

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION
OFFICE OF THE ADMINISTRATIVE LAW JUDGE**

In the Matter of

HOMEADVISOR, INC.,

a corporation,

d/b/a ANGI LEADS,

**d/b/a HOMEADVISOR POWERED
BY ANGI.**

Docket No. 9407

Public

**ANSWER AND DEFENSES
OF RESPONDENT HOMEADVISOR, INC.**

Pursuant to Rule 3.12 of the Federal Trade Commission’s (“FTC”) Rules of Practice for Adjudicative Proceedings, Respondent HomeAdvisor, Inc. (“HomeAdvisor” or “Respondent”), by and through its attorneys, hereby files the following answer to the Commission’s Administrative Complaint (the “Complaint”):

STATEMENT OF FACTS PURSUANT TO 16 C.F.R. § 3.12(b)(1)(i)

The FTC’s complaint reflects fundamental misunderstandings of HomeAdvisor’s business, the vast service provider and homeowner networks that HomeAdvisor serves, and the lead generation industry generally. Based on a handful of unsubstantiated statements and out-of-context anecdotes, the Complaint alleges that since 2014, HomeAdvisor has been intentionally misleading hundreds of thousands of service providers regarding the nature and quality of the homeowner leads HomeAdvisor provides to its service provider members. While long on inflammatory accusations, the Complaint is most notable for what it lacks: any *actual evidence* of (1) systemic misrepresentations in HomeAdvisor’s marketing statements, (2) intent by HomeAdvisor and those who operate its business to entice membership through false promises to

service providers, (3) actual reliance upon alleged misrepresentations by HomeAdvisor’s service provider members, or (4) quantifiable financial gain by HomeAdvisor (or loss to service providers) that is tied to any alleged misrepresentations. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

Tellingly, the Complaint ignores entirely the [REDACTED] [REDACTED] that demonstrates the great value HomeAdvisor’s innovative online marketplace has provided to both service providers and homeowners for nearly twenty-five years, as well as the substantial filtering, vetting, and other quality-control efforts continually undertaken by HomeAdvisor to ensure that legitimate, high-quality leads are the norm on its platform and anything else is an exception to be eliminated. While going after HomeAdvisor has afforded an over-zealous FTC a big target and a prominent stage from which to tout its purported efforts to protect “small businesspeople” and “gig economy” workers, its Complaint here is baseless. HomeAdvisor is an honest and established business that provides genuine value to both its service professional members and the homeowners who hire them.

I. HomeAdvisor Established An Innovative On-Line Marketplace Providing Great Value To Service Providers And Homeowners

Formed in 1998, HomeAdvisor (known as ServiceMagic until 2012) addressed (i) the historical absence of any centralized means for homeowners to learn about and connect with service providers, and (ii) most service providers’ lack of resources to conduct broad, multi-channel marketing campaigns to reach homeowners interested in home repair and improvement work. HomeAdvisor’s goal was to bridge the gap between homeowners and service providers

through a single marketplace where service providers of all types could advertise their services and homeowners nationwide could locate and connect with local professionals across an array of home service tasks.

Achieving that goal has required extraordinary, and continuing, efforts from HomeAdvisor throughout its nearly 25-year history. HomeAdvisor has invested tens of millions of dollars since its formation to refine continually its lead generation practices and improve the digital marketplace for home services—a marketplace that did not exist until HomeAdvisor created it. Online lead generation is complex, and even more so here given the two-sided nature of serving both service providers and the homeowners who use HomeAdvisor’s platform to find and connect with them. HomeAdvisor’s two-sided model drives an inherently balanced structure through which both constituencies of its consumer market (homeowners and service providers) must receive fair value for HomeAdvisor to succeed. HomeAdvisor thus has simultaneously strived to cultivate a robust and geographically diverse service provider network, while attracting consumers seeking home services—all while ensuring that both the service providers and consumers can meet each other’s needs at scale.

In the last decade alone, HomeAdvisor has connected more than [REDACTED] interested consumers with over [REDACTED] service providers across hundreds of home services tasks, from handyman work and plumbing to landscaping and full-home remodels. And in just the last year, HomeAdvisor’s platform supported [REDACTED] service providers across more than [REDACTED] home improvement, repair, and maintenance projects—generating billions of dollars in jobs for these predominantly small businesses. While the success of its innovative model has fostered competition from numerous companies—including household brands like Google, Yelp!, and

Amazon—HomeAdvisor remains the industry leader for service providers seeking home services leads.

Of course, trial and error is inherent in innovation. In creating and cultivating this new marketplace, HomeAdvisor has since its founding worked to improve the experience of all its users, including lead generation for service providers. This has included development of a complex lead filtering process designed to flag potentially faulty or illegitimate leads, a generous credit policy that has returned hundreds of millions of dollars of value to service providers, a robust customer care team dedicated to fielding questions and concerns from service providers, and the continued development, optimization, and monitoring of various metrics to track and improve lead quality over time.

Indeed, HomeAdvisor has every reason to enhance service provider satisfaction, because its own success is dependent on that of its service providers. Only with a comprehensive and successful network of service providers can HomeAdvisor scale its business to serve adequately a growing homeowner base. This “flywheel” effect is critical to the success of a two-sided marketplace such as the HomeAdvisor platform, and HomeAdvisor could not possibly have remained in business for a quarter-century with a strategy of under-serving either of its two core constituencies. In short, providing a low-quality lead product to service providers would be antithetical to the interests of HomeAdvisor itself. And this is all the more so given that HomeAdvisor’s service providers are not a captive audience: they always can choose to enroll with one of HomeAdvisor’s competitors or simply forgo online marketplaces; and even after enrollment with HomeAdvisor, service providers can pause or terminate their memberships at any point if unsatisfied.

II. HomeAdvisor Sends Service Providers Leads, Which The Service Providers Must Then Convert Into Jobs

The FTC’s Complaint disregards the fundamental fact—known to service providers as a matter of common experience—that leads are *not* jobs, but instead are opportunities that service providers themselves must work to convert into jobs. This means that a service provider’s success on the HomeAdvisor platform depends on the service provider’s own efforts to convert the leads it receives into jobs. This is particularly important in HomeAdvisor’s transparent lead generation model, in which some leads can be provided to up to four service providers—providing homeowners with a greater array of choices—with each service provider competing to convert that opportunity into a job. Factors influencing service providers’ success in converting leads into job include (among others) the service provider’s timeliness in following up with leads, the service provider’s communications and rapport with the homeowner after the initial contact, the service provider’s reputation and ratings (as reflected in, among other things, reviews that homeowners can post on a service provider’s HomeAdvisor profile page, provided as a benefit of membership), and the service provider’s pricing.

Certain service-provider behaviors—including rapid response time and consistent lead nurturing—are recognized in the lead generation industry as critical to maximizing lead contact and conversion. Service providers that consistently engage in these behaviors are likely to be more successful in converting leads to closed sales and increasing their return on investment as compared to service providers that do not. Indeed, HomeAdvisor’s internal data shows that about 50% of jobs are won by the first service provider to contact the homeowner, and that making a second call to a homeowner increases by 87% a service provider’s likelihood of connecting with that homeowner. HomeAdvisor’s internal market research also shows that service providers with a robust profile on the HomeAdvisor platform are contacted by homeowners 60% more often than

service providers lacking such a professional profile page. Many service providers derive significant and lasting value from their HomeAdvisor memberships as a result of their consistent and professional outreach to the leads they receive. It would be unreasonable for any service provider to expect it will be able to convert all, or even most, of the leads it receives from HomeAdvisor into jobs. But HomeAdvisor’s platform can, and does, result in significant lead conversion for those service providers that put in the effort to stand out to the homeowner. And HomeAdvisor’s leads are priced such that even converting a relatively small percentage of leads into jobs normally results in a positive return on the service provider’s investment in HomeAdvisor membership.

