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LOCATION SERVICES, LLC

13 UNITED STATES DISTRICT COURT
14 EASTERN DISTRICT OF CALIFORNIA
15

16 LOCATION SERVICES, LLC,

17 Plaintiff,

18 v.

19 DIGITAL RECOGNITION NETWORK,
20 INC.,

21 Defendant.

Case No.

**PLAINTIFF'S COMPLAINT AGAINST
DIGITAL RECOGNITION NETWORK,
INC.**

DEMAND FOR JURY TRIAL

22
23 For its Complaint against Defendant Digital Recognition Network, Inc. ("DRN"), Plaintiff
24 Location Services, LLC ("Location Services") states and alleges as follows:

25 **I. JURISDICTION**

26 1. Location Services brings this Complaint under Sections 1 and 2 of the Sherman
27 Act (15 U.S.C. §§ 1 and 2), Section 4 of the Clayton Act (15 U.S.C. § 15), as well as causes of
28 action arising under California law. The Court has subject-matter jurisdiction over this action

1 pursuant to 28 U.S.C. §§ 1331 and 1337, and 15 U.S.C. §§ 4 and 15. DRN’s sale of LPR data
2 used for vehicle repossession and recoveries and its exclusionary non-competition provisions
3 challenged in this lawsuit substantially affect, and are in the flow of, interstate trade and
4 commerce. This Court has supplemental jurisdiction over the state-law claims pursuant to 28
5 U.S.C. § 1367 because those claims are so closely related to the federal claims that they form part
6 of the same case or controversy.

7 2. DRN is subject to the personal jurisdiction of this Court. DRN conducts business
8 in this District by, among other things, selling LPR data for the repossession and recovery of
9 vehicles in this District and by contracting with vehicle repossession agents in this District.

10 **II. NATURE OF THE ACTION**

11 3. Plaintiff Location Services brings this action to stop Defendant DRN from
12 continuing to violate the antitrust laws by unlawfully maintaining its monopoly power in the
13 market for license plate recognition (“LPR”) data used for vehicle repossessions and recoveries.
14 DRN has effectively prevented its vehicle repossession agents, the collectors of LPR data, from
15 terminating their contracts with DRN and working with its competitors, thus foreclosing a
16 substantial percentage of the agents that Location Services needs to compete effectively in the
17 market.

18 4. LPR data is information about where and when a particular license plate was
19 spotted. It is collected by vehicle repossession agents that attach LPR kits (comprising
20 sophisticated cameras and specific software) to their fleet of tow trucks and spotter cars. LPR
21 data is then uploaded into a database and cross checked against lists of license plates from
22 vehicles sought by banks and other lienholders. Using LPR data is the most effective way to
23 locate a vehicle when it cannot be found using traditional investigation methods known as “skip
24 tracing.” A significant, and growing, percentage of vehicle repossessions are made using LPR
25 data.

26 5. By any measure, DRN has long been the dominant provider of LPR data used for
27 vehicle repossessions and recoveries. DRN has contracts with over 70% of the vehicle
28 repossession agents currently operating LPR kits on their tow trucks and spotter cars. DRN’s

1 agents tend to be larger and operate a greater number of trucks and spotter cars, each of which is
2 equipped with an LPR kit. For that reason, DRN’s percentage of the total number of LPR kits
3 currently on the market collecting data is even higher—over 80%. DRN also possesses a far
4 larger historical LPR database than any other competitor. Its website currently boasts of 6.5
5 billion “total vehicle sightings.” See <http://drndata.com/>. That represents over 70% of the
6 historical LPR data collected in the market. In 2017, DRN added 1.7 billion scans to that
7 database. See [http://drndata.com/drn-vehicle-recovery-hotlist-grows-360000-company-marks-
8 milestone-2-billion-asset-value-recovered-2017-lenders/](http://drndata.com/drn-vehicle-recovery-hotlist-grows-360000-company-marks-milestone-2-billion-asset-value-recovered-2017-lenders/). That figure represents over 70% of the
9 LPR data collected in the overall market that year.

10 6. DRN’s dominance stems from its large network of vehicle repossession agents and
11 its prohibition against those agents working with competing LPR providers for a full year after
12 they terminate their contract. Any agent wishing to terminate with DRN is forced to lose, for an
13 entire year, the substantial amount of money it had been earning by collecting LPR data and
14 repossessing vehicles using that data. As a result, agents are not willing to leave DRN’s network.

15 7. On information and belief, many of DRN’s agents would terminate their contracts
16 if they were not forced to forego that substantial income for the year following termination.
17 Many of these agents have become dissatisfied with DRN’s policies on various issues, including
18 those relating to their ability to access and use LPR data they have collected themselves. DRN
19 has also taken advantage of its dominant position in the market to increase the fees it charges to
20 lienholders for LPR data.

21 8. Under new ownership, Location Services recently has been focused on providing
22 the market with what it has needed for many years: more competition. Location Services plans
23 to partner with its repossession agents on more favorable terms compared to those imposed by
24 DRN. It also plans to offer lienholders a unique “one-stop shopping” suite of services that
25 includes LPR data along with other services.

26 9. But obtaining a sufficiently large database of recent LPR data is a prerequisite for
27 executing these plans. And DRN’s noncompetition restriction forecloses Location Services from
28 a substantial share of the vehicle repossession agents it needs to build that database.

1 10. DRN's non-competition provision is not necessary to protect any of DRN's
2 proprietary data or intellectual property. Rather, the intent and effect of these restrictions has
3 been to maintain DRN's monopoly power in the market. The result has been less competition,
4 higher prices, fewer choices, reduced output, and lower quality service for lienholders.

5 **III. THE PARTIES**

6 11. Plaintiff Location Services is a Delaware limited liability company having its
7 principal place of business at 2365 Iron Point Road, Folsom, CA 95630.

8 12. On information and belief, Defendant DRN is a Delaware corporation having its
9 principal place of business at 4150 International Plaza, Suite 800, Fort Worth, Texas 76109.
10 DRN is a majority owned subsidiary of Vigilant Solutions, Inc. On information and belief,
11 Vigilant Solutions, Inc.'s principal place of business is Livermore, California.

12 **IV. VENUE**

13 13. Venue is proper in this Court under 28 U.S.C. § 1391 and 15 U.S.C. §§ 15, 22, and
14 26. Location Services' principal place of business is in this District and Location Services has
15 been harmed in this District.

16 **V. OVERVIEW OF THE VEHICLE REPOSSESSION INDUSTRY**

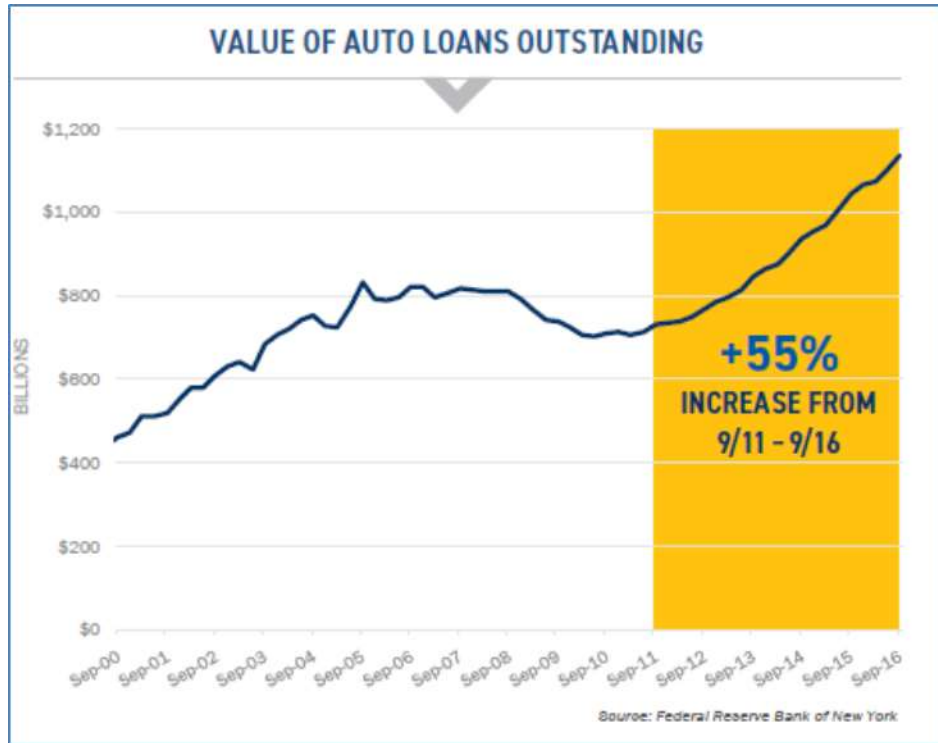
17 **A. Lienholders, Forwarding Companies, and Vehicle Repossession Agents All**
18 **Value LPR Data.**

