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21 *The Law Offices of Mitchell D. Bluhm and Associates,*
22 *LLC*

22 **UNITED STATES DISTRICT COURT**
23 **DISTRICT OF NEVADA**

24 AARGON AGENCY, INC., a Nevada
25 corporation; ACA INTERNATIONAL, a
26 Minnesota non-profit corporation; ALLIED
27 COLLECTION SERVICES, INC., a
28 Nevada corporation; ASSETCARE, LLC, a
Texas limited liability company;
BUSINESS AND PROFESSIONAL
COLLECTION SERVICE, INC., a Nevada

Case No.:
COMPLAINT

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1 corporation; CAPIO PARTNERS, LLC, a
2 Texas limited liability company; CF
3 MEDICAL, LLC, a Nevada limited
4 liability company; CLARK COUNTY
5 COLLECTION SERVICE, LLC, a Nevada
6 limited-liability company; COLLECTION
7 SERVICE OF NEVADA, a Nevada
8 corporation; DONNA ARMENTA, an
9 individual; DONNA ARMENTA LAW, a
10 Nevada law firm; NEVADA
11 COLLECTORS ASSOCIATION, a
12 Nevada non-profit corporation;
13 PLUSFOUR, INC., a Nevada corporation;
14 RM GALICIA d/b/a PROGRESSIVE
15 MANAGEMENT, LLC, a Nevada limited-
16 liability company; and THE LAW
17 OFFICES OF MITCHELL D. BLUHM &
18 ASSOCIATES, LLC, a Georgia limited
19 liability company,

20 Plaintiffs,

21 v.

22 SANDY O’LAUGHLIN, in her capacity as
23 Commissioner of State Of Nevada
24 Department Of Business And Industry
25 Financial Institutions Division,

26 Defendant.

27 Plaintiffs Aargon Agency, Inc. (“Aargon”), Allied Collection Services, Inc. (“Allied”),
28 Business and Professional Collection Service, Inc. (“BPCS”), Clark County Collection Service,
LLC (“CCCS”), PlusFour, Inc. (“PlusFour”), Donna Armenta (“Ms. Armenta”), Donna Armenta
Law (“Armenta Law”), and Nevada Collectors Association (“NCA”) (collectively, the “Nevada
Plaintiffs”), by and through their counsel of record, the law firm of Brownstein Hyatt Farber
Schreck, LLP, and Plaintiffs ACA International (“ACA”), AssetCare, LLC (“AssetCare”), Capio
Partners, LLC (“Capio”), CF Medical, LLC (“CF Medical”), RM Galicia d/b/a Progressive
Management, LLC (“Progressive”), and The Law Offices of Mitchell D. Bluhm & Associates, LLC
 (“MBA”) (collectively, the “Out of State Plaintiffs”), by and through their counsel of record, the
law firm of Sessions, Israel, and Shartle LLC, hereby allege and complain as follows:

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INTRODUCTION

1
2 1. This action seeks injunctive and other relief relating to a statute enacted by the
3 Nevada Legislature and signed into law on June 2, 2021 as Senate Bill (“S.B.”) 248. S.B. 248 is
4 set to go into effect on July 1, 2021.

5 2. Among other defects, S.B. 248 is in direct conflict with the Fair Debt Collection
6 Practices Act (the “FDCPA”), the Fair Credit Reporting Act (the “FCRA”), and NRS § 649.332,
7 and a debt collector must violate S.B. 248 to comply with these three statutes.

8 3. S.B. 248 violates the First Amendment, Fourteenth Amendment, and the Supremacy
9 Clause of the United States Constitution, as well as the preemption rules enacted under the FDCPA
10 and the FCRA.

11 4. As a result, S.B. 248 is unenforceable, unconstitutional, and preempted by federal
12 law. If S.B. 248 becomes effective, Plaintiffs will be irreparably harmed by being forced to attempt
13 and comply with S.B. 248 and, in so doing, violate federal law.

PARTIES, JURISDICTION AND VENUE

14
15 5. Aargon is an entity created pursuant to the laws of the State of Nevada and is a
16 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
17 licensed debt collector, Aargon engages in consumer debt collection and credit reporting on behalf
18 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
19 “furnisher of information” subject to the requirements of the FCRA.

20 6. ACA is a non-profit corporation organized and existing under the laws of the State
21 of Minnesota.

22 7. NCA is a non-profit cooperative corporation organized and existing under the law s
23 of the State of Nevada.

24 8. Many of the members of ACA and NCA are “collection agencies” as defined under
25 NRS Chapter 649 and thus are subject to its regulation. Other members are attorneys licensed to
26 practice law in the State of Nevada or law firms regulated by the State Bar of Nevada. ACA and
27 NCA members engage in debt collection as described in this Complaint. ACA and NCA have
28

1 representational standing in this action on behalf of their respective members, in accordance with
2 *Warth v. Seldin*, 422 U.S. 490 (1975), and its progeny.

3 9. Allied is an entity created pursuant to the laws of the State of Nevada and is a
4 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
5 licensed debt collector, Allied engages in consumer debt collection and credit reporting on behalf
6 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
7 “furnisher of information” subject to the requirements of the FCRA.

8 10. AssetCare is a foreign entity pursuant to the laws of the State of Nevada and is a
9 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
10 licensed debt collector, AssetCare engages in consumer debt collection and credit reporting on
11 behalf of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA
12 and a “furnisher of information” subject to the requirements of the FCRA.

13 11. BPCS is an entity created pursuant to the laws of the State of Nevada and is a
14 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
15 licensed debt collector, BPCS engages in consumer debt collection and credit reporting on behalf
16 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
17 “furnisher of information” subject to the requirements of the FCRA.

18 12. Capio is a foreign entity pursuant to the laws of the State of Texas and is a
19 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
20 licensed debt collector, Capio engages in consumer debt collection and credit reporting on behalf
21 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
22 “furnisher of information” subject to the requirements of the FCRA.

23 13. CF Medical is a foreign entity pursuant to the laws of the State of Nevada and is a
24 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
25 passive debt buyer, CF Medical engages debt collectors to face with consumers and collect debt
26 owned by CF Medical; therefore, the debt collectors hired by CF Medical are “debt collectors”
27 subject to the requirements of the FDCPA and are “furnishers of information” subject to the
28 requirements of the FCRA.

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1 14. CCCS is an entity created pursuant to the laws of the State of Nevada and is a
2 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
3 licensed debt collector, CCCS engages in consumer debt collection and credit reporting on behalf
4 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
5 “furnisher of information” subject to the requirements of the FCRA.

6 15. CSN is an entity created pursuant to the laws of the State of Nevada and is a
7 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
8 licensed debt collector, CSN engages in consumer debt collection and credit reporting on behalf of
9 its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
10 “furnisher of information” subject to the requirements of the FCRA.

11 16. PlusFour is an entity created pursuant to the laws of the State of Nevada and is a
12 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
13 licensed debt collector, PlusFour engages in consumer debt collection and credit reporting on behalf
14 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
15 “furnisher of information” subject to the requirements of the FCRA.

16 17. Progressive is an entity created pursuant to the laws of the State of Nevada and is a
17 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
18 licensed debt collector, Progressive engages in consumer debt collection and credit reporting on
19 behalf of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA
20 and a “furnisher of information” subject to the requirements of the FCRA.

21 18. MBA is a foreign entity pursuant to the laws of the State of Georgia and is a
22 “collection agency” licensed and regulated under NRS Chapter 649. As part of its duties as a
23 licensed debt collector, MBA engages in consumer debt collection and credit reporting on behalf
24 of its clients, and therefore is a “debt collector” subject to the requirements of the FDCPA and a
25 “furnisher of information” subjects to the requirements of the FCRA.

26 19. Except for the ACA, and NCA (industry trade groups), CF Medical (a passive debt
27 buyer), MBA, and AssetCare (collecting only on behalf of a passive debt buyer), each of the
28 foregoing debt collectors engage in the collection of unpaid delinquent medical debt on behalf of

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1 medical service providers, which includes physicians, health care providers, and providers of
2 emergency services. Generally, their arrangements with those medical providers are structured on
3 a contingency basis. In other words, for unpaid delinquent accounts sent to collection, these
4 medical providers do not get paid unless their debt collectors are successful in recovering said
5 accounts.

6 20. Donna Armenta (“Ms. Armenta”) is an individual and resident of the State of
7 Nevada. Ms. Armenta is an attorney licensed to practice law in the State of Nevada, and her law
8 practice is primarily in the area of consumer debt collection and is therefore subject to the FDCPA.

9 21. Donna Armenta Law (“Armenta Law”) is a Nevada law firm located in Clark
10 County, Nevada. Its practice is primarily in the area of consumer debt collection and is therefore
11 subject to the FDCPA.

12 22. Ms. Armenta and Armenta Law also represent medical providers and debt collectors
13 on a contingency basis, and do not get paid unless and until (a) the court awards a fee to the client
14 as a prevailing party; and (2) that judgment is actually collected.

15 23. In turn, many of the clients of Aargon, Allied, BPCS, Capio, CCCS, CSN, PlusFour,
16 Progressive, Ms. Armenta, and Armenta Law are medical service providers, including doctors,
17 specialists, medical offices, and hospitals. These providers retain licensed Nevada debt collectors
18 and attorneys for their unpaid delinquent accounts, under an arrangement in which they do not get
19 paid unless the debt collector and/or attorney is successful in collecting the unpaid debt. These
20 medical service providers, providing medical services to the public, do not possess the skill,
21 knowledge, infrastructure, resources or expertise to engage in debt collection on their own behalf,
22 and would be unable to collect unpaid delinquent debts if they were not able to engage the services
23 of a licensed debt collector or attorney. CF Medical purchases debt from medical service providers.
24 MBA and AssetCare collect on behalf of CF Medical.

