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11 Attorneys for Plaintiffs and the Proposed Class,

12 UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

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14 GOVERNMENTGPT, INC., RAJ
15 ABHYANKER, Individually and on
16 Behalf of All Other Taxpayers
17 Similarly Situated; and, Municipality
and Police Departments DOES 1-500,

18 Plaintiffs,

19 v.

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21 AXON ENTERPRISE, INC., formerly
22 d/b/a TASER INTERNATIONAL,
23 INC., MICROSOFT
CORPORATION, and DOES 1-50,

24
25 Defendant(s).

Case No. 2:24-at-99907

Judge:

INITIAL COMPLAINT FOR:

1. DECLARATORY JUDGMENT;
2. CONSPIRACY TO RESTRAIN TRADE, SHERMAN ACT, 15 U.S.C. §1;
3. CONSPIRACY TO RESTRAIN TRADE, SHERMAN ACT, 15 U.S.C. §2;
4. VIOLATION OF SECTION 7 OF THE CLAYTON ACT (15 U.S.C. § 18)
5. VIOLATION OF RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT (RICO)
6. VIOLATION OF THE CARTWRIGHT ACT (UNREASONABLE RESTRAINT OF TRADE)
7. VIOLATION OF THE

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- CARTWRIGHT ACT
(CONSPIRACY TO
MONOPOLIZE)
8. FALSE ADVERTISING UNDER
THE LANHAM ACT, 15 U.S.C.
1125(a)
 9. ARIZONA CONSUMER FRAUD
ACT (ARIZONA REVISED
STATUTES (A.R.S.) § 44-1522
 10. ARIZONA UNIFORM STATE
ANTITRUST ACT A.R.S. §
44-1401 ET SEQ
 11. SECTION 7(2) OF THE
ILLINOIS ANTITRUST ACT
 12. VIOLATION OF THE
CALIFORNIA CONSUMER
PRIVACY ACT (CCPA)
 13. ILLINOIS CONSUMER FRAUD
AND DECEPTIVE BUSINESS
PRACTICES ACT (ICFA)

CLASS ACTION COMPLAINT
JURY TRIAL DEMANDED

INITIAL COMPLAINT

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1. Plaintiffs GovernmentGPT, Inc. ("GovGPT"), Raj Abhyanker ("Abhyanker"), similarly situated taxpayers across the United States and its territories (with particularity in the States of California, Arizona, and Illinois), and municipalities and police departments DOES 1-500, by and through its undersigned attorneys, brings this Complaint against Defendant Axon Enterprise, Inc. ("Axon"), Microsoft Corporation ("Microsoft"), and DOES 1-50, and alleges as follows:

INTRODUCTION

2. Plaintiffs allege that Axon and Microsoft engaged in a series of anticompetitive, monopolistic, and deceptive practices in the market for body-worn cameras and digital evidence management systems used by law enforcement agencies across the United States. These practices have resulted in inflated costs for municipalities and police departments, which have subsequently been passed on to taxpayers in the form of higher income, sales and/or property taxes. Additionally, Axon's failure to disclose the presence of Quectel chips in its Axon Body 4 cameras poses significant national security risks due to potential ties to the Chinese government.

3. Axon holds a dominant position in the market for body-worn cameras and digital evidence management systems for over 94.4% of all law enforcement agencies in the United States as of Q1 2024. Axon leverages its market power by integrating its body-worn cameras with its proprietary digital evidence management platform, Evidence.com, creating a closed ecosystem that discourages competition. Axon's

1 agreements with law enforcement agencies often include exclusivity clauses, tying the
2 purchase of body-worn cameras to the mandatory use of Evidence.com, effectively
3 foreclosing competition from innovative startups like GovGPT. In addition, by
4 acquiring key competitors, tying its products together, and engaging in exclusive dealing
5 contracts, Axon has effectively eliminated competition and solidified its monopoly
6 power.
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9 4. Axon has acquired several competitors, including Dedrone (2024), Fusus (2024),
10 Sky-Hero (2023), and Foundry 45 (2022), to eliminate competition and strengthen its
11 monopoly. These acquisitions have reduced market entry opportunities for other
12 competitors and have further entrenched Axon's dominant position. Axon has spent
13 lavishly on police fraternal organizations to secure their loyalty and support. This
14 spending includes funding events, providing expensive perks, and making significant
15 financial contributions, ensuring that these organizations advocate for the continued use
16 of Axon's products and services.
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20 5. Most importantly, Axon has failed to disclose the presence of Quectel chips in its
21 Axon Body 4 cameras (released on or about October 2023), which pose significant
22 national security risks. These chips, linked to the Chinese government, create a risk of
23 unauthorized access and surveillance, compromising the safety and security of both law
24 enforcement personnel and the public.
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27 6. GovGPT, a startup specializing in advanced artificial intelligence solutions for
28 law enforcement, including body-worn cameras and evidence management systems,

1 seeks to compete fairly in this market. The company's technology has been recognized
2 by leading technology competitions as one of this year's most innovative companies
3 including by TechCrunch Early Stage 2024, Collision Conference 2024, and leading
4 Silicon Valley venture capitalists.
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6 7. One of its flagship products, the DragonFly, is a patented tactical vest, body
7 camera, and AI powered evidence management system that provides real-time haptic
8 feedback to law enforcement officers in response to ambient threats. Using generative AI
9 for situational awareness, the vest acts as a 360 degree body camera, while using
10 artificial intelligence and haptics for threat detection. In addition, DragonFly includes a
11 language translation module for seamless communication between police officers and
12 the public. GovGPT's advisory board boasts a diverse group of experts, including leaders
13 from the military, law enforcement, and business sectors. These advisors bring valuable
14 insights from their extensive experience in fields such as AI chip manufacturing, federal
15 contracts, police operations, and public safety. GovGPT's engineering team comprises
16 highly skilled professionals in areas like AI, computer vision, and industrial design, with
17 backgrounds in organizations ranging from the FBI, Department of Homeland Security
18 and the Secret Service to top universities and tech companies. This blend of advanced
19 technology and expert guidance positions GovGPT to make significant impacts in
20 enhancing public safety and operational efficiency.
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27 8. GovGPT offers competitive solutions to Evidence.com with scalable, secure, and
28 portable storage for camera footage hosted on AWS, Microsoft, Google Cloud, private

1 storage, or other vendors. Enhanced with AI and advanced real-time threat detection
2 capabilities, GovGPT provides real-time recommendations to keep officers safer. Unlike
3 Axon and Microsoft's offerings, GovGPT's platform ensures secure storage of evidence,
4 superior cataloging, and the flexibility to choose cloud storage vendors. Additionally, it
5 offers superior situational awareness and real-time threat detection tools, notifications
6 and alerts, making digital evidence management more robust and efficient while
7 enhancing public safety. By integrating cutting-edge AI technology, GovGPT delivers
8 advanced and effective solutions at about half the cost of Axon's Evidence.com,
9 promoting innovation and competition in the digital evidence management market.
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13 9. Despite the impressive technological advancements and the diverse expertise of
14 its advisory board and engineering team, GovGPT faces significant market entry
15 challenges. Axon cameras, Tasers, and Fleet 3 devices no longer work when integrated
16 into GovGPT's evidence management system, making its competitive solution orphaned
17 with over 94.4% of police departments and agencies who have locked in with contracts
18 with Axon, which include marked up storage costs from Microsoft Azure cloud storage.
19 This interoperability issue severely limits GovGPT's ability to offer its superior services
20 to a large segment of the market.
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24 10. Potential investors have expressed concerns about the dominance of Axon in the
25 body-worn camera market, which creates a formidable barrier for new entrants with
26 more advanced solutions like GovGPT. Axon's established monopoly means that
27 breaking into the market with a complementary or competing product is perceived as
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1 nearly impossible. The monopolistic practices of Axon, supported by its strategic
2 partnership with Microsoft, have created an environment where new and innovative
3 solutions like those offered by GovGPT struggle to gain traction. This lack of
4 competition stifles innovation, keeps prices high, and limits the choices available to law
5 enforcement agencies, ultimately impacting public safety and financial efficiency.
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8 11. GovGPT's approach promotes competition by providing law enforcement
9 agencies with alternative, cost-effective, and technologically advanced solutions for
10 digital evidence management. By offering flexibility in cloud storage options and
11 integrating advanced AI capabilities, GovGPT not only enhances the operational
12 efficiency of law enforcement but also drives the market towards greater innovation and
13 cost savings. However, overcoming the entrenched market position of Axon and the
14 associated technical and contractual barriers remains a significant challenge that needs to
15 be addressed to fully realize these benefits.
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19 12. Microsoft facilitated these anticompetitive practices by providing the cloud
20 infrastructure necessary to support Axon's monopolistic strategies. In 2018, Axon began
21 migrating 20 petabytes of data from its Evidence.com platform to Microsoft Azure,
22 marking a significant strategic partnership. This migration, conducted without adequate
23 informed consent from law enforcement agencies, established a foundation for Axon's
24 monopolistic control over the digital evidence management market. By consolidating to
25 a sole-sourced Microsoft's robust cloud infrastructure without choice to its law
26 enforcement customers, Axon was able to enhance its service offerings, creating
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1 significant barriers to entry for other competitors and embedding its products deeply into
2 the operations of police departments and municipalities. The strategic partnership not
3 only consolidated Axon's market power but also played a critical role in maintaining
4 their dominance, directly affecting the operational budgets and choices available to law
5 enforcement agencies within the District of Arizona and beyond. Furthermore, Microsoft
6 cannot practically allow law enforcement agencies and municipalities to port their data
7 to other platforms without rendering their entire digital evidence management and
8 body-worn camera investment toothless, as their Axon cameras, Tasers, and Axon Fleet
9 3 cams would fail to function if this were to happen.

13 13. As a result of Axon and Microsoft's anticompetitive conduct, law enforcement
14 agencies and municipalities have been forced to pay inflated prices for body-worn
15 cameras and digital evidence management systems. These costs have been passed on to
16 taxpayers, including Plaintiffs and the class members, in the form of higher sales and
17 property taxes. Additionally, the undisclosed security risks posed by Quectel chips
18 compromise the privacy and safety of law enforcement operations and the public.

21 14. Plaintiffs seek a declaratory judgment that Axon and Microsoft's business
22 practices are unlawful and violate federal and state laws. They also seek injunctive relief
23 to prevent Axon and Microsoft from continuing its unlawful conduct, compensatory and
24 treble damages, punitive damages, attorneys' fees and costs, pre- and post-judgment
25 interest, and any other relief the Court deems just and proper. Furthermore, Plaintiffs
26 request that Axon be required to formally disclose the risk posed by Quectel chips and
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1 offer remediation options to purchasers of Axon Body 4 cameras.

2 15. This lawsuit aims to restore fair competition in the market for body-worn cameras
3 and digital evidence management systems, ensure transparency and accountability, and
4 protect the economic and security interests of taxpayers and law enforcement agencies.
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7 **SUPERIORITY OF GOVGPT'S DRAGONFLY OVER AXON BODY 4**

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9 16. GovGPT's DragonFly product offers a highly competitive and superior solution
10 to Axon's Evidence.com, delivering numerous benefits that enhance digital evidence
11 management for law enforcement agencies, at a much lower cost. GovGPT provides
12 scalable and secure storage for camera footage that can be hosted on multiple platforms,
13 including AWS, Microsoft, Google Cloud, private storage, or other vendors. This
14 flexibility allows law enforcement agencies to choose the storage solution that best
15 meets their needs, ensuring both cost-effectiveness and security. The platform is
16 enhanced with advanced AI and real-time threat detection capabilities. GovGPT's
17 AI-powered system offers real-time recommendations and alerts, which help officers
18 stay safer and respond more effectively to emerging threats.
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23 17. Moreover, GovGPT provides real-time data processing and AI analytics, offering
24 law enforcement agencies superior situational awareness. This allows for quick,
25 informed decision-making, improving operational efficiency and public safety outcomes.
26 GovGPT's digital evidence management system is approximately half the cost of Axon's
27 Evidence.com. These significant cost savings allow law enforcement agencies to allocate
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1 their resources more effectively, enhancing overall operational budgets.

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3 18. GovGPT offers superior cataloging and management of digital evidence, ensuring
4 that all data is organized and easily accessible. This enhances the efficiency of evidence
5 handling and improves the accuracy of law enforcement operations. GovGPT's platform
6 provides data portability that ensures that agencies are not locked into a single vendor,
7 promoting competition and fostering innovation in the market. The system includes
8 AI-powered bi-directional language translation and inference capabilities, facilitating
9 seamless communication in diverse environments. GovGPT's platform provides haptic
10 feedback technology that helps detect and alert officers to real-time threats based on
11 computer vision, audio analysis, and emotional understanding, enhancing officer safety
12 and response times.
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17 19. On the hardware side, GovGPT's DragonFly tactical vest offers several superior
18 features compared to the Axon Body 4 camera. First, DragonFly records on all
19 sides—front and back—using an array of camera lenses to provide full visibility for law
20 enforcement officers. Second, it distributes battery storage across the vest, making it less
21 bulky and protruding. Third, DragonFly includes AI-powered bi-directional language
22 translation and inference capabilities, utilizing proprietary and fast AI for seamless
23 speech and communication. Fourth, it provides haptic feedback to detect real-time
24 threats based on computer vision and emotional understanding.
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28 20. Additionally, DragonFly can be paired with drones and stationary cameras to

1 provide auxiliary notifications of real-time alerts, enhancing situational awareness. For
2 example, DragonFly vests could have haptically notified police officers and Secret
3 Service agents early if a police officer was near a suspect when spotted by a DragonFly
4 body camera, or when a stationary camera or drone detected that a person had climbed
5 on a roof near President Trump by vibrating sensors on DragonFly vests and using
6 computer vision to provide descriptions and notifications during the recent assassination
7 attempt. The AI team behind DragonFly possesses advanced computer vision and
8 machine learning skills, which elevate its AI-powered digital evidence management
9 system to offer real-time recommendations and alerts. Furthermore, the vest's design
10 separates the battery and memory pack from the cameras, ensuring that the cameras
11 remain securely attached to the wearer at all times. The hot-swappable battery and
12 memory pack allow for extended operational periods, with the ability to charge through
13 various mechanisms, including wirelessly while an officer is in the car.
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19 21. GovGPT holds approximately 20 U.S. and global patents and patent applications
20 covering a wide range of next-generation technologies not found in Axon Body 4
21 products. This comprehensive suite of innovative features and technologies positions
22 DragonFly as a superior alternative in the competitive landscape of advanced tactical
23 equipment for law enforcement.
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NATURE OF ACTION

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1. This action arises from Axon’s anticompetitive, monopolistic, and deceptive practices in the market for body-worn cameras and digital evidence management systems used by law enforcement agencies across the United States. Plaintiffs, on behalf of themselves and all others similarly situated, seek to address the significant economic and security harms caused by Axon’s conduct.

2. Axon has systematically engaged in exclusionary practices and strategic acquisitions to solidify its monopoly power and eliminate competition. Through tying arrangements, exclusive dealing contracts, and acquisitions of key competitors, Axon has created barriers to entry for other companies, stifled innovation, and maintained inflated prices for its products. These monopolistic practices have forced municipalities and police departments to pay higher prices for body-worn cameras and digital evidence management systems, with these costs ultimately being passed on to taxpayers in the form of increased income, sales and/or property taxes.

3. In addition to its anticompetitive conduct, Axon has engaged in deceptive practices by failing to disclose critical information about its products. Specifically, Axon has concealed the presence of Quectel chips in its new Axon Body 4 cameras (released on or about October 2023). These chips, which are linked to the Chinese government, pose significant national security risks, including the potential for unauthorized surveillance and data breaches. Axon’s failure to disclose these risks deprives customers of the information necessary to make informed purchasing decisions and compromises

1 the safety and security of law enforcement operations and the public.

2 4. Plaintiffs allege that Axon's conduct violates federal antitrust laws, including
3 Section 2 of the Sherman Act and Section 7 of the Clayton Act, as well as state antitrust
4 laws such as California's Cartwright Act and the Illinois Antitrust Act. Additionally,
5 Axon's deceptive practices violate the Arizona Consumer Fraud Act and constitute a
6 pattern of racketeering activity in violation of the Racketeer Influenced and Corrupt
7 Organizations Act (RICO).
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10 5. Plaintiffs seek declaratory and injunctive relief to prevent Axon from continuing
11 its unlawful conduct, as well as compensatory, treble, and punitive damages to address
12 the economic harm suffered by Plaintiffs and the class members. Furthermore, Plaintiffs
13 request that Axon be required to formally disclose the risk posed by Quectel chips and
14 offer remediation options to purchasers of Axon Body 4 cameras.
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17 6. Through this action, Plaintiffs aim to restore fair competition in the market for
18 body-worn cameras and digital evidence management systems, ensure transparency and
19 accountability, and protect the economic and security interests of taxpayers and law
20 enforcement agencies.
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23 **THE PARTIES**

24 1. Plaintiff GovGPT is a Delaware corporation with its principal place of business at
25 1580 W. El Camino Real Suite 14, Mountain View California 94040. GovGPT develops
26 and markets innovative artificial intelligence technologies, 360 degree and networked
27 body cameras, and advanced digital evidence software powered by artificial intelligence
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1 software for law enforcement agencies, including evidence management and analysis
2 solutions which unlock new use cases of real time threat detection and haptic response to
3 keep police officers safer.

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5 2. Plaintiff Abhyanker, an individual citizen and resident of California and Arizona
6 since 2016, who paid higher income, sales and/or property taxes as an indirect result of
7 Axon's anticompetitive acts. Mr. Abhyanker, as a consumer and significant real property
8 taxpayer in California, Arizona, and Illinois has suffered economic harm due to the
9 inflated costs of law enforcement equipment purchased by municipalities, which were
10 subsequently passed on to taxpayers. These higher taxes were necessitated by the
11 monopolistic practices of Axon, which stifled competition and led to elevated pricing for
12 essential public safety technologies. Mr. Abhyanker, as an indirect purchaser, seeks
13 redress for the financial burden imposed on him and other taxpayers similarly situated.
14 He represents a class of individuals in California, Arizona and Illinois who have been
15 similarly impacted by the increased financial strain due to Axon's anticompetitive
16 conduct and failure to disclose security risks associated with their products.

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21 3. Plaintiff Municipalities DOES 1-500, representing various municipal corporations
22 across the United States, each of which has directly purchased body-worn cameras and
23 digital evidence management systems from Axon. These plaintiffs collectively seek
24 compensation for the financial damages incurred due to Axon's monopolistic and
25 deceptive conduct, which has forced them to pay higher prices for necessary law
26 enforcement technology
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1 4. Defendant Axon is a Delaware corporation with its principal place of business at
2 17800 North 85th Street, Scottsdale, AZ 85255. Axon designs, manufactures, and sells
3 body-worn cameras and digital evidence management systems under the brand
4 Evidence.com.
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6 5. Defendant Microsoft is a publicly traded technology company incorporated in the
7 State of Washington with headquarters 1 Microsoft Way, Redmond, Washington 98052.
8 Microsoft operates datacenters in El Mirage and Goodyear, Arizona (known as “West
9 US 3”), part of the Greater Phoenix area in this district. Microsoft has established a close
10 strategic partnership with Axon Enterprise, Inc. This relationship is exemplified by the
11 integration of Axon’s Evidence.com platform with Microsoft Azure, allowing Axon to
12 leverage Microsoft's cloud infrastructure to handle vast amounts of digital evidence data.
13 This partnership has been instrumental in consolidating Axon's market dominance in the
14 digital evidence management market. Microsoft’s total revenues in twelve months
15 ending March 31, 2024 were over \$236 billion.
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20 **JURISDICTION AND VENUE**

21 1. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C.
22 §§ 1331 and 1337, as it arises under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§
23 15 and 26, to recover damages and secure injunctive relief for violations of Section 2 of
24 the Sherman Act, 15 U.S.C. § 2, and under 28 U.S.C. § 1331 as it also arises under the
25 Lanham Act, 15 U.S.C. § 1125. The Court has supplemental jurisdiction over the state
26 law claims under 28 U.S.C. § 1125. The Court has supplemental jurisdiction over the state
27 law claims under 28 U.S.C. § 1367 because they arise from the same nucleus of
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1 operative facts as the federal claims.

2 2. This Court has personal jurisdiction over Axon because Axon conducts
3 substantial business in this district, including the sale and distribution of its body-worn
4 cameras and digital evidence management systems. In addition, this Court has general
5 personal jurisdiction over Axon because Axon's principal place of business is in
6 Arizona. Alternatively, this Court has specific personal jurisdiction over Axon because
7 Axon purposefully directed its advertisements or promotions at consumers in this district
8 and caused harm to Plaintiff in this district. Axon thus has minimum contacts with the
9 State of Arizona and those contacts are related to this lawsuit.
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12 3. This Court has personal jurisdiction over Microsoft because Microsoft operates
13 datacenters in El Mirage and Goodyear, Arizona (known as "West US 3"), part of the
14 Greater Phoenix area in this district. These datacenters are integral to Microsoft's cloud
15 services, including the storage and management of digital evidence data for Axon's
16 Evidence.com platform. Microsoft's close strategic collusion with Axon, which
17 involves the integration of Microsoft Azure with Axon's Evidence.com platform, has
18 substantial effects within the District of Arizona. This relationship supports Axon's
19 monopolistic practices, affecting the market and law enforcement operations in this
20 district.
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23 4. In addition, this Court has general personal jurisdiction over Microsoft because
24 Microsoft conducts significant business activities in the District of Arizona, selling
25 software, services, and devices, including those related to its cloud infrastructure that
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1 supports Axon’s operations. Alternatively, this Court has specific personal jurisdiction
2 over Microsoft because the anticompetitive and deceptive conduct by Axon and
3 Microsoft, including the migration of data to Microsoft Azure and the subsequent
4 monopolistic practices, occurred and have substantial effects within this district.
5 Moreover, the economic harm and operational constraints caused by these practices
6 directly impact law enforcement agencies and municipalities within the District of
7 Arizona. Microsoft thus has minimum contacts with the State of Arizona and those
8 contacts are related to this lawsuit.
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12 5. Venue is proper in this judicial district pursuant to 15 U.S.C. §§ 15(a) and 22 and
13 28 U.S.C. § 1391, because Axon and Microsoft both reside, transact business, and are
14 found within this district, and because a substantial part of the events giving rise to the
15 claims occurred in this district. Venue is proper in the United States District Court for
16 the District of Arizona under 28 U.S.C. § 1391 because a substantial part of the events or
17 omissions giving rise to this action occurred in this district. Additionally, Axon’s
18 principal place of business is located in Scottsdale, Arizona, making the District of
19 Arizona a proper venue for this action.
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FACTUAL ALLEGATIONS

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1. Axon holds a dominant position in the market for body-worn cameras and digital evidence management systems for over 94.4% of all law enforcement agencies in the United States.¹

2. Axon leverages its market power by integrating its body-worn cameras with its proprietary digital evidence management platform, Evidence.com, creating a closed ecosystem that discourages competition.

3. Axon's agreements with law enforcement agencies often include exclusivity clauses, tying the purchase of body-worn cameras to the mandatory use of Evidence.com, effectively foreclosing competition from innovative startups like GovGPT.

4. Axon's pricing strategies and contract terms are designed to create significant switching costs for law enforcement agencies, further entrenching its monopoly and preventing agencies from considering alternative solutions.

5. Axon's actions have harmed GovGPT by restricting its market access, reducing its revenue opportunities, and impairing its ability to compete on the merits of its innovative technology.

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¹ As of 2020, Axon reported having a customer relationship with 17,000 of the nation's 18,000 law enforcement agencies (94.4%). Akela Lacy, *Two Companies Fight To Corner The Police Body Camera Market*, INTERCEPT, (Dec. 8, 2021), (last viewed July 29, 2024), <https://t.co/3HqLDySGCH>.

**AXON CONCEALS USE OF QUECTEL CHIPS, LABELED CHINESE
SPYWARE BY CONGRESS, THREATENING U.S. NATIONAL SECURITY**

6. Federal Communications Commission Chairwoman Jessica Rosenworcel had warned U.S. government agencies in September 2023 about the unacceptable national security risk posed by equipment incorporating Quectel chipsets.² A few months later; on January 3, 2024, Chairman Mike Gallagher and Ranking Congress Member Raja Krishnamoorthi wrote to Secretaries Lloyd Austin and Janet Yellen, urging them to blacklist Quectel Wireless Solutions due to its ties to the Chinese government and its role in China’s civil-military fusion strategy.³ They highlighted concerns about the security risks posed by Quectel’s IoT modules in American devices. **(Exhibit 2)**.

7. Numerous threads online including one on Reddit titled “*Quectel modules may be vulnerable to possibly backdoored FOTA updates*” have described security concerns with Axon and their potential for espionage.⁴ Specifically, this Reddit post discusses potential vulnerabilities in Quectel modules related to Firmware Over-The-Air (FOTA)

² David Shepardson, *US FCC Chair Says China's Quectel, Fibocom May Pose National Security Risks*, REUTERS, (Sept. 6, 2023), (last viewed July 29, 2024), <https://www.reuters.com/technology/us-fcc-chair-asks-agencies-consider-restrictions-quectel-fibocom-2023-09-06/>.

³ *Gallagher and Krishnamoorthi Urge Administration to Blacklist Quectel as a ‘Chinese Military Company’*, SELECT COMMITTEE ON THE CCP, (Jan. 4, 2024), (last viewed July 29, 2024), <https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-krishnamoorthi-urge-administration-blacklist-quectel-chinese>

⁴ User: PINE64official. *Quectel modules may be vulnerable to possibly backdoored FOTA updates*. REDDIT, 3 years ago, 2021, https://www.reddit.com/r/PINE64official/comments/lqn2xv/quectel_modules_may_be_vulnerable_to_possibly/

1 updates.⁵ There is concern that these updates could be backdoored, allowing the CCP to
2 compromise devices by infiltrating the update server. Comments mention the risks of
3 automatic FOTA updates, the importance of device-side encryption, and the potential for
4 malicious actors to exploit USB connections.⁶ The discussion emphasizes the need for
5 secure update processes and possibly open-source modem firmware for enhanced
6 security.⁷

9 **AXON BODY 4 CAMERAS USED AT TRUMP RALLY IN BUTLER**

10 **PENNSYLVANIA POSE SIGNIFICANT NATIONAL SECURITY RISK**

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12 8. The use of Axon Body 4 cameras in high-profile events poses significant security
13 risks due to potential espionage concerns. For instance, Axon Body 4 cameras were
14 deployed during President Trump's rally, where an assassination attempt occurred. Butler
15 County, which was outfitted with Axon Body 4 cameras in 2023, had officers using
16 these devices at the event.⁸ Police officer from Butler county are depicted in news
17 publications wearing an Axon Body 4 camera, for example in the Boston Globe:
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25 ⁵ *Id.*

26 ⁶ *Id.*

27 ⁷ *Id.*

28 ⁸ Denise G. Callahan, *Butler County deputies getting body cameras*, JOURNAL NEWS,
(April 19, 2023), (last viewed July 29, 2024),
<https://www.journal-news.com/news/butler-county-deputies-getting-body-cameras/NAAUHISP5ZDEDAQGVVUGLB6XXU/>.



Police officers at a road leading to the site of the assassination attempt on former president Donald Trump in Butler, Pa on July 14, 2024, Photo: S. Ogrocki, ASSOCIATED PRESS⁹ (emphasis added)

ELECTION INTERFERENCE RISK IN 2024 PRESIDENTIAL ELECTION

9. In April 2024, US Secretary of State Antony Blinken said the U.S. has seen evidence of Chinese attempts to “influence and arguably interfere” with the upcoming US elections, despite an earlier commitment from leader Xi Jinping not to do so.¹⁰ President Biden warned Xi Jinping in a phone call that same week against interfering in

⁹ Ayanna Alexander, *What to know about Trump assassination attempt and the investigation into the shooting*, BOSTON GLOBE, (July 15, 2024), (last viewed July 29, 2024), <https://www.bostonglobe.com/2024/07/15/nation/what-know-about-trump-assassination-attempt-investigation-into-shooting/>.

¹⁰ Simone McCarthy, *Blinken tells CNN the US has seen evidence of China attempting to influence upcoming US elections*, CNN, (April 26, 2024), (last viewed July 29, 2024), <https://www.cnn.com/2024/04/26/politics/blinken-china-interview-intl-hnk/index.html>

1 the U.S. election. The fact that the call was necessary points to a problem, according to
2 the Council on Foreign Relations.¹¹

3
4 10. China has a documented history of attempting to interfere with U.S. elections
5 through cyber operations, disinformation campaigns, and leveraging economic and
6 political influence.¹² The deployment of Axon Body 4 cameras equipped with Quectel
7 chips could further these efforts by providing real-time surveillance capabilities and
8 access to sensitive data, significantly enhancing China's ability to interfere with U.S.
9 elections.
10

11
12 11. Similarly, the Biden administration obtained intelligence in recent weeks about an
13 Iranian assassination plot against former President Donald Trump, and the information
14 led the Secret Service to ramp up security around the former president.¹³ China's top
15 diplomat told Iran that the nations can work together across a range of areas in the
16 future, signaling their ties remain solid following Tehran's unprecedented attack on
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21 ¹¹ Simone McCarthy, *Election 2024: China's Efforts to Interfere in the U.S. Presidential*
22 *Election*, COUNCIL ON FOREIGN RELATIONS, (April 5, 2024), (last viewed July 29,
23 2024),

<https://www.cfr.org/blog/election-2024-chinas-efforts-interfere-us-presidential-election>.

24 ¹² *Blinken tells CNN the US has seen evidence of China attempting to influence upcoming*
25 *US elections*, KTVZ, (April 26, 2024), (last viewed July, 29, 2024),

<https://ktvz.com/politics/cnn-us-politics/2024/04/26/blinken-tells-cnn-the-us-has-seen-evidence-of-china-attempting-to-influence-upcoming-us-elections/>.

26 ¹³ Ken Dilanian et. al, *Alleged Iranian plot to kill Trump led Secret Service to increase*
27 *security around him in recent weeks*, NBC NEWS, (July 16, 2024), (last viewed July 29,
28 2024),

<https://www.nbcnews.com/investigations/iran-assassination-plot-trump-secret-service-tightened-security-rcna162203>

1 Israel.¹⁴ The combination of the Iranian assassination plot, enhanced by the strategic
2 partnership between Iran and China, significantly heightens the security risks to former
3 President Trump and potentially other high-profile figures. The involvement of advanced
4 Chinese surveillance technology, such as Quectel chips in Axon Body 4 cameras,
5 exacerbates these risks by providing adversaries with sophisticated tools to gather
6 intelligence and plan attacks. This underscores the urgent need for robust security
7 measures and vigilant monitoring to protect against these evolving threats.
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11 12. Therefore, the use of Axon Body 4 cameras equipped with Quectel chips at
12 high-profile political events and sensitive locations create potential for real-time
13 surveillance and GPS tracking by the CCP and could compromise the security of
14 election activities, endanger public figures, and undermine public trust in the electoral
15 process. Given China and Iran's past attempts to interfere with U.S. elections, these risks
16 necessitate immediate attention and remedial actions to ensure the safety and integrity of
17 U.S. elections.
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20 **PLAINTIFF'S DISCOVERY OF SECURITY RISK IN AXON BODY CAMERAS**

21
22 13. On May 11, 2024, GovGPT purchased four Axon 4 cameras in Shenzhen, China;
23 as part of its own R&D competitive product research. These cameras are only
24 purchasable by law enforcement in the United States, but are readily available in China
25
26

27 ¹⁴ *China Tells Iran Cooperation Will Last After Attack on Israel*, BLOOMBERG, (April
28 15, 2024), (last viewed July 29, 2024),
[https://www.bloomberg.com/news/articles/2024-04-16/china-tells-iran-cooperation-will-
ast-after-attack-on-israel?embedded-checkout=true](https://www.bloomberg.com/news/articles/2024-04-16/china-tells-iran-cooperation-will-last-after-attack-on-israel?embedded-checkout=true)

1 on an eBay like website as shown below:
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19 14. Disassembly of these cameras revealed that they included SIM (Subscriber
20 Identity Module) cards from AT&T, which only operates in the United States, and
21 advanced Chinese Quectel real-time streaming chips. (See: **Exhibit 1**) and see below:
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Axon Body 4 use Quectel 5g which US Leaders Seek to Blacklist on Military Ties

Chinese components provide remote command and control usable for espionage.



- 1.  SEC 128 B04J KLMCGUJED0
- 2.  Qualcomm QCA6390
- 3.  SL83115 ZA333225
- 4.  Hynix H9HCNNBPUMLHR
- 5.  5G Quectel EG065K

15. These 5G Quectel EG065K chips enable the Axon 4 camera to stream directly from the body camera to a remote location using cellular communications. This feature, intended to allow real-time streaming to police headquarters, can be exploited to stream data to unauthorized locations without robust security measures.

GOVGPT'S ATTEMPTS TO ADDRESS THE ISSUE PRIVATELY WITH AXON

16. By May 20, 2024, GovGPT was very concerned upon this discovery and sought to bring the concern to Axon’s senior management privately. GovGPT's management, including Abhyanker, a Sr. Company Leader (former FBI), and a strategic advisor (former U.S. Special Forces), first believed that the Axon 4 cameras in the devices it purchased were counterfeit devices or ones that were not commercially sold in the United States. However, the presence of a FirstNet AT&T SIM card seemed to indicate

1 they may be actual versions sold in the United States :



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14 See Exhibit 1.

15 **GOVGPT'S MEETING WITH TOP AXON LEADERSHIP**

16 17. The GovGPT team decided to wait to ask Axon about it a week later on May 30,
18 2024 when they were to meet with Axon senior management about investment, thinking
19 perhaps there would be a clear explanation or proactive clarification that the devices
20 were indeed counterfeit. In case they were not, GovGPT's team decided they would not
21 pursue any partnership with Axon unless the issue was rectified or proactively disclosed
22 to municipalities by key members of Axon's senior leadership and R&D team.
23

24 18. On May 30, 2024, Axon senior management met with GovGPT senior leadership
25 through a video call. Senior management of Axon on the call included:
26

- 27 a. Henrik Kuhl, SVP, Strategy & Corporate Development at Axon.
28

- 1 b. Charlie Henick, VP of Corporate Development at Axon
- 2 c. Craig Trudgeon, Senior Vice President of Product @ Axon
- 3
- 4 d. Yasser Ibrahim, Senior Vice President, R&D @ Axon
- 5 e. Dave Givler, Sr. Director @ Axon, growth of global alliances.
- 6

7 **AXON'S DISMISSAL OF SECURITY CONCERNS**

8 19. During the call, GovGPT urged Axon to redesign their products without Quectel
9 components and to notify police departments across the United States about the risks
10 associated with Quectel chips in Axon Body 4 products.
11

12 20. Instead of listening and showing proactiveness to make changes, GovGPT's good
13 faith warnings were brushed aside and shortly thereafter Henrik Kuhl ended the call,
14 saying "it is not the conversation we want to have" and that GovGPT should instead
15 "focus on building your product and raising the capital you need." More than two
16 months have passed since this meeting. Axon has failed to take appropriate action,
17 thereby continuing to endanger national security and further entrenching its monopoly
18 by withholding critical information from the public.
19
20

21 **AXON'S DOMINANT FINANCIAL POSITION**

22 21. Axon's unlawful monopolization of body worn camera systems is further
23 evidenced by its persistent, high profit margins.
24

25 22. Axon's Q1 2024 financial report demonstrates the company's substantial financial
26 dominance, with total revenue of \$461 million, a 34% increase year over year. Axon's
27 Cloud & Services revenue grew by 52% to \$176 million, highlighting the nearly
28

1 complete dependence of more than 94.4% of America’s law enforcement agencies on
2 Axon's integrated ecosystem.

3
4 23. A December 2019 Axon investor presentation represented that Axon body worn
5 camera systems controlled 47 of the 69 U.S. Major City Chiefs Agencies.¹⁵ Measured in
6 terms of output or revenue, Axon’s market share among large U.S. cities is even higher
7 than 80%—likely at least 85%.¹⁶ As of 2020, Axon reported having a customer
8 relationship with 17,000 of the nation’s 18,000 law enforcement agencies (94.4%).¹⁷

9
10 24. This is indicated by a chart showing Axon body worn camera systems’
11 dominance in terms of U.S. Major City Chief Agencies ranked by size, starting with
12 New York City at the top left, then moving downward and spilling over into the
13 subsequent columns, with the smallest agency in the chart being Salt Lake City, at
14 bottom right:¹⁸

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18 ¹⁵ Investor Presentation, Axon Enterprise, December 2019, at 6, Axon Enterprise
19 (December 2019), as described in 3:23-cv-07182-RK-RLS, Dkt. 37, Page 19 of 64.

20 ¹⁶ Consistent with this figure, an analysis published by investment advice website Motley
21 Fool concluded that, immediately after and as a direct result of the Acquisition, Axon
22 “own[ed] 80% of all big-city police department contracts.” Rich Duprey, *Axon Enterprise*
23 *Now Owns the Police Body Cam Market*, MOTLEY FOOL, (May 18, 2018), (last viewed
24 July, 29, 2024),
<https://www.fool.com/investing/2018/05/18/is-there-any-stopping-axon-enterprise-now.aspx>.

25 ¹⁷ As of 2020, Axon reported having a customer relationship with 17,000 of the nation’s
26 18,000 law enforcement agencies (94.4%). Akela Lacy, *Two Companies Fight To Corner*
27 *The Police Body Camera Market*, INTERCEPT, (Dec. 8, 2021), (last viewed July, 29,
2024), <https://t.co/3HqLDySGCH>.

28 ¹⁸ Amended Complaint, *Township of Howell et. al. vs. Axon Enterprise, Inc. et al*, U.S.
Dist. N.J. Case No. 3:23-cv-7182, filed Aug. 22, 2023, Dkt. 37. (**Exhibit 3**).