19 14. The vehicle repossession industry has three main categories of participants
20 (excluding the consumers whose vehicles are subject to repossession):

- 21 • lienholders / forwarding companies (LPR data buyers),
- 22 • vehicle repossession agents (LPR data collectors), and
- 23 • LPR data aggregators and providers (like DRN).

24 15. **Lienholders.** Many different entities are involved in financing the purchase of
25 automobiles in this country. They range from large banks to small independent finance
26 companies. Some lenders are national, while many more are local. The 2017 Manheim Used Car
27
28

1 Market Report (the “Manheim Report”) estimated that the value of outstanding auto loans in 2016
 2 was \$1.1 trillion and growing:



16 16. These banks, finance companies, and other providers of auto loans (together
 17 referred to as “lienholders”) typically assume a “purchase money” security interest in the vehicle
 18 purchased by the consumer. If the consumer defaults on the loan, the lienholder may attempt to
 19 repossess the vehicle and then sell the vehicle to recoup part of the outstanding loan amount. The
 20 Manheim Report estimated that 3.7 million outstanding auto loans were more than 90 days
 21 delinquent. It is estimated that more than 1.8 million vehicles will be repossessed in the United
 22 States this year alone.

23 17. The complications related to locating and repossessing vehicles have given rise to
 24 the vehicle repossession industry. Although locating a target vehicle is sometimes not difficult
 25 (e.g., when it can be found at the consumer’s home and the customer voluntarily surrenders the
 26 vehicle), sometimes the target vehicle can be hard to find. Given that consumers can move their
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1 vehicles frequently and some consumers may attempt to avoid repossession, locating target
2 vehicles can become time consuming and expensive.

3 18. Since it was introduced approximately ten years ago, LPR data has been changing
4 the way hard-to-find vehicles are located. As used in this Complaint, “LPR data” consists of
5 photographic images of vehicle license plates and various pieces of information related to each of
6 those images, including the license plate number, a GPS coordinate of the location where the
7 photo was taken, and the time and date when the photo was taken.

8 19. LPR data consists solely of publicly observable information.

9 20. LPR databases typically consist of millions (or, in the case of DRN’s database,
10 billions) of pieces of LPR data collected in a variety of geographic areas over long periods of
11 time. Aggregating LPR data on this scale is valuable information not generally obtainable by
12 traditional methods.

13 21. LPR data can help to more efficiently locate a target vehicle. For example, if LPR
14 data indicates that a target vehicle has been spotted numerous times in the same three block
15 radius, a vehicle repossession agent may be able to narrow its search accordingly.

16 22. Collecting LPR data is also potentially useful in near real time. As LPR data is
17 being gathered, computer software can cross reference that data against a list of vehicles approved
18 for repossession by a lienholder. If there is a “hit,” the vehicle repossession agent may then
19 repossess the vehicle immediately (after an appropriate approval process).

20 23. Lienholders increasingly rely upon LPR data, and access to an LPR database, to
21 expedite the process of locating and repossessing target vehicles, especially hard-to-find vehicles.

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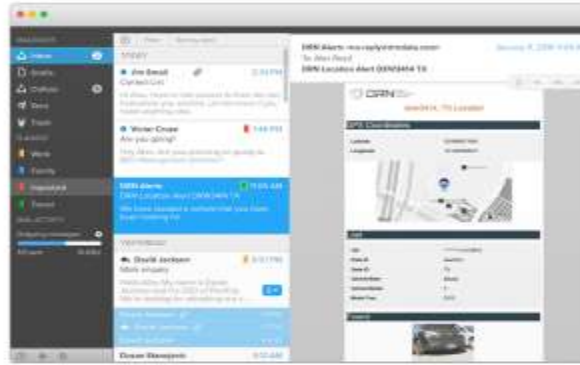
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1 24. DRN advertises on its website (see <http://drndata.com/>) that lienholders can
2 recover up to 35% more vehicles by using LPR data:



Auto Recovery

Our vehicle location data has revolutionized the
auto recovery industry by helping lenders recover
up to 35% more vehicles.

15 25. Accordingly, LPR data has value to lienholders, who seek to locate, repossess, and
16 resell target vehicles quickly and efficiently.

17 26. **Forwarding Companies.** Lienholders may hire forwarding companies, which are
18 entities that specialize in managing active repossession orders on behalf of lienholders and work
19 directly with vehicle repossession agents.

20 27. Lienholders may prefer to work with a forwarding company to reduce their
21 administrative burdens.

22 28. Lienholders typically have practices and procedures in place with respect to
23 repossessing vehicles from consumers in default (*e.g.*, form paperwork, authorization protocols,
24 etc.). It may be easier to ensure that one forwarding company (or a small number of forwarding
25 companies) is familiar with and implements those practices and procedures, rather than conveying
26 that information to potentially hundreds of different vehicle repossession agents and then policing
27 their compliance.

1 29. To attract work from lienholders, forwarding companies strive to demonstrate their
2 ability to find and repossess a large number of vehicles quickly and efficiently. That means
3 forwarding companies are motivated to repossess as many vehicles on the lienholders' target list
4 as quickly and efficiently as possible. For similar reasons that LPR data is valuable to
5 lienholders, it is equally valuable to forwarding companies seeking to serve the lienholders.

6 30. On information and belief, the more target vehicles a forwarding company can
7 help repossess, the more money the forwarding company makes.

8 31. Because LPR data helps forwarding companies more efficiently repossess more
9 target vehicles, LPR data is valuable to forwarding companies.

10 32. ***Vehicle Repossession Agents.*** Vehicle repossession agents are companies that
11 specialize in locating and repossessing target vehicles. Locating target vehicles has traditionally
12 been accomplished by "skip tracing," a term originating from the phrase "to skip town." Skip
13 tracing involves trying to locate a vehicle at the consumer's home or work address, conducting
14 interviews of persons who might know of the vehicle's whereabouts, and through surveillance.

15 33. For hard-to-find vehicles, skip tracing is difficult and inefficient. LPR data allows
16 vehicle repossession agents to supplement their vehicle recovery process by finding, and therefore
17 repossessing, target vehicles faster and more efficiently. For example, LPR data can provide
18 information that a target vehicle was spotted in a different state. With traditional skip tracing,
19 however, if a defaulting consumer "skips" town with the target vehicle, locating the target vehicle
20 requires investigating where the defaulting consumer may have gone, which may be difficult and
21 time consuming. LPR data thus provides a powerful tool to find what would traditionally have
22 been a hard-to-find vehicle.

23 34. On information and belief, vehicle repossession agents can recover 15% more
24 vehicles with LPR technology. The more vehicles an agent can find and repossess, the more
25 money the agent can make. Agents can earn significantly more revenue as a result of using LPR
26 technology.

