

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

-----x Index No.:

ALEXANDRA GOMEZ-JIMENEZ, SCOTT  
TIEDKE and KATHERINE COOPER, on behalf  
of themselves and all others similarly situated,

Date Purchased: August 10, 2011

Plaintiff designates New York  
County as the place of trial.

Plaintiffs,

**Summons**

-against-

The basis of venue is the county of  
Defendant's principal office as  
listed with the New York Secretary  
of State: 57 Worth Street, New  
York, NY 10013

NEW YORK LAW SCHOOL, and DOES 1-20,

Defendants.

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To the above named Defendants:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on the Plaintiffs' Attorney(s) within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York), and in case of your failure to appear to answer, judgment will be taken against you by default for the relief demanded in the complaint.

Dated: New York, New York  
August 10, 2011

By: /s/ Jeff Kurzon

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**SUPREME COURT OF NEW YORK  
FOR THE COUNTY OF NEW YORK**

ALEXANDRA GOMEZ-JIMENEZ, :  
SCOTT TIEDKE, and :  
KATHERINE COOPER, on behalf of :  
themselves and all others similarly situated, :

Plaintiffs, :

v. :

NEW YORK LAW SCHOOL, and :  
DOES 1-20, :

Defendants. :

**Index No.** \_\_\_\_\_

**CLASS ACTION COMPLAINT**

**JURY TRIAL DEMANDED**

Plaintiffs, acting for themselves and for all persons who currently attend or graduated from New York Law School during the relevant time period (collectively “Plaintiffs”), allege as follows. Plaintiffs’ allegations are based on the investigation of counsel, including but not limited to reviews of advertising and marketing material, various publicly available information and interviews of former students, and are thus made on information and belief, except as to individual actions of Plaintiffs, as to which Plaintiffs have personal knowledge. Upon information and belief, more than two-thirds of all members of the putative class, at all material times relevant to the allegations of this Complaint, were residents of the State of New York and are current or former students of Defendant New York Law School (“New York Law,” “NYLS” or “Defendants”).

### **PRELIMINARY STATEMENT**

*“Sunlight is the Best Disinfectant”* – Justice Louis Brandeis

1. This action seeks to remedy a systemic, ongoing fraud that is ubiquitous in the legal education industry and threatens to leave a generation of law students in dire financial straits. Essentially, Plaintiffs want to bring an element of “sunlight” or transparency to the way law schools report post-graduate employment data and salary information, by requiring that they make critical, material disclosures that will give both prospective and current students a more accurate picture of their post-graduate financial situation, as opposed to the *status quo* where law schools are incentivized to engage in all sorts of legerdemain when tabulating employment statistics.

2. Indeed, New York Law’s dean, Richard Matasar, actually publicly recognized this problem, when, during a program sponsored by the Association of American Law Schools, acknowledged that “[w]e [law school deans] should be ashamed of ourselves. We own our

students' outcomes. We took them. We took their money....And if they don't have a good outcome in life, we're exploiting them. It's our responsibility to own the outcomes of our institutions. If they're not doing well ... it's gotta be fixed. Or we should shut the damn place down. And that's a moral responsibility that we bear in the academy.”

3. However, far from heeding his own advice by taking “ownership” of his students’ outcomes, Mr. Matasar’s school consigns the overwhelming majority of them to years of indentured servitude, saddling them with tens of thousands of dollars in crushing, non-dischargeable debt that will take literally decades to pay off. New York Law has done this while blatantly misrepresenting and manipulating its employment statistics to prospective students, employing the type of “Enron-style” accounting techniques that would leave most for-profit companies facing the long barrel of a government investigation and the prospect of paying a substantial civil fine. These deceptions are perpetuated so as to prevent prospective students from realizing the obvious -- that attending NYLS and forking over nearly \$150,000 in tuition payments is a terrible investment which makes little economic sense and, most likely, will never pay off.

4. Specifically, NYLS, through both its print and internet marketing materials, commits two basic **written, uniform misrepresentations**. First, the school during the class period claims that the overwhelming majority of its graduates – roughly between 90 and 95 percent -- secure employment within nine months of graduation. However, the reality of the situation is that these seemingly robust numbers include *any* type of employment, including jobs that have absolutely nothing to do with the legal industry, do not require a JD degree or are temporary or part-time in nature. Rather, if NYLS was to disclose the more pertinent employment statistic -- i.e. those graduates who have secured full-time, permanent positions for

which a JD degree is required or preferred -- the numbers would drop dramatically, and could be well below *50 percent*, if not even lower.

5. Second, NYLS grossly inflates its graduates' reported mean salaries, by calculating them based on a small, mostly self-selected subset of graduates who actually submit their salary information. To that end, if the Defendants were to disclose salary data based on a broad, statistically meaningful representation of its graduates, by including more graduates who have failed to secure full-time, permanent employment, the reported mean salaries would decline precipitously.

6. Defendants' deceptions are all the more shocking considering that the school has functioned as a veritable "JD-factory", enrolling in 2009 1,596 total students, an increase of 270 students from 2000. In 2009, at the height of the "Great Recession" and while the legal industry was experiencing historic job cuts, NYLS enrolled its largest first-year class ever -- 736 students -- which was an astounding 30 percent increase from the previous year. As detailed in a recent *New York Times* exposé, these increases can largely be explained by the school's desire to maintain the AAA rating that Moody's had given the school's \$135 million bond offering which was floated to finance the construction of a brand new 235,000-square-foot complex.

7. Compounding problems, there is no place where prospective students can find NYLS's "real" employment numbers. The school supplies the same dubious statistics to the *U.S. News & World Report* ("*US News*") and the American Bar Association ("ABA"), the two primary sources of information for law school employment data. Like NYLS, these sources count as "employed" those who have secured employment in *any* capacity in *any* kind of job, no matter how unrelated to the legal field.

8. By playing fast and loose with its employment data, NYLS creates an impression of bountiful employment opportunity that in reality does not exist. This problem has grown more acute since the onset of the “Great Recession” in 2008. The stark reality of the situation is that law students today face the grimmest job market in decades. Yet NYLS, instead of telling the sobering truth to prospective and current students, continues to make the fantastical claim that the overwhelming majority of its graduates are gainfully employed.

9. Worse yet, NYLS deceives its students while saddling them with tens of thousands of dollars in crushing, non-dischargeable debt. According to *US News*, NYLS students graduate on average with a whopping \$119,437 in loans, placing them in the top 17<sup>th</sup> percentile of indebtedness among all law school graduates. The current tuition for NYLS is almost \$50,000, excluding living expenses, making it one of the most expensive law schools in the country, despite the fact that it is ranked by *US News* 135<sup>th</sup> of all accredited law schools.

10. Unfortunately, NYLS’s false and fraudulent representations and omissions are endemic in the law school industry, as nearly every school to a certain degree blatantly manipulates their employment data to make themselves more attractive to prospective students. It is a dirty industry secret that law schools employ a variety of deceptive practices and accounting legerdemain to “pretty up” or “cook” the job numbers, including, among other things, hiring recent unemployed graduates as “research assistants” or providing them with “public interest” stipends so as to classify them as employed, excluding graduates who do not supply employment information from employment surveys, refusing to categorize unemployed graduates who are not “actively” seeking employment as unemployed, and classifying graduates who have only secured temporary, part-time employment as being “fully” employed.

11. Thus, the law school industry today is much like a game of three-card monte, with law schools flipping ace after ace, while a phalanx of non-suspecting players wager mostly borrowed money based on asymmetrical information on a game few of them can win. To a remarkable extent, law schools have been astonishingly successful in carrying out this scheme. Last year law schools awarded over 43,000 JD degrees, an increase of 11 percent from a decade earlier, while law school tuition over the past two decades has risen exponentially, far exceeding both inflation and any increase in attorneys' starting salaries. Not surprisingly, the debt burden of law school graduates has risen correspondingly, and the average debt burden for graduates of private institutions is now over \$100,000.

12. The dramatic increase in law school tuition has dovetailed with the dramatic increase in faculty compensation. Law school professors and deans are perhaps the best remunerated in academia today, enjoying both lavish perks and exorbitant salaries that rival those of Fortune 500 executives. For example, during the fiscal year of 2008-2009, Dean Matasar earned a staggering \$543,738 in total compensation, making him one of the highest paid law school deans in the country.

13. After much public hand-wringing and increased scrutiny, the legal profession has finally begun to recognize the systemic fraud the law school industry has been perpetuating. Senator Barbara Boxer of California and Senator Charles Grassley of Iowa have each sent separate letters to the President of the ABA, taking the organization to task for failing to properly police the law school industry. Additionally, a coalition of 55 law school student body presidents have sent to Congress proposed legislation that would, among other things, create new reporting standards for employment data, require law schools to submit annual employment reports to the Department of Education ("DOE"), and empower the DOE to audit these reports.

The problem has grown so acute that even the President of the California Bar Association in a much publicized article in the California Bar Journal openly implored law school deans to adopt more rigorous reporting standards by disclosing the type of detailed employment and salary information that would allow students to get a more realistic picture of their post-graduate financial situation.

14. These entreaties had fallen mostly on deaf ears until now, as the ABA's committee on accrediting law schools has just recently enacted guidelines that would expressly require law schools to report their true post-graduate employment rate, by disclosing the type of information Plaintiffs are seeking here: the exact percentage of graduates who have obtained permanent, full-time legal employment. Specifically, law schools will be required to break down their employment data so as to indicate whether a position is full-time or part-time, permanent or temporary, funded by the law school or an affiliated university, and whether bar passage or a JD degree is required or preferred.

15. Accordingly, Plaintiffs now seek to vindicate their interests through the judicial system. This action asserts claims under: a) New York's Deceptive Acts and Practices Law, NY General Business Law §349, *et seq.*; b) Fraud; and c) Negligent Misrepresentation. Plaintiffs seek damages and equitable relief on behalf of the Class (as defined in paragraph 78 herein), which includes but is not limited to the following: refunding and reimbursing current and former students for tuition paid to NYLS; an order enjoining NYLS from continuing to market its false and inaccurate employment data and salary information; an order requiring that NYLS retain a third party to independently audit all employment and salary data; costs and expenses, including attorneys' and experts' fees; and any additional relief that this Court determines to be necessary or appropriate to provide complete relief to Plaintiffs and the class.

## **JURISDICTION AND VENUE**

16. This Court has jurisdiction over this action pursuant to NY CPLR §301 because Defendants transacted business and committed the alleged acts in New York. Defendants are headquartered in New York and have systematically and continually conducted business in Manhattan, New York and throughout the State of New York.

17. Defendants are doing and, at all relevant times, have done business in New York County, and venue is proper under NY CPLR §7502. The circumstances giving rise to this action occurred whole or in part in the county in which this Court sits.

## **PARTIES**

18. Alexandra Gomez-Jimenez is a practicing attorney in Manhattan who is currently a member in good standing of the New York Bar. Mrs. Gomez-Jimenez attended NYLS between 2004 and 2007, and in total paid tens of thousands of dollars in tuition and fees to the school while incurring tens of thousands of dollars more in debt. In applying and deciding to remain enrolled at NYLS, Mrs. Gomez-Jimenez relied on salary data and employment information posted on NYLS's website and/or disseminated to third-party data clearinghouses and publications, such as the ABA and *US News*. Immediately following her graduation from law school, Mrs. Gomez-Jimenez could not find a permanent position in the legal industry, despite sending out tens of resumes, and was forced to take a series of temporary positions. Mrs. Gomez-Jimenez finally secured full-time, permanent employment in April 2008. In 2009, she opened up her own firm, and now enjoys a thriving practice as an immigration attorney.

19. Scott Tiedke is a practicing attorney in Manhattan who is currently a member in good standing of the New York Bar. Mr. Tiedke attended NYLS between 2006 and 2009, and in total paid tens of thousands of dollars in tuition and fees to the school while incurring tens of

thousands of dollars more in debt. In applying and deciding to remain enrolled at NYLS, Mr. Tiedke relied on salary data and employment information posted on NYLS's website and/or disseminated to third-party data clearinghouses and publications, such as the ABA and *US News*. Since graduating from law school, Mr. Tiedke has worked as a legal and compliance officer at an investment management firm.

20. Katherine Cooper is licensed to practice in New York and is currently a member in good standing of the New York Bar. Mrs. Cooper attended NYLS between 2007 and 2010, and in total paid tens of thousands of dollars in tuition and fees to the school while incurring tens of thousands of dollars more in debt. In applying and deciding to remain enrolled at NYLS, Mrs. Cooper relied on salary data and employment information posted on NYLS's website and/or disseminated to third-party data clearinghouses and publications, such as the ABA and *US News*. Following her graduation from law school, Mrs. Cooper could not find a permanent position in the legal industry, despite sending out hundreds of resumes, and has been unable to secure any type of legal employment.

21. Defendant NYLS is an ABA-accredited law school and a New York not-for-profit corporation with its principal place of business located on 57 Worth St., New York, NY 10013. For the 2010-2011 academic year, it enrolled nearly 1,500 students, making it one of the largest law schools in the country, while in 2009-2010 it enrolled nearly 1,600 students.

22. Tuition at NYLS for the 2011-2012 is \$47,800, while room and board is estimated to be about \$23,000 if not more, bringing the total annual cost for attending NYLS to nearly \$70,000. According to its 2008-2009 Form IRS 990, NYLS's total operating revenue was \$115,869,668, including \$80,926,836 in tuition fees, and its total operating costs were \$82,828,941, including \$40,340,537 in monies paid for employees' salaries. For the fiscal year

of 2008-2009, the school paid its dean, Richard Matasar, \$543,738 in total compensation, while paying Vice President for Finance, Fred DeJohn, \$453,500, and Professors Richard Chused, Gerald Korngold, Jethro Lieberman, Marshall Tracht and James Simon between \$299,678 and \$400,800 respectively. Dean Matasar is also currently board chairman of Access Group Loans, a private loan originator and servicer which enjoys a special business relationship with NYLS. In late June 2011, Dean Matasar publicly disclosed that he intends to resign as dean following the 2011-2012 academic year.

23. The true names and capacities (whether individual, corporate, associate or otherwise) of Defendants Does 1 through 20, inclusive, are unknown to Plaintiffs. Plaintiffs sue these Defendants by fictitious names and will seek leave to amend this Complaint after their identities are learned. Each fictitious Defendant contributed to the acts and practices alleged herein. Plaintiffs are informed and believe that the fictitiously named Defendants proximately caused Plaintiffs' damages.

### **FACTUAL ALLEGATIONS**

#### **I. Background Information**

24. Enrolling roughly 1500 students annually, NYLS is a veritable "JD-factory", its size having risen by 270 students between 2000 and 2009. Along these lines, NYLS is one of the most expensive law schools in the country, with a sticker price of \$47,800, above that of even Harvard Law School.

25. In 2009 alone, NYLS increased its first-year class by over 30 percent, enrolling an astounding 736 students, by far its largest class ever, and the second largest class in the country outside of the Thomas M. Cooley School of Law.

26. As detailed in a recent *New York Times* exposé, these increases can largely be explained by the school's desire to maintain the AAA rating that Moody's had given the school's \$135 million bond offering which was floated to finance the construction of a brand new 235,000-square-foot complex. See David Siegel, "Law School Economics: Ka-Ching!" *New York Times*, July 16, 2011 (attaching Ex. 1). Specifically, in May 2009, right at the height of the recession, Moody's issued a new report on the offering which threatened to downgrade its sterling AAA rating, because, among other things, applications to the school had decreased by 28 percent for the upcoming class. *Id.* Yet, just three months later, the school had enrolled a blockbuster class of 736 students, which led Moody's in August 2010 to maintain its AAA rating, and change its outlook on the offering from negative to largely positive. *Id.*

27. It is estimated that NYLS's decision to increase its class size by such a staggering amount added an additional \$6.7 million in revenue, while the school, at most, had to spend an additional \$500,000 more that year on teaching, bringing the overall profit to over \$6 million. *Id.* Such singular focus on the bottom line has left even faculty members at NYLS embarrassed by their school's wanton greed, leading one professor, Randolph N. Jonakait, to conclude ruefully: "At a school like New York Law, which is toward the bottom of the pecking order, it's long been difficult for our students to find high-paying jobs...Adding more than 100 students to an incoming class harms their employments prospects. It's always been tough for our graduates. Now it's tougher." *Id.*

## **II. Underlying Fraud Claims**

28. NYLS is approved for accreditation by the ABA's Section of Legal Education and Admissions to the Bar. As mandated by Section 509(a) of the ABA's 2010-2011 Standards for

Approval of Law Schools (“Section 509(a)”), an accredited law school must “publish basic consumer information” in a “fair and accurate manner reflective of actual practice.”

29. Pursuant to this requirement, NYLS publishes its employment statistics on its website under the “Career Services” tab. In posting the data, the school boasts that it “offers a wide range of programs, resources and support to assist students to identify a career that meets their goals intellectually, financially and emotionally. Staff counselors provide individual counseling to help students develop career interests and goals, write resumes and cover letters, formulate job search strategies, and learn interviewing techniques, networking, and other related skills. In addition, the office works closely with our many alumni to foster relationships and provide opportunities for our students.” Regarding its ability to train students as lawyers and prepare them for the marketplace, NYLS makes a number of grandiose representations, including that it “has launched an innovative curriculum integrating strategic and ethical issues into the traditional academic study of law. This approach provides students with a head start in building productive, rewarding, and responsible professional lives. While the course of study leading to the Juris Doctor degree is designed to prepare students to become practicing lawyers, the program is also ideal preparation for anyone whose work in other professions, in business, or in public service involves understanding law and lawyers.”

**A. Statements Constituting Fraud**

30. In particular, NYLS posts the employment data and salary information for the graduating class of 2010. *See* NYLS’s 2010 Employment and Salary Statistics (the “2010 Employment Report”) (attaching Ex. 2). According to this information, based on a response rate of 95 percent, approximately 92 percent of the 2010 class were employed nine months after graduation, 42 percent of whom were allegedly working in private practice, 27 percent in

“business,” 17 percent in government, three percent in public interest, and three percent both in judicial clerkships and academic.<sup>1</sup> The data lists a scant five percent as “seeking employment,” with an additional three percent who are unemployed and “not seeking employment.” Also, 5.6 percent of employed graduates were in positions funded by the “NYLS Fellowship” program, while allegedly 80 percent of graduates were in positions that either required or preferred a JD degree. Based on a response rate of 26 percent, the average salary for graduates in private practice is \$107,343, \$86,667 for those in “business,” and \$56,910 for those in government.

31. Until recently, NYLS posted the employment data and salary information for the class of 2009. NYLS’s 2009 Employment and Salary Statistics (the “2009 Employment Report”) (attaching Ex. 3). According to this information, based on a response rate of 94 percent, approximately 90 percent of the 2009 class were employed nine months after graduation, 46 percent of whom were allegedly working in private practice, 24 percent in “business,” eight percent in government, 16 percent in public interest, and three percent both in judicial clerkship and academic. Based on a response rate of 20 percent, the average salary for graduates in private practice was \$120,197, \$75,167 for those in “business,” and \$56,054 for those in government.<sup>2</sup>

32. The 2009 Employment Report is emblematic of the kind of employment data NYLS disclosed to prospective students during the class period, and differs in certain critical respects from the 2010 Employment Report. For example, the 2009 Employment Report does

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<sup>1</sup> NYLS concedes that its reported placement rate differs slightly from the numbers tabulated by other third-party data clearinghouses and publications. For example, according to the ABA, NYLS’s placement rate is 89 percent, while according to *US News* it is 85 percent. There are a number of factors for this discrepancy, chief amongst is that NYLS counts graduates who pursue further education as “employed” and does not include graduates whose status is unknown in their calculations.

<sup>2</sup> For the classes of 2005 through 2008, NYLS reported that their graduates’ placement rates were approximately between 92 and 96 percent respectively.

not disclose the percentage of graduates who held positions that required or preferred a JD degree, or were funded by the “NYLS Fellowship” program. Most likely, these discrepancies are a result of a much publicized dispute between NYLS and the Law School Transparency (“LST”) project, which is a Tennessee non-profit “dedicated to encouraging and facilitating the transparent flow of law school employment information.” In particular, the LST issued a blistering report on its website critiquing NYLS for the deceptive way it reports and markets employment data and salary information to prospective students, charging, among other things, that the school’s salary information is based on a skewed dataset and its placement rates do not sufficiently account for students who fail to provide any employment data.<sup>3</sup>

33. The posted data makes a number of startling factual omissions that would give prospective students a more accurate picture of their post-graduation employment prospects. For example, NYLS simply presents an overall employment number, and fails to break down what percentage of graduates were employed in either part-time or temporary positions . Accordingly, based on these classifications, a graduate could be working as a barista in Starbucks -- or toiling away in *any* capacity in *any* kind of job, no matter how menial or poorly compensated or unrelated to law -- and would be deemed employed and working in “business,” even though such employment is clearly temporary in nature and obviously does not require a JD degree. Similarly, a contract attorney who has yet to secure permanent employment and is forced to toil away in transitory document review projects would be deemed “employed” under NYLS’s broad guidelines.

34. NYLS also grossly inflates its graduates’ reported mean salaries, by calculating them based on a small, mostly self-selected subset of graduates who actually submit their salary

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<sup>3</sup> See <http://www.lawschooltransparency.com/page/2/?s=new+york+law+school>.

information, thereby presenting statistically meaningless data that is not an emblematic representation of the entire class. Thus, to take the above example, if a graduate working in Starbucks as a barista did not report his/her salary information that could potentially have a significant statistical effect on NYLS's reported mean salary for those employed in "business," substantially lowering the number from a seemingly impressive \$86,667.

**B. Disseminating False Information to Third Parties**

35. The school also disseminates employment data and salary information to other sources that are readily available to prospective students. In general, there are three primary sources that NYLS -- along with all other accredited law schools -- provides such information to: *US News*, the ABA and the National Association of Law Placement or NALP.<sup>4</sup> However, the *US News* and the ABA simply require law schools to report an overall employment number, and do not require schools to distinguish between part-time and full-time jobs or temporary and permanent employment. Consequently, the data contained in these sources is riddled with the same legerdemain, dubious calculations and deliberate omissions as found in the employment information posted and marketed by NYLS on its website and brochures.

36. In a recent letter sent to the deans of all accredited law schools, Brian Kelly, the editor-in-chief of the *US News*, essentially conceded this point, acidly noting that the "entire law school sector is perceived to be less than candid" when reporting employment data, and that many schools appear "not to treat the ABA reporting rules with the seriousness one would assume." Robert Morse, "U.S. News Urges Law School Deans to Improve Employment Data," *U.S. News & World Report*, March 9, 2011 (attaching Ex. 4). Acknowledging the obvious,

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<sup>4</sup> All ABA-accredited and provisionally-accredited law schools are required to provide employment data to the ABA, but only submit such data to *U.S. News* and NALP on a voluntary basis.

Kelly concludes, “Perhaps we need metrics besides total employment rates to evaluate a successful law program.” *Id.*

37. Nonetheless, despite knowing full well of the deficiencies in law school-supplied employment data, such information constitutes a whopping 18 percent (four percent for the employment rate upon graduation and 14 percent for the rate nine months after graduation) of a law school’s ranking in *US News*, the second most important factor after a law school’s peer assessment.

38. As for NALP, law schools when responding to its questionnaire must not simply report an overall employment number, but specifically break down the exact type of employment their graduates have obtained, differentiating between part-time and full-time jobs or whether a position requires a JD degree. Unfortunately, NALP does not either publish or make available to the public these questionnaires, and instead compiles and tabulates their data into a single document which contains aggregate statistical information from all ABA-approved law schools. *See* NALP Class of 2009 National Summary Report (“NALP Employment Report”) (attaching Ex. 5).

