to the FTC, the imperative of data and cyber security should be factored into all business decision-making.
- 53. In 2016, the FTC updated its publication, Protecting Personal Information: A Guide for Business, which established guidelines for fundamental data and cyber security principles and practices for business. The guidelines note businesses should protect the personal customer and consumer information that they keep; properly dispose of personal information that is no longer needed; encrypt information stored on networks; understand their network's vulnerabilities; and implement policies to correct security problems. The guidelines further recommend that businesses use an intrusion detection system to expose a breach as soon as it occurs; monitor all incoming traffic for activity indicating someone is attempting to hack the system; watch for large amounts of data being transmitted from the system; and have a response plan ready in the event of a breach.
- 54. The FTC also recommends that companies not maintain cardholder information longer than is needed for authorization of a transaction; limit access to sensitive data; require complex passwords to be used on networks; use industry-tested methods for security; monitor for suspicious activity on the network; and verify that third-party service providers have implemented reasonable security measures.
- 55. The FTC has brought enforcement actions against businesses for failing to adequately and reasonably protect consumer data, treating the failure to employ appropriate measures to protect against unauthorized access to confidential consumer data as an unfair

practice that violates Section 5 of the FTC Act, 15 U.S.C. § 45. Orders in these actions further clarify the measures businesses must take to meet their data and cyber security obligations.

56. Further, pursuant to COPPA, 15 U.S.C. § 312.10, Defendants had a "mandate[d]" duty to only "retain children's personal information 'for only as long as is reasonably necessary to fulfill the purpose for which the information was collected[,]" and thereafter had a duty to "delete [children's personal information] using reasonable measures to ensure it's been securely destroyed" even absent a parent's request for the deletion of a child's personal information.

#### G. Plaintiffs' PHI and PII were Compromised in the Data Breach

- 57. Plaintiffs Kristen Warren and Christoper Neal are a married couple and parents of C.N. All are citizens and residents of Ohio. C.N. attends school in the West Clermont School District.
- 58. As part of C.N.'s schooling, Plaintiffs Kristen Warren and Christopher Neal provided PowerSchool their child's sensitive PII and PHI and provided sensitive PII of themselves.
- 59. On January 9, 2025, Plaintiffs received an email from their school stating that PowerSchool had informed them that the Plaintiffs' school had been affected by the Data Breach. The school's notice conveyed PowerSchool's representations that had "contained" the incident and that the hackers had "deleted" the data.
- 60. Plaintiffs greatly value their privacy, and the privacy of their minor child. Because of PowerSchool's failure to protect the sensitive information entrusted to it, Plaintiffs are less safe now than they were before the breach.
- 61. Plaintiffs have suffered actual injury in the form of damages to and diminution in the value of their PII and the PII of their child—a form of intangible property that they entrusted to PowerSchool in exchange for education support and administration services.
- 62. The exposure of Plaintiffs' private and confidential information, including health information, in the Data Breach has caused Plaintiffs to suffer stress and anxiety related to their personal information being compromised.

- 63. Plaintiffs have suffered imminent and impending injury arising from the substantially increased risk of fraud, identity theft, and misuse resulting from their PII and PHI, and the PII and PHI of their child, especially with their child's Social Security number indefinitely in the hands of criminals.
- 64. Plaintiffs have become victims of hacking and blackmail attempts by criminal actors that obtained their PII and PHI as a result of the Data Breach.
- 65. Specifically, Plaintiff Christopher Neal experienced a fraud attempt using information that was subject to the Data Breach. A hacker posed as an Ohio governmental representative and threatened to garnish Plaintiff Neal's wages. Plaintiff Neal has expended time and resources to report and resolve this unauthorized attempt.
- 66. Additionally, Plaintiff Christopher Neal has become a target of a blackmail attempt. A criminal actor obtained his PII and PHI from the Data Breach and has threatened Plaintiff Christopher Neal and his family if he does not pay the criminal actor. Plaintiffs have expended time and resources to report and resolve this blackmail attempt.
- 67. Because of the Data Breach, Plaintiffs are at a substantial present risk both with respect to their personal safety and increased risk of identity theft and fraud, and will continue to face an increased risk for years to come.
- 68. Plaintiffs and Class members must immediately devote time, energy, and money to: (1) closely monitor their medical statements, bills, records, and credit and financial accounts; (2) change login and password information on any sensitive account even more frequently than they already do; (3) more carefully screen and scrutinize phone calls, emails, and other communications to ensure that they are not being targeted in a social engineering or spear phishing attack; and (4) search for suitable identity theft protection and credit monitoring services, and pay to procure them. Plaintiffs and Class members have taken or will be forced to take these measures in order to mitigate their potential damages as a result of the Data Breach.
- 69. Plaintiffs have a continuing interest in ensuring that their PII and PHI, which remain in PowerSchool's possession, are protected and safeguarded from future breaches.