27 35. Vehicle repossession agents desire to have strong and broad relationships with
28 lienholders and forwarding companies because those entities control the list of vehicles subject to

1 repossession. Ultimately, lienholders and forwarding companies are a source of revenue for
2 vehicle repossession agents.

3 36. Lienholders and forwarding companies demand to work with vehicle repossession
4 agents that use LPR technology. This has been true since DRN introduced LPR technology to the
5 market in 2009. Shortly thereafter, DRN was touting in a May 4, 2009 email (which was publicly
6 disclosed as part of a prior lawsuit) that LPR data provides a “Unique Competitive Advantage” to
7 vehicle repossession agents because “[l]enders want to work with recovery agents who utilize
8 LPR technology.”

9 37. Because lienholders and forwarding companies prefer working with vehicle
10 repossession agents who collect LPR data, many vehicle repossession agents want to use LPR
11 technology as a selling point to the lienholder or forwarding company.

12 38. Further, to increase the chances of securing future work, vehicle repossession
13 agents seek to provide positive results to lienholders and forwarding companies by closing
14 repossession orders quickly and efficiently. Access to LPR data helps achieve this goal because
15 that data helps them to find and repossess hard-to-find vehicles more quickly and efficiently.

16 39. Not all companies with tow trucks use LPR technology. On information and
17 belief, the number of vehicle repossession agents currently using LPR technology is
18 approximately 800. The total number of companies involved in any way with vehicle
19 repossession and recovery in the United States is probably closer to 3,000. There are several
20 reasons why many of these companies do not use LPR technology, and have no desire to do so,
21 including the following.

22 40. *First*, many of the 3,000 tow truck companies in the United States do not focus on
23 vehicle repossession and recovery services as their primary business. In fact, according to North
24 American Industry Classification System (“NAICS”) data, there are only 803 companies in the
25 United States that describe their primary business as repossession services.¹ LPR kits are
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27 ¹ NAICS Code 561491 for repossession services companies is defined as: “This U.S. industry
28 comprises establishments primarily engaged in repossessing tangible assets (e.g., automobiles,
boats, equipment, planes, furniture, appliances) for the creditor as a result of delinquent debts.”

1 relatively expensive. DRN sells its kits, each one designed to be used on a single tow truck or
 2 spotter car, for approximately \$15,000. If a company's primary business is simple roadside
 3 assistance or towing vehicles to repair shops, for example, it does not make economic sense for
 4 the company to invest in purchasing LPR technology, training their drivers to use the cameras so
 5 they are properly mounted and adjusted, and working with LPR data providers, lienholders, and
 6 forwarding companies.

7 41. *Second*, many repossession agents, even those that do prioritize vehicle
 8 repossession and recovery, are very small companies and operate only one or a few tow trucks.
 9 According to NAICS data, of the 803 companies reporting repossession as their primary business,
 10 457 of them have fewer than five employees:

11 NAICS Code

12 NAICS Code	Description	Records
561491	Repossession Services	803
Total		803

15 SIC Code Extended

16 SIC Code	Description	Records
738998	Repossessing Service	803
Total		803

19 Employee Size

20 Employee Size	Records	Percentage
1-4	457	56.91
5-9	224	27.9
10-19	81	10.09
20-49	30	3.74
50-99	7	0.87
100-249	1	0.12
250-499	1	0.12
Unknown	2	0.25
Total	803	100

27 For the vast majority of repossession agents of that size, the substantial costs of investing in LPR
 28 technology are greater than the expected benefits. As a result, they focus their businesses on

1 performing solely skip tracing services.

2 42. *Third*, many repossession agents, especially many of the smaller ones, are located
3 in rural areas, where it does not make sense to use LPR technology. An extremely high
4 percentage of LPR data is collected in urban areas, where there are simply more license plates to
5 scan. In rural areas, the vast majority of agents limit their business to providing skip tracing
6 services. Even if agents in rural areas tried using LPR technology, they would not be attractive to
7 LPR data providers, lienholders, or forwarding companies because they would not be gathering
8 nearly as much data as agents operating in LPR-dense urban areas.

9 43. ***LPR Providers***. LPR providers, like DRN and Location Services, sell LPR data to
10 lienholders and forwarding companies. LPR providers can sell LPR data to lienholders or
11 forwarding companies generally in two ways.

12 44. *First*, LPR providers can sell access to an LPR database, which includes historical
13 LPR data. As new repossession orders are created, the new target vehicles can be cross checked
14 against the historical LPR data to assess whether there are any hits. If there are, that information
15 can be shared with vehicle repossession agents as another data point that the agent can use to
16 locate and repossess the vehicle in question.

17 45. The larger the LPR data inventory an LPR provider can offer, the more willing a
18 lienholder or forwarding company will be to pay to access the LPR database (and more likely to
19 pay a more competitive rate).

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1 46. For example, a publicly available July 2015 agreement between DRN and a
2 forwarding company discloses a subscription fee to DRN's LPR database that costs a minimum
3 of \$4,000 per month, with the price going up depending on how many repossessions the
4 forwarding company achieves using the LPR data:

5 **SCHEDULE 2**
6 **LPR SUBSCRIPTION FEES**

7 1. The following schedule is entered into on July 1, 2015, between Digital
8 Recognition Network, Inc., a Delaware corporation ("DRN"), and Burns National, LLC,
9 a Michigan limited liability company ("Customer"), and is incorporated into the Master
10 Services Agreement between DRN and Customer dated July 1, 2015.

11 2. **Fees.** The following fees are payable under this Agreement:

12 (a) **DRN LPR Subscription Fee.** The DRN LPR Subscription fee
13 provides Customer with:

14 (i) access to DRN Vehicle Data for the year prior to the date of the Valid
15 Purchase Order was submitted through the DRN System for the particular
16 VIN listed in the Valid Purchase Order;

17 (ii) access to the DRN Vehicle Data for the particular VIN listed in the Valid
18 Purchase Order through the DRN System as long as the Valid Purchase
19 Order remains open in the DRN System; and

20 (iii) the option to list the particular vehicle identified in the Valid Purchase
21 Order in the DRN LPR "hotlist" managed within the DRN System.

22 The DRN LPR Subscription fee is based on (i) a minimum monthly floor of
23 \$4,000 (based upon unlimited VINs uploaded by Customer) and (ii) a
24 monthly performance fee based on the number of Customer's recoveries in
25 a given month obtained via the DRN System, ("DRN Recoveries.") The
26 monthly performance fee will be paid in those months in which the DRN
27 Recoveries exceed 25, and will be calculated at \$185 per DRN Recovery that
28 exceeds 25. Customer will provide DRN monthly reporting that includes
the number of DRN Recoveries and the DRN Affiliate responsible for the
DRN Recovery.

29 47. *Second*, LPR providers can sell LPR data that "hits" on an open repossession order
30 from the lienholder or forwarding company. As new LPR data is collected, it can be cross
31 checked against a list of open repossession orders to assess whether a target vehicle has just been
32 spotted. If it has, the LPR provider makes this specific information available to the lienholder or
33 forwarding company as a potential repossession. On information and belief, the fees for this kind
34 of specific LPR data vary because they are negotiated separately with each individual lienholder

1 or forwarding company, although payment for an LPR “hit” is contingent upon the repossession
2 of the target vehicle.

3 48. The more LPR data that is continually obtained, the more likely a “hit” will occur,
4 allowing the LPR provider to sell specific LPR data corresponding to open repossession orders.

5 49. Further, the more LPR data that is obtained every month, the more the LPR
6 provider’s historical LPR database continues to grow, making it more attractive to lienholders and
7 forwarding companies.