39. In other words, NYLS, by virtue of its participation in NALP’s annual employment survey, clearly has the means to and actually does distinguish between various degrees of employment, and breaks down the exact percentage of its recent graduates who have secured part-time employment. Yet, rather than including this number on its website and marketing material and making this information available to the public at large, the school continues to present highly misleading data to prospective and current students that grossly inflate post-graduation employment rates while depicting an unrealistic, if not entirely inaccurate picture of bountiful career prospects that do not exist.

### **III. Manipulating Employment Data**

40. In reality, the employment data reported and marketed by NYLS bears little resemblance to the actual experiences and dim employment opportunities encountered by their recent graduates.

41. Indeed, based on interviews with former students and other investigatory work, Plaintiffs believe that perhaps fewer than *30 percent* -- if not even fewer -- of recent NYLS graduates secure full-time, permanent employment for which a JD degree is required or preferred within nine months of graduating, and that the majority of them work in either part-time or temporary positions.

42. An examination of the NALP Employment Report confirms the obvious -- i.e. that NYLS blatantly manipulates employment data, and that substantially fewer than 92 percent of 2010 graduates and 90 percent of 2009 graduates are gainfully employed.

43. According to NALP, 88.2 percent of all law school graduates are “employed” within nine months of graduation. However, upon greater scrutiny, this number is virtually meaningless, as it includes *any* kind of employment, no matter how unrelated to the legal field. *See Ex. 5.*

44. Rather, the NALP Employment Report further breaks down this number into specific percentages of graduates who are working either part-time or in non-legal jobs. By doing this, it appears that, in actuality, only 62.9 percent of all graduates have secured some kind of full-time legal employment.

45. Still, even that number is grossly inflated, as the NALP Employment Report does not distinguish between temporary and permanent employment, and, thus, does not expressly

exclude temporary positions. If the report was to exclude temporary employment, most likely the employment number would fall well below 50 percent.<sup>5</sup>

46. One must also bear in mind that the NALP employment number includes data supplied by all law schools, many of which are ranked higher and have considerable more prestige than NYLS, which is currently ranked by *US News* in the bottom tier -- or the 135<sup>th</sup> best -- of all accredited law schools. As such, logic dictates that NYLS's true employment rate would be below the statistical mean of the bell curve.

47. NYLS has also employed a limited program to further "pretty up" their employment numbers, by, among other things, hiring unemployed graduates as "research assistants" or other "make work" positions for a specified period of time, so as to classify them as "employed" in various employment surveys. Indeed, in its 2010 Employment Report, NYLS admits that 5.6 percent of all employed graduates are in positions funded by the "NYLS Fellowship" program, but fails to disclose the percentage of graduates employed in positions funded by NYLS for 2009 and other years. *See* Ex. 2 at p. 2; Ex. 3. In some instances, these internships or fellowships begin in the ninth month following graduation, right before NYLS would be required to report its employment data to the ABA, NALP and *US News*.

48. This practice is emblematic of the extreme measures many law schools across the country have undertaken recently to paper over the devastation that the Great Recession has wrought. According to NALP, 42 percent of all law schools have created post-graduate "jobs

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<sup>5</sup> For greater analysis on the accuracy -- or inaccuracy -- of law school employment data see Professor Paul Campos's article in the *New Republic*, "Served: How Law Schools Completely Misrepresent Their Job Numbers" (April 25, 2011), where he admonishes law schools for adopting dubious accounting methods in tabulating and reporting recent graduates' employment data. (Attached as Ex. 6) In particular, he deftly demonstrates through some impressive deductive reasoning how for one highly ranked state school the actual percentage of graduates who have secured full-time, permanent legal positions could be as low as 33 percent. (*Id.*)

programs” into which they hired their own recently graduated students. In particular, for the class of 2009, it is estimated that these programs provided over 800 jobs, accounting for a full two percentage points in the NALP overall employment rate. For the class of 2010, this number has jumped to 1,200 jobs, or approximately 2.7 percent of all jobs taken by law school graduates. *See* “Selected NALP Findings for the Class of 2010” (attaching Ex. 7). Thus, instead of coming clean to prospective and current students and acknowledging the steep odds that graduates face in securing gainful employment, law schools continue to bury their heads in the sand like nothing is wrong, as if they can somehow wish away the brutal reality of the current economic environment.

49. NYLS’s manipulation of employment data is all the more galling considering that its students are graduating in one of the grimmest legal job markets in decades. Since 2009 alone, some 15,000 attorney and legal-staff jobs have been eliminated by large corporate law firms, while commoditized, legal-entry work such as document review is increasingly being outsourced to countries outside the US, such as India. The entry-level employment offer rate for 2009 summer associates was at a historic low of 69 percent, as compared to 90 percent in 2008 and 93 percent in 2007. Scores of law firms have cancelled summer programs, and in a recent survey 55 percent of law schools reported a decrease of 30 percent or more of the number of firms doing on-campus interviews, an unprecedented decline. In another survey, only 3 percent of on-campus recruiters indicated that they were looking to hire third-year law students, as compared to 25 percent in 2008 and 42 percent in 2007.

50. The job statistics for the class of 2010 are equally grim, if not more so. According to NALP, the overall employment rate for new law school graduates is the lowest it has been since 1996. *See* Ex. 7. Only 68.4 percent of the class has obtained employment for

which a JD degree is required, while barely over 50 percent of the class is working in private practice, a five-percent drop from the previous year. *Id.* A paltry 71 percent of the class has obtained a job that is both full-time and permanent. *Id.* The number of graduates working as solo practitioners has similarly soared, rising to 5.7 percent of all graduates employed in private practice, which is most likely a result of graduates, faced with negligible job prospects, being forced to hang up their own shingle. *Id.*

51. The starting salaries of newly minted lawyers have likewise dropped precipitously over the past few years. The national median salary for the class of 2010 was \$63,000, a \$9000 - or 13 percent -- decline from the previous year, while the national mean salary was \$84,111, an almost \$10,000 -- or ten percent -- decline from the previous year.<sup>6</sup> Moreover, because many large law firm salaries cluster around \$145,000 and \$160,000, whereas most other smaller firm salaries hover in the \$40,000 to \$65,000 range, relatively few salaries were actually near the overall median or mean.

52. A recent study by the consulting company Economic Modeling Specialist, Inc. (“EMSI”) confirms the historically weak job market and dire employment prospects facing current law school graduates.<sup>7</sup> According to the study, every state besides Nebraska and Wisconsin are producing more attorneys than they need for the foreseeable future. Across the country, there were twice as many people who passed the bar in 2009 -- 53,508 -- as there were job openings -- 26,239. In New York the numbers are particularly daunting, with 9,787 people having passed the bar, even though the state is estimated to only need 2,100 new lawyers for each year through 2015, leaving an annual surplus of 7,687 attorneys.

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<sup>6</sup> See [http://www.nalp.org/classof2010\\_salpressrel](http://www.nalp.org/classof2010_salpressrel).

<sup>7</sup> See <http://economix.blogs.nytimes.com/2011/06/27/the-lawyer-surplus-state-by-state/>.

53. More disturbingly, NYLS misleads and defrauds its students while saddling them with tens of thousands of dollars in crushing, non-dischargeable debt. According to *US News*, NYLS students graduate on average with a staggering \$119,437 in loans, placing them well within the top fifth percentile of indebtedness among all law school graduates, with a stunning 93 percent of them taking out loans to attend the school. The current tuition for NYLS is \$47,800, with an estimated \$23,000 more for living expenses, making it one of the most expensive law schools in the country, despite its relatively low standing in the *US News* law school rankings.

54. To that end, not content with saddling its students with tens of thousands of dollars in loans, NYLS directs its students to take out private, non-federally subsidized loans from Access Group Loans (“Access Group”), an originator and servicer of education loans whose board chairman is Dean Matasar. Upon information and belief, NYLS does not disclose Dean Matasar’s financial and fiduciary relationship with Access Group to its students and the attendant conflicts of interests it represents.

55. NYLS’s sharp increase in tuition in recent years mirrors the tuition trend in the legal education industry in general. Over the past two decades, law school tuition has risen exponentially, far exceeding both inflation and any increase in lawyers’ starting salaries, and at many private institutions can exceed well over \$40,000 annually, excluding living expenses. Specifically, between 1989 and 2009, tuition rates have shot up by 317 percent, well above the 71 percent seen at colleges. Not surprisingly, the debt burden of law school graduates continues to rise unabated, and the average debt burden for graduates of private institutions is now over \$100,000.

