

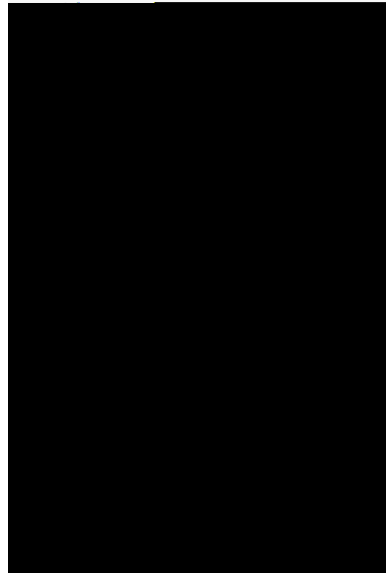
**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**

fails to obtain parents' informed consent to charges incurred by children. Since at least March 2011, tens of thousands of consumers have complained about unauthorized in-app charges by children, and many consumers have reported hundreds to thousands of dollars in such charges. Parents and other iTunes account holders therefore have suffered significant monetary injury.

Background on Apple's App Store

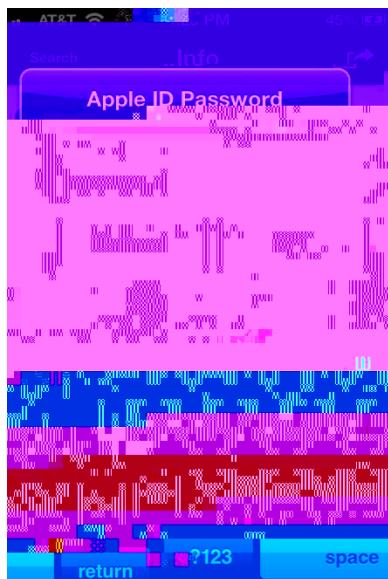
5. Apple offers apps through its App Store, a digital store preloaded on Apple mobile devices. Apps provide a wide variety of mobile computing functionality, allowing users to, for example, browse the Internet,



As pictured above, Apple displays the words “Offers In-App Purchases” in small print on the Info pages (not the Search Tiles) of apps with in-app charges. Prior to spring 2013, Apple did not display that language. Neither the Search Tile nor the Info Page explain what “In-App Purchases” are (including that they cost real money or how much) or that entering the iTunes password within the app will approve a charge and initiate a fifteen-minute window during which children can incur charges without further action by the account holder.

11. To initiate app installation, the account holder must press the Price Button on the app’s Search Tile or Info page. When pressed, the Price Button changes so that it displays the word “INSTALL” instead of the price. If pressed again, the app installation process begins.

12. Next, Apple prompts account holders for their iTunes account password before installation proceeds. This prompt (the “Password Prompt”) is the same or similar to the ones depicted below.



The Password Prompt does not contain any information about in-app charges. Once the account holder enters the iTunes account password and presses “OK,” the app is installed on the device.

13. As described in paragraph 4, Apple often caches the iTunes password for fifteen minutes after it is entered. During this fifteen-minute window, Apple does not display the Password Prompt again.

Incurring In-App Charges

14. After an account holder installs an app, a user can incur in-app charges. In many instances—particularly for apps that children are likely to play and that are, for example, rated as appropriate for four-year-olds—these users are children. In many instances, parents have complained that their children could not or did not understand that their activities while playing the app could result in charges that cost real money.

15. 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), Apple 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 “Buy” button.

16. In many instances, during the fifteen-minute window following installation of an app (as described in paragraph 13 above), Apple has not displayed a Password Prompt for any in-app charges. This has allowed children to incur in-app charges simply by pressing the “Buy” button on each Charge Popup displayed during that fifteen-minute period. Regardless of the number or amount of charges incurred during this period, Apple has not prompted for additional password entry in these instances.

17. In many other instances, Apple displays a Password Prompt—identical to the Password Prompt displayed prior to installation of the app—after a child clears the Charge Popup. A sample Password Prompt appearing within an app is below.

The Password Prompt does not contain any information about in-app charges. Once the account holder enters the iTunes account password and presses “OK,” Apple bills the in-app charge to

“Zoo Bucks,” for instance, a child may obtain various quantities of “bucks,” including “10 Bucks” for \$0.99 or “3,500 Bucks” (also called a “Mountain of Bucks”) for \$99.99. Apple lists Tiny Zoo Friends with a rating of 4+.

24. Since at least March 2011, Apple has received at least tens of thousands of complaints related to unauthorized in-app charges by children in these and other games.

25. Many consumers report that they and their children were unaware that in-app activities would result in real monetary loss. For example, one App Store reviewer complaining about \$534 in unauthorized charges incurred in two days described Dragon Story as “sucker[ing] young children into spending huge amounts of money” without their parents’ knowledge. A parent whose seven-year-old incurred \$500 in unauthorized charges playing Tiny Zoo Friends one afternoon commented that “children . . . cannot possibly understand” that they are spending real money.

26. In many games with in-app charges, consumers report that Apple billed for in-app activities without obtaining their consent. For example, one parent learned from her credit card company that her daughter had incurred \$2600 in charges in the 9+ app “Tap Pet Hotel.” Another consumer reported that her niece incurred \$113.46 in unauthorized charges while playing the 4+ app “Racing Penguin, Flying Free.” According to the consumer, her niece did not know the iTunes password, but was able to incur the charges inside the fifteen-minute window during which Apple does not prompt account holders for a password. Apple has continued to receive complaints about millions of dollars of unauthorized in-app charges by children.

27. 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 many consumers describe as cumbersome, involving steps that do not clearly explain whether and how a consumer can seek a refund for unauthorized in-app charges incurred by children. Indeed, as noted in paragraph 8 above, Apple’s stated policy is that all App Store transactions are final.

COUNT I

Unfair Billing of In-App Charges

28. In numerous instances, Respondent bills parents and other iTunes 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.

29. Respondent’s practices as described in paragraph 28 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.

30. Respondent's practices as described in paragraph 28 therefore constitute unfair acts or practices in or affecting commerce 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 _____, _____, has issued this complaint against Respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: