

Naples attorney sues Meta over ads

Plaintiffs say company permitted deception

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A local attorney is taking on Meta.

On Oct. 7, Naples attorney Tom Grady, with GradyLaw, filed a federal lawsuit against Meta Platforms, including its affiliates Instagram and WhatsApp, over “Chinese stock scams.” He seeks class-action status.



Grady

The suit alleges that Meta (formerly known as Facebook) and its affiliates allowed the “unlawful, deceptive, and unauthorized use of financial professionals’ names, images, voices, and personas in paid advertisements and related promotional content” to induce investments in “fraudulent, thinly-traded China-based securities.”

The lead plaintiffs – John Suddeth and Sara Perkins – are financial and investment professionals based in Naples. Both of them work for Naples Global Advisors.

Suddeth has more than 35 years of experience in investment management and has held the Chartered Financial Analyst designation since 1996. Perkins has more than a decade of experience as a financial professional and has worked as a client adviser since 2017.

According to the lawsuit, scammers used the two well-respected advisers’ likenesses to carry out at least one “pump-and-dump scheme”

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through social media involving a Chinese company. The plaintiffs only became aware of the fraud a few months ago, Grady said.

“People from around the world started calling them, saying: ‘Hey, we read your analysis. Can we talk to you?’ They said: ‘What analysis – because we don’t publish our research,’” he said.

In a pump-and-dump scheme, fraudsters artificially inflate the price of a stock, then quickly sell their own holdings for a profit, leaving other investors with heavy losses.

In this case, the scammers made it appear that Suddeth and Perkins endorsed Pheton, a Chinese healthcare technology company, then steered unsuspecting WhatsApp users into “investment” groups they created to carry out their fraud, through “scripted ‘analyst notes,’ fabricated testimonials and coordinated ‘buy’ signals to inflate share prices,” according to the lawsuit.

Further, the complaint states: “The ads and group messages were designed to mimic authenticity. Creatives used studio-quality headshots, forged logos, and edited video clips to suggest affiliation with reputable firms.”

In response to the scam, Naples Global Advisors has posted a warning message to clients at the top of its website, stating in part that its employees “will never contact you via WhatsApp.”

The warning continues: “If you are contacted via WhatsApp by someone who appears to be associated with Naples Global Advisors, please report the fraudulent user to WhatsApp, and do not engage in the communication.”

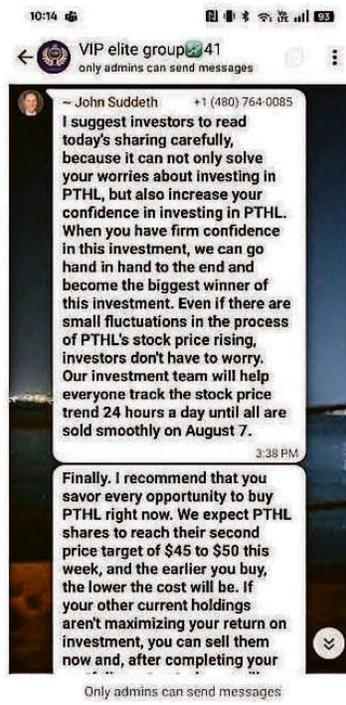
A spokesperson for Meta could not immediately be reached for comment about the legal action.

Filed in the Northern District of California, the 38-page lawsuit seeks money damages and injunctive relief to prohibit Meta from approving, delivering, or optimizing impersonation ads, including through WhatsApp channels. It claims the investment fraud, through these deceptive ads, has been going on since at least January 2023, involving other financial advisers.

Asked about the potential damages to financial advisers across the country who have been caught up in the same or similar types of schemes, Grady



Screenshot for alleged investment scheme that has prompted a lawsuit against Meta, seeking class-action status. PROVIDED BY GRADYLAW



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Tom Grady
Naples attorney

said: “It’s conceivable in the hundreds of millions of dollars.”

The suits claims the advisers have suffered irreparable harm to their professional and brand reputations. Not only have they lost potential business and revenue, but they’ve had to spend money to clear up client confusion and rebuild their reputations, Grady said.

When he was approached by Suddeth and Perkins about the alleged fraud, Grady said he wasn’t surprised.

“I think social media is a lot less responsible than they should be, and a lot less responsible than the law requires them to be. But hopefully this lawsuit will help make them better monitor what is happening and protect

their customers,” he said.

In June, WhatsApp announced it would start showing ads inside its app for the first time, prompting user concerns about security and privacy. The app’s widespread use has made it a target for scammers.

In August, Meta announced a new fraud reduction plan for WhatsApp, banning more than 6.8 million scam-related accounts, and rolling out new features, including a “safety overview” for group invitations coming from unknown contacts.

In the suit, Meta and its affiliates are accused of violating various federal and state laws that prohibit false advertising and deceptive trade practices,

including the U.S. Lanham Act. Protective laws in both Florida and California are cited, along with common law, as part of the legal grounds for the complaint.

Despite these multiple laws, and Meta’s own statements that “coordinated scams are prohibited and will be removed or blocked,” it “systematically approved, delivered, amplified, and profited from ads and related promotional content” that misused and capitalized on financial advisers’ identities, according to the lawsuit.

The suit notes that a bipartisan coalition of state attorneys general publicly warned Meta in June that paid impersonation ads and WhatsApp investment groups were being used to orchestrate widespread fraud against U.S. consumers, including through “fake endorsements by financial figures,” and it urged Meta to take immediate action to stop the fraud, yet the fraud continued.

The class size is estimated at more than 100, and the damages are listed at more than \$5 million in the suit, although Grady believes the damages could be much higher than that based on the scope of the fraud.

Claims against Meta include unjust enrichment and breach of contract.

Plaintiffs have demanded a jury trial, seeking actual and punitive damages meant to punish Meta.

Grady is serving as co-counsel for the plaintiffs along with Scott+Scott Attorneys at Law, based in California.

“This may be the first suit that has been filed by financial advisers against Meta,” Grady said, “So, we are going to be breaking a little ground here.”

In a statement, John Jasnoch, a partner in Scott+Scott, said: “Our complaint demonstrates that Meta’s ad policies allowing for rampant impersonation scams have inflicted concrete and continuing harm on plaintiffs and class members – licensed financial professionals whose livelihoods depend on credibility, candor, and client trust. It’s now time for accountability and systemic reform.”

On a related note, Grady said he’s working on a second lawsuit on behalf of the investors who lost money in the Chinese stock scams.

“Oh my gosh. I can’t imagine what they’ve lost,” he said. “Maybe hundreds of millions of dollars around the world, but again, we are only going to be filing suit for U.S. investors.”