56. The dramatic increase in law school tuition has dovetailed with the dramatic increase in faculty compensation. Law school professors and deans are perhaps the best

remunerated in academia today, enjoying both lavish perks and exorbitant salaries that rival those of Fortune 500 executives. For example, during the fiscal year of 2008-2009, the school paid its dean, Richard Matasar, \$543,738 in total compensation, while paying Vice President for Finance, Fred DeJohn, \$453,500, and professors Richard Chused, Gerald Korngold, Jethro Lieberman, Marshall Tracht and James Simon between \$299,678 and \$400,800 respectively.

57. NYLS, as with any law school, has every incentive to perpetuate this mass deception, because they are not required by the ABA, Department of Education or any other governing body to independently audit or verify their employment data. The incentive to cheat is so great that even one law school dean, Phillip J. Closius of the University of Baltimore School of Law, in a *New York Times* exposé about the manipulation of placement rates went to the extent of publicly conceding that “[t]here are millions of dollars riding on students’ decisions about where to go to law school, and that creates real institutional pressures [to manipulate data].”<sup>8</sup>

58. Moreover, NYLS is primarily marketing its product to naïve, relatively unsophisticated consumers -- many of whom are barely removed from college -- who are often making their first “big-ticket” purchase based on asymmetrical information. These prospective

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<sup>8</sup> On July 29, 2011, Mr. Closius formally resigned as dean from the University of Baltimore. In stepping down, Mr. Closius circulated a highly controversial -- and surprisingly frank -- resignation letter in which he conceded that the University of Baltimore president had asked for his resignation, and that the tensions between them had largely stemmed from the law school’s rapidly rising tuition and the fact that the University was essentially using the school to subsidize the undergraduate program, retaining an astounding 45 percent of all revenue generated by law tuition, fees and state subsidies. See <http://abovethelaw.com/2011/07/a-law-dean-resigns-and-spills-the-beans-on-how-his-university-has-been-taking-advantage-of-law-students/#more-85162>. The problem had grown so acute that the ABA’s Accreditation Committee requested that the University submit a report by March 2012 “which provides in part a rationale for the School of Law’s share of costs for non-law school activities and central administration services and information about any agreement between the Law School and the University regarding a fair process by which the Law School’s contribution to the University for direct and indirect costs will be determined.” *Id.*

students are applying to law school with one objective in mind: to attain the kind of job that provides compensation and a lifestyle that is commensurate with and worthy of the enormous time, money and personal sacrifice invested in a legal education. However, if NYLS was to disclose accurate employment data and the steep odds its graduates face in securing gainful employment, it would become abundantly clear to any rational purchaser how poor of an investment attending NYLS is.

59. To a remarkable extent, NYLS -- like most law schools -- has been astonishingly successful in pulling the wool over prospective students. Currently, NYLS enrolls nearly 1,500 students, a number which has remained remarkably constant even since the onset of the “Great Recession”. Law schools awarded over 43,000 JD degrees last year (an additional 41,156 this year), an increase of 11 percent from a decade earlier, while the number of students taking the law school entrance examination (LSAT) increased by over 20 percent between 2007 and 2009. For the 2009-2010 academic year, a record 154,549 students enrolled in American law schools, including a record 51,426 first-year students. The total number of law schools has increased by nine percent over the past decade, and, despite the ominous employment trends and dearth of available jobs, there are a handful of new law schools that are slated to open their doors in the next few years. Allowing the *status quo* to persist will almost certainly ensure that tens of thousands of law school graduates -- a whole “lost” generation of lawyers -- will continue to be churned out over the next decade with absolutely no realistic chance of ever earning back their investment.

60. Perhaps most troubling, NYLS’s dean, Richard Matasar, has publicly recognized that the system is fundamentally broken, when, during a program sponsored by the Association of American Law Schools, he took his fellow deans and administrators to task by stating that:

We should be ashamed of ourselves. We own our students' outcomes. We took them. We took their money. We live on their money to pay to come to San Diego. And if they don't have a good outcome in life, we're exploiting them. It's our responsibility to own the outcomes of our institutions. If they're not doing well ... it's gotta be fixed. Or we should shut the damn place down. And that's a moral responsibility that we bear in the academy. It's a leadership responsibility that each of us has. And damn the *U.S. News* if it affects our rankings. The kids are not gonna show up. Do you know that LSAT registrations are flat to down this year. That students' applications to law school are flat to down in a substantial number of law schools. That's never happened in a downturn in the economy before. They're catching on. Maybe this thing they are doing is not so valuable. Maybe the chance at being in the top 10% is not a good enough lottery shot in order to effectively spend \$120,000 and see it blow up at the end of three years of law school.<sup>9</sup>

(Emphasis added).

#### IV. **Manipulating Salary Information**

61. Further, NYLS grossly inflates its graduates' reported mean salaries, by calculating them based on a small, mostly self-selected subset of graduates who actually reported their salary information, and not on a broad, statistically meaningful representation of its graduates.

62. Indeed, a cursory examination of NYLS's published mean salary information confirms its dubious value and deceptive nature. *See* Ex. 2 at p.1. For example, only 22 percent -- or 105 graduates -- from the class of 2010 reported any type salary information, meaning that the overwhelming majority of the class failed to report such information. *Id.* For the class of 2009, the numbers are even worse, with a paltry 20 percent reporting salary information. *See* Ex. 3.

63. Moreover, the reported salary information is based on a skewed and non-representative sampling of the class. Thus, despite the fact that 169 graduates from the class of

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<sup>9</sup> Dean Matasar's comments were reported verbatim by Professor Paul Caron of the University of Cincinnati College of Law in his blog, *TaxProf Blog*, in January 2009. *See* [http://taxprof.typepad.com/taxprof\\_blog/2009/01/is-the-law-professor.html](http://taxprof.typepad.com/taxprof_blog/2009/01/is-the-law-professor.html).

2010 allegedly work in private practice, only 54 -- or less than a third -- reported salary information, with graduates working in large law firms with more than 501 attorneys being disproportionately represented. *See* Ex. 2 at p. 2 (accounting for 16 of the 54 graduates, despite constituting 13.1 percent of all graduates working in private practice). The mean salaries for such graduates are \$155,111, well above the overall mean of \$107,343. *Id.*

64. Likewise, even though 56 percent of NYLS graduates in private practice work in firms with fewer than 10 attorneys, a scant nine percent of them reported salary information. In such firms, graduates' mean salaries are \$57,625, substantially less than both the overall mean salary and the mean salary of graduates' working in firms with more than 501 attorneys. *Id.* Had these graduates' salaries been included in defendants' statistical computations, NYLS's reported mean salary information would have been reduced correspondingly.

65. NYLS's reported salary information for graduates working in non-private practice fields, such as "business" or government, is equally deficient. For example, a mere nine of the 108 graduates allegedly working in "business" reported salary information, while only 23 of the 70 graduates allegedly working in government and less than five of the 23 graduates allegedly working in public interest reported salary information. *Id.*

66. For the class of 2009 -- and for all other classes in the class period -- NYLS doesn't even bother breaking down the exact job descriptions for graduates reporting salary information, instead simply disclosing that a flat rate of 20 percent reported such information. *See* Ex. 3. As such, there is no possible way to gauge whether graduates working in larger firms making significantly more money than the mean salary are disproportionately represented, or, whether, for that matter, the reported salary information reflects an accurate and representative cross-section of the class.

67. Upon information and belief, Plaintiffs believe that a substantial portion of recent NYLS graduates make significantly less than the reported mean salaries, and that NYLS has failed to include these salaries in any statistical analysis or calculations. NYLS knowingly and purposely omits the salaries of graduates who have secured only temporary or part-time employment from its official marketing material. This material nondisclosure has the effect of “goosing” the numbers, making it appear their graduates earn substantially more money than the reality of the situation.

