1 2 3 4 5 6 7 8 9	Adam E. Polk (SBN 273000) GIRARD SHARP LLP 601 California Street, Suite 1400 San Francisco, California 94108 Telephone: (415) 981-4800 apolk@girardsharp.com Norman E. Siegel (pro hac vice forthcoming) J. Austin Moore (pro hac vice forthcoming) Joy D. Merklen (pro hac vice forthcoming) STUEVE SIEGEL HANSON LLP 460 Nichols Road, Suite 200 Kansas City, Missouri 64112 Telephone: (816) 714-7100 siegel@stuevesiegel.com moore@stuevesiegel.com moore@stuevesiegel.com merklen@stuevesiegel.com		
11 12 13	UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA SAN JOSE DIVISION		
14 15 16 17 18 19 20 21		CLASS ACTION COMPLAINT JURY TRIAL DEMANDED ON COMPLAINT Ings this class action complaint, on behalf of itself	
2223	and all others similarly situated, against Defendants PayPal Holdings, Inc. and PayPal, Inc.		

(together, PayPal) for surreptitiously stealing their affiliate marketing commissions through the PayPal Honey shopping browser extension. Plaintiff makes these allegations based on personal knowledge as to itself and on information and belief as to all other matters.

NATURE OF THE ACTION

- 1. PayPal Honey is a free browser extension with over 17 million users that claims to help consumers save time and money by finding and applying the best discount codes at checkout. But behind this consumer-facing facade lies a deceptive scheme to poach affiliate marketing commissions from bloggers, influencers, and other content creators who drive online sales.
- 2. Content creators earn these commissions by promoting products and services to their audiences through affiliate links. These links, provided by online merchants or third-party affiliate networks, contain a unique code identifying the content creator. When a consumer clicks an affiliate link and visits a merchant's website, that unique code is stored in a cookie on the consumer's browser, marking the content creator as the referral source. If the consumer then completes a purchase, the merchant uses the cookie to credit the sale to the content creator and ensure they receive a commission.
- 3. But PayPal hijacks this system by inserting itself into the transaction at the last minute. If the consumer has Honey installed, the browser extension pops up right before they check out. And when the consumer clicks on the pop-up, Honey replaces the content creator's affiliate cookie with PayPal's cookie—whether a discount is available or not. The result: PayPal pockets the commission, leaving the content creator who generated the sale empty-handed.
- 4. Plaintiff brings this class action, on behalf of itself and all others similarly situated, to halt PayPal's unlawful practices and seek redress for the harm it has caused.

PARTIES

- 5. Plaintiff The Latina Tradwife, LLC is a limited liability company with its principal place of business in Spring, Texas.
- 6. Defendant PayPal Holdings, Inc. is a Delaware corporation that is licensed to do business in California and maintains its principal place of business and corporate headquarters at 2211 North First Street, San Jose, California 95131. PayPal Holdings is the parent company to PayPal, Inc.
- 7. Defendant PayPal, Inc. is a Delaware Corporation that is licensed to do business in California and maintains its principal place of business and corporate headquarters at 2211 North First Street, San Jose, California 95131.
- 8. At all relevant times, each defendant was the agent of the other and, in performing the acts alleged in this complaint, acted within the course and scope of that agency. Each defendant had actual or apparent authority to act on behalf of the other and ratified, authorized, or accepted the benefits of the acts performed by the other.
- 9. Defendants PayPal Holdings, Inc. and PayPal, Inc. are collectively referred to in this complaint as "PayPal."

JURISDICTION AND VENUE

10. This Court has subject-matter jurisdiction over this action under the Class Action Fairness Act, 28 U.S.C. § 1332(d), because there are at least 100 class members, the total amount in controversy exceeds \$5 million, exclusive of interests and costs, and at least one class member is diverse in citizenship from PayPal.

- 11. This Court has general personal jurisdiction over PayPal because PayPal maintains its headquarters and principal place of business in San Jose, California.
- 12. Venue is proper in this judicial district under 28 U.S.C. §§ 1391(b) because PayPal maintains its principal place of business in this district, and a substantial part of the events or omissions giving rise to the claims arose in this district.
- 13. Because a substantial part of the events and omissions that give rise to Plaintiff's claims took place in Santa Clara County, this action is properly assigned to the San Jose Division under Local Rule 3-2 and the Court's Assignment Plan (General Order No. 44).

STATEMENT OF FACTS

I. Affiliate Marketing: A Performance-Based Strategy

14. Affiliate marketing is a multibillion-dollar industry built on partnerships between online merchants and content creators. Content creators cultivate loyal audiences by sharing authentic, relatable content. Leveraging this trust, merchants partner with content creators to drive traffic to their websites and generate sales. Through affiliate marketing programs, merchants enable content creators to promote their products and services in exchange for commissions on resulting sales. These programs may be managed directly by merchants or through affiliate networks—third-party intermediaries that connect merchants with content creators and facilitate their collaborations.

- 15. Affiliate marketing is one of the fastest-growing industries out there. It has grown 83% since 2017. According to one estimate, affiliate-marketing spending exceeded \$9.5 billion in 2023 and will reach nearly \$16 billion by 2028.²
- 16. Here is how affiliate marketing works: a content creator advertises a merchant's product or service to their audience and shares a unique affiliate link that directs consumers to the merchant's website. When a consumer clicks on the link, a cookie—a small text file that ties the consumer's activity to the content creator—is placed on their browser. Merchants then use this cookie to confirm the content creator referred the consumer and attribute any resulting sale, and the resulting commission, to the creator. The cookie remains active for a set period (commonly 14 or 30 days), ensuring the content creator receives credit for a sale if the consumer completes a purchase within that time frame.

II. The Honey Scam: A Free Browser Extension That Comes at a Cost

17. PayPal launched in 1999, riding the wave of the dot-com boom with a "simple and efficient" idea: "convince customers to share their emails, banking and credit card information in return for fast, low-cost payments." What started as an email-based payment system quickly grew into an online express-payment giant. Within its first three years, PayPal processed more than \$3 billion in payments. By the close of 2023, PayPal had transformed itself into a global powerhouse,

¹ Charlotte Muzzi, *Affiliate Marketing Statistics You Can't Ignore in 2024*, Shopify (July 31, 2024), https://www.shopify.com/blog/affiliate-marketing-compliance

² Affiliate Marketing 101: What It Is and How to Get Started, BigCommerce (Dec. 20, 2024), https://www.bigcommerce.com/articles/ecommerce/affiliate-marketing/.

³ Brian O'Connell, *History of PayPal: Timeline and Facts* (Jan. 2, 2020). https://www.thestreet.com/technology/history-of-paypal-15062744. ⁴ *Id*.

with 426 million active consumer and merchant accounts and more 25 billion payment transactions.⁵

- 18. In late 2019, PayPal acquired Honey Science Corporation, the startup behind the Honey browser extension, for \$4 billion—PayPal's largest acquisition to date.⁶ PayPal rebranded the browser extension as "PayPal Honey" in June 2022.⁷
- 19. PayPal markets Honey as a free browser extension that helps consumers save time and money while online shopping by finding them "the [i]nternet's best discount codes." Installing Honey takes seconds, and it works on both desktop and mobile browsers. Once added, Honey says it will "automatically search for and test available coupon codes at checkout on 30,000+ popular sites" with just "one click." And it promises to "apply the best offer or coupon

⁵ History & Facts, PayPal, https://about.pypl.com/who-we-are/history-and-facts/default.aspx (last visited Jan. 11, 2025).

⁶ Head-Scratcher of the Month: PayPal's Cost Acquisition of Honey, Forbes (Dec. 3, 2019), https://www.forbes.com/sites/forrester/2019/12/03/head-scratcher-of-the-month-paypals-costly-acquisition-of-honey/

⁷ What Is PayPal Honey?, PayPal Honey, https://help.joinhoney.com/article/374-what-is-paypal-honey (last visited Jan. 21, 2025).

⁸ If There's a Better Price, We'll Find It, PayPal Honey, https://www.joinhoney.com/betterprice/ (last visited Jan. 21, 2025). A browser extension is a small piece of software that adds features to a web browser or to programs used in a browser. Everything to Know About Browser Extensions, Microsoft (Mar. 6, 2023), https://www.microsoft.com/en-us/edge/learning-center/everything-to-know-about-browser-extensions?form=MA13I2.

⁹ We Search for the Internet's Best Coupons, https://www.joinhoney.com/ (last visited Jan. 21, 2025); see also Installing the Honey Browser Extension, https://help.joinhoney.com/article/170-how-do-i-install-honey (last visited Jan. 21, 2025).