25 24. In addition, many unpaid medical debts are incurred by out of state residents who
26 seek medical treatment while they are traveling to the State of Nevada. Medical service providers
27 are particularly ill-equipped to collect these out-of-state debts. Said debts are serviced and collected
28 by the collection agency plaintiffs.

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1 **B. S.B. 248 Is Impermissibly and Unconstitutionally Vague.**

2 34. S.B. 248 fails to define numerous key terms, making it unconstitutionally vague.

3 35. Specifically, Section 7, forbids collection agencies from “taking any action to collect
4 a medical debt” for sixty (60) days after first sending a required notice to a medical debtor (“Section
5 7 Notice”). However, Section 7 of S.B. 248 does not define the phrase “action to collect a medical
6 debt.” It is unclear whether the term “action” means the commencement of a civil action or to
7 certain collection “activity.” Section 7 further fails to define what activities would be considered
8 an “action to collect a medical debt” if the term were to encompass more than the commencement
9 of a civil action.

10 36. Section 7 of S.B. 248 is also silent as to what a debt collector may or may not do
11 when a certified or registered letter is returned undelivered, or when a debtor refuses delivery, as
12 there is no statutory instruction on how to comply with the requirement.

13 37. In addition, Section 7.5 allows a collection agency to accept a voluntary payment
14 from a medical debtor under certain circumstances, but fails to address whether a voluntary
15 payment may be accepted from a third person acting on behalf of a medical debtor, such as an
16 insurance company, a representative, a trustee, an executor, or even a family member.

17 38. Section 7.5 requires a debt collector, when accepting a payment, to disclose that (a)
18 “a payment is not demanded or due”; and (b) the medical debt will not be reported to a credit
19 reporting agency for a period of sixty days. Yet, Section 7.5 does not state whether this requirement
20 applies when a voluntary payment is made by mail, with the debt collector having no opportunity
21 to make the required disclosure under such circumstances.

22 39. Section 7.5 is also inconsistent with Section 7. Specifically, in the Section 7 Notice,
23 debt collectors are required to identify the medical provider that provided the goods or services “for
24 which the medical debt is owed.” In contrast, Section 7.5 requires debt collectors to state that the
25 debt “is not demanded or due.” These requirements contradict each other and require debt
26 collectors to make inconsistent representations to debtors.

27 40. Though NRS Chapter 649 exempts attorneys from its requirements, Section 8 of
28 S.B. 248 not only applies to collection agencies, it also applies to their “agents.” Nevada law holds

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1 that attorneys are “agents” of their clients. As such, S.B. 248 is impermissibly vague as to whether
2 S.B. 248 applies to attorneys representing collection agencies and whether attorneys such as Ms.
3 Armenta and Armenta Law are now subject to licensing by the Commissioner, and potentially
4 subject to civil suit if they choose to ignore S.B. 248.

5 41. S.B. 248 is silent as to whether its requirements apply to medical debts that were
6 already being serviced by collection agencies before July 1, 2021, the effective date of the law.
7 Plaintiffs cannot determine whether S.B. 248 regulates those accounts, including accounts for
8 which debtors have agreed to payment plans or have otherwise been communicating with collection
9 agencies.

10 42. S.B. 248 conflicts with existing provisions of Nevada law. Specifically, NRS
11 649.332 provides, “When collecting a debt on behalf of a hospital, within 5 days after the initial
12 communication with the debtor in connection with the collection of the debt, a collection agency
13 shall, unless the following information is included in the initial communication, send a written
14 notice to the debtor. . . .” The written notice required in NRS 649.332(2) requires a statement
15 indicating that:

- 16 (a) If the debtor pays or agrees to pay the debt or any portion of the debt, the
17 payment or agreement to pay may be construed as:
- 18 (1) An acknowledgment of the debt by the debtor; and
 - 19 (2) A waiver by the debtor of any applicable statute of limitations set
20 forth in [NRS 11.190](#) that otherwise precludes the collection of the
21 debt; and
- 22 (b) If the debtor does not understand or has questions concerning his or her legal
23 rights or obligations relating to the debt, the debtor should seek legal advice.

24 43. S.B. 248 is therefore in direct conflict with NRS 649.332, and it is unclear whether
25 the Nevada Legislature intended for NRS 649.332 to be repealed, or if this was simply overlooked
26 as S.B. 248 was solely enacted as temporary relief due to the COVID-19 pandemic.

27 44. As of July 1, 2021, collection agencies that are attempting to collect a hospital debt
28 cannot comply simultaneously with both S.B. 248 and NRS § 649.332.