8 50. In general, more recent LPR data is more valuable than older LPR data for locating
9 and repossessing vehicles. Information that a target vehicle was spotted in a particular location
10 one week ago is much more valuable than information about that vehicle’s whereabouts six
11 months ago. For that reason, lienholders and forwarding companies value more than just the
12 overall size of an LPR provider’s historical database. The amount of data added to that database
13 every month is also critical because that is a better measure of the volume of more recent data.

14 51. In sum, the key to competing successfully in this market is continually obtaining a
15 large volume of LPR data, particularly more recent data.

16 **B. A Strong Network of LPR Data Collectors in LPR-Dense Metropolitan Areas**
17 **is Critically Important to LPR Providers.**

18 52. To obtain LPR data, LPR providers recruit vehicle repossession agents.

19 53. A vehicle repossession agent’s fleet of trucks and spotter cars can be outfitted with
20 LPR kits to gather LPR data. LPR kits generally consist of LPR cameras, which are high-speed
21 cameras for obtaining license plate images, and LPR software, for translating the images into
22 LPR data.

23 54. It is particularly important for LPR data providers to develop a strong network of
24 vehicle repossession agents using LPR technology in larger metropolitan areas. Those areas have
25 far greater numbers of license plates to scan, so those areas are where it makes sense for
26 repossession agents to operate LPR kits. For that reason, small tow-truck companies located in
27 rural areas, where there are far fewer vehicles (and therefore far fewer sought-after vehicles), are
28 not adequate substitutes.

1 55. DRN recognizes the importance of collecting data in LPR-dense metropolitan
2 areas. On its website, it promotes itself as “cover[ing] every major metropolitan area in the United
3 States” See <http://drndata.com/federal-judge-rules-in-favor-of-drn/>. Further, based on DRN
4 internal documents produced in a prior lawsuit, DRN has touted that its agents cover “all of the
5 major metropolitan areas 24/7.”

6 56. Other companies with a fleet of cars, such as taxi services, are not realistic
7 alternatives to a network of vehicle repossession agents. Because of the expense of LPR kits, the
8 only companies that purchase such technology are those that are compensated for actually
9 repossessing vehicles. Because taxicabs cannot do that, they do not purchase LPR kits.

10 57. Larger vehicle repossession agents, such as those with 15 or more tow trucks and
11 spotter cars, are particularly valuable to LPR data providers. These larger, “high value” agents
12 have the financial resources to purchase a large number of LPR kits. Many operate over broad
13 geographic areas, often across several states, and in several urban and more populated areas that
14 are LPR-dense geographies.

15 **C. DRN’s Network of LPR Data Collectors is Expansive.**

16 58. In 2009, DRN became the first company offering LPR data for vehicle
17 repossession and recovery. In a May 4, 2009 email publicly available from a prior lawsuit, DRN
18 advertised that it was “the exclusive provider of License Plate Recognition (LPR) technology and
19 services to the asset recovery industry.” When DRN was the only LPR provider available,
20 vehicle repossession agents desiring to use LPR technology had no real choice but to begin
21 working with DRN. By May 4, 2009, DRN states that it had already “developed a network of
22 more than 350 LPR cameras.” On information and belief, that is more than all DRN competitors
23 have in circulation today, combined.

24 59. DRN began imposing its non-competition restrictions on its agents at or near the
25 time it entered the market. Once agents signed their contracts with DRN, they were prohibited
26 from working with any competing LPR provider for a full year after termination. That restriction
27 deterred agents from terminating, allowing DRN to continue growing its agent network.
28

1 **D. Location Services and its Plans to Expand into the Market.**

2 60. Plaintiff Location Services has offered LPR data for vehicle repossession and
3 recovery for many years under its predecessor's name, PRA Location Services. PRA Location
4 Services and FindJohnDoe, were acquired in June and July 2017, respectively, by Location
5 Services LLC, and its affiliate, the parent company of which is Location Services Holdings, LLC.
6 Location Services LLC is a repossession management and loss-mitigation services company with
7 a strategic focus of driving value through partnership.

8 61. Location Services intends to expand its presence in the market significantly, to
9 offer lienholders a unique "one-stop shopping" suite of services and offer vehicle repossession
10 agents flexibility and competitive pricing.

11 62. Location Services' suite of services available to lienholders will include LPR data,
12 skip tracing services, forwarding company services, as well as post-repossession recovery
13 services. Location Services believes that lienholders would greatly value purchasing such a broad
14 array of services from a single company.

15 63. Locations Services will provide LPR kits to its agents at approximately half the
16 price that DRN charges. Location Services' LPR kits are technologically equivalent, if not
17 superior to, the LPR kits DRN provides. The combination of lower-priced LPR kits and higher
18 incentives is likely to lead to agents buying more cameras and working harder to collect more
19 data.

20 64. One way in which Location Services will treat its agents (and lienholders) better
21 relates to situations in which lienholders provide repossession orders directly to agents (and not
22 through the LPR data provider). Unlike DRN, Location Services will not charge either the agent
23 or the lienholder additional fees when this occurs.

24 65. But obtaining a sufficiently large database of recent LPR data is a prerequisite for
25 these plans. If Location Services cannot compete successfully with DRN to provide LPR data to
26 lienholders, then it cannot offer the comprehensive set of services to lienholders, and the
27 increased flexibility to agents, that it believes the market is demanding. Obtaining a sufficiently
28 large and dynamic LPR database, in turn, depends on gaining access to a sufficient number of

1 vehicle repossession agents, especially larger, high-value agents, of which a very high percentage
2 are currently under contract with DRN and subject to its overly restrictive non-competition
3 clause.

4 66. Therefore, Location Services has filed this antitrust lawsuit to enjoin DRN's
5 enforcement of its exclusionary non-competition restrictions which have unlawfully maintained
6 its monopoly power in the relevant market.

7 **VI. THE RELEVANT PRODUCT MARKET**

8 67. The relevant product market is LPR data used for vehicle repossessions and
9 recoveries.

10 68. LPR data is not functionally interchangeable with skip tracing. LPR data is
11 generated by LPR kits attached to a vehicle repossession agent's fleet of tow trucks and spotter
12 cars. Skip tracing does not involve cameras or computers. When agents use LPR kits, they drive
13 through busy streets and parking lots so they can scan more vehicles and create more LPR data.
14 When agents use skip tracing, they drive to specific addresses looking for specific vehicles.

15 69. Skip tracing is not a reasonable substitute for LPR data. Rather, most lienholders
16 and forwarding companies view LPR data as an added complement to skip tracing, particularly
17 when initial attempts to locate a vehicle through skip tracing have failed. For easy-to-find
18 vehicles, skip tracing may be acceptable and even preferable to paying the fees associated with
19 relying on LPR data. On information and belief, a majority of vehicle repossessions are still
20 made solely through the use of skip tracing. Many target vehicles can be found quickly at or
21 close to the owner's last-known home or work address. But if skip tracing does not work quickly,
22 the most efficient and economical method for finding a vehicle is through the use of LPR data. If
23 the owner has moved to a different city or state, skip tracing will likely be unsuccessful. LPR
24 data, which can be provided on a nationwide basis, is a far superior method for finding such a
25 vehicle.

26 70. The percentage of vehicle repossessions made using LPR data is significant, and it
27 is growing. Lienholders and forwarding companies are increasingly demanding that vehicle
28 repossession agents to which they assign orders use LPR kits. Likewise, a substantial number of

1 vehicle repossession agents desire to work with an LPR data provider. An agent located in an
2 urban area, close to many other agents, will not be able to compete effectively for harder-to-find
3 vehicles without the use of LPR data. On information and belief, many vehicle repossession
4 agents using LPR kits rely on LPR data for a substantial percentage of their repossessions.