#### V. <u>CLASS ACTION ALLEGATIONS</u>

70. Plaintiffs bring this class action on behalf of themselves and all others similarly situated pursuant to Federal Rules of Civil Procedure 23(a), 23(b)(1), 23(b)(2), 23(b)(3), and where applicable, 23(c)(4), on behalf of the following Class:

**Class:** All natural persons in the United States whose PII and/or PHI was compromised as a result of the Data Breach.

- 71. Excluded from the Class are Defendants' officers, directors, and employees; any entity in which Defendants have a controlling interest; and the affiliates, legal representatives, attorneys, successors, heirs, and assigns of Defendants. Also excluded from the Class are members of the judiciary to whom this case is assigned, their families and members of their staff.
- 72. Plaintiffs reserve the right to modify the Class definition, including based on discovery and further investigation.
- 73. <u>Numerosity</u>. The Class is so large as to make joinder impracticable. There are millions of Class members. Disposition of their claims in a single action will provide substantial benefits to all parties and to the Court. Class members are readily ascertainable from information and records in the possession, custody, or control of Defendants or its customers.
- 74. <u>Typicality</u>. Plaintiffs' claims are typical of the claims of the Class in that the sensitive personal information of the representative Plaintiffs, like that of all Class members, was compromised and stolen in the Data Breach.
- 75. Adequacy of Representation. Plaintiffs are members of the Class and will fairly and adequately represent and protect its interests. Plaintiffs' counsel are competent and experienced in prosecuting class actions, including relating to data breaches. Plaintiffs have no interest contrary to or in conflict with the interests of Class members.
- 76. <u>Predominant Common Issues of Law and Fact</u>. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual Class members. Among the questions of law and fact common to the Class are:

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- Whether Defendants engaged in the conduct alleged;
- Whether Defendants had a duty to implement reasonable cyber security measures to protect Plaintiffs' and Class members' sensitive, personal information;
- Whether Defendants breached its duty by failing to take reasonable precautions to protect Plaintiffs' and Class members' sensitive, personal information;
- Whether Defendants acted unfairly or otherwise wrongfully in violation of state statutory law;
- Whether Plaintiffs and Class members are entitled to recover damages; and
- Whether Plaintiffs and Class members are entitled to equitable relief, including injunctive relief, restitution, and/or disgorgement.
- 77. Superiority. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Absent a class action, most Class members would likely find the cost of litigating their claims prohibitively high and would have no effective remedy. Given the relatively small size of the individual Class members' claims, few, if any, Class members would seek redress for Defendants' violations individually. Class treatment will conserve the resources of the courts and promote consistency and efficiency of adjudication.

Class certification is also appropriate under Rules 23(b)(1), (b)(2), and/or (c)(4) because:

- The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications establishing incompatible standards of conduct for Defendants.
- The prosecution of separate actions by individual Class members would create a
  risk of adjudications that would, as a practical matter, be dispositive of the interests
  of other Class members not parties to the adjudications, or would substantially
  impair or impede their ability to protect their interests.
- Defendants have acted or refused to act on grounds generally applicable to the Class, making injunctive and corresponding declarative relief appropriate with respect to the Class as a whole; and

 The claims of Class members are comprised of common issues whose resolution in a class trial would materially advance this litigation.

# FIRST CAUSE OF ACTION Negligence

- 78. Plaintiffs incorporate and reallege the foregoing allegations of fact.
- 79. Defendants collected and stored Plaintiffs' and Class members' personal information, including addresses, Social Security numbers, dates of birth, health insurance information, and personal health information including disabilities, immunization records, and medications.
- 80. Defendants owed Plaintiffs and Class members a duty of reasonable care to preserve and protect the confidentiality of their personal information that it collected. This duty included, among other obligations, maintaining and testing its security systems and networks, and the systems and networks of its vendors, as well as taking other reasonable security measures to safeguard and adequately secure the personal information of Plaintiffs and the Class from unauthorized access and use.
- 81. Defendants' duties also arise by operation of statute. Pursuant to the FTC Act, 15 U.S.C. § 45, PowerSchool had a duty to provide fair and adequate computer systems and data security practices to safeguard Plaintiffs' and Class members' PHI and PII.
- 82. Plaintiffs and Class members were the foreseeable victims of Defendants' inadequate and ineffectual cybersecurity systems and protocols. The natural and probable consequence of Defendants' failing to adequately secure its information networks was Plaintiffs' and Class members' personal information being hacked.
- 83. Defendants knew or should have known that Plaintiffs' and Class members' personal information was an attractive target for cyber thieves, particularly in light of data breaches experienced by other entities around the United States. Moreover, the harm to Plaintiffs and Class members from exposure of their highly confidential personal information was reasonably foreseeable to Defendants.

- 84. Defendants had the ability to sufficiently guard against data breaches by monitoring and testing their systems and implementing adequate measures to protect their systems, such as using attack surface software.
- 85. Defendants breached their duty to exercise reasonable care in protecting Plaintiffs' and Class members' personal information by failing to implement and maintain adequate security measures to safeguard Plaintiffs' and Class members' personal information, failing to monitor its systems to identify suspicious activity, and allowing unauthorized access to, and exfiltration of, Plaintiffs' and Class members' confidential personal information.
- 86. There is a close connection between Defendants' failure to employ reasonable security protections for its members and beneficiaries' personal information and the injuries suffered by Plaintiffs and Class members. When individuals' sensitive personal information is stolen, they face a heightened risk of identity theft and may need to: (1) purchase identity protection, monitoring, and recovery services; (2) flag asset, credit, and tax accounts for fraud, including by reporting the theft of their Social Security numbers to financial institutions, credit agencies, and the IRS; (3) purchase or otherwise obtain credit reports; (4) monitor credit, financial, utility, explanation of benefits, and other account statements on a monthly basis for unrecognized credit inquiries and charges; (5) place and renew credit fraud alerts on a quarterly basis; (6) contest fraudulent charges and other forms of identity theft; (7) repair damage to credit and financial accounts; and (8) take other steps to protect themselves and attempt to avoid or recover from identity theft and fraud.
- 87. Defendants were in a special relationship with Plaintiffs and Class members with respect to the hacked information because the end and aim of Defendants' data security measures was to benefit Plaintiffs and Class members by ensuring that their personal information would remain protected and secure. Only Defendants were in a position to ensure that its systems were sufficiently secure to protect Plaintiffs' and Class members' personal and medical information. The harm to Plaintiffs and Class members from their exposure was foreseeable to Defendants.

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88. The policy of preventing future harm disfavors the application of the economic loss rule, particularly given the sensitivity of the private information entrusted to Defendants. A high degree of opprobrium attaches to Defendants' failure to secure Plaintiffs' and Class members' personal and extremely confidential facts. Defendants had an independent duty in tort to protect this information and thereby avoid reasonably foreseeable harm to Plaintiffs and Class members.

89. As a result of Defendants' negligence, Plaintiffs and Class members have suffered actual and/or nominal damages that have included or may, in the future, include, without limitation: (1) loss of the opportunity to control how their personal information is used; (2) diminution in the value and use of their personal information entrusted to Defendants with the understanding that Defendants would safeguard it against theft and not allow it to be accessed and misused by third parties; (3) the compromise and theft of their personal information; (4) out-of-pocket costs associated with the prevention, detection, and recovery from identity theft and unauthorized use of financial accounts; (5) costs associated with the ability to use credit and assets frozen or flagged due to credit misuse, including increased costs to use credit, credit scores, credit reports, and assets; (6) unauthorized use of compromised personal information to open new financial and other accounts; (7) continued risk to their personal information, which remains in Defendants' possession and is subject to further breaches so long as Defendants fail to undertake appropriate and adequate measures to protect the personal information in their possession; and (8) future costs in the form of time, effort, and money Plaintiffs and Class members will expend to prevent, detect, contest, and repair the adverse effects of their personal information being stolen in the Data Breach.

### **SECOND CAUSE OF ACTION**

### Negligence per se

- 90. Plaintiffs incorporate and reallege the foregoing allegations of fact.
- 91. Under Section 5 of the FTC Act, 15 U.S.C. § 45, Defendant had a duty to use fair and adequate computer systems and data security practices to safeguard Plaintiffs' and Class members' Private Information.

