

Protecting Consumers During the COVID-19 Pandemic: A Year in Review

Staff Report of the Federal Trade Commission



**FEDERAL TRADE
COMMISSION**

April 2021

Protecting Consumers During the COVID-19 Pandemic: A Year in Review¹

The Federal Trade Commission is a bipartisan independent agency that protects consumers and promotes competition. The COVID-19 pandemic and the attendant economic fallout touch on the full breadth of the Commission's mandate. The FTC has applied its resources to investigate and respond to issues arising from COVID-19 over the last year, and, with the benefit of recent support from Congress, will redouble those efforts going forward.

The Commission began taking action related to COVID-19 even before the March 13 declaration of a national emergency, warning consumers in February 2020 about COVID-19-related scams.² Here is a snapshot of the FTC's actions to protect consumers³ during the COVID-19 pandemic:

- Filed 13 enforcement actions against companies that, among other things, failed to deliver personal protective equipment or made deceptive health or earnings claims.
- Directed more than 350 companies to remove deceptive claims related to COVID-19 treatments, potential earnings, financial relief for small business and students, and warned companies that it is illegal to assist and facilitate deceptive COVID-19 calls.
- Prioritized privacy enforcement actions addressing the types of conduct that have been exacerbated in the transformation to digital work and schooling, including videoconferencing, ed-tech and health-tech.
- Collected and tracked more than 436,000 reports associated with COVID-19 between January 2020 and April 7, 2021, in which consumers reported \$399 million in fraud losses.
- Issued more than 100 consumer and business alerts on COVID-related topics.

Executive Summary

One of the FTC's strengths is the ability to anticipate and respond to current events and the predatory behavior that capitalizes on those events. Over the past year, the FTC found that consumers were struggling from the pandemic in several key ways. First and foremost, they were anxious about their health and safety and the health and safety of their loved ones. Second, some consumers faced unprecedented economic distress. Third, consumers spent much more time online, making them more susceptible to digital harms.

Our data, research, and outreach surfaced specific threats within each of these areas. Hundreds of marketers began making deceptive claims as they peddled COVID-related products and services. Schemes proliferated in response to demand for scarce goods, to peddle treatments and cures, and to exploit the financial distress people experienced. Hundreds of thousands of people filed reports about consumer problems they experienced in the pandemic—ranging from money lost in frauds to identity theft related to government benefits. As people followed stay-home orders and

¹ This report was prepared by the staff of the Bureau of Consumer Protection.

² *Coronavirus: Scammers follow the headlines*, <https://www.consumer.ftc.gov/blog/2020/02/coronavirus-scammers-follow-headlines> (Feb. 10, 2020).

³ This report focuses primarily on the Commission's consumer protection work to combat COVID-related harms. The FTC has also responded to, and will continue to address, pandemic-related issues that arise with respect to the agency's competition mission.

their professional and educational lives moved to the digital world, it became even more important for technology companies to deliver on their privacy promises.

This report highlights the ways the Commission has worked to address these issues—through sophisticated targeting, aggressive law enforcement, and ongoing partnership and outreach. The Commission developed systems to track and alert the public to shifts in reports from consumers, launched a public dashboard providing information on reports associated with COVID-19, and used COVID-related reports to identify law enforcement targets. The FTC challenged deceptive claims through law enforcement actions and warning letters designed to effectuate the immediate removal of problematic claims. The Commission just brought its first action seeking monetary penalties under its new authority under the COVID-19 Consumer Protection Act,⁴ targeting deceptive COVID-19 marketing of vitamin D and zinc products.⁵ The Commission buttressed these enforcement efforts with consumer and business education, sending out more than 100 alerts to inform consumers about COVID-19 scams, reminding businesses about their responsibilities regarding honest advertising, and alerting companies about scams targeting them. This multi-prong strategy of harnessing data, halting fraud in its tracks, educating consumers and businesses, and partnering with stakeholders allowed the FTC to protect consumers efficiently and effectively, including communities that were already hardest hit by the pandemic.

But make no mistake: the Commission’s work on its COVID-19 response is just beginning. The Commission will continue its vigilance to protect the public from harms that stem directly and indirectly from the COVID-19 pandemic, the economic fallout and the technological shift in how we live, learn and work. By way of recent example, the FTC acted quickly to guard consumers from stimulus fraud in connection with the American Rescue Plan Act⁶ and partnered with multiple agencies to offer guidance to consumers and warnings to landlords in connection with the Centers for Disease Control and Prevention’s extension of the eviction moratorium.⁷ As the nation begins the hard work of recovery and rebuilding, new risks may emerge. The FTC is committed to anticipating these risks, adjusting our strategies wherever necessary, activating underutilized tools, and working in close coordination with our partners to tackle emerging threats.

Identifying Threats and Targeting Enforcement

The FTC’s first step in responding to any crisis is to determine who needs help and to identify emerging threats. The FTC’s Consumer Sentinel Network collects millions of reports from the

⁴ Pub. L. No. 116-260, 134 Stat. 1182, Division FF, Title XIV, § 1401(b)(1).

⁵ FTC Press Release, *In First Action Under COVID-19 Consumer Protection Act, FTC Seeks Monetary Penalties for Deceptive Marketing of Purported Coronavirus Treatments*, <https://www.ftc.gov/news-events/press-releases/2021/04/first-action-under-covid-19-consumer-protection-act-ftc-seeks> (April 15, 2021).