68. In actuality, many NYLS graduates are in dire financial straits, living paycheck to paycheck, barely able to pay off their tens of thousands of dollars in non-dischargeable debt, much less save enough money for down payments for homes or other major purchases that signify one’s entrance into adulthood. They are working in mostly dead-end jobs, doing document review and other menial, mindless drudgery, essentially functioning as glorified paralegals or secretaries with little control over their careers. In short, they have not obtained -- and most likely never will obtain -- the kind of job that they thought would be waiting for them upon graduating from law school.

## **V. Changing the Status Quo**

69. Fortunately, after much public hand-wringing and increased media scrutiny, the tectonic plates in the legal profession have finally begun to shift, as practitioners and politicians alike are starting to roundly demand that law schools change their deceptive ways and accurately report all available employment information.

70. For example, Senator Barbara Boxer of California has sent two separate letters to Stephen Zack, President of the ABA, admonishing his organization for failing to properly police the law school industry. *See* Letters from Senator Barbara Boxer to Stephen Zack, dated March

31, 2011 & May 20, 2011 (“Boxer Letters”) (attaching Ex. 8). In her most recent letter, she directly implores the ABA to require that all law schools *independently* audit and verify employment data and salary information that are either included in marketing material to prospective students or disseminated to third-party information clearinghouses and publications, such as *US News* and the ABA. Senator Charles Grassley of Iowa, just recently, has sent his own letter to the ABA, demanding that the organization answer 31 detailed questions pertaining to the ABA’s regulation of the law school industry. *See* Letter from Senator Charles Grassley to Stephen Zack, dated July 11, 2011 (attaching Ex. 9). In particular, Senator Grassley references the questionable practices employed by law schools when offering merit-based scholarships (i.e. they extend substantially more scholarships than they can possibly renew), the supersaturated job market facing new graduates, and the increased debt burden assumed by law school students as raising serious concerns whether tax payers will ultimately be on the hook for the hundreds of millions of dollars in federally-backed loans that ultimately flow into law school coffers each year.

71. Similarly, a coalition of 55 law school student body presidents, fed up with the ABA’s inability to properly police law schools, have sent to Congress proposed legislation that would ensure “enhanced accuracy, accountability and transparency in the reporting of data pertaining to legal education.” *See* Student Bar Association’s Proposed Bill (“SBA Bill”) and accompanying Press Release (attaching Ex. 10). Among other things, the proposed legislation creates a new standard for reporting employment data, requires law schools to submit annual employment reports to the Department of Education, mandates that law school deans personally endorse such reports, and empowers the DOE to audit the reports. The SBA Bill expressly aims

to parallel federal securities laws, where publicly-held companies must submit annual reports to the SEC disclosing material financial information.

72. The problem has gotten so far out of hand that Bill Hebert, President of the California Bar Association, in a much publicized article in the California Bar Journal exhorts law school deans to adopt more rigorous reporting standards by disclosing the type of detailed employment and salary data that would allow students to get a realistic picture of their post-graduate financial situation. Bill Hebert, “What is the Value of the Law Degree?” California Bar Journal, February 2011 (attaching Ex. 11). Hebert chides schools for “hiding employment outcomes in aggregate statistical forms,” and impresses upon them the need to reveal the exact percentage of their graduates who have actually obtained full-time, permanent employment -- the type of information Plaintiffs are now seeking. *Id.*

## **VI. Role of the ABA**

73. The ABA’s Section of Legal Education and Admissions to the Bar is responsible for accrediting and regulating all accredited legal institutions. Unfortunately, despite years of vociferous complaints by industry insiders regarding the pervasive practice that law schools blatantly manipulate employment data, the ABA has been largely derelict in its duties, essentially allowing law schools to behave with impunity as they bamboozle their students.<sup>10</sup>

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<sup>10</sup> To that end, the ABA’s overall competency has recently been questioned by the National Advisory Committee on Institutional Quality and Integrity, which advises the Department of Education on accreditation issues. Specifically, the committee found that the ABA had failed to comply with 17 regulations, including, among others, failing “to set a standard for job placement by its member institutions.” *See* [http://taxprof.typepad.com/taxprof\\_blog/2011/06/aba-is.html](http://taxprof.typepad.com/taxprof_blog/2011/06/aba-is.html). One of the members on the committee, Arthur Keiser, publicly accused the ABA of simply “not getting it,” noting that an accrediting agency would never accredit an institution with 17 outstanding issues. *Id.*; *see also* Ex. 8 (quoting June 11, 2011 article from *The Chronicle of Higher Education* which describes the committee’s members as expressing “frustration that they could not take stronger actions or

Not surprisingly, the ABA's Legal Education Council is dominated by law school deans, as both its current chair, John O'Brien of the New England School of Law, and chair-elect, Kent Syverud of the Washington University School of Law, are deans of large, prominent law schools. Likewise, the committee of the Legal Education Council which is directly responsible for regulating the reporting of post-graduate placement data -- i.e. the Questionnaire Committee -- is dominated by law school deans and professors, including its current chair, Dean Art Gaudio of the Western New England College School of Law.

74. It is only until just recently that the ABA has finally adopted measures that would require greater reporting transparency, by specifically mandating that law schools "unbundle" employment data. "The Questionnaire Committee's Report on Reporting Law School Placement Data," dated May 28, 2011 (attaching Ex. 12). Admittedly, these new guidelines mark a positive first step forward and at least attempts to rectify the most egregious deceptive practices, by, among other things, expressly mandating that law schools distinguish between various degrees of employment, such as full-time or part-time and permanent or temporary, or whether a position actually requires a JD degree.

75. Nonetheless, the ABA hasn't gone nearly far enough in disincentivizing schools from "cooking" the data. First, the guidelines will not go into effect for at least another year, thereby allowing law schools to continue deceiving prospective students. Second, the guidelines still permit schools to continue self-reporting all employment data and salary information, and do not require that they retain unrelated, independent third-parties to audit and verify such data.

76. Last, after initially agreeing to rely on the independent-minded and industry gold-standard NALP to gather the relevant employment data, the ABA, in a complete 180-degree turn,

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at least state their concerns [regarding the ABA's lackluster accreditation process] with stronger language."

has decided to cut NALP out of the process entirely. *See e.g.* Karen Sloan, “*NALP Clashes with ABA over Jobs Data – and Hints at Legal Action*,” National Law Journal, August 1, 2011, [http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202509192905&NALP\\_clashes\\_with\\_ABA\\_over\\_jobs\\_data\\_and\\_hints\\_at\\_taking\\_legal\\_action&slreturn=1&hbxlogin=1](http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202509192905&NALP_clashes_with_ABA_over_jobs_data_and_hints_at_taking_legal_action&slreturn=1&hbxlogin=1). In assessing the reason for this apparent about-face, James Leipold, NALP’s Executive Director, stressed, “I think they [the ABA] see NALP’s candor about the state of the legal job market as harmful to the industry. I believe their intent is to recapture their ability to control the message to the public about the status of the job market. There’s a conflict of interest here.” *Id*; *see also* Professor William D. Henderson, “*More Data but Less Transparency*,” National Law Journal, August 2, 2011, [http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202509393144&More\\_data\\_but\\_less\\_t\\_ransparency&slreturn=1&hbxlogin=1](http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202509393144&More_data_but_less_t_ransparency&slreturn=1&hbxlogin=1) (noting that ABA’s proposal would undermine NALP’s ability to collect, analyze and publish accurate employment data; “In a nutshell, here is the problem. Law schools are heavily burdened by information requests. The law schools will comply with any information request from the ABA because the ABA is their accrediting agency. If the ABA and NALP cover much of the same ground but use different terminology -- the ABA will have to invent its own to avoid infringing on NALP’s detailed classification system -- then some schools may forgo the voluntary submission to NALP. Unfortunately, NALP cannot publish reliable industry-level statistics if law schools cannot spare the time and expense to fill out a duplicative information request.”).

