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16	SUPERIOR COURT OF THE STATE OF CALIFORNIA					
17	FOR THE COUNTY OF LOS ANGELES					
18	STEPHANIE LUNA, SANDRA CAMPOS,	Case No. 23STCV09981				
19	and DEONTE SIMPKINS, individually and on behalf of all others similarly situated,	DEFENDANT UNIVERSITY OF				
20	Plaintiffs,	SOUTHERN CALIFORNIA'S REPLY IN SUPPORT OF ITS DEMURRER TO THE				
21	Vo	FIRST AMENDED CLASS ACTION COMPLAINT				
	VS.					
22	UNIVERSITY OF SOUTHERN CALIFORNIA,	Judge: Kenneth Freeman Dept.: 014				
23	,	Date: March 27, 2024				
24	Defendant.	Time: 11:00 a.m.				
25		Action Filed: May 4, 2023				
		[Defendant USC's Reply In Support of Its				
26		Motion to Strike Pursuant to CCP Section 4367				
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#### I. INTRODUCTION

Plaintiffs' Unruh Act and unjust enrichment causes of action, as well as the False Advertising Law ("FAL") and California Legal Remedies Act ("CLRA") claims of Plaintiffs Stephanie Luna and Sandra Campos, should be dismissed.

First, Plaintiffs' allegations that after reading a single *Wall Street Journal* article that cited one undated USC recruiting graphic, they came to believe they were victims of a discriminatory scheme by USC do not give them standing to assert an Unruh Act claim. Plaintiffs do not allege any facts to show they were treated differently than other applicants to the online or in-person MSW program. Instead, they cite the recruiting graphic, which does not talk about either the online program or "hard sell" marketing; paragraphs of unsupported "information and belief" allegations about ad "targeting"; and inapt allusions to "reverse redlining." None of that is enough to make out a claim of actionable unequal treatment under the Unruh Act. Second, in arguing that the FAL and CLRA claims of Ms. Luna and Ms. Campos are timely, Plaintiffs misinterpret the delayed-discovery rule and ignore allegations in their own Complaint demonstrating that both women necessarily would have been on notice of their claims before the statute of limitations expired. And finally, Plaintiffs simply ignore the substantial weight of caselaw holding that there is no standalone cause of action for unjust enrichment under California law, and the sole case they cite does not suggest otherwise.

USC respectfully requests that the Court grant its Demurrer.

#### II. <u>ARGUMENT</u>

### A. <u>Plaintiffs Fail to Plead Facts Establishing Standing or Actionable</u> <u>Discrimination under the Unruh Act</u>

1. Plaintiffs have failed to plead facts showing they have standing under the Unruh Act.

Plaintiffs' argument that they have Unruh Act standing boils down to the assertion that, because they allegedly match the profiles of two hypothetical applicants in a USC School of Social Work recruiting graphic printed in a November 2021 *Wall Street Journal* article, they must have been targeted for unequal hard-sell recruitment tactics on the basis of their race after they inquired about USC's online Master of Social Work program. (Plaintiffs' Opposition ("Opp.") at

pp. 14-15.) But Plaintiffs do not allege facts to show that they individually were subject to unlawful, unequal treatment under the Unruh Act.

First and fundamentally, the referenced graphic is the *only* specific evidence of discrimination alleged in the Complaint, but it does not support an inference that USC "targeted" people of color or veterans through different "hard-sell" recruitment tactics not used for other applicants. All the graphic does is describe six hypothetical applicants—including their race and veteran status, but also their age, location, undergraduate school and GPA, and various aspects of a graduate program that might appeal to them—and how likely they are to enroll in a School of Social Work graduate program. The graphic does not describe *any* recruiting tactics, let alone recommend using "hard-sell" tactics for any of the hypothetical applicants—and it certainly does not link hard-sell tactics to race, veteran status, or any other protected characteristic. (See *infra* at pp. 9-10; Demurrer at p. 17)