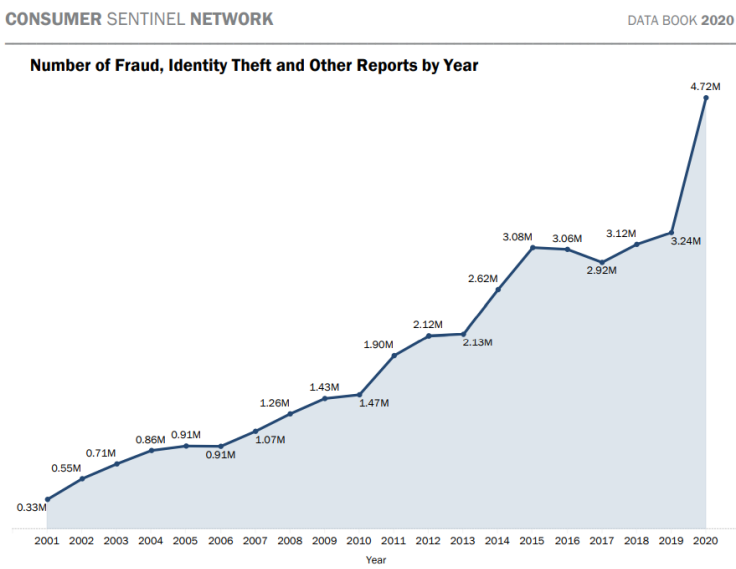
⁶ Press Release, *Statement by Acting FTC Chairwoman Rebecca Kelly Slaughter on Enactment of the American Rescue Plan Act*, <https://www.ftc.gov/news-events/press-releases/2021/03/statement-acting-ftc-chairwoman-rebecca-kelly-slaughter-enactment> (Mar. 12, 2021).

⁷ Press Release, *FACT SHEET: The Biden-Harris Administration’s Multi-Agency Effort to Support Renters and Landlords*, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/29/fact-sheet-the-biden-harris-administrations-multi-agency-effort-to-support-renters-and-landlords/> (Mar. 29, 2021); Press Release, *FTC Provides Guidance for Consumers, Businesses on Preventing Evictions*, <https://www.ftc.gov/news-events/press-releases/2021/03/ftc-provides-guidance-consumers-businesses-preventing-evictions> (Mar. 29, 2021).

public about fraud, identity theft, and other consumer problems and makes them available to thousands of law enforcement users across the country. It includes reports made directly to the FTC and to dozens of organizations and agencies that serve as Sentinel data contributors. Sentinel also serves as an invaluable barometer in spotting and responding to changes in the types of problems consumers are experiencing and reporting. These include shifts related to longer-term changes in economic conditions and patterns of consumer behavior, as well as frauds that invariably follow the headlines.

In the weeks following the first known cases of COVID-19 in the U.S., the FTC developed systems to track and alert the public to shifts in Sentinel reporting. On [FTC.gov/exploredata](https://www.ftc.gov/exploredata), the FTC launched public dashboards showing aggregate Sentinel data on reports associated with COVID-19 by age, type of fraud, and geographic location, with the figures updated daily. Since January 2020 and as of April 7, 2021, the FTC has received more than 436,000 such reports, reflecting \$399 million in fraud losses.⁸ To improve identification and tracking of these reports, an option was added to the FTC’s online reporting form to enable consumers to tag their complaints as related to COVID-19. Tools were added to the Sentinel database to help law enforcers get COVID-related reports easily and set customizable tracking criteria. At the same time, the agency stepped up training efforts to ensure Sentinel users would be able to quickly identify such reports and take full advantage of Sentinel’s investigative tools.

The FTC’s monitoring and analyses of Sentinel data point to increased fraud activity in 2020. In 2020, the number of fraud, identity theft, and other reports to Sentinel (excluding Do Not Call) increased more than 45% over 2019 numbers, and reported losses from fraud grew from more than \$1.8 billion in 2019 to \$3.3 billion in 2020.⁹



⁸ The figures reflect reports in Sentinel that specifically mention words related to the pandemic, such as COVID, stimulus, N95, and related terms, and reports specifically flagged by the consumer as related to COVID-19. For more information, visit <https://public.tableau.com/profile/federal.trade.commission#!/vizhome/COVID-19andStimulusReports/Map>.

⁹ Some of the increase in complaints for 2020 is due to a new large data contributor, namely the FBI’s Internet Crime Complaint Center, which added about 200,000 complaints in 2020. In addition, the FTC launched a redesigned website to capture consumer reports more easily at the end of October 2020. Nevertheless, the rise in reports is highly significant. From FTC’s websites and call center alone, the surge in reports was about 970,000 in 2020, and many Sentinel data contributors also experienced an increase in complaint volume in 2020.

Sentinel data show that the pandemic has brought new COVID-related twists on old frauds as well as notable shifts in the types of frauds consumers report. In some ways, the changes seen in the Sentinel data echo pervasive changes in society. From how people shop and what they buy to how they socialize and date, the pandemic has affected every corner of American life. The pandemic created economic hardship and record unemployment claims, and pushed consumers to find new ways to make ends meet. 2020 Sentinel data suggest that scammers reacted and adapted to these events, all of which created new opportunities for fraud. Sentinel data helped the FTC to spot trends and respond to emerging scams – from deceptive health and safety claims to scams capitalizing on economic distress to digital harms – in real time:

- To identify marketers making deceptive claims about a product or service’s ability to prevent or treat COVID-19, FTC staff regularly reviews all Consumer Sentinel reports relating to COVID-19 health claims. These reports—in addition to staff’s monitoring of the marketplace generally, including information received from individual consumers, advocacy groups, other federal law enforcement agencies, Congress, news reports, and other sources—resulted in the issuance of more than 350 warning letters to sellers and marketers claiming that their products could treat or prevent COVID-19. In other instances, we have been able to refer reports of health-related scams reported by consumers to other federal enforcers when the product or service in question falls within another agency’s particular expertise.
- In April and May 2020, reports from consumers related to online shopping skyrocketed as consumers scoured the internet for scarce items and reported their goods were never delivered.¹⁰ The FTC responded by bringing complaints against online merchants for failure to deliver masks, sanitizer, and other personal protective equipment as well as an operation that ran 25 websites using the Clorox and Lysol brand names in the URLs to trick people into ordering cleaning supplies that were never delivered.¹¹
- As scammers preyed on unemployment and financial anxiety, reports to the FTC about income scams reached the highest levels on record in the second quarter of 2020.¹² The FTC responded with Operation Income Illusion, a December 2020 crackdown by the FTC and 19 law enforcement partners, that generated more than 50 law enforcement actions, as described below.
- As Congress worked to stem the economic hardship from staggering unemployment, identity thieves targeted unemployment insurance benefits in record numbers. Of the identity theft reports received in 2020, over 394,000 came from people who said their information was misused to apply for a government benefit. This represents a staggering increase of nearly 3000% from 2019. These reports were overwhelmingly about

¹⁰ See FTC Consumer Protection Data Spotlight, *Pandemic purchases lead to record reports of unreceived goods* (July 1, 2020), available at <https://www.ftc.gov/news-events/blogs/data-spotlight/2020/07/pandemic-purchases-lead-record-reports-unreceived-goods>.

¹¹ Complaint, *FTC v. One or More Unknown Parties Deceiving Consumers Into Making Purchases Through: www.cleanyos.com*, Case No. 5:20-cv-02494 (N.D. Ohio), available at https://www.ftc.gov/system/files/documents/cases/complaint_w-a_filed.pdf.

¹² See FTC Consumer Protection Data Spotlight, *Income scams: big promises, big losses* (Dec. 10, 2020), available at <https://www.ftc.gov/news-events/blogs/data-spotlight/2020/12/income-scams-big-promises-big-losses>.

fraudulently obtained unemployment benefits claims, a problem that has proliferated during the pandemic. Working in cooperation with the U.S. Department of Justice (“DOJ”) Unemployment Insurance Fraud Task Force, the FTC launched www.IdentityTheft.gov/unemploymentinsurance to provide information to the public on where to report and how consumers can protect their credit.

- As work and school moved online, people voiced concerns about their privacy and the FTC responded with advice on how to navigate risks around digital harms. Just as stay home orders were beginning to take effect, the FTC published *Online Security Tips For Working From Home*¹³ and *Remote Learning and Children’s Privacy*¹⁴ and how to *Stay Safe While Videoconferencing*.¹⁵ Later blogs expanded on this guidance and also shared advice on health apps, apps marketing to children, and broader advice on data privacy.¹⁶ As discussed below, the FTC also brought enforcement actions against companies that misled consumers about how they used their data.

Ensuring that the experiences of all consumers are represented in Sentinel is critically important to the agency’s work. To expand accessibility, the FTC launched a new modernized reporting website, ReportFraud.ftc.gov, in October 2020. This website was designed for ease of use, allowing consumers to quickly report fraud and all other consumer issues directly to the FTC and receive customized next steps. A large increase in reporting since its launch suggests that it has been successful.

Recently, the FTC also launched the Community Advocate Center, which is part of the agency’s ongoing work to collaborate with legal services organizations to learn more about the consumer protection needs and problems affecting the lower-income communities these groups serve. The Center provides a new way for organizations that provide free and low-cost legal services to report fraud and other illegal business practices directly to the FTC on behalf of their clients. Going forward, the Commission is committed to refining its reporting tools to increase not only law enforcement visibility into the markets but tools for consumers to seek specific help.

Using the incoming data, the FTC focused its efforts over the past year on stopping deception related to health and safety, protecting consumers facing economic distress and preventing the growth of digital harms.

¹³ See *Online security tips for working from home*, <https://www.consumer.ftc.gov/blog/2020/03/online-security-tips-working-home> (Mar. 18, 2020).

¹⁴ See *Remote learning and children’s privacy*, <https://www.consumer.ftc.gov/blog/2020/04/remote-learning-and-childrens-privacy> (Apr. 9, 2020).

¹⁵ See *Stay safe while video conferencing*, <https://www.consumer.ftc.gov/blog/2020/04/stay-safe-while-video-conferencing> (Apr. 16, 2020).

¹⁶ See *What to do when you (and your kids) are online at home*, <https://www.consumer.ftc.gov/blog/2020/08/what-to-do-when-you-and-your-kids-are-online-home> (Aug. 28, 2020); *Are the apps your children use illegally marketing to them?*, <https://www.consumer.ftc.gov/blog/2020/06/are-apps-your-children-use-illegally-marketing-them> (June 4, 2020); *Does your health app protect your sensitive info?*, <https://www.consumer.ftc.gov/blog/2021/01/does-your-health-app-protect-your-sensitive-info> (Jan. 13, 2021); *It’s National Data Privacy Day*, <https://www.consumer.ftc.gov/blog/2021/01/its-national-data-privacy-day> (Jan. 28, 2021).

Halting Health and Safety Deception

Much of the fraudulent activity that arose from the pandemic sought to exploit consumer anxiety regarding health and safety, including by taking advantage of consumers seeking PPE and consumers seeking ways to avoid or treat COVID-19.

Failure to Deliver PPE

The FTC has sued multiple companies that have unscrupulously cashed in on the shortage of personal protective equipment and cleaning products created by the pandemic. The FTC brought one of its first COVID-19 law enforcement actions against SuperGoodDeals.com, Inc., which misrepresented that critical PPE, such as masks and hand sanitizer, were in stock and would ship the next day. The FTC alleged that the defendant failed to ship the PPE for weeks without seeking consent for the delay or offering consumers refunds, as required by the Mail Order Rule.¹⁷ The Commission followed that lawsuit with three more actions against PPE marketers and sellers for engaging in similar conduct.¹⁸

The FTC also sued the operator of 25 counterfeit websites that allegedly tricked consumers into paying for Clorox and Lysol products that were never delivered.¹⁹ Consumers attempting to get refunds often found that the website from which they ordered disappeared, while others reported that the defendants used deceptive tactics to prevent them from getting charges reversed. While the case is pending, a preliminary injunction prohibits the defendants from making deceptive claims, suspends their deceptive websites, and bars them from using their websites to collect money from consumers.²⁰

Treatment and Prevention Claims

The FTC has also taken action against makers of deceptive COVID treatment and prevention claims. Most recently, the FTC deployed its new authority under the COVID-19 Consumer Protection Act to charge that a chiropractor and his company deceptively marketed products containing vitamin D and zinc as scientifically proven to treat or prevent COVID-19.²¹ The FTC also brought a lawsuit in federal court against Golden Sunrise Nutraceutical—a company that

¹⁷ Complaint, *FTC v. SuperGoodDeals.com, Inc.*, Case No. 20-cv-3027 (E.D.N.Y.), available at https://www.ftc.gov/system/files/documents/cases/202_3135_supergooddeals_-_complaint.pdf.

¹⁸ Complaint, *FTC v. QYK Brands LLC*, Case No. 8:20-cv-01431-JLS-KES (C.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/202_3147_qyk_brands_-_complaint.pdf; *FTC v. Am. Screening LLC*, Case No. 4:20-cv-1021 (E.D. Mo.), available at https://www.ftc.gov/system/files/documents/cases/202_3158_american_screening_-_complaint.pdf; *FTC v. Zaappaaz LLC*, Case No. 4:20-cv-02717 (S.D. Tex.), available at https://www.ftc.gov/system/files/documents/cases/202_3136_zaappaaz_-_complaint.pdf.

¹⁹ Complaint, *FTC v. One or More Unknown Parties Deceiving Consumers Into Making Purchases Through: www.cleanyos.com*, Case No. 5:20-cv-02494 (N.D. Ohio), available at https://www.ftc.gov/system/files/documents/cases/complaint_w-a_filed.pdf.

²⁰ Preliminary Injunction, *FTC v. One or More Unknown Parties Deceiving Consumers Into Making Purchases Through: www.cleanyos.com*, Case No. 5:20-cv-02494 (N.D. Ohio), available at https://www.ftc.gov/system/files/documents/cases/ftc_v_unknown_preliminary_injunction_with_att_a.pdf.

²¹ Complaint, *United States v. Quickwork LLC*, Case No. 4:21-cv-00437 (E.D. Mo.), available at <https://www.ftc.gov/system/files/documents/cases/2023188eneputecomplaint.pdf>.

failed to heed the FTC’s warning to remove its deceptive claims. The FTC charged the company with deceptively advertising a \$23,000 treatment plan as a scientifically proven way to treat COVID-19.²² While the case is still pending, the court has ordered the defendants to stop making deceptive health claims.²³

In addition, the FTC sued the marketer behind Whole Leaf Organics for making baseless claims that his dietary supplement could treat or prevent COVID-19.²⁴ An order resolving the administrative matter prohibits the defendant from making deceptive and unsubstantiated claims. It also requires him to send notices to consumers and product retailers that the supplement will not treat, prevent, or reduce the risk of COVID-19.²⁵

In addition to suing companies making deceptive treatment and prevention claims,²⁶ as early as March 2020 the FTC began warning sellers and marketers claiming their products could treat or prevent COVID-19 that these statements could violate the law.²⁷ Overall, the Commission has sent more than 350 warning letters, many in conjunction with the Food and Drug Administration (“FDA”).²⁸ These letters could be issued more quickly than a court action, and proved to be overwhelmingly successful in removing potentially dangerous claims from the markets quickly. The vast majority of warning letter recipients, including foreign recipients, took corrective action, removing deceptive claims and ceasing illegal conduct. Where the recipients did not fix the problem, the Commission has pursued, and will continue to pursue, more formal enforcement action.

²² Complaint, *FTC v. Golden Sunrise Nutraceutical, Inc.*, Case No. 1:20-cv-00540-DAD-SKO (E.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/202_3146_golden_sunrise_-_complaint.pdf.

²³ Stipulation to Preliminary Injunction as to Defendants Golden Sunrise Nutraceutical, Inc, Golden Pharmaceutical, Inc., and Huu Tieu, *FTC v. Golden Sunrise Nutraceutical, Inc.*, Case No. 1:20-cv-00540-DAD-SKO (E.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/030_-_gs_order_re_stipulation_pi_to_defgs_golden_sunrise_nutraceutical_inc._golden_pharmaceutical_inc._and_tieu.pdf;

Stipulation to Preliminary Injunction as to Defendant Stephen Meis, *FTC v. Golden Sunrise Nutraceutical, Inc.*, Case No. 1:20-cv-00540-DAD-SKO (E.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/029_-_gs_order_re_stipulation_pi_to_def_meis.pdf.

²⁴ Complaint, *FTC v. Ching*, Case No. 2:20-cv-03775 (C.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/whole_leaf_complaint.pdf; Complaint, *In re Ching*, Docket No. 9394 (FTC), available at

https://www.ftc.gov/system/files/documents/cases/d09394_administrative_part_iii_complaint.pdf.

²⁵ Decision and Order, *In re Ching*, Docket No. 9394 (FTC), available at https://www.ftc.gov/system/files/documents/cases/d09394_whole_leaf_decision_and_order.pdf. The federal case is still pending.

²⁶ Going forward, under a new federal law, the COVID-19 Consumer Protection Act, the FTC has the authority to obtain first-time civil penalties for scams related to COVID-19. It provides another tool in the FTC’s fight against operators engaged in such deception. COVID-19 Consumer Protection Act of the 2021 Consolidated Appropriations Act, Pub. L. No. 116-260.

²⁷ Press Release, *FTC, FDA Send Warning Letters to Seven Companies about Unsupported Claims that Products Can Treat or Prevent Coronavirus*, <https://www.ftc.gov/news-events/press-releases/2020/03/ftc-fda-send-warning-letters-seven-companies-about-unsupported> (Mar. 9, 2020).

²⁸ Copies of all of the FTC’s COVID-19 related warning letters are available here: <https://www.ftc.gov/coronavirus/enforcement/warning-letters>.

Protecting Consumers, Workers & Small Business Suffering from Economic Distress

The economic fallout from the pandemic has resulted in countless consumers, workers, and businesses losing income. These conditions result in a heightened need for loans, aid, and supplemental income that bad actors seek to exploit. The FTC has been vigilant in bringing enforcement actions to target those seeking to capitalize on economic distress that the pandemic has caused consumers.

The FTC sued Ponte Investments at the outset of the pandemic, alleging that the defendants targeted struggling small businesses and induced them to submit loan applications by falsely claiming to be an approved lender for the Small Business Administration (SBA) administered Paycheck Protection Plan loan program.²⁹ A settlement bars the defendants from misrepresenting affiliation with the SBA or that they are authorized to issue SBA loans.³⁰ In another case against a government imposter, the FTC sued Traffic Jam Events, LLC, which allegedly deceived consumers with mailers that featured a Great Seal of the United States and mock stimulus check and promised to get them federal COVID-19 stimulus benefits.³¹ As alleged in the complaint, rather than helping consumers to obtain stimulus benefits, the mailers sought to lure consumers to a used car sale.

The FTC's law enforcement actions have also protected consumers seeking to replace or supplement income during the pandemic. The Commission, along with 19 federal, state, and local partners, led Operation Income Illusion, a nationwide crackdown of more than 50 law enforcement actions against scams that targeted consumers with fake promises of income and financial independence.³² As part of the December 2020 crackdown, the Commission brought three COVID-related enforcement actions in federal court. The Commission sued Moda Latina, which targeted Latina consumers with false earnings claims in Spanish language ads. One ad even touted, "Crisis? What crisis? I forgot about that ever since I started selling with Perfume Box."³³ An order resolving that case bans the defendants from selling or marketing money-making opportunities and imposes a judgment of over \$7 million.³⁴ In another recent matter, RagingBull.com, the defendants allegedly claimed that the pandemic was a great time to learn their secret stock trading techniques to make profits, but the FTC's complaint alleged that consumers—many of them older adults and immigrants—lost millions instead.³⁵ Finally, in

²⁹ Complaint, *FTC v. Ponte Investments, LLC*, Case No. 1:20-cv-00177 (D.R.I.), available at <https://www.ftc.gov/system/files/documents/cases/sbacomplaint.pdf>.

³⁰ Stipulated Final Order, *FTC v. Ponte Investments, LLC*, Case No. 1:20-cv-00177 (D.R.I.), available at https://www.ftc.gov/system/files/documents/cases/x200042_ponte_inv_-_stipulated_final_order.pdf.

³¹ Complaint, *In re Traffic Jam Events, LLC*, Docket No. 9395 (FTC), available at https://www.ftc.gov/system/files/documents/cases/d9395_traffic_jam_complaint_final.pdf.

³² Press Release, *As Scammers Leverage Pandemic Fears, FTC and Law Enforcement Partners Crack Down on Deceptive Income Schemes Nationwide*, <https://www.ftc.gov/news-events/press-releases/2020/12/scammers-leverage-pandemic-fears-ftc-law-enforcement-partners> (Dec. 14, 2020).

³³ Complaint, *FTC v. Moda Latina BZ Inc.*, Case No. 2:20-cv-10832 FMO (SKx) (C.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/001_complaint.pdf.

³⁴ Order, *FTC v. Moda Latina BZ Inc.*, Case No. 2:20-cv-10832 FMO (SKx) (C.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/056_order_on_stipulation_re_permanent_inj_and_monetary_judgment.pdf.

³⁵ Complaint, *FTC v. RagingBull.com, LLC*, Case No. 1:20-cv-3528 (D. Md.), available at https://www.ftc.gov/system/files/documents/cases/1_-_complaint_1.pdf.

Randon Morris, a work-from-home scam, the defendants hounded consumers with robocalls and used concerns about the health risks from working outside the home during the pandemic to get consumers to enroll.³⁶ The order resolving the case bans defendants from robocalling and selling or marketing work-from-home opportunities and imposes a judgment of over \$2 million.³⁷

The FTC augmented these enforcement efforts with warning letters issued in conjunction with the SBA regarding small business relief³⁸ and joint letters with the Federal Communications Commission to Voice Over Internet Protocol service providers and others “assisting and facilitating” illegal telemarketing calls, including calls to market products such as fraudulent home test kits.³⁹ The FTC has also warned multi-level marketers to remove and address claims about the earnings people who have recently lost income can make.⁴⁰

In light of the eviction crisis caused by the pandemic, the Commission has also focused on ensuring renters are not subjected to unlawful practices. The Commission will continue its efforts to ensure that tenant screening companies comply with the Fair Credit Reporting Act, to protect the ever-increasing number of consumers who have gone or will go through an eviction from being further stigmatized by incomplete or inaccurate information as they seek new housing.⁴¹ The Commission is also keeping a close watch on whether multistate landlords violate the FTC Act or other laws if they fail to respect national eviction moratoriums, as Acting Chair Slaughter

³⁶ Complaint, *FTC v. Nat'l Web Design, LLC*, Case No. 2:20-cv-00846-RJS (D. Utah), available at https://www.ftc.gov/system/files/documents/cases/randon_morris_complaint.pdf.

³⁷ Order, *FTC v. Nat'l Web Design, LLC*, Case No. 2:20-cv-00846-RJS (D. Utah), available at https://www.ftc.gov/system/files/documents/cases/38_-_permanent_injunction_and_monetary_judgment.pdf.

³⁸ FTC Press Release, *FTC and SBA Warn Operator of SBA.com and Lead Generator Lendio to Stop Potentially Misleading Coronavirus Relief Loan Marketing*, <https://www.ftc.gov/news-events/press-releases/2020/05/ftc-sba-warn-operator-sbacom-lead-generator-lendio-stop> (May 18, 2020); Press Release, *FTC and SBA Warn Six Companies to Stop Potentially Misleading Marketing Aimed at Small Businesses Seeking Coronavirus Relief Loans* <https://www.ftc.gov/news-events/press-releases/2020/06/ftc-sba-warn-six-companies-stop-potentially-misleading-marketing> (June 24, 2020).

³⁹ FTC Press Release, *FTC and FCC Send Joint Letters to VoIP Service Providers Warning against 'Routing and Transmitting' Illegal Coronavirus-related Robocalls*, <https://www.ftc.gov/news-events/press-releases/2020/04/ftc-fcc-send-joint-letters-voip-service-providers-warning-against> (Apr. 3, 2020); FTC Press Release, *FTC and FCC Send Joint Letters to Additional VoIP Providers Warning against 'Routing and Transmitting' Illegal Coronavirus-related Robocalls*, <https://www.ftc.gov/news-events/press-releases/2020/05/ftc-fcc-send-joint-letters-additional-voip-providers-warning> (May 20, 2020).

⁴⁰ See Press Release, *FTC Sends Warning Letters to Multi-Level Marketers Regarding Health and Earnings Claims They or Their Participants are Making Related to Coronavirus*, <https://www.ftc.gov/news-events/press-releases/2020/04/ftc-sends-warning-letters-multi-level-marketers-regarding-health> (Apr. 24, 2020); Press Release, *FTC Sends Second Round of Warning Letters to Multi-Level Marketers Regarding Coronavirus Related Health and Earnings Claims*, <https://www.ftc.gov/news-events/press-releases/2020/06/second-round-warning-letters-to-mlms-regarding-coronavirus> (June 5, 2020).

⁴¹ An example of the FTC's efforts to protect tenants prior to the pandemic is our case against AppFolio, in which the Commission agreed to settle charges that the company failed to follow reasonable procedures to ensure the accuracy of criminal and eviction records in tenant screening reports, and reported obsolete information. See Complaint, *United States v. AppFolio, Inc.*, Case No. 1:20-cv-03563 (D.D.C. Dec. 8, 2020), available at https://www.ftc.gov/system/files/documents/cases/ecf_1_-_us_v_appfolio_complaint.pdf.

and Acting Consumer Financial Protection Bureau (“CFPB”) Director Uejio recently warned in a joint statement.⁴²

The Commission anticipates that exploitation of economic distress and instability will be an ongoing and pervasive problem stemming from the pandemic that will require continuous and evolving enforcement efforts.

Preventing Digital Harms

As the pandemic took hold, many work, school, recreational, and social activities transitioned from in-person to online and virtual platforms, greatly increasing the potential for data abuses and digital harms. The Commission published guidance for education technology companies and schools regarding their duties to protect children’s privacy and personal data as many students shifted to online instruction.⁴³ In that guidance, the Commission warned of the parental consent requirements for data collection imposed by the Children’s Online Privacy Protection Act (“COPPA”).

In addition to issuing guidance on children’s online privacy, the FTC took legal action. In a federal court lawsuit against HyperBeard, Inc., an app developer offering entertainment apps to children, the FTC alleged that the apps collected personal information from children under age 13 without obtaining parental consent as required by the COPPA Rule.⁴⁴ A settlement imposing a \$4 million civil penalty requires the defendants, which include the company’s CEO and managing director, to delete personal information the company illegally collected from children under 13.⁴⁵ In an administrative lawsuit, Miniclip, S.A., a digital game maker, settled the FTC’s allegations that it misled consumers into thinking it was a current member of the Children’s Advertising Review Unit’s (“CARU”) COPPA safe harbor program.⁴⁶ In fact, CARU had allegedly terminated the company’s membership in 2015. Under the settlement, the defendant is barred from misrepresenting its participation or certification in any privacy or security program sponsored by the government or any self-regulatory organization.⁴⁷

The Commission also brought an administrative action challenging misleading claims by Zoom Video Communications, Inc., that gave users a false sense of security about how their information was handled.⁴⁸ The settlement resolving the matter, among other things, prohibits

⁴² Joint Statement by FTC Acting Chairwoman Rebecca Kelly Slaughter and CFPB Acting Director Dave Uejio, available at <https://www.ftc.gov/news-events/press-releases/2021/03/joint-statement-ftc-acting-chairwoman-rebecca-kelly-slaughter> (Mar. 29, 2021).

⁴³ *COPPA Guidance for Ed Tech Companies and Schools during the Coronavirus*, at <https://www.ftc.gov/news-events/blogs/business-blog/2020/04/coppa-guidance-ed-tech-companies-schools-during-coronavirus> (Apr. 9, 2020).

⁴⁴ Complaint, *United States v. HyberBeard, Inc.*, Case No. 3:20-cv-03683 (N.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/192_3109_hyperbeard_-_complaint.pdf.

⁴⁵ Proposed Stipulated Order, *United States v. HyberBeard, Inc.*, Case No. 3:20-cv-03683 (N.D. Cal.), available at https://www.ftc.gov/system/files/documents/cases/192_3109_hyperbeard_-_proposed_stipulated_order.pdf.

⁴⁶ Complaint, *In re Miniclip S.A.*, Docket No. C-4722 (FTC), available at <https://www.ftc.gov/system/files/documents/cases/1923129c4722miniclipcomplaint.pdf>.

⁴⁷ Decision and Order, *In re Miniclip S.A.*, Docket No. C-4722 (FTC), available at <https://www.ftc.gov/system/files/documents/cases/1923129c4722minicliporder.pdf>.

⁴⁸ Complaint, *In re. Zoom Video Comms., Inc.*, Docket No. C-4731 (FTC), available at https://www.ftc.gov/system/files/documents/cases/1923167zoomcomplaint_0.pdf.

Zoom from making a wide variety of privacy- and security-related misrepresentations and requires it to implement an information security program.⁴⁹ In another case to protect digital privacy, the FTC settled allegations that the developer of the photo app Everalbum deceived consumers about its use of facial recognition technology and its retention of user photos and videos by requiring the deletion of models and algorithms developed from user data.⁵⁰ Although the conduct in these matters occurred before the COVID-19 outbreak, the relief in these orders continue to protect consumers from digital harms that have been exacerbated by the pandemic. The Commission also turned its attention to the growing area of health apps, settling allegations that the developer of a period- and fertility-tracking app, Flo, shared users' health information with outside data analytics providers after promising that such information would be kept private.⁵¹ As part of the settlement, Flo must notify affected users about the disclosure of their personal information and instruct any third party that received users' health information to destroy that data.⁵²

The expansion of our reliance on digital connections in all aspects of life was accelerated by the pandemic, but much of the transition to digital is undoubtedly here to stay. The Commission will remain vigilant in identifying, preventing, and mitigating emerging digital harms.

Education

Since the beginning of the pandemic, the FTC has worked aggressively—in real time—to dispel misinformation and confusion about the pandemic and related issues that have fueled Coronavirus-related scams. The FTC also reached out to the business community, warning of COVID-related frauds even before the ramifications of the pandemic were widely recognized. These alerts talked about scams targeting small businesses and how to avoid scammers when applying for Coronavirus-related SBA loans.⁵³ Other alerts publicized the first FTC case alleging a phony SBA connection for PPP loans and a series of warning letters to sellers of scam Coronavirus treatments.⁵⁴ We also advised businesses on how to use consumer data responsibly when seeking to assist public health officials in combating the pandemic.⁵⁵

Since then, the FTC has developed a multimedia campaign with a dedicated website (ftc.gov/coronavirus) that contains a library of materials for consumers and businesses. The website, which is regularly updated, includes alerts, educational videos, audio tips, robocall recordings, infographics, social media graphics, law enforcement announcements, and fraud

⁴⁹ Decision and Order, *In re. Zoom Video Comms., Inc.*, Docket No. C-4731 (FTC), available at https://www.ftc.gov/system/files/documents/cases/1923167_c-4731_zoom_final_order.pdf.

⁵⁰ Agreement Containing Consent Order, *In re Everalbum, Inc.*, File No. 1923172 (FTC), available at https://www.ftc.gov/system/files/documents/cases/everalbum_order.pdf.

⁵¹ Complaint, *In re Flo Health, Inc.*, File No. 1923133 (FTC), available at https://www.ftc.gov/system/files/documents/cases/flo_health_complaint.pdf.

⁵² Agreement Containing Consent Order, *In re Flo Health, Inc.*, File No. 1923133 (FTC), available at https://www.ftc.gov/system/files/documents/cases/flo_health_order.pdf.

⁵³ *New funding for Coronavirus SBA loans attracts scammers*, available at <https://www.ftc.gov/news-events/blogs/business-blog/2020/04/new-funding-coronavirus-sba-loans-attracts-scammers> (Apr. 29, 2020).

⁵⁴ *New Coronavirus warning letters: Who can it be now?*, available at <https://www.ftc.gov/news-events/blogs/business-blog/2020/03/new-coronavirus-warning-letters-who-can-it-be-now> (Mar. 27, 2020).

⁵⁵ *Privacy During the Coronavirus*, available at <https://www.ftc.gov/news-events/blogs/business-blog/2020/06/privacy-during-coronavirus>.

data. Consumer materials are routinely available in English and Spanish. The agency also developed materials in Korean, Tagalog, simplified and traditional Chinese, and Vietnamese. Most recently, the FTC invited members of Congress to use an FTC-created graphic to link to [ftc.gov/coronavirus](https://www.ftc.gov/coronavirus) from their homepages, in an effort to help them help their constituents spot, stop, and report COVID-related frauds and scams.

To date, the FTC has issued more than 100 consumer and business alerts on a wide range of COVID-related topics, including economic impact payments, health claims, online shopping, privacy in a virtual environment, contact tracing, government imposter scams, job scams, and misinformation. The FTC posts its alerts online, and also sends them directly to more than 367,000 email subscribers, which include consumers, businesses, partners, and the media. In turn, many of these subscribers share the information with their communities, greatly expanding the reach of the agency's message.

Cooperation with Partners Domestically and Abroad

Collaborating with partners at home and abroad has been a key part of the FTC's COVID-19 law enforcement and consumer and business education strategies, as it was prior to the pandemic. As discussed above, the FTC worked with the FDA, SBA, and FCC in its warning letter campaign, and coordinated with federal, state, and local partners in Operation Income Illusion. In addition, since March 2020, the FTC has engaged in regular meetings with the DOJ-led federal working group on pandemic-related issues, a Department of Homeland Security-led group on counterfeit PPE, and a working group led by the National Association of Attorneys General ("NAAG"). Through these efforts, the FTC coordinated law enforcement and educational outreach to maximize and leverage its work combatting fraud. The FTC also coordinated its efforts with its partners through the International Mass Marketing Fraud Working Group, which it co-chaired with DOJ and the City of London Police.

The FTC partnered with the CFPB as well as other federal agencies, including the Treasury Department, the Department of Housing and Urban Development, and the Department of Agriculture, to coordinate efforts to get tenants and landlords the assistance they need during the public health crisis following the Centers for Disease Control and Prevention's decision to extend the federal eviction moratorium.⁵⁶ We anticipate further cooperation with the CFPB on enforcement efforts in all areas of shared jurisdiction to make sure that we are collectively leveraging our most effective tools to pursue law violations and redress harm.

With respect to the agency's competition mission, the FTC has also coordinated with its main federal law enforcement partner, the DOJ Antitrust Division, on key initiatives in response to the pandemic. For example, in March 2020, the two agencies jointly announced a program to

⁵⁶ Press Release, *FACT SHEET: The Biden-Harris Administration's Multi-Agency Effort to Support Renters and Landlords*, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/29/fact-sheet-the-biden-harris-administrations-multi-agency-effort-to-support-renters-and-landlords/> (Mar. 29, 2021); Press Release, *FTC Provides Guidance for Consumers, Businesses on Preventing Evictions*, <https://www.ftc.gov/news-events/press-releases/2021/03/ftc-provides-guidance-consumers-businesses-preventing-evictions> (Mar. 29, 2021).

provide expedited antitrust guidance⁵⁷ for collaborations of businesses working to protect health and safety during the pandemic. The two agencies also issued a joint statement⁵⁸ warning that they would be monitoring for employer collusion or other anticompetitive conduct that might disadvantage workers—especially front-line essential service providers—and affirming the importance of upholding the antitrust laws in labor markets throughout the pandemic crisis.

On the international front, the FTC referred to foreign counterparts its warning letters to foreign companies that made unsubstantiated claims that their products and therapies could treat, prevent, or cure COVID-19. In response, some foreign agencies issued their own cease-and-desist letters or took other actions to halt illegal conduct. The FTC pursued additional enforcement cooperation with foreign counterparts on COVID-19 matters, including by leading the International Consumer Protection and Enforcement Network (“ICPEN”) joint sweep on COVID-19 scams together with Colombia’s Superintendency of Industry and Commerce (“SIC”). The FTC, which holds formal leadership roles in the Organisation for Economic Co-operation and Development (“OECD”) consumer committee and its privacy committee, helped the OECD formulate its recommendations for protecting online consumers during the COVID-19 crisis

To spread the word about pandemic-related fraud and misinformation, and to tell the public where to find trustworthy information, the FTC has drawn upon and enhanced ongoing partnerships with state and federal enforcers, consumer advocates, and representatives from the business community. For example, the FTC has co-branded and promoted short videos to share on social media (in English and Spanish) with the Better Business Bureau and the IRS, and worked closely with the NAAG to co-brand and promote graphics to warn people about contact tracing and vaccine-related scams. Other partners have included congressional offices, the CFPB, the Social Security Administration, state health officials, AARP, the National Association of Consumer Advocates, and the American Bankers Association.

FTC staff has also conducted national and local outreach with partners to reach a variety of audiences, including older consumers, ethnic and community media, housing organizations, re-entry groups, library patrons, and the military community by using webinars, tele-town halls, Twitter chats, Facebook Live events, as well as interviews with local and national media. During the pandemic, FTC staff have participated in hundreds of virtual webinars, presentations, and interviews in English, Spanish, and Mandarin.

As the pandemic has deepened, job loss and financial insecurity have created an enormous economic shift. To respond to the issues people are facing, the FTC coordinated a series of virtual listen and learn sessions across the country. Participants included representatives from legal services, social services, elder justice centers, departments of aging, housing counselors, religious organizations, Better Business Bureaus, and State Attorney General’s offices. Based on

⁵⁷ Press Release, *Federal Trade Commission and Justice Department Announce Expedited Antitrust Procedure and Guidance for Coronavirus Public Health Efforts*, <https://www.ftc.gov/news-events/press-releases/2020/03/ftc-doj-announce-expedited-antitrust-procedure> (Mar. 24, 2020).

⁵⁸ Press Release, *Federal Trade Commission and Justice Department Issue Joint Statement Announcing They are on Alert for Collusion in U.S. Labor Markets*, <https://www.ftc.gov/news-events/press-releases/2020/04/federal-trade-commission-justice-department-issue-joint-statement> (Apr. 13, 2020).

what we learned, we are enhancing and expanding our COVID-19 financial recovery and resiliency campaign, the centerpiece of which is a web-based toolkit in multiple languages.

The FTC is using new methods to reach people in economically and geographically diverse communities who are targeted by COVID-19 scams. For example, the FTC conducted a national radio media tour, sent post card mailers to communities with low broadband access, and delivered letters to community health professionals in 5,000 rural and urban health clinics.

Conclusion

Throughout the last year, the Commission has worked tirelessly to stop bad actors from exploiting the pandemic at the public's expense. The Commission will not cease these efforts. The Commission knows from experience that COVID-related harms are likely to continue—even after the pandemic itself has subsided. Combatting these law violations will remain a top priority for the Commission, and we will continue to use every tool we have to stop this bad behavior, including seeking civil penalties under the newly enacted COVID-19 Consumer Protection Act,⁵⁹ and exploring where problematic conduct is or should be addressed through rules. We will continue to apply our competition lens to the problems of COVID-19 and work to ensure that small businesses have a meaningful opportunity to compete. In the coming years, we will build on the work we have already done, including identifying more targets, partnering with sister agencies, bringing more cases, and continuing to educate consumers and businesses, especially those communities hit hardest by the onslaught of COVID-related harms.

⁵⁹ Pub. Law No. 116-260, 134 Stat. 1182, Division FF, Title XIV, § 1401(b)(1).



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April 2021