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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

AMAZON.COM, INC.,

Defendant.

Case No. _____

**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF**

COMPLAINT
Case No. _____

Federal Trade Commission
600 Pennsylvania Avenue N.W.
Washington, DC 20580
(202) 326-2222

1 Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

2 1. The FTC brings this action under Section 13(b) of the Federal Trade Commission
3 Act (“FTC Act”), 15 U.S.C. § 53(b), to obtain preliminary and permanent injunctive relief,
4 rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-
5 gotten monies, and other equitable relief for Defendant’s acts or practices in violation of Section
6 5(a) of the FTC Act, 15 U.S.C. § 45(a), in connection with Defendant’s billing for charges
7 related to activity within software applications (“apps”) consumers download to their mobile
8 devices from Defendant’s app store.

9 **JURISDICTION AND VENUE**

10 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a),
11 and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

12 3. Venue is proper in this district under 28 U.S.C. § 1391(b)(1), (b)(2), (c)(2), and
13 (d), and 15 U.S.C. § 53(b).

14 **PLAINTIFF**

15 4. The FTC is an independent agency of the United States Government created by
16 statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),
17 which prohibits unfair or deceptive acts or practices in or affecting commerce.

18 5. The FTC is authorized to initiate federal district court proceedings, by its own
19 attorneys, to enjoin violations of the FTC Act and to secure such equitable relief as may be
20 appropriate in each case, including rescission or reformation of contracts, restitution, the refund
21 of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. § 53(b).

22 **DEFENDANT**

23 6. Defendant Amazon.com, Inc. (“Amazon”) is a Delaware corporation with its
24 principal place of business in Seattle, Washington. Amazon transacts or has transacted business
25 in this district and throughout the United States. At all times material to this Complaint, acting
26 alone or in concert with others, Amazon has advertised, marketed, promoted, distributed, offered

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1 for sale, or sold apps that can be downloaded from Amazon’s Appstore and installed on its
2 Kindle Fire and Kindle Fire HD devices (“Kindle Fires”), or on mobile devices running the
3 Android operating system (“Android mobile devices”).

4 **COMMERCE**

5 7. At all times material to this Complaint, Amazon has maintained a substantial
6 course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act,
7 15 U.S.C. § 44.

8 **DEFENDANT’S BUSINESS PRACTICES**

9 8. Amazon offers thousands of apps through its mobile app store, including games
10 that children are likely to play. In many instances, after installation, children can obtain virtual
11 items within a game, many of which cost real money. Amazon bills charges for items that cost
12 money within the app—“in-app charges”—to the parent. Amazon began billing for in-app
13 charges in November 2011, well after media reports about children incurring unauthorized
14 charges in similar apps from other mobile app stores. Amazon nonetheless often has failed to
15 obtain parents’ or other account holders’ informed consent to in-app charges incurred by
16 children. Just weeks after Amazon began billing for in-app charges, consumer complaints about
17 unauthorized charges by children on Amazon’s mobile devices reached levels an Amazon
18 Appstore manager described as “near house on fire[.]” In total, parents and other Amazon
19 account holders have suffered significant monetary injury, with thousands of consumers
20 complaining about unauthorized in-app charges by their children, and many consumers reporting
21 up to hundreds of dollars in such charges.

22 **Background on Amazon’s Appstore**

23 9. Amazon offers apps through its Appstore, a digital store preloaded on Kindle
24 Fires and available for installation on Android mobile devices. Apps provide a wide variety of
25 mobile computing functionality, allowing users to, for example, watch television shows, check
26 the weather, or play games.

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1 10. Before it agrees to offer any app designed by a third-party developer in the
2 Appstore, Amazon reviews the app’s functionality, content, and user experience. Amazon
3 generally assigns each app it sells to at least one topical category, such as “Games” or “News &
4 Magazines.” Certain categories expand into subcategories. The “Games” category, for instance,
5 includes subcategories like “Kids” and “Strategy.” Amazon also groups apps by price, including
6 the top “Free” apps and top “Paid” apps.