Serving the top tier (Major City Chiefs)



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25. As the chart shows, of the 69 Major City Chief members, Axon controlled 4 of the top 5, 7 of the top 10, and 15 of the top 20. In other words, Axon similarly dominated among the very largest U.S. agencies, which are much larger than the smaller Major Cities Chiefs Association (“MCCA”) agencies. According to available data, around this same time, New York City and Chicago alone accounted for approximately 31% of the total officers and non-sworn personnel of all U.S. MCCA members combined.¹⁹

26. Assuming that New York and Chicago made up 31% of the market represented by the MCCA, and that the remaining 67 MCCA cities each represent an equal share of the

26 ¹⁹ The MCCA says its members comprise a workforce of 222,973 officers and non-sworn personnel in the U.S. Corporate Partnerships. *Corporate Partnerships*, MAJOR CITIES CHIEFS ASSOCIATION, (last viewed July 29, 2024), <https://majorcitieschiefs.com/corporate-partnerships/#:~:text=MCCA%20membership%20is%20comprised%20of,officers%20and%20non%2Dsworn%20personnel.>

1 remaining 69% of the market (a simplifying assumption), then according to the data
2 from its December 2019 investor presentation, Axon had 85% of the market represented
3 by the MCCA.
4

5 27. Axon acknowledges its dominance—according to the FTC, in a company
6 presentation, Axon implored its salespeople to “embrace being the gorilla,” and Axon’s
7 CEO confirmed that Axon is a “really strong market leader.”²⁰
8

9 28. As a result of its dominance, Axon wields its monopoly power to profitably
10 charger supracompetitive prices for body worn camera systems and their components,
11 including the huge price increases Axon implemented after the Acquisition, and to
12 generate high profit margins.³⁵ In 2022, Axon reported \$392 million in gross margin in
13 its “software and sensors” department, driven primarily by sales of its body worn camera
14 systems. With \$658 million in net sales from software and sensors, Axon generates a
15 60% profit margin from these body worn camera systems, an extremely margin
16 reflecting its monopoly power.²¹
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20 29. Motorola, Panasonic, and Utility largely make up the rest of the body worn
21 camera systems market. A chart included in a December 2019 Axon investor
22 presentation shows the meager market share these competitors had compared to Axon,
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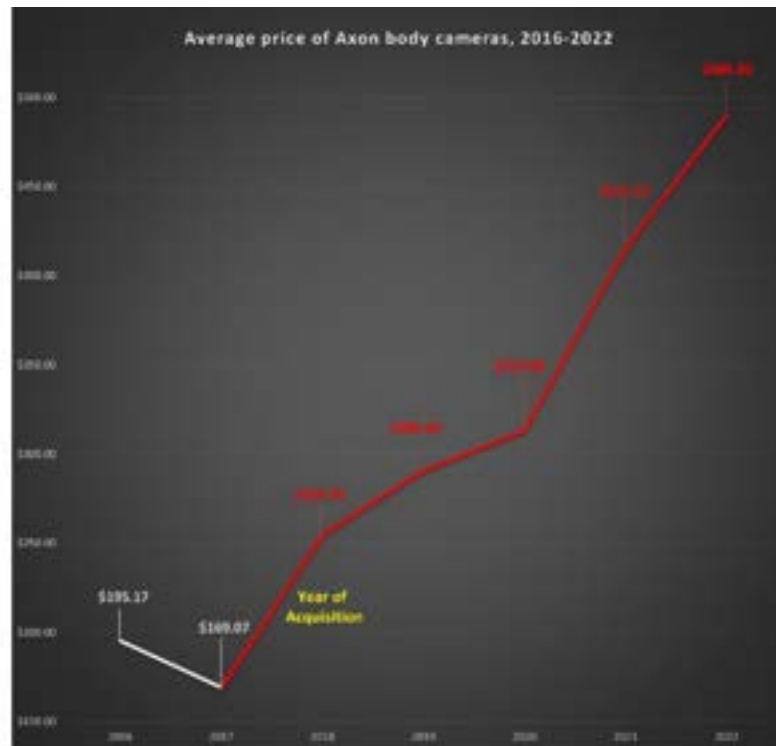
26 ²⁰ Complaint, *Axon Enter., Inc.*, FTC Dkt. No. D9389 ¶ 30 (Jan. 3, 2020),
27 <https://fingfx.thomsonreuters.com/gfx/legaldocs/xmvjljzdzvr/Augusta%20v%20Axon%20-%2020231004.pdf>

28 ²¹ 2023 Axon Enterprise, Inc. Form 10-K, at 39 (Feb. 28, 2023),
<https://www.sec.gov/Archives/edgar/data/1069183/000155837023002413/axon-20221231x10k.htm>.

1 with the closest competitor, Motorola, controlling only 7 of 69 U.S. Major City Chief
2 Agencies compared to Axon's 47 that year.²²

3
4 30. Axon's annual recurring revenue (ARR) grew by 50% to \$825 million as of May
5 2024, indicating a strong and growing customer base tied to Axon's subscription
6 services. The company reported a net income of \$133 million, supporting non-GAAP net
7 income of \$89 million and an adjusted EBITDA of \$109 million, reflecting its
8 significant profitability and market influence.

9
10 31. Axon increased its body worn camera prices by threefold between 2017 (the year
11 before the Acquisition of VieVu) and 2023,²³ as illustrated in the chart below:
12

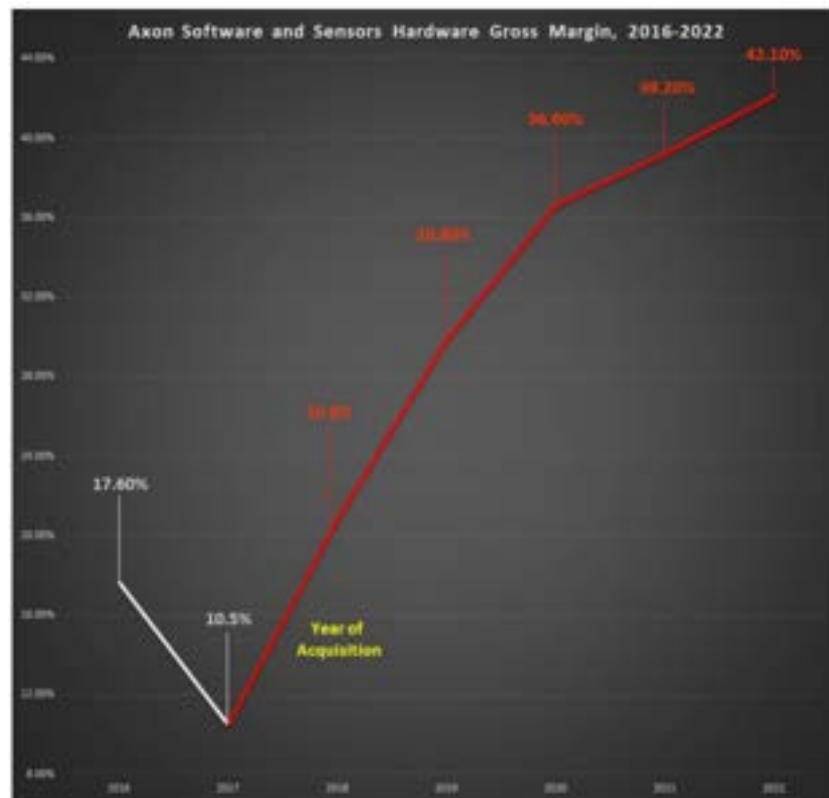


27 ²² *Id.*

28 ²³ Amended complaint, *Township of Howell et. al. vs. Axon Enterprise, Inc. et al*, No. 3:23-cv-7182, filed Aug. 22, 2023, Dkt. 37. (**Exhibit 3**)

1 32. Axon's 2023 annual report further reveals that its total revenue for 2023 was
 2 \$1.56 billion, with 86% of its revenue derived from the United States alone. The
 3 Software & Sensors segment, including Axon Evidence and other cloud services,
 4 contributed significantly to this growth, with revenue increasing from \$426 million in
 5 2021 to \$951 million in 2023.

6
 7
 8 33. Prices for Axon's body worn camera Docks and Evidence.com have likewise
 9 increased since 2017, with Dock prices more than doubling, for example. These price
 10 increases have resulted in extraordinary profits for Axon. Axon's reported gross margin
 11 on "Software and Sensors hardware," which is what it calls its body worn camera
 12 business, increased fourfold after 2017,²⁴ as shown below:



²⁴ *Id.*

1
2
3 34. Axon has likewise raked in sky-high margins of over 70% on Evidence.com since
4 the Acquisition.

5 35. According to Axon's Q1 2024 quarterly report, "Our integrated subscription plans
6 drive value for our customers beyond what can be achieved through disparate point
7 solutions and our software growth is also linked to record demand for our body-worn
8 cameras and digital evidence management products."²⁵ This admission highlights how
9 Axon uses its integrated ecosystem to lock customers into its products and services,
10 reducing the likelihood that customers will seek or switch to competing solutions,
11
12

13 36. In its administrative complaint against Axon and Safariland, the FTC noted that
14 Axon was the market leader for body worn camera systems, with VieVu as the next
15 largest competitor.²⁶

16
17 37. The Herfindahl-Hirschman Index ("HHI") measures and grades market
18 concentration by adding the squared market share percentages of each competitor in the
19 market. HHIs range from 0 in markets with no concentration to 10,000 in markets where
20 one firm has 100 percent market share.
21
22

23 38. According to the Horizontal Merger Guidelines issued by the Department of
24 Justice ("DOJ") and the Federal Trade Commission ("FTC"), a merger that increases the
25

26 ²⁵ *Axon Reports Q1 2024 Revenue of \$461 Million, Up 34% Year Over Year, Raises*
27 *Outlook*, AXON, (May 6, 2024), (last viewed July 29, 2024),
28 <https://investor.axon.com/2024-05-06-Axon-reports-Q1-2024-revenue-of-461-million,-up-34-year-over-year,-raises-outlook>.

²⁶ Complaint, *Axon Enter., Inc.*, FTC Dkt. No. D9389 ¶ 30 (Jan. 3, 2020).

1 HHI by more than 200 and results in an HHI above 2,500 in any market is presumed to
2 be anticompetitive, and therefore unlawful.²⁷

3
4 39. According to FTC estimates, in 2018, Axon's acquisition of VieVu increased total
5 market concentration by more than 200 HHI points and created a post-merger HHI
6 exceeding 2,500 points.²⁸

7
8 40. Axon's reported gross margins on body worn cameras follow a nearly identical
9 trend, increasing every year from 2017 to 2022 (after declining from 2016 to 2017),
10 jumping nearly *fourfold* over that period. In addition to increasing prices, Axon limited
11 the availability of VieVu body worn camera systems to customers and stopped
12 developing new generations of VieVu hardware and software.²⁹

13
14
15 41. In June 2020, the FTC settled with Safariland after Axon and Safariland
16 rescinded the noncompete provisions they entered into related to the Acquisition. But the
17 FTC's administrative action against Axon (which further sought to undo the Acquisition)
18 remained pending while Axon challenged the FTC's constitutional authority in court. In
19 October of 2023, after private class actions were filed against Axon and Safariland.³⁰,
20
21

22 ²⁷ DOJ & FTC, *Horizontal Merger Guidelines* 19 (2010). The DOJ and FTC have
23 released draft merger guidelines, which presume anticompetitive any merger that
24 increases HHI by more than 100 points and results in a market HHI greater than 1,800.
25 DOJ & FTC, *Draft Merger Guidelines* (2023)

26 ²⁸ Complaint, *Axon Enter., Inc.*, FTC Dkt. No. D9389 ¶ 34 (Jan. 3, 2020).

27 ²⁹ Luke Schiefelbein, *Why Taser Stock Could Have Shocking Upside*, FORBES (Mar. 13,
28 2018), (last viewed July 29, 2024), .
<https://www.forbes.com/sites/lukechiefelbein/2018/03/13/why-taser-stock-could-haveshocking-upside/?sh=47c4b26077d7>

³⁰ See *Township of Howell et al. v. Axon Enterprise, Inc. et al.*, No. 3:23-cv-7182 (D.N.J. filed Aug. 22, 2023).

1 the FTC dismissed its administrative action against Axon, stating that the delay from
2 Axon’s ongoing constitutional challenge made “a timely resolution” of the FTC’s
3 enforcement action “increasingly unlikely.” In doing so, the FTC stood by its allegations
4 that the Acquisition “create[ed] a monopoly and harm[ed] both police departments and
5 communities who fund them.”³¹
6

7
8 42. Adding to this high market concentration, body worn camera system contracts
9 generally last for 5– 10 years, limiting the ability of other body worn camera system
10 providers to compete with Axon. Further limiting competition, police departments have
11 high switching costs between body worn camera systems, as police departments must
12 learn complex, new procedures for storing and using evidence. Axon is well aware of
13 these high switching costs: in 2017, it offered free body cameras to police departments,
14 which came with a one-year trial subscription to Evidence.com.³²
15
16

17 43. Those “free” cameras enticed police departments into using the Axon body worn
18 camera system, because Axon’s body cameras only work with Axon software.
19
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22 ³¹ United States: FTC’s abandonment of case against Axon clouds Administrative Merger
23 Challenges, GLOBAL COMPLIANCE NEWS, (Nov. 3, 2023), (last viewed July 29,
24 2024),

25 https://www.globalcompliancencnews.com/2023/11/03/https-urldefense-com-v3-__https-ser-vice-infongen-com-cgrmdwxscgmxmdukatekqezxwlpwwqwvkfvc0tpag9tqlhzaxh3vdzkmwz3n0ppagvrt2r0ykdawkdoqmpyexvseu5lwna3stromuuvyva3d-newsletters-article-sho-wnidnl_5-8/.

26 ³² Cyrus Farivar, *Taser Stuns Law Enforcement World, Offers Free Body Cameras to All*
27 *US Police*, ARSTECHNICA, (Apr. 5, 2017), (last viewed July 29, 2024),
28 <https://arstechnica.com/tech-policy/2017/04/taser-announces-free-body-cameras-cloud-storage-to-all-us-cops-for-a-year/>; Elizabeth Joh & Thomas Joo, *The Harms of Police Surveillance Technology Monopolies*, 99, DENV. L. REV. FORUM, 1, 17 (2022).

1 Safariland’s then-Executive Vice President called the Axon offer for free body cameras a
2 “Venus fly trap” and noted that “there’s a whole back end to it that has implementation
3 costs and makes it very difficult to switch out of once you’re done.”³³
4

5 44. During the May 30, 2024 conversation with GovGPT, Henrik Kuhl, SVP of
6 Strategy & Corporate Development at Axon, made an admission against interest. He
7 acknowledged that the Axon Body 4 cameras are designed to function exclusively with
8 Axon's proprietary Evidence.com software, rendering the hardware “nothing other than a
9 paperweight” without a Evidence.com software subscription. This statement highlights
10 Axon's deliberate strategy to create a closed ecosystem, compelling law enforcement
11 agencies to invest continuously in Axon's software to utilize their hardware. This
12 approach reinforces Axon's market dominance, limiting customer choice and stifling
13 competition. Such an admission is crucial as it exposes the company's anti-competitive
14 practices, raising significant concerns about monopolistic behavior and its impact on
15 market dynamics and public safety.
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20 45. Because of these high switching costs, police departments seldom switch their
21 body worn camera system provider from one contract to another when a contract is
22 renewed.³⁴
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26 ³³ *In the Police Body Camera Business, the Real Money’s on the Back End*,
27 MARKETPLACE, (Apr. 18, 2017), (last viewed July 29, 2024),
28 <https://www.marketplace.org/2017/04/18/police-body-camera-business-real-moneys-on-b-ack-end/>.

³⁴ *Id.*

1 46. This “free” Evidence.com subscription also served to entrench Axon’s position in
2 the long-range conducted energy weapons market, since Evidence.com “seamlessly
3 integrates with Tasers.” This integration further locked purchasers into the Axon system
4 for both long-range conducted energy weapons and body worn camera systems.³⁵
5

6 47. Axon further holds its monopoly on its body worn camera systems by integrating
7 its Tasers and Axon Fleet 3 dash cams with its Evidence.com digital evidence
8 management system. Accordingly, police departments that want to integrate Taser and
9 Axon Fleet 3 dash cams data into their evidence software must use the Axon body worn
10 camera system.³⁶
11

12 48. For police department users, Axon now bundles together its supply of Tasers and
13 body worn camera systems. Axon negotiates supply for both services in one contract,
14 allowing it to extract even higher prices. For example, in 2014–15, Oklahoma City paid
15 around \$630,000 and \$683,325 for five-year contracts of at least 305 Tasers and a body
16 worn camera system with 305 body cameras.³⁷ Under its new contract, all with Axon, it
17 pays \$28.9 million over ten years for a full supply agreement with 500 Tasers and 665
18 body cameras—of which, \$18.7 million is allocated to Tasers and body worn camera
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24 ³⁵ Inkwood Research, *United States Conductive Electrical Weapons Market 2023–2030*,
at 36 (2023); Schiefelbein, *supra* note 23, at 32.

25 ³⁶ *Id.*

26 ³⁷ Josh Wallace, *Oklahoma City Body Camera Program Full Implemented*,
OKLAHOMAN, (Feb. 17, 2018), (last viewed July 29, 2024).

27 [https://www.oklahoman.com/story/news/local/oklahomacity/2018/02/17/oklahoma-city-b](https://www.oklahoman.com/story/news/local/oklahomacity/2018/02/17/oklahoma-city-body-camera-program-full-implemented/60542805007/)
28 [ody-camera-program-full-implemented/60542805007/](https://www.oklahoman.com/story/news/local/oklahomacity/2018/02/17/oklahoma-city-body-camera-program-full-implemented/60542805007/); Brian Bus, *Shock Value: OKC*
Selling Back Its Obsolete Tasers, THE JOURNAL RECORD, (Nov. 22, 2017),
<https://journalrecord.com/2017/11/22/shock-value-okc-selling-back-its-obsolete-tasers/>.

1 systems.³⁸ These contracts represent a per-year cost increase for Tasers and body worn
2 camera systems from just under \$263,000 to \$1.9 million, an increase of 611% when its
3 supply of Tasers and body cameras increased by less than 100%.³⁹

4
5 49. These heavy price increases indicate that prices for long-range conducted energy
6 weapons and body worn camera systems have been artificially elevated above
7 competitive levels.

8
9 50. Prices for body worn camera systems have increased from 2018 to 2023 and are
10 supracompetitive. Axon negotiates pricing for body worn camera systems typically for
11 5–10 year contracts. For example, in 2016, the city of Columbus, Ohio paid \$9.1 million
12 to Axon competitor WatchGuard (now owned by Motorola Solutions, Inc.) for a
13 five-year body worn camera system that provided 1,575 body cameras.⁴⁰ When
14 Columbus signed a new contract in 2022 with Axon, the price doubled: it committed to
15 pay Axon \$19 million over five years, which included only a modest increase to 2,105
16 body cameras, plus 450 in-car cameras.⁴¹

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20 51. Body worn camera use is widespread. In 2022, nearly half of police departments
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22 ³⁸ *Id.*

23 ³⁹ *Id.*

24 ⁴⁰ Mark Ferenchik, *Columbus, Ohio, Approves \$9 Million Police Body Camera Contract*,
25 GOV'T TECH, (Dec. 6, 2016), (last viewed July 29, 2024),
26 [https://www.govtech.com/public-safety/columbus-ohio-approves-9-million-body-camera-
contract-forpolice.html](https://www.govtech.com/public-safety/columbus-ohio-approves-9-million-body-camera-contract-forpolice.html).

27 ⁴¹ *Columbus City Leaders Announce Body-Worn Camera Upgrades with Automatic*
28 *Activation*. WSYX ABC6, (March 22, 2022), (last viewed July 29, 2024),
[https://abc6onyourside.com/news/local/mayor-andrew-ginther-department-of-public-safet-
y-city-leaders-announce-next-generation-visual-enhancements-audio-quality-body-worn-
camera-program-3-22-2022](https://abc6onyourside.com/news/local/mayor-andrew-ginther-department-of-public-safety-city-leaders-announce-next-generation-visual-enhancements-audio-quality-body-worn-camera-program-3-22-2022).

1 in the United States used body cameras, and seven states currently have laws requiring
2 police officers to use them. And where police departments use body cameras, over 90%
3 of prosecutors use body camera evidence to prosecute civilians—so police departments’
4 operations depend on having body camera footage integrated into their evidence system.
5

6 ⁴²

7
8 52. Additionally, a Reuters investigation has revealed fabrications in Axon's
9 backstory, including exaggerated claims about the effectiveness and safety of its
10 body-worn cameras and digital evidence management systems. These fabrications have
11 contributed to Axon's ability to secure and maintain its dominant market position by
12 misleading customers and investors about the true capabilities and risks associated with
13 its products.⁴³
14
15

16 53. The investigation found that Axon's CEO Rick Smith has repeatedly invoked a
17 false narrative about the company's origins, claiming he was motivated to start the
18 company after two of his high school friends were shot and killed. However, these
19 individuals were not friends of Smith, and their deaths were used without permission in
20
21
22

23 ⁴² Lily Robin & Susan Nembhard, *What Can Policymakers Expect of Body-Worn*
24 *Cameras in Law Enforcement after a Decade of Use?*, URBAN INST. (July 14, 2022),
25 (last viewed July 29, 2024),
26 [https://www.urban.org/urban-wire/what-can-policymakers-expect-body-worn-cameras-la
w-enforcement-after-decade-use](https://www.urban.org/urban-wire/what-can-policymakers-expect-body-worn-cameras-law-enforcement-after-decade-use).

27 ⁴³ Jeffrey Dastin, *Taser maker Axon has a moving backstory. It's mostly a myth*,
28 REUTERS (Dec. 27, 2023),
[https://www.reuters.com/investigates/special-report/axon-taser-corporate-governance/#:~:
text=Axon%20CEO%20Rick%20Smith%20claims,behavior%20among%20top%20Axon
%20executives](https://www.reuters.com/investigates/special-report/axon-taser-corporate-governance/#:~:text=Axon%20CEO%20Rick%20Smith%20claims,behavior%20among%20top%20Axon%20executives).

1 company promotions to create a sympathetic and compelling backstory for marketing
2 purposes.⁴⁴

3
4 54. Further unethical behavior includes lavish compensation and perks for Axon's
5 executives, often financed through company resources and not fully disclosed in
6 regulatory filings. This pattern of self-dealing and misrepresentation is consistent among
7 Axon's top leadership, raising serious concerns about the company's governance
8 practices.

9
10 55. The resignation of Axon's ethics board over the development of Taser-armed
11 drones underscores the company's disregard for ethical considerations and community
12 impact. The board members, who were experts in technology, policing, and privacy,
13 resigned en masse after Axon proceeded with controversial projects without adequate
14 consultation or consideration of their recommendations.⁴⁵

15
16 56. Axon's actions demonstrate a pattern of unethical behavior, including leveraging
17 misleading narratives to maintain market dominance, ignoring ethical advice from its
18 own advisory boards, concealing the use of Quectel chips in its Axon Body 4 cameras,
19 and prioritizing profit over public safety and ethical considerations.

20
21 //

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23
24
25 ⁴⁴*Taser Maker Axon Has a Moving Backstory. It's Mostly a Myth*, MARKET
26 SCREENER, (Dec. 27, 2023), (last viewed July 29, 2024),
27 <https://www.marketscreener.com/quote/stock/AXON-ENTERPRISE-INC-34532659/news/Taser-maker-Axon-has-a-moving-backstory-It-s-mostly-a-myth-45638735/>.

28 ⁴⁵*Axon Halts Plans for Taser Drone as 9 on Ethics Board Resign*, THE
INDEPENDENT, (June 6, 2022), (last viewed July 29, 2024),
<https://www.independent.co.uk/news/washington-ap-taser-ceo-reuters-b2094898.html>.

1 **RISING COST OF AXON SERVICES IS A SIGNIFICANT DRIVER**

2 **INCREASING MUNICIPAL POLICE BUDGETS**

3
4 57. Abhyanker has owned property or resided in each of the municipalities below at
5 all times between 2018-2024. Upon information and belief, budgets for Police
6 Departments in each of the cities below have increased pursuant to the table below:
7

8

City	2018 Budget	2023 Budget	Change in Budget (2018-2023)
Cupertino, CA	\$10.1M	\$11.5M	+\$1.4M (+13.9%)
Mountain View, CA	\$33.5M	\$41.0M	+\$7.5M (+22.4%)
Menlo Park, CA	\$18.7M	\$21.8M	+\$3.1M (+16.6%)
Phoenix, AZ	\$600.7M	\$769.2M	+\$168.5M (+28.1%)
Tempe, AZ	\$93.5M	\$107.4M	+\$13.9M (+14.9%)
Arlington Heights, IL	\$25.3M	\$30.1M	+\$4.8M (+19.0%)

9
10
11
12
13
14 58. Upon information and belief, Cupertino's police budget increased from \$10.1
15 million in 2018 to \$11.5 million in 2023, reflecting a 13.9% increase over the five years.
16 This data was compiled from the city's budget documents and financial reports, upon
17 information and belief. Plaintiff Abhyanker resides in and owns significant residential
18 property in Cupertino, California.
19
20

21 59. Upon information and belief, Mountain View's police budget grew from \$33.5
22 million in 2018 to \$41 million in 2023, an increase of 22.4%. The budget details were
23 sourced from the city's budget reports and financial transparency portals, upon
24 information and belief. Plaintiff Abhyanker owns significant commercial property in
25 Mountain View, California, and has owned residential property and businesses in
26 Mountain View, California during the last five years.
27
28

1 60. Upon information and belief, Menlo Park's police budget rose from \$18.7 million
2 in 2018 to \$21.8 million in 2023, a 16.6% increase. This information was gathered from
3 Menlo Park's adopted budget documents and related financial analysis, upon information
4 and belief. Plaintiff Abhyanker resided in and paid taxes Menlo Park, California during
5 the last five years.
6

7
8 61. Upon information and belief, Phoenix's police budget saw a substantial increase
9 from \$600.7 million in 2018 to \$769.2 million in 2023, marking a 28.1% rise. The city's
10 budget documents and financial reports provide these figures, upon information and
11 belief. Plaintiff Abhyanker sometimes resides in and owns significant residential
12 property in Phoenix, Arizona.
13

14
15 62. Upon information and belief, Tempe's police budget increased from \$93.5 million
16 in 2018 to \$107.4 million in 2023, a 14.9% increase. This information was sourced from
17 Tempe's budget and financial transparency portals, upon information and belief.
18 Plaintiff Abhyanker has owned significant commercial property in Tempe, Arizona
19 during the last five years.
20

21
22 63. Upon information and belief, Arlington Heights' police budget grew from \$25.3
23 million in 2018 to \$30.1 million in 2023, reflecting a 19.0% increase. The information
24 was gathered from the village's budget documents and financial reports, upon
25 information and belief. Plaintiff Abhyanker sometimes resides in and owns significant
26 residential property in Arlington Heights, Illinois.
27

28 //

1 **RISING COST OF AXON SERVICES IS A SIGNIFICANT DRIVER IN**
2 **INCREASED MUNICIPAL POLICE BUDGETS**
3

4 64. The percentage of the change in the police budget attributable to the increase in
5 costs of software and equipment such as tasers, body cameras, dash cams and digital
6 evidence software can vary significantly based on the specific city and their individual
7 circumstances, upon information and belief. Based on general trends and available data,
8 the approximate estimation is provided.
9

10 65. **Body Cameras:** The adoption of body-worn cameras has been a significant
11 expense for many police departments. According to a report by the U.S. Department of
12 Justice, the initial cost of body cameras can range from \$500 to \$1,000 per unit, with
13 additional costs for storage, maintenance, and management of the data captured. Axon
14 holds its monopoly through the required integration with Evidence.com and a lack of
15 data portability, and a lack of hardware compatibility with third party evidence
16 management software such as that being developed by GovGPT.
17
18
19

20 66. **Tasers:** The cost of tasers has also increased. A typical taser can cost between
21 \$800 and \$1,200 per unit, excluding training and maintenance costs. However, the bulk
22 of the fees integrated with Axon are in the backend through the required integration with
23 Evidence.com for sync with Axon body cameras and Fleet 3 dash cams, upon
24 information and belief. Axon holds its monopoly through the required integration with
25 Evidence.com and a lack of data portability, and a lack of hardware compatibility with
26 third party evidence management software such as that being developed by GovGPT.
27
28

1 **67. Dash Cams:** The cost of dash cams has also increased. A typical dashcam can
2 cost between \$2,500 and \$6,500 per unit, excluding training and maintenance costs.
3
4 However, the bulk of the fees integrated with Axon are in the backend through the
5 required storage and sync with Evidence.com for sync with Axon body cameras and
6 Tasers, upon information and belief. Axon holds its monopoly through the required
7 integration with Evidence.com and a lack of data portability, and a lack of hardware
8 compatibility with third party evidence management software such as that being
9 developed by GovGPT.
10

11
12 **68. Digital Evidence Software:** Implementing digital evidence management systems
13 can be expensive. Costs for Evidence.com software and storage solutions can run into
14 the hundreds of thousands of dollars, depending on the size of the department and the
15 volume of data.
16

17 **69.** Based on various sources, including city budget reports and news articles, it is
18 estimated that the increase in costs related to technology and equipment typically
19 accounts for approximately 10-20% of the overall increase in police budgets. For
20 example:
21

22
23 **70. Cupertino, CA:** A portion of the increase in the budget from \$10.1M to \$11.5M
24 (a \$1.4M increase) is attributable to technology and equipment costs, upon information
25 and belief.
26

27 **71. Mountain View, CA:** The increase from \$33.5M to \$41.0M (a \$7.5M increase)
28 includes substantial investments in technology, upon information and belief.

1 72. **Menlo Park, CA:** An increase from \$18.7M to \$21.8M (a \$3.1M increase) also
2 reflects technology upgrades, upon information and belief.

3
4 73. Assuming an average of 15% contribution from technology and equipment costs,
5 upon information and belief:

- 6 • Cupertino: 15% of \$1.4M = \$210,000
- 7
- 8 • Mountain View: 15% of \$7.5M = \$1.125M
- 9
- 10 • Menlo Park: 15% of \$3.1M = \$465,000
- 11
- 12 • Phoenix: 15% of \$168.5M = \$25.275M
- 13
- 14 • Tempe: 15% of \$13.9M = \$2.085M
- 15
- 16 • Arlington Heights: 15% of \$4.8M = \$720,000

17 74. Upon information and belief, approximately 10-20% of the increase in the police
18 budgets for these cities can be attributed to the increased costs of software and
19 equipment such as tasers, body cameras, dash cameras and digital evidence software.
20 This percentage can vary based on specific local needs, policies, and technological
21 adoption rates, upon information and belief.

22 **LOCAL TAX REVENUES USED TO FUND THE POLICE**

23 75. Upon information and belief, the sales tax, property tax, and state income
24 tax to support police services in Cupertino, Mountain View, Menlo Park, Phoenix,
25 Tempe, and Arlington Heights are directly used for police services:
26

City	Sales Tax	Property Tax	State Income Tax
Cupertino, CA	Yes	Yes	No
Mountain View, CA	Yes	Yes	No
Menlo Park, CA	Yes	Yes	No
Phoenix, AZ	Yes	Yes	No
Tempe, AZ	Yes	Yes	No
Arlington Heights, IL	Yes	Yes	No

76. According to information and belief, sales tax and property tax in Cupertino, California are used to support the police. The city receives a portion of the sales tax revenue, which is critical for funding various city services, including police (Cupertino Facts, City Budget Reports).

77. According to information and belief, sales tax in Mountain View, California contributes significantly to the general fund, which includes police services. Property tax is also used to support the police. There is no direct allocation from state income tax for police funding, upon information and belief. (Mountain View City Finance Reports).

78. According to information and belief, both sales tax and property tax in Menlo Park California are used to fund the police department. The general fund, supported by these taxes, covers essential services, including police, upon information and belief. (Menlo Park Budget Documents).

79. According to information and belief, sales tax and property tax in Phoenix, Arizona are primary sources for police funding. State income tax does not directly support local police funding, upon information and belief. (Phoenix Budget Reports)

1 80. According to information and belief, similar to Phoenix, sales tax and property
2 tax in Tempe, Arizona are used to support police services. There is no direct funding
3 from state income tax, upon information and belief. (Tempe City Budget Documents)
4

5 81. According to information and belief, the village of Arlington Heights, Illinois
6 uses sales tax and property tax to support its police services. State income tax is not a
7 direct funding source for the police department, upon information and belief.
8 (Arlington Heights Financial Reports).
9

10 82. Because the sales tax, property tax, or state income tax are used support police
11 services in Cupertino, Mountain View, Menlo Park, Phoenix, Tempe, and Arlington
12 Heights, and because Abhyanker is a taxpayer in each of these cities, Abhyanker has
13 standing to serve as a class representative for harm suffered (e.g., indirect) with respect
14 to this complaint.
15
16

17 **IMPORTANCE OF ALLOWING CUSTOMERS TO PURCHASE DEBUNDLED**

18 **DIGITAL EVIDENCE MANAGEMENT SOFTWARE**

19
20 83. Allowing police departments and municipalities to purchase and utilize
21 debundled digital evidence management software that is compatible with Axon's body
22 camera hardware without requiring subscriptions to Evidence.com is critical for several
23 reasons:
24

25 84. **Consumer Choice:** The Federal Trade Commission Act and antitrust laws aim to
26 promote competition and prevent monopolistic practices. When digital evidence
27 management software is tied exclusively to Axon's body cameras, law enforcement
28

1 agencies have no choice but to use Evidence.com, limiting their options. Allowing
2 competitors to offer compatible software promotes consumer choice, ensuring that
3 agencies can select the best products for their specific needs.
4

5 **85. Innovation:** Competition drives innovation. When multiple software providers
6 can offer their solutions such as GovGPT, they are incentivized to improve their
7 products continuously, leading to technological advancements that benefit law
8 enforcement agencies. This competition fosters a dynamic market where providers strive
9 to offer better features, enhanced security, and improved user experiences.
10
11

12 **86. Market Fairness:** Antitrust laws, such as the Sherman Act and Clayton Act, are
13 designed to prevent monopolistic practices that stifle competition. Axon's practice of
14 bundling its body cameras with Evidence.com creates an unfair market advantage,
15 making it difficult for other software providers such as GovGPT to compete. By
16 allowing debundling, the market becomes more open and competitive, fostering a fair
17 playing field for all providers.
18
19

20 **87. Price Regulation:** Monopolistic practices often lead to inflated prices. Without
21 competition, Axon sets high prices for its bundled services, burdening law enforcement
22 agencies with excessive costs. Introducing competition through debundling ensures that
23 prices are regulated by market forces, leading to more affordable options for agencies
24 and better utilization of taxpayer dollars.
25
26

27 **88. Transparency and Trust:** Consumer protection laws, including the California
28 Consumer Privacy Act (CCPA) and the Illinois Consumer Fraud and Deceptive Business

1 Practices Act (ICFA), emphasize the importance of transparency. Because Evidence.com
2 subscriptions are bundled, it obscures the true costs and capabilities of each component.
3
4 By allowing debundling, law enforcement agencies gain clearer insights into what they
5 are purchasing, building trust and enabling informed decision-making.

6 **89. Deceptive Practices:** Axon's bundling practice is deceptive, as it hides the true
7 cost of digital evidence management. This deception misleads police departments and
8 municipalities, as well as taxpayers, violating consumer protection laws. By requiring
9 Axon to offer debundled software, transparency is increased, aligning with the goals of
10 the Unfair Competition Law (UCL) and the Arizona Consumer Fraud Act
11

12 **90. Data Control:** Different software providers such as GovGPT offer varying levels
13 of data security and privacy protections. Allowing law enforcement agencies to choose
14 their software providers ensures that they can select solutions that meet their specific
15 security needs, protecting sensitive information from potential breaches.
16
17

18 **91. National Security:** The presence of Quectel chips in Axon's cameras raises
19 national security concerns due to potential unauthorized access by foreign entities.
20 Allowing agencies to use debundled software providers who prioritize security can
21 mitigate these risks, ensuring that sensitive data is protected.
22
23

24 **92. Cost Savings:** Introducing competition such as GovGPT through debundling
25 leads to lower prices. Law enforcement agencies, funded by taxpayer dollars, can
26 achieve significant cost savings, allowing them to allocate resources more effectively.
27
28 This benefits taxpayers by reducing the financial burden on public safety budgets.

1 **93. Resource Allocation:** Lower costs for more capable technology such as
2 technology offered by GovGPT means that municipalities can allocate more resources to
3 other critical areas, such as community policing, training, and public safety initiatives.
4 This holistic approach enhances overall community well-being and public safety.
5

6 94. For these reasons, allowing police departments and municipalities to purchase
7 debundled digital evidence management software compatible with Axon's body camera
8 hardware is crucial for promoting competition, preventing monopolistic practices,
9 protecting consumer rights, ensuring data privacy and security, and achieving economic
10 efficiency. These objectives align with the goals of the FTC Act, Sherman Act, Clayton
11 Act, CCPA, UCL, Arizona Consumer Fraud Act, and ICFA, ensuring a fair, transparent,
12 and competitive market that benefits law enforcement agencies and taxpayers alike.
13
14
15

16 **BENEFITS TO MUNICIPALITIES, POLICE DEPARTMENTS, AND**
17 **TAXPAYERS IF DEBUNDLING IS PERMITTED**
18

19 95. Allowing the purchase of debundled digital evidence management software that
20 works with Axon body camera hardware without requiring subscriptions to
21 Evidence.com provides several significant benefits to municipalities, including:
22

23 **96. Reduced Costs:** Municipalities would no longer be tied to the high costs of
24 bundled services. They can choose more affordable digital evidence management
25 software that fits their budget, leading to significant savings.
26

27 **97. Budget Allocation:** Savings from reduced costs can be reallocated to other
28 critical areas, such as community programs, infrastructure, and public services,

1 enhancing the overall well-being of the community.

2 98. **Competitive Pricing:** With multiple vendors in the market such as Plaintiff
3 GovGPT, municipalities can leverage competitive pricing to get the best value for their
4 money, avoiding monopolistic pricing structures imposed by a single provider.
5

6 99. **Vendor Flexibility:** The ability to switch vendors easily without being locked
7 into a single provider enhances municipalities' flexibility to choose the best solutions as
8 their needs evolve.
9

10 100. **Best Fit Solutions:** Police departments can select digital evidence
11 management systems that best meet their specific operational needs, enhancing
12 efficiency and effectiveness in evidence handling and case management.
13

14 101. **Innovation Access:** Exposure to various software options allows police
15 departments to adopt innovative solutions that may offer better features, improved
16 security, and easier integration with other law enforcement tools.
17

18 102. **Streamlined Processes:** By choosing software tailored to their workflow,
19 police departments can streamline processes, reducing administrative burdens and
20 allowing officers to focus more on community policing and less on paperwork.
21

22 103. **Interoperability:** Allowing various software solutions can improve
23 interoperability with other systems used by different departments and agencies,
24 enhancing collaboration and data sharing.
25

26 104. **Lower Taxes:** Cost savings from more competitive pricing such as offerings
27 from Plaintiff GovGPT can reduce the financial burden on taxpayers. Municipalities can
28

1 use the savings to potentially lower taxes or avoid tax increases.

2 105. **Efficient Use of Public Funds:** Ensuring that public funds are spent
3 efficiently on technology that provides the best value helps build trust and accountability
4 between the government and its citizens.
5

6 106. **Better Resource Allocation:** Savings from reduced technology costs can be
7 redirected to other critical areas of public safety, such as hiring more officers, investing
8 in training, or enhancing community policing efforts.
9

10 107. **Transparency and Trust:** When municipalities and police departments can
11 choose and implement the best technology solutions such as offerings from Plaintiff
12 GovGPT, it promotes transparency and trust in law enforcement, improving community
13 relations and public safety.
14
15

16 108. Therefore, ordering the debundling of digital evidence management software
17 through this litigation offers substantial benefits. Municipalities can achieve cost
18 efficiency and better budget allocation, police departments can improve their operational
19 efficiency and access to innovative solutions, and taxpayers benefit from financial
20 accountability and enhanced public safety. These advantages align with the broader
21 goals of promoting competition, preventing monopolistic practices, and ensuring
22 transparency and fairness in the market for law enforcement technology solutions.
23
24

25 **ACCOUNTABILITY AND TRUST BETWEEN LAW ENFORCEMENT AND**
26 **THE PUBLIC IF DEBUNDLING IS PERMITTED**
27

28 109. Allowing police departments to purchase debundled digital evidence

1 management software that is compatible with Axon's body camera hardware without
2 requiring subscriptions to Evidence.com can significantly benefit competition and
3 innovation, thereby improving accountability, trust, and public safety in ways such as:

4
5 110. **Increased Market Players:** Permitting debundling allows more software
6 vendors such as offerings from Plaintiff GovGPT to enter the market, breaking Axon's
7 monopoly. This competition forces all providers to improve their offerings to maintain or
8 grow their market share.

9
10 111. **Better Pricing:** With more competitors, law enforcement agencies can benefit
11 from competitive pricing, leading to cost savings and more efficient use of taxpayer
12 funds.

13
14 112. **Diverse Solutions:** Law enforcement agencies can choose from a variety of
15 software solutions tailored to their specific needs such as offerings from Plaintiff
16 GovGPT. This customization ensures they have the most effective tools for their
17 operations.

18
19 113. **Vendor Flexibility:** Agencies are not locked into a single vendor and can
20 switch providers if they find a better product, ensuring continuous improvement and
21 satisfaction.

22
23 114. **Continuous Improvement:** Competing software vendors such as offerings
24 from Plaintiff GovGPT are incentivized to continuously improve their products to attract
25 and retain customers. This leads to innovative features, better security measures, and
26 more user-friendly interfaces.
27
28

1 115. **Integration with Emerging Technologies:** Open competition encourages the
2 integration of new technologies such as AI, machine learning, and advanced data
3 analytics into digital evidence management systems such as offerings from Plaintiff
4 GovGPT. These innovations can enhance the functionality and effectiveness of
5 body-worn camera systems.
6

7
8 116. **Interoperability:** An open market fosters the development of interoperable
9 systems, allowing different software and hardware to work together seamlessly. This
10 interoperability is crucial for multi-agency operations and enhances the overall
11 effectiveness of law enforcement activities.
12

13 117. **Third-Party Innovations:** Third-party developers such as offerings from
14 Plaintiff GovGPT can create complementary tools and applications that enhance the core
15 functionality of body-worn cameras and digital evidence management systems, leading
16 to a richer ecosystem of solutions.
17

18 118. **Enhanced Oversight:** Multiple vendors and competitive solutions such as
19 offerings from Plaintiff GovGPT allow for better scrutiny and oversight of the products
20 used by law enforcement. Independent audits and evaluations become feasible, ensuring
21 that the tools used meet the highest standards of transparency and reliability.
22

23 119. **Public Confidence:** When law enforcement agencies use well-reviewed and
24 independently validated products, it boosts public confidence in the integrity and
25 accountability of their operations.
26

27 120. **Tailored Solutions:** Different communities have unique needs. Customizable
28

1 and adaptable software solutions ensure that law enforcement agencies can use tools
2 specifically designed to address their community's concerns, leading to more effective
3 policing.
4

5 121. **Feedback and Iteration:** An open market allows for continuous feedback
6 from end-users (police officers and administrators), leading to iterative improvements in
7 the products. This responsiveness to user needs enhances the overall effectiveness and
8 trust in these systems.
9

10 122. **Better Tools for Officers:** Innovative and competitive software solutions
11 such as offerings from Plaintiff GovGPT provide officers with better tools for managing
12 and analyzing evidence, leading to more effective and efficient law enforcement
13 operations.
14
15

16 123. **Real-Time Data and Analytics:** Advanced software can offer real-time data
17 analytics and insights, enabling officers to respond more quickly and effectively to
18 incidents, ultimately enhancing public safety.
19

20 124. **Building Trust:** Transparency in the tools and technologies used by law
21 enforcement fosters trust within the community. When the public knows that the tools
22 used by police are independently validated and competitive, it builds confidence in the
23 law enforcement agencies.
24

25 125. **Accountability Mechanisms:** Advanced digital evidence management
26 systems can include features that enhance accountability, such as automated logging of
27 access to evidence, detailed audit trails, and real-time threat detection capabilities such
28

1 as offerings from Plaintiff GovGPT. These features help ensure that evidence is handled
2 properly, reducing instances of misconduct and building public trust.

3
4 126. Therefore, permitting the purchase of debundled digital evidence management
5 software significantly benefits competition and innovation, thereby enhancing
6 accountability, trust, and public safety. Competition ensures better pricing, increased
7 innovation, and more tailored solutions for law enforcement agencies. It fosters an
8 environment of transparency and oversight, boosting public confidence in the integrity
9 of law enforcement operations. Ultimately, these benefits lead to more effective policing
10 and stronger community relations, which are essential for maintaining public safety.

13 **BREAKING UP THE AXON MONOPOLY: THE CASE FOR DEBUNDLING**

14 **DIGITAL EVIDENCE MANAGEMENT SOFTWARE**

15
16 127. Permitting customers to purchase debundled digital evidence management
17 software that is compatible with Axon's body camera hardware, without requiring
18 subscriptions to Evidence.com, is an effective remedy for breaking up Axon's monopoly.
19 This approach addresses several key aspects of monopolistic behavior and promotes a
20 healthier, more competitive market, such as:

21
22
23 128. **Increased Competition:** By allowing other software providers such as
24 offerings from Plaintiff GovGPT to integrate their solutions with Axon's hardware, the
25 market opens up to a greater number of participants. This reduces Axon's stranglehold
26 on the market, fostering a competitive environment where multiple companies can offer
27 their products and services.
28

1 129. **Lower Prices:** With more competitors such as offerings from Plaintiff
2 GovGPT in the market, prices for digital evidence management solutions are likely to
3 decrease due to competitive pressures. Law enforcement agencies can benefit from more
4 affordable technology, leading to cost savings for municipalities and taxpayers.
5

6 130. **Product Improvement:** Competition drives innovation. Other software
7 providers such as offerings from Plaintiff GovGPT, incentivized by the opportunity to
8 compete with Axon, will innovate to offer superior products. This can lead to better
9 features, enhanced security, and more efficient workflows for law enforcement agencies.
10

11 131. **Technological Advancements:** An open market encourages the integration of
12 emerging technologies such as offerings from Plaintiff GovGPT, such as artificial
13 intelligence threat detection and machine learning , into digital evidence management
14 systems. These advancements can significantly improve the functionality and utility of
15 body-worn cameras.
16
17

18 132. **Free Market Choice:** Tying the purchase of Axon's body cameras to its
19 Evidence.com service restricts market choice. Allowing debundling breaks this practice,
20 ensuring that law enforcement agencies can choose the best software such as offerings
21 from Plaintiff GovGPT that meets their needs without being compelled to use Axon's
22 platform.
23
24

25 133. **Lowering Entry Barriers:** New entrants such as offerings from Plaintiff
26 GovGPT are unable to compete in a market dominated by a single provider with bundled
27 offerings. By allowing debundling, the barriers to entry are lowered, enabling smaller
28

1 and new companies such as offerings from Plaintiff GovGPT to enter the market and
2 compete effectively.

3
4 134. **Stimulating Market Dynamics:** A more open market stimulates dynamic
5 competition, where companies such as offerings from Plaintiff GovGPT continuously
6 strive to improve their products and services to gain a competitive edge. This leads to a
7 more vibrant and innovative market environment.
8

9 135. **Informed Decision-Making:** Law enforcement agencies can make more
10 informed decisions when they have the freedom to choose from multiple software
11 providers. Transparency in pricing and product features fosters trust between technology
12 providers and their consumers.
13

14 136. **Public Accountability:** When law enforcement agencies use independently
15 verified and competitive products, it builds public trust in their operations. The
16 community gains confidence in the integrity and accountability of their law enforcement
17 agencies.
18

19 137. **Better Resource Allocation:** Cost savings from competitive pricing can be
20 reallocated to other critical areas of public safety, such as hiring more officers, investing
21 in training, and enhancing community policing efforts.
22

23 138. **Effective Policing Tools:** Access to a range of innovative and advanced
24 digital evidence management solutions such as offerings from Plaintiff GovGPT ensures
25 that law enforcement agencies have the best tools at their disposal. This improves their
26 ability to manage evidence efficiently, leading to more effective law enforcement and
27
28

1 better public safety outcomes.

2 139. **Market Efficiency:** An open and competitive market is more efficient.
3 Resources are allocated more effectively, and companies such as offerings from Plaintiff
4 GovGPT and Axon alike are incentivized to innovate and improve, leading to better
5 products and services for consumers.
6

7 140. **Cost-Effective Solutions:** Competitive pricing and innovation such as
8 offerings from Plaintiff GovGPT result in more cost-effective solutions for law
9 enforcement agencies. This efficiency benefits taxpayers, as public funds are used more
10 judiciously.
11

12 141. Therefore, allowing customers to purchase debundled digital evidence
13 management software that works with Axon's body camera hardware is a powerful
14 remedy for breaking up Axon's monopoly. It promotes competition, fosters innovation,
15 enhances accountability and trust, and ensures compliance with antitrust and consumer
16 protection laws. This approach not only benefits municipalities, police departments, and
17 taxpayers but also leads to a healthier, more dynamic market that drives continuous
18 improvement in public safety technology.
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23 ANALOGOUS ANTITRUST CONDUCT

24 142. Axon's conduct is analogous to the antitrust practices challenged in the case of
25 *Epic Games*⁴⁶, where Apple was accused of maintaining a monopoly in the iOS App
26

27
28 ⁴⁶ *Epic Games, Inc. v. Apple Inc.*, 4:20-cv-05640-YGR, 21-16506, Dk. 812, (9th Cir. 2023), <https://regmedia.co.uk/2021/09/10/epic-v-apple.pdf>.

1 Distribution Market and the iOS In-App Payment Processing Market through
2 unreasonable and unlawful restraints.

3
4 143. In the *Epic Games* case, Apple was found to monopolize the iOS App
5 Distribution Market by requiring developers to distribute their apps exclusively through
6 the App Store, and to use Apple's In-App Purchase system for all digital content
7 transactions. Similarly, Axon requires law enforcement agencies to use its Evidence.com
8 platform exclusively with its body-worn cameras and its taser products, foreclosing
9 competition from alternative evidence management solutions.⁴⁷

10
11
12 144. Like Apple, Axon imposes unreasonable restraints on competition through
13 technical restrictions, contractual obligations, and exclusionary practices, all designed to
14 maintain its monopoly in the law enforcement technology market. This conduct includes
15 leveraging its market power to impose supra-competitive prices, stifling innovation, and
16 limiting consumer choice.

17
18
19 145. In fact, Axon's Chief Executive Officer, Rick Smith boasts in an interview
20 with the National Fraternal Order of Police that it took inspiration from Apple in that the
21 hardware is not what made its products great, but its tight coupling of the
22 "hardware/software ecosystem." Axon has also said they "won by combining the
23

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27 ⁴⁷ *The Police Body Camera Business: The Real Money's on the Back End*,
28 MARKETPLACE, (Apr. 18, 2017), (last viewed July 29, 2024),
<https://www.marketplace.org/2017/04/18/police-body-camera-business-real-moneys-on-back-end/>.

1 software and hardware.”⁴⁸

2 146. Also, Axon's conduct is analogous to the antitrust practices currently being
3 challenged against the company in the case *Township of Howell*, which is based
4 primarily on the acquisition of VieVu in 2018.⁴⁹

5
6 147. In the *Township of Howell* case, Axon's anticompetitive conduct is supported
7 by behavior described in that litigation which alleges Axon acquired VieVu to eliminate
8 competition, used tying arrangements to force purchases of its Evidence.com system,
9 and entered exclusive contracts to prevent competition. This led to inflated prices and
10 reduced innovation. In the current dispute, Axon continues these practices, stifling
11 competition and increasing costs for taxpayers and municipalities. Additionally, Axon's
12 concealment of Quectel chips in its Body 4 cameras, posing national security risks,
13 reflects its pattern of deceptive practices, misleading customers about product safety and
14 effectiveness.
15
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19 **HARM CAUSED BY MIGRATION TO MICROSOFT AZURE AND**
20 **CONSPIRACY TO MAINTAIN MONOPOLY**

21 148. On or about February 2018, Axon migrated 20 petabytes of data from its
22 Evidence.com platform to Microsoft Azure. At the time, both companies billed this
23
24
25

26 ⁴⁸ Peter High & Rick Smith, *The Man Who Plans to Make Bullets Obsolete*, FORBES,
27 (Oct. 14, 2019), (last viewed July 29, 2024),
28 <https://www.forbes.com/sites/peterhigh/2019/10/14/rick-smith-the-man-who-plans-to-make-bullets-obsolete/>.

⁴⁹ *Township of Howell et al. v. Axon Enterprise, Inc. et al.*, No. 3:23-cv-7182 (D.N.J. filed Aug. 22, 2023); Dkt. No. 37; *See* (Exhibit 3).

1 data migration as one of the largest cloud migrations in history.⁵⁰ This migration was
2 framed as a strategy to enhance scalability, security, and performance by leveraging
3 Azure's robust cloud infrastructure. However, this shift marked a critical point in Axon's
4 path towards monopolistic control over the body-worn camera and digital evidence
5 management market. Upon information and belief, harm to police departments
6 included:
7

8
9 149. **Non-Disclosure Disclosure of Financial Implications:** Police departments
10 and municipalities were not adequately informed about the financial and operational
11 impacts of this migration. The decision to move to Azure was made without
12 comprehensive disclosure to these entities about the potential cost increases and
13 long-term budget implications.
14
15

16 150. **No Opportunity to Opt-Out:** Law enforcement agencies were not given the
17 option to opt-out of this migration or evaluate alternative solutions that might better fit
18 their financial and operational needs. This lack of choice forced them into a dependent
19 relationship with Axon's proprietary system.
20

21 151. **New Cost Structures:** The migration introduced new, less transparent cost
22 structures associated with data storage and management on Azure. These unforeseen
23 expenses disrupted the financial planning of municipalities and police departments,
24
25

26 ⁵⁰ Larry Dignan, *Axon Moves 20 PB of Data from Evidence.com to Microsoft Azure*,
27 ZDNET, (Feb. 28, 2018), (last viewed July 29, 2024),
28 <https://www.zdnet.com/article/axon-moves-20-pb-of-data-evidence-com-to-microsoft-azure/>. (Axon reported strong fourth quarter results and detailed a December migration to Microsoft Azure as well as other cloud-centric implementations.)

1 potentially leading to budget overruns and fiscal stress.

2 152. **Financial Uncertainty:** The lack of predictability in pricing made it difficult
3 for these entities to manage their long-term investments in digital evidence management,
4 causing financial uncertainty and planning difficulties.

5 153. **Limited Vendor Options:** By integrating with Microsoft Azure, Axon
6 effectively tied law enforcement agencies to its own digital evidence management
7 platform. This dependency reduced the ability of these agencies to explore and adopt
8 alternative, potentially more cost-effective or efficient solutions from other vendors.
9

10 154. **Stifling Innovation:** The reliance on a single vendor for both hardware and
11 software stifled competition and innovation in the market, as new entrants found it
12 challenging to compete with Axon's integrated offerings.
13

14 **155. Conspiracy Between Microsoft and Axon**

15 156. The migration to Microsoft Azure and the subsequent integration of Axon's
16 services reflect a strategic alliance between Axon and Microsoft aimed at consolidating
17 Axon's monopoly in the market. This partnership has several monopolistic implications:
18

19 157. **Exclusive Control:** The collaboration between Axon and Microsoft has
20 resulted in an exclusive control over the storage and management of digital evidence
21 data, making it difficult for other vendors to offer competing services.
22

23 158. **Market Power:** By leveraging Microsoft's cloud infrastructure, Axon has
24 strengthened its market position, making it challenging for smaller competitors to
25 compete on equal footing. This consolidation has entrenched Axon's market dominance.
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28

TIMELINE OF KEY EVENTS FROM 2018 TO 2024

LEADING TO AXON'S MONOPOLY

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4 159. Upon information and belief, here is a timeline of key events from 2018 to
5 2024 leading to Axon's monopoly:

6 **160. 2018: Migration to Microsoft Azure**

7
8 161. Axon migrated 20 petabytes of data from its Evidence.com platform to
9 Microsoft Azure, significantly enhancing its data storage and management capabilities.
10 This move laid the foundation for Axon's dominance in the digital evidence management
11 market by leveraging Azure's scalability, security, and performance.
12

13 **162. 2019: Strategic Acquisitions and Partnerships**

14
15 163. Axon acquired VieVu, one of its main competitors in the body-worn camera
16 market. This acquisition reduced competition and consolidated Axon's market share.
17 Further integration with Microsoft Azure solidified Axon's reliance on advanced cloud
18 infrastructure, offering enhanced services and tightening its market grip.
19

20 **164. 2020: Expansion of Evidence.com and Market Penetration**

21
22 165. Axon expanded its digital evidence management platform, Evidence.com,
23 offering more advanced features and deeper integration with its body-worn cameras.
24 This expansion attracted more law enforcement agencies to switch to Axon's bundled
25 services. Axon began securing exclusive contracts with numerous police departments
26 and municipalities, further entrenching its position by making it difficult for competitors
27 to penetrate these markets.
28

1 **166. 2021: Product Enhancements and New Offerings**

2 167. Axon launched the Axon Body 3 camera, which included real-time streaming
3 capabilities and required integration with Evidence.com. This product launch reinforced
4 the dependency of law enforcement agencies on Axon's ecosystem. By continually
5 increasing dependency of products and services on Evidence.com, Axon increased its
6 market share, edging out smaller competitors who could not match the entrenched
7 market dominance.
8

9
10 **168. 2022: Consolidation and Market Control**

11 169. Axon acquired several smaller technology firms, including those specializing
12 in AI and machine learning for public safety, further consolidating its market position.
13 Continued enhancement of integration between its hardware and software products made
14 it increasingly difficult for law enforcement agencies to switch to other vendors.
15

16 **170. 2023: Continued Dominance and Criticism**

17 171. Growing criticism and scrutiny over Axon's monopolistic practices emerged,
18 particularly its bundling strategies and exclusive contracts that stifled competition.
19 Concerns about the presence of Quectel chips in Axon Body 4 cameras and the potential
20 national security risks further highlighted the lack of transparency and increased
21 dependence on Axon's proprietary systems.
22

23 **172. 2024: Regulatory Scrutiny and Calls for Reform**

24 173. Increased regulatory scrutiny and legal challenges emerged against Axon's
25 monopolistic practices, including claims of antitrust violations and deceptive business
26
27
28

1 practices. This complaint advocates for mandatory debundling of Axon's digital
2 evidence management software from its hardware. Proposals were made to allow law
3 enforcement agencies to choose their software providers independently of their body
4 camera hardware.
5

6 174. Law enforcement agencies faced unpredictable costs and financial uncertainty
7 due to the new pricing structures introduced after the migration to Microsoft Azure. The
8 lack of transparency and the inability to opt-out of bundled services strained their
9 budgets. Axon's monopolistic practices stifled competition, limiting the availability of
10 innovative and cost-effective solutions from other vendors. This lack of competition
11 resulted in higher costs and fewer choices for law enforcement agencies. The integration
12 of Axon's services with Microsoft Azure created a dependency on Axon's ecosystem,
13 making it difficult for agencies to switch to alternative solutions. The partnership
14 between Axon and Microsoft facilitated Axon's ability to maintain its market
15 dominance. By leveraging Azure's cloud infrastructure, Axon could offer superior
16 services that competitors could not easily replicate, thus consolidating its market
17 position.
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23 **ANTICOMPETITIVE CONDUCT SUMMARY**

24 175. Monopolistic Practices and Market Dominance

25 176. Axon and Microsoft have colluded to engage in several anticompetitive
26 practices aimed at maintaining and expanding its dominant position in the body-worn
27 camera market.
28

1 177. Collusion between Axon and Microsoft

2 178. In February 2018, Axon and Microsoft entered into a strategic partnership
3 whereby Axon migrated 20 petabytes of data, including video files and associated
4 metadata, from AWS and other cloud storage solutions to Microsoft Azure. Upon
5 information and belief, neither Axon nor Microsoft sought or received informed consent
6 from the affected law enforcement departments before porting their data to Microsoft
7 Azure. This migration was conducted without adequately informing these departments
8 of the potential impacts on their operations, costs, or data privacy.
9

10 179. The partnership between Axon and Microsoft facilitates the consolidation of
11 Axon's dominance in the digital evidence management market. By integrating Axon's
12 Evidence.com platform with Microsoft Azure, they create barriers to entry for other
13 competitors. This exclusive control over the storage and management of digital evidence
14 data effectively reduces the ability of law enforcement agencies to choose alternative,
15 competitive solutions, thereby stifling competition.
16

17 180. Law enforcement agencies face unpredictable costs and financial uncertainty
18 due to the migration and the new pricing structures introduced by the partnership with
19 Microsoft Azure. The integration of Axon's services with Microsoft Azure creates a
20 dependency on Axon's ecosystem, making it difficult for agencies to switch to
21 alternative solutions.
22

23 181. Strategic Acquisitions to Eliminate Competition

24 182. Axon holds a substantial share of the market for body-worn cameras and
25
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28

1 digital evidence management systems used by law enforcement agencies across the
2 United States. Through a series of strategic acquisitions, exclusionary contracts, and
3 deceptive practices, Axon has managed to stifle competition, inflate prices, and reduce
4 innovation in this critical market.
5

6 183. Axon has pursued a strategy of acquiring competitors to consolidate its market
7 power and eliminate competitive threats. Notable acquisitions include:
8

9 a. Dedrone (2024): A leader in airspace security solutions, providing
10 advanced drone detection and mitigation technologies. The acquisition of
11 Dedrone allows Axon to control significant portions of the drone security
12 market, further consolidating its dominance in public safety technology.⁵¹
13

14 b. Fusus (2024): A provider of real-time crime center (RTCC) technology,
15 integrating live video, data, and sensor feeds from various sources. This
16 acquisition enhances Axon's capabilities in situational awareness and
17 real-time response, limiting competition in the market for integrated public
18 safety solutions.⁵²
19
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22

23 ⁵¹ *Axon to Acquire Dedrone, Accelerating the Next Generation of Drone Solutions to*
24 *Protect More Lives in More Places*, AXON, (May 6, 2024), (last viewed July 29, 2024),
25 [https://investor.axon.com/2024-05-06-Axon-to-acquire-Dedrone,-accelerating-the-next-g](https://investor.axon.com/2024-05-06-Axon-to-acquire-Dedrone,-accelerating-the-next-generation-of-drone-solutions-to-protect-more-lives-in-more-places)
26 [eneration-of-drone-solutions-to-protect-more-lives-in-more-places](https://investor.axon.com/2024-05-06-Axon-to-acquire-Dedrone,-accelerating-the-next-generation-of-drone-solutions-to-protect-more-lives-in-more-places); Miriam McNabb,
27 *Axon to Acquire Dedrone to Enhance Drone Security Solutions*, DRONELIFE, (May 7,
28 2024), (last viewed July 29, 2024),
[https://dronelife.com/2024/05/07/axon-dedrone-acquisition-to-enhance-drone-security-so](https://dronelife.com/2024/05/07/axon-dedrone-acquisition-to-enhance-drone-security-solutions/)
[lutions/](https://dronelife.com/2024/05/07/axon-dedrone-acquisition-to-enhance-drone-security-solutions/).

⁵² *Axon Accelerates Real-Time Operations Solution with Strategic Acquisition of Fusus*, AXON, (Feb. 1, 2024), (last viewed July 29, 2024),

- 1 c. Sky-Hero (2023): A Belgian specialist in indoor unmanned vehicles,
2 enhancing Axon's portfolio in public safety drones and unmanned systems.
3 This acquisition enhances Axon's capabilities in situational awareness and
4 real-time response in indoor settings, limiting competition in the market for
5 integrated public safety solutions.⁵³
6
- 7 d. Foundry 45 (2022): A virtual reality training studio that expands Axon's
8 capabilities in immersive training for law enforcement and public safety
9 personnel. This acquisition enhances Axon's capabilities in situational
10 awareness and real-time response in training police officers on competitive
11 products to Axon, limiting competition in the market for integrated public
12 safety solutions.⁵⁴
13
- 14 e. VieVu (2018): VieVu, a direct competitor (and subsidiary of Safariland) in
15 the body-worn camera market, was acquired by Axon in a deal that
16 included decade-long non-compete, market allocation, and no-poach
17 agreements with Safariland. This acquisition effectively prevented VieVu
18
19
20
21

22
23 <https://investor.axon.com/2024-02-01-Axon-Accelerates-Real-Time-Operations-Solution-with-Strategic-Acquisition-of-Fusus>.

24 ⁵³ *List of Axon's Acquisitions*, TRACXN, (July 22, 2024), (last viewed July 29, 2024),
25 https://tracxn.com/d/acquisitions/acquisitions-by-axon/_XuOya9kP3ifWo0xK4DxAnUBGKSvcpcclGgzU462kOjw.

26 ⁵⁴ *Axon Announces Acquisition of Virtual Reality Training Studio 'Foundry 45'*, AXON,
27 (April 6, 2022), (last viewed July 29, 2024),
28 <https://investor.axon.com/2022-04-06-Axon-Announces-Acquisition-of-Virtual-Reality-Training-Studio-Foundry-45>.

1 from challenging Axon's monopoly in the body-worn camera market and
2 stifled competition.

3
4 184. These acquisitions have significantly reduced the number of viable
5 competitors in the market, leading to less choice and higher prices for law enforcement
6 agencies and municipalities.

7
8 185. In addition, the strategic partnership between Axon Enterprise, Inc. and
9 Microsoft Corporation has played a pivotal role in consolidating Axon's market
10 dominance in the body-worn camera and digital evidence management market. This
11 collaboration, which began in 2018 with the migration of Axon's Evidence.com data to
12 Microsoft Azure, has facilitated various monopolistic practices that have stifled
13 competition and entrenched Axon's control over the market. In 2018, Axon migrated 20
14 petabytes of data from its Evidence.com platform to Microsoft Azure. This move
15 provided Axon with a scalable, secure, and high-performance cloud infrastructure, but it
16 also established a significant barrier to entry for competitors by embedding Axon's
17 services deeply into Microsoft's cloud ecosystem. The migration was conducted without
18 adequately informing law enforcement agencies of the potential long-term financial and
19 operational impacts, effectively locking them into Axon's ecosystem without their
20 explicit consent.

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25 186. By consolidating to Microsoft's sole-sourced cloud infrastructure, Axon
26 ensured that law enforcement agencies became dependent on a single vendor for both
27 hardware and digital evidence management solutions. This dependency limits agencies'
28

1 ability to switch to alternative vendors without significant disruptions and additional
2 costs. Microsoft and Axon do not allow law enforcement agencies to port their data to
3 other platforms without rendering their entire investment in Axon's hardware and
4 software infrastructure useless. This practice ensures that Axon's cameras, Tasers, and
5 Axon Fleet 3 cams would fail to function if agencies attempt to move their data to a
6 competitor's platform.
7

8
9 187. The reliance on Axon and Microsoft's integrated solutions has led to increased
10 operating costs for law enforcement agencies. The lack of competitive alternatives
11 allows Axon to set higher prices for its bundled services. The financial uncertainty
12 caused by unpredictable pricing structures and long-term dependencies on Axon's
13 ecosystem has strained the budgets of police departments and municipalities. The
14 exclusive control exerted by Axon and Microsoft has significantly limited the choice of
15 vendors available to law enforcement agencies. This restriction prevents agencies from
16 exploring potentially more cost-effective and innovative solutions from other providers
17 such as GovGPT.
18
19
20

21 188. Exclusionary Practices

22
23 189. Axon has engaged in various exclusionary practices designed to prevent
24 competitors from entering the market or expanding their market share:

- 25
26 a. **Tying Arrangements:** Axon requires law enforcement agencies to
27 purchase its digital evidence management system, Evidence.com, as a
28 condition for purchasing its body-worn cameras. This practice forces

1 agencies to commit to Axon's ecosystem, making it difficult for them to
2 switch to competitors' products.

3
4 b. **Exclusive Dealing Contracts:** Axon enters into exclusive dealing contracts
5 with law enforcement agencies, preventing them from purchasing
6 competing products. These contracts ensure that Axon remains the sole
7 provider of body-worn cameras and related services to these agencies.

8
9 c. **Lavish Spending on Police Fraternal Organizations:** Axon has spent
10 lavishly on police fraternal organizations to secure their loyalty and
11 support. This spending includes funding events, providing expensive perks,
12 and making significant financial contributions to these organizations, which
13 in turn advocate for the continued use of Axon's products and services.
14
15

16 190. Deceptive Practices

17 191. Axon has engaged in deceptive practices to maintain its market position and
18 deceive customers about the safety and effectiveness of its products:
19

20 a. **Failure to Disclose Security Risks:** Axon has failed to disclose the
21 presence of Quectel chips in its Axon Body 4 cameras. These chips, which
22 have potential ties to the Chinese government, pose significant national
23 security risks. Axon's nondisclosure of this information deprives customers
24 of critical information necessary to make informed purchasing decisions.
25
26

27 192. Impact on Competition and Consumers

28 193. Axon's anticompetitive conduct has had significant adverse effects on

1 competition and consumers:

- 2 a. **Higher Prices:** The lack of competition resulting from Axon's
3 monopolistic practices has led to higher prices for body-worn cameras and
4 digital evidence management systems. Law enforcement agencies and
5 municipalities, unable to find competitive alternatives, are forced to pay
6 inflated prices.
7
8
- 9 b. **Higher Taxes:** The lack of competition resulting from Axon's monopolistic
10 practices has led to higher taxes for individual citizens for municipal, sales,
11 county, and state taxes; since a significant portion of municipal sales tax
12 and/or property tax revenue is used to fund public safety.
13
- 14 c. **Reduced Innovation:** With fewer competitors in the market, there is less
15 incentive for innovation. Axon's dominance stifles technological
16 advancements that could benefit law enforcement agencies and the public.
17
- 18 d. **Limited Choices:** Axon's exclusionary contracts and tying arrangements
19 limit the choices available to law enforcement agencies. Agencies are
20 locked into Axon's ecosystem, preventing them from considering
21 potentially superior or more cost-effective alternatives.
22
23

24 194. In summary, Axon's anticompetitive conduct, including strategic acquisitions,
25 exclusionary practices, and deceptive behavior, has significantly harmed competition in
26 the situational awareness devices, products, peripherals and software for law
27 enforcement market. These actions have led to higher prices, reduced innovation, and
28

1 limited choices for law enforcement agencies and municipalities, ultimately burdening
2 American taxpayers with increased costs and compromised security. The combination of
3 these practices underscores the need for judicial intervention to restore competition and
4 protect consumers.
5

6 **MARKET DEFINITION AND COMPETITIVE BARRIERS IN SITUATIONAL**
7
8 **AWARENESS AND SOFTWARE FOR LAW ENFORCEMENT**

9 195. The product market for the complaint centers around situational awareness
10 devices, products, peripherals and software for law enforcement, specifically body-worn
11 cameras and integrated AI-powered safety devices, peripheral devices (e.g, conductive
12 electrical weapons, as well as holsters) and related AI powered evidence management
13 software. This market includes:
14
15

16 196. **Body-Worn Cameras:** Devices used by law enforcement to record
17 interactions with the public, providing accountability and evidence for legal proceedings.
18

19 197. **AI-Powered Digital Evidence Management System:** Platforms that help law
20 enforcement agencies manage, analyze, comprehend, and store digital evidence,
21 ensuring efficient and secure handling of data collected from body-worn cameras and
22 other devices, including with artificial intelligence.
23

24 198. **Real-Time Threat Detection Systems:** Technologies that provide situational
25 awareness and real-time streaming and awareness to stakeholders, enhancing their safety
26 by detecting and responding to ambient threats in real time.
27

28 199. **Integrated Public Safety Peripherals & AI Solutions:** Peripheral devices

1 which trigger the turning on of a body camera such as holsters for conductive electrical
2 weapons, as well as Broader AI software aimed at improving decision-making,
3 situational awareness, and communication in public safety contexts using computer
4 vision and audio. This includes drones and anti-drone technology. Both GovGPT and
5 Axon are making products peripheral to body worn cameras including drones, anti-drone
6 technologies, AI digital evidence software, holsters for electronic devices, advanced
7 optical sensors, listening devices, and other peripheral devices and components that
8 individually or in concert with edge based or cloud based evidence management trigger
9 body cameras to activate or notifications of ambient threats.
10
11
12

13 200. In this product market, Axon currently holds a significant monopoly,
14 particularly with its Axon Body 4 cameras, which are widely adopted by law
15 enforcement agencies. This dominance creates a challenging environment for new
16 entrants like GovGPT, which seeks to introduce innovative products such as the
17 DragonFly body cameras, vests, and digital evidence management platforms. The
18 established presence of Axon in this market not only limits competition but also makes it
19 difficult for innovative solutions to gain traction and secure necessary investments.
20
21
22

23 **CLASS ALLEGATIONS**

24 201. Plaintiffs bring this action pursuant to Rule 23 of the Federal Rules of Civil
25 Procedure, on behalf of themselves and all others similarly situated. The proposed class
26 (the “Class”) is defined as:
27

- 28 a. All individuals and entities who indirectly purchased body-worn cameras

1 and digital evidence management systems from Axon through law
2 enforcement agencies or municipalities in the United States in which they
3 paid taxes or resided during the past five years.
4

- 5 b. All municipalities and police departments DOES 1-500 who directly
6 purchased Axon body 4 cameras and digital evidence management systems
7 from Axon in the United States during the relevant time during the past five
8 years.
9

10 202. Excluded from the Class: Excluded from the Class are:

- 11 a. Axon, its officers, directors, and employees;
12 b. Any entity in which Axon has a controlling interest;
13 c. The legal representatives, heirs, successors, or assigns of any such excluded
14 party; and
15 d. Any judicial officer presiding over this matter and the members of their
16 immediate family and judicial staff.
17
18
19

20 203. The members of the Class are so numerous that joinder of all members is
21 impracticable. While the exact number of Class members is unknown to Plaintiffs at this
22 time, it is believed to be in the hundreds of millions, and their identities can be
23 ascertained from Defendant's records and from other sources.
24

25 204. There are questions of law and fact common to the Class that predominate
26 over any questions affecting only individual Class members. These common questions
27 of law and fact include, but are not limited to:
28

- 1 a. Whether Axon’s conduct violated federal and state antitrust laws, including
- 2 the Sherman Act, the Clayton Act, the Cartwright Act, and the Illinois
- 3 Antitrust Act;
- 4
- 5 b. Whether Axon’s conduct violated the Arizona Consumer Fraud Act;
- 6
- 7 c. Whether Axon engaged in a pattern of racketeering activity in violation of
- 8 the Racketeer Influenced and Corrupt Organizations Act (RICO);
- 9
- 10 d. Whether Axon’s conduct caused injury to Plaintiffs and the Class members;
- 11
- 12 e. The appropriate measure of damages and other relief for Plaintiffs and the
- 13 Class members.

14 205. Plaintiffs’ claims are typical of the claims of the Class. Plaintiffs and all Class

15 members have been similarly affected by Axon’s wrongful conduct, as described herein.

16 206. Plaintiffs will fairly and adequately protect the interests of the Class. Plaintiffs

17 have retained counsel with some experience in antitrust litigation and class actions.

18 Lead-counsel with deep expertise in class actions and antitrust litigation will be sought

19 in at the appropriate juncture to ensure the Class is adequately represented. If Plaintiffs

20 and their counsel are unsuccessful in recruiting a sufficient number of Plaintiffs, they

21 reserve the right to convert this case to non-class action litigation with the Plaintiffs then

22 listed. Plaintiffs and their counsel are committed to prosecuting this action vigorously on

23 behalf of the Class and will seek if needed the financial resources to do so. Neither

24 Plaintiffs nor their counsel have any interests adverse to those of the Class.

25

26

27

28 207. Plaintiffs are committed to fairly and adequately protecting the interests of the

1 Class. They have retained counsel with some experience in antitrust litigation and class
2 actions. Additionally, at the appropriate time, plaintiffs will seek lead counsel with deep
3 expertise in class actions and antitrust litigation to ensure the Class is adequately
4 represented.
5

6 208. The class action mechanism is superior to any alternatives that might exist for
7 the fair and efficient adjudication of this action. The common questions of law and fact
8 listed above predominate over any individualized issues. The damages suffered by
9 individual Class members are small compared to the burden and expense of individual
10 prosecution of the complex and extensive litigation needed to address Axon's conduct. It
11 would be virtually impossible for the Class members individually to redress effectively
12 the wrongs done to them. Even if Class members could afford such individual litigation,
13 the court system could not. Individualized litigation presents a potential for inconsistent
14 or contradictory judgments. Individualized litigation increases the delay and expense to
15 all parties and the court system. By contrast, the class action device presents far fewer
16 management difficulties, and provides the benefits of single adjudication, economy of
17 scale, and comprehensive supervision by a single court.
18
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23 209. Axon has acted or refused to act on grounds generally applicable to the Class,
24 thereby making final injunctive and declaratory relief concerning the Class as a whole
25 appropriate.
26

27 210. WHEREFORE, Plaintiffs Raj Abhyanker, GovGPT, and all others similarly
28 situated, pray for judgment against Defendant Axon Enterprise, Inc. as follows:

- 1 a. Certifying this action as a class action pursuant to Rule 23 of the Federal
2 Rules of Civil Procedure;
- 3
4 b. Appointing Plaintiffs as representatives of the Class and their counsel as
5 Class counsel;
- 6
7 c. A judicial declaration that Axon's business practices are unlawful and
8 violate federal and state laws as alleged herein;
- 9
10 d. An order enjoining Axon from continuing its unlawful business
11 practices, including monopolistic and deceptive conduct;
- 12
13 e. An order requiring Axon to formally disclose the risk posed by Quectel
14 chips to each purchaser of Axon Body 4 cameras in the United States.
15 This disclosure should include the option for purchasers to return the
16 cameras, downgrade to Axon Body 3 (which do not apparently contain
17 Quectel chips, upon information and belief), or receive a replacement
18 device without Quectel chips;
- 19
20 f. For compensatory damages in an amount to be determined at trial,
21 including but not limited to damages for increased taxes paid by
22 Plaintiffs and the class members as a result of Axon's anticompetitive
23 conduct;
- 24
25 g. For treble damages as provided by law;
- 26
27 h. For punitive damages in an amount sufficient to punish Axon for its
28 willful, wanton, and malicious conduct, and to deter similar conduct in

1 the future;

- 2 i. For an award of attorneys' fees and costs incurred in bringing this action,
3 as provided by law;
4
5 j. For an award of pre- and post-judgment interest as allowed by law;
6
7 k. For such other and further relief as the Court deems just and proper.

8 **FIRST CLAIM FOR RELIEF**

9 **DECLARATORY JUDGMENT**

10 *(Against Axon and Microsoft by GovGPT, Abhyanker, municipality and police*
11 *department DOES 1-500, and all taxpayers in 50 states similarly situated as Abhyanker)*

12 211. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
13 by reference the allegations contained in the preceding paragraphs as though fully set
14 forth herein.

15
16 212. This action seeks a declaratory judgment to resolve an actual controversy
17 between Plaintiffs and Defendants Axon and Microsoft regarding the legality of Axon
18 and Microsoft's business practices, which Plaintiffs allege constitute monopolistic,
19 anticompetitive, and deceptive conduct in violation of federal and state laws.
20

21 213. Axon and Microsoft have engaged in monopolistic practices by acquiring
22 competitors, entering into exclusive dealing contracts, and implementing tying
23 arrangements that compel law enforcement agencies to purchase its digital evidence
24 management system, Evidence.com, in conjunction with its body-worn cameras. These
25 practices have stifled competition, leading to inflated prices and reduced innovation in
26 the market for body-worn cameras and digital evidence management systems.
27
28

1 214. Axon has also engaged in deceptive practices by failing to disclose the
2 presence of Quectel chips in its Axon Body 4 cameras, which pose significant national
3 security risks due to their potential ties to the Chinese government. This omission has
4 deprived customers of critical information necessary to make informed purchasing
5 decisions, compromising the safety and security of law enforcement operations and
6 public safety.
7

8
9 215. There is substantial legal uncertainty regarding the rights and obligations of
10 the parties under federal and state antitrust and consumer protection laws. Plaintiffs seek
11 a judicial determination of these rights and obligations to resolve this controversy and
12 prevent further harm to themselves and the class members.
13

14 216. Plaintiffs seek a declaratory judgment pursuant to 28 U.S.C. §§ 2201 and
15 2202, as well as applicable state declaratory judgment statutes, declaring that:
16

- 17 a. Axon and Microsoft's monopolistic practices violate Section 2 of the
18 Sherman Act, 15 U.S.C. § 2, Section 7 of the Clayton Act, 15 U.S.C. § 18,
19 and California's Cartwright Act, Cal. Bus. & Prof. Code § 16720 et seq.
20
21 b. Axon and Microsoft's deceptive practices violate the Arizona Consumer
22 Fraud Act, A.R.S. § 44-1522, and other applicable consumer protection
23 statutes.
24
25 c. Axon and Microsoft's conduct constitutes a pattern of racketeering activity
26 in violation of the Racketeer Influenced and Corrupt Organizations Act
27 (RICO), 18 U.S.C. § 1961 et seq.
28

- 1 d. Axon's failure to disclose the presence of Quectel chips in its Axon Body 4
2 cameras poses significant national security risks and constitutes a material
3 omission in violation of applicable laws.
4
- 5 e. Axon and Micoosoft's anticompetitive practices have resulted in increased
6 costs to Plaintiff municipalities and Plaintiff police departments across the
7 United States (DOES 1-500) due to Axon's monopolistic conduct.
8
- 9 f. Axon and Microsoft's anticompetitive practices have resulted in increased
10 costs to American taxpayers, who have been forced to pay higher income,
11 sales and/or property taxes to cover the inflated costs of law enforcement
12 equipment and services due to Axon's monopolistic conduct.
13

14
15 217. WHEREFORE, GovGPT respectfully requests that this Court enter a
16 judgment declaring that:

- 17 a. A judicial declaration that Axon and Microsoft's business practices are
18 unlawful and violate federal and state laws as alleged herein.
19
- 20 b. An order enjoining Axon and Microsoft from continuing its unlawful
21 business practices, including monopolistic and deceptive conduct.
22
- 23 c. The court should order that Axon and Microsoft jointly and severally
24 permit law enforcement agencies to port their data, including video files
25 and all associated metadata, in bulk to another vendor of their choosing.
26 This should be ordered done without reliance on Microsoft Azure or Axon's
27 Evidence.com platform.
28

- 1 d. Axon should be ordered to develop a "Download-All" application that
2 allows law enforcement agencies to easily download or transfer their data
3 from Microsoft Azure to a different cloud instance or a competitive vendor
4 such as Google Cloud or AWS.
5
- 6 e. An order requiring Axon to formally disclose the risk posed by Quectel
7 chips to each purchaser of Axon Body 4 cameras in the United States. This
8 disclosure should include the option for purchasers to return the cameras,
9 downgrade to Axon Body 3 (which do not apparently contain Quectel
10 chips, upon information and belief), or receive a replacement device
11 without Quectel chips.
12
- 13 f. For compensatory damages in an amount to be determined at trial,
14 including but not limited to damages for increased taxes paid by Plaintiff
15 Abhyankar and the class members as a result of Axon and Microsoft's
16 anticompetitive conduct.
17
- 18 g. For compensatory damages in an amount to be determined at trial,
19 including but not limited to damages for the increased costs paid by
20 Plaintiff municipalities and Plaintiff police departments across the United
21 States (DOES 1-500) as a result of Axon and Microsoft's anticompetitive
22 conduct, including the a full refund of the purchase price of the Axon 4
23 cameras, and overcharges for body-worn cameras and digital evidence
24 management systems.
25
26
27
28

- 1 h. For punitive damages in an amount sufficient to punish Axon and Microsoft
2 for its willful, wanton, and malicious conduct, and to deter similar conduct
3 in the future.
4
5 i. For disgorgement of all ill-gotten gains obtained as a result of such conduct.
6
7 j. For restitution to Plaintiff and the class members of all monies unlawfully
8 acquired by Axon and Microsoft through their anticompetitive and
9 deceptive practices.
10
11 k. For an award of attorneys' fees and costs incurred in bringing this action,
12 as provided by law, including but not limited to fees under the Clayton Act
13 and applicable state laws.
14
15 l. For an award of pre- and post-judgment interest as allowed by law, from the
16 date of service of the initial complaint to the date of final payment.
17
18 m. For such other and further relief as the Court deems just and proper

19 **SECOND CLAIM FOR RELIEF**

20 **CONSPIRACY TO RESTRAINT OF TRADE 15 U.S.C. § 1**

21 *(Against Axon and Microsoft by Plaintiff GovGPT, municipality and police department*
22 *DOES 1-500)*

23 218. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
24 by reference the allegations contained in the preceding paragraphs as though fully set
25 forth herein.

26
27 219. Axon has entered into agreements with various entities, including law
28 enforcement agencies, police fraternal organizations, and other market participants, with

1 the purpose and effect of unreasonably restraining trade and maintaining its monopoly in
2 the markets for body-worn cameras and digital evidence management systems.

3
4 220. These agreements include, but are not limited to, tying arrangements,
5 exclusive dealing contracts, and other exclusionary practices that prevent competition
6 and harm consumers by increasing costs for public safety protection.

7
8 221. Axon and Microsoft's failure to seek informed consent from law enforcement
9 agencies before migrating their data constitutes deceptive business practices. This lack
10 of transparency and consent violates various state consumer protection laws, including
11 but not limited to the California Consumer Privacy Act (CCPA), the Arizona Consumer
12 Fraud Act, and the Illinois Consumer Fraud and Deceptive Business Practices Act.

13
14 222. Axon has spent lavishly on police fraternal organizations such as the Fraternal
15 Order of Police (FOP) to secure their loyalty and support, ensuring that law enforcement
16 agencies continue to purchase Axon's products exclusively. This spending includes
17 funding events, providing expensive perks, and making significant financial
18 contributions to these organizations and their legal defense funds, which in turn advocate
19 for the continued use of Axon's products and services, further entrenching Axon's
20 monopoly.
21

22
23 223. By providing financial support and resources to police fraternal organizations
24 and legal defense funds, Axon can gain preferential treatment and loyalty from law
25 enforcement agencies. This support is usually indirect and channeled through police
26 enforcement agencies. This support is usually indirect and channeled through police
27 fraternal organizations or legal defense funds set up for law enforcement officers.
28

1 224. The purpose and effect of these agreements are to maintain and enhance
2 Axon’s market power by excluding competitors, including GovGPT, from the market,
3 thereby restraining trade and limiting consumer choice.
4

5 225. Axon and Microsoft’s conduct constitutes concerted action among multiple
6 parties to achieve an unlawful objective, which is to restrain trade and maintain its
7 monopoly, in violation of Section 1 of the Sherman Act (15 U.S.C. § 1).
8

9 226. Axon and Microsoft’s agreements and conduct have had substantial
10 anticompetitive effects, including reducing competition, raising prices for body-worn
11 cameras and digital evidence management systems, and stifling innovation in the
12 market.
13

14 227. As a direct and proximate result of Axon and Microsoft’s unlawful conduct,
15 GovGPT has suffered and will continue to suffer injury to its business and property,
16 including lost profits, diminished market share, and reputational harm.
17

18 228. Plaintiff municipality and police department DOES 1-500 across the United
19 States, directly purchased body-worn cameras and digital evidence management systems
20 from Axon. These purchases were made directly from Axon without intermediaries. As
21 a direct and proximate result of Axon's anticompetitive practices, Plaintiff municipality
22 and police department DOES 1-500 across the United States have suffered economic
23 harm, including but not limited to damages for the increased costs paid by Plaintiff
24 municipalities and Plaintiff police departments across the United States (DOES 1-500)
25 as a result of Axon’s anticompetitive conduct, including the privacy and security risks
26
27
28

1 not timely disclosed by Axon with respect to the Axon 4 cameras after the Congressional
2 notification to the public on or about January 2024, and overcharges for body-worn
3 cameras and digital evidence management systems thereto. (See: **Exhibit 2**).

5 229. Axon and Microsoft's conduct has also harmed competition in the relevant
6 markets, resulting in higher prices, reduced innovation, and fewer choices for
7 consumers, particularly law enforcement agencies.

9 230. This is an antitrust injury of the type that the antitrust laws were meant to
10 punish and prevent.

11 231. WHEREFORE, Plaintiff GovGPT prays for judgment against Defendant
12 Axon and as follows:

- 14 a. An order enjoining Axon from continuing its anticompetitive practices,
15 including but not limited to tying arrangements, exclusive dealing, and any
16 other practices that restrain trade in violation of Section 1 of the Sherman Act.
- 18 b. An order enjoining Axon and Microsoft from continuing its unlawful business
19 practices, including monopolistic and deceptive conduct.
- 21 c. The court should order that Axon and Microsoft jointly and severally permit
22 law enforcement agencies to port their data, including video files and all
23 associated metadata, in bulk to another vendor of their choosing. This should be
24 ordered done without reliance on Microsoft Azure or Axon's Evidence.com
25 platform.
- 27 d. Axon should be ordered to develop a "Download-All" application that allows
28

1 law enforcement agencies to easily download or transfer their data from
2 Microsoft Azure to a different cloud instance or a competitive vendor such as
3 Google Cloud or AWS.
4

- 5 e. An order requiring Axon to formally disclose the risk posed by Quectel chips to
6 each purchaser of Axon Body 4 cameras in the United States. This disclosure
7 should include the option for purchasers to return the cameras, downgrade to
8 Axon Body 3 (which do not apparently contain Quectel chips, upon information
9 and belief), or receive a replacement device without Quectel chips.
10
11 f. An order requiring Axon to permit third-party competitors to integrate their
12 digital evidence management systems with Axon's body-worn cameras,
13 including the Axon Body 4, as well as all Axon Taser and Axon Fleet 3 dash
14 cam products to foster competition and provide law enforcement agencies with
15 more choices in digital evidence management solutions.
16
17 g. For compensatory damages in an amount to be determined at trial, including but
18 not limited to damages for lost profits, market share, and other economic losses
19 suffered by GovGPT as a result of Axon and Microsoft's anti-competitive
20 conduct.
21
22 h. For compensatory damages in an amount to be determined at trial, including but
23 not limited to damages for the increased costs paid by Plaintiff municipalities
24 and Plaintiff police departments across the United States (DOES 1-500) as a
25 result of Axon and Microsoft's anticompetitive conduct, including the a full
26
27
28

1 refund of the purchase price of the Axon 4 cameras, and overcharges for
2 body-worn cameras and digital evidence management systems.

- 3
- 4 i. For treble damages as provided by law under Section 4 of the Clayton Act (15
5 U.S.C. § 15).
- 6
- 7 j. For punitive damages in an amount sufficient to punish Axon and Microsoft for
8 its willful, wanton, and malicious conduct, and to deter similar conduct in the
9 future.
- 10
- 11 k. For an award of attorneys' fees and costs incurred in bringing this action, as
12 provided by law.
- 13
- 14 l. For an award of pre- and post-judgment interest as allowed by law.
- 15
- 16 m. For such other and further relief as the Court deems just and proper.

17 **THIRD CLAIM FOR RELIEF**

18 **CONSPIRACY TO RESTRAINT OF TRADE 15 U.S.C. § 2**

19 *(Against Axon and Microsoft by Plaintiff GovGPT, municipality and police department*
20 *DOES 1-500)*

21 232. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
22 by reference the allegations contained in the preceding paragraphs as though fully set
23 forth herein.

24 233. Axon holds substantial monopoly power in the market for body-worn cameras
25 and digital evidence management systems used by law enforcement agencies across the
26 United States.

27 234. Axon has conspired with various entities, including law enforcement agencies
28

1 and police fraternal organizations, to engage in practices that unreasonably restrain trade
2 and maintain its monopoly power.

3
4 235. Axon and Microsoft's exclusionary conduct includes, but is not limited to,
5 tying arrangements, exclusive dealing contracts, and lavish spending on police fraternal
6 organizations to secure their loyalty and support, thereby ensuring that law enforcement
7 agencies purchase Axon's products exclusively.
8

9 236. The purpose and effect of these agreements and conduct are to maintain and
10 enhance Axon's monopoly power by excluding competitors, including GovGPT, from
11 the market, thereby restraining trade and limiting consumer choice.
12

13 237. Axon and Microsoft have engaged in tying arrangements that force law
14 enforcement agencies to purchase Axon's digital evidence management system,
15 Evidence.com, as a condition of purchasing its body-worn cameras, thereby foreclosing
16 competition from other providers of digital evidence management systems.
17

18 238. Axon and Microsoft's exclusive dealing contracts with law enforcement
19 agencies prevent these agencies from purchasing body-worn cameras or digital evidence
20 management systems from Axon's competitors, further entrenching Axon's monopoly
21 power.
22

23 239. Axon has spent lavishly on police fraternal organizations to secure their
24 loyalty and support, ensuring that law enforcement agencies continue to purchase Axon's
25 products exclusively. This spending includes funding events, providing expensive perks,
26 and making significant financial contributions to these organizations, which in turn
27
28

1 advocate for the continued use of Axon's products and services, further entrenching
2 Axon's monopoly.

3
4 240. Axon and Microsoft's agreements and conduct have had substantial
5 anticompetitive effects, including reducing competition, raising prices for body-worn
6 cameras and digital evidence management systems, and stifling innovation in the
7 market.
8

9 241. As a direct and proximate result of Axon and Microsoft's unlawful conduct,
10 GovGPT has suffered and will continue to suffer injury to its business and property,
11 including lost profits, diminished market share, and reputational harm.
12

13 242. Plaintiff municipality and police department DOES 1-500 across the United
14 States, directly purchased body-worn cameras and digital evidence management systems
15 from Axon. These purchases were made directly from Axon without intermediaries. As
16 a direct and proximate result of Axon's anticompetitive practices, Plaintiff municipality
17 and police department DOES 1-500 across the United States have suffered economic
18 harm, including but not limited to damages for the increased costs paid by Plaintiff
19 municipalities and Plaintiff police departments across the United States (DOES 1-500)
20 as a result of Axon's anticompetitive conduct, including the privacy and security risks
21 not timely disclosed by Axon with respect to the Axon 4 cameras after the Congressional
22 notification to the public on or about January 2024, and overcharges for body-worn
23 cameras and digital evidence management systems thereto.
24
25
26
27

28 243. Axon's conduct has also harmed competition in the relevant markets, resulting

1 in higher prices, reduced innovation, and fewer choices for consumers, particularly law
2 enforcement agencies.

3
4 244. WHEREFORE, Plaintiff GovGPT prays for judgment against Defendant
5 Axon and Microsoft as follows:

- 6 a. An order enjoining Axon from continuing its anticompetitive practices,
7 including but not limited to tying arrangements, exclusive dealing, and any
8 other practices that restrain trade in violation of Section 2 of the Sherman
9 Act.
10
11 b. An order enjoining Axon and Microsoft from continuing its unlawful
12 business practices, including monopolistic and deceptive conduct.
13
14 c. The court should order that Axon and Microsoft jointly and severally
15 permit law enforcement agencies to port their data, including video files
16 and all associated metadata, in bulk to another vendor of their choosing.
17 This should be ordered done without reliance on Microsoft Azure or Axon's
18 Evidence.com platform.
19
20 d. Axon should be ordered to develop a "Download-All" application that
21 allows law enforcement agencies to easily download or transfer their data
22 from Microsoft Azure to a different cloud instance or a competitive vendor
23 such as Google Cloud or AWS.
24
25 e. An order requiring Axon to formally disclose the risk posed by Quectel
26 chips to each purchaser of Axon Body 4 cameras in the United States. This
27
28

1 disclosure should include the option for purchasers to return the cameras,
2 downgrade to Axon Body 3 (which do not apparently contain Quectel
3 chips, upon information and belief), or receive a replacement device
4 without Quectel chips.
5

6 f. An order requiring Axon and Microsoft to permit third-party competitors to
7 integrate their digital evidence management systems with Axon's
8 body-worn cameras, including the Axon Body 4, as well as all Axon Taser
9 and Axon Fleet 3 dash cam products to foster competition and provide law
10 enforcement agencies with more choices in digital evidence management
11 solutions.
12

13 g. For compensatory damages in an amount to be determined at trial,
14 including but not limited to damages for lost profits, market share, and
15 other economic losses suffered by GovGPT as a result of Axon and
16 Microsoft's anticompetitive conduct.
17

18 h. For compensatory damages in an amount to be determined at trial,
19 including but not limited to damages for the increased costs paid by
20 Plaintiff municipalities and Plaintiff police departments across the United
21 States (DOES 1-500) as a result of Axon's anticompetitive conduct,
22 including the a full refund of the purchase price of the Axon 4 cameras, and
23 overcharges for body-worn cameras and digital evidence management
24 systems.
25
26
27
28

- 1 i. For treble damages as provided by law under Section 4 of the Clayton Act
2 (15 U.S.C. § 15).
3
4 j. For punitive damages in an amount sufficient to punish Axon and Microsoft
5 for its willful, wanton, and malicious conduct, and to deter similar conduct
6 in the future.
7
8 k. For an award of attorneys' fees and costs incurred in bringing this action, as
9 provided by law.
10
11 l. For an award of pre- and post-judgment interest as allowed by law.
12
13 m. For such other and further relief as the Court deems just and proper.

14 **FOURTH CLAIM FOR RELIEF**

15 **Violation of Section 7 of the Clayton Act (15 U.S.C. § 18)**

16 *(Against Axon by Plaintiff GovGPT, municipality and police department DOES 1-500)*

17 245. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
18 by reference the allegations contained in the preceding paragraphs as though fully set
19 forth herein.

20 246. Axon holds substantial monopoly power in the market for body-worn cameras
21 and digital evidence management systems used by law enforcement agencies across the
22 United States.

23 247. Axon has acquired, directly or indirectly, the whole or any part of the stock or
24 other share capital, and/or the whole or any part of the assets of one or more companies
25 engaged in commerce, where the effect of such acquisition may be substantially to
26
27
28

1 lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton
2 Act, 15 U.S.C. § 18.

3
4 248. Axon has made several strategic acquisitions that qualify under the Clayton
5 Act due to their potential to substantially lessen competition or create a monopoly. These
6 acquisitions include:

- 7
- 8 a. Dedrone (2024): A leader in airspace security solutions, providing
9 advanced drone detection and mitigation technologies. The acquisition of
10 Dedrone allows Axon to control significant portions of the drone security
11 market, further consolidating its dominance in public safety technology.⁵⁵
 - 12 b. Fusus (2024): A provider of real-time crime center (RTCC) technology,
13 integrating live video, data, and sensor feeds from various sources. This
14 acquisition enhances Axon's capabilities in situational awareness and
15 real-time response, limiting competition in the market for integrated public
16 safety solutions.⁵⁶
 - 17 c. Sky-Hero (2023): A Belgian specialist in indoor unmanned vehicles,
18 enhancing Axon's portfolio in public safety drones and unmanned systems.
19
20
21
22

23
24 ⁵⁵ *Axon to acquire Dedrone, accelerating the next generation of drone solutions to*
25 *protect more lives in more places*, DEDRONE, (May 6, 2024), (last viewed July, 29,
26 *2024),*

27 [https://www.dedrone.com/press/axon-to-acquire-dedrone-accelerating-the-next-generatio](https://www.dedrone.com/press/axon-to-acquire-dedrone-accelerating-the-next-generation-of-drone-solutions-to-protect-more-lives-in-more-places)
28 [n-of-drone-solutions-to-protect-more-lives-in-more-places](https://www.dedrone.com/press/axon-to-acquire-dedrone-accelerating-the-next-generation-of-drone-solutions-to-protect-more-lives-in-more-places)

⁵⁶ *Axon Accelerates Real-Time Operations Solution with Strategic Acquisition of Fusus*,
AXON, (Feb. 1, 2024), (last viewed July 29. 2024),

[https://investor.axon.com/2024-02-01-Axon-Accelerates-Real-Time-Operations-Solution-](https://investor.axon.com/2024-02-01-Axon-Accelerates-Real-Time-Operations-Solution-with-Strategic-Acquisition-of-Fusus)
[with-Strategic-Acquisition-of-Fusus.](https://investor.axon.com/2024-02-01-Axon-Accelerates-Real-Time-Operations-Solution-with-Strategic-Acquisition-of-Fusus)

1 This acquisition enhances Axon's capabilities in situational awareness and
2 real-time response in indoor settings, limiting competition in the market for
3 integrated public safety solutions.⁵⁷
4

5 d. Foundry 45 (2022): A virtual reality training studio that expands Axon's
6 capabilities in immersive training for law enforcement and public safety
7 personnel. This acquisition enhances Axon's capabilities in situational
8 awareness and real-time response in training police officers on competitive
9 products to Axon, limiting competition in the market for integrated public
10 safety solutions.⁵⁸
11

12 e. VieVu (2018): VieVu, a direct competitor (and subsidiary of Safariland) in
13 the body-worn camera market, was acquired by Axon in a deal that
14 included decade-long non-compete, market allocation, and no-poach
15 agreements with Safariland. This acquisition effectively prevented VieVu
16 from challenging Axon's monopoly in the body-worn camera market and
17 stifled competition.⁵⁹
18
19
20
21

22 ⁵⁷*Axon, one of the world leaders in connected technologies for public safety, acquires*
23 *Sky-Hero, a Belgian specialist in unmanned indoor vehicles.*, THE LIZARD, (Sept. 12,
24 2023), (last viewed July 29. 2024),
<https://www.lelezard.com/communiqu-21055747.html>.

25 ⁵⁸*Axon Announces Acquisition of Virtual Reality Training Studio "Foundry 45"*, AXON,
26 (Apr. 6, 2022), (last viewed July 29. 2024),
27 [https://investor.axon.com/2022-04-06-Axon-Announces-Acquisition-of-Virtual-Reality-T](https://investor.axon.com/2022-04-06-Axon-Announces-Acquisition-of-Virtual-Reality-Training-Studio-Foundry-45)
[raining-Studio-Foundry-45](https://investor.axon.com/2022-04-06-Axon-Announces-Acquisition-of-Virtual-Reality-Training-Studio-Foundry-45).

28 ⁵⁹*Axon Acquires VIEVU Camera Subsidiary from The Safariland Group*, PR
NEWSWIRE, (May 04, 2018), (last viewed July 29. 2024),
<https://www.prnewswire.com/news-releases/axon-acquires-viewu-camera-subsidiary-from>

1 249. Through its acquisitions, Axon has substantially lessened competition in the
2 market for body-worn cameras and digital evidence management systems. These
3 acquisitions have enabled Axon to increase its market share, reduce market entry
4 opportunities for competitors, and consolidate its monopoly power.
5

6 250. Axon's conduct includes exclusionary practices such as tying arrangements,
7 exclusive dealing contracts, and lavish spending on police fraternal organizations to
8 secure their loyalty and support. These practices ensure that law enforcement agencies
9 purchase Axon's products exclusively, thereby reducing competition.
10

11 251. As a result of Axon's anticompetitive conduct, innovation has been stifled, and
12 consumer choice has been limited. Law enforcement agencies and municipalities have
13 fewer options available to them, leading to higher prices and reduced quality of products
14 and services.
15

16 252. Plaintiff municipality and police department DOES 1-500 across the United
17 States, directly purchased body-worn cameras and digital evidence management systems
18 from Axon. These purchases were made directly from Axon without intermediaries. As
19 a direct and proximate result of Axon's anticompetitive practices, Plaintiff municipality
20 and police department DOES 1-500 across the United States have suffered economic
21 harm, including but not limited to damages for the increased costs paid by Plaintiff
22 municipalities and Plaintiff police departments across the United States (DOES 1-500)
23
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28 [-the-safariland-group-and-announces-strategic-long-term-holster-partnership-300642676.html](#)

1 as a result of Axon’s anticompetitive conduct, including the privacy and security risks
2 not timely disclosed by Axon with respect to the Axon 4 cameras after the Congressional
3 notification to the public on or about January 2024, and overcharges for body-worn
4 cameras and digital evidence management systems thereto. (See: **Exhibit 2**).
5

6 253. Axon’s acquisitions, coupled with its monopolistic practices, have created
7 significant barriers to entry for new competitors and have allowed Axon to maintain and
8 enhance its dominant market position.
9

10 254. As a direct and proximate result of Axon’s violations of Section 7 of the
11 Clayton Act, GovGPT has suffered and will continue to suffer injury to its business and
12 property, including lost profits, diminished market share, and reputational harm.
13

14 255. WHEREFORE, Plaintiff GovGPT prays for judgment against Defendant
15 Axon Enterprise, Inc. as follows:
16

- 17 a. An order enjoining Axon from continuing its anticompetitive practices,
18 including but not limited to tying arrangements, exclusive dealing, and any
19 other practices that restrain trade in violation of Section 7 of the Clayton
20 Act.
21
22 b. An order requiring Axon to divest itself of certain assets or businesses to
23 restore competition in the affected markets.
24
25 c. An order requiring Axon to formally disclose the risk posed by Quetcel
26 chips to each purchaser of Axon Body 4 cameras in the United States. This
27 disclosure should include the option for purchasers to return the cameras,
28

1 downgrade to Axon Body 3 (which do not apparently contain Quectel
2 chips, upon information and belief), or receive a replacement device
3 without Quectel chips.
4

5 d. An order requiring Axon to permit third-party competitors to integrate their
6 digital evidence management systems with Axon's body-worn cameras,
7 including the Axon Body 4, as well as all Axon Taser products to foster
8 competition and provide law enforcement agencies with more choices in
9 digital evidence management solutions.
10
11

12 e. For compensatory damages in an amount to be determined at trial,
13 including but not limited to damages for lost profits, market share, and
14 other economic losses suffered by GovGPT as a result of Axon's
15 anticompetitive conduct.
16

17 f. For compensatory damages in an amount to be determined at trial,
18 including but not limited to damages for the increased costs paid by
19 Plaintiff municipalities and Plaintiff police departments across the United
20 States (DOES 1-500) as a result of Axon's anticompetitive conduct,
21 including the a full refund of the purchase price of the Axon 4 cameras, and
22 overcharges for body-worn cameras and digital evidence management
23 systems.
24
25

26 g. For treble damages as provided by law under Section 4 of the Clayton Act
27 (15 U.S.C. § 15).
28

- 1 h. For punitive damages in an amount sufficient to punish Axon for its willful,
2 wanton, and malicious conduct, and to deter similar conduct in the future.
3
4 i. For an award of attorneys' fees and costs incurred in bringing this action, as
5 provided by law.
6
7 j. For an award of pre- and post-judgment interest as allowed by law.
8
9 k. For such other and further relief as the Court deems just and proper.

9 **FIFTH CLAIM FOR RELIEF**

10 **Violation of Racketeer Influenced and Corrupt Organizations Act (RICO)**

11 *(Against Axon by GovGPT, Abhyanker, municipality and police department DOES*
12 *1-500, and all taxpayers in 50 states similarly situated as Abhyanker)*

14 256. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
15 by reference the allegations contained in the preceding paragraphs as though fully set
16 forth herein.

18 257. Axon constitutes an "enterprise" within the meaning of 18 U.S.C. § 1961(4),
19 as it is an entity engaged in, and the activities of which affect, interstate commerce.

21 258. Axon has engaged in a pattern of racketeering activity consisting of multiple
22 predicate acts of racketeering as defined in 18 U.S.C. § 1961(1), including but not
23 limited to obstruction of justice (18 U.S.C. § 1503).

25 259. Axon has obstructed justice by concealing critical information regarding the
26 security vulnerabilities in its Axon Body 4 cameras, which contain Quectel streaming
27 chips posing significant national security risks due to their potential ties to the Chinese
28

1 government. This concealment was part of a scheme to defraud law enforcement
2 agencies and maintain Axon's monopoly power. Axon has knowingly withheld this
3 information from law enforcement agencies, municipalities, and regulatory authorities to
4 maintain its monopoly power and avoid regulatory scrutiny.
5

6 260. Axon's violent internal culture has been described as resembling more of a
7 cult or a mafia, than a Nasdaq traded public company. Management encourages
8 participation in "tasing exposures," where they encourage employees to voluntarily get
9 shocked by Tasers, as a corporate ritual to test employee loyalty and commitment.
10 Reuters compared this practice to ancient Roman gladiatorial spectacles, with employees
11 standing in line to be tased while colleagues chant in unison. These events often target
12 interns or new recruits, creating a high-pressure environment where employees feel
13 compelled to participate or risk being perceived as not loyal to the company's ethos.
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16 261. Just as mafia organizations may use physical violence to ensure loyalty and
17 obedience, Axon's practice of tasing employees as a test of loyalty employs physical
18 pain and intimidation. Those who declined were believed to have been punished by
19 receiving less desirable assignments, being excluded from business meetings, or, in
20 some cases, being forced out of their jobs.⁶⁰ This creates an environment where
21 employees feel coerced into compliance out of fear of repercussions, similar to how the
22 mafia enforces loyalty through threats and violence. This unusual culture fosters a
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28 ⁶⁰ Jeffrey Dastin, *At Taser maker Axon, ex-staffers say loyalty meant being tased or
tattooed*, REUTERS, (Aug. 30, 2023), (last viewed July 29, 2024),
<https://www.reuters.com/investigates/special-report/axon-taser-exposures/>.

1 mentality that normalizes and celebrates violence, and underpins Axon’s broader
2 strategy to dominate the market through intimidation and aggressive tactics. Such
3 practices are indicative of a corrupt organization operating with a disregard for ethical
4 and legal standards.⁶¹
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7 262. In addition to tasings, Axon encourages employees to get tattoos of the
8 company’s logo. This practice is framed as a way to demonstrate long-term loyalty to the
9 company, with leaders urging staff to “make things permanent” by marking their bodies
10 with the corporate insignia. Fifteen individuals, about half of whom oversaw human
11 resources and legal work for Axon, reported that company leaders sidelined employees
12 who did not show sufficient loyalty or commitment to the company's "all-in" credo.⁶²
13 The encouragement or pressure to get tattoos of the company logo is reminiscent of how
14 criminal organizations use symbols and rituals to mark membership and allegiance
15 permanently. This not only signifies commitment but also serves as a constant reminder
16 of the individual’s ties to the organization, mirroring the mafia’s use of tattoos to signify
17 membership and loyalty.⁶³
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22 263. Axon has an unusual practice of handing out large cash bonuses in a secretive
23 and selective manner reminiscent of mafia-like operations in terms of reinforcing loyalty
24 through difficult to trace financial incentives. For instance, there have been instances
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28 ⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

1 where \$50,000 was delivered on a restaurant platter and tens of thousands of dollars
2 were given in a designer bag. The use of physical cash instead of electronic payments
3 helps evade the creation of a digital paper trail, making these transactions difficult to
4 trace and audit. Axon manifests characteristics of a corrupt organization through its
5 practice of handing out large cash bonuses in secretive and extravagant ways. This
6 behavior indicates a deliberate effort to obscure financial dealings and manipulate
7 employee loyalty, which are hallmark signs of corporate corruption.⁶⁴
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11 264. Axon's conduct, including the extravagant incentives for executives, mirrors
12 mafia-like operations. The company purchased an Aston Martin sports car for President
13 Josh Isner in 2019 instead of a cash bonus, with a retail price between \$216,000 and
14 \$241,000. This was disclosed to investors only in terms of taxes paid, without revealing
15 the car's luxury make and price. Additionally, CEO Rick Smith and other executives
16 have access to a fleet of company-owned luxury vehicles, including a custom 2024 new
17 plate Lamborghini adorned in Axon colors with a carbon fiber trim. These practices
18 indicate a pattern of deceptive and unethical behavior, reinforcing the RICO cause of
19 action by showcasing a corporate culture of self-dealing and concealment, akin to
20 organized crime, not one who holds the public trust in efficient government and police
21 accountability.⁶⁵
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27 ⁶⁴ *Id.*

28 ⁶⁵ Jeffrey Dastin, *Taser maker Axon has a moving backstory. It's mostly a myth*,
REUTERS, (Dec. 27, 2023), (last viewed July 29, 2024),

<https://www.reuters.com/investigates/special-report/axon-taser-corporate-governance/#:~:>



Picture of AXON executive Lamborghini with new 2024 plates

265. Axon's compensation practices for its top executives reveal a pattern of deceptive and unethical behavior, relevant to the RICO cause of action. Despite telling investors that it aims to pay executives near the 50th percentile compared to peer companies, internal analyses show that the top five executives are placed in the 90th percentile or greater. This discrepancy highlights the company's misrepresentation of executive compensation.⁶⁶

266. For example, a \$2 billion stock option award (value as of July 2024) which vested in 2023 made CEO Rick Smith approximately \$400 per year between 2018-2023.

⁶⁷ This not only made Rick Smith into a billionaire and one of the world's highest-earning CEO for each of the last five years with stock grants included. Rick

[text=Axon%20CEO%20Rick%20Smith%20claims,behavior%20among%20top%20Axon%20executives.](#)

⁶⁶*Id.*

⁶⁷*Id.*

1 Smith's acceptance of the 2018 five-year stock deal if the company met certain financial
2 goals, likely reflects his knowledge of Axon's impending monopoly.⁶⁸ This monopoly
3 was solidified through the strategic partnership with Microsoft, which began that same
4 year with the migration of Axon's digital evidence data to Microsoft Azure. This
5 agreement played a critical role in Axon's market consolidation, creating substantial
6 barriers for competitors and establishing Axon's dominance in the digital evidence
7 management market. Smith's compensation alignment into the monopolistic goals of
8 Axon's collaboration with Microsoft underscores the deliberate and strategic actions
9 taken to cement Axon's market power, further illustrating the company's manipulative
10 and self-serving practices that align with RICO allegations. These practices indicate a
11 culture of self-dealing and financial manipulation, akin to organized crime, reinforcing
12 the basis for the RICO cause of action.⁶⁹

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18 267. Further highlighting this pattern, Joshua Isner, who transitioned from COO to
19 president of Axon in the summer of 2023, saw his \$425,000 base salary significantly
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22 ⁶⁸ Larry Dignan, *Axon Moves 20 PB of Data from Evidence.com to Microsoft Azure*,
23 ZDNET, (Feb. 28, 2018), (last viewed July 29, 2024),
24 <https://www.zdnet.com/article/axon-moves-20-pb-of-data-evidence-com-to-microsoft-azure/>
25 (Axon reported strong fourth quarter results and detailed a December migration to
Microsoft Azure as well as other cloud-centric implementations.).

26 ⁶⁹ Jeffrey Dastin, *Taser maker Axon has a moving backstory. It's mostly a myth*,
27 REUTERS, (Dec. 27, 2023), (last viewed July 29, 2024),
28 <https://www.reuters.com/investigates/special-report/axon-taser-corporate-governance/#:~:text=Axon%20CEO%20Rick%20Smith%20claims,behavior%20among%20top%20Axon%20executives.>

1 enhanced with restricted stock unit awards of \$20.6 million in September and \$9.4
2 million in December. These awards, coupled with over a million dollars in non-equity
3 incentive plan compensation, brought his total compensation for the year to \$31.5
4 million, making him the highest-paid public company CEO in Phoenix, Arizona in this
5 district. This disparity between public disclosures and actual compensation practices
6 underscores a culture of financial manipulation and self-dealing, akin to organized
7 crime, thus reinforcing the basis for the RICO cause of action.⁷⁰
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11 268. Axon's internal culture and practices reveal a pattern of unethical and
12 discriminatory behavior, which is relevant to the RICO cause of action. Many
13 ex-employees interviewed by Reuters described Axon as a boys' club that was
14 unwelcoming or even offensive to women. One HR staffer's 2019 PowerPoint
15 presentation to an executive on inclusion efforts – reviewed by Reuters – specifically
16 criticized Axon's "Bro' culture" and "lack of diversity in top leadership."⁷¹
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20 269. In addition, men have dominated Axon's upper ranks until 2023. Data from
21 2020 submitted by Axon in a public procurement process shows there were 129 men in
22 management and financial roles compared to just 46 women.⁷² This lack of gender
23 diversity and the presence of a discriminatory culture at the highest levels of the
24 company until just recently as last year 2023 align with the elements of the RICO cause
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28 ⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

1 of action by demonstrating a systematic approach to maintaining a homogeneous and
2 exclusionary leadership structure.

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4 270. In addition, in 2023, Axon spent hundreds of thousands of dollars in recent
5 years to sponsor and provide security for an Arizona golf tournament run by a fraternal
6 professional society, of which Axon President Josh Isner is a leading member. Upon
7 information and belief, numerous police Axon customers were invited to the event. This
8 expenditure, which interviews and online records confirm, was not disclosed to the SEC.
9 Such undisclosed spending, especially when benefiting key executives, highlights a
10 culture of financial manipulation and self-dealing.⁷³

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14 271. This undisclosed expenditure, which benefits a society closely tied to a top
15 executive, underscores a pattern of using company resources for personal gain, evoking
16 the secretive and self-serving nature of organized crime. These actions align with the
17 elements of RICO allegations by demonstrating a deliberate and systematic approach to
18 manipulating financial practices and hiding relevant information from regulatory bodies,
19 thereby reinforcing the basis for the RICO cause of action.⁷⁴

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23 272. These practices highlight a significant discrepancy between Axon's public
24 statements and internal realities, showcasing a culture of self-dealing and financial
25 manipulation that aligns with the elements of organized crime, thereby reinforcing the
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28 ⁷³ *Id.*

⁷⁴ *Id.*

1 basis for the RICO cause of action. The predicate acts of racketeering activity were
2 committed in furtherance of Axon's scheme to defraud and its efforts to maintain and
3 enhance its monopoly power in the market for body-worn cameras and digital evidence
4 management systems.
5

6
7 273. Axon conspired with various entities, including law enforcement agencies and
8 police fraternal organizations, to conduct and participate, directly or indirectly, in the
9 conduct of the enterprise's affairs through a pattern of racketeering activity, in violation
10 of 18 U.S.C. § 1962(d).
11

12 274. As a direct and proximate result of Axon's racketeering activities and
13 violations of RICO, GovGPT has suffered and will continue to suffer injury to its
14 business and property, including lost profits, diminished market share, and reputational
15 harm.
16

17
18 275. As a direct and proximate result of Axon's racketeering activities, Plaintiff
19 Abhyanker and the class members in each of the 50 states including Arizona and
20 California, as well as American territories in which personal, property and/or sales tax
21 revenues goes to law enforcement departments that purchase Axon camera have suffered
22 economic harm, including higher income, higher sales and/or higher property taxes.
23 These taxes were necessary to cover the inflated costs of law enforcement equipment
24 caused by Axon's monopolistic behavior.
25

26
27 276. Plaintiff municipality and police department DOES 1-500 across the United
28

1 States, directly purchased body-worn cameras and digital evidence management systems
2 from Axon. These purchases were made directly from Axon without intermediaries. As
3 a direct and proximate result of Axon's anticompetitive practices, Plaintiff municipality
4 and police department DOES 1-500 across the United States have suffered economic
5 harm, including but not limited to damages for the increased costs paid by Plaintiff
6 municipalities and Plaintiff police departments across the United States (DOES 1-500)
7 as a result of Axon's anticompetitive conduct, including the privacy and security risks
8 not timely disclosed by Axon with respect to the Axon 4 cameras after the Congressional
9 notification to the public on or about January 2024, and overcharges for body-worn
10 cameras and digital evidence management systems thereto.
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15 277. WHEREFORE, Plaintiff GovGPT prays for judgment against Defendant
16 Axon Enterprise, Inc. as follows:

- 17 a. An order enjoining Axon from continuing its racketeering activities and any
18 further violations of RICO.
19
20 b. For compensatory damages in an amount to be determined at trial,
21 including but not limited to damages for lost profits, market share, and
22 other economic losses suffered by GovGPT, and increased taxes paid by
23 Plaintiff Abhyanker and the class members as a result of Axon's
24 racketeering activities.
25
26 c. For compensatory damages in an amount to be determined at trial,
27 including but not limited to damages for the increased costs paid by
28

1 Plaintiff municipalities and Plaintiff police departments across the United
2 States (DOES 1-500) as a result of Axon's anticompetitive conduct,
3 including the a full refund of the purchase price of the Axon 4 cameras, and
4 overcharges for body-worn cameras and digital evidence management
5 systems.
6

- 7
- 8 d. For compensatory damages in an amount to be determined at trial,
9 including but not limited to damages for lost profits, market share, and
10 other economic losses suffered by GovGPT as a result of Axon's
11 racketeering activities.
12
- 13 e. For treble damages as provided by law under 18 U.S.C. § 1964(c).
14
- 15 f. For punitive damages in an amount sufficient to punish Axon for its willful,
16 wanton, and malicious conduct, and to deter similar conduct in the future.
17
- 18 g. An order requiring Axon to formally disclose the risk posed by Quectel
19 chips to each purchaser of Axon Body 4 cameras in the United States. This
20 disclosure should include the option for purchasers to return the cameras,
21 downgrade to Axon Body 3 (which do not apparently contain Quectel
22 chips, upon information and belief), or receive a replacement device
23 without Quectel chips.
24
- 25 h. An order requiring Axon to permit third-party competitors to integrate their
26 digital evidence management systems with Axon's body-worn cameras,
27 including the Axon Body 4, as well as all Axon Taser and Axon Fleet 3
28

1 dash cam products to foster competition and provide law enforcement
2 agencies with more choices in digital evidence management solutions.

