

Recent Lawsuits Allege Groupon and LivingSocial Violate Gift Certificate Laws

February 17, 2011

Last month, consumers filed a class action lawsuit against Groupon, alleging that the company's deals violate California and federal gift certificate laws. This month, a similar lawsuit was filed against LivingSocial, alleging that the company's deals violate Washington and federal gift certificate laws.

Approximately half the states have laws that either restrict or prohibit expiration dates. In addition, a recent federal law requires gift certificates to be valid for at least 5 years. The plaintiffs in these cases are arguing that the Groupon and LivingSocial deals constitute gift certificates and that the expiration on the deals violate federal and state laws. In addition, the plaintiffs in the LivingSocial lawsuit are arguing that the no cash back provision on the company's deals violates a Washington law that requires issuers to give cash back, under certain circumstances.

These lawsuits demonstrate that plaintiff's lawyers are attempting to stretch gift certificate laws to cover various types of offers that don't fit the traditional mold of gift certificates. Companies should take a close look at any offers that combine pre-payment with an expiration date in order to evaluate their risk of being a target of these types of suits.