

IN THE UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES ex rel. DOUGLAS
KNISELY and KNISELY SECURITY LLC,

Plaintiffs,

v.

SHRED-IT USA, INC.,

IRON MOUNTAIN, INC., and

CINTAS CORPORATION,

Defendants.

CIVIL ACTION NO. 10-CV-1193

FILED UNDER SEAL

[FALSE CLAIMS ACT – QUI TAM]

JURY DEMAND IS MADE

FIRST AMENDED QUI TAM COMPLAINT

AND NOW COME Qui tam Plaintiff/Relator Douglas Knisely (“Relator”), through his attorneys Pietragallo Gordon Alfano Bosick & Raspanti, LLP and the Beasley Firm, LLC, on behalf of the United States of America (“United States”), and Plaintiff Knisely Security LLC (“Knisely Security”), through the same attorneys, for their First Amended Qui Tam Complaint against Defendants Shred-It USA, Inc., Iron Mountain, Inc., and Cintas Corporation (collectively “Defendants”), allege based upon their direct and personal knowledge, as follows:

**I. PRELIMINARY STATEMENT REGARDING DEFENDANTS’
SUBMISSION OF FALSE CLAIMS FOR DOCUMENT SHREDDING
SERVICES**

1. The first claim in this action is brought pursuant to the provisions of the federal False Claims Act, 31 U.S.C. §§ 3729-32, against the Defendants for knowingly submitting false claims to the United States.

2. Defendants are three of the largest vendors of document shredding services in the United States.

3. Defendants have contracted with the United States through the General Services Administration (“GSA”), and directly with other federal agencies, to shred documents for federal government agencies according to specifications for shred size that the GSA and other agencies provided to them.

4. Defendants have repeatedly failed to shred sensitive government documents pursuant to the size specifications mandated in their contracts with the United States.

5. Defendants have, as part of this scheme, knowingly submitted numerous false claims to the United States for payment for shredding services that fail to comply with the size specifications mandated in their contracts with the United States.

6. Defendants also have knowingly submitted numerous certifications to the United States that falsely proclaim that they shredded sensitive government documents in accordance with the size specification mandated in their contracts with the United States.

7. As a result of Defendants’ scheme, the United States has paid Defendants for numerous false claims for shredding services that fail to meet the shredding size specifications required by the United States.

8. Defendants’ scheme has resulted in substantial financial damages to the United States because they were paid for specific shredding services that the United States did not actually receive.

9. Defendants’ scheme also has exposed the United States to potentially serious security and privacy risks resulting from Defendants’ failure to shred sensitive, internal

government documents in accordance with the shred size specifications required by the United States.

10. The United States, acting under the authority of federal law and regulation, strictly controls the management, retention, and destruction of federal government records. One of the purposes of such strict control over government documents is to ensure that sensitive, private, and sometimes classified government information is not viewed by persons unauthorized to receive such information.

11. Defendants' failure to shred government documents using shredders designed to meet the size specifications mandated in their contracts with the United States potentially exposes sensitive, private and sometimes classified government information to persons not authorized to receive such information.

12. The False Claims Act was originally enacted during the Civil War, and was substantially amended in 1986. Congress amended the Act to enhance the Government's ability to recover losses sustained as a result of fraud against the United States after finding that fraud in federal programs was pervasive and that the Act, which Congress characterized as the primary tool for combating government fraud, was in need of modernization.

13. Congress intended that the amendments to the False Claims Act create incentives for individuals with knowledge of fraud against the government to disclose the information without fear of reprisals or Government inaction and to encourage the private bar to commit legal resources to prosecuting fraud on the Government's behalf.

14. The Act provides that any person who knowingly submits, or causes the submission of a false or fraudulent claim to the U.S. Government for payment or

approval is liable for a civil penalty of up to \$11,000 for each such claim, plus three times the amount of the damages sustained by the Government. Liability attaches when a defendant knowingly seeks payment, or causes others to seek payment, from the Government that is unwarranted.

15. The Act allows any person having information about a false or fraudulent claim against the Government to bring an action for himself and the Government, and to share in any recovery. The Act requires that the complaint be filed under seal for a minimum of 60 days (without service on the defendant during that time) to allow the Government time to conduct its own investigation and to determine whether to join the suit.

16. Based on these provisions, qui tam Plaintiff seeks through this action to recover on behalf of the United States, damages and civil penalties arising from the named Defendants' making or causing to be made false or fraudulent records, statements and/or claims in connection with its failure to shred government documents in accordance with the shred size specifications mandated in their contracts with the United States.

II. PARTIES

A. Plaintiffs: Relator Douglas Knisely and Knisely Security LLC

17. Relator, Douglas Knisely, is an adult individual who resides in Woolrich, Clinton County, Pennsylvania.

18. Relator is the owner and operator of Knisely Security LLC ("Knisely Security"), a Pennsylvania limited liability company that maintains its principal place of business in Lock Haven, Pennsylvania.

19. Knisely Shredding, a division of Knisely Security, provides shredding services in central Pennsylvania.

20. Relator has 38 years of experience in law enforcement and security, and is vastly knowledgeable on the subject of security related to document destruction.

21. Relator is a graduate of the Pennsylvania State Police Academy, and the Executive Protection Institute. He also received a protection professional certification from the American Society for Industrial Security. Relator also has significant experience shredding documents, having started his career performing Department of Defense classified document destruction.

B. Defendants

1. Defendant Shred-it USA, Inc.

22. Defendant Shred-it USA, Inc. (“Shred-it”) is a Delaware Corporation, with its principal place of business located at 850 Gude Drive, Suite H, Rockville, Maryland.

23. Shred-it operates approximately 78 locations, in 41 States across the United States.

24. Shred-it operates three locations in Pennsylvania, two within this district: (1) 796 Haunted Lane, Bensalem, PA 19020; and (2) 1200 Corporate Boulevard, Lancaster, PA 17601.

25. Shred-it claims to specialize in providing a tailored document destruction service that allows businesses to comply with legislation and to ensure that the client, employees, and confidential business information is kept secure at all times.

26. Shred-it claims that it is dedicated to providing superior government document shredding solutions “you can trust and rely upon.” Shred-it claims that its

government shredding document solution “guarantees environmental responsibility, innovative proprietary technology, and confidential, total security.”

27. Shred-it claims that it is the company that many of the world's top intelligence and security agencies rely upon, including 500 police forces, 1,500 hospitals, 8,500 bank branches, and 1,200 universities and colleges.

28. Shred-it claims that it has been awarded a United States GSA pricing schedule, “giving us the approved vendor status governments need to employ our services.”

29. Shred-it maintains a contract with the United States General Services Administration, No. GS-25F-0011M.

30. Shred-it is the United States subsidiary of Shred-it International, Inc. Shred-it International claims to provide on-site shredding services to over 150,000 customers primarily in the United States and Canada. Shred-it International’s latest reported annual sales exceed \$390 million.

2. **Defendant Iron Mountain, Inc.**

31. Defendant Iron Mountain, Inc. (“Iron Mountain”) is a corporation organized under the laws of the State of Delaware, with its principal place of business located at 745 Atlantic Avenue, Boston, Massachusetts.

32. Iron Mountain operates more than 1,000 facilities in 39 countries worldwide, including numerous facilities across the United States.

33. Iron Mountain is publicly traded on the New York Stock Exchange (Symbol “IRM”).

34. Iron Mountain offers comprehensive records management, data protection and recovery services, and information destruction services.

35. Iron Mountain claims that it safeguards and provides access to more than 425 million cubic feet of paper record, 10 billion emails, 65 million computer backup tapes, 2.5 million personal computers, and 20,000 computer servers.