7 11. Amazon offers apps for free or a specific dollar amount. Amazon also charges
8 account holders for certain user activities within some apps. These in-app charges generally
9 range from \$0.99 to \$99.99 and can be incurred in unlimited amounts. In many instances, the
10 apps containing in-app charges are games that children are likely to play.

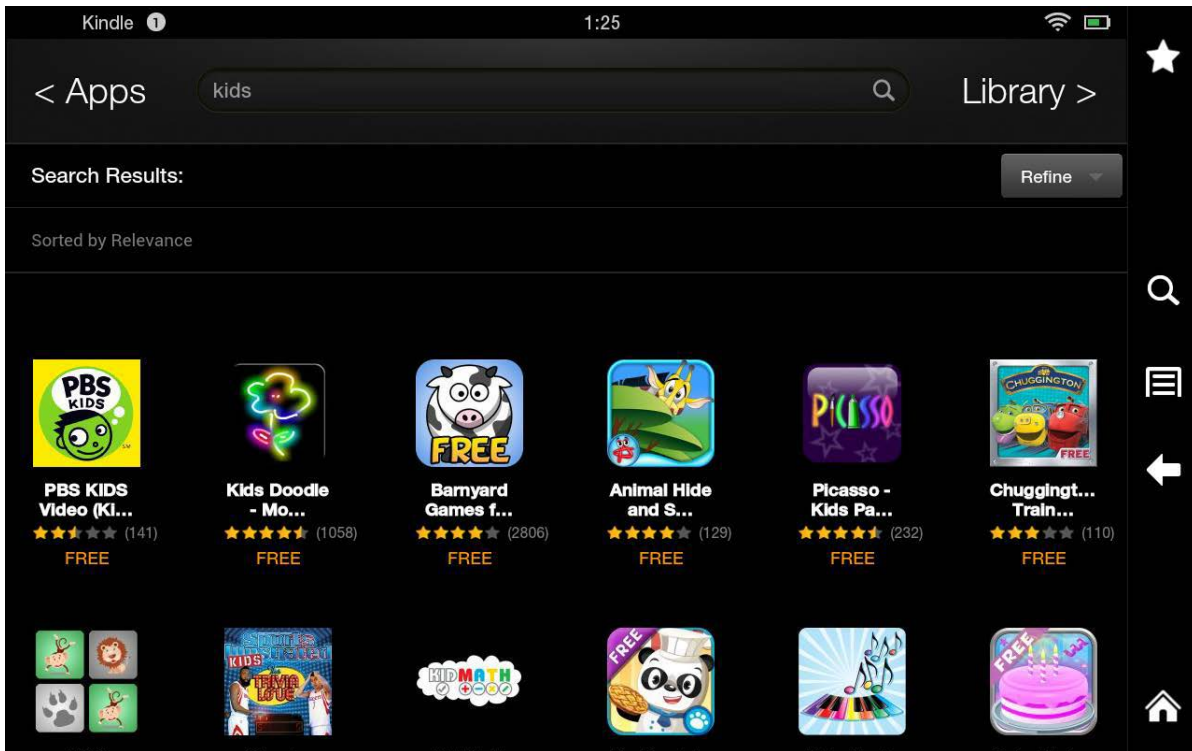
11 12. Amazon controls the billing process for in-app charges and retains 30% of all
12 revenue from in-app charges, amounting to tens of millions of dollars to date.