5 71. Demand for LPR data is inelastic. The cross-elasticity of demand between LPR
6 data and skip tracing methods is low. DRN charges thousands of dollars per month for access to
7 its LPR data, fees that lienholders and forwarding companies would not have to pay if they relied
8 on skip tracing alone to locate vehicles. A hypothetical monopolist of LPR data used for vehicle
9 repossessions and recoveries could impose a small but significant and non-transitory increase in
10 price without losing so many sales to skip tracing or other methods as to make that price increase
11 unprofitable.

12 72. LPR data can be used for purposes other than vehicle repossessions. LPR data can
13 assist law enforcement agencies to locate stolen cars. It can help insurance companies investigate
14 fraud—for example, by determining whether a vehicle is registered in a particular state.
15 Nonetheless, LPR data used for vehicle repossessions and recoveries constitutes a distinct
16 relevant product market. Lienholders and forwarding companies seeking to repossess
17 automobiles and other vehicles are distinct and separate entities from law enforcement agencies
18 and insurance companies seeking data to investigate fraud. LPR data providers negotiate
19 contracts with lienholders and forwarding companies separately from the contracts they negotiate
20 with entities seeking LPR data for other purposes. Therefore, a hypothetical monopolist of LPR
21 data could profitably target the subset of lienholders and forwarding companies seeking LPR data
22 for vehicle repossessions and recoveries for price increases. Those lienholders and forwarding
23 companies could not defeat such a price increase through arbitrage because it would be
24 impossible to obtain the data they need by purchasing it from law enforcement agencies or other
25 users of LPR data.

26 **VII. THE RELEVANT GEOGRAPHIC MARKET**

27 73. The relevant geographic market is the United States.
28

1 74. Lienholders and forwarding companies do business throughout the United States.
2 LPR data providers maintain databases with data from scans taken in multiple different
3 geographies across the United States. Lienholders and forwarding companies purchase
4 nationwide LPR data in order to better locate target vehicles. And LPR data is used by vehicle
5 repossession agents to locate target vehicles across and throughout the United States.

6 75. LPR data providers doing business outside the United States are not reasonable
7 substitutes for those doing business in the United States. A hypothetical monopolist of LPR data
8 used for vehicle repossessions and recoveries in the United States could impose a small but
9 significant and non-transitory increase in price without losing so many sales as to make that price
10 increase unprofitable.

11 **VIII. DRN'S MARKET SHARE AND MONOPOLY POWER**

12 76. DRN now holds, and has held, monopoly power in this relevant market. DRN has
13 the power to control prices and has increased prices to lienholders. It has the power to exclude
14 competitors and, using its overly broad non-competition restrictions, it has prevented them from
15 competing successfully in the relevant market.

16 77. DRN is a privately held corporation and does not publish information regarding its
17 market share or annual revenue. However, it is common knowledge within the industry that DRN
18 is, by far, the largest and most dominant provider of LPR data used for vehicle repossession and
19 recoveries. Specific factual information regarding the exact extent of DRN's market dominance
20 is exclusively within DRN's control and must be obtained through discovery.

21 78. By any measure, DRN has the largest market share in the relevant market, and its
22 share is sufficient under most measures to establish a *prima facie* case that DRN possesses
23 monopoly power.

24 79. DRN's share of LPR kits. DRN's LPR kits represent over 80% of the LPR kits
25 currently on the market collecting data. The number of LPR kits being operated by an LPR
26 provider's agent network is one of the most important metrics from the viewpoint of lienholders.
27 Their ultimate goal is to find and repossess target vehicles. A greater number of LPR kits in use,
28 scanning and collecting data, increases the likelihood of target vehicles being located. On

1 information and belief, the number of DRN LPR kits in current use is approximately 2,000. The
2 comparable number for other competitors is 250 (for MVTRAC), 80 (Plate Locate) and 15
3 (Location Services).

4 80. Geographic coverage of DRN's LPR kits. Broad geographic coverage—especially
5 in key LPR-dense metropolitan areas—is also a critical metric because cars are mobile. An LPR
6 data provider with a broad agent network including as many metropolitan areas as possible is
7 more attractive to lienholders because it is more likely that provider will collect data leading to
8 that lienholder's target vehicles. As stated above, DRN promotes itself as operating in "every"
9 major metropolitan area in the country. By contrast, the geographic spread of the agent networks
10 operated by its three competitors is much more limited.

11 81. DRN's share of all LPR data. The size of an LPR data provider's database is
12 another metric for measuring its competitiveness in the market. The larger the database, the
13 greater the chance more target vehicles will be found. For example, in an online blog, DRN
14 attributes an increase in the asset value of vehicles recovered to an increase in LPR data collected
15 by its agents. See <http://drndata.com/drn-vehicle-recovery-hotlist-hits-time-high-300000-license-plate-recognition-lpr-assignments-asset-value-vehicles-recovered-exceeds-eight-billion-dollars/>.

16
17 The size of DRN's database is, by far, the largest in the market. DRN claims to possess 6.5
18 billion entries of LPR data, representing over 70% of the historical data collected by the market as
19 a whole. On information and belief, the databases of the other three competitors comprise
20 approximately 1 billion (MVTRAC), 600 million (Location Services), and 200 million (Plate
21 Locate) entries.

22 82. DRN's share of new data collected every year. Because it is also important for an
23 LPR database to include newer, more up-to-date information, another important metric is the rate
24 at which new data is added to a database every year. In 2017 alone, DRN's agents captured an
25 additional 1.7 billion scans. By contrast, Location Services adds approximately 4.8 million new
26 scans annually—less than 1% of what DRN adds to its database each year. On information and
27 belief, the new data added by DRN every year represents over 70% of all of the data added in the
28 market each year.

1 83. DRN's share of vehicle repossessions using LPR data. On January 12, 2016, a
2 DRN executive (John Nethery, who at the time was DRN's Chief Operating Officer and Chief
3 Financial Officer) testified in a deposition in a lawsuit involving antitrust allegations against
4 DRN. He was asked to estimate DRN's share of all of the vehicle repossessions using LPR data.
5 Although Mr. Nethery had the incentive to underestimate DRN's market share, he testified that it
6 exceeded 50%. Indeed, DRN advertises that its affiliates recovered over 165,000 vehicles in
7 2017. See [http://drndata.com/drn-vehicle-recovery-hotlist-grows-360000-company-marks-](http://drndata.com/drn-vehicle-recovery-hotlist-grows-360000-company-marks-milestone-2-billion-asset-value-recovered-2017-lenders/)
8 [milestone-2-billion-asset-value-recovered-2017-lenders/](http://drndata.com/drn-vehicle-recovery-hotlist-grows-360000-company-marks-milestone-2-billion-asset-value-recovered-2017-lenders/). On information and belief, that number
9 accounted for over 60% of all vehicle repossessions using LPR data in 2017.

10 84. Absent the relief requested herein, the disparity between DRN's market share and
11 the share of its competitors will likely continue to grow in the future. As DRN's database gets
12 increasingly larger and reflects more timely and up-to-date information compared to Location
13 Services' database, fewer and fewer lienholders and forwarding companies will be willing to pay
14 subscription fees for access to Location Services' database.

15 85. The relevant market has substantial barriers to entry, primarily because of DRN's
16 exclusive practice of imposing overly broad non-competition clauses on its vehicle repossession
17 agents. The principal barrier to entering the relevant market and competing successfully is the
18 time and expense involved in building a sufficiently large LPR database that will attract the
19 business of lienholders and forwarding companies. To be a viable competitor, an entrant needs a
20 viable LPR database. And to get a viable LPR database, an entrant needs a sufficiently large
21 network of vehicle repossession agents using LPR kits, driving around the important LPR-dense
22 geographies and scanning license plates.