- 92. Defendants violated Section 5 of the FTC Act by failing to use reasonable measures to protect PII and PHI and not complying with industry standards. Defendants' conduct was particularly unreasonable given the nature and amount of PII and PHI they obtained and stored and the foreseeable consequences of a data breach involving PII of their consumers.
- 93. Plaintiffs and Class members are consumers within the Class of persons Section 45 of the FTC Act was intended to protect.
  - Defendants' violation of Section 5 of the FTC Act constitutes negligence per se. 94
- 95. The harm that has occurred as a result of Defendants' conduct is the type of harm that the FTC Act and Part 2 were intended to guard against.
- 96. Further, pursuant to COPPA, 15 U.S.C. § 312.10, Defendants had a "mandate[d]" duty to only "retain children's personal information for only as long as is reasonably necessary to fulfill the purpose for which the information was collected[,]" and thereafter had a duty to "delete [children's personal information] using reasonable measures to ensure it's been securely destroyed" even absent a parent's request for the deletion of a child's personal information.
- Defendants violated COPPA § 312.10 by failing to use reasonable measures to 97. protect PII and PHI and not complying with industry standards.
- 98. Plaintiffs and Class members are consumers within the Class of persons COPPA was intended to protect.
  - 99. Defendants' violation of COPPA constitutes negligence per se.
- 100. The harm that has occurred as a result of Defendants' conduct is the type of harm that COPPA was intended to guard against.
- 101. As a direct and proximate result of Defendants' negligence, Plaintiffs have been injured as described herein, and are entitled to damages, including compensatory, punitive, and nominal damages, in an amount to be proven at trial.

#### THIRD CAUSE OF ACTION

#### **Breach of Implied Contract**

102. Plaintiffs incorporate and reallege the foregoing allegations of fact.

- 103. Defendants contracted with Plaintiffs' and the Class members' schools and/or school districts for the provision of education software. These contracts include, without limitation, Defendants' privacy notices in which they promised to protect nonpublic personal information given to Defendants, or which Defendants gathered on their own, from disclosure. These privacy notices include Defendants' Global Privacy Statement.
- 104. Plaintiffs and Class members are the intended beneficiaries of those contracts, including the provisions incorporating Defendants' privacy policies and otherwise pertaining to the confidentiality of personal information maintained by Defendants.
- 105. Plaintiffs and Class members performed substantially all that was required of them under their contracts with Defendants, or they were excused from doing so.
- 106. Defendants explicitly acknowledged their obligation to protect Plaintiffs' and Class members' confidential information in these contracts. In their Global Privacy Statement, Defendants state that PowerSchool "uses commercially reasonable physical, administrative, and technical safeguards to preserve the confidentiality, integrity, and availability of your personal information."
- 107. A meeting of the minds occurred, as Plaintiffs and other Class members agreed, among other things, to provide their PII and PHI to Defendants for which Defendants derived a monetary benefit, in exchange for Defendants' agreement to protect the confidentiality of that information.
- 108. No Plaintiff would have entered into these contracts with Defendants without understanding that Plaintiffs' and other Class members' PII and PHI would be safeguarded and protected. In short, data security was a material term of the parties' contracts.
- 109. Defendants breached these promises by failing to comply with reasonable industry practices, and by allowing unauthorized users to gain access to Plaintiffs' and Class members' PII and PHI through the Data Breach.
- 110. As a direct and proximate result of Defendants' breach of contract, Plaintiffs and Class members did not receive the full benefit of the bargain, and instead received education services that were less valuable than promised in their contracts. Plaintiffs and Class members,

1	therefore, were damaged in an amount at least equal to the difference in value between that						
2	which was promised and Defendants' deficient performance.						
3	3 111. As a result of Defendants' breach of contract, Plaintiffs and	111. As a result of Defendants' breach of contract, Plaintiffs and Class members have					
4	4 suffered actual damages resulting from the exposure of their personal info	suffered actual damages resulting from the exposure of their personal information, remain					
5	5 imminent risk of suffering additional damages in the future, and/or are otl	imminent risk of suffering additional damages in the future, and/or are otherwise entitled to					
6	6 nominal damages.						
7	112. Plaintiffs and Class members have consequently been injured by Defendants'						
8	8 breach of contract and are entitled to damages and/or restitution in an amount	breach of contract and are entitled to damages and/or restitution in an amount to be proven at					
9	9 trial. Plaintiffs seek nominal damages in the alternative.						
10	PRAYER FOR RELIEF						
11	WHEREFORE, Plaintiffs pray for an order:						
12	A. Certifying this case as a class action, appointing Plan	intiffs as a Class					
13	representative, and appointing Plaintiffs' counsel to represent the Class;	representative, and appointing Plaintiffs' counsel to represent the Class;					
14	B. Entering judgment for Plaintiffs and the Class;						
15	C. Awarding Plaintiffs and Class members monetary re	elief, including nominal					
16	and statutory damages;						
17	D. Ordering appropriate injunctive or other equitable re	elief;					
18	E. Awarding pre- and post-judgment interest as prescri	bed by law;					
19	F. Awarding reasonable attorneys' fees and costs as pe	rmitted by law; and					
20	G. Granting such further and other relief as may be just	and proper.					
21	21 JURY TRIAL DEMANDED	JURY TRIAL DEMANDED					
22	Plaintiffs hereby demand a trial by jury on all issues so triable.	Plaintiffs hereby demand a trial by jury on all issues so triable.					
23	23						
24	Dated: January 31, 2025 Respectfully submitted,						
25	By: <u>/s/ Patrick T. Johnson</u>						
26	Patrick T. Johnson (State)						
27 28	601 California Street Suit						
	20						

Telephone: (415) 981-4800 Facsimile: (415) 981-4846 Email: apolk@girardsharp.com Email: pjohnson@girardsharp.com Joseph G. Sauder (*Pro Hac Vice* forthcoming) Joseph B. Kenney (Pro Hac Vice forthcoming) Juliette T. Mogenson (*Pro Hac Vice* forthcoming) SAUDER SCHELKOPF LLC 1109 Lancaster Avenue Berwyn, PA 19312 Telephone: (888) 711-9975 Facsimile: (610) 421-1326 Email: jgs@sstriallawyers.com Email: jbk@sstriallawyers.com Email: jtm@sstriallawyers.com Counsel for Plaintiffs 

The JS 44 civil cover sheet Gaste in 2012 to COVER SHEET

The JS 44 civil cover sheet Gaste in 2012 to Cover sheet Gaste in 2012 to

purpose of initiating the civil do	ocket sheet. (SEE INSTRUC	CTIONS ON NEXT PAGE O	F THIS FC	ORM.)					
(a) PLAINTIFFS				DEFENDANTS	5				
KRISTEN WARREN, CHRISTOPHER NEAL, AND C.			N.	POWERSCHOOL HOLDINGS, INC. AND POWERSCHOOL GROUP LLC					
(b) County of Residence of	of First Listed Plaintiff (	Clermont County, (	Ohio	County of Residence of First Listed Defendant					
	(EXCEPT IN U.S. PLAINTIFF CASES)					LAINTIFF CASES OF ON CASES, USE THIVOLVED.		OF	
					OF LAND IN	IVOLVED.			
	Address, and Telephone Numbe			Attorneys (If Known)					
Girard Sharp LL 601 California S	P (415) 981-4 t., Suite 1400, San F		08						
II. BASIS OF JURISD	ICTION (Place an "X" in	One Box Only)		FIZENSHIP OF PI (For Diversity Cases Only)	RINCIPA		Place an "X" in nd One Box for .		
1 U.S. Government	3 Federal Question				TF DEF	и	па Опе вох јог	PTF	DEF
Plaintiff	(U.S. Government	Not a Party)	Citize	n of This State	1 1	Incorporated or Pri of Business In T		4	<b>X</b> 4
2 U.S. Government Defendant	4 Diversity (Indicate Citizensh	ip of Parties in Item III)	Citize	n of Another State	2 2	Incorporated and P of Business In A		5	5
				n or Subject of a eign Country	3 3	Foreign Nation		<u> </u>	<u>6</u>
IV. NATURE OF SUIT		•				for: Nature of S			
CONTRACT		PERSONAL INJURY		RFEITURE/PENALTY		KRUPTCY	=	STATUT	
110 Insurance 120 Marine	PERSONAL INJURY  310 Airplane	PERSONAL INJURY 365 Personal Injury -		5 Drug Related Seizure of Property 21 USC 881	422 App 423 Wit	peal 28 USC 158 hdrawal	375 False 0 376 Qui Ta		
130 Miller Act 140 Negotiable Instrument	315 Airplane Product Liability	Product Liability  367 Health Care/	69	O Other		USC 157	3729(a 400 State F	//	nment
150 Recovery of Overpayment	320 Assault, Libel &	Pharmaceutical				ERTY RIGHTS	410 Antitru	ıst	
& Enforcement of Judgment 151 Medicare Act	Slander 330 Federal Employers'	Personal Injury Product Liability			820 Cop		430 Banks 450 Comm		ng
152 Recovery of Defaulted	Liability	368 Asbestos Personal				ent - Abbreviated	460 Deport	tation	
Student Loans (Excludes Veterans)	340 Marine 345 Marine Product	Injury Product Liability			Nev 840 Trac	v Drug Application demark	470 Racket	teer inituer t Organiza	
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of Veteran's Benefits 160 Stockholders' Suits	350 Motor Vehicle 355 Motor Vehicle	370 Other Fraud 371 Truth in Lending		Fair Labor Standards Act	Act	of 2016	485 Teleph	SC 1681 or ione Consu	
190 Other Contract	Product Liability	380 Other Personal	72	) Labor/Management		L SECURITY	<b>_</b>	tion Act	
195 Contract Product Liability 196 Franchise	X 360 Other Personal Injury	Property Damage  385 Property Damage	74	Relations 3 Railway Labor Act		k (1395ff) ck Lung (923)	490 Cable/ 850 Securi		odities/
	362 Personal Injury - Medical Malpractice	Product Liability	75	l Family and Medical Leave Act		VC/DIWW (405(g)) D Title XVI	Excha 890 Other		Actions
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITION		Other Labor Litigation	<b>=</b>	(405(g))	891 Agricu	ıltural Acts	3
210 Land Condemnation 220 Foreclosure	440 Other Civil Rights 441 Voting	Habeas Corpus:  463 Alien Detainee	☐ <sup>79</sup>	1 Employee Retirement Income Security Act	FFDFR	AL TAX SUITS	893 Enviro		
230 Rent Lease & Ejectment	442 Employment	510 Motions to Vacate			870 Tax	es (U.S. Plaintiff	Act		
240 Torts to Land 245 Tort Product Liability	443 Housing/ Accommodations	Sentence 530 General				Defendant) —Third Party	896 Arbitra 899 Admir		rocedure
290 All Other Real Property	445 Amer. w/Disabilities -	535 Death Penalty	746	IMMIGRATION	26	USC 7609		eview or Ap	
	Employment 446 Amer. w/Disabilities -	Other: 540 Mandamus & Othe		2 Naturalization Application 5 Other Immigration	וו		Agency 950 Consti	y Decision tutionality	
	Other 448 Education	550 Civil Rights 555 Prison Condition		Actions			State S	tatutes	
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		Conditions of Confinement							
V. ORIGIN (Place an "X" is					4.0				
		Remanded from Appellate Court	4 Reins Reop		erred from er District	6 Multidistri Litigation Transfer		Multidis Litigatio Direct F	on -
		ntute under which you are	e filing (L	o not cite jurisdictional stat	tutes unless di	iversity):			
VI. CAUSE OF ACTION	ON 28 U.S.C. § 1332(d)(2) Brief description of ca								
		rs via negligent protection	of person	al information					
VII. REQUESTED IN COMPLAINT:	CHECK IF THIS UNDER RULE 2	IS A CLASS ACTION 3, F.R.Cv.P.	DI	EMAND \$		HECK YES only i URY DEMAND:	if demanded in	n complai	
VIII. RELATED CASI IF ANY	E(S) (See instructions):	JUDGE John A. M	endez		DOCK	ET NUMBER 2:2	25-cv-00093-14	AM-AC	
DATE		SIGNATURE OF ATT		OF RECORD		LI NOMBER Z.Z	.0 04-00090-01		
Jan 31, 2025		/s/ Patrick T. Johnson		. ILCORD					
FOR OFFICE USE ONLY									
RECEIPT # AM	MOUNT	APPLYING IFP		JUDGE		MAG. JUD	OGE		

## INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

#### Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- **I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence. For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys. Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction. The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.

  United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here. United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box. Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.

  Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; NOTE: federal question actions take precedence over diversity cases.)
- III. Residence (citizenship) of Principal Parties. This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit. Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: Nature of Suit Code Descriptions.
- V. Origin. Place an "X" in one of the seven boxes.
  - Original Proceedings. (1) Cases which originate in the United States district courts.

Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.

Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date. Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.

Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.

Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket.

PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7. Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.

- VI. Cause of Action. Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service.
- VII. Requested in Complaint. Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.

  Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.

  Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases. This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

Date and Attorney Signature. Date and sign the civil cover sheet.