13 **Installing an App from Amazon’s Appstore**

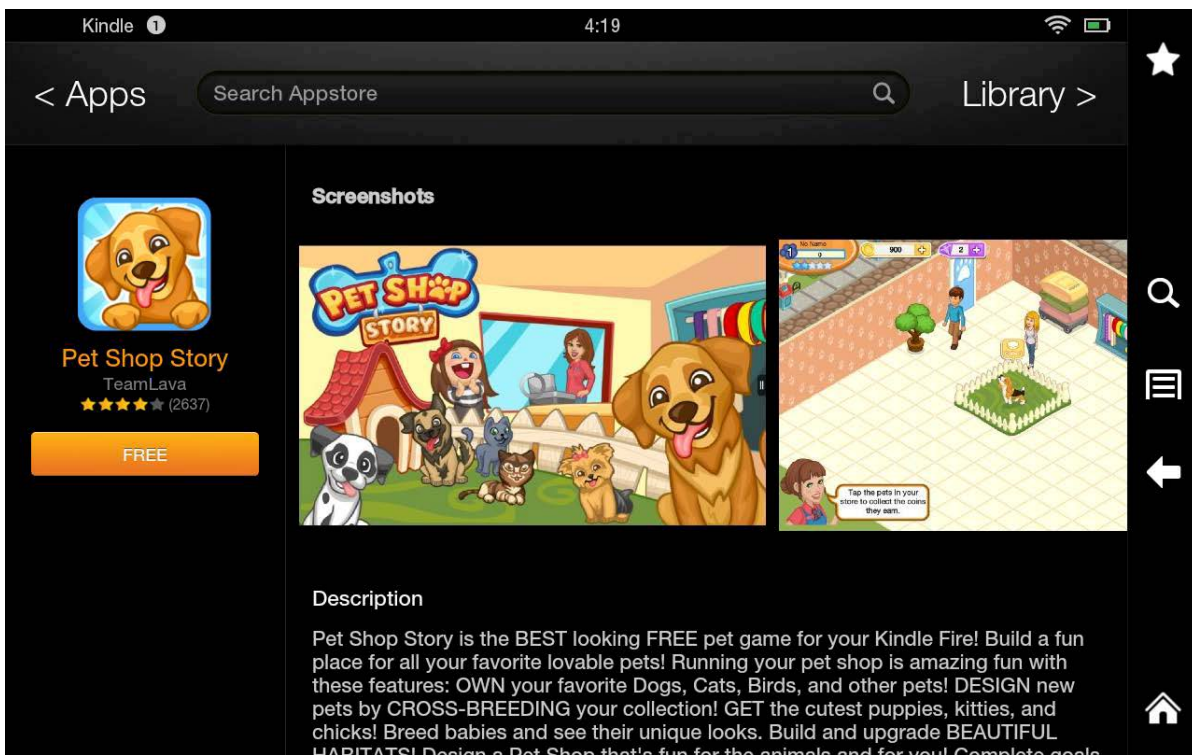
14 13. Before consumers can install any app, Amazon requires that consumers link their
15 mobile device to an Amazon account funded by a payment method such as a credit card or
16 Amazon.com gift card. To install an app, a parent or other account holder must first locate it by
17 searching for the app by keyword (*e.g.*, the name of the app) or by browsing the various
18 categories and subcategories within the Appstore. In both cases, Amazon displays search results
19 or the contents of a category in rows of app icons accompanied by the name of the app, a user
20 rating, and the price of the app. An example of the results for a keyword search of the word
21 “kids” appears below.

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14. By clicking on an app's icon, the account holder can access the app's detail page, such as the one below.



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1 If an account holder scrolls through the detail page, he or she can view the full app description,
2 the app’s age rating (*e.g.*, “All Ages”), and other information.

3 15. Amazon generally appends a note to the end of app descriptions (and often
4 “below the fold,” meaning that viewers cannot see it without scrolling down) that mentions in-
5 app charges, but does not explain how or when Amazon seeks account holder authorization for
6 in-app charges. About a year and a half after it began billing in-app charges, Amazon began
7 including a “Key Details” section on the upper right-hand side of the app description that
8 mentions in-app charges, but also does not explain how or when Amazon seeks account holder
9 authorization for in-app charges.

10 16. On the left-hand side of each app’s detail page is a button (the “Price Button”)
11 labeled with the price of the app: either “FREE” or a specific dollar amount. To initiate app
12 installation, an account holder must press the Price Button. When pressed, the Price Button
13 changes so that it displays the words “Get App” instead of the price. If pressed again, the app
14 installation process begins.

15 **Incurring In-App Charges**

16 17. After an account holder installs an app, a user can incur in-app charges. In many
17 instances—including in apps that children are likely to play and that are, for example, searchable
18 under the keyword “kids”—these users are children. In many instances, parents have
19 complained that their children could not or did not understand that their activities while playing
20 the app could result in charges that cost real money.

21 18. When a user engages in an activity associated with an in-app charge (*e.g.*, clicking
22 on a button to acquire virtual treats for use in a game), Amazon displays a popup containing
23 information about the virtual item and the amount of the charge (the “Charge Popup”). A child,
24 however, can clear the Charge Popup simply by pressing a button labeled “Get Item.”

25 19. In many instances, once a user clears the Charge Popup, Amazon does not request
26 any further action before it bills the account holder for the corresponding in-app charge. In these

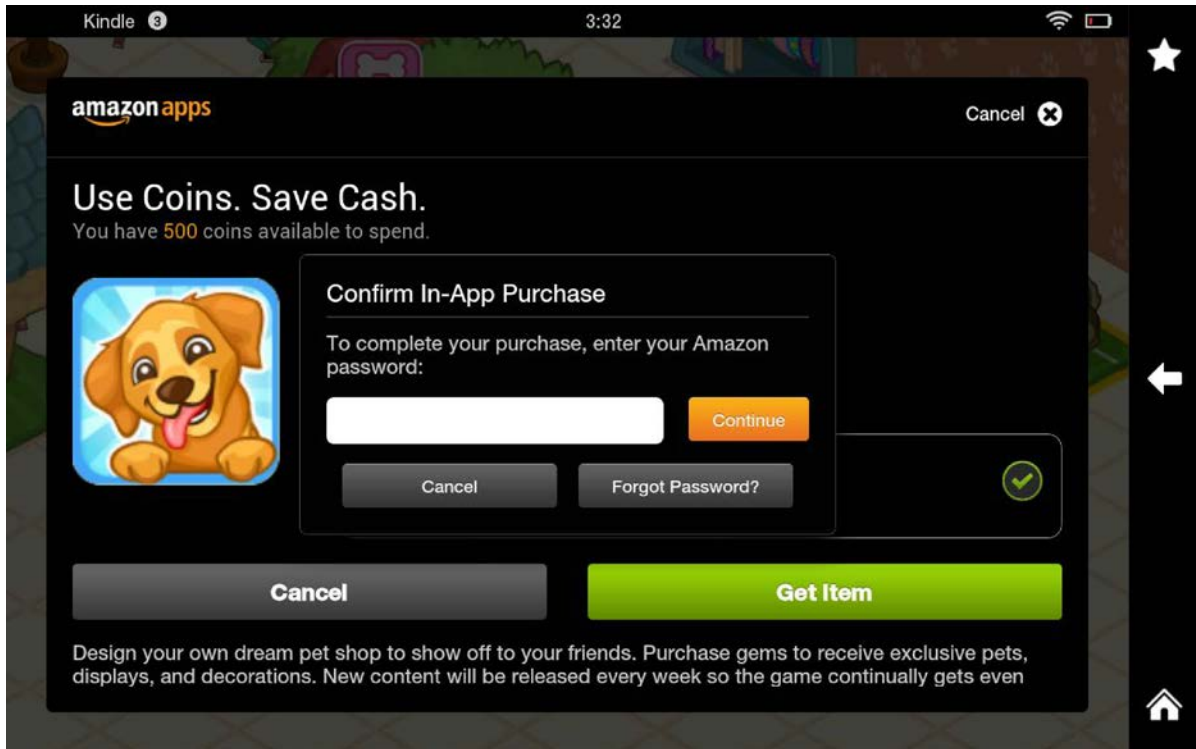
1 cases, each time a child clears the Charge Popup, Amazon bills the account holder for the in-app
2 charge without requesting his or her consent. Amazon’s in-app charge project manager
3 acknowledged this issue the month after Amazon began billing for in-app charges: “[W]e believe
4 that parents are excluded from the buying process for these apps[.]”

5 20. In or around March 2012, Amazon began requiring password entry to confirm
6 individual in-app charges exceeding \$20. In deciding to change its framework for charges above
7 \$20, Amazon’s Appstore manager noted that “it’s much easier to get upset about Amazon letting
8 your child purchase a \$99 product without any password protection than a \$20 product[.]” An
9 internal document commented that introducing a password prompt for in-app charges over \$20
10 would ensure that those charges were incurred “by the actual accountholder and not someone
11 without permission.” Amazon did not implement a password requirement for in-app charges of
12 \$20 and under.

13 21. Not until early 2013 did Amazon adjust its in-app charge framework to require
14 password entry in connection with any other in-app charges. Even then, Amazon’s
15 modifications took effect at different times for different device models and, in some instances,
16 have operated in different ways for different apps and different account holders. The password
17 prompts also function differently from the password prompt described in paragraph 20, in that
18 completing the prompt “caches” (that is, stores) the password for a billing window ranging from
19 fifteen minutes to an hour. The net result was that, unbeknownst to many consumers, Amazon
20 sometimes would present account holders with a password prompt to confirm an in-app charge
21 and sometimes would not.

22 22. Even in those instances in which Amazon has displayed a password prompt, it
23 generally only instructs account holders to enter their Amazon password to “Confirm In-App
24 Purchase” (singular). The prompt in many instances has not provided the amount of the charge
25 or explained that entering a password means Amazon will bill consumers for subsequent in-app
26

1 charges over an unspecified duration (ranging from fifteen minutes to an hour) without seeking
2 the account holder’s password. A sample password prompt appears below.



15 23. In many instances, during the processes described in paragraphs 13 to 22,
16 Amazon has not obtained account holders’ consent to in-app charges by children.

17 **Amazon Bills Many Parents for Unauthorized In-App Charges Incurred by Children**

18 24. Many of the apps that charge for in-app activities are apps that children are likely
19 to use. Indeed, many such apps are searchable under the keyword “kids,” are described or
20 marketed as suitable for children, or are widely used by children.

21 25. Many of these games invite children to obtain virtual items in contexts that blur
22 the line between what costs virtual currency and what costs real money. The app “Tap Zoo,” for
23 example, is a game in which children use “coins” and “stars” to acquire animals, habitats, and
24 staff to populate a virtual zoo. In many instances, the game displays popups with a column
25 containing various quantities of coins or stars. Sometimes, transactions from these popups cost
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1 virtual currency; sometimes, they cost real money. Parents can find the “All Ages” app Tap Zoo
2 by searching the Appstore for the word “kids.”

3 26. Similarly, in the app “Ice Age Village,” children manage an ice-age habitat with
4 instructions offered by characters from the animated “Ice Age” movies. The in-game “Shop”
5 offers virtual items, each of which cost a certain amount of virtual currency (either “coins” or
6 “acorns”). The price of each virtual item is displayed on bright green buttons that, when pressed,
7 allow children to purchase the virtual items without any associated real-money charge. But
8 another popup offers coins and acorns with similar bright green buttons that initiate real-money
9 transactions. Children can obtain various quantities of acorns for various amounts of real money,
10 with the largest quantity (2,100) costing \$99.99. Parents can find the “All Ages” app Ice Age
11 Village by searching the Appstore for the word “kids.”

12 27. Amazon has received thousands of complaints related to unauthorized in-app
13 charges by children in these and other games, amounting to millions of dollars of charges. In
14 fact, by December 2011, the month after Amazon introduced in-app charges, an Appstore
15 manager commented that “we’re clearly causing problems for a large percentage of our
16 customers,” describing the situation as “near house on fire.” Seven months later, in July 2012,
17 the Appstore manager again described this issue as a “house on fire” situation. Not until June
18 2014 did Amazon change its in-app charge framework to obtain account holders’ informed
19 consent for in-app charges on its newer mobile devices.

20 28. Many consumers report that they and their children were unaware that in-app
21 activities would result in real monetary loss. For example, one Appstore reviewer complaining
22 about over \$80 in unauthorized charges in Tap Zoo commented that her eight-year-old daughter
23 thought she was purchasing the in-game coin packs with virtual currency, not real money. A
24 consumer whose child incurred unauthorized in-app charges in Ice Age Village explained that
25 her daughter “thought she was paying with acorns, but it seems to be hitting my credit card.” As
26 one Amazon customer service representative acknowledged in responding to a parent’s inquiry

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1 about unauthorized in-app charges: “It’s not a hack, but nearly as bad: it’s an in-game purchase.
2 A user, such as a child, can easily misinterpret the option to spend actual money as just part of
3 the game.”

4 29. In many games with in-app charges, consumers report that Amazon billed for in-
5 app activities without obtaining their consent. For example, one consumer whose six-year-old
6 “click[ed] a lot of buttons at random (she can’t read)” on her Kindle and incurred several
7 unauthorized charges was “shocked that there is no password protection” for in-app charges.
8 Another consumer whose daughters incurred \$358.42 in unauthorized charges complained that
9 Amazon allowed the charges without any “step that requires a password to validate payment
10 information.”

11 30. Many children incur unauthorized in-app charges without their parents’
12 knowledge. Even parents who discover the charges and want to request a refund have faced
13 significant hurdles to doing so. Amazon’s stated policy is that all in-app charges are final. To
14 the extent consumers have sought an exception to that stated policy, Amazon’s process is unclear
15 and confusing, involving emails and web pages that do not explain how to seek a refund for in-
16 app charges, or that suggest that consumers cannot obtain a refund for such charges.

17 **VIOLATIONS OF THE FTC ACT**

18 31. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts
19 or practices in or affecting commerce.”

20 32. Acts or practices are unfair under Section 5 of the FTC Act if they cause or are
21 likely to cause substantial injury to consumers that consumers themselves cannot reasonably
22 avoid and that is not outweighed by countervailing benefits to consumers or competition. 15
23 U.S.C. § 45(n).

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1 **COUNT I**

2 **Unfair Billing of In-App Charges**

3 33. In numerous instances, Defendant has billed parents and other Amazon account
4 holders for children’s activities in apps that are likely to be used by children without having
5 obtained the account holders’ express informed consent.

6 34. Defendant’s practices as described in paragraph 33 have caused or are likely to
7 cause substantial injury to consumers that consumers themselves cannot reasonably avoid and
8 that is not outweighed by countervailing benefits to consumers or competition.

9 35. Defendant’s practices as described in paragraph 33 therefore constitute unfair acts
10 or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a) and (n).

11 **CONSUMER INJURY**

12 36. Consumers have suffered and will continue to suffer substantial injury as a result
13 of Defendant’s violations of the FTC Act. In addition, Defendant has been unjustly enriched as a
14 result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendant is
15 likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

16 37. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant
17 injunctive and such other relief as the Court may deem appropriate to halt and redress violations
18 of any provision of law enforced by the FTC. The Court, in the exercise of its equitable
19 jurisdiction, may award ancillary relief, including rescission or reformation of contracts,
20 restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and
21 remedy any violation of any provision of law enforced by the FTC.

22 **PRAYER FOR RELIEF**

23 Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b),
24 and the Court’s own equitable powers, requests that the Court:

25 A. Enter a permanent injunction to prevent future violations of the FTC Act by
26 Defendant;

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1 B. Award such relief as the Court finds necessary to redress injury to consumers
2 resulting from Defendant's violations of the FTC Act, including but not limited to, rescission or
3 reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-
4 gotten monies; and

5 C. Award Plaintiff the costs of bringing this action, as well as such other and
6 additional relief as the Court may determine to be just and proper.

7
8
9 Dated: July 10, 2014

Respectfully submitted,

10 DAVID C. SHONKA
11 Acting General Counsel

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