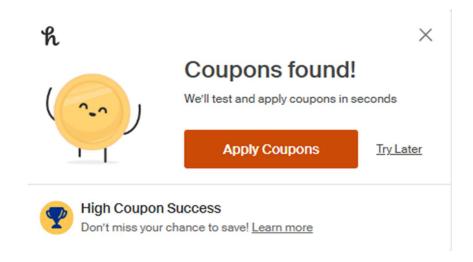
¹⁰ Get to Know the Honey Browser Extension, https://help.joinhoney.com/article/39-what-is-the-honey-extension-and-how-do-i-get-it (last visited Jan. 20, 2025).

code to your purchase."¹¹ "If there's a better price," PayPal assures consumers, "we'll find it."¹² As of December 2024, Honey boasted over 20 million users in the United States.¹³ The browser extension now has 17 million users.¹⁴

- 20. But Honey does far more than just find its millions of users shopping deals for free. The browser extension deploys a barrage of aggressive tactics—relentless pop-ups, intrusive notifications, and even forced tab openings—all designed to hijack and redirect commissions that rightfully belong to Plaintiff and the class members. ¹⁵ In so doing, PayPal turns Honey's users into unwitting participants in a large-scale scheme against content creators, who themselves have also been misled by Honey advertisements. Indeed, numerous content creators have promoted the browser extension as a great money-saving tool.
- 21. Here is how PayPal poaches affiliate commissions: a Honey user clicks on a content creator's affiliate link, sending them to a merchant's website. Once there, a tracking cookie is

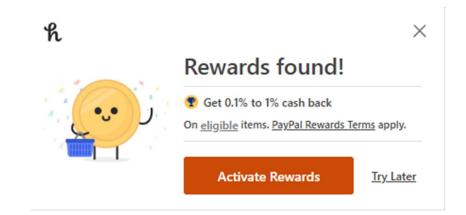
- ¹¹ PayPal Honey Shopping Extension, PayPal, https://www.paypal.com/us/digital-wallet/ways-to-pay/paypal-honey (last visited Jan. 23, 2025); see also, e.g., PayPal Honey: Coupons, Rewards, Apple App Store, https://apps.apple.com/us/app/paypal-honey-coupons-rewards/id1358499588 (last visited Jan. 23, 2025) (representing that Honey will apply "the best available coupon codes to your cart at checkout"); Frequently Asked Questions, PayPal Honey, https://www.joinhoney.com/faq (same).
- 12 If There's a Better Price, We'll Find It, PayPal Honey,
- https://www.joinhoney.com/betterprice/ (last visited Jan. 21, 2025); see also.
- ¹³ Honey, Browser Extension Promoted by MrBeast, Accused of Ripping Off Users, Newsweek (Dec. 30, 2024), https://www.newsweek.com/honey-coupon-browser-extension-mrbeast-youtube-influencer-2007484.
- ¹⁴ *Id.* Honey lost three million users after the scam came to light. *Id.*; see also We Search for the Internet's Best Coupons, https://www.joinhoney.com/ (last visited Jan. 21, 2025) (noting that Honey has "17 million members and counting").
- ¹⁵ See MegaLag, Exposing the Honey Influencer Scam, Youtube (Dec. 21, 2024), https://www.youtube.com/watch?v=vc4yL3YTwWk (analyzing Honey and noting that PayPal confirmed that "[i]f Honey is activated and is the last program used while shopping on a site, it is likely Honey will receive credit for the purchase").

placed on the user's browser that identifies the content creator as the source of the referral. The user then adds a product to their cart. At this point, a Honey pop-up might appear that says the browser extension found coupons and invites the user to click the "Apply Coupons" button to test and apply the coupons:



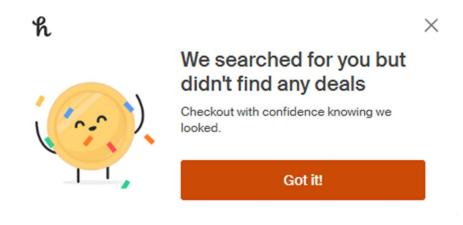
When the user clicks this button, it prompts Honey to replace the content creator's affiliate cookie with PayPal's cookie—whether or not any coupons found actually work—thereby diverting the affiliate commission for the sale to PayPal.

22. Honey also has a rewards program called PayPal Rewards (formerly Honey Gold) that allows Honey users to earn points towards cash back or gift cards at participating stores. If points are available, a Honey pop-up like this one will appear that requires the user to click "Activate Rewards" to earn points:



Clicking this button likewise prompts Honey to replace the original affiliate cookie with PayPal's cookie, causing PayPal to receive the content creator's commission. For example, one content creator who tested his own affiliate link for a company called NordVPN earned 89 points on his purchase, worth only \$0.89, and Honey pocketed his \$35.60 commission. ¹⁶

23. But even when Honey has nothing at all to offer its users, it still poaches the content creator's affiliate commission. In this situation, Honey displays a pop-up that announces it failed to find any deals. To get rid of this pop-up message and complete the purchase, the pop-up prompts the user to click "Got it!":



¹⁶ *Id*.