1 45. S.B. 248 lacks sufficient definiteness that ordinary people can understand what
2 conduct is prohibited, and Plaintiffs have been left to guess at what its requirements are and the
3 extent to which they apply.

4 46. S.B. 248 fails to establish standards to permit the Commissioner to enforce the law
5 in a non-arbitrary, non-discriminatory manner.

6 47. S.B. 248 is void and violates the Due Process Clause of the Fourteenth Amendment
7 of the United States Constitution because it is impermissibly vague.

8 **C. S.B. 248 Is Preempted by the FDCPA.**

9 48. Article VI, Paragraph 2 of the United States Constitution (the “Supremacy Clause”)
10 establishes that the federal constitution and federal law take precedence over state laws.

11 49. While Section 816 of the FDCPA (codified at 15 U.S.C. § 1692o) allows states to
12 enact laws that afford greater protections than those provided for in the FDCPA, the FDCPA and
13 the Supremacy Clause do not allow states to enact laws that “are inconsistent” with any of the
14 provisions of the FDCPA.

15 50. S.B. 248 is inconsistent with the FDCPA in multiple respects. Specifically, Section
16 7 of S.B. 248 forbids collection agencies from “taking any action to collect a medical debt” for
17 sixty (60) days after first sending a required Section 7 Notice to a medical debtor.

18 51. The Section 7 Notice details the specific information that debt collectors must
19 provide. Because Section 7 prohibits debt collectors from taking “any action” other than providing
20 the information required in the Section 7 Notice, S.B. 248 prohibits debt collectors from taking any
21 other action, including providing any information in the Section 7 Notice other than what is
22 specifically required in Section 7. This prohibition, and others, contradicts numerous requirements
23 under the FDCPA.

24 *S.B. 248 Contradicts with the Federally-Required Mini-Miranda Warning.*

25 52. The required Section 7 Notice constitutes a “communication” within the meaning
26 of 15 U.S.C. § 1692a(2).

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1 53. Because Section 7 requires debt collectors to mail the Section 7 Notice before taking
2 “any action” to collect a debt, the Section 7 Notice in all instances will constitute an “initial
3 communication” within the meaning of 15 U.S.C. § 1692g(a).

4 54. 15 U.S.C. § 1692e(11) requires that in an initial communication with a debtor, a
5 debt collector must disclose “that the debt collector is attempting to collect a debt and that any
6 information obtained will be used for that purpose...” (the “Mini-Miranda Warning”).

7 55. Section 7 of S.B. 248 forbids collection agencies from “taking any action to collect
8 a medical debt” other than providing the information required in a Section 7 Notice.

9 56. As such, Section 7 forbids a debt collector from including the federally mandated
10 Mini-Miranda Warning in the Section 7 Notice.

11 57. As a result, to comply with Section 7, a debt collector must violate 15 U.S.C. §
12 1692e(11).

13 58. In addition, because Section 7 forbids a debt collector from “taking any action to
14 collect a medical debt” after mailing the Section 7 Notice, a debt collector is prohibited from
15 making the Mini-Miranda disclosure or otherwise complying with 15 U.S.C. § 1692e(11) when the
16 debtor voluntarily contacts the debt collector. Here too, a debt collector must violate 15 U.S.C. §
17 1692e(11) to comply with Section 7.

18 59. Moreover, 15 U.S.C. § 1692(e)(11) requires a collection agency to advise a
19 consumer in any subsequent communication that the communication is from a debt collector.
20 Section 7 forbids a debt collector from providing this federally required disclosure if a Nevada
21 consumer wishes to make a voluntary payment.

22 60. In addition, Section 7.5 of S.B. 248 requires debt collectors to state that the debt “is
23 not demanded or due” when a debtor contacts the debt collector. This mandated disclosure is
24 inconsistent with the federally required Mini-Miranda Notice, which requires debt collectors to
25 state that the communication “is an attempt to collect a debt.”

26 61. The Section 7.5 disclosure requiring debt collectors to state that the debt “is not
27 demanded or due” is even inconsistent with the requirements of the Section 7 Notice, where a debt
28 collector must identify the health care provider that provided the goods or services “for which the

1 medical debt is owed.” Section 7 and 7.5 therefore mandate that debt collectors state that a debt is
2 both “owed” and “not demanded or due.”

3 62. As a result, S.B. 248 requires debt collectors to mislead debtors when collecting a
4 medical debt, triggering a violation of 15 U.S.C. § 1692e (prohibiting the use of “any false,
5 deceptive or misleading representation” and § 1692e(11).