23 86. Because DRN's agent network is foreclosed from other competitors, other LPR
24 providers are unable to expand their output in the short term and increase their market share.
25 Because DRN's agent network is so much larger than any other competitor, and because it has
26 locked up so many of the high-value vehicle repossession agents, other LPR providers will only
27 continue to lose market share if DRN's exclusionary non-competition restrictions are not
28 enjoined.

1 **IX. DRN'S WILLFUL MAINTENANCE OF ITS MONOPOLY POWER**

2 **A. DRN has Imposed Overly Broad Non-Competition Restrictions on Its Agents.**

3 87. Since it first entered the market, DRN has required its vehicle repossession agents
4 using its LPR kits to agree to work exclusively with DRN, and no other LPR providers, for the
5 term of the contract plus a full year after termination. In 2014, DRN introduced new agreements
6 with non-competition provisions similarly restricting agent's ability to work with a competing
7 LPR provider for the term of the Agreement plus a full year after termination. In one such
8 agreement between DRN and one of its agents—and, on information and belief, all others as
9 well—that non-competition provision stated that during the term of the agreement and for a full
10 year thereafter, the agent may not:

11 directly or indirectly, engage or invest in, own, manage, operate,
12 finance, control or participate in the ownership, management,
13 operation, financing or control of, be employed by, associated with or
14 in any manner connected with, or render services or advice or other aid
15 to, or guarantee any obligation of, any person or entity engaged in or
16 planning to become engaged in the business of using LPR technology
and LPR data for the purpose of recovering vehicles sought for
recovery within the financial, lending or insurance industries or
assisting in debt collection efforts on behalf of municipalities and
governmental entities.

17 88. This non-competition provision imposes an unreasonably broad restriction on the
18 nature of an agent's work with other companies. For example, it prevents, for one full year after
19 termination, even a low-level employee of a vehicle repossession agent from rendering any
20 services (such web design) to a company planning to become an LPR provider at some point in
21 the future. It also prevents a vehicle repossession agent, during the term of the contract and for a
22 full year thereafter, from providing skip tracing services for a competitor that also uses LPR
23 technology.

24 89. This non-competition provision has no limitation on its geographic scope.

25 90. This non-competition provision is unreasonably broad in its duration. DRN
26 imposes non-competition provisions on forwarding companies as well, but for much shorter
27 periods of time. For example, a publicly available contract between DRN and a forwarding
28 company restricts that forwarding company from working with a competing LPR provider for

1 only 90 days after termination. Like DRN's agents, forwarding companies working with DRN
2 have access to its LPR database. Unlike those agents, however, forwarding companies cannot
3 assist a competing LPR provider in developing a competitive LPR database. This differential
4 treatment is further evidence that DRN uses its one-year non-competition provisions with vehicle
5 repossession agents for anticompetitive purposes.

6 91. There is no pro-competitive justification or legitimate business interest for DRN to
7 impose these non-competition restrictions for a year following an agent's termination. On
8 information and belief, DRN's vehicle repossession agents are not given access to any
9 confidential information, trade secrets, or financial information that could give competing LPR
10 providers a competitive advantage. In fact, DRN has hosted a free webinar entitled "The Secrets
11 of LPR: How to Maximize Revenue and Recovery Rates." On information and belief, that free
12 webinar did not require participants to sign confidentiality agreements.

13 92. Further, the agreements between DRN and vehicle repossession agents include
14 provisions that require any confidential information be destroyed when the agreement is
15 terminated, or upon DRN's request. Another provision binds the agent from disclosing any DRN
16 confidential information it may have received even after termination. So even if agents do
17 receive some sort of confidential information from DRN, they must destroy it and never disclose
18 it to a third party. Any legitimate DRN business is adequately protected without the need for a
19 non-competition provision.

20 93. All DRN gives to its agents is access to its software to collect LPR data. The
21 agents are not given the software's source code. On information and belief, much, if not all, of
22 the functionality of DRN's software is public information. For example, DRN has filed for and
23 publicly disclosed a number of patent applications that describe, on information and belief, the
24 functionality of DRN's software.

25 94. Nothing related to an agent's use of DRN's cameras or software, or their access to
26 DRN's database, can justify a non-competition restriction following an agent's termination with
27 DRN. If and when an agent's agreement is terminated, its drivers can no longer log into DRN's
28 system and collect data using DRN's cameras. The cameras become effectively inoperable. Any

1 software previously provided to the agent is erased, returned, or otherwise deactivated and
2 worthless. And agents can no longer access any of the LPR data they previously collected while
3 under contract with DRN because all collected LPR data is exclusively in DRN's database, and
4 the agents lose access to DRN's database.

5 95. In some cases, DRN has only selectively enforced its non-competition restrictions
6 including, as discussed in more detail below, following its antitrust litigation with MVTRAC. On
7 information and belief, DRN has allowed certain agents to "buy" their way out of the non-
8 competition restriction by paying a penalty for allegedly breaching the provision. The fact that
9 DRN has not consistently enforced these provisions is further evidence that they are not necessary
10 to protect its confidential information, trade secrets, or business strategies.

11 96. On information and belief, DRN is aware that its non-competition provisions are
12 unenforceable as written.

13 **B. DRN's Non-Competition Restrictions Have Deterred Its Agents From**
14 **Leaving DRN's Network and Working with a Competing LPR Provider.**

15 97. DRN's non-competition restrictions prohibit its agents from terminating their
16 agreements and working, in any capacity, with a competing LPR data provider. For an entire year
17 after termination, an agent is prohibited from working in any capacity (even performing skip
18 tracing services only) with another LPR provider. DRN's restrictions prevent its agents from
19 being "associated with or in any manner connected with, or render[ing] services or advice or
20 other aid to" LPR competitors. Location Services has spoken to one of DRN's high value agents:
21 Bay Cities Recovery, Inc. d/b/a DigitalDog Recovery ("DigitalDog"), a California business with
22 over 75 employees working in California. DigitalDog was very reluctant to even talk to Location
23 Services because of the perceived legal risk and potential retaliation from DRN.

24 98. In essence, DRN's agents wishing to work with a competing LPR provider are
25 forced to pay a significant price for doing so: they have to forgo all income from collecting LPR
26 data and accessing an LPR database for an entire year. On information and belief, this is a
27 significant price because agents using LPR technology rely on LPR data for a substantial portion
28 of their repossessions and recoveries. They will also experience a significant decrease in overall

1 repossessions for the year because agents typically see an increase of approximately 15% in their
2 total repossessions after they start using LPR technology. As a result, many DRN agents are
3 likely deterred from even talking to a competing LPR provider about the possibility of
4 terminating their DRN contract.

5 99. As a result, agents wishing to leave DRN have no viable option unless a competing
6 LPR provider agrees to compensate the agent for their loss of income and further provide
7 assurances to mitigate expected legal action against them by DRN. For example, DigitalDog
8 desired to terminate its relationship with DRN and recently gave DRN notice of its intent to do so
9 and begin working with Location Services. But DigitalDog refused to terminate its relationship
10 with DRN unless Location Services agreed to compensate DigitalDog for the losses it would
11 incur as a result of DRN's non-competition provisions and further indemnify DigitalDog against
12 legal action by DRN.

13 100. Because of these high switching costs, DRN has been able to deter its vehicle
14 repossession agents from terminating their contracts and working with competing LPR providers.
15 On information and belief, the only agents that have terminated with DRN to work with a
16 competing LPR provider are: (a) DigitalDog, which announced its termination on April 11, 2018,
17 after Location Services agreed to its indemnification demands; and (b) certain agents that
18 switched from working with DRN to working with MVTRAC, following the settlement of an
19 antitrust lawsuit that MVTRAC filed challenging, among other things, DRN's non-competition
20 provisions.