Once again, when the user clicks this button, Honey replaces content creator's affiliate cookie with PayPal's cookie.

- 24. Honey also replaces affiliate cookies by offering consumers the option to use PayPal for express checkout. For example, when a user reaches the checkout page, the PayPal Honey Extension generates a pop-up prompting the user to "checkout" using the PayPal payment feature, even if that option is already available on the merchant's website. When the user clicks the "checkout" button, Honey replaces the content creator's affiliate cookie with PayPal's cookie.
- 25. This covert practice of systematically overriding affiliate cookies enables PayPal to divert affiliate commissions from the content creators who rightfully earned them to itself by exploiting the "last-click attribution" industry standard. Under this attribution model, the affiliate who last referred a consumer to the website before the consumer completes a purchase receives full credit for the sale.
- 26. PayPal's scheme to steal content creators' affiliate commissions is deceptive, unfair, and unlawful. And as a direct result of PayPal's wrongful actions, Plaintiff and class members regularly lose commissions they rightfully earn.

Plaintiff's Experience

- 27. Plaintiff is a burgeoning content creator that promotes various products across several social media platforms, including YouTube, TikTok, Facebook, and Instagram, through affiliate marketing links. Plaintiff earns commission payments on sales generated through its affiliate links.
- 28. On information and belief, PayPal used the Honey browser extension to steal credit and commissions for sales that Plaintiff generated with its affiliate links.

CLASS ACTION ALLEGATIONS

29. Under Federal Rule of Civil Procedure 23, Plaintiff asserts claims on behalf of itself and the following proposed class and subclass:

Nationwide class: All persons (corporate or individual) in the United States who have participated in an affiliate marketing program with a United States online merchant and had their commissions diverted to PayPal via the PayPal Honey browser extension.

- 30. The proposed classes expressly exclude PayPal, its subsidiaries, affiliates, parents, successors, predecessors, and any entity in which PayPal or their parents have a controlling interest and their employees, officers, and directors; and the judicial officers presiding over this action, their immediate family members, and judicial staff.
 - 31. This action satisfies all the relevant Rule 23 requirements.
- 32. The class is so numerous that joinder of all members is impracticable. On information and belief, members of the class number in the tens of thousands. The precise number of class members and their identities are unavailable to Plaintiff at this time but may be determined through discovery, including of PayPal's records.
- 33. Plaintiff's claims are typical of other class members' claims because, like every class member, Plaintiff has participated in an affiliate marketing program with at least one United States online merchant and, upon information and belief, has had its commissions diverted by PayPal via the Honey browser extension. Plaintiff's claims arise from the same practices and course of conduct that give rise to the claims of the class members.
- 34. Common questions of law and fact exist as to all class members, and those questions predominate over questions affecting only individual class members. Common

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legal and factual questions include but are not limited to: (1) whether the Honey browser extension was designed to systematically divert commissions earned by content creators to PayPal; (2) whether the Honey browser extension in fact diverted commissions earned by content creators to PayPal; (3) whether PayPal's acts and practices harmed Plaintiff and class members; (4) whether Plaintiff and class members are entitled to damages and other monetary relief, and if so, what is the appropriate measure of such relief; (5) whether Plaintiff and class members are entitled to declaratory and injunctive relief; and (6) whether Plaintiff and class members are entitled to reasonable attorney fees.

- 35. Plaintiff is an adequate representative of class members because its interests do not conflict with their interests, it has retained competent counsel experienced in prosecuting class actions, and it intends to prosecute this action vigorously. The interests of class members will be fairly and adequately protected by Plaintiff and its counsel.
- 36. The class mechanism is superior to other available means for the fair and efficient adjudication of class members' claims. Individual class members may lack the resources to undergo the burden and expense of individual prosecution of the complex and extensive litigation necessary to establish PayPal's liability. Individual litigation would increase the delay and expense to all parties and multiply the burden on the judicial system by the complex legal and factual issues of this case. Individual litigation would also present a potential for inconsistent or contradictory judgments. By contrast, the class action device presents far fewer management difficulties and provides the benefits of single adjudication, economy of scale, and comprehensive supervision by a single court on the issue of PayPal's

liability. Class treatment of the liability issues will ensure that all claims and claimants are before this Court for consistent adjudication.

- 37. Additionally, PayPal has acted or refused to act on grounds that apply generally and uniformly to Plaintiff and class members, such that classwide final injunctive relief and corresponding declaratory relief is appropriate.
- 38. Plaintiff brings all claims individually and on behalf of the class against PayPal.

COUNT I

Unjust Enrichment

- 39. Plaintiff repeats and realleges all preceding paragraphs.
- 40. Plaintiff and class members have an interest, both equitable and legal, in the affiliate commissions to which they were wrongfully deprived. These commissions were rightfully earned by Plaintiff and class members, not PayPal.
- 41. Through its unjust and improper use of the Honey browser extension, PayPal received benefits in the form of commissions for sales that were generated by Plaintiff and class members.
- 42. PayPal understood that it so benefitted, and it also understood and appreciated that its Honey browser extension would cause the harm described in this complaint.
- 43. But for PayPal's unjust and improper use of its Honey browser extension, PayPal would not have received commissions on sales generated by PayPal and class members.

- 44. PayPal has been unjustly enriched at the expense of Plaintiff and class members by the payment of diverted affiliate commissions, and PayPal has unjustly retained the benefits of its unlawful and wrongful conduct.
- 45. In light of PayPal's conduct, it would be inequitable and unjust for PayPal to retain these benefits. PayPal should be required in equity to make restitution of these payments to the content creators from whom they were diverted.
- 46. Plaintiff, on behalf of itself and the class, seeks relief as further described below.

COUNT II

Interference with Prospective Economic Advantage or Expectancy

- 47. Plaintiff repeats and realleges paragraphs 1 through 38.
- 48. Plaintiff and class members had and have ongoing economic partnerships or business expectancies with merchants whereby they refer their audiences to merchants' websites through affiliate links. In return, the merchants, directly or through affiliate networks, pay them commissions on sales they generate.
- 49. PayPal is aware or should have been aware of these partnerships and expectancies.
- 50. PayPal intentionally and unlawfully interferes with and disrupts these partnerships and expectancies through its Honey browser extension. As alleged above, this extension replaces Plaintiff's and class members' affiliate cookies with PayPal's cookies, improperly diverting their commissions to PayPal.

- 51. PayPal either intended to usurp commissions from PayPal and class members through the conduct alleged in this complaint or knew that its conduct would divert those commissions to PayPal.
- 52. As a direct and proximate result of PayPal's intentional and wrongful conduct, Plaintiff and class members have suffered damages in that they were deprived of the commissions they earned for originating sales via their affiliate links.
- 53. Plaintiff, on behalf of itself and the class, seeks relief as further described below.

COUNT III

Intentional Interference with Contractual or Business Relations

- 54. Plaintiff repeats and realleges paragraphs 1 through 38.
- 55. Plaintiff and class members had and have existing contractual or business relationships with at least one online merchant, under which Plaintiff and class members drive sales by promoting merchants' products and services through affiliate links in exchange for commissions on the sales they generate.
- 56. PayPal knew about these contractual or business relationships. Specifically, PayPal knew that Plaintiff and class members work with merchants to promote products and services via affiliate links. PayPal also knew that Plaintiff and class members earn commissions and that merchants use last-click attribution to assess the sales generated.
- 57. PayPal's conduct disrupted these pre-existing contractual or business relationships by replacing Plaintiff's and class members' cookies with its own, thereby preventing them from realizing their entitlements under these contracts.

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- 58. PayPal acted intentionally or knew that its actions made performance more expensive or burdensome and would disrupt these pre-existing contractual or business relationships.
- 59. As a direct and proximate result of PayPal's conduct, Plaintiff and class members suffered economic harm in that they were deprived of the commissions they earned for generating sales via their affiliate links.
- 60. Plaintiff, on behalf of itself and the class, seeks relief as further described below.

COUNT IV

Conversion

- 61. Plaintiff repeats and realleges paragraphs 1 through 38.
- 62. Plaintiff and class members had the right to commissions that they earned from online merchants by referring consumers to products and services sold by those merchants via affiliate links.
- 63. PayPal intentionally and substantially interfered with Plaintiff's and class members' personal property by using its Honey browser extension to divert commissions to itself that rightfully belong to Plaintiff and class members.
- 64. PayPal took possession of these commissions without authorization or justification and exercised ownership over them, depriving Plaintiff and class members of their rightful property. This unauthorized control over the commissions constitutes conversion.

1	JURY TRIAL DEMAND	
2	Plaintiff demands a jury trial on all issues so triable.	
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4	Dated: January 24, 2025	Respectfully submitted,
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