36. Iron Mountain Government Services is a wholly owned subsidiary of Iron Mountain. Iron Mountain Government Services delivers comprehensive information management and protection services to local, state federal, and international government agencies.

37. Iron Mountain maintains two contracts with the United States General Services Administration, Nos. GS-25F-0066M and GS-35F-0526U.

38. Iron Mountain's annual revenue has grown from \$104 million in 1995 to \$3.1 billion in 2008.

39. In 2008, Iron Mountain reported \$297 million in revenue from its Information Destruction Services division, which includes shredding services.

3. Defendant Cintas Corporation

40. Defendant Cintas Corporation ("Cintas") is organized under the laws of the State of Washington with its principal place of business located at 6800 Cintas Boulevard, Cincinnati, Ohio.

41. Cintas operates 429 facilities across North America, including at least five locations within the Eastern District of Pennsylvania.

42. Cintas is publicly traded on NASDAQ (Symbol "CTAS").

43. Cintas designs, manufactures and implements corporate identity uniforms programs and provides entrance mats, restroom supplies, promotional products, document management, fire protection, and first aid and safety services for more than 800,000 businesses.

44. Cintas maintains four operating segments: (1) Rental Uniforms and Ancillary Products; (2) Uniform Direct Sales; (3) First Aid, Safety and Fire Protection Services, and (4) Document Management Services. Cintas's Document Management Services consists of document destruction, document imaging and document storage.

45. Cintas offers shredding services through its Document Management segment, and offers those services nationwide, including from multiple locations within this district.

46. Cintas claims that its document shredding services "can help you develop and implement a cost-effective, secure and compliant document destruction solution."

47. For the quarter ending August 31, 2012, Cintas reported revenue of \$1.05 billion, an increase of 3.4 percent over its revenue during the same period in 2011.

48. For the fiscal year ending May 31, 2012, Cintas earned total revenue of more than \$4.1 billion. Approximately \$340 million, or about 8.3 percent, was derived from its Document Management division, which includes shredding services. For fiscal year 2011, Cintas reported about \$321 million in revenue from its Document Management division.

III. JURISDICTION AND VENUE

49. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1331 (relating to original jurisdiction over all matters arising under the laws of the United

States) and 31 U.S.C. § 3732(a) (relating to False Claims Act jurisdiction). Further, this Court has jurisdiction to entertain a qui tam action. Relator is an “original source” who is authorized to maintain this action in the name of the United States as contemplated by the Civil False Claims Act, 31 U.S.C. § 3729-33.

50. Relator has made voluntary disclosures to the United States Government prior to the filing of this lawsuit and has filed a Disclosure Statement with the United States Government as required by 31 U.S.C. § 3730(b)(2).

51. Venue is appropriate in this district pursuant to 28 U.S.C. § 1391(b) and 31 U.S.C. § 3732(a) because a substantial part of the events giving rise to the claims occurred in this district, and the Defendants transact business within this district.

IV. PROPER DESTRUCTION OF FEDERAL RECORDS IS ESSENTIAL TO THE UNITED STATES’ RECORD MANAGEMENT SYSTEM

52. The United States, acting under the authority of federal law and regulation, strictly controls the management, retention, and destruction of all federal records.

53. Federal law defines government “records” as: “all books, papers, maps, photographs, machine readable materials, or other documentary materials, regardless of physical form or characteristics, made or received by an agency of the United States Government under Federal Law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the Government or because of the informational value of data in them.” 44 U.S.C. § 3301.

54. Federal agencies are responsible for managing their own records. The head of each Federal agency “is required to establish and maintain an active, continuing program for the economical and efficient management of the records of that agency.” 44 U.S.C. § 3102.

55. The records management program of each Federal agency must include: (1) effective controls over the creation, maintenance, and use of records in the conduct of current business; (2) cooperation with the Administrator of General Services and the Archivist in applying standards, procedures, and techniques designed to improve the management of records, promote the maintenance and security of records deemed appropriate for preservation, and facilitate the segregation and disposal of records of temporary value; and (3) compliance with applicable laws and regulations governing the management and disposal of federal records. 44 U.S.C. § 3102.

56. The records management program proscribed by Federal law ensures the efficient, economical and secure operation of Federal agencies through proper and orderly creation, management and disposal of Federal records.

57. The National Archives and Records Administration (“NARA”) is responsible for overseeing the adequacy of federal agencies’ documentation and records disposition programs and practices, and the General Services Administration (“GSA”) is responsible for overseeing economy and efficiency in records management. The Archivist of the United States and the Administrator of GSA issue regulations and provide guidance and assistance to Federal agencies on records management programs. 44 U.S.C. § 2904.

58. The Archivist of the United States promulgates schedules authorizing the disposal, after the lapse of specified periods of time, of records of a specified form or

character common to several or all agencies if such records will not, at the end of the periods specified, have sufficient administrative, legal, research, or other value to warrant their further preservation by the United States Government. 44 U.S.C. § 3303a(d).

59. Records of the United States Government may not be alienated or destroyed except as permitted under Title 44, Chapter 33 of the United States Code, which sets forth the records management program managed by the Archivist of the United States and the Administrator of the General Services Administration. 44 U.S.C. § 3314.

V. OVERVIEW OF THE GSA CONTRACTING PROCESS

A. General Services Administration (“GSA”)

60. The General Services Administration (“GSA”) is an independent agency of the United States government.

61. GSA leverages the buying power of the federal government to acquire best value for taxpayers and its federal government customers.

62. GSA’s strategic goals include developing and delivering timely, accurate and cost effective acquisition services and business solutions for other federal agencies.

63. The GSA had over 11,000 employees and a budget of \$26.3 billion in fiscal year 2008.

B. Federal Acquisition Service (“FAS”)

64. The GSA, through the Federal Acquisition Service (“FAS”), is dedicated to procuring goods and services for the federal government.

65. FAS offers federal government agencies a continuum of procurement services in the areas of: Products and Services; Technology; Motor Vehicle Management; Transportation; Travel; and Procurement and Online Acquisition Tools.

66. The FAS has ten program areas, including the Office of General Supplies and Services.

C. Office of General Supplies and Services (“GSS”)

67. The Office of General Supplies and Services (“GSS”) is responsible for acquisition services and comprehensive supply chain management, including excess/surplus federal property.

68. By managing centralized acquisition of “like” items needed by multiple federal agencies, the GSS strives to: achieve lower pricing; assure conformance with regulatory acquisition requirements; assure conformance of business process and information flow within a global distribution system; assure prudent use of federal property through reutilization, donation or sale, thus avoiding waste and expense; provide commercial solutions via GSS Multiple Award Schedules, to customers worldwide; and reduce costs to government.

69. The GSS’ Integrated Workplace Acquisition Center manages and awards contracts under the GSA’s Schedule 36, which, as discussed below, includes copiers, office equipment, mail and document management, and document destruction and shredding services.

70. The Integrated Workplace Acquisition Center maintains offices in Arlington, Virginia and Philadelphia, Pennsylvania.

D. GSA Schedule Contracting Process

71. The GSA enters into contracts with private enterprises to provide commercial good and services to federal government agencies.

72. GSA schedules, also known as Multiple Award Schedules (“MAS”) are one type of contract that the GSA utilizes to fulfill its mission to reduce wasteful government spending and to save the taxpayers money.

73. GSA administers and awards GSA Schedule contracts pursuant to 40 U.S.C. § 501, Services for Executive Agencies.

74. Under the GSA Schedules Program, GSA establishes long-term government-wide contracts with commercial firms to provide access to over 11 million commercial supplies (products) and services that can be ordered directly from GSA Schedule contractors or through the GSA Advantage online shopping and ordering system.

75. GSA Schedules offer customers direct delivery of millions of state-of-the-art, high-quality commercial supplies and services at volume discount pricing.

76. Under the GSA Schedules Program, the GSA negotiates and awards indefinite delivery, indefinite quantity contracts for commercial products and services for a base period of five years with three five-year renewal options.

77. Vendors interested in becoming a GSA Schedule Contractor must first submit an offer in response to the GSA Schedule Solicitation (“Solicitation”) that is applicable to the particular item or service they wish to offer to the federal government.

78. Vendors that choose to submit an offer in response to a GSA Solicitation agree to the terms and conditions of the contract, the provisions of which are identified in the Solicitation.

79. Contracting Officers determine whether prices offered by interested vendors are fair and reasonable by comparing the prices/discounts that a company offers the government with the prices/discounts that the company offers to commercial customers.

This negotiation objective is commonly known as “most favored customer” pricing. In order to make this comparison, GSA requires offerors to furnish commercial pricelists and disclose information regarding their pricing/discounting practices.

80. Following an award of a GSA Schedule contract, the vendor’s products or services are added to the federal supply schedule.

81. Federal government agencies then utilize the federal supply schedule to order products and services from those vendors that have been awarded a GSA Schedule contract for the particular item or service at issue.

VI. THE GSA REQUIREMENTS FOR DOCUMENT DESTRUCTION AND SHREDDING SERVICES

82. GSA Schedule 36 covers Office, Imaging and Document Services to be provided to federal government agencies.

83. GSA Schedule 36 includes Destruction Services, identified with Special Identification Number (“SIN”) 51-507.

84. At all times relevant to this Complaint, and since at least 2003, the GSA issued a Solicitation under the GSA Schedule Program for Schedule 36 at No. 3FNJ-C1-000001-B (“Solicitation”). See Exhibit A.

85. The Solicitation included provisions for the category of Document Destruction Services (category No. 51-507). Those services sought are described in the Solicitation as follows:

Destruction services include both on-site services of classified and unclassified paper documents, materials and magnetic media. The methods for destruction services may be obtained through these destruction options: shredding (e.g., paper documents, folders, newspapers, catalog, magazines) disintegration (e.g., microfilm, microfiche, ID

cards, VHS tapes, audio cassettes, CD ROM, floppy disks, computer tapes and computer hard drives) and incineration (e.g., paper documents, maps, files, envelopes, manuals, newspapers, catalogs, magazines, blue prints).

86. The Solicitation, in proscribing the requirements for Destruction Services (Category 51-507), expressly stated:

- A) SHREDDINGS: include both on-site and off-site for shredding services, which is designed to handle a variety of classified and unclassified materials. **Shredders shall be designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by 1/2 inch in length.** There is no need to separate paper grades or remove staples, clips or other bindings.

See Exhibit A (Emphasis Added).

87. The Solicitation, therefore, clearly and unambiguously requires that document shredding services provided to United States government agencies through GSA Schedule 36 must use shredders designed to produce residue particles not exceeding 1/32 inch in width with a 1/64-inch tolerance by 1/2 inch in length.

88. The Solicitation further requires vendors to certify to the United States the destruction of materials, as follows:

CERTIFICATE OF DESTRUCTION

A signed certificate of destruction must be issued upon completion of each job. The certificate shall indicate the date of destruction, identify the material destroyed, method of destruction, and be signed by the individuals designated to destroy and witness the destruction. Destruction officials shall be required to know, through their personal knowledge, that such material was destroyed.

See Exhibit A.

89. As of February 1, 2010, there were 54 vendors that have been approved and have been awarded GSA Schedule Contracts under Category No. 51-107 (Destruction Services), including the Defendants.

VII. OTHER GOVERNMENT AGENCY STANDARDS FOR DOCUMENT SHREDDING SIZE

90. While Federal agencies are encouraged to purchase services and items through the GSA Schedule Program, they may, in certain instances, elect to purchase items or services outside that Program.

91. In the case of document shredding services, some federal agencies have, upon information and belief, elected to purchase those services outside of the GSA Schedule 36.

92. In those instances, the federal agencies have developed their own standards for the requisite shredding size for their agencies records.

93. For example, the Veterans Administration (“VA”) maintains a standard that shred residue must be no larger than 1mm. by 5 mm. The National Institute of Standards and Technology (“NIST”) has also adopted this shred size in the Federal Information Processing Standards (“FIPS”). These agencies adopted this standard from Department of Defense requirement for shredding documents.

94. The Social Security Administration (“SSA”) has adopted a maximum shred size of 5/8 inch square.

95. The United States Government Accountability Office has adopted a maximum shred size of 1/32 inch wide.

96. The Internal Revenue Service has adopted a maximum shred size of 5/16 inch wide.

VIII. OVERVIEW OF THE DOCUMENT SHREDDING PROCESS

97. Document shredding is performed in one of two ways: (1) through the use of on-site mobile shredding; or (2) at an off-site shredding facility.

98. In either case, the shredding process begins with customers, in this case Federal agencies, depositing documents for shredding inside locked consoles typically stationed throughout the customers' worksite.

99. The shredding vendor periodically empties the consoles and either: (1) shreds the contents on-site using a mobile shredding truck; or (2) transports the contents to an off-site location for shredding.

100. The type of shredding equipment used in on-site mobile shredding differs substantially from shredding equipment typically used in off-site shredding.

101. One of the ways in which mobile shredders differ from off-site shredders is that about 95 percent of mobile shredding trucks use a shredding method known as "Pierce and Tear." The "Pierce and Tear" shredding method can shred a greater quantity of documents, and operates more rapidly and cheaply than off-site shredders.

102. The "Pierce and Tear" method, however, fails to shred documents to the small shred size mandated by the GSA in GSA Schedule 36, SIN 51-507.

103. The "Pierce and Tear" method, moreover, frequently leaves large sections of documents, and in some cases entire documents, intact and easily readable.

104. In the more than thirty years of Relator's experience in the shredding and security industry, the smallest shred size that mobile shredding trucks are capable of producing is 3/8 inch thick, and very few of these trucks are in operation.

105. After documents have been shredded, either on-site or at any off-site facility, vendors, including the Defendants, typically bale and sell those documents to paper recycling companies.

106. Shredding vendors, including the Defendants, can receive substantial revenue from selling their customers' shredded documents for recycling.

107. In Relator's substantial experience in the shredding industry, documents that are shred to the small size specifications mandated by the GSA in GSA Schedule 36, SIN 51-507 are not suitable for recycling because shredding documents to that small size compromises the quality of the paper fibers that are needed for recycling.

108. Shredding documents to the size specifications mandated by the GSA Schedule 36, SIN 51-507, therefore, is more costly and time consuming than shredding documents using the "Pierce and Tear" Method, or other on-site or off-site methods which produce a larger shred size.

IX. DEFENDANTS HAVE VIOLATED THE FALSE CLAIMS ACT BY FAILING TO SHRED SENSITIVE GOVERNMENT DOCUMENTS TO THE SIZE MANDATED BY THEIR GOVERNMENT CONTRACTS

109. Defendants have all had contracts for many years with the United States to shred sensitive government records pursuant to GSA Schedule 36, SIN 51-507.

110. Defendants have, as described below, knowingly and repeatedly failed to shred sensitive government records using shredders designed to produce residue particles of the size mandated by their respective contracts with the United States.

111. Defendants have, upon information and belief, submitted numerous false claims for payment to the United States, in violation of the False Claims Act, for shredding services that fail to comply with the shred size mandated in their respective GSA Schedule contracts with the United States:

112. Defendants have, upon information and belief, submitted to Federal agencies numerous false records in support of their false claims, in violation of the False Claims Act, including the certificates of destruction which the Defendants are required by their contracts to provide to the government upon completion of each shredding service.

113. Defendants' failure to shred sensitive government documents using the shredders mandated by their respective GSA Schedule contracts has caused substantial financial damages to the United States, and has exposed the United States to potentially serious security risks resulting from the improper destruction of government records.

A. Defendant Shred-it's False Claims to the United States

114. Defendant Shred-it has, since at least 2003, performed document shredding services for the United States government.

115. Defendant Shred-it has a GSA Schedule contract with the United States (Contract Number GS-25F-0011M) to provide document shredding services pursuant to GSA Schedule 36, category 51-507 ("Shred-it Contract"). See Exhibit B.

116. Defendant Shred-it's Contract with the United States incorporates the terms and conditions of the GSA's Solicitation for Schedule 36, SIN 51-507, including, but not limited to, the requirement that the equipment that Shred-it uses to shred government records is "designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by 1/2 inch in length."

117. Defendant Shred-it's Contract with the United States also incorporates the requirement, set forth in the Solicitation for Schedule 36, SIN 51-507, that it provide the Government with a Certificate of Destruction upon completion of each shredding service.

118. Defendant Shred-it aggressively markets its shredding services for government agencies. Its website proclaims that Shred-It is the "world's industry leader of providing superior government documents shredding solutions," which "guarantee environmental responsibility, innovative proprietary technology, and confidential total security."

119. Shred-it claims that its machinery is highly advanced, allowing the company to shred government documents so that they cannot be reconstructed, and offers proof through certificates of destruction it issues. (<http://www.shredit.com/government-document-shredding.asp>).

120. On its website, Shred-it contends that it utilizes a crosscut shredding process that reduces materials to pieces of confetti approximately 5/8 inch x 1½ inch, and further claims that the pieces cannot be reconstructed. (<http://www.shredit.com/faq-services.asp>).

121. Defendant Shred-it also widely markets that it has been awarded a United States GSA pricing schedule, "giving us the approved vendor status governments need to employ our services."

122. Despite its claims of being the "world leader" in government shredding, Defendant Shred-it has repeatedly failed to shred sensitive government documents to the shred size mandated by its contract with the United States.

123. Defendant Shred-it provides shredding services to the United States through its fleet of mobile shredding trucks. Shred-it advertises its shredding services with the slogan: "Document Destruction. Done Right. On Site."

124. In Relator's substantial experience in the shredding industry, mobile shredding trucks, like those utilized by Defendant Shred-it, are not designed to shred documents to the shred size mandated by Defendant Shred-it's GSA Schedule Contract.

125. On October 8, 2009, in response to an inquiry concerning Shred-it's services for government agencies, Shred-it salesperson, Nick Brett, advised that Shred-it performs shredding services for the United States Census Bureau and a number of other federal agencies located in the Washington, D.C. area.

126. Defendant Shred-it's salesperson Nick Brett further stated that in the Philadelphia area, Shred-it operates three types of mobile shredding trucks that had the capacity to handle government shredding.

127. On November 6, 2009, Nick Brett gave a demonstration of one of Shred-it's mobile shredding trucks in Philadelphia.

128. During the November 6, 2009 demonstration, Brett provided a sample of shredded material that he described as "Security Level Two." The "Security Level Two" sample shredded documents contained easily legible information, including date information (11/09).

129. During the November 6, 2009 demonstration, Brett also provided another sample, which he described as "Security Level Four," or "Double Wide." The "Security Level Four" sample shredded documents contained easily legible information, including date information (11/2/09).

130. The shredding samples provided by Shred-it's employee Nick Brett on November 6, 2009, were substantially larger than the shred size mandated by Shred-It's GSA Contract. Had any of these samples met GSA requirement for shredding, no writing would have been legible on the shredded material.

131. On December 15, 2009, Brett further advised that Defendant Shred-it had only three trucks in its entire fleet that met GSA requirement for shredding, and that those trucks were located in the Washington D.C. area. According to Defendant Shred-it's employee Brett, two of the trucks used "triple shredders," and one truck used a "pulverizer." Brett claimed that Defendant Shred-it was the only company in the United States that possessed "triple shred" trucks, and that Shred-it had only two such trucks in its fleet. Brett further added that one of those trucks could be driven to Philadelphia for an additional cost.

132. Shred-it disposes of shredded material by selling it to paper recyclers, and derives significant revenue from such sales. On a FAQ page on its website in response to the question "What happens to the paper after it has been shredded?" Shred-it responded:

the destroyed documents, in the form of confetti-sized pieces, are transferred directly to a recycling facility. Once there, they return to the marketplace in the form of items such as recycled household paper products.

(<http://www.shredit.com/faq-why-shred.asp>)

133. Outside of the Washington D.C. area, therefore, Defendant Shred-It has acknowledged that it does not operate shredding equipment that can satisfy the shred size specifications mandated by Shred-it's GSA Schedule Contract.

134. Inside of the Washington, D.C. area, Defendant Shred-It claims to operate only three mobile shredding trucks that are capable of satisfying the shred size specifications mandated by Shred-it's GSA Schedule Contract.

135. Defendant Shred-it has been awarded numerous shredding services, under its GSA Schedule Contract (Contract No. GS-25F-0011M) from Federal agencies located outside the Washington, D.C. area, including, but not limited to, the following:

<u>Federal Agency</u>	<u>Award Date</u>	<u>Procurement ID Number</u>	<u>Place of Performance</u>
Department of Health & Human Services	10/1/2008	HHSP350200900190P	Kansas
Department of Homeland Security – FEMA	3/17/2009	HSFE1008F00087	Washington
Social Security Administration	8/19/2008	SS070830029	Missouri
Department of Justice – DEA	7/10/2008	DJDEADT080161D	Michigan
Securities & Exchange Commission	7/25/2007	SECHQ106F0355	Virginia
Department of Defense – United States Air force	1/12/2007	FA251707F6020	Colorado
Department of Veterans Affairs	10/1/2008	VA626C90036	Tennessee
Department of Veterans Affairs	11/1/2008	V538XC9078	Ohio
Department of Homeland Security – Bureau of Citizenship & Immigration	4/18/2005	HSSCCT05F0008	Texas
Department of Treasury – IRS	10/20/2004	TIRWR05K00009	Arizona
Department of Justice – DEA	6/9/2006	DJDEADT060231D	Michigan

136. Defendant Shred-it has been awarded numerous shredding services, under its GSA Schedule Contract (Contract No. GS-25F-0011M) from Federal agencies located within the Washington, D.C. area, including, but not limited to, the following:

<u>Federal Agency</u>	<u>Award Date</u>	<u>Procurement ID Number</u>	<u>Place of Performance</u>
General Services Administration	7/11/2008	GS11P08NWP0063	District of Columbia
Department of Housing & Urban Development	3/31/2009	HUDDS9C5AAR0124-GS25F0011M	Maryland
Department of Defense – United States Air force	12/1/2008	FA940109F9003	Maryland
Peace Corps	10/15/2005	PC067026	District of Columbia
Department of Homeland Security – Office of the Secretary	11/5/2004	HSHQPB05F00003	District of Columbia

137. Defendant Shred-it has knowingly and repeatedly failed to shred sensitive government records to the shred size mandated by its GSA Schedule contract with the United States.

138. Defendants Shred-it, therefore, has submitted numerous false claims for payment to the United States, in violation of the False Claims Act, for shredding services that fail to comply with the shred size mandated in its GSA Schedule contract with the United States.

139. Defendant Shred-it has, upon information and belief, submitted to Federal agencies numerous false records in support of its false claims, in violation of the False Claims Act, including the Certificates of Destruction which Defendant Shred-it was required by its GSA Schedule Contract to provide to the government upon completion of each shredding service.

140. Defendant Shred-it's failure to shred sensitive government documents with equipment designed to meet the shred size mandated by its GSA Schedule contract has caused substantial financial damages to the United States, and has exposed the United States to potentially serious security risks resulting from the improper, inadequate destruction of government records.

B. Defendant Iron Mountain's False Claims to the United States

141. Defendant Iron Mountain has, since at least 2003, performed document shredding services for the United States government.

142. Defendant Iron Mountain has a GSA Schedule contract with the United States (Contract Number GS-25F-0066M) to provide document shredding services pursuant to GSA Schedule 36, category 51-507 ("Iron Mountain Contract"). See Exhibit C.

143. Defendant Iron Mountain's Contract with the United States incorporates the terms and conditions of the GSA's Solicitation for Schedule 36, SIN 51-507, including, but not limited to, the requirement that the equipment that Iron Mountain uses to shred government records is "designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by 1/2 inch in length."

144. Defendant Iron Mountain's Contract with the United States also incorporates the requirement, set forth in the Solicitation for Schedule 36, SIN 51-507, that it provide the Government with a Certificate of Destruction upon completion of each shredding service.

145. Iron Mountain actively markets its shredding services to the federal government. On May 8, 2006, Iron Mountain issued a press release advertising its

information destruction services to government agencies pursuant to the Iron Mountain Contract.

146. Despite its claims, Defendant Iron Mountain has repeatedly failed to shred sensitive government documents to the shred size mandated by its contract with the United States.

147. In Relator's substantial experience in the shredding industry, mobile shredding trucks, like those utilized by Defendant Iron Mountain, are not designed to shred documents to the shred size mandated by Defendant Iron Mountain's GSA Schedule Contract.

148. On October 8, 2009, in response to an inquiry concerning its services under its GSA contract, a representative of Iron Mountain, Brian Connelly, stated that Iron Mountain does not have the ability to comply with GSA shredding size standards.

149. Iron Mountain's representative Brian Connelly expressed his belief that no shredding company is able to comply with GSA shredding size specifications.

150. Iron Mountain's representative Brian Connelly stated that the smallest shred size that Iron Mountain could produce was approximately 3/8 inch wide by 2 inches long. He also indicated that all of Iron Mountain's shredding remnants are recycled and are never disposed of in a landfill.

151. On October 28, 2009, Connelly refused a request to provide samples of shredded materials from work performed pursuant to Iron Mountain's GSA contracts.

152. Defendant Iron Mountain, therefore, has acknowledged that it does not operate shredding equipment that can satisfy the shred size specifications mandated by its GSA Schedule Contract.

153. Defendant Iron Mountain has been awarded numerous shredding services, under its GSA Schedule Contract (Contract No. GS-25F-0066M) from Federal agencies across the United States, including, but not limited to, the following:

<u>Federal Agency</u>	<u>Award Date</u>	<u>Procurement ID Number</u>	<u>Place of Performance</u>
Nuclear Regulatory Commission	12/10/2007	NRCAT080012	Georgia
Department of Veterans Affairs	1/29/2008	V663C80323	Washington
Commodity Futures Trading Commission	10/1/2008	CFOM09DO0029	Illinois
Federal Election Commission	11/5/2008	FE09G016	District of Columbia
Department of Homeland Security – Bureau of Citizenship & Immigration	3/9/2009	HSSCCG09F00186	California
Department of Defense – United States Army	2/2/2007	W912LA06F9002	California
Social Security Administrations	9/19/2006	SS050630040	Illinois
Department of Homeland Security – Bureau of Citizenship & Immigration	10/1/2005	HSSCCW06F00007	California
General Services Administration	2/9/2006	GS25F0066MGSP0906WM0007	Arizona
Department of Housing & Urban Development	7/25/2008	HUODFHEO07F5176	District of Columbia

154. Defendant Iron Mountain has knowingly and repeatedly failed to shred sensitive government records to the shred size mandated by its GSA Schedule contract with the United States.

155. Defendant Iron Mountain, therefore, has submitted numerous false claims for payment to the United States, in violation of the False Claims Act, for shredding services that fail to comply with the shred size mandated in its GSA Schedule contract with the United States.

156. Defendant Iron Mountain has, upon information and belief, submitted to Federal agencies numerous false records in support of its false claims, in violation of the False Claims Act, including the Certificates of Destruction which Defendant Iron Mountain was required by its GSA Schedule Contract to provide to the government upon completion of each shredding service.

157. Defendant Iron Mountain's failure to shred sensitive government documents using equipment designed to meet the shred size mandated by its GSA Schedule contract has caused substantial financial damages to the United States, and has exposed the United States to potentially serious security risks resulting from the improper, inadequate destruction of government records.

C. Defendant Cintas' False Claims to the United States

158. As noted above, Defendant Cintas maintains four operating segments: (1) Rental Uniforms and Ancillary Products; (2) Uniform Direct Sales; (3) First Aid, Safety and Fire Protection Services, and (4) Document Management Services.

159. Cintas offers shredding services nationwide through its Document Management segment.

1. Cintas Fails to Comply With Terms of Its GSA Schedule Contract

160. Defendant Cintas has, since at least 2004, performed document shredding services for the United States government.

161. Defendant Cintas has a GSA Schedule contract with the United States (Contract Number GS-25F-0030N) to provide document shredding services pursuant to GSA Schedule 36, category 51-507 (“Cintas Contract”). See Exhibit D.

162. Defendant Cintas’ Contract with the United States incorporates the terms and conditions of the GSA’s Solicitation for Schedule 36, SIN 51-507, including, but not limited to, the requirement that the equipment that Cintas uses to shred government records is “designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by ½ inch in length.”

163. Defendant Cintas’ Contract with the United States also incorporates the requirement, set forth in the Solicitation for Schedule 36, SIN 51-507, that it provide the Government with a Certificate of Destruction upon completion of each shredding service.

164. Defendant Cintas also maintains direct contracts for shredding services with other federal government agencies, including VA Hospitals. It also claims to provide shredding services to the Internal Revenue Service, the Department of Homeland Security and Fannie Mae.

165. Defendant Cintas has acknowledged publicly that its document-destruction business handles confidential information and the subsequent destruction of that information, and therefore, any compromise of security, accidental loss or theft of customer data in its possession could damage its reputation and expose it to risk of liability.

166. In fact, on its website, Defendant Cintas advertises its document-destruction business as helping organizations “mitigate risks” associated with identity theft, loss of confidential documents, misuse of sensitive information and noncompliance with privacy laws.

167. Despite its claims, Defendant Cintas has repeatedly failed to shred sensitive government documents using shredders with the capabilities mandated by its GSA Schedule Contract with the United States.

168. Defendant Cintas has stated publicly that it uses the Pierce and Tear Method to shred documents across the United States, including, but not limited to, in: Washington, D.C., Virginia, Maryland, Pennsylvania, California, Florida, Ohio, Michigan, Kansas, Arizona, Texas, and Missouri.

169. In Relator’s substantial experience in the shredding industry, mobile shredding trucks, like those utilized by Defendant Cintas, are not designed to shred documents to the shred size mandated by Defendant Cintas’ GSA Schedule Contract.

170. On October 13, 2009, one of Cintas’ representatives, Jim Duchess, in response to an inquiry, advised that Cintas’ standard shred size is approximately 5/8 inch wide by 2¼ inches long, which does not comply with GSA shredding specifications.

171. On October 15, 2009, in response to further inquiry, Cintas’ Representative Duchess advised that Cintas does not possess the shredding equipment to meet GSA shredding specifications.

172. Cintas’ Representative Duchess further expressed his belief that no other shredding vendor possesses shredding equipment necessary to comply with the GSA shredding specifications.

173. Cintas' Representative Duchess produced a sample of what he claimed to be the smallest shred size that Cintas shredders are able to produce. These shred samples were approximately 3/8 inch wide, which is inadequate to meet GSA specifications.

174. Cintas' Representative Duchess further advised that Cintas sells all of its customers' shredded documents to Georgia-Pacific Corporation to be recycled into toilet tissue.

175. Defendant Cintas, therefore, has acknowledged that it does not operate shredding equipment that can satisfy the shred size specifications mandated by its GSA Schedule Contract.

176. Defendant Cintas has been awarded numerous shredding services, under its GSA Schedule Contract (Contract No. GS-25F-0030N) from Federal agencies across the United States, including, but not limited to, the following:

<u>Federal Agency</u>	<u>Award Date</u>	<u>Procurement ID Number</u>	<u>Place of Performance</u>
Department of Veterans Affairs	3/10/2009	VA64OC99166	California
Department of Homeland Security – Bureau of Citizenship & Immigration	10/1/2008	HSSCCG09Z00022	Missouri
Social Security Administration	12/31/2008	SS070930002	Kansas
Department of Veterans Affairs	10/31/2007	V546C80130	Florida
Department of Justice	8/28/2008	DJJ6FFAS010111	District of Columbia
Department of Justice	9/4/2007	DJJ6FFAS010111	District of Columbia
General Services Administration	11/30/2006	GS25F0030NGSP1105-MA0175	District of Columbia

Department of Health & Human Services	7/18/2007	HHSP233200700275G	Ohio
Department of Transportation	3/22/2007	DTOS5905F10007	District of Columbia
Social Security Administration	6/30/2006	SS070630019	Kansas
Department of Health & Human Services – NIH	9/28/2005	HHSN263FD517262	Maryland

177. Defendant Cintas has knowingly and repeatedly failed to shred sensitive government records using shredders “designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by ½ inch in length.”

178. Defendant Cintas, therefore, has submitted numerous false claims for payment to the United States, in violation of the False Claims Act, for shredding services that fail to comply with the shred size mandated in its GSA Schedule Contract with the United States.

179. Defendant Cintas has, upon information and belief, submitted to Federal agencies numerous false records in support of its false claims, in violation of the False Claims Act, including the Certificates of Destruction which Defendant Cintas was required by its GSA Schedule Contract to provide to the government upon completion of each shredding service.

180. In fact, Defendant Cintas acknowledges in its GSA Contractor Catalog, which is available to federal agencies considering using its document-destruction services that “a Certificate of Destruction is provided once shredding is completed.”

181. Defendant Cintas knows when it provides these Certificates of Destruction that it has not delivered the services mandated by its GSA Schedule Contract.

182. Each Certificate of Destruction is, therefore, a false record under the False Claims Act.

183. Defendant Cintas' failure to shred sensitive government documents with equipment designed to meet the shred size mandated by its GSA Schedule Contract has caused substantial financial damages to the United States, and has exposed the United States to potentially serious security risks resulting from the improper and inadequate destruction of government records.

2. Cintas Subcontracts Via Third Party to Independent Contractors That Do Not Comply With the GSA Schedule Contract

184. Moreover, Cintas does not, in many cases across the United States, use its own equipment or employees when shredding sensitive government documents through its GSA Schedule Contract.

185. Rather, working through an intermediary, Ohio-based Carter Brothers Technology Group, Inc. ("CB Tech"), Cintas farms the work out to subcontractors who operate in areas where Cintas does not do business.

186. In April 2010, Cintas entered into a "Strategic Alliance Agreement" with CB Tech, under which CB Tech would manage a portfolio of subcontractors for Cintas. CB Tech, "at its sole discretion, or in consultation with Cintas, engages with subcontractors to service certain locations of . . . Cintas national contract Customers that Cintas is currently unable to service."

187. CB Tech provides Cintas labels for the subcontractors to place on containers into which customers throw documents to be destroyed, giving the appearance that Cintas employees are performing the work.

188. Under the terms of the form agreement each subcontractor enters into with CB Tech, the subcontractor “agrees to submit invoices directly to CB Tech for all services and/or products provided by it.”

189. The subcontractor must notify CB Tech, not Cintas, “within 24 hours of any security breach.”

190. CB Tech, not Cintas, retains the right to terminate the agreement for “quality of service reasons,” based on complaints from customers.

191. CB Tech, not Cintas, has the “right to audit any Subcontractor location that is providing service to a Customer site.”

192. CB Tech is a management firm with no substantive expertise in document destruction. According to its website, the company “subs out 100% of the services that we provide.”

193. The subcontractors that contract with CB Tech agree to indemnify both Cintas and CB Tech for any claims arising out of their shredding.

194. In helping Cintas service national contracts around the country, CB Tech routinely subcontracts with independent shredding companies that do not own or use shredding equipment that is “designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by ½ inch in length.”

195. On information and belief, one of the national contracts CB Tech helps manage for Cintas is its GSA Schedule Contract.

196. Cintas has, either knowingly or with reckless disregard, allowed CB Tech to hire independent subcontractors that failed to shred sensitive government records using

shredders “designed to produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by ½ inch in length.”

197. In seeking payment from the government for the work of CB Tech’s subcontractors, Cintas has therefore submitted numerous false claims for payment to the United States, in violation of the False Claims Act, for shredding services that fail to comply with the shred size mandated in its GSA Schedule Contract with the United States.

198. Defendant Cintas has, upon information and belief, submitted to Federal agencies numerous false records in support of these false claims, in violation of the False Claims Act, including the Certificates of Destruction which Defendant Cintas was required by its GSA Schedule Contract to provide to the government upon completion of each shredding service.

199. In fact, Defendant Cintas acknowledges in its GSA Contractor Catalog, which is available to federal agencies considering using its document-destruction services that “a Certificate of Destruction is provided once shredding is completed.”

200. Defendant Cintas knows or recklessly disregards the fact that, when it or CB Tech’s subcontractors provide these Certificates of Destruction for work performed by the subcontractors, the services mandated in the GSA Schedule Contract have not been delivered.

201. Each Certificate of Destruction is, therefore, a false record under the False Claims Act.

202. Defendant Cintas’ use, through a third-party intermediary, of independent subcontractors that fail to shred sensitive government documents using equipment

designed to meet the shred size mandated by its GSA Schedule Contract has caused substantial financial damages to the United States, and has exposed the United States to potentially serious security risks resulting from the improper and inadequate destruction of government records.

X. DEFENDANT CINTAS HAS VIOLATED SECTION 43(a) OF THE LANHAM ACT BY TOUTING ITS GSA SCHEDULE CONTRACT, MISREPRESENTING ITS SHREDDING CAPABILITIES AND DECEIVING CUSTOMERS ABOUT ITS QUALITY CONTROLS

1. Cintas Touts Its GSA Schedule Contract While Concealing Its Noncompliance With the Contract's Terms

203. Defendant Cintas uses its GSA Schedule Contract to market its business to private shredding customers without revealing that it is not in compliance with the terms of that contract.

204. For example, in July 2011, Defendant Cintas operated a booth at the Federal Office Systems Exposition (“FOSE”), a government information-technology convention that brings together industry leaders from various sectors, including records and information management.

205. In conjunction with FOSE, Defendant Cintas issued “best practices to help government agencies implement a successful records program to securely manage, maintain, and protect mission critical data.”

206. In announcing the release of its “best practices,” Defendant Cintas issued a press release inviting FOSE visitors to visit the Cintas booth “to learn about effective strategies and solutions for a secure, compliant records management program.”

207. The same press release touts that Cintas “has a General Services Administration (GSA) schedule award and provides cost-effective document shredding, storage and imaging programs.”

208. An October 2011 press release announcing Cintas’ release of a list of best practices to assist government agencies in transitioning analog records to digital format also boasts that Cintas “has a General Services Administration (GSA) schedule award and provides cost-effective document shredding, storage and imaging programs.”

209. Neither press release mentions that Defendant Cintas does not operate shredding equipment that can satisfy the shred-size specifications mandated by its GSA Schedule Contract.

210. Neither press release nor Cintas’ other statements about its document shredding for the federal government mentions that Defendant Cintas has submitted numerous false claims and false records—including false Certificates of Destruction issued after each time Cintas destroys documents for a federal agency—to the federal government based on its lack of compliance with its GSA Schedule Contract, in violation of the False Claims Act.

2. Cintas Misstates and Exaggerates the Quality of Its Services

211. Moreover, Defendant Cintas has built its document-shredding business through a robust marketing and advertising campaign that falsely touts the quality of its document-destruction services.

212. As part of this campaign, Defendant Cintas hosts “SmartShred” events, where mobile shredding trucks travel to various locations and offer free shredding services.

213. For Earth Day 2012, Defendant Cintas hosted more than 100 such events.

214. In advertising the “SmartShred” events, Defendant Cintas told consumers and businesses that it would “destroy documents using its SmartShred® process” and that the events “give the public a chance to safely dispose of confidential information.”

215. Defendant Cintas further advertised that its product would provide businesses “compliance with regulatory requirements.”

216. Other advertisements from the company make similar claims. According to one company video, “Cintas on-site shred units are equipped with SmartShred, our custom shredding process that cuts paper into unidentifiable confetti, not strips.”

217. Cintas has gone so far as to claim that it shreds documents “by pierce & tear method to meet the highest (DIN Level 6) security standards.” DIN Level 6 is the standard the National Security Agency designates for the shredding of top-secret documents. Such documents must be shredded to particles that are 1 mm X 5 mm (approximately 0.039 in. X 0.197 in.) or smaller.

218. In reality, the “SmartShred” process is nothing more than the standard “Pierce and Tear” method used in most mobile shredding trucks.

219. The “Pierce and Tear” method does not “destroy” documents or ensure that the resulting shreds are “unidentifiable.” “Pierce and Tear” trucks routinely produce strips and pieces of paper that are easily “identifiable,” including some the size of checks.

220. The “Pierce and Tear” method does not shred documents to DIN Level 6.

221. In fact, Defendant Cintas’ standard shred size is approximately 5/8-inch (15.875 mm) wide by 2¼ inches (57.15 mm) long, or about 907 mm². This is more than 180 times larger than the 5 mm² required of DIN Level 6.

3. Cintas Profits From Its Failure to Shred to the Sizes It Claims

222. Defendant Cintas reaps extensive economic benefits by failing to shred documents either to the size specified in its GSA Schedule Contract or to DIN Level 6, as advertised on its website.

223. Defendant Cintas acknowledges that its Document Management Services segment is heavily dependent on resale of shredded paper to paper recyclers.

224. In fiscal year 2011, the average price of these paper sales grew by 31 percent over the previous year. Excluding paper sales, the segment's revenue grew 8.2 percent organically (i.e., not counting growth from acquisitions) over fiscal year 2010; with the paper sales added in, the segment's revenue grew 15.3 percent.

225. On the other hand, in fiscal year 2012, the average price of paper resales fell by 6 percent. With paper revenues down, Cintas Document Management Services' revenue grew by only 5.8 percent over fiscal year 2011.

226. But if Defendant Cintas were shredding documents with shredders designed to "produce residue particle size not exceeding 1/32 inch in width with a 1/64-inch tolerance by 1/2 inch in length," as required by the GSA Schedule Contract, or to produce residue no larger than the 5 mm² required of DIN Level 6, the resulting paper shreds would be too small to resell to paper recyclers.

227. This would have a significant negative financial impact on Defendant Cintas' Document Management Services segment.

4. Cintas Misrepresents Its Quality Controls

228. Defendant Cintas also has consistently misrepresented the extent of its quality controls.

229. Cintas press releases and other promotional materials consistently tout the company's status as AAA Certified by the National Association for Information Destruction ("NAID"), a leading industry trade organization. Cintas trumpets that this status "verifies that Cintas adheres to the stringent information destruction security practices and standards defined by the organization." Moreover, a promotional video posted by the company to YouTube on September 12, 2011, describes how "shredded material is securely transported back to the Cintas Document Management facility, where it is baled and prepared for safe transfer to the recycler." Both statements are misleading and deceptive.

230. Though Cintas is AAA Certified by NAID, it regularly subcontracts, through its third-party intermediary, CB Tech, with independent shredding companies that are not so certified.

231. As noted above, CB Tech and Cintas in 2010 entered into a "Strategic Alliance Agreement," whereby CB Tech recruits, engages and manages subcontractors on Cintas' behalf.

232. CB Tech is a management firm with no substantive expertise in document destruction. According to its website, the company "subs out 100% of the services that we provide."

233. Cintas does not manage the work of its subcontractors, which agree to indemnify Cintas and CB Tech for any claims arising out of their shredding.

234. CB Tech uses a 94-point scale when auditing potential subcontractors for Cintas. NAID certification is worth two points on the scale.

235. In November 2012, CB Tech faxed to Security Shredding Service in Laurel, NE, a work order to handle document destruction for Shopko Hometown in O'Neill, NE.

236. At the time it sent the work order, CB Tech knew that Security Shredding Service was not certified by NAID.

237. At the time it sent the work order, CB Tech knew that Security Shredding Service was not even a member of NAID.

238. On information and belief, this is not the first time that CB Tech has engaged a non-NAID-certified firm to fulfill part of a Cintas national contract.

239. Cintas' customers rely on the company's assurances that they will receive service from an entity that "adheres to the stringent information destruction security practices" required by NAID, but they instead often receive the services of independent shredding companies that have not been certified as adhering to those standards.

240. Moreover, CB Tech provides designated Cintas labels for subcontractors to place on containers into which customers throw documents to be destroyed, giving the appearance that Cintas employees are performing the work.

241. This reinforces the belief, created by the Cintas video posted to YouTube on September 12, 2011, that documents will be "securely transported back to the Cintas Document Management facility," where they will be "baled and prepared for safe transfer to the recycler."

242. At the time the video was posted, Cintas already had been subcontracting with independent shredding companies through CB Tech for more than a year.

243. Shredded materials produced by these subcontractors are not “securely transported back to the Cintas Document Management facility” but are instead disposed of in various ways according to each subcontractor’s practices, which Cintas does not dictate or control.

244. Cintas leaves it to its third-party intermediary, CB Tech—a company without substantive experience in document destruction—to oversee independent subcontractors’ document-destruction practices.

5. Lanham Act Violations

245. Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides in pertinent part:

Any person who, on or in connection with any goods or services . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

- (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
- (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

246. Section 43(a) covers statements that are both literally false and those that are literally true or ambiguous but have the tendency to deceive consumers.

247. Defendant Cintas, in touting its GSA Schedule Contract, has made representations that tend to deceive consumers, into believing, in reliance on these representations, that Defendant Cintas is complying with the key provisions of the GSA Schedule Contract, and that Cintas is trusted by the United States Government to shred sensitive documents. In reality, Defendant Cintas is not complying with the terms of its GSA Schedule Contract and is profiting from its noncompliance through the paper it resells to paper recyclers.

248. Defendant Cintas, in advertising its document-destruction abilities, has made representations that tend to deceive consumers, in reliance on these representations, into believing that Defendant Cintas' document-destruction processes render documents "unidentifiable" and meet the standards of DIN Level 6.

249. Defendant Cintas, in touting its quality controls, has made representations that tend to deceive consumers, in reliance on these representations, into believing that only NAID-certified organizations will handle their sensitive documents and that their documents will be transported to secure Cintas facilities.

250. Knisely Security and Defendant Cintas are direct competitors for document-destruction services in central Pennsylvania.

251. As a competitor of Defendant Cintas, Knisely Security has been and likely will continue to be injured by customers' reliance on Cintas' deceptive and misleading representations.

252. Knisely Security has already lost business to Cintas from several entities, including, but not limited to, the following:

Name of Company	Location	Date Switched to Cintas
First National Bank	State College, PA Huntingdon, PA Holidaysburg, PA	August 2008
Mount Nittany Medical Center	State College, PA	November 2008
Edward Jones (7 branches)	Bellefonte, PA State College, PA (2) New Cumberland, PA Lemoyne, PA Harrisburg, PA Camp Hill, PA	August 2012
Geisinger-Shamokin Area Community Hospital	Coal Township, PA	February 2012
Community Service Group	Williamsport, PA	November 2011
CorVel Corporation	Mechanicsburg, PA	April 2012
William Penn Nursing Home	Lewistown, PA	August 2010
Sycamore Manor Health Center	Montoursville, PA	2008
TruGreen/Chemlawn	Lamar, PA	October 2011

253. Knisely Security has lost this business in whole or in part because of customers' reliance on Cintas' deceptive and misleading representations.

COUNT ONE
VIOLATION OF THE FALSE CLAIMS ACT
(31 U.S.C. § 3729)
Relator on Behalf of United States v. All Defendants

254. Relator incorporates by reference Paragraphs 1 through 253 of this First Amended Complaint as if fully set forth herein.

255. This claim is brought by Relator on behalf of the United States against the Defendants pursuant to the Federal False Claims Act, 31 U.S.C. §§ 3729(a)(1)(A) and (B) and (2), as well as 31 U.S.C. §3730(b).

256. Defendants knowingly presented or caused to be presented false and fraudulent claims for payment pursuant to their contracts with the GSA and other government agencies, in violation of 31 U.S.C. §3729(a)(1)(A).

257. Defendants have, as described above, submitted numerous false claims for payment to the United States, in violation of the False Claims Act, for shredding services that fail to comply with the shred size mandated in their respective GSA Schedule contracts with the United States.

258. Defendants have, upon information and belief, knowingly made, used or caused to be made, or used, false records or statements materials to false and fraudulent claims in the form of written certifications that they destroyed documents in compliance with GSA's and other government agencies' specifications for shredding, when in fact, they knowingly failed to comply with those specifications in violation of 31 U.S.C. §3729(a)(1)(B).

WHEREFORE, Relator prays for judgment against the Defendants as follows:

(a) Defendants be ordered to cease and desist from submitting and/or causing the submission of any more false claims or in any way from otherwise violating 31 U.S.C. § 3729 et seq.;

(b) That judgment be entered in Relator's favor and against Defendants in the amount of each and every false or fraudulent claim and so multiplied as provided by 31 U.S.C. § 3729(a), plus a civil penalty of not less than Five Thousand, Five Hundred Dollars (\$5,500.00) nor more than Eleven Thousand Dollars (\$11,000.00) per claim, as provided by 31 U.S.C. § 3729(a), to the extent such multiplied penalties shall fairly compensate the United States of America for losses resulting from the various schemes

undertaken by Defendants together with penalties for specific claims to be identified at trial after full discovery;

(c) That Relator be awarded the maximum amount allowed pursuant to the False Claims Act as cited and referenced herein;

(d) That judgment be granted for Relator and the United States and against Defendants for any costs, including, but not limited to, court costs, expert fees and all attorneys' fees incurred by Relator in the prosecution of this suit; and

(e) That Relator and the United States be entitled to any other relief that they are entitled to, whether by law or equity.

COUNT TWO
VIOLATION OF THE LANHAM ACT
(15 U.S.C. § 1125(a))
KNISELY SECURITY v. CINTAS

259. Plaintiff Knisely Security incorporates by reference Paragraphs 1 through 253 of this First Amended Complaint as if fully set forth herein.

260. This claim is brought by Knisely Security against Defendant Cintas pursuant to Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

261. As described above, Defendant Cintas has made numerous false and misleading representations regarding its GSA Schedule Contract, document-destruction services and quality controls, in violation of 15 U.S.C. § 1125(a).

262. These false and misleading representations have already and are likely to continue to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of Defendant Cintas and other persons or entities, or as to the

origin, sponsorship, or approval of Defendant Cintas' goods, services or commercial activities.

263. These false and misleading representations, when used in commercial advertising or promotion, have already and are likely to continue to misrepresent the nature, characteristics, qualities, or geographic origin of Defendant Cintas' goods, services or commercial activities.

264. Defendant Cintas' false and misleading representations are material, in that they are likely to influence purchasing decisions.

265. Defendant Cintas' goods and services that are the subject of its misleading and deceptive representations have travelled and will continue to travel in interstate commerce.

266. As a competitor of Defendant Cintas in the document-destruction industry, Knisely Security has suffered and is likely to continue to suffer injury, in the form of declining sales, from Defendant Cintas' false and misleading representations.

WHEREFORE, Knisely Security prays for judgment against Defendant Cintas as follows:

(a) Defendant Cintas be ordered to cease and desist from making any false or misleading representations regarding its goods, services or commercial activities, or in any way from otherwise violating 15 U.S.C § 1125(a);

(b) That judgment be entered in Knisely Security's favor and against Defendant Cintas, for (1) Defendant Cintas' profits from its Lanham Act violations, (2) any damages sustained by Knisely Security from such violations, and (3) the costs of this action, as provided by 15 U.S.C. § 1117(a);

(c) That judgment be granted for Knisely Security and against Defendant Cintas in an amount equal to Knisely Security's actual damages, so multiplied as provided by 15 U.S.C. § 1117(a);


(d) That judgment be granted for Knisely Security and against Defendant Cintas for any costs, including, but not limited to, court costs, expert fees and all attorneys' fees incurred by Knisely Security in the prosecution of this suit; and

(e) That Knisely Security be entitled to any other relief that it is entitled to, whether by law or equity.

Demand for Jury Trial

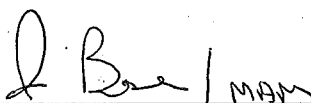
Pursuant to Rule 38 of the Federal Rules of Civil Procedure, qui tam Plaintiff and Knisely Security hereby demand a trial by jury.

PIETRAGALLO GORDON ALFANO
BOSICK & RASPANTI, LLP

By: 

Marc S. Raspanti, Esquire
Michael A. Morse, Esquire
Jesse Abrams-Morley, Esquire
I.D. Nos.: 41350; 80507; 314683
1818 Market Street, Suite 3402
Philadelphia, PA 19103
(215) 320-6200

THE BEASLEY FIRM, LLC

By: 

James E. Beasley, Jr., Esquire
Maxwell S. Kennerly, Esquire
I.D. Nos.: 83282, 203362
1125 Walnut Street
Philadelphia, PA 19107
(215) 592-1000

Counsel for Qui Tam Plaintiff
Douglas Knisely and
Knisely Security LLC