21 101. Although DRN's contracts with its vehicle repossession agents have a 30-day
22 written notice termination provision, in effect those contracts are self-perpetuating. Virtually no
23 DRN agents have been willing to terminate and incur the enormous costs of switching to a
24 competing LPR provider.

25 **C. DRN has Foreclosed a Substantial Percentage of All Vehicle Repossession**
26 **Agents in the Market Needed to Build a Competitive LPR Database.**

27 102. DRN's agent network represents a substantial percentage of the vehicle
28 repossession agents in the market needed to build a competitive LPR database. Because DRN

1 was the first company to introduce LPR technology in this market, it had a “first mover”
2 advantage in its attempt to develop an agent network. Any vehicle repossession agent wanting to
3 use LPR technology had to work with DRN. And once those agents began working with DRN,
4 the restrictive non-competition provisions deterred them terminating and leaving DRN’s network.

5 103. Today, on information and belief, DRN has approximately 600 vehicle
6 repossession agents under contract. That represents more than 70% of the vehicle repossession
7 agents currently using LPR technology.

8 104. A better measure of the percentage of foreclosure, however, is based on DRN’s
9 share of all LPR kits currently in the market gathering data. Some agents operate much larger
10 fleets of tow trucks and spotter cars than others. Those agents gather more data than other agents
11 that operate a smaller number of trucks and spotter cars. Based on the number of kits currently in
12 the market, DRN has foreclosed more than 80% of the agent trucks and cars available to gather
13 LPR data.

14 105. Agents not currently using LPR technology are not good substitutes for building a
15 competitive LPR database. As stated above, many of the companies operating tow trucks in the
16 United States are not interested in investing the time and money to purchase LPR kits and train
17 their employees on how to gather LPR data. Many companies with tow trucks do not focus on
18 providing vehicle repossession and recovery services. Many are small and unable to afford LPR
19 kits. Many operate in rural areas where it does not make economic sense to buy costly LPR kits.
20 Some agents not using LPR technology attempted to use it in the past, but gave up when they
21 discovered that the costs of the technology outweighed the benefits to their business.

22 106. To the extent there are significant numbers of larger vehicle repossession agents in
23 metropolitan areas not using LPR technology, they are not good substitutes for DRN’s agents
24 either. If such agents are not using LPR technology today, it is unlikely that they are willing to
25 use it in the future. LPR technology has been available in the market for approximately ten years.
26 Shortly after introducing it to the market, DRN began touting it as a “Unique Competitive
27 Advantage” to agents. On information and belief, virtually all of the repossession agents doing
28 business in large metropolitan areas have heard about these benefits. The vast majority that have

1 not started using it already have decided to limit their business, for whatever reason, to
2 performing skip tracing services. Therefore, the vast majority of agents in urban areas that are
3 ready, willing, and able to use LPR technology are already doing so for existing competitors—
4 mostly, of course, for DRN.

5 107. High-value repossession agents, those operating a large fleet of trucks and spotter
6 cars in important LPR-dense areas, are particularly valuable for a competitor seeking to build an
7 effective LPR database and compete successfully in the market. On information and belief,
8 DRN's non-competition restrictions have foreclosed virtually 100% of those agents to its LPR
9 competitors.

10 **D. DRN's Exclusionary Conduct has Maintained Its Monopoly Power in the**
11 **Relevant Market and Caused Anticompetitive Effects.**

12 108. DRN's exclusionary non-competition restrictions have unlawfully maintained its
13 monopoly power in the relevant market. But for those restrictions, Location Services would be
14 able to begin developing an effective agent network and compete more successfully in the market.

15 109. DRN's agents have grown increasingly dissatisfied with various terms it has
16 imposed upon them. For example, DRN's agents used to be permitted to access historical LPR
17 data that they themselves scanned. The agents could cross reference new orders they received
18 from lienholders directly against their own LPR scans to determine whether they had recently
19 scanned the target vehicle. Access to their own LPR scans was very beneficial in these
20 circumstances. DRN changed its policy to prevent agents from accessing and using their own
21 historical data. Moreover, on information and belief, agents have also been upset with DRN's:
22 (a) lack of training; (b) lack of effective assistance when agents need help with its cameras and
23 software; (c) low reimbursement rates it pays to agents when they repossess a vehicle; and
24 (d) lack of transparency about the monies owed to agents under their contracts with DRN.

25 110. DigitalDog, a high-value vehicle repossession agent, wanted to terminate its
26 contract with DRN for some of these reasons. DigitalDog decided to do so only after Location
27 Services agreed to replace DigitalDog's expected losses resulting from DRN's non-competition
28

1 provision. Agreeing to similar terms with a sufficient number of other high-value agents needed
2 to develop a competitive LPR database is not a financially viable strategy for Location Services.

3 111. MVTRAC has been able to achieve a higher market share than other competitors,
4 but its relative success may actually be further evidence of the importance of being able to
5 compete for the business of the agents in DRN's network. In 2010, MVTRAC filed an antitrust
6 lawsuit against DRN, alleging some of the same claims alleged herein. *See MVCONNECT, LLC*
7 *and Recovery Manager Pro, LLC v. Recovery Database Network, Inc., Digital Recognition*
8 *Network, Inc., Todd Hodnett, and Johnnie Cort Dehart*, No. 3:10-cv-1948 (N.D. Tex.) (the "Prior
9 Litigation"). MVTRAC's antitrust allegations survived DRN's motion to dismiss. *See Prior*
10 *Litigation* at Dkt. 55. The case was later dismissed after, on information and belief, the parties
11 entered into a settlement.

12 112. Since that litigation ended, MVTRAC has grown its market share. On
13 information and belief, as part of the settlement DRN may have relaxed its non-competition
14 restrictions to permit some of its agents to "buy" their way out of their contracts in order to work
15 with MVTRAC.

16 113. DRN's non-competition restrictions have excluded Location Services from
17 competing successfully in the market. It has also resulted in anticompetitive effects, including
18 higher prices and lower output of LPR data.

19 114. Lienholders and forwarding companies value having access to large amounts of
20 LPR data. The more data that is generated, the more likely it is that the targeted vehicles they are
21 seeking will be found. Therefore, the total amount of LPR data being generated in the market is a
22 reasonable measure of "output" in this industry.

23 115. DRN's exclusionary non-competition restrictions have reduced the output of LPR
24 data in at least two ways. *First*, they have prevented Location Services and other competitors
25 from generating more data themselves by foreclosing access to the vehicle repossession agents
26 they need to build a large LPR database. *Second*, they have allowed DRN to impose unfavorable
27 terms on its agents, which have disincentivized those agents from equipping more of their trucks
28 and spotter cars with LPR cameras and thereby generating more data. Because DRN's agents are

1 effectively prevented from terminating their contracts, they are forced to: (a) pay DRN's high
2 prices (approximately \$15,000) for each LPR kit; and (b) accept DRN's terms with respect to
3 issues such as accessing the agent's own historical data. All of that makes it less profitable for
4 agents to buy more cameras, hire more drivers, and work harder by generating more data.
5 Location Services will charge much less for its LPR kits, permit agents to have access to their
6 historical data, and provide greater incentives for agents to work harder and generate more LPR
7 data.

8 116. DigitalDog is one example of how DRN's exclusionary policies have reduced its
9 agents' incentives to generate LPR data. DigitalDog, a company with a name virtually
10 synonymous with the use of LPR technology in the industry, was equipping only thirty percent of
11 its fleet (15 of its 45 vehicles) with DRN's cameras because of the expense involved in doing so.
12 Because Location Services will offer much more generous terms, including lower camera prices,
13 DigitalDog currently intends to equip additional vehicles in its fleet with LPR cameras so it can
14 generate more data. On information and belief, other DRN agents have been similarly deterred
15 from buying more LPR kits and generating more data because of DRN's exclusionary policies.

16 117. DRN's exclusion of Location Services and other competitors has also enabled it to
17 increase prices to lienholders. For example, in the past lienholders were able to send repossession
18 orders directly to DRN's agents for them to check lists of targeted vehicles against the data they
19 had collected themselves. Lienholders did not have to pay DRN anything if those agents found
20 "hits" and repossessed some of those vehicles. When DRN changed its policy and prevented its
21 agents from accessing and using their own historical data, DRN forced lienholders to pay it a
22 substantial fee to "turn back on" access to historical data for agents that receive direct
23 assignments from the lienholder. That represented a real price increase to lienholders, one that
24 occurred only because of DRN's dominant position in the market. If Location Services is
25 allowed to build an effective LPR database and compete successfully in the market, it will allow
26 lienholders to send repossession orders directly to its agents and will not charge those lienholders
27 fees to allow agents to access their own historical LPR data as DRN does currently.
28

1 118. As a result of its exclusionary non-competition restrictions, DRN has maintained
2 its monopoly power in the relevant market. Vehicle repossession agents, lienholders and
3 forwarding companies have been deprived of the benefits of competition, including lower prices,
4 greater output, more choice, and higher quality service.

5 **X. INJURY AND HARM CAUSED BY DRN TO COMPETITION AND TO**
6 **LOCATION SERVICES.**

7 119. DRN's actions, including its overbroad non-competition provisions and other
8 anticompetitive acts as alleged herein, have effectively deprived rival LPR providers, including
9 Location Services, access to the vast majority of vehicle repossession agents, and in particular
10 high value vehicle repossession agents, available to participate in the relevant market.

11 120. DRN's exclusion of its rivals has deprived lienholders and forwarding companies
12 of the benefits of competition, and has resulted in higher prices, loss of choice, reduced output,
13 and lower quality service.

14 121. Location Services has also been harmed by DRN's exclusionary acts. But for
15 DRN's non-competition provisions, Location Services would be able to contract with more high-
16 value vehicle repossession agents, build an effective LPR database with a substantial amount of
17 recent LPR data, and compete with DRN successfully in the relevant market.

18 122. By frustrating, delaying, and preventing Locations Services from working with
19 these vehicle repossession agents and competing more effectively, Location Services has lost
20 substantial revenue.

21 123. Location Services is also harmed because, in an attempt to begin competing more
22 effectively, it has been forced pay substantial indemnification to DigitalDog for the income
23 DigitalDog will lose during the year-long period in which it cannot collect LPR data and access
24 LPR data in order to repossess vehicles.

25 **COUNT I:**
26 **Violation of Section 2 of the Sherman Act (Unlawful Maintenance of Monopoly)**

27 124. Location Services repeats and re-alleges all allegations in this Complaint, as if
28 fully set forth herein.

1 125. DRN possesses monopoly power in the relevant market.

2 126. DRN's market share in the relevant market is dominant and sufficiently high to
3 establish a *prima facie* case of monopoly power.

4 127. There are significant barriers to entry to the relevant market.

5 128. DRN's competitors are unable to expand their output in the short run.

6 129. DRN has willfully maintained its monopoly power in the relevant market by the
7 unlawful and exclusionary conduct alleged herein.

8 130. DRN's unlawful and exclusionary conduct has had anticompetitive effects,
9 including higher prices and reduced output, in the relevant market.

10 131. There are no procompetitive justifications or legitimate business interests for DRN
11 to impose these non-competition restrictions for a full year after an agent terminates its agreement
12 with DRN.

13 132. Location Services has suffered antitrust injury from DRN's unlawful and
14 exclusionary conduct. The harm to Location Services flows from that which makes DRN's
15 conduct unlawful and exclusionary, and is the type of harm that the antitrust laws were intended
16 to prevent.

17 **COUNT II:**
Violation of Section 1 of the Sherman Act (Exclusive Dealing)

18 133. Location Services repeats and re-alleges all allegations in this Complaint, as if
19 fully set forth herein.

20 134. DRN possesses substantial market power in the relevant market.

21 135. DRN's market share in the relevant market is dominant.

22 136. There are significant barriers to entry to the relevant market.

23 137. DRN's competitors are unable to expand their output in the short run.

24 138. DRN's agreements that include the non-competition restrictions alleged herein
25 constitute contracts and agreements between DRN and its vehicle repossession agents.

26 139. DRN's agreements with its vehicle repossession agents constitute exclusive
27 dealing agreements prohibiting those agents from working with competing LPR providers during
28 the term of their agreement with DRN.

1 140. DRN's agreements with its vehicle repossession agents have a greater
2 exclusionary effect than traditional exclusive dealing agreements because they also prohibit those
3 agents from working with competing LPR providers for a full year after termination of the
4 agreement.

5 141. DRN's exclusive dealing agreements with its vehicle repossession agents foreclose
6 a substantial percentage of the market to DRN's competitors, as alleged herein.

7 142. DRN's exclusive dealing agreements with its vehicle repossession agents have
8 caused anticompetitive effects, including higher prices and reduced output, in the relevant market.

9 143. The anticompetitive effects of these exclusive dealing agreements outweigh any
10 procompetitive effects or justifications.

11 144. Location Services has suffered antitrust injury from DRN's unlawful and
12 exclusionary conduct. The harm to Location Services flows from that which makes DRN's
13 conduct unlawful and exclusionary, and is the type of harm that the antitrust laws were intended
14 to prevent.

15 **COUNT III:**
16 **Unfair Competition**

17 145. Location Services repeats and re-alleges all allegations in this Complaint, as if
18 fully set forth herein.

19 146. As described herein, DRN has engaged in unlawful and unfair business acts and
20 practices.

21 147. A substantial portion of the unlawful and unfair acts and practices alleged herein
22 occurred in California, and harm to Location Services has been inflicted in California.

23 148. DRN's use of an illegal non-competition provision in the DRN Agreement is a
24 violation of §§ 16600 and 17200 of the California Unfair Competition Law.

25 149. Location Services has been harmed by DRN's unfair competition.
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COUNT IV:
Cartwright Act (Cal. Bus. & Prof. Code §§ 16700-16770)

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3 150. Location Services repeats and re-alleges all allegations in this Complaint, as if
4 fully set forth herein.

5 151. DRN possesses substantial market power in the relevant market.

6 152. DRN's market share in the relevant market is dominant.

7 153. There are significant barriers to entry to the relevant market.

8 154. DRN's competitors are unable to expand their output in the short run.

9 155. DRN's agreements that include the non-competition restrictions alleged herein
10 constitute contracts and agreements between DRN and its vehicle repossession agents.

11 156. DRN's agreements with its vehicle repossession agents constitute exclusive
12 dealing agreements prohibiting those agents from working with competing LPR providers during
13 the term of their agreement with DRN.

14 157. DRN's agreements with its vehicle repossession agents have a greater
15 exclusionary effect than traditional exclusive dealing agreements because they also prohibit those
16 agents from working with competing LPR providers for a full year after termination of the
17 agreement.

18 158. DRN used its market power as leverage to make vehicle repossession agents
19 accept unreasonable and anticompetitive non-competition terms.

20 159. On information and belief, DRN will refuse to work with a vehicle repossession
21 agent who does not agree to DRN's non-competition provision.

22 160. DRN's exclusive dealing agreements with its vehicle repossession agents foreclose
23 a substantial percentage of the market to DRN's competitors, as alleged herein.

24 161. DRN's exclusive dealing agreements with its vehicle repossession agents have
25 caused anticompetitive effects, including higher prices and reduced output, in the relevant market.

26 162. The anticompetitive effects of these exclusive dealing agreements outweigh any
27 procompetitive effects or justifications.
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1 DATED: April 12, 2018

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