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UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

In the Matter of	)	
LIFE IS GOOD, INC., a corporation,	)	**DOCKET NO. C-**
and	)	
LIFE IS GOOD RETAIL, INC., a corporation.	)	

COMPLAINT

The Federal Trade Commission, having reason to believe that Life is good, Inc., and Life is good Retail, Inc. ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Life is good, Inc., is a Massachusetts corporation with its principal office or place of business at 283-285 Newbury Street, Boston, Massachusetts 02115.

2. Respondent Life is good Retail, Inc., is a Delaware corporation with its principal office or place of business at 283-285 Newbury Street, Boston, Massachusetts 02115. Life is good Retail, Inc., is a wholly-owned subsidiary of Life is good, Inc.

3. The acts and practices of respondents as alleged in this complaint are in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

4. Respondents design and distribute retail apparel and accessories and operate a retail website at www.lifeisgood.com.

5. Respondents operate a computer network that consumers use, in conjunction with respondents' website (www.lifeisgood.com) and web application, to obtain information and to buy respondents' products.

6. In selling their products, respondents routinely have collected sensitive information from consumers, including name, address, e-mail address, phone number, credit card number, credit card expiration date, and credit card security code (hereinafter "consumer information"). Respondents have collected this consumer information through their website and telephone orders and stored it on a network computer accessible through the website.

7. Since at least October 2005, respondents have disseminated or caused to be disseminated privacy policies and statements on their website, including, but not necessarily limited to, the following statements regarding the privacy and confidentiality of the consumer information they collect:

> We are committed to maintaining our customers' privacy. We collect and store information you share with us – name, address, credit card and phone numbers – along with information about products and services you request. <u>All information is kept in a secure file</u> and is used to tailor our communications with you.

(Emphasis added).

8. Since at least October 2005, respondents have engaged in a number of practices that, taken together, failed to provide reasonable and appropriate security for the consumer information stored on their network, including credit card numbers, expiration dates, and security codes. In particular, respondents: (1) stored the consumer information in clear, readable text; (2) created unnecessary risks to consumer information by storing it indefinitely on their network, without a business need, and by storing credit card security codes; (3) did not adequately assess the vulnerability of their web application and network to commonly known or reasonably foreseeable attacks, such as "Structured Query Language" ("SQL") injection attacks; (4) did not implement simple, free or low-cost, and readily available defenses to such attacks; (5) did not use readily available security measures to monitor and control connections from the network to the internet; and (6) failed to employ reasonable measures to detect unauthorized access to consumer information.

9. Between June and August 2006, a hacker exploited the failures set forth in Paragraph 8 by using SQL injection attacks on respondents' website and web application and exporting to the hacker's browser consumer information for thousands of customers, including credit card numbers, expiration dates, and security codes. After learning of the breach from their customers, respondents took steps to prevent further unauthorized access, notified law enforcement, and sent breach notification letters to affected customers.

10. Through the means described in Paragraph 7, respondents represented, expressly or by implication, that they implemented reasonable and appropriate measures to protect consumer information against unauthorized access.

11. In truth and in fact, respondents did not implement reasonable and appropriate measures to protect consumer information against unauthorized access. Therefore, the representation set forth in Paragraph 7 was, and is, false or misleading.

12. The acts and practices of respondents as alleged in this complaint constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this ___, day of _____, 2008, has issued this complaint against respondents.

By the Commission

Donald S. Clark
Secretary