6 *S.B. 248 Interferes with the Federally-Required Validation Notice.*

7 63. In addition, 15 U.S.C. § 1692g(a)(3-5) requires that “[w]ithin five days after the
8 initial communication with a consumer in connection with the collection of any debt, a debt
9 collector shall . . . send the consumer a written notice containing,” among other things:

- 10 a. A statement that unless the consumer, within thirty days after receipt of the notice,
11 disputes the validity of the debt, or any portion thereof, the debt will be assumed to
12 be valid by the debt collector;
- 13 b. A statement that if the consumer notifies the debt collector in writing within the
14 thirty-day period that the debt, or any portion thereof, is disputed, the debt collector
15 will obtain verification of the debt or a copy of a judgment against the consumer and
16 a copy of such verification or judgment will be mailed to the consumer by the debt
17 collector; and
- 18 c. A statement that, upon the consumer’s written request within the thirty-day period,
19 the debt collector will provide the consumer with the name and address of the
20 original creditor, if different from the current creditor.

21 64. The foregoing required information is commonly referred to as a “Validation Notice
22 required by the FDCPA.

23 65. Because Section 7 of S.B. 248 forbids collection agencies from “taking any action
24 to collect a medical debt” other than sending a letter with the information required in the Section 7
25 Notice, Section 7 forbids a debt collector from including a Validation Notice in the Section 7
26 Notice.

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1 66. Because Section also forbids a debt collector from taking “any action” for sixty (60)
2 days thereafter, Section 7 similarly forbids debt collectors from sending a separate Validation
3 Notice within five days after its initial communication with the debtor.

4 Accordingly, S.B. 248 requires debt collectors to violate 15 U.S.C. § 1692g(a). S.B. 248 Interferes
5 with a Debt Collector’s Express Federal Right to Engage In Debt Collection and Communicate
6 with Debtors after Sending the Validation Notice.

7 67. 15 U.S.C. § 1692g(b) expressly states that, after a debt collector provides the
8 required Validation Notice, “[c]ollection activities and communications that do not otherwise
9 violate this subchapter **may continue** during the 30-day period referred to in subsection (a)....”

10 68. Section 7 is in direct conflict and inconsistent with the FDCPA’s express allowance
11 that debt collectors may continue to collect a debt and communicate with a debtor for thirty days
12 after sending the Validation Notice.

13 69. Therefore, Section 7 of S.B. 248 interferes with the Plaintiffs’ federal right to engage
14 in debt collection after sending a Validation Notice.

15 S.B. 248 Prevents a Debt Collector From Providing Verification of a Debt.

16 70. 15 U.S.C. § 1692g(b) also provides that, if a debtor requests verification of a debt
17 within thirty days after receiving a Validation Notice, the debt collector must cease collection of
18 that debt until it provides verification of the debt. However, Section 1692g(b) allows debt
19 collectors to respond and provide verification immediately, and then allows debt collections to
20 resume collection of the debt.

21 71. S.B. 248 prohibits debt collectors from verifying disputed debts until after the
22 conclusion of Section 7’s sixty (60) day window.

23 72. As a result, S.B. 248 interferes with a collection agency’s statutory obligation under
24 the FDCPA to provide verification of a disputed debt, as well as its right to engage in debt collection
25 after providing said verification.

26 73. Further, S.B. 248 hurts Nevada consumers by denying them information where
27 Nevada consumers have expressly asked for verification, as the debt collectors are statutorily
28 prohibited from taking any action for sixty (60) days.

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1 *S.B. 248 Places Debt Collectors at Risk of Misrepresentation under the FDCPA.*

2 74. 15 U.S.C. § 1692e prohibits debt collectors from making false representations, and
3 specifically prohibits debt collectors from threatening to take any action “that cannot legally be
4 taken or that is not intended to be taken.” 15 U.S.C. § 1692e(5).

5 75. The Section 7 Notice requires debt collectors to identify the medical provider “for
6 which the medical debt is owed” and represent that either (a) the debt “has been assigned to the
7 collection agency for collection”; or (b) the “collection agency has otherwise obtained the medical
8 debt for collection.”

9 76. Section 7 simultaneously prohibits debt collectors from “taking any action to collect
10 a medical debt,” even though it requires debt collectors to represent that the debt has been placed
11 for collection and that the amount is due.

12 77. Section 7 requires debt collectors to falsely suggest an immediate intent to collect
13 on the debt when the debt collector is actually barred from collecting the debt for sixty (60) days,
14 leaving collection agencies in the untenable position of having to choose whether to violate Section
15 7 or 15 U.S.C. § 1692e(5).

16 78. S.B. 248 requires debt collectors to send the Section 7 Notice, which necessarily
17 suggests the collection agency is about to engage in debt collection activity.

18 79. Yet, Section 7 prohibits a collection agency from taking any action for at least sixty
19 (60) days, effectively requiring collection agencies to violate 15 U.S.C. § 1692e(5).

20 **D. S.B. 248 Is Preempted By the FCRA.**

21 80. The Supremacy Clause establishes that the federal constitution and federal law take
22 precedence over state laws.

23 81. S.B. 248 is inconsistent with the FCRA in multiple respects. Specifically, Section
24 7 forbids collection agencies from “taking any action to collect a medical debt” for sixty (60) days
25 after first mailing a Section 7 Notice.

