

FTC Sues Amazon Over Allegedly Unauthorized In-App Purchases

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The **Federal Trade Commission (“FTC”)** [brought suit](#) last week against **Amazon.com** for allegedly collecting unauthorized in-app charges in connection with children’s apps. The FTC alleges that, by failing to require the account holder to enter a password before allowing a charge, Amazon unfairly billed parents for millions of dollars in unauthorized purchases.

Although Amazon changed its system to require a password for any in-app purchases in June 2014, it previously employed a variety of systems regarding in-app purchases. Prior to March 2012 there was no password requirement for in-app purchases; Amazon then responded to customer complaints by requiring a password for individual charges over \$20. Customers complained again, however, and in early 2013 Amazon instituted a system which would request initial parental approval of a purchase but would then allow additional purchases without approval during an undisclosed window lasting between 15 minutes and an hour.

Under Section 5 of the FTC Act the FTC can investigate and challenge unfair practices; to show that Amazon’s billing schemes were unfair, the FTC must prove that they caused or were likely to cause substantial injury that consumers could not reasonably avoid and that was not outweighed by countervailing benefits to either consumers or competition.

As we [previously reported](#), the FTC brought a [similar complaint](#) against Apple in January. Unlike Amazon, Apple settled and signed a consent order with the FTC. The Apple system, like the most recent Amazon system, required passwords initially but then allowed additional purchases without parental consent in a 15 minute window following. Apple agreed to pay \$32.5 million; payments are to be made first to customers whose accounts were charged for unauthorized purchases, and any remaining amount will be paid to the FTC. The FTC is seeking a similar resolution with Amazon.

Nora Diamond contributed to this article.

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