- 3
4 i. For an award of attorneys' fees and costs incurred in bringing this action, as
5 provided by law.
6
7 j. For an award of pre- and post-judgment interest as allowed by law.
8
9 k. For such other and further relief as the Court deems just and proper.

10 **SIXTH CLAIM FOR RELIEF**

11 **Violation of the Cartwright Act (Unreasonable Restraint of Trade)**

12 *(Against Axon by GovGPT, Abhyanker, California municipality and police department*
13 *DOES 1-500, and all taxpayers in California similarly situated as Abhyanker)*

14 278. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
15 by reference the allegations contained in the preceding paragraphs as though fully set
16 forth herein.

17
18 279. Axon has engaged in practices that unreasonably restrain trade in the market
19 for body-worn cameras and digital evidence management systems used by law
20 enforcement agencies across the United States, including California.

21
22 280. Axon holds substantial monopoly power in the relevant market. Through its
23 acquisitions, exclusionary practices, and conspiracy with other entities, Axon has
24 maintained and enhanced its dominant position, preventing competitors from entering
25 the market or effectively competing.

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27 281. Axon's exclusionary practices include:
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- a. **Tying Arrangements:** Axon requires law enforcement agencies to purchase its digital evidence management system, Evidence.com, as a condition for purchasing its body-worn cameras.
- b. **Exclusive Dealing Contracts:** Axon enters into exclusive dealing contracts with law enforcement agencies that prevent them from purchasing competing products.
- c. **Lavish Spending on Police Fraternal Organizations:** Axon has spent lavishly on police fraternal organizations to secure their loyalty and support, ensuring that law enforcement agencies continue to purchase Axon's products exclusively.

282. Axon has made strategic acquisitions, including Dedrone (2024), Fusus (2024), Sky-Hero (2023), and Foundry 45 (2022), to eliminate competition and solidify its monopoly power. These acquisitions have reduced market entry opportunities for competitors and further entrenched Axon's dominance.

283. The purpose and effect of these agreements and conduct are to maintain and enhance Axon's monopoly power by excluding competitors, including GovGPT, from the market, thereby restraining trade and limiting consumer choice.

284. Axon has engaged in tying arrangements that force law enforcement agencies to purchase Axon's digital evidence management system, Evidence.com, as a condition of purchasing its body-worn cameras, thereby foreclosing competition from other providers of digital evidence management systems.

1 285. Axon's exclusive dealing contracts with law enforcement agencies prevent
2 these agencies from purchasing body-worn cameras or digital evidence management
3 systems from Axon's competitors, further entrenching Axon's monopoly power.
4

5 286. Axon's agreements and conduct have had substantial anticompetitive effects,
6 including reducing competition, raising prices for body-worn cameras and digital
7 evidence management systems, and stifling innovation in the market.
8

9 287. Axon's conspiracy to monopolize has significantly harmed competition in the
10 market for body-worn cameras and digital evidence management systems. This conduct
11 has led to higher prices, reduced innovation, and fewer choices for law enforcement
12 agencies and municipalities, which ultimately pass these increased costs onto taxpayers,
13 including the Plaintiffs.
14
15

16 288. As a direct and proximate result of Axon's unlawful conduct, GovGPT has
17 suffered and will continue to suffer injury to its business and property, including lost
18 profits, diminished market share, and reputational harm.
19

20 289. As a direct and proximate result of Axon's conspiracy to monopolize, Plaintiff
21 Abhyanker and the class members in California have suffered economic harm, including
22 higher income, sales and/or property taxes. These taxes were necessary to cover the
23 inflated costs of law enforcement equipment caused by Axon's monopolistic behavior.
24

25 290. Plaintiff California municipality and police department DOES 1-500, directly
26 purchased body-worn cameras and digital evidence management systems from Axon.
27 These purchases were made directly from Axon without intermediaries. As a direct and
28

1 proximate result of Axon's anticompetitive practices, Plaintiff California municipality
2 and police department DOES 1-500 have suffered economic harm, including but not
3 limited to damages for the increased costs paid by Plaintiff municipalities and Plaintiff
4 police departments across California in the United States (DOES 1-500) as a result of
5 Axon's anticompetitive conduct, including the privacy and security risks not timely
6 disclosed by Axon with respect to the Axon 4 cameras after the Congressional
7 notification to the public on or about January 2024, and overcharges for body-worn
8 cameras and digital evidence management systems thereto. (See: **Exhibit 2**).

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12 291. Axon's conduct has also harmed competition in the relevant markets, resulting
13 in higher prices, reduced innovation, and fewer choices for consumers, particularly law
14 enforcement agencies.

15
16 292. WHEREFORE, Plaintiff Abhyanker, GovGPT., and all others similarly
17 situated, pray for judgment against Defendant Axon Enterprise, Inc. as follows:

- 18
19 a. An order enjoining Axon from continuing its anticompetitive practices,
20 including but not limited to tying arrangements, exclusive dealing, and any
21 other practices that unreasonably restrain trade in violation of the
22 Cartwright Act.
- 23
24 b. An order requiring Axon to divest itself of certain assets or businesses to
25 restore competition in the affected markets.
- 26
27 c. For compensatory damages in an amount to be determined at trial,
28 including but not limited to damages for increased taxes paid by Plaintiff

1 Abhyanker and the class members in California as a result of Axon's
2 anticompetitive conduct.

3
4 d. For compensatory damages in an amount to be determined at trial,
5 including but not limited to damages for the increased costs paid by
6 Plaintiff municipalities and Plaintiff police departments across California in
7 the United States (DOES 1-500) as a result of Axon's anticompetitive
8 conduct, including the a full refund of the purchase price of the Axon 4
9 cameras, and overcharges for body-worn cameras and digital evidence
10 management systems.
11

12
13 e. For compensatory damages in an amount to be determined at trial,
14 including but not limited to damages for lost profits, market share, and
15 other economic losses suffered by GovGPT as a result of Axon's
16 anticompetitive conduct.
17

18
19 f. For treble damages as provided by law under Cal. Bus. & Prof. Code §
20 16750(a).

21
22 g. For punitive damages in an amount sufficient to punish Axon for its willful,
23 wanton, and malicious conduct, and to deter similar conduct in the future.

24
25 h. An order requiring Axon to formally disclose the risk posed by Quetel
26 chips to each purchaser of Axon Body 4 cameras in the United States. This
27 disclosure should include the option for purchasers to return the cameras,
28 downgrade to Axon Body 3 (which do not apparently contain Quetel

1 chips, upon information and belief), or receive a replacement device
2 without Quectel chips.

- 3
- 4 i. An order requiring Axon to permit third-party competitors to integrate their
5 digital evidence management systems with Axon's body-worn cameras,
6 including the Axon Body 4, as well as all Axon Taser products to foster
7 competition and provide law enforcement agencies with more choices in
8 digital evidence management solutions.
- 9
- 10 j. For an award of attorneys' fees and costs incurred in bringing this action, as
11 provided by law.
- 12
- 13 k. For an award of pre- and post-judgment interest as allowed by law.
- 14
- 15 l. For such other and further relief as the Court deems just and proper.

16 **SEVENTH CLAIM FOR RELIEF**

17 **Violation of the Cartwright Act (Conspiracy to Monopolize)**

18 *(Against Axon by GovGPT, Abhyanker, California municipality and police department*

19 *DOES 1-500, and all taxpayers in California similarly situated as Abhyanker)*

20

21 293. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
22 by reference the allegations contained in the preceding paragraphs as though fully set
23 forth herein.

24

25 294. Axon has engaged in a conspiracy to monopolize the market for body-worn
26 cameras and digital evidence management systems used by law enforcement agencies
27 across the United States, including California.

28

1 295. Axon holds substantial monopoly power in the relevant market. Through its
2 acquisitions, exclusionary practices, and conspiracy with other entities, Axon has
3 maintained and enhanced its dominant position, preventing competitors from entering
4 the market or effectively competing.
5

6 296. Axon has conspired with various entities, including law enforcement agencies
7 and police fraternal organizations, to monopolize the market for body-worn cameras and
8 digital evidence management systems, in violation of the Cartwright Act, Cal. Bus. &
9 Prof. Code § 16720 et seq.
10

11 297. Axon has made strategic acquisitions, including Dedrone (2024), Fusus
12 (2024), Sky-Hero (2023), and Foundry 45 (2022), to eliminate competition and solidify
13 its monopoly power. These acquisitions have reduced market entry opportunities for
14 competitors and further entrenched Axon's dominance.
15

16 298. The purpose and effect of these agreements and conduct are to maintain and
17 enhance Axon's monopoly power by excluding competitors, including GovGPT, from
18 the market, thereby restraining trade and limiting consumer choice.
19

20 299. Axon has engaged in tying arrangements that force law enforcement agencies
21 to purchase Axon's digital evidence management system, Evidence.com, as a condition
22 of purchasing its body-worn cameras, thereby foreclosing competition from other
23 providers of digital evidence management systems.
24

25 300. Axon's exclusive dealing contracts with law enforcement agencies prevent
26 these agencies from purchasing body-worn cameras or digital evidence management
27
28

1 systems from Axon's competitors, further entrenching Axon's monopoly power.

2 301. Axon has spent lavishly on police fraternal organizations to secure their
3 loyalty and support, ensuring that law enforcement agencies continue to purchase Axon's
4 products exclusively. This spending includes funding events, providing expensive perks,
5 and making significant financial contributions to these organizations, which in turn
6 advocate for the continued use of Axon's products and services, further entrenching
7 Axon's monopoly.
8

9 302. Axon's agreements and conduct have had substantial anticompetitive effects,
10 including reducing competition, raising prices for body-worn cameras and digital
11 evidence management systems, and stifling innovation in the market.
12

13 303. Axon's conspiracy to monopolize has significantly harmed competition in the
14 market for body-worn cameras and digital evidence management systems. This conduct
15 has led to higher prices, reduced innovation, and fewer choices for law enforcement
16 agencies and municipalities, which ultimately pass these increased costs onto taxpayers,
17 including the Plaintiffs.
18

19 304. As a direct and proximate result of Axon's unlawful conduct, GovGPT has
20 suffered and will continue to suffer injury to its business and property, including lost
21 profits, diminished market share, and reputational harm.
22

23 305. As a direct and proximate result of Axon's conspiracy to monopolize, Plaintiff
24 Abhyanker and the class members in California have suffered economic harm, including
25 higher income, sales and/or property taxes. These taxes were necessary to cover the
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27
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1 inflated costs of law enforcement equipment caused by Axon's monopolistic behavior.

2 306. Plaintiff California municipality and police department DOES 1-500, directly
3 purchased body-worn cameras and digital evidence management systems from Axon.
4 These purchases were made directly from Axon without intermediaries. As a direct and
5 proximate result of Axon's anticompetitive practices, Plaintiff California municipality
6 and police department DOES 1-500 have suffered economic harm, including but not
7 limited to damages for the increased costs paid by Plaintiff municipalities and Plaintiff
8 police departments across California in the United States (DOES 1-500) as a result of
9 Axon's anticompetitive conduct, including the privacy and security risks not timely
10 disclosed by Axon with respect to the Axon 4 cameras after the Congressional
11 notification to the public on or about January 2024, and overcharges for body-worn
12 cameras and digital evidence management systems thereto.
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17 307. Axon's conduct has also harmed competition in the relevant markets, resulting
18 in higher prices, reduced innovation, and fewer choices for consumers, particularly law
19 enforcement agencies.
20

21 308. WHEREFORE, Plaintiff Abhyanker, GovGPT, and all others similarly
22 situated, pray for judgment against Defendant Axon Enterprise, Inc. as follows:
23

- 24 a. An order enjoining Axon from continuing its anticompetitive practices,
25 including but not limited to tying arrangements, exclusive dealing, and any
26 other practices that unreasonably restrain trade in violation of the
27 Cartwright Act.
28

- 1 b. An order requiring Axon to divest itself of certain assets or businesses to
2 restore competition in the affected markets.
- 3
- 4 c. For compensatory damages in an amount to be determined at trial,
5 including but not limited to damages for increased taxes paid by Plaintiff
6 Abhyanker and the class members in California as a result of Axon's
7 anticompetitive conduct.
- 8
- 9 d. For compensatory damages in an amount to be determined at trial,
10 including but not limited to damages for the increased costs paid by
11 Plaintiff municipalities and Plaintiff police departments across California in
12 the United States (DOES 1-500) as a result of Axon's anticompetitive
13 conduct, including the a full refund of the purchase price of the Axon 4
14 cameras, and overcharges for body-worn cameras and digital evidence
15 management systems.
- 16
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- 18
- 19 e. For compensatory damages in an amount to be determined at trial,
20 including but not limited to damages for lost profits, market share, and
21 other economic losses suffered by GovGPT as a result of Axon's
22 anticompetitive conduct.
- 23
- 24 f. For treble damages as provided by law under Cal. Bus. & Prof. Code §
25 16750(a).
- 26
- 27 g. For punitive damages in an amount sufficient to punish Axon for its willful,
28 wanton, and malicious conduct, and to deter similar conduct in the future.

- 1 h. An order requiring Axon to formally disclose the risk posed by Quectel
2 chips to each purchaser of Axon Body 4 cameras in the United States. This
3 disclosure should include the option for purchasers to return the cameras,
4 downgrade to Axon Body 3 (which do not apparently contain Quectel
5 chips, upon information and belief), or receive a replacement device
6 without Quectel chips.
7
8
9 i. An order requiring Axon to permit third-party competitors to integrate their
10 digital evidence management systems with Axon's body-worn cameras,
11 including the Axon Body 4, as well as all Axon Taser and Axon Fleet 3
12 dash cam products to foster competition and provide law enforcement
13 agencies with more choices in digital evidence management solutions.
14
15 j. For an award of attorneys' fees and costs incurred in bringing this action, as
16 provided by law.
17
18 k. For an award of pre- and post-judgment interest as allowed by law.
19
20 l. For such other and further relief as the Court deems just and proper.

21 **EIGHTH CLAIM FOR RELIEF**

22 FALSE ADVERTISING AND UNFAIR COMPETITION

23 THE LANHAM ACT, 15 U.S.C.. § 1125(a)

24 *(Against Axon by Plaintiff GovGPT)*

25 309. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
26 by reference the allegations contained in the preceding paragraphs as though fully set
27 forth herein.
28

1 310. Axon's CEO Rick Smith has repeatedly invoked a false narrative about the
2 company's origins, claiming he was motivated to start the company after two of his high
3 school friends were shot and killed. However, these individuals were not friends of
4 Smith, and their deaths were used without permission in company promotions to create a
5 sympathetic and compelling backstory for marketing purposes.
6

7
8 311. Axon has concealed critical information regarding security vulnerabilities in
9 its Axon Body 4 cameras, which contain Quectel streaming chips posing significant
10 national security risks due to their potential ties to the Chinese government. This
11 concealment has been highlighted by members of Congress this year, yet Axon has not
12 disclosed these risks to its customers or the public.
13

14 312. These false and misleading statements and omissions are material in that they
15 are likely to influence purchasing decisions. Law enforcement agencies and
16 municipalities rely on the accuracy of Axon's representations when selecting body-worn
17 cameras and digital evidence management systems for their officers.
18

19
20 313. As a direct and proximate result of Axon's false advertising and deceptive
21 practices, GovGPT has suffered and will continue to suffer commercial injury, including
22 lost sales, diminished market share, and harm to its reputation.
23

24 314. Axon's false advertising and concealment of critical information have also
25 harmed consumers and the public by depriving law enforcement agencies of the ability
26 to make informed decisions about the safety and effectiveness of the products they use,
27 thereby jeopardizing public safety.
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315. Axon's conduct constitutes false advertising and unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

316. WHEREFORE, Plaintiff GovGPT prays for judgment against Defendant Axon Enterprise, Inc. as follows:

- a. An order enjoining Axon from continuing its false and misleading advertising and deceptive practices, and requiring Axon to correct any false statements or omissions in its marketing materials and disclosures.
- b. **Disclosure and Remediation:** An order requiring Axon to formally disclose the risk posed by Quectel chips to each purchaser of Axon Body 4 cameras in the United States. This disclosure should include the option for purchasers to return the cameras, downgrade to Axon Body 3 (which do not apparently contain Quectel chips, upon information and belief), or receive a replacement device without Quectel chips.
- c. **Injunctive Relief for Open Access:** An order requiring Axon to permit third-party competitors to integrate their digital evidence management systems with Axon's body-worn cameras, including the Axon Body 4, as well as all Axon Taser products to foster competition and provide law enforcement agencies with more choices in digital evidence management solutions.
- d. For compensatory damages in an amount to be determined at trial, including but not limited to damages for lost sales, diminished market

1 share, and harm to GovGPT's reputation.

2 e. For an award of Axon's profits derived from its false advertising and unfair
3 competition, as provided by law under the Lanham Act.

4
5 f. For punitive damages in an amount sufficient to punish Axon for its willful,
6 wanton, and malicious conduct, and to deter similar conduct in the future.

7
8 g. For an award of attorneys' fees and costs incurred in bringing this action, as
9 provided by law.

10
11 h. For an award of pre- and post-judgment interest as allowed by law.

12 For such other and further relief as the Court deems just and proper.

13 **NINTH CLAIM FOR RELIEF**

14 ARIZONA CONSUMER FRAUD ACT

15 ARIZONA REVISED STATUTES (A.R.S.) § 44-1522.

16 *(Against Axon by GovGPT, Abhyanker, Arizona municipality and police department*

17 *DOES 1-500, and all taxpayers in Arizona similarly situated as Abhyanker)*

18
19 317. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
20 by reference the allegations contained in the preceding paragraphs as though fully set
21 forth herein.

22
23 318. Axon has engaged in deceptive practices by making false and misleading
24 statements of fact about its products and services, including exaggerated claims about
25 the effectiveness and safety of its body-worn cameras and digital evidence management
26 systems.
27
28

1 319. Axon's CEO Rick Smith has repeatedly invoked a false narrative about the
2 company's origins, claiming he was motivated to start the company after two of his high
3 school friends were shot and killed. However, these individuals were not friends of
4 Smith, and their deaths were used without permission in company promotions to create a
5 sympathetic and compelling backstory for marketing purposes.
6

7
8 320. Axon has concealed critical information regarding security vulnerabilities in
9 its Axon Body 4 cameras, which contain Quectel streaming chips posing significant
10 national security risks due to their potential ties to the Chinese government. These
11 security concerns have been highlighted by members of Congress this year, yet Axon
12 has not disclosed these risks to its customers or the public.
13

14
15 321. These false and misleading statements and omissions are material in that they
16 are likely to influence purchasing decisions. Law enforcement agencies and
17 municipalities rely on the accuracy of Axon's representations when selecting body-worn
18 cameras and digital evidence management systems for their officers.
19

20 322. Law enforcement agencies and municipalities have relied on Axon's false and
21 misleading statements in making purchasing decisions, leading to increased costs and
22 potential risks to public safety.
23

24 323. As a direct and proximate result of Axon's deceptive practices, GovGPT has
25 suffered and will continue to suffer injury to its business and property, including lost
26 profits, diminished market share, and reputational harm.
27

28 324. Plaintiff Abhyanker and similarly situated class members in Arizona relied on

1 Axon's representations and omissions when paying higher income, sales and/or property
2 taxes. These increased taxes were necessary to cover the inflated costs of law
3 enforcement equipment and the potential security risks associated with Axon's products.
4
5 As a result, Plaintiff Abhyanker and similarly situated class members in Arizona have
6 suffered economic harm.

7
8 325. Plaintiff Arizona municipality and police department DOES 1-500, directly
9 purchased body-worn cameras and digital evidence management systems from Axon.
10 These purchases were made directly from Axon without intermediaries. As a direct and
11 proximate result of Axon's anticompetitive practices, Plaintiff Arizona municipality and
12 police department DOES 1-500 have suffered economic harm, including but not limited
13 to damages for the increased costs paid by Plaintiff municipalities and Plaintiff police
14 departments across Arizona in the United States (DOES 1-500) as a result of Axon's
15 anticompetitive conduct, including the privacy and security risks not timely disclosed by
16 Axon with respect to the Axon 4 cameras after the Congressional notification to the
17 public on or about January 2024, and overcharges for body-worn cameras and digital
18 evidence management systems thereto. (See: **Exhibit 2**).

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23 326. Axon's deceptive practices have also harmed consumers and the public by
24 depriving law enforcement agencies of the ability to make informed decisions about the
25 safety and effectiveness of the products they use, thereby jeopardizing public safety.

26
27 327. Axon's conduct constitutes consumer fraud in violation of the Arizona
28 Consumer Fraud Act (A.R.S. § 44-1522), which prohibits any deception, fraud, false

1 pretense, false promise, misrepresentation, or concealment, suppression, or omission of
2 any material fact with intent that others rely on such concealment, suppression, or
3 omission in connection with the sale or advertisement of any merchandise.
4

5 328. WHEREFORE, Plaintiffs pray for judgment against Defendant Axon
6 Enterprise, Inc. as follows:
7

- 8 a. An order enjoining Axon from continuing its deceptive practices and
9 requiring Axon to correct any false statements or omissions in its marketing
10 materials and disclosures.
11
- 12 b. For compensatory damages in an amount to be determined at trial,
13 including but not limited to damages for lost profits, diminished market
14 share, and harm to GovGPT's reputation.
15
- 16 c. For compensatory damages in an amount to be determined at trial,
17 including but not limited to damages for the increased costs paid by
18 Plaintiff municipalities and Plaintiff police departments across Arizona in
19 the United States (DOES 1-500) as a result of Axon's anticompetitive
20 conduct, including the a full refund of the purchase price of the Axon 4
21 cameras, and overcharges for body-worn cameras and digital evidence
22 management systems.
23
- 24 d. Requirement for Axon to notify all affected customers about the Quectel
25 chips.
26
- 27 e. For restitution to Plaintiff Abhyanker and similarly situated class members
28

1 in Arizona of all monies acquired by means of Axon's unlawful practices.

- 2 f. For restitution to municipalities and police departments that have been
3 forced to pay exorbitant rates for Axon's platforms due to the lack of
4 competition, thereby increasing the costs for public safety protection for
5 citizens.
6
7
8 g. For punitive damages in an amount sufficient to punish Axon for its willful,
9 wanton, and malicious conduct, and to deter similar conduct in the future.
10
11 h. For an award of attorneys' fees and costs incurred in bringing this action, as
12 provided by law.
13
14 i. For an award of pre- and post-judgment interest as allowed by law.
15
16 j. For such other and further relief as the Court deems just and proper.

17 **TENTH CLAIM FOR RELIEF**

18 ARIZONA CONSUMER FRAUD ACT

19 ARIZONA UNIFORM STATE ANTITRUST ACT A.R.S. § 44-1401 ET SEQ

20 *(Against Axon by Abhyanker, Arizona municipality and police department DOES 1-500,*
21 *and all taxpayers in Arizona similarly situated as Abhyanker)*

22 329. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
23 by reference the allegations contained in the preceding paragraphs as though fully set
24 forth herein.

25
26 330. Axon has engaged in monopolistic and anticompetitive practices that have
27 harmed competition in the market for body-worn cameras and digital evidence
28

1 management systems used by law enforcement agencies across the United States,
2 including in Arizona.

3
4 331. Axon holds substantial monopoly power in the relevant market. Through its
5 acquisitions and exclusionary conduct, Axon has stifled competition, raised prices, and
6 reduced the availability of alternative products and services.

7
8 332. Due to Axon's anticompetitive conduct, municipalities and police departments
9 in Arizona have been forced to purchase Axon's products at inflated prices. These costs
10 have been passed on to taxpayers, including Plaintiff Abhyanker, resulting in higher
11 income, sales and/or property taxes.

12
13 333. Under A.R.S. § 44-1408(B), any person who is injured in their business or
14 property by reason of anything forbidden in the antitrust statutes may sue for damages.
15 As an indirect purchaser who has paid higher taxes due to Axon's anticompetitive
16 conduct, Plaintiff has standing to bring this action.

17
18 334. Plaintiff Abhyanker and similarly situated class members in Arizona have
19 suffered economic harm in the form of increased taxes. These taxes were necessary to
20 cover the inflated costs of law enforcement equipment caused by Axon's monopolistic
21 behavior.

22
23 335. Plaintiff Arizona municipality and police department DOES 1-500, directly
24 purchased body-worn cameras and digital evidence management systems from Axon.
25 These purchases were made directly from Axon without intermediaries. As a direct and
26 proximate result of Axon's anticompetitive practices, Plaintiff Arizona municipality and
27
28

1 police department DOES 1-500 have suffered economic harm, including but not limited
2 to damages for the increased costs paid by Plaintiff municipalities and Plaintiff police
3 departments across Arizona in the United States (DOES 1-500) as a result of Axon's
4 anticompetitive conduct, including the privacy and security risks not timely disclosed by
5 Axon with respect to the Axon 4 cameras after the Congressional notification to the
6 public on or about January 2024, and overcharges for body-worn cameras and digital
7 evidence management systems thereto.
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10 336. Axon has failed to disclose the presence of Quectel chips in its Axon Body 4
11 cameras, which poses significant national security risks due to their potential ties to the
12 Chinese government. This nondisclosure has further harmed taxpayers by compromising
13 the security of law enforcement operations and public safety.
14
15

16 337. The inflated costs and security risks are a direct and proximate result of
17 Axon's unlawful anticompetitive practices, causing injury to Plaintiff Abhyanker and
18 similarly situated class members in Arizona.
19

20 338. WHEREFORE, Plaintiff Abhyanker, on behalf of himself and all others
21 similarly situated, prays for judgment against Defendant Axon Enterprise, Inc. as
22 follows:
23

- 24 a. An order enjoining Axon from continuing its anticompetitive practices,
25 including but not limited to tying arrangements, exclusive dealing, and any
26 other practices that restrain trade in violation of Arizona antitrust law.
27
28 b. For compensatory damages in an amount to be determined at trial,

1 including but not limited to damages for increased taxes paid by Plaintiff
2 Abhyanker and the class members as a result of Axon's anticompetitive
3 conduct.
4

5 c. For compensatory damages in an amount to be determined at trial,
6 including but not limited to damages for the increased costs paid by
7 Plaintiff municipalities and Plaintiff police departments across Arizona in
8 the United States (DOES 1-500) as a result of Axon's anticompetitive
9 conduct, including the a full refund of the purchase price of the Axon 4
10 cameras, and overcharges for body-worn cameras and digital evidence
11 management systems.
12

13
14 d. For treble damages as provided by law under A.R.S. § 44-1408(B).
15

16 e. For punitive damages in an amount sufficient to punish Axon for its willful,
17 wanton, and malicious conduct, and to deter similar conduct in the future.
18

19 f. For an award of attorneys' fees and costs incurred in bringing this action, as
20 provided by law.
21

22 g. For an award of pre- and post-judgment interest as allowed by law.
23

24 h. An order requiring Axon to formally disclose the risk posed by Quectel
25 chips to each purchaser of Axon Body 4 cameras in the United States. This
26 disclosure should include the option for purchasers to return the cameras,
27 downgrade to Axon Body 3 (which do not apparently contain Quectel
28 chips, upon information and belief), or receive a replacement device

1 without Quectel chips.

2 i. For such other and further relief as the Court deems just and proper.

3
4 **ELEVENTH CLAIM FOR RELIEF**

5 SECTION 7(2) OF THE ILLINOIS ANTITRUST ACT

6 *(Against Axon by Abhyanker, Illinois municipality and police department DOES 1-500,*
7 *and all taxpayers in Illinois similarly situated as Abhyanker)*

8
9 339. Plaintiffs on behalf of themselves and all others similarly situated, incorporate
10 by reference the allegations contained in the preceding paragraphs as though fully set
11 forth herein.

12 340. Axon has engaged in monopolistic and anticompetitive practices that have
13 harmed competition in the market for body-worn cameras and digital evidence
14 management systems used by law enforcement agencies across the United States,
15 including Illinois.

16
17
18 341. Axon holds substantial monopoly power in the relevant market. Through its
19 exclusionary practices and anticompetitive conduct, Axon has unreasonably restrained
20 trade, preventing competitors from entering the market or effectively competing.

21
22 342. Axon's exclusionary practices include:

23 a. Axon requires law enforcement agencies to purchase its digital evidence
24 management system, Evidence.com, as a condition for purchasing its
25 body-worn cameras.

26
27 b. Axon enters into exclusive dealing contracts with law enforcement agencies
28

1 that prevent them from purchasing competing products.

2 c. Axon has spent lavishly on police fraternal organizations to secure their
3 loyalty and support, ensuring that law enforcement agencies continue to
4 purchase Axon's products exclusively.
5

6 343. Axon has made strategic acquisitions, including Dedrone (2024), Fusus
7 (2024), Sky-Hero (2023), and Foundry 45 (2022), to eliminate competition and solidify
8 its monopoly power. These acquisitions have reduced market entry opportunities for
9 competitors and further entrenched Axon's dominance.
10

11 344. Axon's anticompetitive practices have significantly harmed competition in the
12 market for body-worn cameras and digital evidence management systems. This conduct
13 has led to higher prices, reduced innovation, and fewer choices for law enforcement
14 agencies and municipalities, which ultimately pass these increased costs onto taxpayers,
15 including the Plaintiffs.
16

17 345. As a direct and proximate result of Axon's anticompetitive practices, Plaintiff
18 Raj Abhyanker and the class members have suffered economic harm, including higher
19 sales and property taxes. These taxes were necessary to cover the inflated costs of law
20 enforcement equipment caused by Axon's monopolistic behavior.
21

22 346. Plaintiff Illinois municipality and police department DOES 1-500, directly
23 purchased body-worn cameras and digital evidence management systems from Axon.
24 These purchases were made directly from Axon without intermediaries. As a direct and
25 proximate result of Axon's anticompetitive practices, Plaintiff Illinois municipality and
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1 police department DOES 1-500 have suffered economic harm, including but not limited
2 to damages for the increased costs paid by Plaintiff municipalities and Plaintiff police
3 departments across Illinois in the United States (DOES 1-500) as a result of Axon's
4 anticompetitive conduct, including the privacy and security risks not timely disclosed by
5 Axon with respect to the Axon 4 cameras after the Congressional notification to the
6 public on or about January 2024, and overcharges for body-worn cameras and digital
7 evidence management systems thereto. (See: **Exhibit 2**).

10 347. Under Section 7(2) of the Illinois Antitrust Act, 740 ILCS 10/7(2), any person
11 who has been injured in their business or property by a violation of the Act may
12 maintain an action for damages or for an injunction, or both. This includes indirect
13 purchasers, as the statute explicitly allows indirect purchasers to sue for damages.
14

16 348. WHEREFORE, Plaintiff Abhyanker, on behalf of himself and all others
17 similarly situated, prays for judgment against Defendant Axon Enterprise, Inc. as
18 follows:
19

- 20 a. An order enjoining Axon from continuing its anticompetitive practices,
21 including but not limited to tying arrangements, exclusive dealing, and any
22 other practices that restrain trade in violation the Illinois Antitrust Act.
- 24 b. An order requiring Axon to divest itself of certain assets or businesses to
25 restore competition in the affected markets.
- 27 c. For compensatory damages in an amount to be determined at trial,
28 including but not limited to damages for increased taxes paid by Plaintiff

1 and the class members as a result of Axon's anticompetitive conduct.

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- d. For compensatory damages in an amount to be determined at trial, including but not limited to damages for the increased costs paid by Plaintiff municipalities and Plaintiff police departments across Illinois in the United States (DOES 1-500) as a result of Axon's anticompetitive conduct, including the a full refund of the purchase price of the Axon 4 cameras, and overcharges for body-worn cameras and digital evidence management systems.
 - e. For treble damages as provided by law under 740 ILCS 10/7(2).
 - f. For punitive damages in an amount sufficient to punish Axon for its willful, wanton, and malicious conduct, and to deter similar conduct in the future.
 - g. For an award of attorneys' fees and costs incurred in bringing this action, as provided by law.
 - h. For an award of pre- and post-judgment interest as allowed by law.
 - i. An order requiring Axon to formally disclose the risk posed by Quectel chips to each purchaser of Axon Body 4 cameras in the United States. This disclosure should include the option for purchasers to return the cameras, downgrade to Axon Body 3 (which do not apparently contain Quectel chips, upon information and belief), or receive a replacement device without Quectel chips.
 - j. For such other and further relief as the Court deems just and proper.

TWELFTH CLAIM FOR RELIEF

VIOLATION OF THE CALIFORNIA CONSUMER PRIVACY ACT (CCPA)
(Against Axon by California municipality and police department DOES 1-500)

349. Plaintiffs on behalf of themselves and all others similarly situated, incorporate by reference the allegations contained in the preceding paragraphs as though fully set forth herein.

350. Axon failed to disclose that its Axon Body 4 cameras contain Quectel chips, which could lead to unauthorized data collection.

351. This non-disclosure violates the CCPA, which grants consumers the right to know about the personal information collected about them.

352. The undisclosed presence of Quectel chips raises privacy and security concerns for law enforcement agencies and individuals in California.

353. Municipalities and police departments have been deprived of essential information to protect the privacy and security of their operations

354. WHEREFORE, Plaintiff California municipality and police department DOES 1-500, on behalf of themselves and all others similarly situated, prays for judgment against Defendant Axon Enterprise, Inc. as follows:

- a. Mandatory disclosure of Quectel chips and potential data collection risks.
- b. Options for customers to seek remediation, including replacement or refunds.
- c. Statutory damages for violations of privacy rights.
- d. Costs of the suit and attorneys' fees.

THIRTEENTH CLAIM FOR RELIEF

ILLINOIS CONSUMER FRAUD AND DECEPTIVE
BUSINESS PRACTICES ACT (ICFA)

(Against Axon by Illinois municipality and police department DOES 1-500)

355. Plaintiffs on behalf of themselves and all others similarly situated, incorporate by reference the allegations contained in the preceding paragraphs as though fully set forth herein.

356. Axon failed to disclose the presence of Quectel chips in its Axon Body 4 cameras, creating potential security risks.

357. The omission of material facts about Quectel chips constitutes a deceptive practice under the ICFA.

358. The presence and potential risks of Quectel chips are material to purchasing decisions.

359. Illinois municipalities and police departments have been deceived about the safety and integrity of Axon's products.

360. WHEREFORE, Plaintiff Illinois municipality and police department DOES 1-500, on behalf of themselves and all others similarly situated, prays for judgment against Defendant Axon Enterprise, Inc. as follows:

- a. Injunctive relief to cease deceptive practices.
- b. Restitution for economic damages incurred by the plaintiffs.
- c. Mandatory disclosure of Quectel chips' presence and potential risks.
- d. Costs of the suit and attorneys' fees.

REQUEST FOR RELIEF

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361. Plaintiffs on behalf of themselves and all others similarly situated, incorporate by reference the allegations contained in the preceding paragraphs as though fully set forth herein.

362. WHEREFORE, Plaintiffs pray for judgment against Defendant Axon Enterprise, Inc. and for any and all damages as described in each Claim for Relief described herein, as well as below::

- a. **Immediate Order to Prohibit Use of Axon Body 4 Cameras at Political Events:** An order prohibiting the use of Axon Body 4 cameras at all political events related to the 2024 presidential election cycle, including rallies, debates, and polling stations.
- b. **Mandate for Alternative Surveillance Solutions:** An order requiring law enforcement agencies to use alternative, secure surveillance equipment that does not contain Quectel chips or other components with potential foreign adversary access.
- c. **Enhanced Security Protocols:** An order mandating the implementation of enhanced security protocols at political events to mitigate the risks posed by existing Axon Body 4 cameras, including regular sweeps for unauthorized surveillance devices and increased cybersecurity measures.
- d. **Transparency and Reporting Requirements:** An order requiring Axon Enterprise, Inc. and Microsoft Corporation to disclose any and all foreign

1 components used in their products, particularly those with potential
2 espionage capabilities, and to report any suspected data breaches or security
3 vulnerabilities immediately to U.S. authorities including law enforcement
4 customers.
5

6 e. **Declaratory Relief:** A judicial declaration that Axon's business practices,
7 including its bundling of digital evidence management software with body
8 camera hardware, are unlawful and violate federal and state laws as alleged
9 herein, including but not limited to violations of the Sherman Act, Clayton
10 Act, California Consumer Privacy Act (CCPA), California's Unfair
11 Competition Law (UCL), Arizona Consumer Fraud Act, and/or Illinois
12 Consumer Fraud and Deceptive Business Practices Act.
13

14 f. **Injunctive Relief:** An order enjoining Axon from continuing its unlawful
15 business practices, including but not limited to:
16

17 i. Requiring the purchase of Evidence.com subscriptions in
18 conjunction with Axon's body camera hardware.
19

20 ii. Enforcing any tying arrangements or exclusive dealing contracts that
21 prevent competition in the market for digital evidence management
22 software.
23

24 g. **Mandatory Debundling:** An order requiring Axon to:
25

26 i. Permit third-party software vendors to integrate their digital
27 evidence management solutions with Axon's body camera hardware.
28

1 ii. Offer Axon body camera hardware separately from Evidence.com
2 subscriptions, allowing customers to choose their preferred software
3 provider without being forced into bundled service agreements.
4

5 h. **Disclosure and Remediation:** An order requiring Axon to:

6 i. Formally disclose the presence and potential risks of Quectel chips
7 in Axon Body 4 cameras to each purchaser.
8

9 ii. Provide options for customers to return the cameras, downgrade to
10 Axon Body 3 (which does not contain Quectel chips), or receive a
11 replacement device without Quectel chips.
12

13 i. **Rectifying harm caused by Axon's migration to Microsoft Azure.** To
14 address the harm caused by Axon's migration to Microsoft Azure and its
15 monopolistic practices, the court should mandate the following corrective
16 actions:
17

18 i. Creation of a Download-All Application: Axon should be ordered to
19 develop and provide a "Download-All" application. This application
20 should enable law enforcement agencies to easily download or port
21 their data from Microsoft Azure to another cloud instance of their
22 choice, including competitive vendors such as Google Cloud or
23 Amazon Web Services (AWS).
24

25 ii. Data Transfer Flexibility: Ensure that agencies have the flexibility to
26 transfer their data seamlessly to a different cloud provider without
27
28

1 disruption to their operations.

2
3 iii. Enhanced Transparency and Choice: Axon must improve
4 transparency regarding its data management costs and provide clear
5 options for agencies to choose alternative digital evidence
6 management solutions. This includes detailed disclosures about
7 long-term costs and the implications of using Axon's integrated
8 services.
9

10
11 j. **Ongoing Compliance and Monitoring**: The court should appoint an
12 independent monitor to oversee Axon's compliance with these
13 requirements, ensuring that Axon does not engage in further monopolistic
14 practices and that law enforcement agencies have genuine alternatives for
15 their digital evidence management needs.
16

17
18 k. **Compensatory Damages**: For compensatory damages in an amount to be
19 determined at trial, including but not limited to damages for increased costs
20 paid by Plaintiff and the class members as a result of Axon's
21 anticompetitive conduct, and any economic harm resulting from the
22 deceptive practice.
23

24
25 l. **Treble Damages**: For treble damages as provided by law under applicable
26 federal and state antitrust statutes, including the Sherman Act and Clayton
27 Act.
28

m. **Punitive Damages**: For punitive damages in an amount sufficient to punish

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Axon for its willful, wanton, and malicious conduct, and to deter similar conduct in the future.

n. **Restitution and Disgorgement:** For restitution to Plaintiff and the class members of all monies unlawfully acquired by Axon through its anticompetitive and deceptive practices, and for disgorgement of all ill-gotten gains obtained as a result of such conduct.

o. **Attorneys' Fees and Costs:** For an award of attorneys' fees and costs incurred in bringing this action, as provided by law, including but not limited to fees under the Clayton Act, RICO, and applicable state laws.

p. **Pre-and Post-Judgment Interest:** For an award of pre- and post-judgment interest as allowed by law, from the date of service of the initial complaint to the date of final payment.

q. **Monitoring and Compliance:** For the appointment of a monitor or special master to oversee Axon's compliance with the Court's orders and to ensure that Axon ceases its anticompetitive and deceptive practices and complies with the terms of the injunctive relief.

r. **Mandatory Debundling for Privacy Protection:** An order requiring Axon to permit third-party software vendors to integrate their digital evidence management solutions with Axon's body camera hardware, without the need for subscriptions to Evidence.com. This debundling is necessary to restore trust and allow police and municipal customers to have a second

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source, ensuring that they can choose software solutions that prioritize privacy and security.

- s. **Consumer Notification:** Axon must notify all current and future customers of the presence and potential privacy risks associated with Quectel chips in Axon Body 4 cameras. This includes offering alternatives such as returns, downgrades, or replacements without Quectel chips.
- t. **Other Relief:** For such other and further relief as the Court deems just and proper.

Respectfully submitted this Monday July 29, 2024.

LEGALFORCE RAPC WORLDWIDE P.C.

/s/ Spencer Keller

Spencer Keller
Attorney for Plaintiffs and the Proposed Class:
LegalForce RAPC Worldwide, P.C.

/s/ Raj Abhyanker

Raj Abhyanker
Plaintiff, and Attorney for Plaintiff GovGPT and the
Proposed Class (licensed only in California,
appearance pro hac vice pending)

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JURY TRIAL DEMAND

Plaintiff demands a trial by jury on all issues so triable.

Respectfully submitted this Monday, July 29, 2024.

LEGALFORCE RAPC WORLDWIDE P.C.

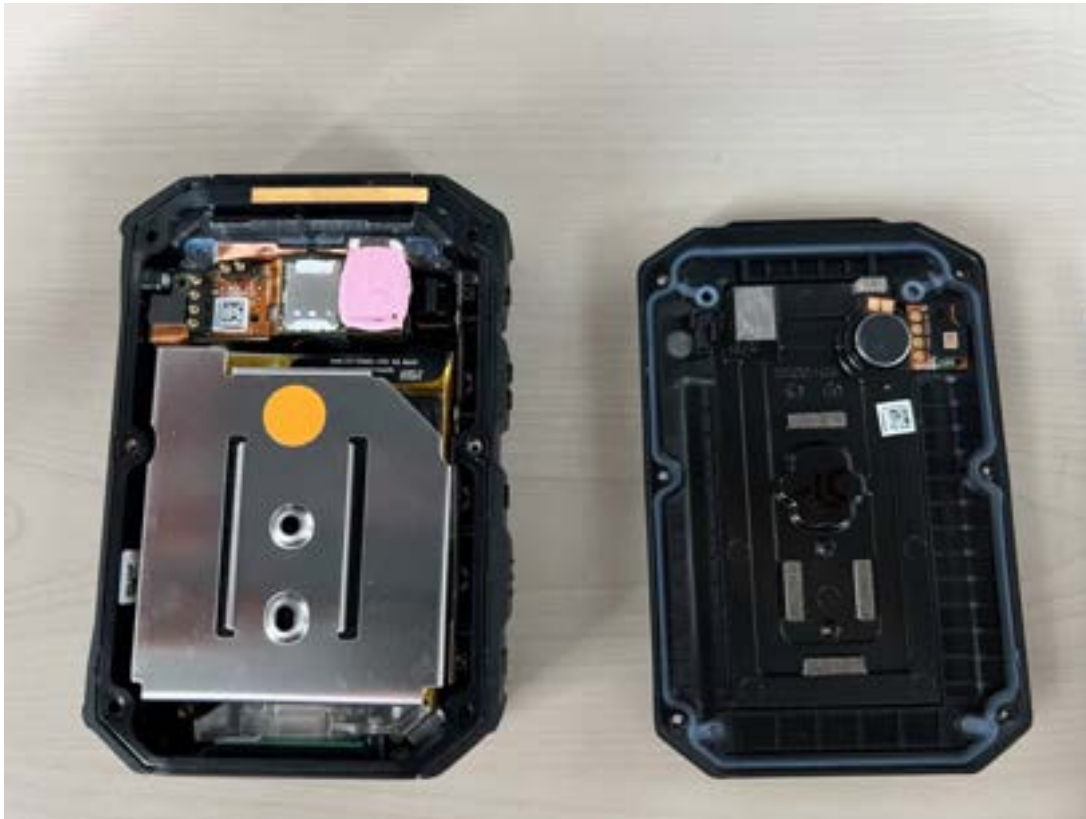
/s/ Spencer Keller
Spencer Keller
Attorney for Plaintiff and Proposed Class:
LegalForce RAPC Worldwide, P.C.

EXHIBIT 1

Axon body 4 inside

Axon Body 4 disassemble report

Inside



Axon body 4 inside

Triple-proof (waterproof, dustproof, and drop-proof) design, obvious signs of use and a some sticker.



Well designed structure ,anti-water rubber strip,and steel plate for back install,

Axon body 4 inside

Electronic device fixed on solid Nylon middle frame,

Battery case use sheet metal,

3.85V 4300mAh 16.56Wh



Axon body 4 inside



MANUFACTURER:
PHD ENERGY INC.

Axon body 4 inside



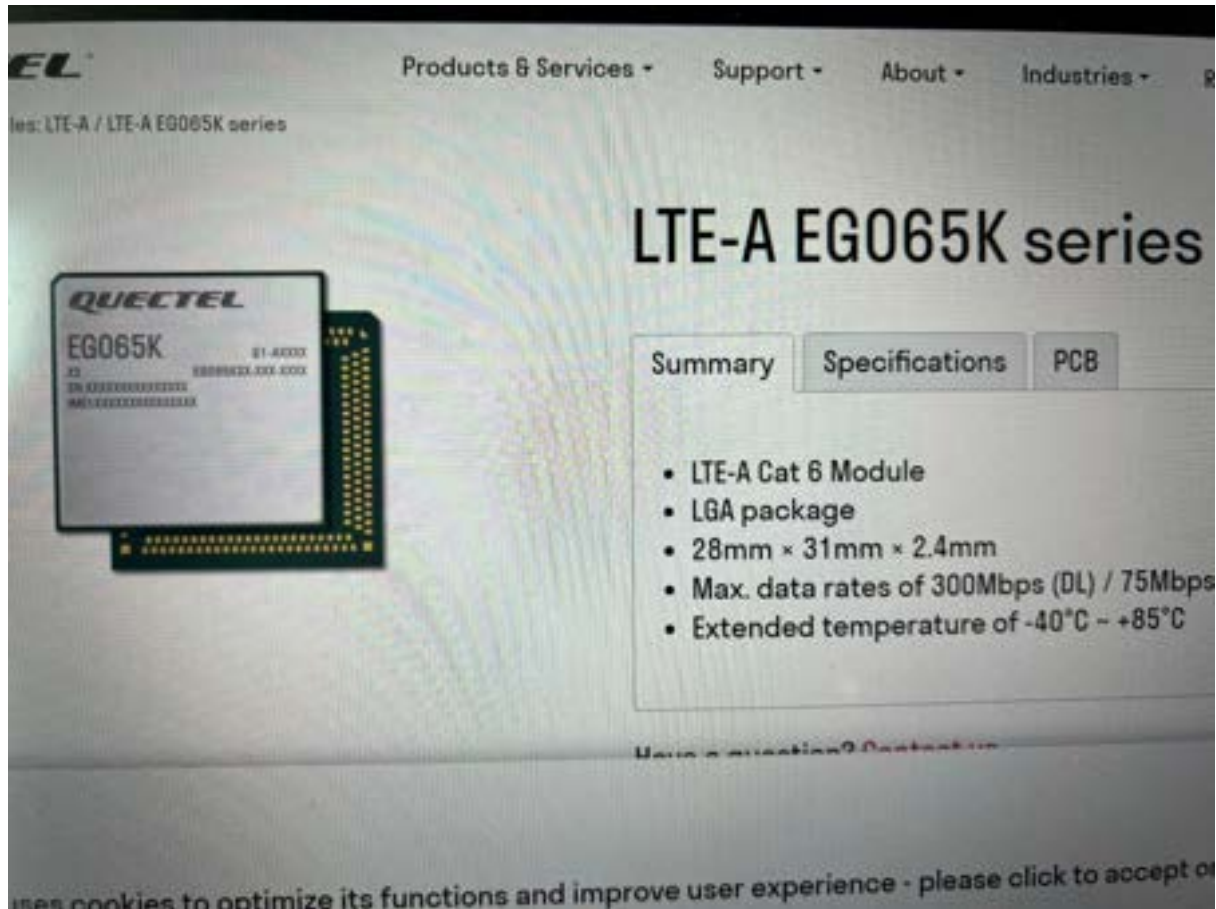
Axon body 4 inside

AT&T SIM card



Axon body 4 inside

5G Quectel EG065K



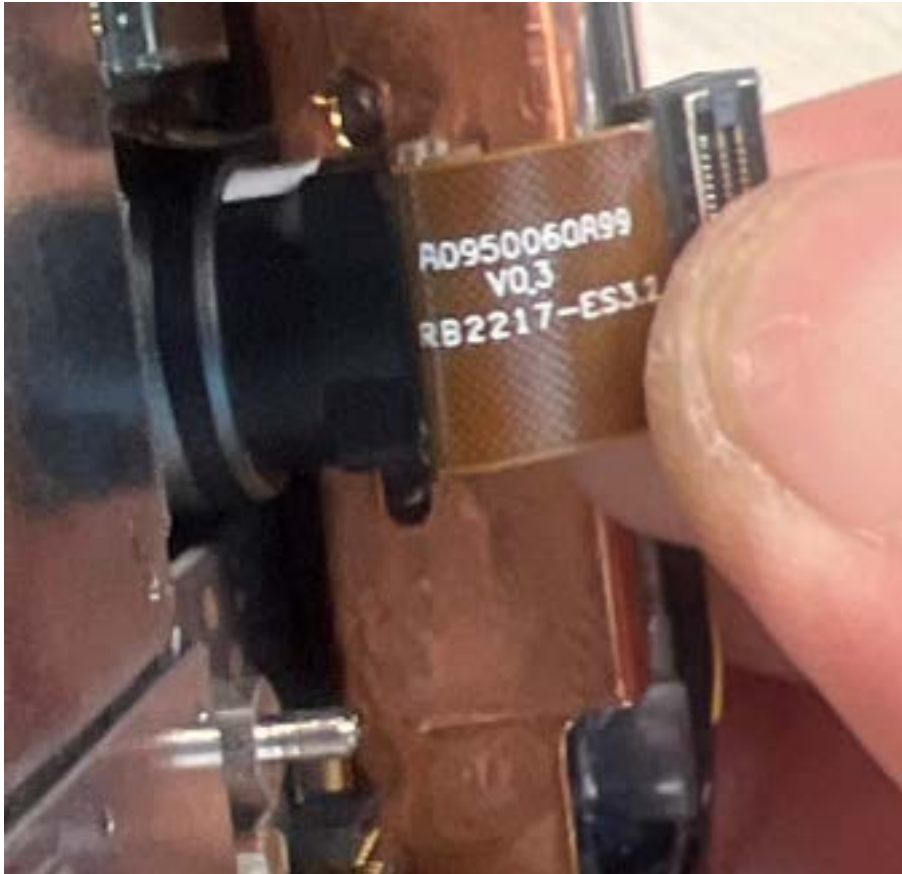
Axon body 4 inside

Button connection



Axon body 4 inside

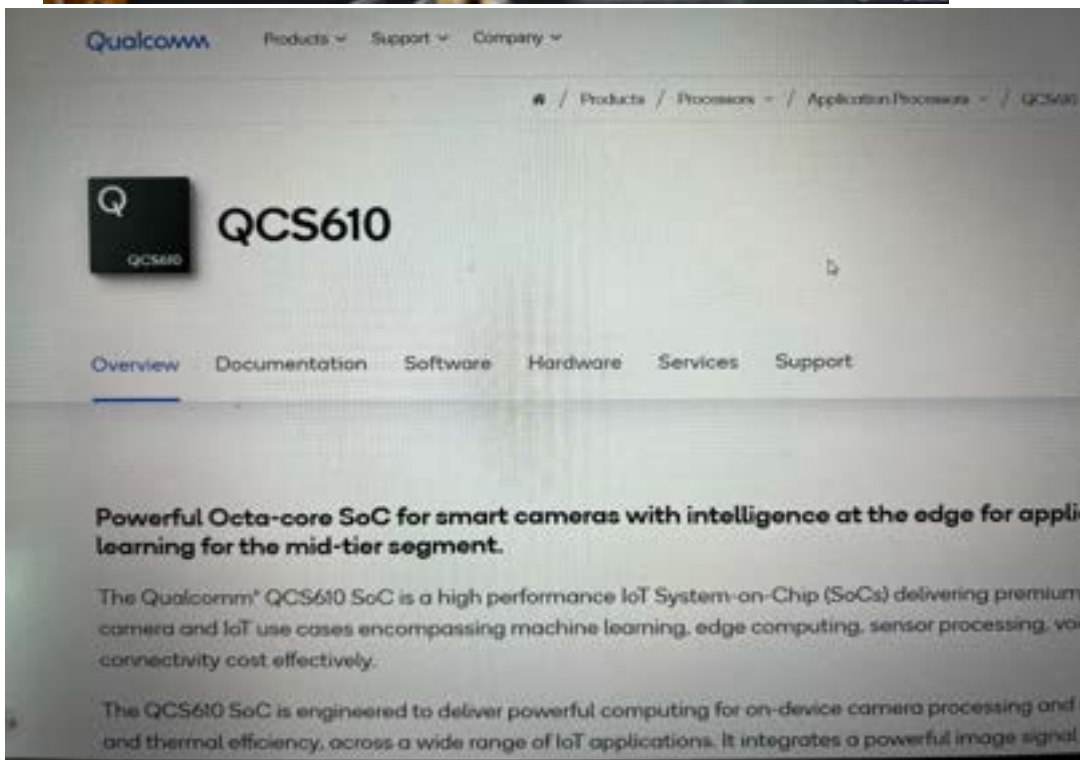
Camera



Axon body 4 inside



Axon body 4 inside



Axon body 4 inside

1. SEC 128 B04J KLMCGUJED0 - This is likely a Samsung memory chip, often used for storage in mobile devices.
2. Qualcomm QCA6390 - This is a Qualcomm chip known for connectivity, specifically handling Wi-Fi 6 and Bluetooth 5.1 functions in modern devices.
3. SL83115 ZA333225 - This specific identification isn't well-known in public documentation, which suggests it could be a smaller utility or interface chip, possibly related to power management or audio processing.
4. Hynix H9HCNNNBPUMLHR - This is a SK Hynix DRAM chip, typically used for temporary data storage to aid the processor during tasks.

OTHER PARTS SHOWED IN PHOTO

EXHIBIT 2

MIKE GALLAGHER, WISCONSIN
CHAIRMAN
ROB WITTMAN, VIRGINIA
BLAINE LUETKEMEYER, MISSOURI
ANDY BARR, KENTUCKY
DAN NEWHOUSE, WASHINGTON
JOHN MOOLENAAR, MICHIGAN
DARIN LAHOOD, ILLINOIS
NEAL DUNN, FLORIDA
JIM BANKS, INDIANA
DUSTY JOHNSON, SOUTH DAKOTA
MICHELLE STEELE, CALIFORNIA
ASHLEY HINSON, IOWA
CARLOS GIMENEZ, FLORIDA



Congress of the United States
House of Representatives

SELECT COMMITTEE ON THE CHINESE COMMUNIST PARTY
548 Cannon House Office Building
Washington, D.C. 20515
(202) 225-6002

RAJA KRISHNAMOORTHY, ILLINOIS
RANKING MEMBER
KATHY CASTOR, FLORIDA
ANDRÉ CARSON, INDIANA
SETH MOULTON, MASSACHUSETTS
RO KHANNA, CALIFORNIA
ANDY KIM, NEW JERSEY
MIKE SHERRILL, NEW JERSEY
HALEY STEVENS, MICHIGAN
JAKE AUCHINCLOSS, MASSACHUSETTS
RITCHE TORRES, NEW YORK
SHONTEL BROWN, OHIO

January 3, 2024

The Honorable Lloyd Austin
Secretary
U.S. Department of Defense
The Pentagon
Washington, D.C. 20301

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Secretary Austin and Secretary Yellen,

We write to ask about the potential inclusion of Quectel Wireless Solutions Co. Ltd. (Quectel) on the Department of Defense’s list of Chinese Military Companies (1260H list) and the Department of Treasury’s Non-SDN Chinese Military-Industrial Complex Companies List (NS-CMIC List). We have obtained information about Quectel that raises questions about whether Quectel may meet the legal requirements to be added to the lists, and accordingly respectfully request to be briefed on this matter.

Quectel, based in the People’s Republic of China (PRC), is the world’s largest supplier of cellular IoT modules and is currently gaining market share in the U.S. With tens of millions of Quectel modules in smart devices across the country, its status as a contributor to the PRC military—the People’s Liberation Army (PLA)—is highly relevant.

Under Section 1260H of the National Defense Authorization Act of 2021, the Secretary of Defense publishes a list of “Chinese military companies.”¹ Such companies are defined to include any non-natural person entity that is “identified as a military-civil fusion contributor to the Chinese defense industrial base” and is “engaged in providing commercial services, manufacturing, producing, or exporting.”² Among other qualifying considerations, a company is a “military civil fusion contributor” if such company is “affiliated with the Chinese Ministry of Industry and Information Technology, including research partnerships and projects.”³ The

¹ National Defense Authorization Act of 2021, Sec. 1260H(b)(2).

² Id., Sec. 1260H(d)(1)(B)(i)(I), (ii).

³ Id., Sec. 1260H(d)(2)(B).

Ministry of Industry and Information Technology (MIIT) was formed in 2008 and is key to the PRC's military-civil fusion strategy.

Quectel's multiple affiliations with MIIT, taken in their totality, would seem to make Quectel a "military-civil fusion contributor" under Section 1260H. In 2017, Quectel won an award at a Conference organized by MIIT and the Ministry of Science and Technology. The Chinese media reports on the award described Quectel as engaged in formulating standards and cooperating on testing with MIIT.⁴ In 2019, Quectel attended, and Quectel's marketing director spoke at, at a conference focused on supporting the IoT industry in China, which was put on by MIIT and the Shenzhen municipal People's Government.⁵ In 2019, Quectel won a 5G Application award in a competition organized by MIIT and other PRC entities as part of Xi Jinping's Network Great Power Strategy.⁶ Most important, in 2019, the MIIT designated several "Manufacturing Single Champion Products," which consist of certain products that have the capacity to be international leaders. Quectel's cellular IoT modules were designated. Quectel was the only IoT module maker to have a product designated.⁷ In 2020, MIIT invited Quectel to participate in a 5G symposium, and in the same month Quectel partook in another 5G conference organized by MIIT and a provincial government.⁸

There is also significant evidence suggesting Quectel may contribute to the defense industrial base, even apart from its MIIT ties. Quectel supplies IoT modules for Beidou,⁹ the

⁴ "BOE携手中国移动共同推动运营商TV产业发展；移远通信NB-IoT模组荣获2017世界物联网博览会银奖；海尔NB-IoT智能空调亮相世界物联网博览会 [BOE and China Mobile jointly promote the development of the operator's TV industry; Quectel's NB-IoT module won the Silver Award at the 2017 World Internet of Things Expo; Haier's NB-IoT smart air conditioner appeared at the World Internet of Things Expo]," *MSO Daily*, September 12, 2017.

⁵ "移远NB-IoT之路：要看模组好不好，商用情况最重要 [Quectel's NB-IoT Road: It Depends on Whether the Module Is Good or Not, the Commercial Situation Is the Most Important]," *C114 China Communication Network*, April 16, 2019.

⁶ 移远通信荣获第二届“绽放杯”5G应用征集大赛决赛优秀奖 [Quectel Won the Excellence Award in the Final of the 2nd 'Blooming Cup' 5G Application Contest]," *Sohu News*, October 23, 2019; "第四届“绽放杯”5G应用征集大赛5G应用安全专题赛决赛圆满结束[The finals of the 4th "Blooming Cup" 5G Application Collection Competition 5G Application Security Special Competition ended successfully]," Ministry of Industry and Information Technology, September 3, 2020.

⁷ "移远通信斩获工信部“制造业单项冠军产品”大奖 [Quectel Won the 'Manufacturing Single Champion Product' Award from the Ministry of Industry and Information Technology, Digital Communication World]," *Digital Communication World*, December 25, 2019; 国家第五批制造业单项冠军示范企业名单公布 [List of the Fifth Batch of National Manufacturing Single Champion Model Enterprises Announced], *China Jilin Net*, January 7, 2021.

⁸ "Qualifying Entities Prepared in Response to Section 1237 of the National Defense Authorization Act for fiscal Year 1999," Department of Defense, June 12, 2020. https://media.defense.gov/2020/Aug/28/2002486659/-1/-1/1/LINK_2_1237_TRANCHE_1_QUALIFYING_ENTITIES.PDF; "移远通信亮相中国移动全球合作伙伴大会，5G客户终端实力吸睛[Quectel appears at China Mobile Global Partners Conference, attracting attention with its 5G terminal abilities]," *Quectel Communications*, November 19, 2020.

⁹ "移远通信钱鹏鹤：小模块大生意 移远'志高行远' [Quectel Qian Penghe: Small Modules, Big Business, Quectel's 'Aspirational Going Far']," *Securities Times*, November 26, 2019; "移远通信：GNSS系列相关产品可支

PRC's GPS alternative, which the PRC views as critical to its military operations. Quectel is a key supplier for numerous firms that the Department of Defense has already listed as Chinese military companies under 1260H. Quectel has an ongoing relationship with China Mobile, China Telecom, and China Unicom.¹⁰ In 2020, the last of this trio even awarded Quectel the title "Best 5G Module Partner."¹¹ Quectel has not only been a major supplier of Huawei, but also has worked to develop technical standards with Huawei and has designed modules to integrate into Huawei's platforms.¹² PRC media even touted Huawei's use of Quectel modules as reducing Huawei's reliance on Western companies and thus lessening Huawei's vulnerabilities to U.S. export controls and sanctions.¹³ Quectel supplies modules to certain DJI drones.¹⁴ Ties are also deep between Quectel and ZTE. A former executive of ZTE, Qian Penghe, is now the Chairman and CEO of Quectel.¹⁵

持北斗导航系统 [Quectel: GNSS Series Related Products Can Support Beidou Navigation System], *Yicai*, January 1, 2020; Sarah Sewall et. al, *China's BeiDou: New Dimensions of Great Power Competition*, The Belfer Center for Science and International Affairs, Feb. 2023, https://www.belfercenter.org/sites/default/files/files/publication/Chinas-BeiDou_V10.pdf; John Hardie, *China, Russia Deepen Partnership on Satellite Navigation*, Foundation for Defense of Democracies, Oct. 20, 2022, <https://www.fdd.org/analysis/2022/10/20/china-russia-satellite-navigation/>.

¹⁰ 移远通信携手中国移动举办5G行业终端扬帆计划闭门会 [Quectel and China Mobile Hold a Closed-Door Meeting on the 5G Industry Terminal Sailing Plan], Quectel Website, Accessed May 21, 2021; "This is the year of 5G scale development and 5G plays an important role in the strategy of building a network great power..." (移远通信出席中国移动5G终端先行者产业联盟第二届理事会会议 [Quectel Attends the 2nd Council Meeting of China Mobile 5G Terminal Pioneer Industry Alliance], Quectel Website, Accessed May 21, 2021.); 移远通信亮相中国移动全球合作伙伴大会, 5G客户终端实力吸睛 [Quectel's Debut at China Mobile Global

Partner Conference, 5G Customer Terminal Strength Is Eye-Catching], Quectel Website, Accessed May 21, 2021; 移远通信和中国电信签署5G战略合作协议, 共同推动5G规模化商用落地 [Quectel and China Telecom Signed a 5G Strategic Cooperation Agreement to Jointly Promote the Commercialization of 5G on a Large Scale], C114 Communication Network, July 2, 2020;

移远通信成为中国电信5G产业创新联盟副理事长单位 [Quectel Became the Vice Chairman Unit of China Telecom 5G Industry Innovation Alliance], Communication World, September 20, 2019; 移远通信荣获中国联通最佳5G模组合作伙伴奖 [Quectel won the Best 5G Module Partner Award of China Unicom], Sina Tech, June 8, 2020; 移远通信携手中国联通构筑5G新生态, 领航新未来 [Quectel Joins Hands with China Unicom to Build a New 5G Ecology and Lead a New Future], Quectel Website, September 12, 2020, Accessed May 21, 2021.

¹¹ 移远通信荣获中国联通最佳5G模组合作伙伴奖 [Quectel won the Best 5G Module Partner Award of China Unicom], Sina Tech, June 8, 2020. .

¹² NB-IoT规模商用,势不可阻挡_通信世界网 [Large-Scale Commercial Use of NB-IoT Is Unstoppable], *CWW*, June 27, 2018; 移远通信亮相华为欧洲生态大会, 5G模组实力吸睛 [Quectel Debuts at Huawei's European Ecological

Conference, 5G Modules Are Eye-Catching], GEMMM.cn, Accessed May 21, 2021; 移远通信参加华为全联接大会, 赋能终端生态 [Quectel participated in the Huawei Full Connect Conference to Empower the Terminal Ecosystem], C114 Communications, September 20, 2020; "移远通信正式成为海思5G全球授权合作伙伴 [Quectel Has Officially Become a Global Authorized Partner of HiSilicon 5G]," *Science and Technology Innovation Board Daily*, May 25, 2020.

¹³ "移远通信正式成为海思5G全球授权合作伙伴 [Quectel Has Officially Become a Global Authorized Partner of HiSilicon 5G]," *Science and Technology Innovation Board Daily*, May 25, 2020.

¹⁴ <https://bbs.dji.com/thread-297234-1-1.html>.

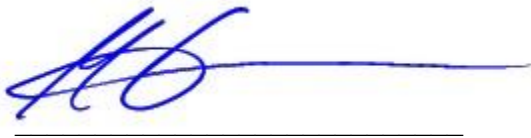
¹⁵ "Chinese Cellular IoT Technology: An analysis examining two companies", *OODALoop*, January 24, 2023.

Companies must meet a slightly different threshold to be added to the NS-CMIC List. Per President Biden's Executive Order 13959, the Secretary may add companies to the list if a company "operate[s] or ha[s] operated in the defense and related materiel sector or the surveillance technology sector of the PRC."¹⁶ The information listed above, especially Quectel's contracts with other firms on the NS-CMIC list, seems to indicate that Quectel may meet this definition and thus should be listed as a PRC military company restricted from accessing U.S. capital.

We respectfully request a briefing with Select Committee staff as soon as possible to discuss this matter in detail.

Thank you for your attention to this important matter and work on behalf of the American people.

Sincerely,

A handwritten signature in blue ink, appearing to be "AG", with a long horizontal line extending to the right.

Mike Gallagher
Chairman
House Select Committee on the CCP

A handwritten signature in blue ink, appearing to be "Raja Krishnamoorthi", with a horizontal line underneath.

Raja Krishnamoorthi
Ranking Member
House Select Committee on the CCP

¹⁶ Exec. Order No. 13959, Sec. (1)(a).

EXHIBIT 3

Michael D. Fitzgerald (NJ #004391985)
**LAW OFFICES OF MICHAEL D.
FITZGERALD**
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Eatontown, NJ 07724
(202) 349-1482
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*Interim Liaison Counsel for Plaintiffs and the
Proposed Class*

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

*IN RE AXON VIEWU ANTITRUST
LITIGATION*

No. 3:23-cv-7182-RK-RLS

**CONSOLIDATED AMENDED
CLASS ACTION COMPLAINT**

Jury Trial Demanded

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Plaintiffs the Township of Howell, Monmouth County, New Jersey; the Mayor and City Council of Baltimore; and the City of Augusta, Kennebec County, Maine, (together, “Plaintiffs”) on behalf of themselves and all others similarly situated, make the following allegations based on their own personal knowledge, information, and belief; investigation of Interim Co-Lead Counsel; and the complaint issued by the Federal Trade Commission (“FTC”) in *In re Axon Enterprise, Inc.*, FTC No. D9389 (Jan. 3, 2020) (the “FTC Complaint”).

I. NATURE OF ACTION

1. This is an action for damages and injunctive relief under the federal antitrust laws to redress injuries to competition caused by Axon Enterprise, Inc. (“Axon”) and Safariland, LLC (“Safariland”). The relevant geographic market is the United States, and the relevant product markets (“the Markets”) are: (1) Body-Worn Camera (“BWC”) Systems, which are BWCs, digital evidence management systems (“DEMS”), docks, and related services such as transcription, redaction, and warranties; and (2) long-range conducted energy weapons (“CEWs”), which include components and related services such as electricity cartridges, battery packs, docks, cameras, signals, training, and warranties (collectively, “the Products”).

2. BWCs are body-worn cameras specifically designed to withstand the rigorous demands of police usage and capture video and audio of police actions. BWCs operate with certain hardware, including docking stations (“docks”), and certain software, DEMS. DEMS enable police departments to store BWC data in a central location; redact non-relevant images, such as the faces of bystanders; share pertinent evidence with prosecutors; and maintain chain of custody of the video for evidentiary use. DEMS can also work with camera data from camera types other than BWCs, such as in-car cameras (which Axon also manufactures). Together, BWCs, along with DEMS and docks, comprise a BWC System. Although these components of BWC Systems may be purchased separately, many, if not most, police departments buy them all together along with

related services such as transcription, redaction, and warranties, typically from the same manufacturer—for example, Axon. Axon touts the efficiencies that come from using the products together.

3. BWCs have been described as “a powerful tool for increasing transparency and accountability for officers, the public and for police officials.”¹ For example, a 2020 report by a federal monitor appointed to oversee reforms of policing practices by the New York City Police Department (“NYPD”) found that officers who wore the devices were more likely to accurately report pedestrian stops they made under the department policy known as stop-and-frisk.² The American Civil Liberties Union has stated that police cameras “have the potential to be a win-win, helping protect the public against police misconduct, and at the same time helping protect police against false accusations of abuse.”³

4. Long-range CEWs—which are virtually synonymous with Axon’s dominant long-range CEW, the Taser—are a type of “less-lethal” weapon, which is a class of weapons that can be used to deal with a threat to the public, bystanders, or police, from violent or armed individuals without resorting to deadlier weapons such as firearms. Less-lethal weapons are a key part of a police officer’s arsenal to subdue threatening individuals without resorting to deadly force.⁴ Unlike other CEWs such as stun guns, which deliver an electric shock to their target by making direct

¹ Ashley Southall, *Police Body Cameras Cited as ‘Powerful Tool’ Against Stop-and-Frisk Abuses*, N.Y. Times (Nov. 30, 2020), <https://www.nytimes.com/2020/11/30/nyregion/nypd-body-cameras.html>.

² *Id.*

³ Jay Stanley, *Police Body-Mounted Cameras: With Right Policies in Place, a Win for All*, ACLU (Mar. 2015), <https://www.aclu.org/other/police-body-mounted-cameras-right-policies-place-win-all>.

⁴ *How Conducted Energy Devices Work*, Nat’l Inst. Just. (June 22, 2008), <https://nij.ojp.gov/topics/articles/how-conducted-energy-devices-work>.

contact, long-range CEWs fire a barbed probe at their target, allowing the shock to be delivered at long range (up to 35 feet away).

5. Long-range CEWs include the main weapon component itself along with various other components, including electricity cartridges, battery packs, docks, cameras, and signals. The electricity cartridges supply the charge to the barbed probes and must be replaced each time the long-range CEW is fired. Axon advertises that only Axon-produced cartridges may be used with its long-range CEWs.⁵ Although these cartridges may be purchased separately, many, if not most, police departments buy them together with the other components of long-range CEWs and related services such as training and warranties from Axon.

6. In May 2018, Axon, already by far the dominant maker and supplier of BWC Systems and long-range CEWs, unlawfully gained monopoly power in these Markets by acquiring its largest and most vigorous competitor in the BWC Systems market, VieVu, LLC (“VieVu”), from Safariland (the “Acquisition”). As part of the deal, Axon and Safariland further entered into various related anticompetitive agreements with each other. Among other things, these agreements prohibited Safariland from competing with Axon in the BWC Systems and long-range CEW markets for a decade or more. The Federal Trade Commission (“FTC”) challenged the Acquisition and its related agreements as anticompetitive and unlawful, alleging that the Acquisition violated Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.⁶ Section 7 of the Clayton Act prohibits acquisitions the effect of which

⁵ *TASER 7 Cartridge Characteristics*, Axon (Sept. 18, 2023), https://my.axon.com/s/article/TASER-7-Cartridge-Characteristics?language=en_US (“The TASER 7 CEW is designed to work with TASER 7 Cartridges manufactured by Axon Enterprise, Inc. Do not use cartridges made by other companies with a TASER 7 energy weapon.”).

⁶ Compl. at ¶¶ 58, 60, *In re Axon Enter., Inc.*, FTC No. D9389 (“FTC Compl.”).

“may be substantially to lessen competition, or to tend to create a monopoly.” 15 U.S.C. § 18.

7. In recent years, many local governments and agencies around the country have invested significant sums of money—often tens of millions of dollars—to purchase Axon’s BWC Systems. Yet ever since and because of Axon’s anticompetitive acquisition of VieVu, these governments and agencies have overpaid substantially for these BWC Systems. They have also been deprived of the added innovation in BWC Systems that would have occurred but for the Acquisition.

8. The Acquisition eliminated direct and substantial competition between Axon and VieVu, which Axon described as the “#2 competitor.”⁷ This reduced competition allowed Axon to increase prices for BWC Systems, and suppressed output and innovation.

9. Before the Acquisition, VieVu aggressively competed against Axon for the sale of BWC Systems to police departments in the United States. This competition resulted in substantially lower prices and provided customers with robust features and significant improvements. For example, Axon told its Board in May 2018 that the “VieVu business strategy [was to] [u]ndercut on price.”⁸ VieVu also focused on improving its products in part because Axon “is aggressively pushing feature set and existing customers are demanding those features.”⁹

10. The competition between Axon and VieVu was intense. VieVu was successful in winning accounts at prices well below Axon’s for several large police departments. The competition between the two rivals became especially intense after VieVu won a contract with NYPD—by far the largest municipal police department in the country—with a bid that was 62%

⁷ FTC Compl. ¶ 2.

⁸ *Id.* ¶ 3.

⁹ *Id.*

lower than Axon's. VieVu's former General Manager acknowledged that "[w]e started a price war."¹⁰ Axon's CEO testified that after losing the contract, Axon made an offer of 1,000 free BWCs to New York City. Axon eventually expanded its promotion on or around April 5, 2017, when it offered free BWC Systems for one year to every police agency in the United States. Axon's CEO also admitted that part of its reason for acquiring VieVu was to obtain the huge NYPD account.

11. After, and as a result of the Acquisition, customers lost the benefit of this head-to-head competition. Axon began to tout its pricing power, enacting "substantial price increases," including on BWC Systems and on long-range CEWs, according to a source cited in the FTC's complaint.¹¹ This is exactly what VieVu's owner before the Acquisition, Safariland, predicted would happen, stating, "I believe this will greatly improve their ability to increase price in the BWC and I can easily see [Axon's] stock lifting by 20% or more."¹² (Axon's stock price actually increased by more than 40% in the month following the acquisition, far more than the broader U.S. stock market.)

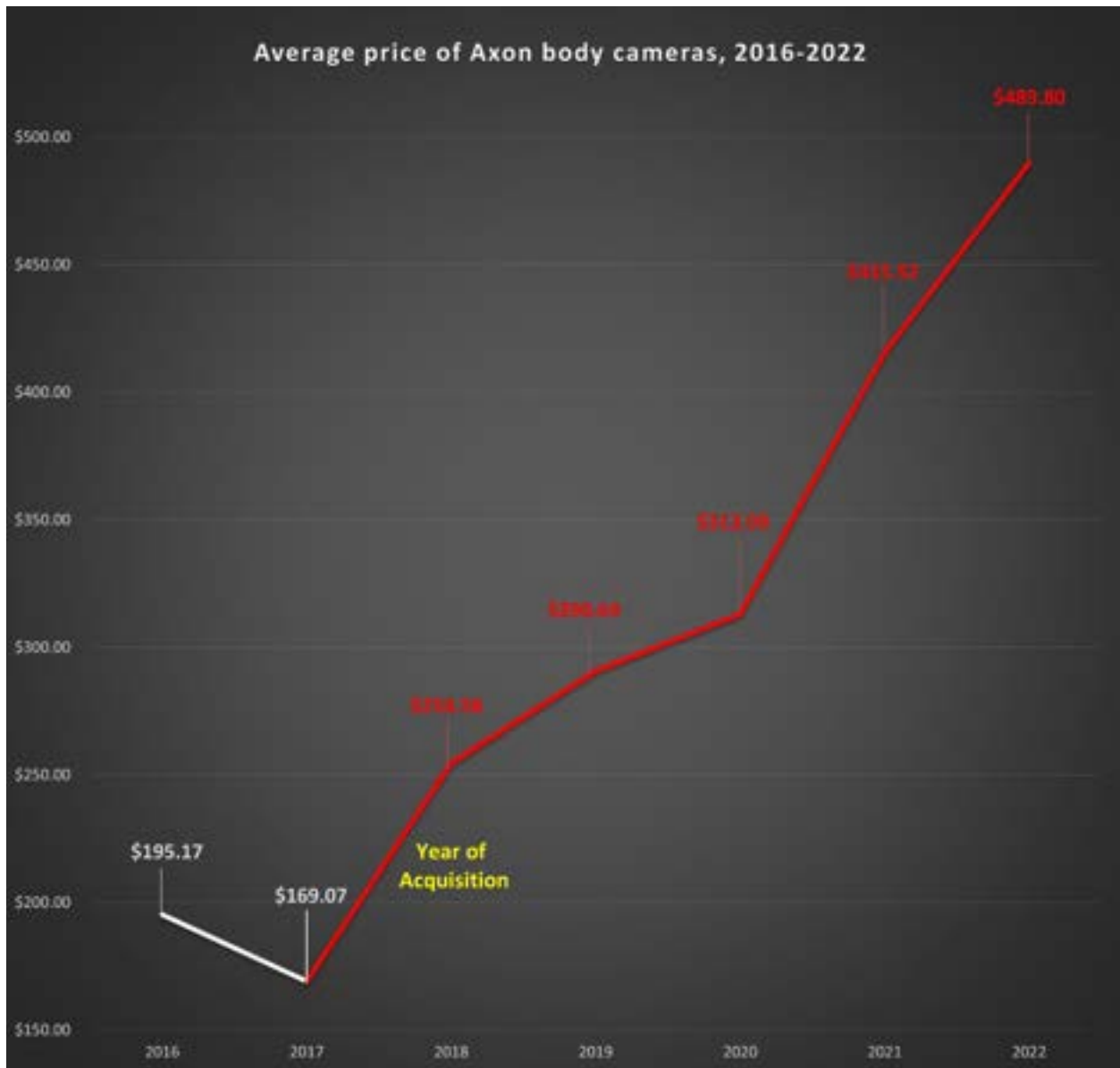
12. As a result of the Acquisition, Axon charges substantially higher prices for BWC Systems. One need hardly look further than Axon's own reported sales and revenue data in its SEC filings to see this dramatic effect. Axon's 10-K filings show that its average selling price for BWCs actually *declined* from \$195.17 in 2016 to \$169.07 in 2017, while it was intensely competing with VieVu, even as Axon's annual BWC unit sales increased. But in 2018, the year of the Acquisition, Axon's average BWC selling price jumped by **34%** to **\$254.56**. The average price relentlessly

¹⁰ *Id.* ¶ 5.

¹¹ *Id.* ¶ 42.

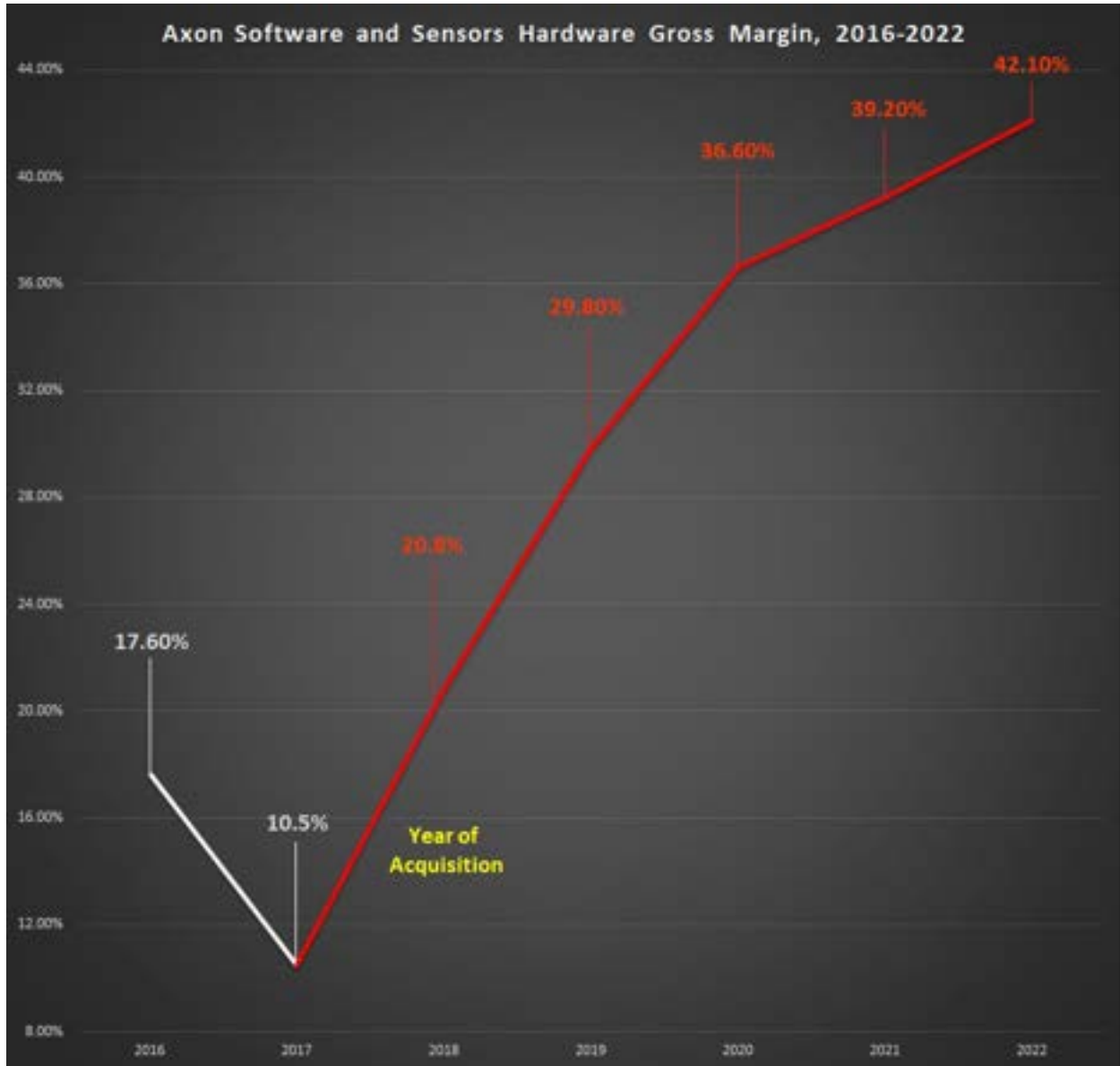
¹² *Id.* ¶ 6.

continued to increase after that, to **\$290.69** in 2019, **\$313.09** in 2020, **\$415.52** in 2021, and **\$489.80** in 2022—a nearly *threefold* increase from 2017, as illustrated by the following graph:



13. Axon admitted in its SEC filings to such “increase[s] in the average sales price” for its BWC Systems since the Acquisition. Moreover, Axon’s reported gross margins on BWCs follow a nearly identical trend, increasing every year from 2017 to 2022 (after declining from 2016 to 2017), jumping nearly *fourfold* over that period, indicating that these price increases cannot be

explained by increasing costs:



14. In addition to increasing prices, Axon limited the availability of VieVu BWC Systems to customers and stopped developing new generations of VieVu hardware and software.

15. The Acquisition has entrenched Axon's already dominant share of the BWC Systems market and significantly increased market concentration. Pre-Acquisition, Axon was described by one Wall Street analyst as already controlling approximately 60% to 80% of the

market for BWC Systems.¹³ For its part, VieVu had hundreds of BWC Systems contracts with police agencies around the country, including the NYPD and other major police departments, such as Miami-Dade, Florida; Phoenix, Arizona; Oakland, California; and Aurora, Colorado.

16. Due to the Acquisition, Axon swallowed up VieVu's BWC Systems contracts.¹⁴ Another analysis concluded that, immediately after, and as a direct result of the Acquisition, Axon "own[ed] 80% of all big-city police department contracts."¹⁵ Axon boasted that "[a]s of the end of the second quarter of 2019, 48 of the 79 major city law enforcement agencies have purchased Axon body-worn cameras and/or its digital evidence management solution."¹⁶ Because Axon was so dominant among the very largest cities, including New York City, Axon's true share of large metropolitan police department purchases was likely even higher than 80%. Axon's market share is likely similar in the broader relevant market, given the breadth of its agency relationships.

17. Under the 2010 U.S. Department of Justice and Federal Trade Commission Horizontal Merger Guidelines ("Merger Guidelines"), a post-merger market-concentration level above 2,500 points as measured by the Herfindahl-Hirschman Index ("HHI"), and an increase in market concentration of more than 200 points, renders a merger presumptively unlawful. According to the FTC Complaint, Axon's acquisition of VieVu resulted in an HHI above 2,500, and increased HHIs in an already concentrated market by well over 200 points. Thus, the

¹³ Luke Schiefelbein, *Why Taser Stock Could Have Shocking Upside*, Forbes (Mar. 13, 2018), <https://www.forbes.com/sites/lukeschiefelbein/2018/03/13/why-taser-stock-could-have-shocking-upside/?sh=47c4b26077d7>.

¹⁴ Rich Duprey, *Axon Enterprise Now Owns the Police Body Cam Market*, the Motley Fool (May 18, 2018), <https://www.fool.com/investing/2018/05/18/is-there-any-stopping-axon-enterprise-now.aspx>.

¹⁵ *Id.* (emphasis added).

¹⁶ Axon, *Axon Media Press Kit*, PDF at 3, https://axon.cdn.prismic.io/axon%2F5e7d06a9-44f9-4d1f-a633-cdfa8795fea6_axon+media+press+kit+2019.pdf (last visited Oct. 6, 2023).

Acquisition is presumptively unlawful.

18. The Acquisition also entrenched Axon’s monopoly power in the long-range CEW market. Before the Acquisition, Axon already controlled approximately 95% of this market.¹⁷ With the Acquisition, Axon further cemented that dominance by extracting an agreement from Safariland, a potential competitor in the long-range CEW market, not to compete in that market for *12 years*. Showing that Axon viewed entry by Safariland into the long-range CEW market as a real threat, Axon’s CEO called this noncompete a “hidden jewel in the deal.”¹⁸ As part of their broader anticompetitive deal, Axon and Safariland further agreed that Safariland, a maker of holsters for long-range CEWs, would supply these holsters exclusively to Axon and serve as Axon’s preferred supplier for the holsters.

19. New entry or repositioning by existing producers has not been and will not be timely, likely, or sufficient to counteract the anticompetitive effects of the Acquisition. Barriers to entry in the BWC Systems and long-range CEW markets are high because of the substantial upfront capital investment required, switching costs, Axon’s long-term customer contracts, bundling, and the need for references from police departments. With respect to BWC Systems, Safariland’s then-Executive Vice President noted that “there’s a whole back end to it that has implementation costs and makes it very difficult to switch out of once you’re done.”¹⁹

20. Axon also cannot show that the Acquisition resulted in merger-specific efficiencies sufficient to outweigh the competitive harm caused by the Acquisition. Axon did not analyze or

¹⁷ Schiefelbein, *supra* note 13.

¹⁸ FTC Compl. ¶ 46.

¹⁹ *In the Police Body Camera Business, the Real Money’s on the Back End*, Marketplace (Apr. 18, 2017), <https://www.marketplace.org/2017/04/18/police-body-camera-business-real-moneys-on-back-end/>.

of the violations of law alleged herein.

25. Defendant Axon Enterprise, Inc. is a Delaware corporation, with its principal place of business in Scottsdale, Arizona. Axon changed its name in 2017 from Taser International, Inc.

26. Defendant Safariland, LLC is a limited liability company organized and existing under the laws of the State of Delaware. Safariland is wholly owned by Cadre Holdings, Inc., a corporation organized and existing under the laws of the State of Delaware. Cadre Holdings' principal place of business is located at 13386 International Parkway, Jacksonville, Fla.

III. JURISDICTION, VENUE, AND INTERSTATE COMMERCE

27. This action arises under Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1–2), and Section 7 of the Clayton Act (15 U.S.C. §§ 18). This action seeks injunctive relief, compensatory damages, treble damages, costs of suit, and reasonable attorney's fees.

28. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1337(a) and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15(a) and 26.

29. This Court has personal jurisdiction over Axon and Safariland because they transacted business, maintained substantial contacts, and committed overt acts in furtherance of their market-allocation conspiracy and conspiracy to monopolize the markets for BWC Systems and long-range CEWs, as well as Axon's attempt to monopolize, or its actual monopolization of, the markets for BWC Systems and long-range CEWs in the United States, including in this District. Axon and Safariland should, therefore, have foreseen the possibility of being brought before this Court to answer for any illegal acts related to their business conducted here.

30. Axon and Safariland's anticompetitive conduct was directed at, and had the intended effect of, causing injury to persons residing in, located in, or doing business in the United States, including in this District.

31. Venue is proper in this District pursuant to, among other statutes, Section 12 of the

cloud-based server system. Axon sells docks for its BWCs under the brand name Axon Dock (the “Dock”). According to Axon, the Dock provides intuitive uploading of data from Axon BWCs to Evidence.com, allows recharging of Axon BWC batteries, and acts as a mechanism to ensure Axon BWCs receive and operate the most updated firmware.²⁰

39. Axon also sells services such as transcription, redaction, and warranties related to BWC Systems. For example, Axon sells a Technology Assurance Plan (formerly known as the Taser Assurance Plan) for its BWCs and Docks, which includes warranty coverage for several years, spare BWCs or Docks, and replacement or upgraded BWCs or Docks after several years.

40. Police departments frequently issue requests for proposals seeking to purchase BWC Systems components together as part of an integrated BWC System. The products are closely related, and it is important for them to interoperate effectively. Indeed, Axon requires police departments to integrate Axon BWCs with Evidence.com, Axon’s DEMS, because Axon body cameras only work with Evidence.com.²¹ Axon touts the efficiencies that come from using the products together, for example stating that “[a]ll technologies” in one bundled offering that includes BWCs, Docks, and DEMS “work together to deliver unprecedented efficiency and impact.”²² Axon similarly states that Axon BWCs are “fully integrated with the growing Axon network [including DEMS] to give you better evidence capture and management.”²³

41. There are no reasonably interchangeable substitutes for BWC Systems. Police

²⁰ *Axon Device and On-Premise Security*, Axon Trust Center, <https://www.axon.com/axon-dock-security> (last visited Oct. 6, 2023).

²¹ *In the Police Body Camera Business, the Real Money’s on the Back End*, *supra* note 19.

²² *Officer Security Plan*, Axon, <https://www.axon.com/products/osp> (last visited Oct. 6, 2023).

²³ *Axon Body 2*, Axon, <https://www.axon.com/products/axon-body-2> (last visited Oct. 6, 2023).

departments could not realistically switch to other products in the face of a SSNIP for any of these products. Other recording systems, such as in-car camera systems, cannot record interactions outside of the view of the car, or when officers patrol on foot or bicycle. Further, seven states now require law enforcement to use body cameras while on duty.²⁴ In-car cameras also tend to be more expensive than body cameras. According to the FTC, Axon’s Chief Revenue Officer has testified that in-car systems and BWC Systems are not good substitutes.²⁵

42. Records Management Systems (“RMS”) are not substitutes for DEMS. RMS collect and centralize in one source, in digital format, the many types of written reports generated by police agencies, including arrest, probation, and crime scene reports, whereas DEMS are designed principally to record video and audio evidence captured by BWCs. Industry participants do not view RMS as a substitute for BWC Systems or for the DEMS component of those systems.

43. BWC Systems use is widespread. In 2022, nearly half of police departments in the United States used body cameras, and seven states currently have laws requiring police officers to use them. And where police departments use body cameras, over 90% of prosecutors use body camera evidence to prosecute civilians—so police departments’ operations depend on having body camera footage integrated into their evidence system.²⁶

44. The relevant geographic market is customers in the United States. In the relevant market it is possible for producers to price discriminate to specific customers. Customers based in

²⁴ *Body-Worn Camera Laws Database*, Nat’l Conf. of State Legislatures (Apr. 30, 2021), <https://www.ncsl.org/civil-and-criminal-justice/body-worn-camera-laws-database>.

²⁵ FTC Compl. ¶ 24.

²⁶ Lily Robin & Susan Nembhard, *What Can Policymakers Expect of Body-Worn Cameras in Law Enforcement after a Decade of Use?*, Urban Inst. (July 14, 2022), <https://www.urban.org/urban-wire/what-can-policymakers-expect-body-worn-cameras-law-enforcement-after-decade-use>.

the United States cannot arbitrage or substitute based on different prices offered to customers outside the United States, including differing laws and rights for evidence collected from body cameras outside of the United States.

45. Many police departments also are required to comply with the FBI's Criminal Justice Information Service ("CJIS") standards. CJIS compliance requires storing BWC-generated data in the United States. Additionally, U.S.-based police departments look mostly to other U.S.-based police departments to vet potential BWC Systems vendors.

46. A hypothetical monopolist in the market for BWC Systems would find it profit-maximizing to impose at least an SSNIP in this market. This is evident from Axon's own reported financial data, which, as noted above, shows that Axon significantly increased its annual unit sales of BWCs from 2017 to 2022 even as it raised its average price nearly *threefold* over that period and profit margins also increased.

2. Axon Exercises Monopoly Power Within the U.S. BWC Systems Market

47. At all relevant times, the U.S. market for BWC Systems has been highly concentrated and dominated by one player: Axon.

48. Before the Acquisition, Axon was described by one Wall Street analyst as controlling approximately 60% to 80% of the market for BWC Systems.²⁷ A Huffington Post article from April 2017 reported that Axon "has already provided gear and service to more than 85 percent of major cities that have adopted body cameras."²⁸

49. VieVu was the next largest competitor by market share. Before the Acquisition,

²⁷ Schiefelbein, *supra* note 13.

²⁸ Ryan J. Reilly & Nick Wing, *The Company Formerly Known as Taser Goes All In on Police Body Cameras*, Huffington Post (Apr. 5, 2017), <https://www.huffpost.com/entry/taser->

VieVu had hundreds of BWC Systems contracts with police agencies around the country, including at least five of the 69 major U.S. metropolitan agencies comprising the Major Cities Chiefs Association (“MCCA”), a professional organization of police executives representing the largest cities in the United States and Canada. These five were New York City; Miami-Dade, Florida; Phoenix, Arizona; Oakland, California; and Aurora, Colorado. VieVu’s contract with New York City in particular significantly boosted its market share as measured by output and revenue.

50. Post-Acquisition, the BWC Systems market has been even more highly concentrated. Under a bullet point regarding Axon’s “Software and Sensors” business segment, which includes BWC Systems, Axon’s 10-K for the year ending 2018 stated that “[o]f the 69 largest metropolitan area police departments in the U.S., 46 are on the Axon network”—fully two-thirds of these departments. A December 2019 Axon investor presentation represented that Axon BWC Systems controlled 47 of the 69 U.S. Major City Chiefs Agencies.²⁹ Further, 10 of these 69 agencies did not have a BWC contract at all. Thus, Axon reported controlling 47 of the 59 relevant agencies as of December 2019, i.e., *80% of them*.³⁰ As of 2020, Axon reported having a customer relationship with 17,000 of the nation’s 18,000 law enforcement agencies.³¹

51. Measured in terms of output or revenue, Axon’s market share among large U.S.

[axon-body-cameras_n_58e3d79ce4b0f4a923b29722](https://www.bwcorecard.org/). An analysis conducted in November 2017 by The Leadership Conference on Civil and Human Rights found that 62 of 69 major city police departments in the U.S. had BWC programs with policies in place with respect to BWCs at that time. *Police Body Worn Cameras: A Policy Scorecard*, Leadership Conference (Nov. 2017), <https://www.bwcorecard.org/>.

²⁹ *Investor Presentation, Axon Enterprise, December 2019*, at 6, Axon Enterprise (December 2019).

³⁰ Consistent with this figure, an analysis published by investment advice website Motley Fool concluded that, immediately after and as a direct result of the Acquisition, Axon “own[ed] 80% of all big-city police department contracts.” Duprey, *supra* note 14.

³¹ Akela Lacy, *Two Companies Fight To Corner The Police Body Camera Market*,

cities is even higher than 80%—likely at least 85%. This is indicated by a chart from the same presentation, showing Axon BWC Systems’ dominance in terms of U.S. Major City Chief Agencies ranked by size, starting with New York City at the top left, then moving downward and spilling over into the subsequent columns, with the smallest agency in the chart being Salt Lake City, at bottom right:

Serving the top tier (Major City Chiefs)



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As the chart shows, of the 69 Major City Chief members, Axon controlled 4 of the top 5, 7 of the top 10, and 15 of the top 20. In other words, Axon similarly dominated among the very largest U.S. agencies, which are much larger than the smaller MCCA agencies. According to available data, around this same time, New York City and Chicago alone accounted for approximately 31% of the total officers and non-sworn personnel of all U.S. MCCA members combined.³³ Assuming

Intercept (Dec. 8, 2021), <https://theintercept.com/2021/12/08/police-reform-body-cameras-axon-motorola/>.

³² *Investor Presentation, Axon Enterprise, December 2019*, at 11, *supra* note 29.

³³ The MCCA says its members comprise a workforce of 222,973 officers and non-sworn personnel in the U.S. *Corporate Partnerships, MCCA*, <https://majorcitieschiefs.com/corporate->

that New York and Chicago made up 31% of the market represented by the MCCA, and that the remaining 67 MCCA cities each represent an equal share of the remaining 69% of the market (a simplifying assumption), then according to the data from its December 2019 investor presentation, Axon had 85% of the market represented by the MCCA.

52. Axon acknowledges its dominance—according to the FTC, in a company presentation, Axon implored its salespeople to “embrace being the gorilla,” and Axon’s CEO confirmed that Axon is a “really strong market leader.”³⁴

53. As a result of its dominance, Axon wields its monopoly power to profitably charge supracompetitive prices for BWC Systems and their components, including the huge price increases Axon implemented after the Acquisition, and to generate high profit margins.³⁵ In 2022, Axon reported \$392 million in gross margin in its “software and sensors” department, driven primarily by sales of its BWC Systems. With \$658 million in net sales from software and sensors, Axon generates a 60% profit margin from these BWC Systems, an extremely margin reflecting its monopoly power.³⁶

54. Motorola, Panasonic, and Utility largely make up the rest of the BWC Systems market. As demonstrated by the dramatic price increases that Axon implemented after acquiring

[partnerships/](#) (last visited Oct. 6, 2023). According to New York City, the NYPD has approximately 36,000 officers and 19,000 civilian employees. *About NYPD*, NYPD, <https://www1.nyc.gov/site/nypd/about/about-nypd/about-nypd-landing.page> (last visited Oct. 6, 2023). Moreover, “[t]he NYPD body-worn camera program is the largest in the United States with over 24,000 members of the Department equipped with body-worn cameras.” *Body-Worn Cameras*, NYPD, <https://www1.nyc.gov/site/nypd/about/about-nypd/equipment-tech/body-worn-cameras.page> (last visited Oct. 6, 2023). Chicago reported having 14,221 sworn and civilian members at the end of 2019. *Chicago Police Department 2019 Annual Report*, Chi. Police Dep’t (2019), <https://home.chicagopolice.org/wp-content/uploads/2019-Annual-Report.pdf>.

³⁴ FTC Compl. ¶ 30.

³⁵ See *supra* ¶¶ 12-13; *infra* ¶¶ 107-112.

³⁶ 2023 Axon Enterprise, Inc. Form 10-K, at 39 (Feb. 28, 2023).

VieVu, none of these other competitors pose the same competitive constraint on Axon as did VieVu, and none were able to constrain the exercise of Axon’s monopoly power. These other competitors’ BWC Systems rarely provided significant competition to Axon in RFP processes conducted by police departments. A chart included in a December 2019 Axon investor presentation shows the meager market share these competitors had compared to Axon, with the closest competitor, Motorola, controlling only 7 of 69 U.S. Major City Chief Agencies compared to Axon’s 47.³⁷

3. Long-Range CEWs—Product and Geographic Markets

55. Long-range CEWs are a type of “less-lethal” weapon, which is a class of weapons that can be used “to deal with a threat to the public, bystanders or police, from violent or armed individuals . . . prior to it escalating to a level where firearms would otherwise have to be used.”³⁸ Less-lethal weapons include CEWs (both long-range CEWs like Tasers and traditional CEWs like stun guns), pepper spray, tear gas, rubber bullets, and other types of riot gear, which are less likely to injure or kill their target.³⁹ Less-lethal weapons are a key part of a police officer’s arsenal to subdue threatening individuals without resorting to deadly force.⁴⁰

56. Long-range CEWs are highly differentiated from other types of less-lethal weapons because of their accuracy, effectiveness, and versatility. Unlike traditional stun guns or pepper

³⁷ See *supra* ¶¶ 16-17.

³⁸ *Competition Document: Advancing Less Lethal Weapons*, Defence & Security Accelerator UK Home Off. (2020), <https://www.gov.uk/government/publications/competition-advancing-less-lethal-weapons/competition-document-advancing-less-lethal-weapons>.

³⁹ Kelsey D. Atherton, *What ‘Less Lethal’ Weapons Actually Do*, Scientific Am. (June 23, 2020), <https://www.scientificamerican.com/article/what-less-lethal-weapons-actually-do/>.

⁴⁰ *How Conducted Energy Devices Work*, *supra* note 4.

spray, long-range CEWs can be used on targets up to 35 feet away.⁴¹ Further, unlike other long-range less-lethal weapons like tear gas and rubber bullets, long-range CEWs are designed to be used on a single person and can be highly accurate up to more than 30 feet away.⁴²

57. The main weapon component of long-range CEWs is used in conjunction with related components including electricity cartridges, battery packs, and docks. Cartridges supply the electricity charge to the barbed probe and must be replaced each time the long-range CEW is fired.⁴³ Battery packs supply the power needed to operate the long-range CEW, and docks allow the battery packs to charge and upload data to the DEMS.⁴⁴ Further, Axon recommends using cameras and camera signals in conjunction with long-range CEWs. Taser cameras record the actions of the long-range CEW, while camera signals send a signal to the officer's BWC to record when the long-range CEW is removed from its holster.⁴⁵ Axon also recommends purchasing long-range CEW training and warranties for the long-range CEWs, which are included in its standard supply contracts.⁴⁶ Thus, the long-range CEW market also includes these components and related services. Police departments prefer to buy these products in an all-inclusive supply contract with

⁴¹ Joint Intermediate Force Capabilities Off., *Taser® X26™*, U.S. Dep't of Defense Non-Lethal Weapons Program, <https://jnlwp.defense.gov/Current-Intermediate-Force-Capabilities/X26-Taser/> (last visited Aug. 18, 2023).

⁴² Warren Wilson, *Why I Think the Taser 10 May Be the Most Effective Less Lethal Device in History*, Police1 (Feb. 12, 2023), <https://www.police1.com/police-products/less-lethal/taser/articles/why-i-think-the-taser-10-may-be-the-most-effective-less-lethal-device-in-history-dmpdMBS5efSNTL6l/>.

⁴³ *Product Resources: Pulse*, Taser <https://taser.com/pages/training-pulse> (last visited Nov. 27, 2023).

⁴⁴ *Taser 6-Bay Dock and Core*, Axon, https://my.axon.com/buy/s/product/taser-6bay-dock-and-core/01t4y00000ExxjZAAR?language=en_US (last visited Nov. 27, 2023).

⁴⁵ *Officer Safety Plan*, Axon, <https://www.axon.com/products/osp> (last visited Nov. 27, 2023).

⁴⁶ See, e.g., *Taser 60*, Axon, <https://www.axon.com/taser-60v> (last visited Nov. 27, 2023).

the long-range CEW manufacturer, which saves the police departments time and resources compared to buying them separately.

58. Long-range CEW use is widespread. As of 2018, two-thirds of police departments used long-range CEWs,⁴⁷ and as of 2020, an estimated 73% of police officers carried long-range CEWs when on duty.⁴⁸ Axon bragged in a 2019 investor presentation that “17,000 out of 18,000 US police agencies procure Taser devices,” adding, “[w]e estimate ~70% of US patrol officers carry a Taser device.”⁴⁹

59. Because of long-range CEWs’ differentiation from other less-lethal weapons, long-range CEWs are a vital tool for law enforcement, and they cannot be easily replaced by other less-lethal or lethal weapons. Recognizing this differentiation, Tom Shea, the program director of the Police Graduate Studies Program at Seton Hall University and a former police lieutenant, “said it’s hard to imagine not arming police with Tasers. ‘When someone’s holding a knife and is violent and obviously irrational and out of his mind on drugs, those are situations where Tasers are absolutely necessary, because otherwise, you’re going [to] resort to deadly force.’”⁵⁰ Currently and throughout the class period, no substitutes exist for long-range CEWs.

60. For the same reasons that police officers prefer to use long-range CEWs over other

⁴⁷ Laurel Wamsley, *Taser Changes Its Name to Axon and Offers Free Body Cameras for Police*, NPR: The Two-Way (Apr. 7, 2017), <https://www.npr.org/sections/thetwo-way/2017/04/07/522878573/we-re-more-than-stun-guns-says-taser-as-it-changes-company-name>.

⁴⁸ Univ. of Mich. Inst. for Soc. Res., *Weapons Authorized for Full-Time Sworn Officers/Deputies: Conducted Energy Device (e.g. Taser)* (2020), https://www.icpsr.umich.edu/web/NACJD/studies/38651/datasets/0001/variables/EQ_CED?archive=nacjd.

⁴⁹ *Investor Presentation, Axon Enterprise, December 2019*, at 8, *supra* note 29.

⁵⁰ Ken Serrano, *Tasers, Hailed as a Way to Avoid Deadly Police Shootings, Are Seldom Used in NJ*, Asbury Park Press (Apr. 18, 2022), <https://www.app.com/story/news/local/public-safety/2021/11/08/police-taser-gun-use-nj-how-/>.

types of less-lethal and lethal weapons, civilians interested in self-defense also prefer to use long-range CEWs: they enable civilians to incapacitate a would-be attacker at a safer distance and more effectively than other CEWs and less-lethal weapons.

61. The relevant geographic market for long-range CEWs is the United States, as importing long-range CEWs into the United States is impractical due to their regulation as a crime-control product.⁵¹

4. Axon Exercises Monopoly Power in the U.S. Long-Range CEW Market

62. Axon is effectively the sole player in the market for long-range CEWs, with an estimated 95% market share.⁵² Axon has no notable competitors in long-range CEW manufacturing, as only a handful—if any—police departments use non-Axon CEWs.

63. Axon enjoys healthy profits from its long-range CEWs, with a 63.3% gross margin in 2022.⁵³ Axon also enjoys healthy profits by selling the cartridge component of long-range CEWs. In 2022, over 40% of Axon’s Taser-related revenue derived from non-weapon sales, most of which were attributed to cartridges.⁵⁴

64. Axon’s high operating margins and market share show that the long-range CEW market is highly concentrated, with Axon exercising monopoly power.

5. The BWC Systems and Long-Range CEW Markets Have High Barriers to Entry

65. Axon’s monopoly power over BWC Systems and long-range CEWs is durable because it benefits from significant barriers to entry. These barriers include high capital

⁵¹ See 2023 Axon Enterprise, Inc. Form 10-K, *supra* note 36, at 11.

⁵² Schiefelbein, *supra* note 13.

⁵³ 2023 Axon Enterprise, Inc. Form 10-K, *supra* note 36, at 41.

⁵⁴ 2023 Axon Enterprise, Inc. Form 10-K, *supra* note 36, at 39.

investment, contract length, switching costs, integration, bundling, sales relationships, patents, and regulations.

66. First, the high capital investment it takes to develop a BWC System represents a significant barrier to entry. Axon developed Evidence.com in 2009 and invests millions in research and development annually.⁵⁵ The large amount of capital necessary to develop and service an effective BWC System can be profitable only when costs are spread across a substantial number of BWC Systems users. Because of this, new entrants to the BWC Systems market must capture a significant proportion of police department contracts to maintain profitability.

67. Contract length remains another barrier to entry. BWC Systems and long-range CEW supply contracts can last ten years or longer,⁵⁶ limiting the number of police departments with which BWC Systems and long-range CEW suppliers can attempt to contract in any given year. Typical supply agreements for long-range CEWs cover not only the weapons themselves, but also associated components like cartridges and battery packs, training, warranties, and servicing.⁵⁷ Given the significant capital investment needed to develop and maintain BWC Systems, as well as the significant time needed to develop a long-range CEW, the inability to compete for most police departments at any one time due to contract length further renders market entry unprofitable for would-be competitors.

68. Further, because Axon includes both BWC Systems and long-range CEWs in its general supply contracts, companies must provide both long-range CEWs and BWC Systems to

⁵⁵ 2023 Axon Enterprise, Inc. Form 10-K, *supra* note 36, at 42.

⁵⁶ *See, e.g.*, Okla. City Aug. 15, 2021 Master Services & Purchasing Agreement.

⁵⁷ *See, e.g.*, Emily Wolf, *Fort Worth City Council Unanimously Approves \$74 Million Police Technology Contract*, Fort Worth Report (Apr. 26, 2022), <https://fortworthreport.org/2022/04/26/fort-worth-city-council-unanimously-approves-74-million-police-technology-contract/>.

compete for those police departments that prefer to integrate their long-range CEW and BWC Systems supply.

69. Switching costs pose another barrier to entry. BWC Systems are complex, with police departments taking months to become fully trained on Evidence.com’s capabilities. If a police department does switch BWC Systems, it must incur significant IT and training costs in switching its body camera videos away from the DEMS.⁵⁸ Further, police officers using BWCs also face high switching costs because police officers themselves use them habitually, and retraining police officer habits at scale is difficult.⁵⁹

70. Axon is well aware of these high switching costs: its 2017 offer of free body cameras enticed police departments into using the Axon BWC System, because Axon’s body cameras work only with Axon software. Safariland’s then-Executive Vice President called the Axon offer for free body cameras a “Venus fly trap” and noted that “there’s a whole back end to it that has implementation costs and makes it very difficult to switch out of once you’re done.”⁶⁰

71. This “free” Evidence.com subscription also served to entrench Axon’s position in the long-range CEW market, since Evidence.com “seamlessly integrates” with Tasers.⁶¹ This integration further locked purchasers into the Axon system for both long-range CEWs and BWC Systems.⁶²

72. Long-range CEWs also have significant switching costs. Axon includes Taser

⁵⁸ Schiefelbein, *supra* note 13.

⁵⁹ *Id.*

⁶⁰ *In the Police Body Camera Business, the Real Money’s on the Back End*, *supra* note 19.

⁶¹ *E.g.*, Taser X26P, Axon, <https://www.axon.com/industries/federal/products/taser-x26p> (last visited Nov. 27, 2023).

⁶² Schiefelbein, *supra* note 13.

training in its typical supply contracts,⁶³ and police departments that provide Tasers have trained a significant proportion of police officers in Taser use and protocol.⁶⁴ Would-be competitors wishing to sell their own long-range CEWs would need to entice police departments to retrain their police force to use a new type of long-range CEW.

73. Because of these high switching costs, police departments seldom switch their BWC Systems or long-range CEW provider from one supplier to another when a contract is renewed.

74. Product integration and bundling are another key barrier to entry. Currently, Axon's BWC Systems integrate with its Tasers, and police departments that want to integrate Taser data into their evidence software must use the Axon BWC System. Many police departments use Axon to supply both long-range CEWs and BWC Systems in the same contract. Axon has also bundled BWC Systems and long-range CEWs in contracts with police departments. BWC Systems competitors without long-range CEWs are disadvantaged in competing for those police departments that want their BWC Systems to integrate with long-range CEWs.

75. Axon's nearly 300 U.S. patents covering its products form another barrier to entry.⁶⁵ Axon is unafraid to enforce its patents and has instituted numerous lawsuits against would-be competitors, most involving its Tasers.

76. One would-be competitor, Robert Gruder, attempted to launch competing long-range CEW companies Stinger Systems and Karbon Arms. Both times, according to Gruder, Axon

⁶³ See, e.g., Okla. City Aug. 15, 2021 Master Services & Purchasing Agreement, *supra* note 56.

⁶⁴ Aaron Smith, *Axon Is Watching You, and Seeing a Bright Future in Police Cameras and Tasers*, Forbes (Feb. 10, 2021), <https://www.forbes.com/sites/aaronsmith/2021/02/10/axon-is-watching-you-and-seeing-a-future-in-police-cameras-and-tasers/?sh=4aa385af5228>.

⁶⁵ 2023 Axon Enterprise, Inc. Form 10-K, *supra* note 36, at 39.

“sued [the companies] out of business.”⁶⁶

77. Regulations pose a final barrier to potential new entrants, which must ensure their BWC Systems and long-range CEWs comply with a variety of state and local laws governing recording and less-lethal weapons.

B. Axon and Safariland Agree to Restrain Competition in the BWC Systems and Long-Range CEW Markets

1. Before the Acquisition, Safariland Aggressively Competed with Axon for BWC Systems, Yielding Lower Prices and Other Benefits for Customers

78. Axon and Safariland have engaged in anticompetitive conduct to entrench Axon’s unlawful monopolies in the BWC Systems and long-range CEW markets.

79. In 2018, before the Acquisition, as described above, Axon dominated both the long-range CEW market and the BWC Systems market, with 95% market share in long-range CEW supply to police departments and approximately 70%-85% market share in BWC Systems supply.⁶⁷

80. VieVu was Axon’s closest and most serious competitor in the BWC Systems market. For example, Safariland acknowledged: “We own the #2 player in the market, and to date we have seen no other credible market entrant,” and “VieVu and Taser are consistently the finalists in major opportunities.”

81. Stock analysts and the financial press also recognized that VieVu was Axon’s most significant competitor. A Raymond James stock report stated: “In May 2018, Axon closed the \$7.1 million strategic tuck-in acquisition of its most formidable body cam competitor, VieVu.”⁶⁸ A

⁶⁶ Matt Stroud, *Meet the Company Trying to Break the Taser Monopoly*, Verge (Feb. 13, 2018), <https://www.theverge.com/2018/2/13/17007376/axon-taser-monopoly-digital-ally-wireless>.

⁶⁷ Schiefelbein, *supra* note 13.

⁶⁸ FTC Compl. ¶ 37.

Bloomberg article dated May 4, 2018, titled “The Biggest Police Body Cam Company Is Buying Its Main Competitor,” declared that “[t]he combination of the two largest providers of the recording devices will create a dominant force in police surveillance.”⁶⁹ A May 18, 2018 article from the Motley Fool, titled “Axon Enterprise Now Owns the Police Body Cam Market,” observed that “[t]here is going to be no stopping Axon Enterprise . . . now that it has acquired its main body camera rival VieVu.”⁷⁰

82. Before the Acquisition, VieVu and Axon were the competitors that could best satisfy the RFP requirements, from both a technical and price perspective, for BWC Systems for many of the police agencies in the United States. A number of police agencies found that, of multiple bidders, Axon and VieVu had the best offerings by a significant margin.

83. Axon and VieVu vigorously and consistently competed on the price of BWC Systems in an effort to win police department contracts. After Respondent Safariland acquired VieVu in 2015, VieVu lowered its pricing in an explicit effort to take market share from Axon. VieVu’s former General Manager confirmed that in early 2016, VieVu “made a relatively deliberate decision to take price down in the market considerably,” and VieVu admittedly “took [Axon] by surprise with disruptive pricing and nearly comparable technology.” As late as 2018, VieVu’s strategy was to “win on price,” including specifically to charge “less than Axon.”⁷¹ By early 2018, VieVu had won the contracts of at least five of the largest 90 U.S. police departments.⁷²

84. Competition between Axon and VieVu resulted in substantially lower BWC

⁶⁹ Joshua Brustein, *The Biggest Police Body Cam Company Is Buying Its Main Competitor*, Bloomberg (May 4, 2018), <https://www.bloomberg.com/news/articles/2018-05-04/the-biggest-police-body-cam-company-is-buying-its-main-competitor>.

⁷⁰ Duprey, *supra* note 14.

⁷¹ FTC Compl. ¶ 39.

⁷² Schiefelbein, *supra* note 13.

System prices for police departments. A number of cities received substantially lower bids from VieVu as compared to Axon. For example, in a blind bidding process, VieVu's bid for the NYPD contract was \$6.4 million compared to Axon's \$17 million.⁷³

85. VieVu's lower pricing caused Axon to reduce its own bids. VieVu at times responded to Axon's competing bids by offering better terms. In 2017, Axon was forced to offer free BWC Systems for one year in order to promote its BWC System against this competition from VieVu.⁷⁴ Axon admitted that VieVu was "undercutting" the company on price for BWC Systems, while VieVu's CEO noted that VieVu has started a "price war" with Axon.⁷⁵ VieVu at times responded to Axon's competing bids by offering better terms.

86. Axon and VieVu also competed vigorously on non-price aspects of BWC Systems, including the development of various innovative features such as auto-activation of BWCs in the event of an officer unholstering a gun or Taser, and computer-assisted facial redaction tools for DEMS videos. Consumers benefited from this competition in innovation.

2. The Acquisition and Its Presumptive Illegality

87. Rather than compete with VieVu and Safariland, on May 3, 2018, Axon instead acquired VieVu from Safariland and entered into related anticompetitive agreements with Safariland.

88. Under the 2010 U.S. Department of Justice and Federal Trade Commission

⁷³ Alex Pasternack, *NYC Mayor Defends Police Body Camera Buy, Decrying a Competitor's "Smear" Campaign*, Fast Company (Feb. 9, 2017), <https://www.fastcompany.com/3068047/new-york-de-blasio-police-body-cameras-viewu-taser>.

⁷⁴ Cyrus Farivar, *Taser Stuns Law Enforcement World, Offers Free Body Cameras to All US Police*, ArsTechnica (Apr. 5, 2017), <https://arstechnica.com/tech-policy/2017/04/taser-announces-free-body-cameras-cloud-storage-to-all-us-cops-for-a-year/>.

⁷⁵ FTC Compl. ¶¶ 3-5.

Horizontal Merger Guidelines (“Merger Guidelines”), a post-merger market-concentration level above 2,500 points, as measured by the Herfindahl-Hirschman Index (“HHI”), and an increase in market concentration of more than 200 points renders a merger presumptively unlawful.⁷⁶ HHIs are calculated by totaling the squares of the market shares of every firm in the relevant market. The Acquisition significantly increased concentration in the U.S. BWC Systems market.

89. Since the Acquisition, one firm, Axon, has controlled an estimated 85% of the BWC Systems market as measured by output or revenue. According to the FTC Complaint, the Acquisition resulted in a post-Acquisition HHI in excess of 2,500, and increased concentration by more than 200 points—a conclusion further supported by the market share analysis contained herein.⁷⁷ Therefore, the Acquisition is presumptively anticompetitive under the Merger Guidelines and applicable case law.

90. In its 10-K for fiscal year 2018, Axon reported the total purchase price as \$17.6 million. The consideration Axon paid included \$5.0 million in cash; \$2.4 million, or 58,843 shares,

⁷⁶ DOJ & FTC, *Horizontal Merger Guidelines* 19 (2010). The DOJ and FTC have released draft merger guidelines, which presume anticompetitive any merger that increases HHI by more than 100 points and results in a market HHI greater than 1,800. DOJ & FTC, *Draft Merger Guidelines* 7 (2023).

⁷⁷ While the FTC’s HHI analysis seems to be based on an alleged market limited to “large, metropolitan police departments,” there is no reason to think that Axon’s market share is any lower for the broader relevant market alleged herein, especially given the disproportionate size of larger police departments among the overall U.S. police department population. For example, in its 2020 10-K, Axon boasted that it had “dedicated sales representatives for the 1,200 largest agencies, which account for 70% to 80% of U.S. law enforcement patrol officers.” Likewise, as of 2020, Axon reported having a customer relationship with 17,000 of the nation’s 18,000 law enforcement agencies, or 94%. Lacy, *supra* note 31. With approximately 36,000 officers, the NYPD alone accounts for around 7.6% of total full-time sworn officers employed by the approximately 11,800 general-purpose local police departments in the U.S. *About NYPD*, *supra* note 33; *Local Police Departments Personnel, 2020*, U.S. Dep’t of Just. (Nov. 2022), <https://bjs.ojp.gov/sites/g/files/xyckuh236/files/media/document/lpdp20.pdf>. Thus the Acquisition (which gave Axon control over the New York City contract among many others) significantly increased HHI in the relevant market alleged herein as well.

of Axon common stock issued to Safariland, contingent consideration of up to \$6.0 million, or 141,226 additional shares of Axon common stock, if certain conditions were met (the fair value of which as of the acquisition date was \$5.8 million, according to Axon), and the “Holster Agreement.” Pursuant to the Holster Agreement, Safariland agreed for 10 years, *inter alia*, to develop a new CEW holster for Axon’s next-generation CEW and to supply CEW holsters exclusively to Axon. Axon agreed, *inter alia*, to make Safariland its preferred supplier of CEW holsters. According to Axon, the estimated fair value of the Supply Agreement as of the acquisition date was \$4.5 million.

91. Axon and Safariland also agreed, as part of the Acquisition Agreement and Holster Agreement, to several market-allocation and noncompete agreements related to the Markets. As described in more detail below, “Safariland agreed not to compete (i) for products and services that Respondent Axon supplies and in industries where Respondent Axon is active, irrespective of their relation to the [Acquisition] and (ii) for Respondent Axon’s customers; and both [Defendants] agreed not to affirmatively solicit each other’s employees.”⁷⁸ These agreements each lasted 10 or more years. According to the FTC’s complaint, the noncompete agreements are contained in the Acquisition Agreement itself and in Exhibit E, the Holster Agreement.⁷⁹

92. In Section 5.03(a) of the Acquisition Agreement, Safariland agreed not to engage in “(a) body worn video products and services, (b) in-car video products and services, (c) digital evidence management products and services provided to third parties that ingest digital evidence audio and video files, and (d) enterprise records management systems provided to third parties,”

⁷⁸ FTC Compl. ¶ 44.

⁷⁹ *Id.* ¶ 12.

anywhere in the world for 10 years.

93. In Section 15.1 of the Holster Agreement, Safariland further agreed not to compete in the “CEW industry, BWC industry, fleet or vehicle camera industry, surveillance room camera industry, and digital evidence management system and storage industry, with regard to law enforcement, military, security or consumers,” anywhere in the world for 12 years.

94. According to the FTC complaint, “Respondent Axon was concerned about Respondent Safariland potentially entering into competition with Respondent Axon’s lucrative [long-range] CEW business. Respondent Axon’s CEO called the 12-year CEW noncompete a ‘hidden jewel in the deal.’”⁸⁰ Axon’s CEO’s comment demonstrates that Axon viewed the CEW noncompete as having significant value for Axon. This could only be the case if Axon believed that Safariland would otherwise be a *bona fide* potential competitor in the long-range CEW market.

95. In Section 5.03(c) of the Acquisition Agreement, “Safariland agreed not to solicit or entice any of Axon’s customers or potential customers for purposes of diverting business or services away from Axon, for 10 years.”⁸¹

96. “In Section 15.3 of the Holster Agreement, Safariland agreed not to solicit or entice any of Axon’s customers or potential customers for purposes of diverting CEW, CEW holster, or CEW accessory business or purchases away from Axon, for 11 years.”⁸²

97. In Section 5.03(b) of the Acquisition Agreement, “Safariland agreed not to hire or solicit any of Axon’s employees, or encourage any employees to leave Axon, or hire certain former employees of Axon, except pursuant to a general solicitation. Safariland agreed to refrain from

⁸⁰ *Id.* ¶ 46.

⁸¹ *Id.* ¶ 47.

⁸² *Id.* ¶ 48.

these activities for 10 years.”⁸³

98. In Section 5.06(a) of the Acquisition Agreement, “Axon agreed not to hire or solicit any of Safariland’s employees, or encourage any employees to leave Safariland, or hire certain former employees of Safariland, except pursuant to a general solicitation. Axon agreed to refrain from these activities for 10 years.”⁸⁴

99. “In Section 15.4 of the Holster Agreement, Respondents Axon and Safariland agreed not to solicit each other’s employees for the purpose of inducing the employees to leave their respective employers, except pursuant to a general solicitation. Respondents Axon and Safariland agreed to refrain from this activity for 11 years.”⁸⁵

100. By prohibiting Safariland from competing against Axon—in terms of products and services Safariland can offer as well as customers Safariland can solicit—these provisions harmed customers who would otherwise benefit from potential or actual competition by Safariland, including specifically in the market for BWC Systems. By prohibiting Axon and Safariland from affirmatively soliciting each other’s employees, these provisions eliminated a form of competition to attract skilled labor and thereby tended to reduce quality, service, and innovation, including specifically in the market for BWC Systems.

101. These provisions also harmed customers who would otherwise benefit from potential or actual competition by Safariland in the market for long-range CEWs. Axon’s decision to include the long-range CEW market in its noncompete agreements reflects Axon’s understanding that Safariland was poised to develop a long-range CEW that could compete with

⁸³ *Id.* ¶ 49.

⁸⁴ *Id.* ¶ 50.

⁸⁵ *Id.* ¶ 51.

Axon's long-range CEWs. Further, Safariland's success in developing VieVu showed that Safariland likely had the technological capability, capital, and sales relationships necessary to develop and distribute a rival long-range CEW.

102. The noncompete agreements were not reasonably limited in scope to protect a legitimate business interest. A mere general desire to be free from competition is not a legitimate business interest, nor were these agreements protecting a legitimate investment by Axon in VieVu since the Acquisition itself was unlawful. But even if the Acquisition were lawful (which it was not), the noncompete agreements went far beyond any intellectual property, goodwill, or customer relationship necessary to protect Axon's investment in VieVu. Moreover, even if a legitimate interest existed, the noncompete agreements were longer in duration than reasonably necessary because they prevented Safariland and Axon from competing for products and services, customers, and employees for 10 years or longer.

3. Defendants' Conduct Has Harmed Competition Substantially

103. Axon's dominance in the Markets became impenetrable after the VieVu acquisition and related market-allocation and noncompete agreements with Safariland. Axon remains the market leader of both long-range CEWs and BWC Systems, with 90% of the long-range CEW market and approximately 70%-85% of the BWC Systems market.⁸⁶ Through its acquisition, market-allocation, and noncompete agreements, Axon has effectively acquired and maintained its unlawful monopoly power in these markets.

104. The Acquisition eliminated intense price and innovation competition between Axon and VieVu in the BWC Systems market. The result has been higher prices and reduced

⁸⁶ Duprey, *supra* note 14.

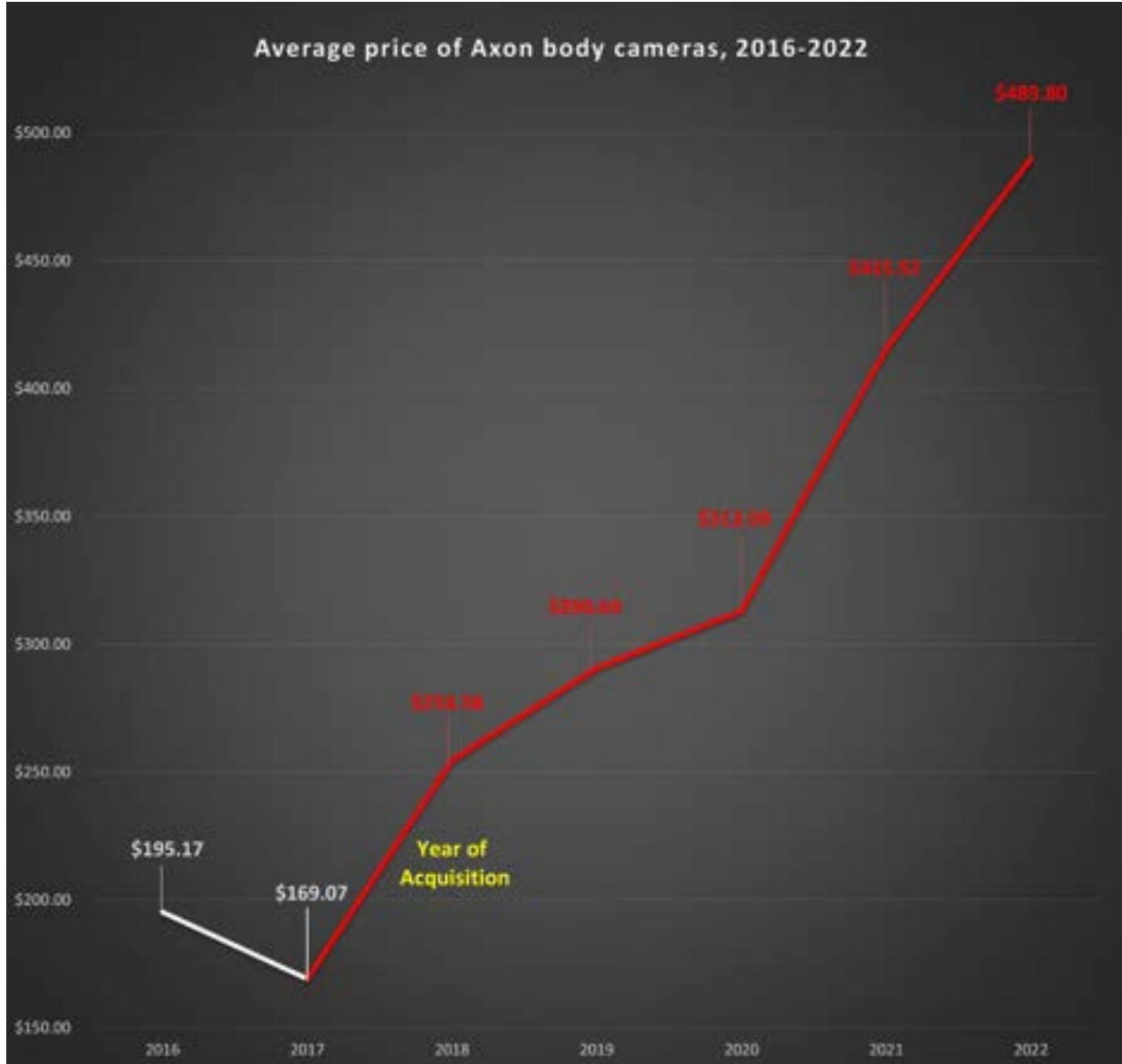
quality, service, and innovation.

105. As described above, Axon and VieVu were each other's closest competitors, and industry analysts predicted that the Acquisition would make Axon a monopolist. Before the Acquisition, Axon and VieVu's competition caused Axon to reduce its own bids and resulted in substantially lower prices in the BWC Systems market overall. Axon and VieVu's competition also led to increased innovation in that market.

106. Post-Acquisition, customers lost the benefit of this head-to-head price and innovation competition.

107. The prices Axon charges for BWC Systems have shot up dramatically as a result of the Acquisition. This is shown by Axon's own 10-K filings with the SEC. Notably, these filings show that Axon's average selling price for BWCs (calculated as revenue per unit sold) *declined* from \$195.17 in 2016 to \$169.07 in 2017, the last year before the Acquisition, while VieVu was still vigorously competing with Axon, even as Axon sold substantially more BWCs in 2017 than in 2016. But Axon's revenue per BWC sold jumped to **\$254.56** in 2018, the year of the Acquisition—an increase of **34%**—even though Axon sold roughly the same number of BWCs that year as in 2017. And its average BWC price has relentlessly increased further since then, rising to **\$290.69** in 2019, **\$313.09** in 2020, **\$415.52** in 2021, and **\$489.80** in 2022—a nearly *threefold* increase from 2017, the year before the Acquisition. (By comparison, Apple's base iPhone MSRP has gone up only from \$699 to \$799 from 2017 to 2023 despite many feature improvements over

that period.) The following graph illustrates this stark trend:



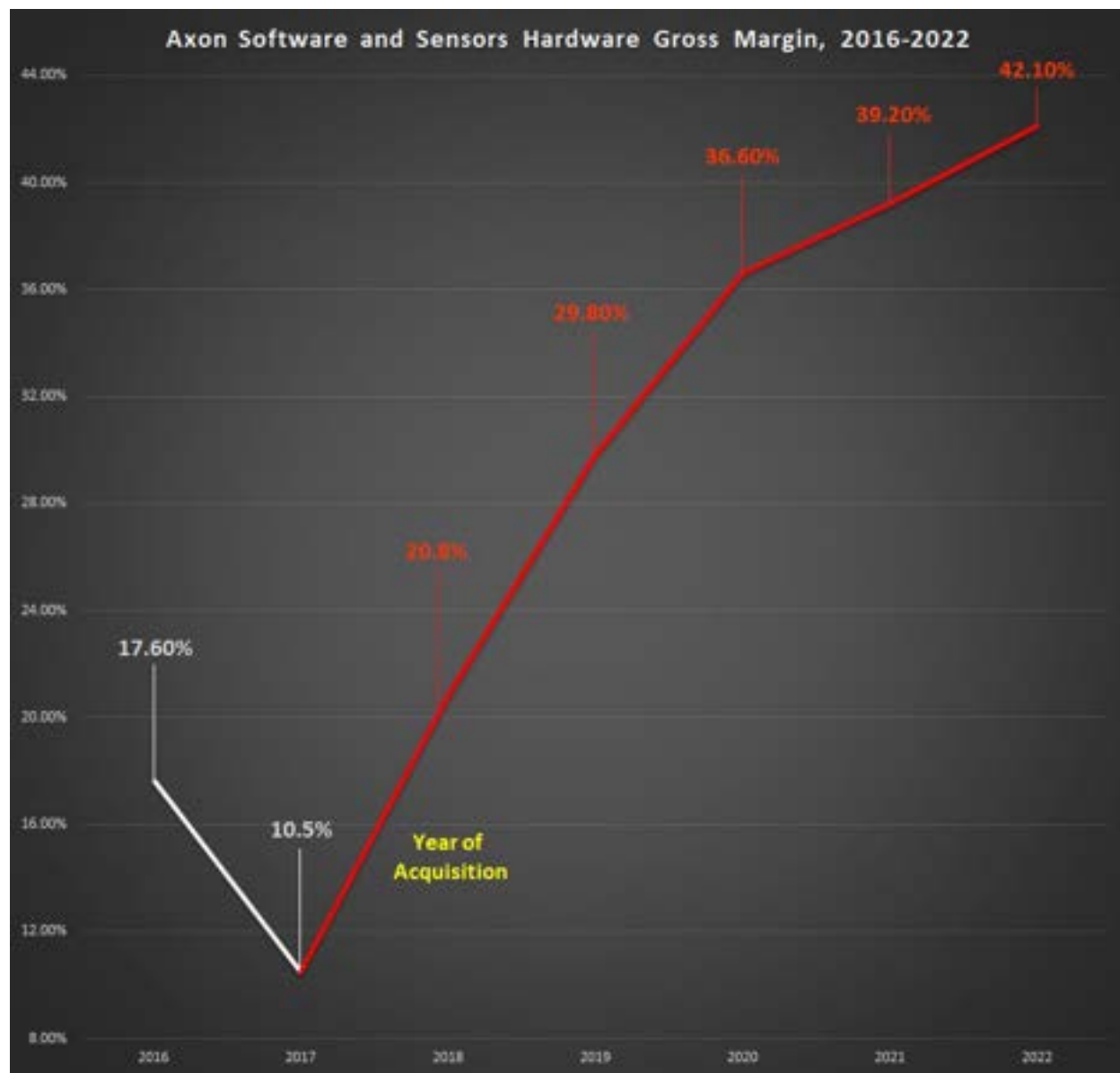
108. Prices for Docks exhibit a similar pattern. Axon's 10-K reports show that the average price for its Docks *decreased* from \$437.03 in 2016 to \$414.44 in 2017, the year before the Acquisition. That increased to \$602.75 in 2018, the year of the Acquisition (a **45%** increase), and then \$918.02 in 2019 (a **122%** increase from 2017). By 2022, the average price was \$1,043.06, well over twice as expensive as 2017.

109. Prices for Axon's DEMS have also increased, as is demonstrated by price quotes

and contracts with local governments from before and after the Acquisition. For example, in 2017 Axon offered four Pro Evidence.com licenses to Fayetteville, Arkansas, at an effective rate of \$243.34 per license per year for five years (net of discounts). In 2020, however, Axon offered two Pro Evidence.com licenses to another local government for an effective rate of \$468 per license per year for five years—nearly twice the effective 2017 price.

110. Further evidence that the Acquisition has led to supracompetitive prices comes from Axon’s reported profit margins on BWCs. Indeed, these margins follow a trend nearly identical to Axon’s BWC prices from 2016 to 2022. Axon’s reported gross margin on “hardware” in its “Software and Sensors” segment (the term it uses for its BWC business) was 17.6% in 2016 and just 10.5% in 2017, when it was competing intensely with VieVu. That figure (later reported as “product gross margin,” as opposed to “service margins,” for the Software and Sensors segment) then jumped to 20.8% in 2018, 29.8% in 2019, 36.6% in 2020, 39.2% in 2021, and 42.1% in

2022—a *fourfold* increase from 2017, as shown in the following graph:



111. This profit margin data shows that the increase in Axon’s BWC Systems prices after the Acquisition is not due to increased costs (to the extent they increased at all).

112. Since the Acquisition, Axon has likewise raked in eye-popping gross margins on its DEMS business—74.6% in 2021, and 73.3% in 2022, for example, according to its 10-K filings.

113. Existing BWC Systems providers have not replaced the competition that was lost as a result of the Acquisition between Axon and VieVu, which were the two closest competitors

in the relevant market. While each remaining competitor has different strengths and weaknesses, each competitor faces real and significant challenges in replacing competition lost through Axon's Acquisition of VieVu. These challenges include, but are not limited to, reputation or lack of references from police department customers, service levels that are inadequate for such customers, and software with limited functionality.

114. The challenges faced by these competitors are even greater because of the clout Axon has with police departments from its Taser product. Axon has acknowledged that this is a "key" "[d]ifferentiator" that sets Axon apart, bragging in a 2019 investor presentation that "Taser success drives customer access" more broadly and that "17,000 out of 18,000 US police agencies procure Taser devices." Axon further acknowledged that it "leveraged its deep agency relationships and Taser's strength to establish the market lead in body cameras & software."⁸⁷

115. Moreover, some of the other BWC Systems providers price significantly higher than VieVu and have not sufficiently replaced VieVu's aggressive pricing. As the analysis of Axon's prices above demonstrates, the remaining firms in the relevant market have not replaced the competitive constraint of VieVu's lower-priced offerings.

116. Axon's price increases have been highly profitable for it. Its annual unit sales of BWCs and DEMS have increased significantly since the Acquisition despite its higher prices. It is clear, therefore, that Axon has been able to impose and profitably sustain a significant non-transitory price increase in BWC Systems market since and as a result of the Acquisition.

117. Defendants' anticompetitive conduct has also increased prices for long-range CEWs compared to what those prices would have been absent the Acquisition and Defendants'

⁸⁷ *Investor Presentation, Axon Enterprise, December 2019* at 9, *supra* note 29.

conduct.

118. Safariland was a large manufacturer of less-lethal weapons through its Defense Technology brand. Its products included pepper spray and rubber bullets, as well as weapon holsters. These products allowed it to develop relationships with police departments and become a trusted supplier of less-lethal weapons.⁸⁸

119. Absent the Acquisition and Defendants' other anticompetitive conduct, entry into the long-range CEW market by Safariland would have been likelier, and this threat would have lowered prices. As noted above, Axon's own CEO's comment that the Acquisition's market-allocation provision with respect to long-range CEWs was a "hidden jewel" of the Acquisition indicates that Axon itself viewed entry by Safariland into the long-range CEW market as a real threat.⁸⁹

120. Axon's actual prices and profit margins on long-range CEWs reflect this anticompetitive impact. For example, in 2014–15, Oklahoma City paid around \$630,000 and \$683,325 for five-year contracts of at least 305 Tasers and a BWC System with 305 body cameras (supplied by competitor WatchGuard).⁹⁰ Under its new contract, all with Axon, it pays \$28.9 million over ten years for a full supply agreement with 500 long-range CEWs and 665 body cameras—of which, \$18.7 million is allocated to long-range CEWs and BWC Systems. These contracts represent a per-year cost increase for long-range CEWs and BWC Systems from just

⁸⁸ FTC Compl. ¶ 36.

⁸⁹ *Id.* ¶ 46.

⁹⁰ Josh Wallace, *Oklahoma City Body Camera Program Full Implemented*, *Oklahoman* (Feb. 17, 2018), <https://www.oklahoman.com/story/news/local/oklahoma-city/2018/02/17/oklahoma-city-body-camera-program-full-implemented/60542805007/>; Brian Bus, *Shock Value: OKC Selling Back Its Obsolete Tasers*, *J. Record* (Nov. 22, 2017), <https://journalrecord.com/2017/11/22/shock-value-okc-selling-back-its-obsolete-tasers/>.

under \$263,000 to \$1.9 million, an increase of 611%, when its supply of long-range CEWs and body cameras increased by less than 100%.

121. Moreover, Axon’s gross margins on its Taser business have exceeded 61% every year from 2019 through 2022, reaching 65.7% in 2021, according to its 10-K filings.

122. Axon has acknowledged the negative impact of price increases on budget constrained law enforcement officers and communities: “It’s no secret that budget constraints are a constant inconvenience for law enforcement agencies. Long needs lists + short funds = under equipped officers and potentially underserved communities.”⁹¹

123. Indeed, Axon’s monopoly prices have priced many police departments out of the Markets. In its 2019 article, “Some U.S. Police Departments Dump Body-Camera Programs Amid High Costs,” the Washington Post reported that “many departments—especially in smaller jurisdictions—are now dropping or delaying their [BWC] programs, finding it too expensive to store and manage the thousands of hours of footage”—i.e. via DEMS.⁹² The article further noted how “Axon . . . said every one of its clients that have canceled contracts cited costs.”⁹³ This type of “dead-weight loss,” as economics calls it—where a monopolist’s supracompetitive prices price out buyers who would otherwise buy the product if it were priced competitively—is a classic harm

⁹¹ FTC Compl. ¶ 42.

⁹² Kimberly Kindy, *Some U.S. Police Departments Dump Body-Camera Programs amid High Costs*, Wash. Post (Jan. 21, 2019), https://www.washingtonpost.com/national/some-us-police-departments-dump-body-camera-programs-amid-high-costs/2019/01/21/991f0e66-03ad-11e9-b6a9-0aa5c2fcc9e4_story.html.

⁹³ *Id.*

inflicted by monopoly power, which reduces total economic output and welfare.

C. Lack of Countervailing Factors

1. High Barriers to Entry and Expansion

124. Defendants cannot demonstrate that new entry or expansion by existing firms has been or would be timely, likely, or sufficient to offset the anticompetitive effects of their conduct. *De novo* entrants into the Markets would face considerable barriers in replicating the competition that the Acquisition has eliminated. Effective entry into the Markets would require substantial, costly upfront investments in creating a new BWC System or long-range CEW offering. These products also must be designed for use by law enforcement agencies, with features such as secured layers for authorized personnel access and strict recording of file access history for chain of custody purposes. There are high switching costs related to the transfer of metadata for DEMS video files, as well as long-range CEW training; in both situations, training officers is challenging and expensive, making customers sticky.

125. Barriers to entry are even higher because of Axon’s clout with police departments thanks to its Taser product. As noted above, Axon has acknowledged that this clout is a “key” “[d]ifferentiator” that sets Axon apart, allowing it to “leverage[] its deep agency relationships” to market and sell products.

126. Significant barriers to entry and expansion are confirmed by Axon’s continued dominance in the Markets today despite its continuing price increases that would otherwise be expected to entice new market participants to enter or existing participants to expand.

2. Efficiencies

127. Defendants cannot show that merger-specific efficiencies would result from the Acquisition that will offset the anticompetitive effects. According to the FTC, Axon’s President

and Safariland.

131. On June 11, 2020, Safariland settled with the FTC.⁹⁹ Under the terms of the settlement agreement, Safariland must obtain approval from the FTC before entering into any noncompete or similar agreements with Axon.

132. On October 6, 2023, the FTC dismissed its complaint against Axon and returned the matter to adjudication.¹⁰⁰ That dismissal followed years of litigation by Axon challenging the constitutionality of the FTC's administrative adjudication process. In dismissing its complaint, the FTC cited factors "including the increasingly unlikely possibility of reaching a timely resolution of the antitrust merits that led to the filing of our complaint in the first place."¹⁰¹ In reaching that "difficult conclusion," the FTC reaffirmed its view that the allegations in its complaint remain sound. That is, this was an "anticompetitive merger" that "harms markets and adversely affects the American people" by "eliminat[ing] competition between two rivals, effectively creating a monopoly and harming both police departments and communities who fund them."¹⁰²

E. Defendants' Conduct Has Harmed the Class

133. Defendants' conduct has harmed Plaintiffs and other Class members who purchased BWC Systems or long-range CEWs (or their components) from Axon after the Acquisition. As a result of the Acquisition and Defendants' other anticompetitive conduct, Plaintiffs and Class members have paid supracompetitive prices for these products and services.

⁹⁹ *FTC Approves Final Order Settling Charges that Viewu's Former Parent Company Safariland Entered into Anticompetitive Agreements with Body-Worn Camera Systems Seller Axon*, FTC (June 16, 2020), <https://www.ftc.gov/news-events/news/press-releases/2020/06/ftc-approves-final-order-settling-charges-viewus-former-parent-company-safariland-entered>.

¹⁰⁰ Order Returning Matter to Adjudication and Dismissing Compl., *In re Axon Enter., Inc.*, FTC No. D9389 (Oct. 6, 2023).

¹⁰¹ *Id.* at 2.

¹⁰² *Id.*

prosecute their common claims in a single forum simultaneously, efficiently, and without the unnecessary duplication of evidence, effort, or expense that numerous individual actions would require.

142. The benefit of proceeding through the class mechanism, including providing injured persons or entities a method for obtaining redress on claims that could not practicably be pursued individually, substantially outweighs potential difficulties in management of this class action.

143. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications, establishing incompatible standards of conduct for Defendants.

144. Plaintiffs know of no special difficulty to be encountered in the maintenance of this action that would preclude its maintenance as a class action.

145. Defendants have acted on grounds generally applicable to the Class, thereby making final injunctive relief appropriate with respect to the Class as a whole.

VI. CONTINUING VIOLATION

146. From May 3, 2018 and continuing to the present day, as a result of the anticompetitive conduct described above, Defendants have repeatedly overcharged customers throughout the United States for (1) BWC Systems and/or (2) long-range CEWs. Each such sale was an overt act causing additional anticompetitive injury to the proposed Class.

VII. TOLLING OF STATUTE OF LIMITATION

147. Plaintiffs incorporate by reference and reallege, as though fully set forth herein, each and every allegation in the preceding paragraphs of this Complaint.

148. The federal government's initiation of its antitrust action concerning Defendants' unlawful conduct operates to toll any federal statute of limitations under Section 5(i) of the Clayton

Act, 15 U.S.C. § 16(i), which tolls the running of the statute of limitations “during the pendency” of a government action about the same matter “and for one year thereafter.”

149. The FTC initiated a government action against Defendants based on the acquisition of VieVu and Defendants’ associated noncompete and market-allocation agreements. Because Axon launched a collateral attack on the FTC administrative complaint, the FTC’s case against Axon remained pending until October 6, 2023. The administrative complaint qualifies for tolling the statute of limitations on related private actions.

150. This action, which is based on the acquisition of VieVu and Defendants’ market-allocation and noncompete agreements in the Markets, is based in part on a matter complained of in the government action. Because this action meets all requirements for tolling under Section 5(i) of the Clayton Act, tolling is appropriate, and this action has been brought within the statute of limitations.

151. The statute of limitations is further tolled because Defendants’ fraudulently concealed their conspiracy. Specifically, Defendants fraudulently concealed the ancillary noncompete agreements that they entered into in connection with the Acquisition. Defendants’ affirmative acts of fraudulent concealment in connection with their anticompetitive conduct in the BWC Systems and long-range CEW markets prevented Plaintiffs and members of the class from having notice of their claims more than four years before filing this Complaint, and tolled the statute of limitations on Plaintiffs’ claims.

152. Many of the overt acts in furtherance of the conspiracy alleged in this complaint were done with the purpose of concealing the conspiracy and preventing Plaintiffs and other purchasers of BWC Systems and long-range CEWs from learning about the conspiracy’s existence. Accordingly, Plaintiffs did not know or reasonably suspect the existence of their claims

more than four years before filing this Complaint, nor were they aware of any facts more than four years before filing this Complaint that would have put them on reasonable notice of their claims.

VIII. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF VIOLATION OF SECTION 7 OF THE CLAYTON ACT, 15 U.S.C. § 18 (Axon & Safariland)

153. Plaintiffs incorporate and reallege, as though fully set forth herein, each and every allegation set forth in the preceding paragraphs of this Complaint.

154. Axon's acquisition of VieVu was a stock acquisition within the meaning of Section 7 of the Clayton Act, 15 U.S.C. § 18.

155. Axon's acquisition of VieVu from Safariland eliminated one of Axon's potential competitors.

156. The effect of this acquisition has been to substantially lessen competition and to tend to create a monopoly in the Markets in the United States, in violation of Section 7 of the Clayton Act.

157. The relevant product and geographic markets consist of BWCs Systems and their components and related services, and long-range CEWs and their components and related services.

158. The Products are not reasonably interchangeable with any other products in the United States. There is no reasonably interchangeable product that would effectively constrain, or has effectively constrained, Axon from imposing and profitably sustaining a SSNIP.

159. High barriers to entry and expansion have made it infeasible for a competitor to enter the Markets to compete with Axon and restrain its monopoly power despite dramatic price increases.

160. Axon controls an estimated 85% of the BWC Systems market and an estimated

Defendants do not cease their anticompetitive conduct.

170. Plaintiffs and the Class are threatened with future injury to their business and property by Defendants' continuing violation of Section 1 of the Sherman Act.

171. Plaintiffs and members of the Class are entitled to treble damages and an injunction against Defendants, preventing and restraining the violations alleged herein.

THIRD CLAIM FOR RELIEF
VIOLATION OF SECTION 2 OF THE SHERMAN ACT, 15 U.S.C. § 2
Monopolization of the BWC Systems Market (Axon)

172. Plaintiffs incorporate and reallege, as though fully set forth herein, each and every allegation set forth in the preceding paragraphs of this Complaint.

173. The relevant product and geographic market consists of BWC Systems and their components and related services sold in the United States.

174. Since the Acquisition, Axon has had monopoly power in the relevant market.

175. Axon willfully obtained and maintained its monopoly power through the Acquisition and related noncompete agreements.

176. Axon's conduct has had substantial anticompetitive effects. It has raised prices for BWC Systems above competitive levels and otherwise injured competition with no or insufficient offsetting procompetitive benefits.

177. Axon's anticompetitive acts have injured, and will continue to injure, competition in this market.

178. Axon's anticompetitive acts affect interstate commerce and injure competition nationwide.

179. Axon's conduct has caused Plaintiffs and the other Class members to suffer damages in the form of injuries to their business or property, which they will continue to suffer if

Axon does not cease its anticompetitive conduct.

180. Plaintiffs and the Class are threatened with future injury to their business and property from Axon's continuing violation of Section 2 of the Sherman Act.

181. Plaintiffs and members of the Class are entitled to treble damages and an injunction against Axon preventing and restraining the violations alleged herein.

**FOURTH CLAIM FOR RELIEF
VIOLATION OF SECTION 2 OF THE SHERMAN ACT, 15 U.S.C. § 2
Attempted Monopolization of the BWC Systems Market (Axon)**

182. Plaintiffs incorporate and reallege, as though fully set forth herein, each and every allegation set forth in the preceding paragraphs of this Complaint.

183. The relevant product and geographic market consists of BWC Systems and their components and related services sold in the United States.

184. If Axon does not already have monopoly power in the United States for BWC Systems, Axon has attempted to monopolize this market. Axon attempted to acquire and maintain that market power through anticompetitive, exclusionary, and predatory conduct, which Axon intended to have the effect of foreclosing competition in the market for BWC Systems and inflating the price of BWC Systems.

185. As described in more detail above, with its purchase of VieVu, Axon attempted to acquire and maintain market power through anticompetitive conduct, including the acquisition of VieVue from Safariland and the noncompete agreements entered between Axon and Safariland.

186. The anticompetitive conduct described here, undertaken by Axon, creates a dangerous probability that Axon will achieve monopoly power in the BWC Systems market.

187. Axon's conduct constitutes unlawful attempted monopolization in violation of

BWC Systems.

196. Specifically, in exchange for Axon's purchasing VieVu and signing the Holster Agreement, Safariland agreed to withdraw from the market for BWC Systems and not to re-enter, thereby securing Axon's ability to achieve monopoly profits by eliminating a competitor well-situated to compete on price and innovation.

197. Overt acts in furtherance of this conspiracy consisted of, inter alia: (a) the unlawful customer and product market-allocation agreements between Axon and Safariland entered into on May 3, 2018 by which Safariland agreed not to compete in the BWC Systems market or solicit Axon's customers or employees, and (b) the unlawful acquisition of VieVu on May 3, 2018 by which Safariland agreed to withdraw from the BWC System market.

198. Defendants engaged in this with the specific intent of eliminating competition on the merits, and thereby reaping and sharing artificially inflated monopoly profits.

199. Defendants' anticompetitive and unlawful conduct proximately caused injury to Plaintiffs and members of the Class by eliminating independent competition by Safariland on price, promotional activity, and innovation. This conduct has reduced customer choice and allowed Axon to raise, maintain, or stabilize the prices of BWC Systems sold to direct purchasers in the United States.

200. Defendants' anticompetitive acts affect interstate commerce and injure competition nationwide.

201. Defendants' conduct has caused Plaintiffs and the other Class members to suffer damages in the form of injuries to their business or property, which they will continue to suffer if Defendants do not cease their anticompetitive conduct.

202. Plaintiffs and the Class are threatened with future injury to their business and

against Axon preventing and restraining the violations alleged herein.

EIGHTH CLAIM FOR RELIEF
VIOLATION OF SECTION 2 OF THE SHERMAN ACT, 15 U.S.C. § 2
Conspiracy to Monopolize the Long-Range CEW Market (Axon & Safariland)

227. Plaintiffs incorporate and reallege, as though fully set forth herein, each and every allegation set forth in the preceding paragraphs of this Complaint.

228. The relevant product market is long-range CEWs and their components and related services, as set forth herein.

229. The relevant geographic market is the United States.

230. Defendants entered into an agreement to maintain and enhance Axon's monopoly in violation of Section 2 of the Sherman Act by engaging in exclusionary conduct designed to prevent competition in the relevant market for long-range CEWs and their components and related services.

231. Specifically, pursuant to the Holster Agreement, Safariland agreed not to enter the long-range CEW market in exchange for Axon's pledge to make Safariland a preferred Taser holster supplier, thereby securing Axon's ability to achieve monopoly profits by eliminating a competitor well situated to compete on price and innovation.

232. Overt acts in furtherance of this conspiracy consisted of, inter alia: the unlawful noncompete agreements between Axon and Safariland entered into on May 3, 2018 by which Safariland agreed not to compete in the long-range CEW market or solicit Axon's customers or employees in exchange for the preferred treatment of the Holster Agreement and Axon's purchasing VieVu.

233. Defendants entered into and effectuated this agreement with the specific intent of eliminating competition on the merits, and thereby reaping and sharing artificially inflated

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LOCAL RULE 11.2 CERTIFICATION

The undersigned hereby certifies, pursuant to 28 U.S.C. § 1746, that the within action is not the subject matter of any other actions in this Court or any other Court, or of any pending arbitration or administrative proceeding, except as follows:

1. *Mayor and City Council of Baltimore v. Axon Enterprise, Inc. and Safariland, LLC*, Case No. 23-cv-21156 in the United States District Court for the District of New Jersey;
2. *City of Augusta, Kennebec County, Maine v. Axon Enterprise, Inc. and Safariland, LLC*, Case No. 23-cv-20897 in the United States District Court for the District of New Jersey;
3. *In the Matter of Axon Enterprise, Inc. and Safariland, LLC*, Case No. D9389 before the Federal Trade Commission.¹⁰³

I further certify that no other action is contemplated and that the matter in controversy is not the subject of any arbitration proceedings.

I certify that the foregoing statement made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Date: November 27, 2023

/s/ Michael D. Fitzgerald
Michael D. Fitzgerald

¹⁰³ On October 10, 2023, the Federal Trade Commission dismissed the complaint and returned the matter to adjudication.