26 82. To the extent furnishing information to consumer reporting agencies constitutes an
27 “action to collect a debt” within the meaning of S.B. 248, S.B. 248 prohibits credit reporting a
28 medical debt for sixty (60) days after a collection agency mails the Section 7 Notice to a debtor.

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1 83. In contrast, the FCRA contains a detailed and comprehensive statutory scheme
2 governing credit reporting, including duties for furnishers of information. *See* 15 U.S.C. § 1681s-
3 2.

4 84. The FCRA also contains detailed provisions governing the reporting of medical
5 debts incurred by veterans of the U.S. Military. *See* 15 U.S.C. § 1681c.

6 85. The FCRA expressly preempts any state law “with respect to any subject matter”
7 concerning the responsibilities of persons who furnish information to consumer reporting
8 agencies. 15 U.S.C. § 1681t(b)(1)(F).

9 86. S.B. 248 purports to prohibit the furnishing of information concerning all medical
10 debt, including the medical debts of veterans, for at least sixty (60) days after mailing of a Section
11 7 Notice.

12 87. S.B. 248 not only prohibits all credit reporting, but it also prohibits collection
13 agencies from updating the information they have already furnished to consumer reporting
14 agencies.

15 88. In fact, S.B. 248 prohibits collection agencies from communicating with debtors
16 about their credit disputes, and prohibits collection agencies from taking action to address those
17 disputes.

18 89. The FCRA preempts S.B. 248 because it imposes restrictions and prohibitions on
19 the furnishing of information to consumer reporting agencies and the reporting of medical debt
20 relating to military veterans, in violation of 15 U.S.C. § 1681t(b)(1)(F).

21 90. In addition, Section 7 is impliedly preempted by federal law because its prohibition
22 stands as an obstacle to the accomplishment and execution of the full purposes and objectives of
23 Congress and interferes with the methods by which the FCRA was designed to reach its goal.

24 91. Specifically, 15 U.S.C. § 1681 sets forth the purposes of the FCRA, which include:
25 (a) accuracy of credit reporting; and (b) fairness of credit reporting. In addition, Congress directed
26 that the purpose of the FCRA was to require the adoption of “reasonable procedures for meeting
27 the needs of commerce for consumer credit....”
28

1 92. S.B. 248 interferes with and undermines the purpose of the FCRA by preventing
2 accurate information to be furnished in a timely manner to consumer reporting agencies and
3 therefore interferes with the ability of potential lenders and creditors from seeing the true status of
4 a borrower’s credit history.

5 **E. S.B. 248 Constitutes a Prior Restraint on Constitutionally Protected Speech and**
6 **Prohibits Access to Courts.**

7 93. S.B. 248 imposes prior restraints on truthful, constitutionally protected speech
8 between collection agencies and debtors. It is a content-based restriction because it applies to
9 particular speech based upon the topic discussed or the idea or message expressed. S.B. 248, on its
10 face and as applied, draws distinctions based on the message a speaker conveys.

11 94. S.B. 248 prevents collection agencies from communicating in any fashion with
12 medical debtors prior to mailing a Section 7 Notice.

13 95. In addition, S.B. 248 prevents collection agencies from communicating about a
14 medical debt in any fashion with a debtor, even if a debtor voluntarily contacts the collection agency
15 within the sixty (60) day period after mailing of the Section 7 Notice.

16 96. Specifically, when a debtor voluntarily communicates with a collection agency
17 during the sixty (60) day period, a collection agency may only provide the information set forth in
18 Section 7.5 and may literally say nothing else because it would constitute an “action to collect a
19 medical debt” in violation of Section 7.

20 97. S.B. 248 also prohibits collection agencies from reporting unpaid debts debt to
21 consumer reporting agencies during that sixty (60) day period.

22 98. The sixty (60) day restriction is a prior restraint on constitutionally protected speech
23 because it prohibits Plaintiffs from communicating truthful speech about the debt and the debtor to
24 third parties.

25 99. In addition, Section 7 prohibits the filing of any civil action to collect a debt for at
26 least sixty days after the Section 7 Notice is mailed, barring all access to courts during the sixty
27 (60) day period.

28

1 100. Defendant cannot overcome the presumption of unconstitutionality that arises from
2 a content-based restriction and cannot establish that S.B. 248 is narrowly tailored to serve
3 compelling state interests. The Statute, therefore, fails strict scrutiny review.

4 101. S.B. 248 also fails intermediate scrutiny review because it is not content neutral and
5 because Defendant cannot demonstrate it serves a substantial state interest and is designed in a
6 reasonable way to accomplish that end.

7 **F. S.B. 248 Violates the Equal Protection Clause.**

8 102. S.B. 248 was introduced and sold to the Nevada Legislature as providing COVID-
9 19 relief to consumers. Yet, its prohibitions and requirements are permanent, and the law appears
10 to have been introduced based upon a false premise.

11 103. Regardless, even under a “conceivable” rational basis analysis, S.B. 248 is
12 impermissibly underinclusive because it applies to collection agencies, and possibly attorneys, but
13 does not apply to medical service providers who are attempting to collect their own debt. The
14 Legislature asserted no rational basis for this distinction during session, considered no evidence
15 justifying this distinction, and there is no conceivable rational basis for this distinction.

16 104. In addition, S.B. 248 is impermissibly underinclusive because NRS Chapter 649
17 exempts banks and other creditors and nonprofit cooperative associations from the same rules, even
18 though Section 2 of S.B. 248 specifically governs the financing or extension of credit by third
19 parties. *See* NRS 649.020(2). The Legislature asserted no rational basis for this distinction during
20 session, considered no evidence justifying this distinction, and there is no conceivable rational basis
21 for this distinction.

22 105. S.B. 248 is also underinclusive because it applies only to the collection of “medical
23 debt.” It does not govern non-medical debt, and the Nevada Legislature offered no rational basis
24 (and none exists) as to why it chose to regulate medical debt only, instead of all debt collection.
25 The Legislature asserted no rational basis for this distinction during session, considered no evidence
26 justifying this distinction, and there is no conceivable rational basis for this distinction.

27 106. As a result, S.B. 248 violates the Equal Protection Clause of the Fourteenth
28 Amendment of the U.S. Constitution.

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FIRST CLAIM FOR RELIEF

(Declaratory Relief)

107. Plaintiffs incorporate and reallege the previous paragraphs as though fully set forth herein.

108. The parties in this action are adverse and there is an actual controversy because they disagree as to whether S.B. 248 is (a) constitutional; (b) preempted by federal law; and (c) can be complied with.

109. Defendant has made it her unambiguous intention to enforce S.B. 248.

110. The respective rights of the parties, as to whether S.B. 248 is enforceable, must be determined.

111. The foregoing issues are ripe for judicial determination because there is a substantial controversy between parties having adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

112. Plaintiffs have been forced to retain counsel to prosecute this action and are thus entitled to an award of attorney’s fees and costs as provided by applicable law.

SECOND CLAIM FOR RELIEF

(42 U.S.C. § 1983)

113. Plaintiffs incorporate and reallege the previous paragraphs as though fully set forth herein.

114. 42 U.S.C. § 1983 provides a civil right of action against any person who, under color of state law, deprives any person of the rights, privileges, or immunities secured by the Constitution and laws.

115. The Commissioner has been charged with enforcing the provisions of S.B. 248 and, as such, is acting under color of state law within the meaning of 42 U.S.C. § 1983.

116. S.B. 248 violates the federally protected rights of Plaintiffs, including rights of free speech under the First Amendment of the United States Constitution, rights under the Due Process and Equal Protection Clauses of the Fourteenth Amendment to the United States Constitution,

1 rights guaranteed by the Supremacy Clause of the United States Constitution, 15 U.S.C. § 1681t,
2 and 15 U.S.C. § 1692o.

3 117. Implementation and enforcement of S.B. 248 will have deleterious effect on
4 Plaintiff, its members and Nevada consumers.

5 118. Compliance with S.B. 248 will create automatic violations of the FDCPA and
6 Nevada law, Plaintiffs unable to comply with both state and federal law.

7 119. S.B. 248 is impermissibly vague and ambiguous as it imposes requirements leaving
8 Plaintiffs unclear with how to comply.

9 120. Plaintiffs will suffer irreparable harm to their constitutional rights if S.B. 248 is
10 enforced. Plaintiffs' injuries will continue and be repeated each day S.B. 248 is law and permitted
11 to remain in force, in violation of the United States Constitution.

12 121. Plaintiffs have a substantial likelihood of success on the merits because S.B. 248 is
13 facially unconstitutional preempted by federal law.

14 122. Plaintiffs have no adequate remedy at law because legal relief cannot remedy the
15 imminent denial of fundamental constitutional rights. Unless S.B. 248 is found unconstitutional
16 and ceases to be law, Plaintiffs' rights will continue to be violated.

17 123. The balance of harm as to irreparable injury to Plaintiffs in comparison to the "harm"
18 to Defendant weighs heavily in Plaintiffs' favor. When a law that legislators or voters wish to enact
19 is likely unconstitutional, their interests do not outweigh those of the Plaintiff in having their
20 constitutional rights protected. *Coalition For Econ. Equity v. Wilson*, 112 F.3d 692, 699 (9th Cir.
21 1997).

22 124. The granting of injunctive relief will be in the public interest in that there is always
23 a public interest in the protection of constitutional rights, especially fundamental rights. Moreover,
24 enforcement of S.B. 248 will actually deprive Nevada consumers of rights afforded to them under
25 federal law.