Nor does the graphic support an inference that USC "targeted" or "shunted" people of color or veterans for enrollment into the allegedly "inferior" online MSW program (instead of the in-person program). The graphic is labeled "USCSocialWork," referring to USC's School of Social Work in general; it does not reference the online program specifically. (FAC ¶ 132.) Though Plaintiffs speculate that it was used for the online MSW program, there is no allegation that it was used *only* for the online MSW program and not for the in-person program (or any other School of Social Work degree program, for that matter). In other words, nothing about the graphic suggests that the marketing and recruiting approaches for the online and in-person MSW programs differed in a way that could give rise to a race-based "targeting" theory. (See *infra* at pp. 9-10; Demurrer at pp. 16-18.)

Second, even if Plaintiffs had sufficiently pleaded some general discriminatory scheme (they haven't), they do not plead any facts to show that *they* were "victims of the discriminatory practice." (*Midpeninsula Citizens for Fair Housing v. Westwood Investors* (1990) 221 Cal.App.3d 1377, 1386.) Plaintiffs have not alleged that recruiters treated them differently from other potential online MSW students on the basis of their race or other protected status; they do not allege, for example, that white or non-veteran candidates did not receive the same "hard-sell"

There are only two ways to show discriming

tactics. (Demurrer at pp. 13-14.) To the contrary, the Complaint affirmatively suggests (albeit wrongly) that recruiters used hard-sell tactics for *all* prospective online MSW students, regardless of race or veteran status. (See FAC ¶ 136 [alleging "[o]n information and belief" that MSW recruiters "reserve the high-pressure . . . tactics for those [USC] recruits to its different and unequal online MSW program" and do not use the tactics for the in-person MSW program].)

Nor do Plaintiffs allege any facts to show they were "targeted" for the online program instead of the in-person program on account of race or another protected characteristic. The facts they do allege undercut that theory. All three Plaintiffs affirmatively sought out the online program and, at least according to their Complaint, never applied to or sought information about the in-person program. (FAC ¶¶ 138-143, 157-164, 176-182.) No Plaintiff alleges he or she was steered to the online program by a recruiter. To the contrary, in order to show standing for their false-advertising claims, Plaintiffs allege that they decided to enroll in the online MSW program not because of high-pressure, racially targeted sales tactics, but because they believed the online program was "the same" as the in-person program. (FAC ¶¶ 143, 164, 182.) No Plaintiff alleges that recruiters even knew they were people of color or mentioned their race or other protected status; indeed, Plaintiffs advance the remarkable position that such allegations are "not . . . necessary." (Opp. at pp. 14, 15 fn.8.)

Without any allegation that Plaintiffs were treated differently from other applicants, Plaintiffs' theory of standing is simply that, having read the *Wall Street Journal* article, they "now understand[]" that USC targeted them for enrollment in the online MSW program on the basis of their race. (FAC ¶¶ 153, 172, 191.) But even if the *Wall Street Journal* article contained sufficient facts to establish the existence of some discriminatory policy (it does not), this kind of "mere awareness of a . . . discriminatory policy" (if that) is insufficient to confer standing without some allegation that the plaintiff was actually subject to discrimination. (*White v. Square, Inc.* (2019) 7 Cal.5th 1019, 1023; see also Demurrer at pp. 13-15.)

2. Plaintiffs' "reverse redlining" theory fails to state a claim of unequal treatment under the Unruh Act.

There are only two ways to show discrimination under the Unruh Act, outright exclusion

or unequal access. (See Demurrer at p. 13; Opp. at p. 11.) Plaintiffs concede that they do not allege exclusion. (See Opp. at p. 11.) Thus, the only question is whether they have pleaded facts showing actionable unequal treatment. They have not.

The crucial distinction Plaintiffs miss is that an unequal treatment claim requires a comparison of the treatment Plaintiffs experienced with the treatment experienced by others who are not members of the same protected group: "[T]he dispositive question under the Unruh Civil Rights Act is whether the plaintiff faced unequal treatment on account of his or her race [or other protected status] that members of other races did not experience." (Smith v. BP Lubricants USA Inc. (2021) 64 Cal.App.5th 138, 154, italics added.)

Plaintiffs' comparison of their claim to "reverse redlining" cases demonstrates the missing link in Plaintiffs' theory. (See Opp. at pp. 11-12.) A traditional reverse-redlining claim alleges that a lender offered "unfavorable terms in connection with housing and a loan on account of" a protected characteristic—while others who are not members of the protected group received *better* terms. (*M&T Mortg. Corp. v. White* (E.D.N.Y. 2010) 736 F.Supp.2d 538, 574.)<sup>1</sup> In other words, the theory alleges traditional, well-recognized "unequal treatment." (See *BP Lubricants, supra*, 64 Cal.App.5th at p. 154.)

Plaintiffs' Complaint, however, does not allege this kind of actionable reverse redlining, or anything close to it, because it does not allege that USC offered less favorable terms or services to people of color or veterans applying to its online MSW program than to any other applicant. To the contrary, as Plaintiffs necessarily concede, *all* prospective online MSW students paid the same tuition, attended the same classes, went through the same clinical placement process, had the same graduation requirements, and so on. (See Demurrer at p. 15.)

The other cases Plaintiffs cite are in accord. (See *Munoz v. Internat. Home Cap.* (N.D. Cal., May 4, 2004, No. C 03-01099) 2004 WL 3086907, at p. \*4 [explaining that reverse redlining involves a lender "provid[ing] loans to other applicants with similar qualifications [who are not members of the protected group] on significantly more favorable terms"]; *Matthews v. New Century Mortg. Corp.* (S.D. Ohio 2002) 185 F.Supp.2d 874, 886 ["Reverse redlining" is the situation in which a lender unlawfully discriminates by extending credit to a . . . class of people . . . on terms less favorable than would have been extended to people outside the particular class."]; *Hargraves v. Cap. City Mortg. Corp.* (D.D.C. 2000) 140 F.Supp.2d 7, 20 [similar].)

Instead, Plaintiffs advance a theory of "inequality" based on speculation that USC may have "targeted" its recruiting efforts for an "inferior" online MSW program at people of color and veterans. But as noted above, and in USC's opening memorandum, Plaintiffs fail to plead any facts that support such a theory, relying instead on nothing more than unsupported insinuations made on "information and belief."

The three out-of-state cases Plaintiffs cite for the proposition that the Court should permit an Unruh Act claim to proceed on their chosen theory are, in a word, uncompelling. (Opp. at p. 12.) None involves the Unruh Act; all are from outside of California, and thus non-binding; and two are unpublished. These cases found discrimination in the alleged targeting of advertising for a "sham" degree program at members of a protected group. But to state an Unruh Act claim, "the dispositive question" is "whether the plaintiff faced unequal treatment on account of his or her race that members of other races did not experience." (*BP Lubricants*, *supra*, 64 Cal.App.5th at p. 154.)<sup>2</sup> Plaintiffs' Complaint supports no such conclusion.

The fundamental problem with Plaintiffs' Unruh Act claim is that it attempts to convert a misrepresentation theory—namely, that USC allegedly described the online and in person programs as being the "same" when the programs, in fact, were different—with a race and veteran-status discrimination claim. Plaintiffs do not cite any law from California or elsewhere that allows a discrimination claim to proceed on top of a misrepresentation claim in the absence of any non-speculative allegations of unequal treatment.

<sup>&</sup>lt;sup>2</sup> These cases also differ from this one in that they involved more substantial allegations that the defendants had "targeted" their degree programs at protected groups and that the degree programs were predatory or a "sham." (See *Carroll v. Walden Univ., LLC* (D. Md. 2022) 650 F.Supp.3d 342, 356-357 [allegations including that school had focused nearly all its advertising budget at Black populations and had affirmatively misrepresented cost of its program and number of credits required to graduate]; *Roberson v. Health Career Inst. LLC* (S.D. Fla., Aug 3, 2023) 2023 WL 4991121, at pp. \*8-9, 15 [allegations including that advertisements "prominently featured Black women as models" and that school failed to provide clinical instruction that complied with Florida accreditation requirements]; *Brook v. Sistema Universitario Ana G. Mendez, Inc.* (M.D. Fla., May 4, 2017) 2017 WL 1743500, at pp. \*1, 4 [allegations including that school "made statements that 'Latinos' are its target market"; "focus[ed] its marketing on channels that disproportionately reach a Latino audience"; and misrepresented that its Master's program was approved by Florida and capable of "providing valid internships required to work in public schools in Florida"].)

# 3. Plaintiffs' information-and-belief allegations are unsupported, and their Unruh Act claim cannot stand without them.

Plaintiffs are incorrect when they suggest that their Unruh Act claim can stand even without the speculative allegations they make "on information and belief" (see Opp. at p. 15)—allegations that Plaintiffs do not meaningfully dispute should be disregarded because they are unsupported by facts suggesting the allegations are true (see *id.* at pp. 16-17; see also Demurrer at pp. 16-18 [making this argument]).

The thinness of Plaintiffs' Unruh Act allegations—whether made "on information and belief" or otherwise—is evident on the face of the Complaint. The allegations are concentrated in a four-page-long section at pages 24-27 of the Amended Complaint. The section begins with a multi-page subsection on "Hard-Sell Tactics," which describes a series of "hard-sell tactics" allegedly employed by recruiters for the online MSW program but that contains *no* allegation that anyone was "targeted" for those tactics on the basis of their race or veteran status. (FAC ¶¶ 117-125.) Rather, it alleges that 2U recruiters must "meet quarterly enrollment targets" or risk being fired, and that "recruiters use 'hard sell' recruitment techniques" to meet those targets—allegations that strongly suggest recruiters would have been motivated to use hard-sell tactics on *all* potential recruits, not just those who are members of protected groups. (*Id.* ¶¶ 117-118.)

The next subsection—"Racial Targeting"—entirely fails to link the alleged "hard sell" tactics to race or any other protected category. It mostly relies on unsupported, conclusory allegations such as "[i]t was and is USC's practice and/or policy to target people of color and/or veterans, including Plaintiffs, on the basis of their race and/or veteran status for enrollment in the inferior online MSW program." (*Id.* ¶ 126.) The only specific facts pleaded are found in paragraphs 129 through 132, all of which describe the sole recruiting graphic referenced above. These are followed by four paragraphs of lengthy "information and belief" allegations in which Plaintiffs make increasingly speculative and incendiary suppositions about how USC must have "targeted" digital marketing for the online MSW program based on race and veteran status. (*Id.* ¶¶ 133-137.) This section ends with another information-and-belief allegation that USC recruiters "reserve the high-pressure and racialized tactics for those it recruits to its different and unequal

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online MSW program." $^3$  (*Id.* ¶ 136.) In other words, although the Complaint labels the tactics "racialized," it affirmatively alleges that the supposedly improper recruitment tactics were used in the online program writ large—and not that they were used for members of protected classes. Nothing Plaintiffs have pleaded suggests that any alleged differences were motivated by or intended to cause unequal treatment on the basis of race or veteran status.

The single School of Social Work recruiting graphic cited by Plaintiffs does not create a discrimination claim. As noted above (*supra* at p. 5), nothing in the graphic references the online program or suggests USC relied on protected status to target applicants for that program as opposed to the in-person program. It thus provides no support for Plaintiffs' theory that USC "reserve[s] the high-pressure and racialized tactics for those it recruits to its different and unequal online MSW program." (FAC ¶ 136.)

Plaintiffs also ignore that, for each hypothetical applicant the graphic describes, it includes a wide variety of biographical and educational background information besides race and veteran status—all of which are part of a holistic determination of whether a prospective student is more or less likely to choose to attend a School of Social Work program. (See *supra* at p. 5; Demurrer at pp. 17-18.) Along the same lines, nothing in the graphic suggests a link between so-called "Conversion Probability" and the alleged "hard-sell" recruitment tactics of which Plaintiffs complain. The graphic is descriptive, not prescriptive.

Because Plaintiffs plead no other facts in support of their Unruh Act claim, that cause of action should be dismissed.

# 4. Plaintiffs' arguments about the educational malpractice doctrine confirm the applicability of that doctrine.

Even if Plaintiffs had pleaded facts to show that they experienced different treatment based on their race or other protected class, Plaintiffs' theory runs headlong into the educational malpractice doctrine. The educational malpractice doctrine bars plaintiffs from bringing claims

<sup>&</sup>lt;sup>3</sup> Plaintiffs assert that this allegation is *not* made on information and belief (Opp. at p. 15), but that is implausible given that the allegation appears in a paragraph beginning "[o]n information and belief" and follows several similarly structured paragraphs.

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against universities based on allegations that they received a "substandard education" or if their claims would require judgments about "educational quality or results." (Wells v. One2One Learning Found. (2006) 39 Cal.4th 1164, 1210-1212.) Plaintiffs argue that their claims will not require "a subjective determination [about] the overall pedagogical 'quality' of USC's online MSW program" because they are asking a factfinder to determine only that the online program was "inferior" in the sense that it "was unequal to and substantively different from the in-person program in . . . specific, concrete ways," such as having "different curriculum, different instructors, different field placements, and different student advisors." (Opp. at p. 17, italics added.) But those are precisely the same thing.

No matter how they frame it, Plaintiffs are not merely asking the Court to make a determination that there are objective differences between aspects of each program, which might form the basis of a misrepresentation claim if Plaintiffs could show they were promised something else. Rather, in support of their Unruh Act claim, Plaintiffs repeatedly allege that the online program was "inferior" to the same aspect of the in-person program. There is no way to determine whether one program had "inferior" curricula, instructors, field placements, and so on without looking to educational quality—but doing so is barred by the educational malpractice doctrine.

#### В. Plaintiffs' Own Allegations Show That the FAL and CLRA Claims of Ms. Luna and Ms. Campos Are Untimely

Ms. Luna's and Ms. Campos's CLRA and FAL claims are untimely: the Complaint necessarily alleges that they both encountered USC's purported false advertising and discovered ways in which the online MSW program purportedly differed from how it had been advertised well before May 2020, i.e., more than three years prior to filing suit. (Demurrer at pp. 19-21.)

In Opposition, Plaintiffs assert, without authority, that the delayed discovery rule delayed the running of the statute of limitations until they had "discovered the *full scope* of USC's deception." (Opp. at p. 7, italics added.) Not so. The caselaw (including cases cited by Plaintiffs) is clearly and definitively to the contrary: the delayed discovery rule postpones accrual of a claim only until "the plaintiff has reason to suspect an injury and some wrongful cause." (Opp. at p. 18, first italics added [quoting Fox v. Ethicon Endo-Surgery, Inc. (2005) 35 Cal.4th 797, 803].) That

occurs when a plaintiff "has reason to suspect a factual basis for" each "element" of the cause of action. (*Norgart v. Upjohn Co.* (1999) 21 Cal.4th 383, 397-398.)

This is determinative. Plaintiffs do not meaningfully dispute that Ms. Campos and Ms. Luna would have "had reason to at least suspect" numerous alleged differences between the way the online MSW program had been advertised and their actual experiences in the program—that is, the factual basis for their CLRA and FAL claims—upon beginning online MSW classes in May 2019, a year before the beginning of the limitations period. (See Opp. at p. 19.) While the precise dates upon which they learned certain facts may be "speculative," to use Plaintiffs' terminology (*id.* at p. 18), it is evident from the face of the Complaint that they would have been on notice of the alleged wrong before May 2020—because that is what Plaintiffs themselves have pleaded. (Demurrer at pp. 20-21 [discussing allegations in the Complaint including that Plaintiffs "began to discover the extent to which" the two MSW programs differed "once they had already paid their tuition and enrolled"].)

Plaintiffs' principal argument to the contrary—that they could not have learned about the extent of 2U's involvement with the online MSW program until the November 2021 *Wall Street Journal* article—is irrelevant. (See Opp. at p. 19.) Plaintiffs cannot divide their FAL and CLRA claims into claims based on the "quality" of the online program (pre-recorded classes, different instructors, etc.) and claims based on 2U's role in the online MSW program; instead, they have pleaded one set of claims focused on alleged false statements in USC's marketing for the online MSW program. Taking Plaintiffs' allegations as true, once Plaintiffs learned about certain ways in which the online MSW program differed from how it had been advertised to them, they were on notice of the elements of their FAL and CLRA claims and those claims accrued. Plaintiffs do not explain how anything Ms. Luna and Ms. Campos allegedly learned from the *Wall Street Journal* article would have been relevant to some new, previously undiscovered element of their FAL and CLRA causes of action. (See *Norgart*, *supra*, 21 Cal.4th at pp. 397-398.) And later discovery of facts relating to the *same type of wrong* (here, false advertising) does not delay accrual of a claim. (*Cf. Fox*, *supra*, 35 Cal.4th at p. 813 ["[I]f a plaintiff's . . . diligent investigation discloses only one kind of wrongdoing when the injury was actually caused *by tortious conduct of a wholly different* 

*sort*, the discovery rule postpones accrual of the statute of limitations on the newly discovered claim."].) Accordingly, Ms. Luna's and Ms. Campos's FAL and CLRA claims are time-barred and should be dismissed.<sup>4</sup>

## C. The Weight of California Caselaw Holds There Is No Standalone Cause of Action for Unjust Enrichment

Plaintiffs' Opposition ignores the wealth of California caselaw holding that there is no standalone cause of action for restitution, instead focusing on one outlier case holding to the contrary. (Compare Mot. at p. 22 [collecting cases] with Opp. at p. 20 [citing *Prof. Tax Appeal v. Kennedy-Wilson Holdings, Inc.* (2018) 29 Cal.App.5th 230].) But even that case does not support Plaintiffs' claim for unjust enrichment. According to Plaintiffs, the elements of an unjust enrichment cause of action are "receipt of a benefit and unjust retention of the benefit at the expense of another." (Opp. at p. 20 [quoting *Prof. Tax Appeal*, 29 Cal.App.5th at p. 238].) In their Complaint, however, Plaintiffs allege they paid USC to attend the online MSW program and earn an MSW degree (a "benefit" they gave to USC) and then received what they paid for—attendance in the online MSW program and USC MSW degrees. Although Plaintiffs may now have second thoughts about the graduate education they chose to pursue, nothing about the facts they allege constitutes "unjust retention of [a] benefit" by USC. (*Cf. Prof. Tax Appeal*, at p. 238 [allowing an unjust enrichment claim to proceed on allegations that defendant had profited from a property tax reduction secured by plaintiff but did not compensate plaintiff for its work].)

### III. <u>CONCLUSION</u>

For the reasons stated above and in USC's opening brief, USC respectfully requests that the Court sustain the Demurrer.

<sup>&</sup>lt;sup>4</sup> Plaintiffs briefly and incorrectly suggest that the continuing accrual doctrine could save Ms. Luna's and Ms. Campos's claims, on the theory that there was a new FAL and CLRA "violation" every time they had to pay tuition to USC. (See Opp. at p. 19 fn.12.) In their Complaint, however, Plaintiffs allege only that USC's allegedly misleading advertising led them to enroll in the online MSW program. They do not allege that they decided to stay enrolled and continue paying tuition because of USC's marketing. Such allegations would be highly implausible: Why would Plaintiffs choose to continue in the MSW program for another year based on USC's advertising, which they now claim differed from their actual experiences in the program, rather than relying on those actual experiences? Simply put, they would not.

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