

# Parties Reach Settlement Over Text-to-Win Sweepstakes

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In 2007, several companies offered text-to-win sweepstakes in conjunction with the *American Idol*, *The Apprentice*, *Deal or No Deal*, and *1 vs. 100* television shows. Soon thereafter, plaintiffs filed class action lawsuits arguing that the sweepstakes violated gambling laws in Georgia and lottery laws in California. [The Georgia case was decided favorably in 2008](#), when the Georgia Supreme Court determined that the sweepstakes did not constitute gambling. The California case had been pending until the parties announced a settlement last week.

Although the defendants deny that the sweepstakes were unlawful, they agreed to settle the cases. As part of the settlement, the defendants agreed to refund all premium text messages fees paid by members of the class, to pay more than \$5 million in fees and costs, and to consent to a five-year injunction barring them from offering any sweepstakes in which people who enter by paying premium text message charges do not receive something of comparable value to charges in addition to the entry.

Because the case settled, we don't have a definitive court ruling that examines whether or not the sweepstakes were lawful. Nevertheless, the lawsuit and settlement highlight that there are a number of risks associated with text-to-win sweepstakes. To reduce the risks of challenge, companies that offer text-to-win sweepstakes with premium fees should consult with their legal teams early in the planning process. At a minimum, each sweepstakes should include a free method of entry and consumers who pay premium fees should get something of value for those fees.