26 125. Plaintiffs have been deprived of fundamental liberty rights in violation of the United
27 States Constitution.

28

1 126. As a direct and proximate result of the violations contained in S.B. 248, Plaintiffs
2 are entitled to preliminary and permanent injunctive relief.

3 127. Plaintiffs have been forced to retain counsel to prosecute this action and are thus
4 entitled to an award of reasonable attorney’s fees and costs as provided by applicable law, including
5 Federal Rule of Civil Procedure 54(d) and 42 U.S.C. § 1988.

6 **PRAYER FOR RELIEF**

7 WHEREFORE, Plaintiffs pray for relief from this Court as follows:

8 1. For a declaratory judgment holding that S.B. 248 is unenforceable because (a) it
9 violates the U.S. Constitution; and (b) that its various provisions are preempted by federal law;

10 2. For prospective injunctive relief, including a temporary restraining order and
11 preliminary and permanent injunctive relief enjoining enforcement of S.B. 248 and holding that
12 S.B. 248 is unenforceable because (a) it violates the U.S. Constitution; and (b) that its various
13 provisions are preempted by federal law;

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- 3. For attorney’s fees and costs of suit; and
- 4. For any additional relief this Court deems just and proper.

DATED this 25th day of June, 2021.

/s/ Patrick J. Reilly
 Patrick J. Reilly, Esq.
 BROWNSTEIN HYATT FARBER SCHRECK, LLP
 100 North City Parkway, Suite 1600
 Las Vegas, NV 89106-4614

Attorneys for Aargon Agency, Inc., Allied Collection Services, Inc., Business and Professional Collection Service, Inc., Clark County Collection Service, LLC, Collection Service of Nevada, PlusFour, Inc., Donna Armenta, Donna Armenta Law, and the Nevada Collectors Association

DATED this 25th day of June, 2021.

/s/ David Israel
 David Israel, Esq. (*pro hac vice forthcoming*)
 SESSIONS ISRAEL & SHARTLE
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Attorneys for ACA International, AssetCare, LLC, Capio Partners, LLC, CF Medical, LLC, RM Galicia d/b/a Progressive Management, LLC, and The Law Offices of Mitchell D. Bluhm and Associates, LLC

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

AARGON AGENCY, INC.; et al.

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

Patrick J. Reilly - Brownstein Hyatt Farber Schreck, 100 N. City Pkwy #1600, Las Vegas, NV 89102/702.382.2101

DEFENDANTS

SANDY O'LAUGHLIN, Commissioner

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government Not a Party), 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, PTF DEF, 1 1, 2 2, 3 3, 4 4, 5 5, 6 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Click here for: Nature of Suit Code Descriptions.

Table with columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Includes various legal categories like Insurance, Personal Injury, Real Estate, etc.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District, 6 Multidistrict Litigation - Transfer, 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity): 42 U.S.C. Section 1983. Brief description of cause: Challenge to S.B. 248

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ 0 CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE DOCKET NUMBER

DATE SIGNATURE OF ATTORNEY OF RECORD

June 25, 2021 /s/ Patrick J. Reilly

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE

AO 440 (Rev. 06/12) Summons in a Civil Action

UNITED STATES DISTRICT COURT

for the

District of Nevada

AARGON AGENCY, INC.; ACA INTERNATIONAL;
ALLIED COLLECTION SERVICES, INC.;
ASSETCARE, LLC; BUSINESS AND
PROFESSIONAL COLLECTION, INC.; et al.

Plaintiff(s)

v.

SANDY O'LAUGHLIN, in her capacity as
Commissioner of the State of Nevada Department of
Business and Industry Financial Institutions Division

Defendant(s)

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: (Defendant's name and address) SANDY O'LAUGHLIN, Commissioner
State of Nevada, Department of Business & Industry
Financial Institutions Division
3300 W. Sahara Avenue, Suite 250
Las Vegas, NV 89102

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you
are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ.
P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of
the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney,
whose name and address are:

Patrick J. Reilly, Esq.
BROWNSTEIN HYATT FARBER SCHRECK LLP
100 North City Parkway, Suite 1600
Las Vegas, NV 89106-4614

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint.
You also must file your answer or motion with the court.

CLERK OF COURT

Date: 06/25/2021

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE

(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))

This summons for *(name of individual and title, if any)* _____
was received by me on *(date)* _____ .

I personally served the summons on the individual at *(place)* _____
_____ on *(date)* _____ ; or

I left the summons at the individual's residence or usual place of abode with *(name)* _____
_____, a person of suitable age and discretion who resides there,
on *(date)* _____ , and mailed a copy to the individual's last known address; or

I served the summons on *(name of individual)* _____ , who is
designated by law to accept service of process on behalf of *(name of organization)* _____
_____ on *(date)* _____ ; or

I returned the summons unexecuted because _____ ; or

Other *(specify)*: _____

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00 _____ .

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc: