

App Developers Settle COPPA Violations Relating to Third-Party Ad Network Practices

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This week, the FTC announced [settlements](#) with two mobile app developers – LAI Systems, LLC and Retro Dreamer (including two of its principals) – concerning allegations that their apps collected childrens’ personal information without obtaining parental consent in violation of COPPA. These cases are the first in which the FTC has held a company liable for COPPA violations relating to the information collection practices of a third-party ad network .

In separate complaints, FTC alleges that LAI and Retro Dreamer created a number of apps directed to children. The FTC's determination that the apps were kid-oriented was based on a number of factors, such as the subject matter, visual content, language, and use of animated characters or child-oriented activities and incentives. In both complaints, FTC alleges that the Defendants permitted third-party advertising networks to collect childrens’ PII in the form of persistent identifiers through the apps in order to serve targeted advertising on the app based on users’ activity over time and across sites (the FTC added persistent identifiers to the COPPA Rule’s definition of “personal information” when it updated the rule in 2013). The complaints, however, do not identify the specific persistent identifiers used.

FTC alleges that both LAI and Retro Dreamer failed to: (1) inform the ad networks that the apps were directed to children; (2) instruct or contractually require the ad networks to refrain from targeted ads; or (3) provide the required notices or obtain the required parental consent. In the case of Retro Dreamer, FTC also alleges that one of its advertising networks specifically warned the company about the obligations of the revised COPPA Rule, and also told the company that certain of its apps appeared to be targeted to children under the age of 13. The settlements prohibit the companies from further violations of the COPPA Rule. The settlement with LEI requires the company to pay a **\$60,000** civil penalty, while the settlement with Retro Dreamer requires it to pay a **\$300,000** civil penalty.

The settlements highlight that the FTC remains vigilant in this area. The agency will likely continue to closely monitor the information collection practices of website operators and app developers, in addition to third-party ad networks.