The FTC’s Complaint wholly ignores that HomeAdvisor consistently represents to service providers that a “lead” is not a “job,” let alone a guaranteed job, and that any reasonable service provider knows it must work to convert a lead into a job and cannot expect to win work from every lead. HomeAdvisor emphasizes this fact to prospective service providers, who must listen to, and affirmatively confirm their understanding of, the following prompt before they can complete the HomeAdvisor enrollment process: ***“HomeAdvisor provides project leads, not guaranteed jobs. You will be billed for each lead that we send to you, and your success will vary depending on your abilities to follow up with potential prospects and sell your services.”***

In the same vein, the Complaint does not even address—let alone make **any** assessment of—the efforts individual service providers made (or did not make) to develop work from their leads, the particular tasks involved, or the homeowners’ respective needs, wants, likes and dislikes regarding the particular project at issue. The Complaint instead alleges, for example, that not all HomeAdvisor leads are for homeowners that are ready to hire a service provider “soon.” Compl. ¶ 6; *see also id.* ¶ 31 (“Contrary to HomeAdvisor’s representations, many of the leads that

HomeAdvisor sells to service providers do not concern people who intend to hire a service provider soon.”). But the FTC never defines “soon,” and instead assumes that all consumers across hundreds of tasks throughout the United States not only hire a service provider for every task in which they have expressed interest, but that they do so on the same timeline. But different tasks involve different levels of consideration, planning, and assessment by the homeowner, which can impact when an interested homeowner intends to commence any project. For example, leads for lower consideration tasks, like gutter cleaning, may require far less lead outreach and nurturing than leads for higher consideration tasks, like a full roof replacement. So too for urgent tasks, like fixing a leaky pipe, as opposed to long-term high-investment tasks, like a full kitchen remodel. As a result, service providers engaged in lower consideration or urgent tasks may close more jobs over a shorter period of time than service providers engaged in higher consideration or longer-term tasks. Moreover, regardless of task, each homeowner comes with his or her own set of preferences, needs, goals, and tastes, as well as his or her own sense of budget and timing, while every service provider brings its own set of skills, experiences, and understandings, as well as communication style, resources, and pricing. The service provider’s and homeowner’s subjective understandings of what factors matter in the process may further vary depending on the specific project, geographic locale, or industry at issue. And no matter what the project, homeowners typically are considering multiple service providers—including potentially several HomeAdvisor service providers and/or service providers found through other marketing channels or personal referrals—and thus necessarily are comparing those service providers across an individualized set of metrics based on their specific project and preferences.

The FTC’s Complaint also alleges that HomeAdvisor “sold leads to service providers that were submitted by people who were only interested in obtaining prices,” Compl. ¶ 31, but provides

no substantiation that this was a widespread or purposeful practice on HomeAdvisor’s part. And, of course, a homeowner who has merely expressed interest in a specific project and the desire to learn more about pricing is still a prospect for a job. If that homeowner receives a quote from a service provider and ultimately chooses not to hire that service provider, the Complaint does not explain whether, for example, the homeowner found the service provider’s quote too high and/or chose to hire another service provider. The Complaint similarly suggests that certain leads are fraudulent because the homeowner may have been interested in winning a “gift card offered through a promotion,” *id.*, but again the FTC does not offer any substantiation for its assumption that such homeowners are not also legitimately interested in hiring a service provider or rule out any of the multiple other reasons why a given service provider might fail to convert such a lead to a job.

III. The Complaint’s Allegations About Task And Geographic Matches Are Misdirected

The FTC asserts that HomeAdvisor misrepresents to “service providers that the leads they will receive concern home services projects that match the type of work and geographic preferences that service providers express to HomeAdvisor.” Compl. ¶ 35. Those allegations ignore that service providers’ geographic service areas and specific tasks are set and controlled ***by the service providers***, and HomeAdvisor matches leads to service providers algorithmically based on those self-selected criteria and the information submitted by homeowners.

Specifically, when a service provider signs up for HomeAdvisor, a HomeAdvisor customer service representative conducts an extensive enrollment call with the service provider to address HomeAdvisor’s products and services and any questions the service provider may have. During the call, the service provider selects the specific tasks and geographic areas it wishes to service. These lead criteria and the accompanying lead fees are then displayed in the service provider’s online profile settings, which remain accessible to, *and adjustable by*, the service provider

throughout its membership. At all times, the service provider is in total control of its HomeAdvisor profile criteria, including online through its HomeAdvisor portal pages, without the need even to speak to a customer care representative.

On the homeowner side, HomeAdvisor collects with each service request, at minimum, the homeowner's contact information, zip code, and the specific task selected. When submitting a service request, homeowners answer a series of multiple-choice questions about their projects, where each subsequent question is generated based on the project category and the response to the prior question. There are over 1,500 unique Task IDs that reflect the various permutations of homeowners' answers to questions about their projects. The Task ID is then used to match the request to service providers profiled for that task. Consumers also have the opportunity to enter their own notes or descriptions of the project, which are visible to HomeAdvisor service providers. During this process, homeowners are required to provide their address in response to the question "where is your project located?"; and HomeAdvisor uses the zip codes provided by the homeowners to match the request to service providers that profiled themselves to perform work in that same zip code. The homeowner side of HomeAdvisor's system does not allow a homeowner to submit a service request without entering a valid zip code.

Service providers do on occasion incorrectly set up their HomeAdvisor profiles. For example, a service provider may wish to perform roof repairs and installations for metal roofs only, but mistakenly might include asphalt roofs as well in its profile. HomeAdvisor's customer care records [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Given this tendency, HomeAdvisor [REDACTED]

[REDACTED]

[REDACTED]

In addition, [REDACTED]

[REDACTED].

Homeowners [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

In reality, HomeAdvisor makes great efforts to provide service providers with leads that fit their profile criteria, and HomeAdvisor grants credit requests for leads that do not. *In fact, during the time period in question, HomeAdvisor generated [REDACTED] of leads transmitted to service providers, and [REDACTED] resulted in a credit request based on a task or location mismatch.* HomeAdvisor’s commitment to matching service providers with the tasks and zip codes they choose is confirmed by the fact that during the period from July 2014 to September 2019, HomeAdvisor did not send to service providers roughly [REDACTED] of the homeowner service requests that were generated on HomeAdvisor’s platform—translating to [REDACTED] of forgone

potential gross lead revenue—because HomeAdvisor did not have service providers in its network who matched exactly with the task type and geographic area of the service requests. That is hardly the mark of a company that, as the FTC would have it, knowingly traffics in bad leads.

IV. The Complaint’s Allegations About Leads Generated By Affiliates Are Conclusory And Unsupported

The FTC also has no legitimate basis for claiming that HomeAdvisor failed to disclose that

[REDACTED]

[REDACTED].” Compl. ¶ 45. While

the FTC uses vague—and unsubstantiated—words like [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Nor are the FTC’s claims supported by

any other materials cited in the Complaint—such as internal sales materials that merely state:

“[REDACTED]

[REDACTED].” Compl. ¶ 43.

In fact, HomeAdvisor’s use of affiliates to generate leads is no secret: HomeAdvisor publicly advertises its affiliate program on its website.¹ At the same time, approximately [REDACTED] of the leads transmitted to service providers are, in any event, from homeowners who came directly to HomeAdvisor to submit their service requests.

¹ See HomeAdvisor Affiliate Program, <https://www.homeadvisor.com/affiliate/signup> (“HomeAdvisor’s industry-leading partner program offers aggressive payouts for qualified leads or calls.”).

The Complaint’s allegations also rest on a false distinction between affiliate-generated leads and those generated directly through HomeAdvisor. The Complaint cites no evidence to support the claim that affiliate leads are of uniformly lower quality than those generated through HomeAdvisor. Nor does the Complaint offer any basis to conclude that service providers were harmed if they received affiliate leads. To the contrary, the Complaint ignores the contractual and other controls that HomeAdvisor employs to ensure the quality of all leads from affiliates, including:

- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

HomeAdvisor's relationship with its affiliates furthermore is constantly evolving to provide HomeAdvisor with even deeper insight into its affiliates' business practices, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Notably, the Complaint contains not a single reference to any service provider who claimed to be misled regarding HomeAdvisor’s use of affiliates, no mention of HomeAdvisor’s lead management and quality control processes, and certainly no evidence that those processes have failed to increase and maintain the quality of affiliate leads.

V. **The Complaint Disregards HomeAdvisor’s Extensive Lead Filtering Process**

Once HomeAdvisor captures service request information, whether from an affiliate or its own platform, HomeAdvisor then puts the request through its filter processes designed to target and weed out potentially illegitimate requests. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

VII. The Complaint Disregards Services Providers' Return On Investment

The Complaint inexcusably fails even to consider the significant value and return on investment service providers obtain if they convert even only a relatively small percentage of leads received from HomeAdvisor into jobs. As discussed above, leads are opportunities to develop and potentially close a sale, and the success rate for doing so depends on, among other things, the service provider's own efforts in contacting the homeowner and nurturing the lead. This is distinct from most consumer transactions where the buyer is unilaterally paying for a specific end product or service. As also noted above, HomeAdvisor emphasizes this fact to prospective service providers, who must listen to, and affirmatively indicate their understanding of, the following prompt before they can complete the HomeAdvisor enrollment process: "HomeAdvisor provides project leads, not guaranteed jobs. You will be billed for each lead that we send to you, and your success will vary depending on your abilities to follow up with potential prospects and sell your services."

The raw percentage of leads converted to sales accordingly must be considered in context with the understanding that not all leads—and indeed often a comparatively small percentage—will convert to paying work. Win rates of approximately 10–20% might appear low to some. But

by industry standards for online lead generators, those rates meet or exceed reasonable expectations.⁵ That is because it is widely understood in the industry—by both sellers and buyers of leads—that the value proposition of lead generation is not wins or losses on a lead-by-lead basis; rather, it is a service provider’s overall return on its investment in that lead generation service.

The pricing of HomeAdvisor’s leads takes all this into account, seeking to ensure that service professionals can convert even a low percentage of the leads they receive from HomeAdvisor into jobs and still earn a positive return on their investment in HomeAdvisor membership and lead fees. HomeAdvisor prices its leads based primarily on the type of task and the location of the service request, and its pricing model accounts for, among other things, competition among service providers to win work from homeowners in that area for that task, the possibility that homeowners might hire a service provider unaffiliated with HomeAdvisor, and the possibility of a homeowner ultimately changing his or her mind and choosing not to pursue a previously expressed interest in a service. Generally speaking, higher consideration tasks (e.g., a full home remodel) result in a more expensive lead, while lower consideration tasks (e.g., a cleaning service) are priced lower. Pricing with the potential job value in mind is significant, as

⁵ See, e.g., Evan Bailyn, *B2B SaaS Funnel Conversion Benchmarks*, (listing conversion rates from the top of the sales funnel to closed sale at between 0.7% to 2.3% across several industries and lead sources) <https://firstpagesage.com/seo-blog/b2b-saas-funnel-conversion-benchmarks-fc/>; Marketing Insider Group, *Are Your Lead Conversion Rates Above Average?* (showing a 3.3% median conversion rate in the home services industry, with 14.9% being the “[b]est”) <https://marketinginsidergroup.com/demand-generation/are-your-lead-conversion-rates-aboveaverage/>; MarketingSherpa, *Case Study: Lead Generation Confessions: 17 B2C and B2B marketers in 12 different industries share their lead conversion rates*, (reflecting 17 companies’ conversion rates across industries, including Loftera’s (a company similar to HomeAdvisor) with a top of sales funnel lead-to-customer conversion rate of 5% and a “marketing-qualified leads convert at 7.2%”) <https://www.marketingsherpa.com/article/case-study/B2B-B2C-leadgeneration-conversion-rates>; G. David Dodd, *B2B Marketing Directions* (2014) <http://b2bmarketingdirections.blogspot.com/2014/09/diagnosing-performance-of-your-demand.html>.

cost-per-lead compared to average sales price impacts a service provider's return on investment. Given the FTC's purported focus on harm to service providers from leads it somehow considers to be substandard, the Complaint's complete failure to reckon with the core measure of return on investment is striking.

Moreover, the direct return-on-investment attributable to won leads does not capture all the potential value HomeAdvisor membership affords. A service provider's return on investment also can include longer-term income, when the service provider (1) offers the homeowner repeat or related services; (2) obtains referrals from the homeowner; or (3) receives positive online recommendations and reviews from the homeowner. Of course, the likelihood of generating repeat or related work, referrals, and online recommendations depends largely on the particular homeowner's satisfaction with the work initially performed and the entire customer experience. But service providers that diligently pursue and succeed with HomeAdvisor leads can unlock tremendous value far beyond the initial sale through post-sale follow-up and communication.

VIII. HomeAdvisor Stopped Offering mHelpDesk Over Two Years Ago

The FTC's claim regarding the mHelpDesk product is likewise exaggerated and unsupported. *See* Compl. ¶¶ 54–60. HomeAdvisor stopped selling mHelpDesk in January 2020, and the FTC offers no basis to suggest that the product could be reinstated. Accordingly, there can be no ongoing and actionable violation of the FTC Act attributable to any representations about mHelpDesk. In any event, the statements about mHelpDesk referenced in the Complaint, *id.* ¶ 55, were not encouraged or condoned by HomeAdvisor or its management, and they contradict HomeAdvisor's training materials. Indeed, all of these statements were contemporaneously flagged by HomeAdvisor's quality assurance team as a "coaching opportunity" for the manager to address with the sales representative and/or resulted in a deduction from the sales representative's overall quality assurance score for the call at issue.

VIII. Other Legal Flaws in the FTC Complaint

The FTC’s Complaint and associated claim for monetary relief also fail to exclude leads sold by HomeAdvisor to service providers located in Canada through its Canadian subsidiary. The FTC lacks jurisdiction over such transactions because they are not “likely to cause reasonably foreseeable injury within the United States” and do not “involve material conduct occurring within the United States.” 45 U.S.C. § 45(a)(4)(A).

In addition, while the Complaint purports to cover the period from 2014 to the present, any claims arising out of conduct prior to August 2, 2016 are time-barred under the three-year statute of limitations applicable to Section 19 of the FTC Act, 15 U.S.C. § 57b(d), which was tolled as of August 2, 2019 pursuant to a tolling agreement between HomeAdvisor and the FTC.

[REDACTED]

* * * * *

The FTC’s Complaint is predicated on the false notion that the hundreds of thousands of service providers who enrolled in, utilized and gained great value from HomeAdvisor’s innovative online marketplace since 2014 were knowingly misled, unwittingly duped, and thereby harmed. But the Complaint is as shockingly sparse in supporting factual allegations as it is long on unsubstantiated and irresponsible (and agenda-influenced) assertions. In fact, the actual evidence is directly contrary and will show that HomeAdvisor is a legitimate and innovative company that provides significant value to the homeowners and service providers who have kept coming back to HomeAdvisor because they recognize and want the benefits HomeAdvisor provides.

RESPONSES TO THE SPECIFIC ALLEGATIONS OF THE COMPLAINT

1. Respondent HomeAdvisor, Inc. (“HomeAdvisor”), also doing business as Angi Leads, also doing business as HomeAdvisor Powered by Angi, is a Delaware corporation with its principal offices or places of business at 3601 Walnut Street, Denver, Colorado 80205 and 14023 Denver West Parkway, Golden, Colorado 80401.

RESPONSE TO ¶ 1:

HomeAdvisor admits that HomeAdvisor is a Delaware corporation with its principal offices or place of business at 3601 Walnut Street, Denver, Colorado 80205. In March 2021, the HomeAdvisor business became known as HomeAdvisor, powered by Angi, which is also known as Angi Leads.

2. HomeAdvisor has marketed, advertised, offered for sale, and sold products to home service providers, including leads, HomeAdvisor memberships, and mHelpDesk.

RESPONSE TO ¶ 2:

HomeAdvisor denies the allegations in this paragraph to the extent that as of in or around January 2020, HomeAdvisor ceased selling the mHelpDesk product. HomeAdvisor otherwise admits the allegations in this paragraph.

3. The acts and practices of HomeAdvisor alleged in this complaint have been in or affecting commerce, as commerce is defined in Section 4 of the Federal Trade Commission Act.

RESPONSE TO ¶ 3:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

4. HomeAdvisor collects information about potential customers for home services like kitchen remodels or lawn care, and sells that information to service providers in its network, such as general contractors and gardeners, as leads.

RESPONSE TO ¶ 4:

HomeAdvisor denies the allegations in this paragraph, except to admit that it collects information about potential customers—not guaranteed customers—in the form of service requests, and that it sells that information to service providers in its network in the form of leads.

5. HomeAdvisor recruits service providers, primarily small businesses, through marketing materials and [REDACTED] sales agents who call service providers and attempt to persuade them to join HomeAdvisor's network. To join HomeAdvisor's network, a service provider pays an annual membership fee of \$287.99 in addition to paying for each lead, which can range from \$ [REDACTED].

RESPONSE TO ¶ 5:

HomeAdvisor denies the allegations in the first sentence of this paragraph, except to admit that (i) marketing materials and HomeAdvisor sales agents' calls to prospective service providers have been two of the ways—among many others, including non-HomeAdvisor sources—in which service providers can learn about HomeAdvisor's network, and (ii) the majority of service providers in HomeAdvisor's network are small businesses and local proprietorships. HomeAdvisor further denies the allegations in the first sentence of this paragraph to the extent that it purports to set forth all the information that service providers rely on in choosing to join—or not to join—HomeAdvisor's network. HomeAdvisor denies the allegations in the second sentence of this paragraph, except to admit that it has made different types of memberships available, and that some of these memberships cost \$287.99 annually. To the extent a further response is required, HomeAdvisor denies the allegations in this paragraph.

6. Since at least July 2014, HomeAdvisor, through its sales agents and marketing materials, has made representations to service providers about the quality, characteristics, and source of HomeAdvisor's leads that are false, misleading, or unsubstantiated. HomeAdvisor represents that its leads concern people who intend to hire a service provider soon, even though many of them do not. HomeAdvisor represents that service providers will only receive leads that match the types of services they provide and their geographic preferences, even though many service providers receive leads that do not match the types of services they provide or their geographic preferences. HomeAdvisor represents that its leads concern people who knowingly sought its assistance in selecting a service provider, even though many of the leads HomeAdvisor sells are purchased from third parties who collect information from potential customers without first revealing their

affiliation with HomeAdvisor. In addition, HomeAdvisor represents to service providers that its leads convert into jobs at rates well above what HomeAdvisor can substantiate.

RESPONSE TO ¶ 6:

HomeAdvisor denies the allegations in this paragraph.

7. Since at least 2015, HomeAdvisor's sales agents have also misrepresented the cost of an optional one-month subscription to a field service software, mHelpDesk, which assists service providers with tasks like scheduling appointments and processing payments. Whereas HomeAdvisor has represented to service providers that the first month of the mHelpDesk subscription is free with an annual membership, in fact, the first month of the subscription increases the cost of the annual membership by \$59.99.

RESPONSE TO ¶ 7:

HomeAdvisor denies the allegations in this paragraph, except to admit that mHelpDesk is a software that assists service providers with certain tasks, including but not limited to scheduling appointments and processing payments. HomeAdvisor further denies the allegations in this paragraph to the extent they are inconsistent with the fact that HomeAdvisor ceased selling mHelpDesk in or around January 2020.

8. Based on HomeAdvisor's false, misleading, or unsubstantiated representations about the quality, characteristics, and source of HomeAdvisor's leads and the rates at which those leads convert into jobs, service providers agree to join Home Advisor's network, paying an upfront (and often inflated) membership fee, followed by additional fees for each lead they receive. Service providers, already busy with the demands of running small businesses, expend precious time following up on leads that are not of the quality HomeAdvisor promises, and still more time seeking, often unsuccessfully, credits and refunds from HomeAdvisor for such leads.

RESPONSE TO ¶ 8:

The first sentence of this paragraph sets forth legal conclusions to which no response is required, including assertions that HomeAdvisor's representations were false, misleading or unsubstantiated. To the extent that a response is required, HomeAdvisor denies the allegations. HomeAdvisor denies that the leads it provides are not of the quality HomeAdvisor promises, and lacks sufficient information to admit or deny the remaining allegations in the second sentence of this paragraph.

9. Home Advisor's deceptive practices have caused service providers to suffer millions of dollars of injury.

RESPONSE TO ¶ 9:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

10. Every year, HomeAdvisor sells [REDACTED] of leads to service providers in its network. [REDACTED] the leads that HomeAdvisor sells consist of information submitted by visitors to HomeAdvisor's website, homeadvisor.com. The website's homepage states: "Find trusted local pros for any home project," and prompts the visitor to answer a series of questions about a project and provide contact information. A visitor can also browse a directory of service providers on HomeAdvisor's website.

RESPONSE TO ¶ 10:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. HomeAdvisor otherwise admits the allegations in this paragraph.

11. Using the information visitors submit to its website, HomeAdvisor sells a variety of lead types to service providers, including "Market Match Leads," "Exact Match Leads," and "Instant Booking Leads."

RESPONSE TO ¶ 11:

HomeAdvisor denies the allegations in this paragraph to the extent that they omit all the processes that HomeAdvisor undertakes to evaluate the information that it receives from homeowners in the form of service requests before, potentially, selling that information to service providers in the form of leads, such as manual and automated processes that filter out certain service requests before they potentially can be sold as leads. HomeAdvisor otherwise admits the allegations in this paragraph.

12. [REDACTED] of the leads HomeAdvisor sells to service providers are Market Match Leads. HomeAdvisor generates Market Match Leads from its website when a visitor follows the prompts and answers several questions about a home project. With the exception of an optional field that allows the visitor to provide further details about the project, the questions are multiple choice with one answer option often pre-selected by default. Based on a subset of the visitor's answers, HomeAdvisor uses an automated matching system to identify service providers in HomeAdvisor's network to whom HomeAdvisor sends the information provided by the visitor as a lead.

RESPONSE TO ¶ 12:

HomeAdvisor admits the first sentence in this paragraph. HomeAdvisor denies the allegations in the remaining allegations in this paragraph, which fail to mention, among other things, (i) all the information that a homeowner must provide before he or she can submit a service request, and (ii) all the processes that HomeAdvisor undertakes to evaluate a service request before, potentially, selling that information to service providers in the form of leads, such as manual and automated processes that filter out certain service requests before they potentially can be sold as leads.

13. HomeAdvisor generates Exact Match and Instant Booking Leads from visitors who browse the directory of service providers on HomeAdvisor's website. The directory consists of service provider listings that include a description of each service provider's work and reviews. Many service provider listings also include an appointment calendar. HomeAdvisor generates an Exact

Match Lead when a visitor selects a specific service provider from the directory and submits project and contact information directly to that service provider. HomeAdvisor generates an Instant Booking Lead when a visitor makes an appointment with a specific service provider via a web-based application on the directory. Approximately [REDACTED] of the leads HomeAdvisor sells to service providers are Exact Match Leads and approximately [REDACTED] are Instant Booking Leads.

RESPONSE TO ¶ 13:

HomeAdvisor denies the allegations in the first sentence of this paragraph. HomeAdvisor denies the allegations in the second and third sentences of this paragraph, except to admit that the Pro Directory contains a description of service providers' work and reviews, among other things (many of which service providers themselves decide whether to include), and that the service provider can elect to include an appointment calendar. HomeAdvisor admits the allegations in the fourth and fifth sentences of this paragraph. HomeAdvisor admits that HomeAdvisor's corporate witness testified that as of mid- to late 2020, [REDACTED] of the leads HomeAdvisor sold to service providers were Exact Match leads and [REDACTED] were Instant Booking Leads.

14. In addition to selling leads to service providers that are generated from visitors' interactions with HomeAdvisor's website, HomeAdvisor has resold [REDACTED] of leads that it has purchased from third parties ("affiliates"). Affiliates generate these leads [REDACTED] from web-based forms [REDACTED]. In many cases, the internet users do not know that their information will be shared with HomeAdvisor until they complete the form, if at all [REDACTED]

RESPONSE TO ¶ 14:

HomeAdvisor denies the allegations in this paragraph, because they allege that HomeAdvisor purchased "leads" from affiliates, when in fact HomeAdvisor purchased service requests which were then subject to further review by HomeAdvisor before potentially being sold as leads to service providers. HomeAdvisor admits that certain affiliate-generated service requests come from websites that do not identify any affiliation with HomeAdvisor.

15. HomeAdvisor also sells leads to service providers that are generated when HomeAdvisor customer representatives input information provided over the phone by potential customers of home services. HomeAdvisor's telephone-generated leads [REDACTED]

RESPONSE TO ¶ 15:

HomeAdvisor admits the allegations in this paragraph.

[REDACTED]

RESPONSE TO ¶ 16:

HomeAdvisor denies the allegations in the first sentence of this paragraph to the extent they [REDACTED]

HomeAdvisor denies the allegations in the second sentence of this paragraph. HomeAdvisor denies the allegations in the third, fourth, and fifth sentences of this paragraph, because they [REDACTED]

17. [REDACTED]

RESPONSE TO ¶ 17:

HomeAdvisor denies the allegations in the first sentence of this paragraph, except admits [REDACTED]

HomeAdvisor denies the allegations in the third and fourth sentences of this paragraph. HomeAdvisor denies the allegations in the fifth sentence of this paragraph to the extent [REDACTED].

18. In order to receive leads from HomeAdvisor, service providers must first pass a background check and join HomeAdvisor's network by purchasing a membership. HomeAdvisor

regularly sold a membership package for \$347.98 that included a one-month subscription to mHelpDesk, a field service software produced by a subsidiary of HomeAdvisor. After the first month, the mHelpDesk subscription automatically renewed at \$59.99 per month unless service providers cancelled it.

RESPONSE TO ¶ 18:

HomeAdvisor denies the allegations in the first sentence of this paragraph, except admits that service providers cannot be accepted into HomeAdvisor’s network or receive leads from HomeAdvisor without having passed a background check. HomeAdvisor denies the allegations in the second sentence of this paragraph, except admits that HomeAdvisor has made different types of memberships available, including a membership package (that HomeAdvisor has not sold since on or about January 2020) that included a one-month subscription to mHelpDesk. HomeAdvisor denies the allegations in the third sentence of this paragraph, except with respect to those service providers that purchased a membership that included mHelpDesk.

19. Upon purchasing a HomeAdvisor membership, service providers receive leads, including Market Match, Exact Match, and Instant Booking Leads. The price of a Market Match Lead ranges from approximately \$ [REDACTED] to \$ [REDACTED], depending on the type of home project it concerns (e.g., a kitchen remodel will typically be priced higher than house cleaning), and the geographic location of the project. Exact Match and Instant Booking Leads cost fifty percent more than Market Match Leads of the same project type and location. The average price of a lead, across lead types, is approximately \$ [REDACTED].

RESPONSE TO ¶ 19:

HomeAdvisor denies the allegations in the first sentence of this paragraph, except admits that Market Match, Exact Match, and Instant Booking are types of leads that service providers can receive. HomeAdvisor denies the allegations in the second sentence of this paragraph, except admits that lead fees vary depending on the type of project and the geographic location of the project. HomeAdvisor admits the allegations in the third sentence of this paragraph, noting that the range of potential lead fees varies from service provider to service provider. HomeAdvisor admits the allegations in the fourth sentence of this paragraph, but only with respect to the time period of July 2014 through September 2019. HomeAdvisor denies the allegations in the fourth sentence of this paragraph with respect to the time periods before July 2014 and after September 2019.

20. Service providers pay HomeAdvisor for each Market Match, Exact Match, or Instant Booking Lead they receive. Service providers limit the number of Market Match and Exact Match Leads they receive by setting an approximate monthly lead budget in their HomeAdvisor account.

[REDACTED]

HomeAdvisor also allows a service provider to “pause” receiving Market Match, Exact Match, and Instant Booking Leads for a limited time, after which the leads will automatically resume.

RESPONSE TO ¶ 20:

HomeAdvisor denies the allegations in the first sentence of this paragraph, except admits that under certain membership types, service providers pay for each lead they receive (though they also may receive lead credits for a variety of reasons). HomeAdvisor denies the allegations in the second sentence of this paragraph to the extent that they purport to state all the ways that a service provider can limit the number of leads it receives per month or otherwise. HomeAdvisor denies the allegations in the third sentence of this paragraph to the extent that they fail to articulate fully the nature of the spend target system that HomeAdvisor uses with service providers. HomeAdvisor denies the allegations in the fourth sentence of this paragraph, except admits that service providers can pause their leads.

21. HomeAdvisor does not allow service providers to preview leads prior to receiving them. If a service provider is dissatisfied with a lead she receives from HomeAdvisor, her primary recourse is to request a credit to her HomeAdvisor account for the cost of the lead in question. If HomeAdvisor grants the credit request, HomeAdvisor then applies the credit against the cost of future leads. HomeAdvisor does not generally provide refunds for leads.

RESPONSE TO ¶ 21:

HomeAdvisor denies the allegations in the first sentence of this paragraph to the extent that they allege that service providers cannot preview the leads services that HomeAdvisor offers, and admits only that Market Match and Exact Match leads are automatically accepted based upon the tasks and geographic service areas set up on the service provider's profile, which the service provider selects and can adjust on its own throughout its membership. HomeAdvisor lacks sufficient information to admit or deny the allegations in the second sentence of this paragraph, including because the sentence does not identify the reason for which the service provider is dissatisfied. HomeAdvisor admits the allegations in the third sentence of this paragraph. HomeAdvisor denies the allegations in the fourth sentence of this paragraph because they suggest that HomeAdvisor does not provide refunds for leads.

22. Service providers can submit lead credit requests by speaking with a HomeAdvisor customer service representative who submits the credit request on the service provider's behalf. Service providers can also submit lead credit requests online via their HomeAdvisor account. To submit a lead credit request, a service provider must provide the reason the service provider thinks a credit is appropriate. HomeAdvisor grants lead credit requests at its discretion based on a variety of factors, including the service provider's stated reason, whether HomeAdvisor is able to verify the reason provided by [REDACTED]

[REDACTED]. Since July 2014, HomeAdvisor has denied more than [REDACTED] lead credit requests, approximately [REDACTED]

RESPONSE TO ¶ 22:

HomeAdvisor admits the allegations in the first and second sentences of this paragraph. HomeAdvisor denies the allegations in the third and fourth sentences of this

paragraph. HomeAdvisor admits the allegations in the fifth sentence of this paragraph only with respect to the time period of [REDACTED] and notes that it granted a majority ([REDACTED]) of lead credit requests in that period.

23. HomeAdvisor employs [REDACTED] of sales agents who call service providers around the country and attempt to persuade them to join HomeAdvisor’s network. A service provider can only join HomeAdvisor’s network by speaking to a HomeAdvisor representative over the phone.

RESPONSE TO ¶ 23:

HomeAdvisor admits the allegations in the first sentence of this paragraph, except that HomeAdvisor denies those allegations to the extent that they purport to describe the sole purpose or goal of HomeAdvisor’s sales agents, or the ways in which sales agents go about performing their jobs, which necessarily vary agent to agent, service provider to service provider, and outreach to outreach. HomeAdvisor admits the allegations in the second sentence of this paragraph.

24. In their sales calls with service providers, many of HomeAdvisor’s sales agents, [REDACTED] [REDACTED] make false, misleading, or unsubstantiated representations about the quality, characteristics, and source of HomeAdvisor’s leads and the rates at which those leads convert into jobs.

RESPONSE TO ¶ 24:

HomeAdvisor denies the allegations in this paragraph.

25. In numerous instances, HomeAdvisor’s sales agents have represented to service providers that HomeAdvisor’s leads concern people who intend to hire a service provider soon. For example, in sales calls HomeAdvisor’s sales agents have described the leads as follows:

[REDACTED]

RESPONSE TO ¶ 25:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references call recordings, the recordings speak for themselves and are the best evidence of the contents of those specific calls, which represent just a few statements—divorced from their context—taken from a small sample of the many thousands of sales calls that HomeAdvisor sales agents conducted during the time period of July 2014 to the present. HomeAdvisor further denies that any of these statements is exemplary.

26. Indeed, HomeAdvisor has provided its sales agents with a list of marketing claims approved for use in sales calls that [REDACTED] and “[REDACTED].”

RESPONSE TO ¶ 26:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. While HomeAdvisor admits that the quoted statements in this paragraph were among statements that were provided to sales agents, HomeAdvisor denies any implication that these statements are inaccurate or misleading or represent the complete information that was provided to the sales agents.

27. HomeAdvisor’s external marketing materials make similar representations. On its website, HomeAdvisor prominently displays a “How It Works” video for service providers that states, “With HomeAdvisor’s patented ProFinder technology, you’re only matching to serious homeowners in your area.”

RESPONSE TO ¶ 27:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor otherwise denies the allegations this paragraph, and admits only that the video referenced in the second sentence of this paragraph includes, among other things, the language quoted in that sentence.

28. Another portion of its website represents to service providers: “When you’re a [member of HomeAdvisor’s service provider network], HomeAdvisor matches you with homeowners actively seeking the services you provide in your area.”

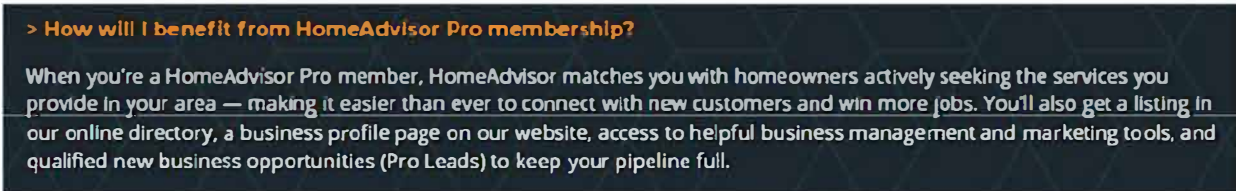


Illustration 1: available at <https://pro.homeadvisor.com/membership/#membership> (last visited August 9, 2021)

RESPONSE TO ¶ 28:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor admits that the quoted language has appeared on HomeAdvisor’s website.

29. Yet another page on HomeAdvisor’s website states, “You won’t have to waste your time with customers who just window-shop. Angi Leads allows you to spend your time with the right ‘ready-to-buy’ customers.”

Benefits of Joining

Can Angi Leads increase a service professional’s profits?
Absolutely. You won’t have to waste your time with customers who just window-shop. Angi Leads allows you to spend your time with the right “ready-to-buy” customers. We do our best to fully educate customers about the scope, cost, and timing of their projects. Then we’ll match them with you, based on your preferences for job type and location.
Illustration 2: available at <https://pro.homeadvisor.com/help/faqs/> (last visited August 9, 2021)

RESPONSE TO ¶ 29:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor admits that the quoted language has appeared on HomeAdvisor’s website.

30. Other marketing materials describe HomeAdvisor’s leads as “project requests” and advertise HomeAdvisor as a means for service providers to “connect with project-ready homeowners.”

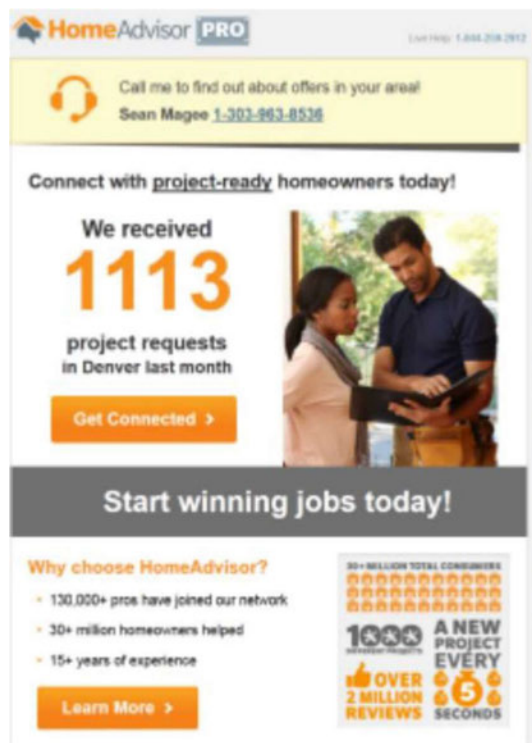


Illustration 3: email marketing sent to prospective service provider members

RESPONSE TO ¶ 30:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor admits the allegations in this paragraph.

31. Contrary to HomeAdvisor’s representations, many of the leads that HomeAdvisor sells to service providers do not concern people who intend to hire a service provider soon. [REDACTED]

RESPONSE TO ¶ 31:

HomeAdvisor denies the allegations in the first sentence of this paragraph. HomeAdvisor lacks sufficient information to admit or deny the remaining allegations in this paragraph.

32. Indeed, HomeAdvisor sells information to service providers as leads even when internet users affirmatively indicate that they do not intend to hire a service provider soon. For example, one of the questions that a user typically must answer about a home project is whether its status is “Ready to Hire” or only “Planning & Budgeting.” Similarly, another question that a visitor typically must answer is how soon they would like the project completed (e.g., “Timing is flexible,” “Within 1 week,” “1-2 weeks,” or “More than 2 weeks”). Yet another question asks whether the internet user is “the owner or authorized to make property changes.” [REDACTED], and many of the leads that HomeAdvisor sells to service providers concern people who described their project status only as “Planning & Budgeting,” provided an indefinite timeframe for completion, [REDACTED].

RESPONSE TO ¶ 32:

HomeAdvisor denies the allegations in the first sentence of this paragraph. HomeAdvisor admits the allegations in the second, third, and fourth sentences of this paragraph. HomeAdvisor denies the allegations in the fifth sentence of this paragraph except to admit that the answers to these questions are not determinative of [REDACTED]

33.

[REDACTED]

RESPONSE TO ¶ 33:

HomeAdvisor denies the allegations in this paragraph.

34.

[REDACTED]

RESPONSE TO ¶ 34:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor denies the allegations in the second sentence of this paragraph to the extent they mischaracterize the document.

35. In numerous instances, HomeAdvisor’s sales agents have told service providers that the leads they will receive concern home services projects that match the type of work and geographic preferences that service providers express to HomeAdvisor. For example, in sales calls HomeAdvisor’s sales agents have described the leads as follows:

[REDACTED]

RESPONSE TO ¶ 35:

HomeAdvisor admits the allegations in the first sentence of this paragraph. To the extent that this paragraph references call recordings, the recordings speak for themselves and are the best evidence of the contents of those specific calls, which represent just a few statements—divorced from their context—taken from a small sample of the many thousands of sales calls that HomeAdvisor sales agents conducted during the time period of July 2014 to September 2019. To the extent a further response is required, HomeAdvisor lacks

sufficient information to admit or deny the allegations in this paragraph. HomeAdvisor further denies that any of these statements is exemplary.

36. Indeed, scripts used by HomeAdvisor sales agents describe HomeAdvisor’s leads as follows:



(emphasis original)

RESPONSE TO ¶ 36:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor denies the allegations in this paragraph to the extent that the documents were not used in the manner alleged, including but not limited to whether they were to be read verbatim by sales agents across thousands of calls with thousands of different business owners in hundreds of different home-services industries.

37. HomeAdvisor’s marketing materials make similar representations. Its website states, “Tell us what you do and where, and we deliver prospects that meet your exact needs.”



Illustration 4: available at <https://pro.homeadvisor.com/> (last visited August 9, 2021)

RESPONSE TO ¶ 37:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is

required, HomeAdvisor denies the allegations in this paragraph, admitting only that the webpage referenced includes language quoted in the second sentence of this paragraph.

38. Another page on its website has stated, “Only Get the Leads You Want. You pick your service types and location preferences and we bring you prospects that match what you want.”

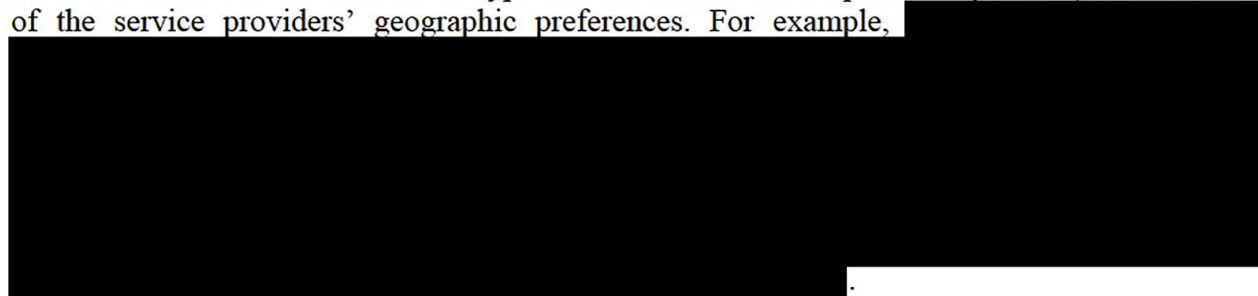


Illustration 5: previously available at <https://pro.homeadvisor.com/how-it-works/>

RESPONSE TO ¶ 38:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. HomeAdvisor admits the allegations in this paragraph to the extent the quoted statement ever appeared on HomeAdvisor’s website, but HomeAdvisor notes that this language does not appear on HomeAdvisor’s website at this time.

39. In fact, contrary to HomeAdvisor’s representations, many of the leads that service providers receive do not concern the type of work that the service providers perform, or fall outside of the service providers’ geographic preferences. For example,



RESPONSE TO ¶ 39:

HomeAdvisor denies the allegations in the first and fourth sentences of this paragraph. HomeAdvisor lacks sufficient information to admit or deny the allegations in

the second and third sentences of this paragraph. HomeAdvisor further denies that any of these alleged situations is exemplary.

40.

RESPONSE TO ¶ 40:

HomeAdvisor denies the allegations in the first sentence of this paragraph. HomeAdvisor denies the allegations in the second sentence of this paragraph, except to admit that

41.

RESPONSE TO ¶ 41:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor denies the allegations in the second sentence of this paragraph to the extent they mischaracterize the documents.

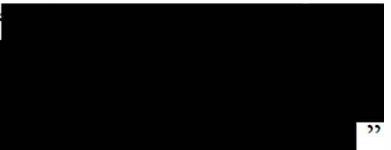
42. HomeAdvisor's sales agents also have frequently represented to service providers that HomeAdvisor's leads concern people who knowingly sought HomeAdvisor's assistance in selecting a service provider. For example, in sales calls HomeAdvisor's sales agents have described the source of HomeAdvisor's leads as follows:

[REDACTED]



RESPONSE TO ¶ 42:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references call recordings, the recordings speak for themselves and are the best evidence of the contents of those specific calls, which represent just a few statements—divorced from their context—taken from a small sample of the many thousands of sales calls that HomeAdvisor sales agents conducted during the time period of July 2014 to September 2019. To the extent a further response is required, HomeAdvisor lacks sufficient information to admit or deny the allegations in this paragraph. HomeAdvisor further denies that any of these statements is exemplary.

43. Indeed, scripts used by HomeAdvisor’s sales agents state, “”

RESPONSE TO ¶ 43:

To the extent that this paragraph references documents, the documents speak for themselves. To the extent a further response is required, HomeAdvisor admits only that the quoted language appears in documents that have been described as scripts. However, this does not evidence the nature and extent of the use of these statements, including but not limited to whether they were to be read verbatim, or in fact were read verbatim, by sales agents across thousands of calls with thousands of different business owners in hundreds of different home-services industries.

44. HomeAdvisor’s marketing materials have also represented that HomeAdvisor’s leads concern people who knowingly sought HomeAdvisor’s assistance in selecting a service provider. HomeAdvisor’s website has described Market Match Leads as follows: “Consumers come to HomeAdvisor.com and give us detailed info about their project.”

Market Match



Consumers come to HomeAdvisor.com and give us detailed info about their project. We match that info with your work and area preferences, and connect you with homeowners that match your needs.

Get Started

Illustration 6: previously available at <https://www.homeadvisor.com/rfs/enroll/sppostenrollleadsdetails>

RESPONSE TO ¶ 44:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor admits only that the quoted language has appeared in certain materials and further notes that this language does not appear on HomeAdvisor’s website at this time.

45. In fact, contrary to HomeAdvisor’s representations, [REDACTED] of the leads that HomeAdvisor sells to service providers are purchased from affiliates and concern individuals who did not knowingly seek HomeAdvisor’s assistance. Since July 2014, HomeAdvisor has sold service providers [REDACTED] of leads that HomeAdvisor purchased from affiliates and did not come from HomeAdvisor’s website. [REDACTED]

RESPONSE TO ¶ 45:

HomeAdvisor denies the allegations in this paragraph, because they allege that HomeAdvisor purchased “leads” from affiliates, when in fact HomeAdvisor purchased service requests which were then subject to further review by HomeAdvisor before potentially being sold as leads to service providers. HomeAdvisor lacks sufficient information to admit or deny the allegations in the final sentence of the paragraph.

46. [REDACTED], HomeAdvisor recognizes that it has very limited control over the quality of affiliate-generated leads. Indeed, a document HomeAdvisor’s parent company filed publicly with the Securities and Exchange Commission acknowledged that “the quality and convertibility of [HomeAdvisor’s] leads generated through third-party arrangements are dependent on many factors, most of which are outside our control.”

RESPONSE TO ¶ 46:

HomeAdvisor denies the allegations in the first and second sentences of this paragraph. To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor denies the allegations in the third sentence of this paragraph and admits only that a document filed with the Securities and Exchange Commission contains the quoted language.

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE TO ¶ 47:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor lacks sufficient information to admit or deny the allegations in the remainder of this paragraph. HomeAdvisor further denies that any of these statements is exemplary.

48. In numerous instances, HomeAdvisor’s sales agents have represented to service providers that HomeAdvisor’s leads convert into jobs at rates well above what HomeAdvisor can substantiate.

RESPONSE TO ¶ 48:

HomeAdvisor denies the allegations in this paragraph.

49. According to HomeAdvisor’s own calculations, [REDACTED] the average rate at which a lead purchased by a service provider turns into a job for that service provider ([REDACTED] the “win rate”) has ranged between [REDACTED] since July 2014.

RESPONSE TO ¶ 49:

HomeAdvisor denies the allegations in this paragraph and states that a fulsome calculation of win rates for HomeAdvisor leads requires analyzing all leads individually, that HomeAdvisor’s [REDACTED] win rate data is [REDACTED] that win rate data excludes, among other things, additional “wins” resulting from one lead, such as regular or repeat jobs or referrals, and that win rates vary across task and geographic markets. HomeAdvisor further responds that its average win rates (self-

reported by service providers) [REDACTED] during the time period from July 2014 to September 2019.

50. Similarly, according to HomeAdvisor's own calculations, the average win rate for Market Match Leads [REDACTED] has ranged between [REDACTED] since July 2014. In that same period, the average win rate for Exact Match Leads has ranged between [REDACTED], and the average win rate for Instant Booking Leads has ranged between [REDACTED]

RESPONSE TO ¶ 50:

HomeAdvisor denies that the average win rate for Instant Booking Leads has ranged between [REDACTED] since July 2014. HomeAdvisor does not maintain [REDACTED], and thus denies the remaining allegations in this paragraph.

51. Nonetheless, HomeAdvisor's sales agents have frequently represented falsely inflated win rates to service providers. For example, in sales calls HomeAdvisor's sales agents have described the leads as follows:

[REDACTED]

RESPONSE TO ¶ 51:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references call recordings, the recordings speak for themselves and are the best evidence of the contents of those specific calls, which represent just a few statements—divorced from their context—taken from a small sample of the many thousands of sales calls that HomeAdvisor sales agents conducted during the time period of July 2014 to September 2019. In that context, HomeAdvisor admits the allegations in the second sentence of this paragraph. HomeAdvisor further denies that any of these statements is exemplary.

52. Indeed, [REDACTED]

[REDACTED]

RESPONSE TO ¶ 52:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent that a further response is required, HomeAdvisor admits only that the language quoted appears in an email between those individuals, and that it describes only one office at only one point in time. HomeAdvisor further notes [REDACTED]

53. HomeAdvisor’s [REDACTED] department has perpetuated inflated win rate representations on sales calls. [REDACTED]

RESPONSE TO ¶ 53:

HomeAdvisor denies the allegations in the first sentence of this paragraph. [REDACTED]

54. In numerous instances, HomeAdvisor’s sales agents have represented to service providers that the cost of an annual membership is \$347.98, and includes a free one-month subscription to mHelpDesk.

RESPONSE TO ¶ 54:

HomeAdvisor denies the allegations in this paragraph, and further notes that as of in or around January 2020, HomeAdvisor ceased selling the mHelpDesk product.

55. For example, in sales calls HomeAdvisor’s sales agents have described mHelpDesk as follows:

[REDACTED]

RESPONSE TO ¶ 55:

HomeAdvisor denies the allegations in this paragraph to the extent that they describe any of the statements that follow as exemplary. To the extent that this paragraph references call recordings, the recordings speak for themselves and are the best evidence of the contents of those specific calls, which represent just a few statements—divorced from their context—taken from a small sample of the many thousands of sales calls that HomeAdvisor sales agents conducted during the time period of July 2014 to September 2019.

56. Indeed, HomeAdvisor’s training materials have perpetuated sales agents’ representations that the first month mHelpDesk is free. Scripts used by HomeAdvisor’s sales agents—

RESPONSE TO ¶ 56:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references documents, the documents speak for themselves. To the extent a further response is required, HomeAdvisor admits only that the quoted language appears in documents that have been described as scripts. However, this does not evidence the nature and extent of the use of these statements, including but not limited to whether they were to be read verbatim, or in fact were read verbatim, by sales agents across thousands of calls with thousands of different business owners in hundreds of different home-services industries.

57. Similarly, until at least 2016, the form email that HomeAdvisor sent service providers confirming their purchase of an annual membership represented that \$347.98 was the cost of the annual membership and a “free” month of mHelpDesk.

RESPONSE TO ¶ 57:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor admits that at some point in time, certain service providers were sent an email consistent with the language in this paragraph, but HomeAdvisor lacks sufficient information to admit or deny that such language was used during the entire time frame referenced in this paragraph.

58. In fact, the cost of an annual membership is \$287.99. The \$347.98 price has represented the cost of an annual membership plus one month of mHelpDesk, an optional, add-on product that costs \$59.99 per month and automatically renews after the first month. If a service provider does

not want a one-month subscription to mHelpDesk, she can purchase an annual membership for \$287.99.

RESPONSE TO ¶ 58:

HomeAdvisor denies the allegations in this paragraph, except to admit that HomeAdvisor has made different types of memberships available, that some of these memberships cost \$287.99 annually and that some annual memberships previously sold, but that have not been sold since early 2020, included one month of mHelpDesk for a total price of \$347.98.

59. After HomeAdvisor's sales agents have added a month of mHelpDesk to service providers' annual memberships, service providers frequently have not learned that they were charged an additional \$59.99 because the \$347.98 charge has appeared as a single line item on the service provider's receipt and credit card bill. [REDACTED]

RESPONSE TO ¶ 59:

HomeAdvisor lacks sufficient information to admit or deny the allegations in this paragraph, because they allege what "service providers frequently have not learned" and because the [REDACTED].

60. Of the more than [REDACTED] service providers who have been charged \$347.98 for an annual membership and a one-month subscription to mHelpDesk, [REDACTED]

RESPONSE TO ¶ 60:

HomeAdvisor lacks sufficient information to admit or deny the allegations in this paragraph.

Count I

Misrepresentations About the Quality, Characteristics, and Source of Leads

61. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of leads, HomeAdvisor represents to service providers, directly or indirectly, expressly or by implication, that the leads service providers will receive:

- a. concern individuals who intend to hire a service provider soon;
- b. concern projects that match the types of services that service providers have expressed they perform;
- c. concern projects that match the geographic areas that service providers have expressed they serve; or

- d. concern individuals who knowingly sought HomeAdvisor for assistance in selecting a service provider.

RESPONSE TO ¶ 61:

HomeAdvisor denies the allegations in this paragraph (and its subparts) because they are incomplete, out of context and/or inaccurate.

62. In truth and in fact, in numerous instances in which HomeAdvisor has made the representations set forth in Paragraph 61, the leads service providers received, respectively:

- a. did not concern individuals who intend to hire a service provider soon;
- b. did not concern projects that match the types of services that service providers have expressed they perform;
- c. did not concern projects that match the geographic areas that service providers have expressed they serve; or
- d. did not concern individuals who knowingly sought HomeAdvisor for assistance in selecting a service provider.

RESPONSE TO ¶ 62:

HomeAdvisor denies the allegations in this paragraph (and its subparts).

63. Therefore, HomeAdvisor's representations as set forth in Paragraph 61 are false or misleading.

RESPONSE TO ¶ 63:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

Count II

Misrepresentations About the Rates at which Leads Convert into Jobs

64. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of leads, HomeAdvisor represents to service providers, directly or indirectly, expressly or by implication, that the leads convert into jobs at or above the rates that HomeAdvisor states.

RESPONSE TO ¶ 64:

HomeAdvisor denies the allegations in this paragraph.

65. The representations set forth in Paragraph 64 are false or misleading or were not substantiated at the time the representations were made.

RESPONSE TO ¶ 65:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

**Count III
Misrepresentations Regarding mHelpDesk**

66. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of leads, HomeAdvisor has represented to service providers, directly or indirectly, expressly or by implication, that the first month of mHelpDesk is free.

RESPONSE TO ¶ 66:

HomeAdvisor denies the allegations in this paragraph, and further states that in or around January 2020, HomeAdvisor ceased selling the mHelpDesk product.

67. In truth and in fact, in numerous instances in which HomeAdvisor has made the representations set forth in Paragraph 66, the first month of mHelpDesk is not free.

RESPONSE TO ¶ 67:

HomeAdvisor denies the allegations in this paragraph because they are predicated on “the representations set forth in Paragraph 66.”

68. Therefore, HomeAdvisor’s representations as set forth in Paragraph 66 are false or misleading.

RESPONSE TO ¶ 68:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

Violations of Section 5

69. The acts and practices of HomeAdvisor as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

RESPONSE TO ¶ 69:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

AFFIRMATIVE DEFENSES

HomeAdvisor asserts the following defenses, without assuming the burden of proof on such defenses that would otherwise rest with the FTC. A concise statement of the facts constituting each ground of defense is set forth in the Statement of Facts above.

1. The Complaint fails to state a claim on which relief can be granted.
2. The FTC's allegations are too speculative to support any claim on which relief can be granted.
3. The FTC's claims are barred, in whole or in part, by the three-year statute of limitations under Section 19 of the FTC Act, 15 U.S.C. § 57b(d).
4. The FTC's claims are moot, in whole or in part, as HomeAdvisor discontinued the allegedly unfair and deceptive practices long before the institution of the current proceeding, and thus there is no basis for injunctive relief because there is no risk of recurrence of similar alleged violations and the FTC's requested relief is not reasonably related to the alleged violations.
5. The FTC's claims under Count III relating to mHelpDesk are moot because HomeAdvisor has not sold mHelpDesk since around January 2020, and thus there is no basis for injunctive relief because there is no risk of recurrence of similar alleged violations and the FTC's requested relief is not reasonably related to the alleged violations.
6. The FTC's claims are barred, in whole or in part, because the claims asserted require the improper extraterritorial application of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
7. The FTC's claims are barred, in whole or in part, because the losses or injuries allegedly suffered were not proximately caused by any act or omission of HomeAdvisor. The FTC's claims fail to take into account that a service provider's success on the HomeAdvisor platform depends on, among other things, the service provider's own efforts to contact, develop, and ultimately convert the leads it receives into jobs. Moreover, despite the robust processes it has

in place for ensuring lead quality, HomeAdvisor cannot control homeowners' ultimate behavior and preferences, including but not limited to whether a homeowner will hire a HomeAdvisor service provider or a service provider made available to the homeowner through any number of other available sources, such as personal referrals.

8. The FTC's claims are barred, in whole or in part, because HomeAdvisor's competitive acts and/or practices at issue were not unfair, deceptive, or unconscionable under applicable law, nor were they likely to confuse or cause mistake or misunderstanding as to the nature of HomeAdvisor's business and/or services.

9. The FTC's claims reflect improper selective enforcement of the competition laws.

10. The FTC's claims are barred, in whole or in part, by failure to show any plausible harm to consumers or consumer welfare or any plausible anticompetitive effect.

11. The Complaint fails to comply with Section 5(b) of the Federal Trade Commission Act, 15 U.S.C. § 45(b), because the issuance of the Administrative Complaint and the contemplated relief are not in the public interest. HomeAdvisor has robust compliance processes for ensuring that the information it conveys to service providers is accurate and not misleading, and has a multi-layered process for ensuring lead quality.

12. The relief that the FTC seeks is inconsistent with the public interest.

13. The FTC's actions in instituting this Complaint amount to arbitrary and capricious conduct, overstep the FTC's authority, and are otherwise contrary to law under the Administrative Procedure Act, 5 U.S.C. § 500 *et seq.* ("APA"), and the Federal Trade Commission Act, 15 U.S.C. § 41 *et seq.* ("FTC Act"). This includes, but is not limited to, the FTC staff's affirmative misconduct pursuing these claims, including by knowingly engaging in discussions with civil

litigation counsel who were bound by a court-issued protective order not to use confidential information outside the confines of the action in which it was produced.

14. The FTC's claims are barred, in whole or in part, by equitable estoppel, because of the FTC staff's affirmative misconduct pursuing these claims.

15. The FTC's claims are barred, in whole or in part, by the doctrines of *in pari delicto* and unclean hands, because of the FTC staff's affirmative misconduct pursuing these claims.

16. The FTC's claims are barred because HomeAdvisor is immune from liability under Section 230 of the Communications Decency Act, 47 U.S.C. §230.

17. The FTC Act and the FTC's other information or guidance failed to provide HomeAdvisor with fair notice that its conduct was a violation of law, in contravention of HomeAdvisor's due process rights.

18. The FTC Act and other FTC information and guidance, as interpreted by the FTC, are unconstitutionally vague to the extent they have the meaning the FTC now espouses.

19. The FTC's claims are barred, in whole or in part, by laches.

20. These proceedings are invalid because the constraints on removal of the FTC Commissioners violate Article II of the Constitution and the separation of powers.

21. These proceedings are invalid because the constraints on removal of the Administrative Law Judge violate Article II of the Constitution and the separation of powers.

22. These proceedings are invalid because adjudication of this matter by the Administrative Law Judge and, in turn, the Commission violates Article III of the Constitution and the separation of powers.

23. These proceedings are invalid because adjudication of this matter by the Administrative Law Judge and, in turn, the Commission violates the right to due process of law

under the Fifth Amendment to the Constitution, including because of the lack of a neutral decision-maker.

24. These proceedings violate the right to due process under the Fifth Amendment to the Constitution, which requires equal protection of the laws.

25. HomeAdvisor reserves the right to assert any other available defenses.

NOTICE

HomeAdvisor states that the Notice of the Complaint is a restatement of the rules of the FTC to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations in the Notice of the Complaint, except for the statement that the FTC has provided notice of a hearing date on November 9, 2022.

NOTICE OF CONTEMPLATED RELIEF

HomeAdvisor states that the Notice of Contemplated Relief is a restatement of the rules of the FTC to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations in the Notice of Contemplated Relief.

THEREFORE, HomeAdvisor respectfully request that the Administrative Law Judge: (i) deny the FTC's requested relief; (ii) dismiss the Complaint in its entirety with prejudice; (iii) award to HomeAdvisor its costs of suit, including expert fees and reasonable attorneys' fees, as may be allowed by law; and (iv) award to HomeAdvisor such other and further relief as the Administrative Law Judge deems just and appropriate.

Dated: April 6, 2022

Respectfully Submitted,

/s/ William A. Burck

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CERTIFICATE OF SERVICE

I hereby certify that on April 6, 2022, I filed the foregoing document electronically using the Administrative E-File System (AEFS), which will send notification of such filing to:

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The Honorable D. Michael Chappell
Administrative Law Judge
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-110
Washington, D.C. 20580
OALJ@ftc.gov

I further certify that on April 6, 2022, I caused the foregoing document to be served via email to:

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I further certify that the electronic copy sent to the Secretary of the Commission is a true and correct copy of the paper original and that I possess a paper original of the signed document that is available for review by the parties and the adjudicator.

Dated: April 6, 2022

By: s/ William A. Burck

William A. Burck

Counsel for Respondent HomeAdvisor, Inc.