

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**
 Julie Brill
 Maureen K. Ohlhausen
 Joshua D. Wright
 Terrell McSweeney

In the Matter of

GOOGLE INC., a corporation.

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Google Inc. (“Google” or “Respondent”) has violated provisions of the Federal Trade Commission Act (“FTC Act”), and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent is a Delaware corporation with its principal place of business at 1600 Amphitheatre Parkway, Mountain View, California 94043.
2. Respondent has billed for charges related to activity within software applications (“apps”) consumers download to their mobile devices from Respondent’s app store.
3. The acts and practices of Respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act.

RESPONDENT’S BUSINESS PRACTICES

4. Google offers thousands of apps for free or a specific dollar amount, including games that children are likely to play. In many instances, after installation, children can obtain virtual items within a game, many of which cost money. Google bills charges for items that cost money within an app—“in-app charges”—to the parent. Although the issue of unauthorized charges in kids’ apps had received media scrutiny before Google introduced in-app charges to its app store in March 2011, Google began billing for such charges without any password requirement or other method to ensure account holder authorization. In fact, just weeks after it began billing for in-app charges, Google began receiving complaints from parents and other consumers about being billed for unauthorized charges by children. Yet Google took no steps to require account holder involvement within an app prior to in-app charges being incurred by children until mid- to late 2012. Currently, in connection with billing for children’s in-app

charges, Google only sometimes requests a parent’s Google password. In many instances, once the password is entered, Google begins a thirty-minute window during which purchases can be made by children without further action by the account holder. During this process, Google in many instances has not informed account holders that password entry would approve a charge or initiate a thirty-minute window during which children using the app can incur charges without further action by the account holder. Through these practices, Google often has failed to obtain parents’ informed consent to charges incurred by children. As a result, parents and other Google account holders have suffered significant monetary injury, with many thousands of consumers complaining about unauthorized in-app charges by children, and many consumers reporting hundreds of dollars in such charges.

Background on Google Play Store

5. Google offers apps through its Google Play Store, a digital store preloaded on Android mobile devices. Apps provide a wide variety of mobile computing functionality, allowing users, for example, to browse the Internet, check the weather, or play games.

6. Google generally assigns each app it sells to at least one topical category, such as “Games” or “News & Magazines.” Google also groups apps by price, including the top “Free” apps and top “Paid” apps.

7. Google charges account holders for certain user activities within some apps. These in-app charges can range from \$0.99 to \$200 and can be incurred in unlimited amounts. In many instances, the apps containing in-app charges are games that children are likely to play.

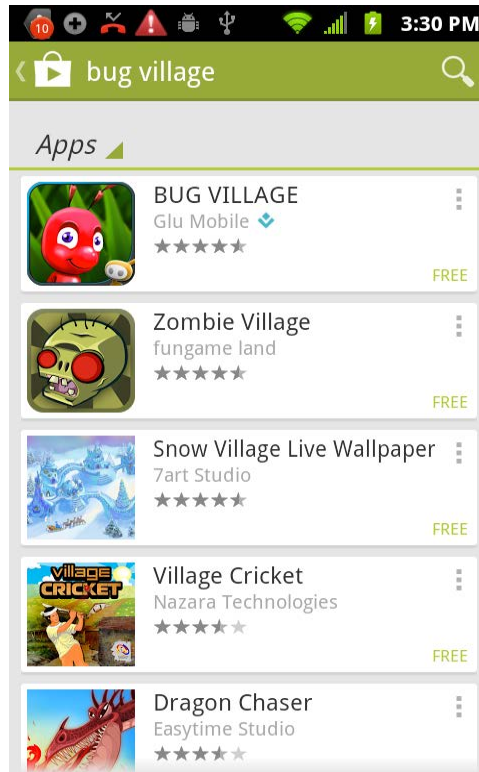
8. Account holders can associate their Google accounts with certain payment mechanisms such as a credit card, gift card, or mobile phone billing. In many instances, consumers set up such a payment mechanism prior to installing an app or incurring in-app charges. Google bills consumers’ Google accounts for Google Play store transactions and in-app charges, and retains thirty percent of all revenue, amounting to tens of millions of dollars. Google’s stated policy regarding refunds for in-app charges has been that refunds are at the discretion of the developer, and, as a matter of course, Google refers consumers seeking refunds to the app developer.

Installing an App from the Google Play Store

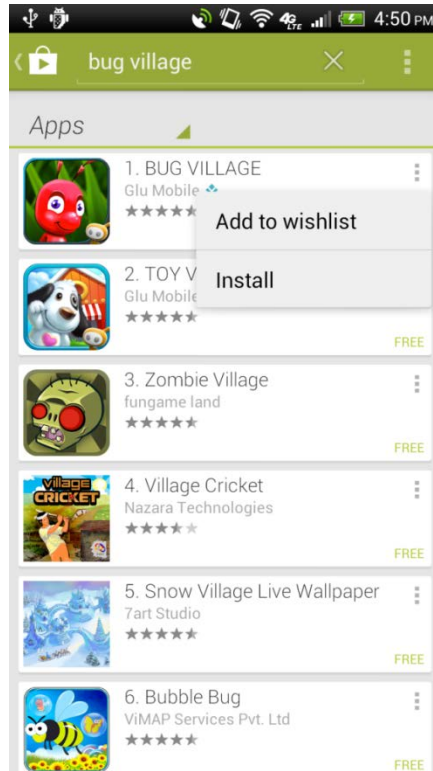
9. To install an app, a parent or other account holder must first locate it by searching for the app by keyword (*e.g.*, the name of the app) or by browsing the various categories within the Google Play Store. Whether an account holder searches for an app by keyword or browses a Google Play Store category, the results display as a scrollable list of rectangular tiles with specific information about each app (referred to herein as “App Cards”).

10. Each App Card contains the app’s icon and name, the name of the developer, the user rating, and, in the bottom right-hand corner, the price of the app: either “FREE” or a specific dollar amount. Directly above the app’s price is an icon consisting of three vertical dots. An

example of the App Cards that display when an account holder searches for an app called Bug Village appears below.

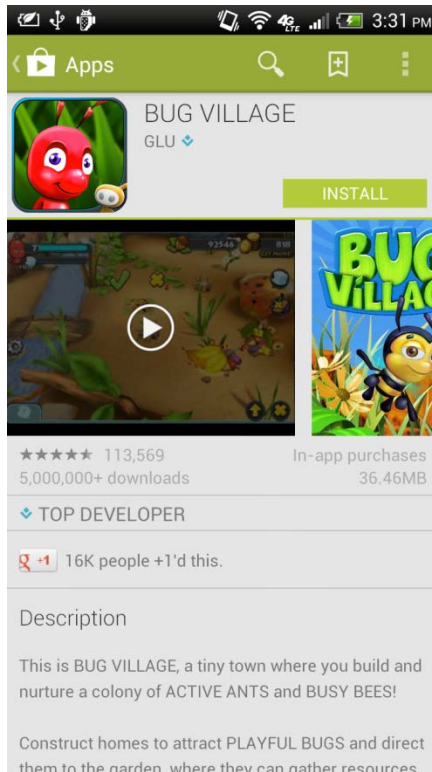


Clicking on the vertical dots on an app's App Card opens a popup menu containing links labeled "Add to wishlist" and "Install." An image of an expanded popup menu containing the links appears below.



By clicking on the “Install” link, an account holder can begin the process of installing an app directly from the App Card, without receiving any information about in-app charges.

11. Alternatively, by clicking elsewhere on the App Card, an account holder can install the app through the app’s “product details page.” At the top of the product details page, Google displays a button labeled “INSTALL.” Google in many instances has displayed the product details page in the same format as the one below.



If an account holder scrolls through the product details page, certain information is available, including the app’s description and content rating (“Everyone,” “Low Maturity,” “Medium Maturity,” or “High Maturity”). As pictured above, Google displays the words “In-app purchases” in small print on the product details page. Prior to November 2013, Google did not display that language. Nowhere on the product details page does Google explain what “In-app purchases” are (including that they cost real money or how much) or that the account holder’s entry of the Google password will approve a charge and initiate a thirty-minute window during which children can incur charges without further action by the account holder.

12. To initiate app installation, the account holder must either choose the “Install” link from the menu on the App Card or click the “INSTALL” button on the product details page. In both cases, Google displays a popup labeled “App permissions” (referred to herein as the “Permissions Popup”). The Permissions Popup lists various functions that an app may perform, including, for example, accessing information about battery usage or operating the device’s flashlight. At the bottom of the Permissions Popup is a button labeled “ACCEPT.” If an account holder clicks the “ACCEPT” button, the app is installed on the device. Until in or around March 2014, account holders could simply click “ACCEPT” to begin the app installation process without viewing any information about in-app charges.

Incurring In-App Charges

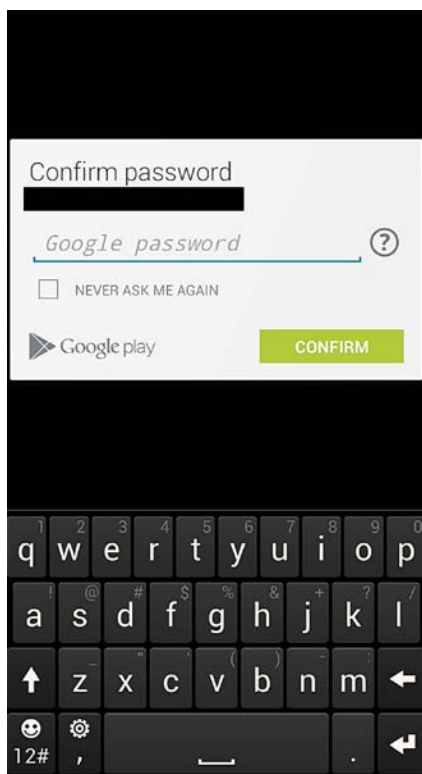
13. After an account holder installs an app, a user can incur in-app charges. In many instances—including in apps that children are likely to play and that are, for example, rated as “Everyone” or “Low Maturity”—these users are children. In many instances, parents have

complained that their children could not and did not understand that their activities while playing the app could result in charges that cost real money.

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

15. In many instances, once a user had cleared the Charge Popup, Google did not request any further action before billing the account holder for the corresponding in-app charge. In these cases, each time a child cleared the Charge Popup, Google billed the account holder for the in-app charge without obtaining his or her consent.

16. Not until mid- to late 2012 did Google begin requiring password entry in connection with in-app charges. A sample password prompt appearing within an app is below.



As initially displayed, the password prompt does not contain any information about in-app charges. Once the account holder enters the Google password and presses “CONFIRM,” Google bills the in-app charge to the linked Google account. By default, entering the Google password and pressing “CONFIRM” also begins a thirty-minute window during which Google does not display the password prompt for subsequent in-app charges, allowing children to incur unlimited charges without password entry for thirty minutes. Regardless of the number or amount of charges incurred during this period, Google does not prompt for additional password entry.

17. In many instances, Google has not obtained an account holder's informed consent before billing for in-app charges incurred by children. For example, in many instances, during the processes described in paragraphs 9 through 16, Google did not inform account holders that password entry begins a window during which users can incur unlimited charges without further action by the account holder.

Google Bills Many Parents for Unauthorized In-App Charges Incurred by Children

18. Many of the apps that charge for in-app activities are apps that children are likely to use. Indeed, many such apps are rated as "Everyone" or "Low Maturity" and are described or marketed as suitable for children, or are widely used by children.

19. Many of these games invite children to obtain virtual items in contexts that blur the line between what costs virtual currency and what costs real money. For example, the app Air Penguins asks children to "[j]ourney through the icy South Pole to help Air Penguin save his family from melting ice caps" and is replete with kid-friendly graphics of arctic animals such as penguins and polar bears. The game sometimes presents children with a screen selling polar bears, penguins, and various quantities of fish. The screen does not contain any dollar signs or other description of the real-money cost of any of the items. Buying polar bears and penguins costs virtual currency, but buying fish costs real money, with the largest quantity of fish (20,000) costing \$49.99.

20. Similarly, in the app Ice Age Village, children manage an ice-age habitat with instructions offered by characters from the animated "Ice Age" movies. The in-game "Shop" offers virtual items, each of which cost a certain amount of virtual currency (either "coins" or "acorns"). The price of each virtual item is displayed on green buttons that, when pressed, allow children to purchase the virtual items without any associated real-money charge. But another screen offers coins and acorns with similar green buttons that initiate real-money transactions. Children can obtain various quantities of acorns and coins for various amounts of real money, with the largest quantities (4,200 acorns or 2,100,000 coins) costing \$99.99.

21. Many consumers report that they and their children were unaware that in-app activities would result in real monetary loss. For example, a consumer whose children incurred unauthorized in-app charges in the Air Penguins app complained that he "did not realize that some 'free games' had buried 'in app' purchase opportunities" and that his "kids (ages 4 and 7) were told not to make any purchases, but apparently they did not realize they were spending my money. The purchases were not approved by me." Another consumer, who "downloaded Ice Age Village to the delight of [his] son" but later learned that hundreds of dollars of in-app charges were made to his credit card, commented that "[k]ids do not know anything about money transactions with credit cards."

22. Many consumers complain specifically about the fact that Google billed for in-app activities without obtaining their consent. For example, a parent whose five-year-old son incurred over \$400 in unauthorized charges playing Bug Village stated "these multiple purchases were not approved by me." Another parent called Google and complained that he thought his

account had been hacked because he did not realize that his son had made unauthorized purchases while playing Tiny Monsters.

23. Google has received thousands of complaints related to unauthorized in-app charges by children in these and other games. In fact, in a June 2012 email, a Google product manager opined that “‘friendly fraud’ (unauthorized purchases by individuals you know) is the lead cause of chargebacks. For example, parents realize their kids have made a series of purchases and call the credit card company claiming those were unauthorized. Risk estimates that close to 80% of current chargebacks are driven by this specific issue.” Similarly, the notes for a February 2012 internal team meeting referred to a “high number of canceled orders for in-app billing” and explained that “these usually tend to be family fraud (kid takes phone and buys lots of food for virtual fish).”

24. Many children incur unauthorized in-app charges without their parents’ knowledge. Even parents who discover the charges and want to request a refund face a process that at least one member of the Google Play Support Team has described, in emails to consumers, as “confusing.” Indeed, as noted in paragraph 8 above, Google’s stated policy regarding refunds for in-app charges has been that all refunds are at the discretion of the app developer, and Google’s practice is to refer consumers seeking refunds first to the app developer. Consumers’ attempts to receive refunds through app developers have often been unsuccessful, with consumers reporting to Google that the app developer was uncooperative or did not respond.

VIOLATIONS OF THE FTC ACT

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

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

COUNT I

Unfair Billing of In-App Charges

27. In numerous instances, Respondent bills parents and other Google account holders for children’s activities in apps that are likely to be used by children without having obtained the account holders’ express informed consent.

28. Respondent’s practices as described in paragraph 27 cause or are likely to cause substantial injury to consumers that consumers themselves cannot reasonably avoid and that is not outweighed by countervailing benefits to consumers or competition.

29. Respondent's practices as described in paragraph 27 therefore constitute unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a) and (n).

THEREFORE, the Federal Trade Commission this _____ day of _____, 2014, has issued this complaint against Respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: