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2	Principal Deputy Assistant Attorney General	l
2	Civil Division JONATHAN F. OLIN	
3	Deputy Assistant Attorney General	
3	MICHAEL S. BLUME	
4	Director, Consumer Protection Branch	
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5	Assistant Director, Consumer Protection Bra	nnch
	Jacqueline Blaesi-Freed	
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	United States Department of Justice	
7	Consumer Protection Branch, Civil Division	
_	P.O. Box 386	
8	Washington, DC 20044	
0	Telephone (202) 353-2809	
9	Facsimile (202) 514-8742	
10	Attorneys for Plaintiff	
10	United States of America	
11	Cinca States of America	
11	UNITED STATES DI	STRICT COURT
12	CENTRAL DISTRICT	
	WESTERN D	IVISION
13		_
	UNITED STATES OF AMERICA,	
14		
1.5	Plaintiff,	Case No. 2:15-cv-9691
15		
1.6	V.	COMPLAINT FOR CIIVIL
16	I ALGNOTEMO I LO 1' 'A 11' 1'1'	PENALTIES, PERMANENT
17	LAI SYSTEMS, LLC, a limited liability	INJUNCTION, AND OTHER
1 /	company	EQUITABLE RELIEF
18	company,	
10	Defendant.	
19	2 stondard.	1
20		

1	Plaintiff, the United States of America, acting upon notification and
2	authorization to the Attorney General by the Federal Trade Commission ("FTC" or
3	"Commission") for its Complaint alleges:
4	1. Plaintiff brings this action under Sections 1303(c) and 1306(d) of the
5	Children's Online Privacy Protection Act of 1998 ("COPPA"), 15 U.S.C. §§
6	6502(c) and 6505(d), and Sections 5(a)(1), 5(m)(l)(A), 13(b), and 16(a) of the
7	Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a)(1), 45(m)(1)(A),
8	53(b), and 56(a) to obtain monetary civil penalties, a permanent injunction, and
9	other equitable relief for Defendant's violations of the Commission's Children's
10	Online Privacy Protection Rule ("Rule" or "COPPA Rule"), 16 C.F.R. Part 312,
11	and Section 5 of the FTC Act.
12	JURISDICTION AND VENUE
13	2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
14	1331, 1337(a), 1345 and 1355, and 15 U.S.C. §§ 45(m)(1)(A), 53(b), 56(a), and
15	57b.
16	3. Venue is proper in this district under 28 U.S.C. § 1391(b)-(c),
17	1395(a), and 15 U.S.C. § 53(b).
18	<u>DEFENDANT</u>
19	4. Defendant LAI Systems, LLC ("LAI"), d/b/a TapBlaze, is a California

company with its principal place of business at 11901 Santa Monica Boulevard,

Suite 507, Los Angeles, California 90025. LAI transacts or has transacted business in this district and throughout the United States. At all times material to this Complaint, acting alone or in concert with others, LAI has advertised, marketed, distributed, or sold mobile applications ("apps") to consumers throughout the United States.

COMMERCE

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

THE CHILDREN'S ONLINE PRIVACY PROTECTION RULE

6. Congress enacted COPPA in 1998 to protect the safety and privacy of children online by prohibiting the unauthorized or unnecessary collection of children's personal information online by operators of Internet websites or online services. COPPA directed the Federal Trade Commission to promulgate a rule implementing COPPA. The Commission promulgated the COPPA Rule, 16 C.F.R. Part 312, on November 3, 1999 under Section 1303(b) of COPPA, 15 U.S.C. § 6502(b), and Section 553 of the Administrative Procedure Act, 5 U.S.C. § 553. The Rule went into effect in April 2000. The Commission promulgated revisions to the Rule that went into effect on July 1, 2013.

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- 7. The Rule applies to any operator of a commercial website or online 2 service directed to children that collects, uses, and/or discloses personal 3 information from children, or on whose behalf such information is collected or maintained, and to any operator of a commercial website or online service that has 4 actual knowledge that it collects, uses, and/or discloses personal information from 5 6 children. Under the Rule, personal information is "collected or maintained on behalf of an operator when . . . [t]he operator benefits by allowing another person 7 to collect personal information directly from users of" an online service. 16 C.F.R. 8 § 312.2. 9
 - 8. The Rule requires operators to give notice to parents and obtain their verifiable consent before collecting children's "personal information" online. 16 C.F.R. §§ 312.4 and 312.5. The definition of "Personal Information" includes a "persistent identifier that can be used to recognize a user over time and across different Web sites or online services," subject to certain exceptions not at issue in this case. 16 C.F.R. § 312.2.
 - Among other things, the Rule requires that an operator meet specific 9. requirements prior to using or disclosing personal information, including, but not limited to:
 - Posting a privacy policy on its website or online service providing a. clear, understandable, and complete notice of its information practices,

including what information the website operator collects from children 1 2 online, how it uses such information, its disclosure practices for such 3 information, and other specific disclosures set forth in the Rule; Providing clear, understandable, and complete notice of its 4 b. information practices, including specific disclosures, directly to parents; and 5 Obtaining verifiable consent prior to collecting, using, and/or 6 c. 7 disclosing personal information from children. 8 **DEFINITIONS** For purposes of this Complaint, the terms "child," "collects," 9 10. "collection," "Commission," "disclosure," "Internet," "operator," "parent," 10 11 "personal information," "obtaining verifiable consent," "third party," and "website or online service directed to children," are defined as those terms are defined in 12 13 Section 312.2 of the Rule, 16 C.F.R. § 312.2. 14 **DEFENDANT'S BUSINESS PRACTICES** Since 2012, Defendant has offered a number of mobile apps for 15 11. download from Apple's App Store, Google Play, and the Amazon App store. The 16 apps include apps that are directed to children, such as My Cake Shop, My Pizza 17 18 Shop, Hair Salon Makeover, Friday Night Makeover, Marley the Talking Dog, and

Animal Sounds ("kids' apps"). (See Exhibit A, copies of several kids' apps' initial

screens.) The apps send and/or receive information over the Internet, and thus are

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- online services pursuant to COPPA. These apps are free to download and play.

 Revenues are generated through in-app advertising and in-app purchases.
 - 12. Defendant is an "operator" as defined by the Rule, 16 C.F.R. § 312.2.
- 13. My Cake Shop, which has been available since at least 2013, is an app in which users engage in simple play by creating images of cakes by tapping on flashing ingredients to combine them in a bowl, baking, and decorating the cake.

 The description of the app in Google Play described it as a "[f]un cooking game for kids of all ages. With this free cake maker kids app, you can let your inner pastry chef go wild" (See Exhibit B.)
- 14. My Pizza Shop, which has been available since at least 2013, is an app in which users engage in simple play by creating images of pizzas by tapping on flashing ingredients to combine them in a bowl, rolling out the dough, topping and baking the dough, and then cutting the pizza. The description of the app in Apple's App Store states, "you can let your inner pizza hero go wild creating real looking pizza." (*See* Exhibit C.)
- 15. Hair Salon Makeover, which has been available since 2014, is an app in which users engage in simple play by creating different hairstyles for animated characters, some of which look like children. The description of the app in Apple's App Store states, "With Hair Salon Makeover, you get to scissor cut, curl, color, and style the hair of customers and even a dog!" (*See* Exhibit D.)

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- Friday Night Makeover (advertised as Princess Makeover Salon and 16. 2 sold as Makeover Party Friday in Apple's App Store, and advertised as My 3 Fashion Design Makeover and sold as Makeover Party Friday in Google Play), which has been available since 2014, is an app in which users create different looks 4 on animated characters through styling hair and makeup and choosing clothes and 5 6 accessories. The description of the app in Apple's App Store states, "Be a fashion 7 designer and create the next fashion star!" (See Exhibit E.) 17. 8 Marley the Talking Dog, which was available from at least 2013 9 through 2014, is an app in which users can record what they say and have it mimicked back to them by the dog, give the dog a bone, make the dog dance or 10
 - nap, and swat bees away from the dog. The description of the app in Apple's App Store stated, "you can have your very own cute, cuddly puppy dog in the palm of your hand." (See Exhibit F.)
 - Animal Sounds, which was available from at least 2013 through 2014, 18. is an app in which images of animals and their sounds are automatically played as a slideshow. The description of the app in the Amazon App store stated it is a "learning game for toddlers" and it will "keep your child entertained at a restaurant, during a long drive or while shopping." (See Exhibit G.)
 - 19. Pursuant to Section 312.2 of the Rule, the determination of whether an app is directed to children depends on factors such as the subject matter, visual

content, language, and use of animated characters or child-oriented activities and incentives. An assessment of these factors demonstrates that LAI's kids' apps are directed to children under the age of 13. For example, LAI's kids' apps contain brightly colored, animated characters including dogs and children (see e.g. Exhibit H, examples from Hair Salon Makeover and Marley the Talking Dog) and involve only simple play. Their subject matter, which includes creating images of cakes and pizzas, playing dress up, hair styling, and learning animal sounds, would be highly appealing to children. (See e.g. Exhibit I, examples from My Cake Shop and My Pizza Shop; Exhibit J, example from Hair Salon Makeover.) In addition, as described above in Paragraphs 13-18 and as shown in Exhibits B-G, the language used to describe the apps in the app stores is simple and would be appealing to a child under age 13, and in some instances identified children as their target audience.

20. Through the kids' apps, Defendant allowed third party advertising networks to collect personal information in the form of persistent identifiers, in order to serve targeted advertising on the app based on users' activity over time and across sites. Defendant did not inform these third-party advertising networks that the apps are directed to children and did not instruct or contractually require the advertising networks to refrain from targeted advertising. Nor did Defendant

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1	provide the required notices or obtain the required parental consent described in
2	Paragraph 9.
3	VIOLATION OF THE CHILDREN'S ONLINE PRIVACY PROTECTION
4	RULE
5	Count I
6	21. Defendant operates online services directed to children, including
7	through the kids' apps, which collect personal information from children under age
8	13.
9	22. In numerous instances since July 1, 2013, in connection with the acts
10	and practices described above, personal information from children younger than
11	age 13 was collected on behalf of Defendant in violation of the Rule. Defendant
12	thus violated the Rule by:
13	a. Failing to provide notice on Defendant's online services of the
14	information it collects, or is collected on its behalf, online from
15	children, how such information is used, and its disclosure
16	practices, among other required content, in violation of Section
17	312.4(d) of the Rule, 16 C.F.R. § 312.4(d);
18	b. Failing to provide direct notice to parents of the information
19	Defendant collects, or information that has been collected on
20	Defendant's behalf, online from children, how such information
	at the state of th

1	is used, and its disclosure practices for such information, among
2	other required content, in violation of Section 312.4(b) of the
3	Rule, 16 C.F.R. § 312.4(b); and
4	c. Failing to obtain verifiable parental consent before any
5	collection or use of personal information from children, in
6	violation of Section 312.5(a)(1) of the Rule, 16 C.F.R. §
7	312.5(a)(1). Therefore, Defendant has violated the Rule, 16
8	C.F.R. Part 312.
9	23. Pursuant to Section 1303(c) of COPPA, 15 U.S.C. § 6502(c), and
10	Section
11	18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the Rule constitutes
12	an unfair or deceptive act or practice in or affecting commerce, in violation of
13	Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
14	THIS COURT'S POWER TO GRANT RELIEF
15	24. Defendant violated the Rule as described above with the knowledge
16	required by Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A).
17	25. Each collection, use, or disclosure of a child's personal information in
18	which Defendant violated the Rule in one or more of the ways described above
19	constitutes a separate violation for which Plaintiff seeks monetary civil penalties.
20	

1	26. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), as
2	modified by Section 4 of the Federal Civil Penalties Inflation Adjustment Act of
3	1990, 28 U.S.C. § 2461 and Section 1.98(d) of the FTC's Rules of Practice, 16
4	C.F.R. § 1.98(d), authorizes this Court to award monetary civil penalties of not
5	more than \$16,000 for each violation of the Rule on or after February 10, 2009.
6	27. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court
7	to grant injunctive and such other relief as the Court may deem appropriate to halt
8	and redress violations of any provision of law enforced by the FTC. The Court, in
9	the exercise of its equitable jurisdiction, may award ancillary relief to prevent and
10	remedy any violation of any provision of law enforced by the FTC.
11	PRAYER FOR RELIEF
12	Wherefore, Plaintiff United States of America, pursuant to Sections 5(a)(1),
13	5(m)(1)(A), 13(b), and 16(a) of the FTC Act, 15 U.S.C. §§ 45(a)(1), 45(m)(1)(A),
14	53(b), and 56(a) and the Court's own equitable powers, requests that the Court:
15	A. Enter a permanent injunction to prevent future violations of the FTC

- A. Enter a permanent injunction to prevent future violations of the FTC Act and the Rule by Defendant;
- B. Award Plaintiff monetary civil penalties from Defendant for each violation of the Rule alleged in this Complaint; and

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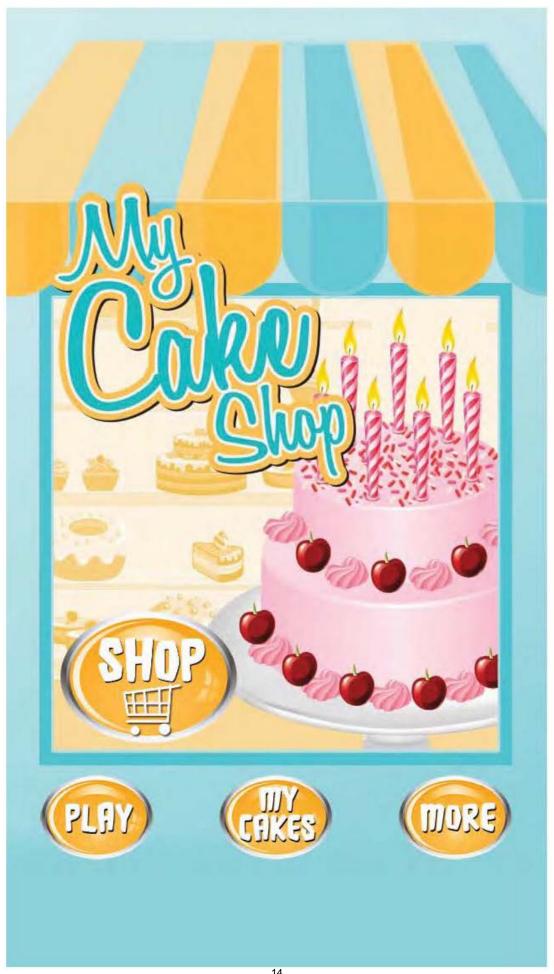
19

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C. Award other and additional relief the Court may determine to be just and proper.

1		Respectfully submitted,
2	Dated: December 17, 2015	
3	FOR THE FEDERAL TRADE COMMISSION:	FOR PLAINTIFF THE UNITED STATES OF AMERICA:
4	MANEESHA MITHAL	BENJAMEN C. MIZER
5	Associate Director Division of Privacy and Identity	Principal Deputy Assistant Attorney General Civil Division
6	Protection	JOHNATHAN F. OLIN
7	MARK EICHORN Assistant Director	Deputy Assistant Attorney General
8	Division of Privacy and Identity Protection	MICHAEL S. BLUME Director
9		Consumer Protection Branch
10	MEGAN COX Attorney	ANDREW E. CLARK
11	Division of Privacy and Identity Protection	Assistant Director
12	Federal Trade Commission 600 Pennsylvania Avenue, N.W.	/s/ Jacqueline Blaesi-Freed Jacqueline Blaesi-Freed
13	(202) 326-2282	Trial Attorney, Kansas Bar No. 25455 Consumer Protection Branch
	CORA HAN	U.S. Department of Justice
14	Attorney Division of Privacy and Identity	P.O. Box 386 Washington, DC 20044
15	Protection Federal Trade Commission	(202) 353-2809
16	600 Pennsylvania Avenue NW	
17	Washington, DC 20580 (202) 326- 2441	
18	(202) 326-3062	
19		
20		

Exhibit A









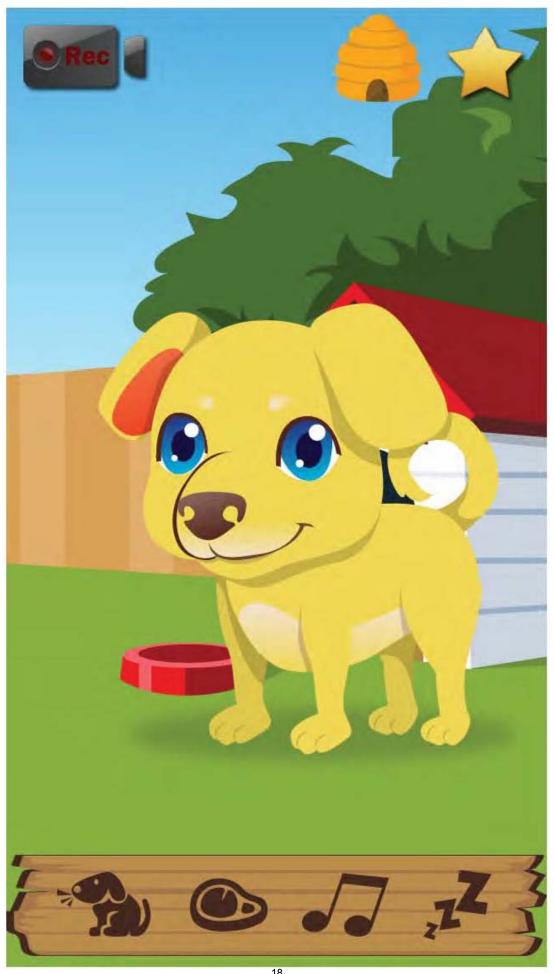


Exhibit B

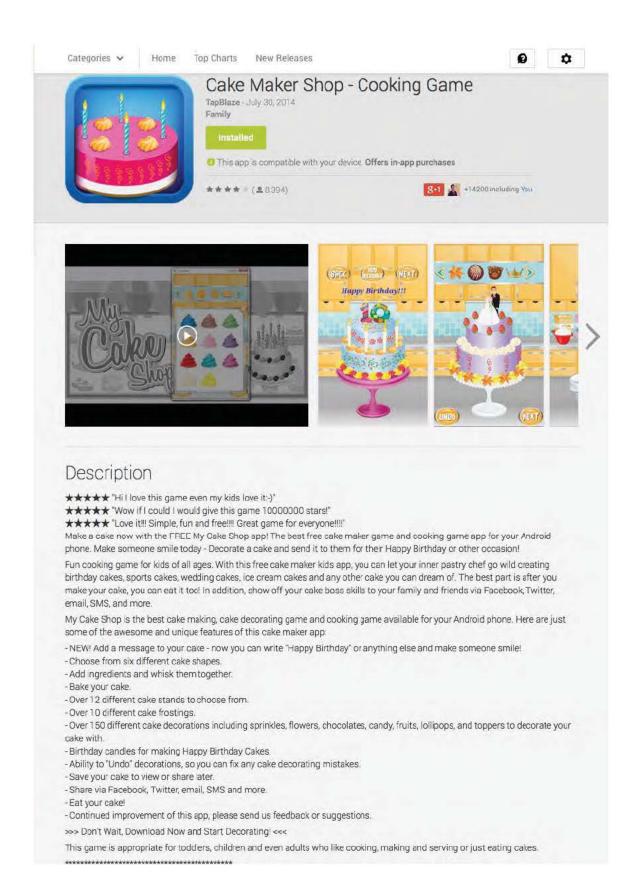


Exhibit C

My Pizza Shop - Pizza Maker Game By LAI SYSTEMS, LLC

Open iTunes to buy and download apps.



Fun pizza maker game for pizza lovers. With this pizza maker app, you can let your inner pizza hero go wild creating real looking pizza. The best part is after you make your pizza, you can eat it too!

View More by This Developer

LAI SYSTEMS, LLC Web Site > My Pizza Shop - Pizza Maker Game Support >

What's New in Version 1.2

- * iOS 8 compatible.
- * Fixed several bugs reported by players...

View in iTunes

This app is designed for both iPhone and iPad

Free

Category: Games Updated: Feb 16, 2015 Version: 1.2 Size: 54.9 MB Language: English Seller: LAI SYSTEMS, LLC © TapBlaze Rated 4+

Compatibility: Requires IOS 6.0 or later. Compatible with iPhone, iPad, and iPod touch. This app is optimized for iPhone 5.

Customer Ratings

Current Version: ★★★★ 32 Ratings All Versions: ★★★★ 4449 Ratings

Top In-App Purchases

1. Unlock All 2. Unlock More Toppi... \$1.99 3. Unlock More Decor... \$1.99

More by LAI SYSTEMS,



Screenshots iPhone | iPad **FUN PIZZA MAKER GAME MAKE PIZZA SAUCE**

Exhibit D

Hair Salon Makeover - Cut, Curl, Color, Style Hair

View More by This Developer

By LAI SYSTEMS, LLC

Open iTunes to buy and download apps.



Description

Run your own Hair Salon! Customers are looking for a new hair style and you are the one to give them the haircut of their dreams! With Hair Salon Makeover, you get to scissor cut, curl, color, and style the hair of customers and even a dog! Best yet, the hairstyle is completely up to you! From hair color, braids, ponytalls to mustaches the character's style is in your control.

LAI SYSTEMS, LLC Web Site + Hair Salon Makeover - Cut, Curl, Color, Style Hair Support +

What's New in Version 1.7

New Icon

This app is designed for both IPhone and IPad

Free

Category: Games Updated: Feb 15, 2015 Version: 1.7 Size: 55.1 MB Language: English Seller: LAI SYSTEMS, LLC □ Tap8Jaze Rated 4+

Compatibility: Requires iOS 6.0 or later. Compatible with Phone, iPad, and iPod touch. This app is optimized for Phone 5,

Customer Ratings

Current Version: **** 32 Ratings

All Versions: ★★★★ 484 Ratings

Top In-App Purchases

I. Unlock All	59.99
2. Unlock Hair Dyes	51.99
3. Unlock Karina	\$1.99
4. Unlock Kris	\$1.99
5. Unlock Hair Clips	\$1.99
6. Unlock Glasses	\$1.99
7. Unlock Hats	\$1.99
8, Unlock Neck Acces.	\$1.99

More by LAI SYSTEMS



Exhibit E

TapMakeover | Princess Makeover Salon By LAI SYSTEMS, LLC

Game Center S
View More by This Developer

Open iTunes to buy and download apps.



View in iTues

This app is designed for both iPhone and iPad

Free

Category: Games
Updated: Feb 15, 2015
Version: 1.5
Size: 83.5 MB
Languages. Bokmål, Norwegian,
Catalan, Czech, Danish, Dutch,
En, Finnish, French, German,
Greek, Hebrew, Hu, Italian,
Japanese, Ko, Polish,
Portuguese, Romanian, Russian,
Simplified Chinese, Slovak,
Spanish, Swedish, Traditional
Chinese, Turkish
Seller: LAI SYSTEMS, LLC
© TapBlaze

Compatibility: Requires iOS 6.0 or later. Compatible with iPhone, iPad, and iPod touch. This app is optimized for iPhone 5.

Customer Ratings

Current Version: ★★★★ 6 Ratings All Versions: ★★★ 129 Ratings

Top In-App Purchases

I. Unlock All Items	\$4.99
2. Unlock All Dresses	50.99
3. Unlock All Purses	\$0.99
4. Unlock All Eyeshad	50.99
5. Unlock All Hairstyles	\$0.99
6. Unlock All Shoes	50.99
7. Unlock All Separates	\$0.99
8. Unlock All Head Pie	50.99
9. Unlock All Earrings	\$0.99
10. Unlock All Necklace	5 \$0.99

More by LAI SYSTEMS, LLC



My Pizza Shop - Pizza Maker View In iTunes F

Description

New, Free Fashion Makeover Game: Be a fashion designer and create the next fashion start With TapMakeover you get to run the show. Kate is getting ready for her Friday night party and it is up to you to help her in your fashion boutique. From makeup to clothing. Kate's makeover is entirely up to you. Princess or geek chic, her style is in your control. Use your creativity and come up with the next fashion trend and be the ultimate fashionistal

Don't Wait, Download Now and Start Styling!

ABOUT TAPBLAZE

Our vision is to build an enduring franchise that gamers will still be excited about decades from now. At TapBlaze, we strive to develop high-quality, creative games that people of all ages will find entertaining, educational, fun, and useful. We believe our attention to detail, commitment to player satisfaction, and expertise in the mobile space will make our games stand out.

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For the Latest Updates and Learn More About Us, Follow Us On:

Facebook: https://www.facebook.com/tapblaze Twitter: https://twitter.com/TapBlaze Instagram: http://instagram.com/tapblaze YouTube: https://www.youtube.com/user/TapBlazeGames Website: http://www.tapblaze.com/about/

LAI SYSTEMS, LLC Web Site) TapMakeover | Princess Makeover Salon Support)

What's New in Version 1.5

iOS 8 Updates



Exhibit F

Marley The Talking Dog

By LAI SYSTEMS, LLC

Open iTunes to buy and download apps.





View in iTunes

This app is designed for both iPhone and iPad

Free

Category: Games Updated: Apr 11, 2013 Version: 1.2 Size: 31.4 MB Language: English Seller: LAI SYSTEMS, ELC © TapBlaze Rated 4+

Compatibility: Requires IOS 5.0 or later. Compatible with IPhone, IPad, and IPod touch. This app is optimized for IPhone 5.

Customer Ratings

Current Version: ★★★★ 69 Ratings All Versions: ★★★ 155 Ratings

Top In-App Purchases

1. Start with 8 Lives 50.99 2. Remove ADs 51.99

More by LAI SYSTEMS, LLC



My Cake Shop HD - Cake Mak... View In iTunes >

Description

Marley the Talking Dog needs to find a new home! Download Marley now and make him a happy puppy dog. If you ever wanted to have your own talking puppy dog, this is the app for you.

With Marley the Talking Dog app: you can now have your very own cute, cuiddly puppy dog in the palm of your hand. Marley loves to be petted and loves to play fetch with his favorite bone. If Marley gets bored, he will fall asleep. Wakehim up and play his favorite music to watch him dance!

LAI SYSTEMS, LLC Web Site | Marley The Talking Dog Support |

What's New in Version 1.2

New, fun mini-game added. Stop the bees from stinging Marley!



Exhibit G



Product Details

ASIN: B0085Y7KZG

Release Date: May 24, 2012

Rated: Guidance Suggested This app may include dynamic content. What's this?

Average Customer Review: **** (25 customer reviews)

Would you like to give feedback on images or tell us about a lower price?

Product Features

- Animal sounds learning game for toddlers.
- Over 20 high quality animal images and sounds.
- The name of the animal is spoken out in perfect, clear ENGLISH by a female teacher.
- Animal images and sounds are automatically played as a slide show.
- Click on the animal name or animal sound button to hear the sound again.

Product Description

Animal sounds learning game for toddlers. Fun, simple app for toddlers to learn about different animals, their names and their sounds. Over 20 high quality animal images and sounds. Unlike other animal sound apps, the name of the animal is also spoken out in perfect, clear ENGLISH by a female teacher.

Play together while spending quality time or use this app in an "emergency" to keep your child entertained at a restaurant, during a long drive or while shopping.

Animal images and sounds are automatically played as a slide show. Either click on the animal name or animal sound button to hear the sound again. Flip back or forth to change animal images.

"Animal Sounds Academy" contains images and sounds of over 20 animals including:

Bird, cat, chicken, cow, deer, dog, donkey, duck, elephant, fox, frog, giraffe, horse, lion, monkey, panda, pig, rabbit, sheep, and tiger. More animal images and sounds are in the works.

Exhibit H





Exhibit I





[Redacted advertisement]



Exhibit J

