

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Lina M. Khan, Chair
Rebecca Kelly Slaughter
Alvaro M. Bedoya
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In the Matter of

BLACKBAUD, INC., a corporation .

DOCKET NO. &

COMPLAI NT

The Federal Trade Commission, having reason to believe that Blackbaud, Inc., a corporation, (“Blackbaud”), has violated the provisions of the Federal Trade Commission Act, 15 U.S.C. § 45, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Responder Blackbaud, Inc. is a Delaware corporation with its principal place of business at 65 Fairchild Street Charleston South Carolina 29492.
2. The acts and practices of Blackbaud alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act and constitute unfair and/or deceptive acts or practices affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

Summary of the Case

3.[Tdc described in greater detail below.

3. Blackba

Blackbaud’s Business Practices

4. Blackbaud provides a variety of data services and financial, fundraising, and administrative software services to its customers, more than 45,000 companies, nonprofits, foundations, educational institutions, healthcare organizations, and individual consumers throughout the U.S. and abroad and maintains a wide variety of consumers’ personal information on behalf of its customers, as described below in Paragraph 8.

customers, customers who had switched to products not affected by the breach, and even potential customers for years longer than was necessary.

11. Once detected, the attacker threatened to expose the stolen consumer data unless Blackbaud paid a ransom. Blackbaud eventually agreed to pay 24 Bitcoin (valued at \$235,000 at the time) in exchange for the attacker's promise to delete the stolen data. Blackbaud has not been able to conclusively verify that the attacker deleted the stolen data.

Blackbaud's Deceptive Breach Notification Statements

12. Blackbaud failed to notify its customers of the breach for two months after detection issued its first notice to its customers on July 16, 2020.
13. However, in its July 2020 breach notification Blackbaud misrepresented the scope and severity of the breach after conducting an exceedingly inadequate investigation. Blackbaud stated in its communications to customers:

The cybercriminal did not access credit card information, bank account information, or social security numbers. . .

No action is required on your end because no personal information about your constituents was accessed (emphasis in original)

(Exhibit A, Sample Blackbaud Customer Breach Notification (July 16, 2020))

14. Although Blackbaud knew, as early as July 31, 2020, as part of its continuing post-investigation, that the attacker had exfiltrated consumers' bank account numbers and social security numbers, Blackbaud did not disclose the extent of the breach to its customers until October 2020.
15. Blackbaud's deceptive statements combined with the months' long delay in providing accurate notice about the breach led many customers to believe that notification to their consumers was unnecessary. Due to this delay in notice, consumers suffered additional harm because they had no way to know that they needed to take any mitigating steps to protect themselves from identity theft.
16. Since the breach, Blackbaud has received multiple complaints from consumers involving attempted identity theft and fraud using the personal information exposed in the breach (e.g., credit card, tax, and unemployment fraud). Blackbaud has since offered credit monitoring services to a limited subset of affected customers.

Blackbaud's Deceptive Information Security Statements

17. Blackbaud has made explicit representations about its information security practices that led customers to believe that it used reasonable and appropriate information security practices to protect consumers' personal information.
18. Blackbaud's Privacy Policy on its website, dated December 17, 2019, included the following statement:

data security events; and perform regular assessments as to the effectiveness of protection measures;

- d. Implement and enforce appropriate data retention schedules and deletion practices for the vast amounts of consumers' personal information stored on its network;
- e. Patch outdated software and systems in a timely manner, leaving Respondents' networks susceptible to attacks
- f. Test, audit, assess, or review its products' or applications' security

Violation of the FTC Act

25. The acts and practices of Respondent, as alleged in this Complaint, constitute unfair and/or deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

Count I – Blackbaud's Unfair Information Security Practices

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Count IV – Blackbaud’s Deceptive Security Statements

- 35. Through the means described in Paragraphs 17 to 18, Blackbaud has represented, directly or indirectly, expressly or by implication, that they used appropriate safeguards to protect consumers’ personal information.
- 36. In truth and in fact, as set forth in Paragraph 19, Blackbaud did not maintain appropriate safeguards to protect consumers’ personal information. Therefore, the representation set forth in Paragraph 18 is false or misleading.

Count V – Blackbaud’s Deceptive Initial Breach Notification

Through the means described in Paragraph 12 to 13, Blackbaud has represented, directly or indirectly, expressly or by implication, that consumers’ personal information had not been subjected to the breach in its first notification.

In truth and in fact, as set forth in Paragraphs 14 to 16, consumers’ personal information had been exfiltrated by the attacker in the breach. Therefore, the representation set forth in Paragraph 13 is false or misleading.

THEREFORE, the Federal Trade Commission this W K day of D \ 202 has issued this complaint against Respondent.

By the Commission & R P P L V) H U R J Q H U R Q Q R W S D U W L F L S D W L Q J D Q G & R

April J. Tabor
Secretary

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abovetitled proceeding in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. Thank you again for your comment.

By G L U H F W L C B O S I o n , C o m m i s s i o n E r g u s o m o t p a r t i c i p a t i n g a n d F e] T J - t 3 0 h m / 3 T w 1 5 8 . 0 6 3 4



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