77. The sobering reality of the situation is that law schools are no different than the proverbial fox guarding the henhouse, and when given the opportunity and incentive to act within their self-interests by making themselves look better, they almost certainly will. Indeed, the Dean of Villanova Law School was forced to come clean and admit that the school in the past

“knowingly” reported false and inaccurate information to the ABA. Rather, just as publicly-held companies must independently audit their financial statements so as to ensure the integrity of the marketplace, the same must be demanded of law schools so as to ensure that prospective students -- i.e. consumers -- are making well-informed, carefully-considered decisions based on 100-percent accurate information.

### **CLASS ACTION ALLEGATIONS**

78. This action is brought and may properly be maintained as a class action pursuant to Article 9 of the New York Civil Practice Law and Rules. Plaintiffs bring this action, on behalf of themselves and all other similarly situated, as representative members of the following proposed class (the “Class”):

All persons who are either presently enrolled or graduated from New York Law School within the statutory period.

79. For the foregoing reasons, this action fulfills the standards and requirements as outlined by Article 9 of the CPLR.

#### **A. The Parties are Numerous and Easily Ascertainable**

80. The proposed Class is so numerous that it is manifestly impracticable to bring them all before the court. Though the exact number and identities of the Class is unknown at this time, they can be ascertained through appropriate discovery, and likely contain thousands of people, as nearly 500 students graduate from NYLS each year. The number and identities of other Class members may be determined from Defendants’ records and files, and potential Class members may easily be notified about the pendency of this action.

#### **B. Common Questions of Law and Facts Predominate**

81. This action presents questions of law and facts common to the Class, including, but not limited to, the following:

a. Whether Defendants are engaged in deceptive, misleading, unfair, fraudulent and/or otherwise unlawful practices through their non-disclosure of material facts and affirmative misleading statements regarding post-graduate employment data and salary information;

b. Whether Defendants know the true and real percentage of recent graduates who secure full-time, permanent employment for which a JD degree is required or preferred and are, therefore, gainfully employed;

c. Whether Defendants' conduct violated New York's Deceptive Acts and Practices Law, constitute fraud, constructive fraud and/or negligent misrepresentation, as alleged herein;

d. Whether Plaintiffs and Class members are entitled to recover actual damages as a result of the actions alleged herein;

e. Whether Plaintiffs and members of the Class are entitled to recover restitution of tuition monies remitted to Defendants as a result of the actions alleged herein;

f. Whether Plaintiffs and members of the Class are entitled to ancillary relief, including the disgorgement of unearned profits, as a result of the actions alleged herein;

g. Whether Plaintiffs and Class members of the Class are entitled to recover punitive damages as a result of the actions alleged herein;

h. Whether Plaintiff and Class members are entitled to an award of reasonable attorneys' fees, pre-judgment interest and costs of this suit;

i. Whether Defendants should be forced to retain independent, non-related third-parties to audit and verify their post-graduate employment data and salary information; and

j. Whether Defendants should be enjoined from continuing to make false and misleading representations and omissions regarding their post-graduate employment data and salary information.

**C. Plaintiffs' Claims Are Typical of the Class**

82. Plaintiffs' claims are typical of the claims and of the members of the Class because they have all been damaged in the same manner and way as a result of Defendants' failure to disclose material facts and policies of misrepresentation and omissions. Accordingly, the interests of the representative Plaintiffs are co-extensive with the interests of each Class member, and all have a common right of recovery based upon the same facts.

**D. The Class Representatives Can Adequately Represent the Class**

83. Plaintiffs are adequate representatives of the Class because Plaintiffs are members of the Class and their interests do not conflict with the interests of the Class. The interests of the Class will be fairly and adequately protected by Plaintiffs and their undersigned counsel, who are competent and experienced in the prosecution of class action litigation.

**E. A Class Action Provides a Substantial Benefit to the Courts and Litigants**

84. Should individual Class members be required to bring separate actions, courts throughout New York would be confronted by a multiplicity of lawsuits, thus burdening the court system while also creating the risk of inconsistent rulings and contradictory judgments. In contrast to proceeding on a case-by-case basis, in which inconsistent results would magnify the delay and expense to all parties and the court system, this class action will present far fewer

management difficulties while providing unitary adjudication, economies of scale and comprehensive supervision by a single court.

85. Members of the Class almost invariably lack the means to pay attorneys to prosecute their claims individually. Given the complexity of the issues presented here, individual claims are not sufficiently sizeable to attract the interests of highly able and dedicated attorneys who will prosecute them on a contingency basis. Only by aggregating claims can Plaintiffs gain the leverage necessary to pursue a just and global resolution of the issues raised in this Complaint.

86. WHEREFORE, Plaintiffs, on behalf of themselves and the Class, pray for an order certifying the Class and appointing Plaintiffs and their counsel of record to represent the Class.

### **FIRST CAUSE OF ACTION**

#### **(Against All Defendants for Violations of NY General Business Law §349, *et seq.*)**

87. Plaintiffs incorporate by reference each and every allegation set forth above as if fully stated herein.

88. Defendants' actions constitute unlawful, unfair, deceptive and fraudulent practices as defined by New York's Deceptive Acts and Practices Law, NY General Business Law §349, *et seq.*

89. As part of its fraudulent marketing practices and recruitment program, NYLS engaged in a pattern and practice of knowingly and intentionally making numerous false representations and omissions of material facts, with the intent to deceive and fraudulently induce reliance by Plaintiffs and the members of the Class. These false representations and omissions were uniform and identical in nature, and include, without limitation, the following:

- a. Stating false placement rates during the recruitment process;
- b. Manipulating post-graduate employment data, so as to give the appearance that the overwhelming majority of recent graduates secure full-time, permanent employment for which a JD degree is required or preferred;
- c. Grossly inflating the salaries earned by recent graduates;
- d. Disseminating false post-graduate employment data and salary information to various third-party data clearinghouses and publications, such as the ABA and *US News*;
- d. Making deceptive and misleading statements, representations and omissions concerning NYLS's reputation with potential employers;
- e. Making deceptive and misleading statements, representations and omissions concerning the value of a NYLS law degree; and
- f. Making deceptive and misleading statements, representations and omissions concerning the pace at which recent graduates can obtain gainful employment in their chosen field.

90. In general, Plaintiffs and members of the Class enrolled at NYLS for the purpose of securing upon graduation full-time, permanent employment for which a JD degree is required or preferred. Defendants' acts, practices and omissions, therefore, were material to Plaintiffs' decision to enroll and attend NYLS, and were justifiably relied upon by Plaintiffs.

91. The Defendants' above-alleged actions constitute unfair business practices since the actions were deceptive, immoral, unethical, oppressive, unscrupulous, substantially injurious, and operate to the competitive disadvantage of other law schools. They are also likely to deceive

the public. Moreover, the injury to the Plaintiffs was substantial and outweighs the utility of the Defendants' practices.

92. The unfair and deceptive trade acts and practices have directly, foreseeably and proximately caused damage to Plaintiffs and other members of the Class.

93. The Defendants' practices, in addition, are unfair and deceptive because they have caused Plaintiffs and the Class substantial harm, which is not outweighed by any countervailing benefits to consumers or competition, and is not an injury consumers themselves could have reasonably avoided.

94. The Defendants' acts and practices have misled and deceived the general public in the past, and will continue to mislead and deceive the general public into the future, by, among other things, causing them to apply to and enroll at NYLS under false pretenses.

95. Plaintiffs are entitled to preliminary and permanent injunctive relief ordering the Defendants to immediately cease these unfair business practices, as well as disgorgement and restitution to Plaintiffs of all revenue associated with their unfair practices, or such revenues as the Court may find equitable and just.

## **SECOND CAUSE OF ACTION**

### **(Against All Defendants for Fraud)**

96. Plaintiffs incorporate by reference each and every allegation set forth above as if fully stated herein.

97. As part of its fraudulent marketing practices and recruitment program, NYLS engaged in a pattern and practice of knowingly and intentionally making numerous false representations and omissions of material facts, with the intent to deceive and fraudulently

induce reliance by Plaintiffs and the members of the Class. These false representations and omissions were uniform and identical in nature, and include, without limitation, the following:

- a. Stating false placement rates during the recruitment process;
- b. Manipulating post-graduate employment data, so as to give the appearance that the overwhelming majority of recent graduates secure full-time, permanent employment for which a JD degree is required or preferred;
- c. Grossly inflating the salaries earned by recent graduates;
- d. Disseminating false post-graduate employment data and salary information to various third-party data clearinghouses and publications, such as the ABA and *US News*;
- d. Making deceptive and misleading statements, representations and omissions concerning NYLS's reputation with potential employers;
- e. Making deceptive and misleading statements, representations and omissions concerning the value of a NYLS law degree; and
- f. Making deceptive and misleading statements, representations and omissions concerning the pace at which recent graduates can obtain gainful employment in their chosen field.

98. In general, Plaintiffs and members of the Class enrolled at NYLS for the purpose of securing full-time, permanent employment upon graduation. Defendants' acts and practices, therefore, were material to Plaintiffs' decision to enroll and attend NYLS, and were justifiably relied upon by Plaintiffs.

99. Plaintiffs and members of the Class did in fact justifiably rely on these material representations and omissions when deciding to enroll at NYLS. Specifically, Plaintiffs

reviewed and relied upon post-graduate employment data and salary information posted on NYLS's website and included in marketing brochures, as well as all such information disseminated to third-party data clearinghouses and publications, such as the ABA and *US News*.

100. The material representations and omissions were part of a common scheme, practice and plan conceived and executed by NYLS to mislead, deceive and defraud Plaintiffs and members of the Class. Defendants made these statements and representations regarding their graduates' employment data and salary information, including their graduates' ability to secure full-time, permanent employment for which a JD degree is required or preferred, knowing full well they were false, untrue, fraudulent and deceptive. In fact, Defendants know that the overwhelming majority of their graduates fail to secure gainful employment following graduation, and are forced to take jobs incommensurate to their education level.

101. Plaintiffs were, at all relevant times, ignorant of the true facts and did not know that in actuality few NYLS graduates secure gainful employment following graduation. Had Plaintiffs known of the dire financial straits faced by the overwhelming majority of NYLS students following graduation, they would never have enrolled in NYLS and incurred tens of thousands of dollars in non-dischargeable debt.

102. In addition, NYLS occupies a fiduciary position as educators, and owes a heightened duty of care to Plaintiffs and members of the Class to act in good faith and engage in fair dealings. Likewise, by virtue of the fact that many of NYLS's staff and faculty are attorneys and members of the New York Bar, they have certain ethical obligations and responsibilities to Plaintiffs and members of the Class. Defendants breached these heightened duties of care by making a series of material misstatements and omissions regarding their graduates' employment data and salary information.

103. The above-referenced material misstatements and omissions were knowingly, willfully, intentionally, maliciously, oppressively, and fraudulently undertaken with the express purpose and intention of defrauding Plaintiffs and the members of the Class, as well as to the substantial benefit of the Defendants. Consequently, Plaintiffs and members of the Class are entitled to punitive damages, the disgorgement of tuition monies, the reimbursement of attorneys' fees and all other monetary and equitable relief as the Court may find equitable and just.

### **THIRD CAUSE OF ACTION**

#### **(Against All Defendants for Negligent Misrepresentation)**

104. Plaintiffs incorporate by reference each and every allegation set forth above as if fully stated herein.

105. As part of its fraudulent marketing practices and recruitment program, NYLS engaged in a pattern and practice of knowingly and intentionally making numerous false representations and omissions of material facts, with the intent to deceive and fraudulently induce reliance by Plaintiffs and the members of the Class. These false representations and omissions were uniform and identical in nature, and include, without limitation, the following:

- a. Stating false placement rates during the recruitment process;
- b. Manipulating post-graduate employment data, so as to give the appearance that the overwhelming majority of recent graduates secure full-time, permanent employment for which a JD degree is required or preferred;
- c. Grossly inflating the salaries earned by recent graduates;

- d. Disseminating false post-graduate employment data and salary information to various third-party data clearinghouses and publications, such as the ABA and *US News*;
- d. Making deceptive and misleading statements, representations and omissions concerning NYLS's reputation with potential employers;
- e. Making deceptive and misleading statements, representations and omissions concerning the value of a NYLS law degree; and
- f. Making deceptive and misleading statements, representations and omissions concerning the pace at which recent graduates can obtain gainful employment in their chosen field.

106. In general, Plaintiffs and members of the Class enrolled at NYLS for the purpose of securing full-time, permanent employment upon graduation. Defendants' acts and practices, therefore, were material to Plaintiffs' decision to enroll and attend NYLS, and were justifiably relied upon by Plaintiffs.

107. Plaintiffs and members of the Class did in fact justifiably rely on these material representations and omissions when deciding to enroll at NYLS. Specifically, Plaintiffs reviewed and relied upon post-graduate employment data and salary information posted on NYLS's website and included in marketing brochures, as well as all such information disseminated to third-party data clearinghouses and publications, such as the ABA and *US News*.

108. The material representations and omissions were part of a common scheme, practice and plan conceived and executed by NYLS to mislead, deceive and defraud Plaintiffs and members of the Class. Defendants made these statements and representations regarding their graduates' employment data and salary information, including their graduates' ability to secure

full-time, permanent employment for which a JD degree is required or preferred, knowing full well they were false, untrue, fraudulent and deceptive. In fact, Defendants know that the overwhelming majority of their graduates fail to secure gainful employment following graduation, and are forced to take jobs incommensurate to their education level.

109. Plaintiffs were, at all relevant times, ignorant of the true facts and did not know that in actuality few NYLS graduates secure gainful employment following graduation. Had Plaintiffs known of the dire financial straits faced by the overwhelming majority of NYLS students following graduation, they would never have enrolled in NYLS and incurred tens of thousands of dollars in non-dischargeable debt.

110. In addition, NYLS occupies a fiduciary position as educators, and owes a heightened duty of care to Plaintiffs and members of the Class to act in good faith and engage in fair dealings. Likewise, by virtue of the fact that many of NYLS's staff and faculty are attorneys and members of the New York Bar, they have certain ethical obligations and responsibilities to Plaintiffs and members of the Class. Defendants breached these heightened duties of care by making a series of material misstatements and omissions regarding their graduates' employment data and salary information.

111. The above-referenced material misstatements and omissions were knowingly, willfully, intentionally, maliciously, oppressively, and fraudulently undertaken with the express purpose and intention of defrauding Plaintiffs and the members of the Class, as well as to the substantial benefit of the Defendants. Consequently, Plaintiffs and members of the Class are entitled to punitive damages, the disgorgement of tuition monies, the reimbursement of attorneys' fees and all other monetary and equitable relief as the Court may find equitable and just.

## **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs, on behalf of themselves and members of the Class, pray for relief and judgment against Defendants NYLS and Does 1 through 20 as follows:

1. For preliminary and injunctive relief enjoining Defendants, their agents, servants, employees and all persons acting in concert with them from continuing to engage in their unlawful recruitment program and manipulation of post-graduate employment data and salary information, and all other unfair, unlawful and /or fraudulent business practices alleged above and that may yet be discovered in the prosecution of this action;
2. For certification of the Class;
3. For restitution and disgorgement of all tuition monies remitted to NYLS, totaling \$200 million;
4. For damages;
5. For punitive damages;
6. For an accounting by Defendants for any and all profits derived by them from the herein-alleged unlawful, unfair, and/or fraudulent conduct and/or business practices;
7. For injunctive relief ordering that NYLS retains unrelated, independent third-parties to audit and verify post-graduate employment data and salary information;
8. For attorneys' fees and expenses pursuant to all applicable laws;
9. For prejudgment interest; and
10. For such other and further relief as the Court may deem just and proper.

DATED: August 10, 2011

RESPECTFULLY SUBMITTED,

**KURZON STRAUSS LLP**

By: /s/ David Anziska \_\_\_\_\_

David Anziska

Jeff Kurzon

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*Counsel for Plaintiffs, individually  
and for all others similarly situated*

**DEMAND FOR JURY TRIAL**

Plaintiffs hereby demand a jury trial on all causes of action so triable.

DATED: August 10, 2011

RESPECTFULLY SUBMITTED,

**KURZON STRAUSS LLP**

By: /s/ David Anziska \_\_\_\_\_

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