



**[BILLING CODE: 6750-01S]**

**FEDERAL TRADE COMMISSION**

**[File No. 152 3034]**

**Warner Bros. Home Entertainment Inc.; Analysis of Proposed Consent Order to Aid Public Comment**

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed Consent Agreement.

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**SUMMARY:** The consent agreement in this matter settles alleged violations of federal law prohibiting unfair or deceptive acts or practices. The attached Analysis to Aid Public Comment describes both the allegations in the draft complaint and the terms of the consent order -- embodied in the consent agreement -- that would settle these allegations.

**DATES:** Comments must be received on or before August 10, 2016.

**ADDRESSES:** Interested parties may file a comment at

<https://ftcpublic.commentworks.com/ftc/warnerbrothersconsent>

online or on paper, by following the instructions in the Request for Comment part of the

**SUPPLEMENTARY INFORMATION** section below. Write “In the Matter of Warner Bros. Home Entertainment Inc., File No. 152 3034 - Consent Agreement” on your comment and file your comment online at <https://ftcpublic.commentworks.com/ftc/warnerbrothersconsent> by following the instructions on the web-based form. If you prefer to file your comment on paper, write “In the Matter of Warner Bros. Home Entertainment Inc., File No. 152 3034 - Consent Agreement” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW,

Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024.

**FOR FURTHER INFORMATION CONTACT:** Linda K. Badger, (415-848-5151), FTC Western Region, 901 Market Street, Suite 570, San Francisco, CA 94103.

**SUPPLEMENTARY INFORMATION:** Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR 2.34, notice is hereby given that the above-captioned consent agreement containing consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for July 11, 2016), on the World Wide Web at: <http://www.ftc.gov/os/actions.shtm>.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before August 10, 2016. Write "In the Matter of Warner Bros. Home Entertainment Inc., File No. 152 3034 - Consent Agreement" on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <http://www.ftc.gov/os/publiccomments.shtm>. As a matter of discretion, the Commission tries to remove individuals' home contact information from comments before placing them on the Commission Website.

Because your comment will be made public, you are solely responsible for making sure that your comment does not include any sensitive personal information, like anyone's Social

Security number, date of birth, driver's license number or other state identification number or foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, like medical records or other individually identifiable health information. In addition, do not include any "[t]rade secret or any commercial or financial information which . . . is privileged or confidential," as discussed in Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2). In particular, do not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give your comment confidential treatment, you must file it in paper form, with a request for confidential treatment, and you have to follow the procedure explained in FTC Rule 4.9(c), 16 CFR 4.9(c).<sup>1</sup> Your comment will be kept confidential only if the FTC General Counsel, in his or her sole discretion, grants your request in accordance with the law and the public interest.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at <https://ftcpublic.commentworks.com/ftc/warnerbrothersconsent> by following the instructions on the web-based form. If this Notice appears at <http://www.regulations.gov/#!/home>, you also may file a comment through that website.

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<sup>1</sup> In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. See FTC Rule 4.9(c), 16 CFR 4.9(c).

If you file your comment on paper, write “In the Matter of Warner Bros. Home Entertainment Inc., File No. 152 3034 - Consent Agreement” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7<sup>th</sup> Street, SW, 5<sup>th</sup> Floor, Suite 5610 (Annex D), Washington, DC 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Visit the Commission Website at <http://www.ftc.gov> to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before August 10, 2016. You can find more information, including routine uses permitted by the Privacy Act, in the Commission’s privacy policy, at <http://www.ftc.gov/ftc/privacy.htm>.

### **Analysis of Proposed Consent Order to Aid Public Comment**

The Federal Trade Commission (“FTC” or “Commission”) has accepted, subject to final approval, an agreement containing consent order from Warner Bros. Home Entertainment Inc. (“Warner Bros.” or “respondent”). The proposed consent order (“proposed order”) has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement’s proposed order.

This matter involves respondent's use of social media influencers to advertise the video game, *Middle Earth: Shadow of Mordor* ("*Shadow of Mordor*"). According to the Commission's complaint, Warner Bros., through its ad agency, Plaid Social Labs, LLC, hired individuals who had earned reputations as video game enthusiasts on YouTube ("YouTube influencers") to post positive videos promoting *Shadow of Mordor* on YouTube. The Commission's complaint alleges that these YouTube influencers were given free access to a pre-release version of *Shadow of Mordor* and cash payments often ranging from hundreds of dollars to tens of thousands of dollars, if the videos they created about *Shadow of Mordor* met certain requirements defined by Warner Bros. Among other things, Warner Bros. required influencer videos to promote a positive sentiment about the game, and not to disclose any bugs or glitches that the game might have. Consequently, these videos were sponsored advertisements, and did not necessarily reflect the independent experiences of the individual YouTube influencers.

The complaint also alleges that while Warner Bros. instructed the YouTube influencers to provide a disclosure that their videos had been sponsored, it specified that the disclosure be written, and placed in the description box appearing below the YouTube videos. Warner Bros. did not require the YouTube influencers to place a sponsorship disclosure clearly and conspicuously in the video itself. Nor did Warner Bros. require that the YouTube influencers be instructed to place the sponsorship disclosure "above the fold" in the description box, or visible without consumers having to scroll down or click on a link, as it had for other promotional information about *Shadow of Mordor*. (See, e.g., Exhibit A-1) As a result, most YouTube influencers did not include any sponsorship disclosures in their videos, and only placed their sponsorship disclosures "below the fold" in the description box below the video. Therefore, consumers had to click on a "Show More" button in the description box and potentially scroll

down before they could see the sponsorship disclosure. As a result, consumers who watched these YouTube videos were unlikely to learn that the videos were paid promotions for Warner Bros.

The Commission's complaint further alleges that when YouTube influencers posted their *Shadow of Mordor* videos for viewing on Facebook or Twitter, consumers were even less likely to see these sponsorship disclosures because such posts did not include the "Show More" button. In addition, the complaint states that on at least two occasions, the influencers disclosed only that they had been given early access to the game, and did not adequately disclose that they had also been paid to post the video.

According to the complaint, in numerous instances, YouTube influencers did not disclose or adequately disclose that Warner Bros., through Plaid Social, offered compensation to the influencers in exchange for creating and uploading gameplay videos as part of a *Shadow of Mordor* advertising campaign. The Commission's complaint alleges that these videos were false and misleading because they did not reflect the independent opinions or experiences of impartial video game enthusiasts. The complaint further alleges that the videos were deceptive because they failed to disclose or disclose adequately that the influencers who posted the videos were compensated in connection with their endorsements.

The proposed order includes injunctive relief to address these alleged violations and requires Warner Bros. to follow certain monitoring and compliance procedures related to its use of influencer campaigns.

Part I of the proposed order prohibits Warner Bros., in connection with the advertising of any home entertainment product or service, from misrepresenting in any influencer

campaign that an influencer or endorser of such product or service is an independent user or ordinary consumer of the product or service.

Part II of the proposed order requires Warner Bros., in connection with the advertising of any home entertainment product or service by means of an endorsement, in any influencer campaign, to disclose clearly and conspicuously a material connection, if one exists, between the influencer or endorser and Warner Bros.

Part III of the proposed order sets out certain monitoring and compliance obligations to ensure that Warner Bros., or any entity it engages to conduct an influencer campaign, comply with Parts I and II of the proposed order. These obligations include: Obtaining signed acknowledgements from such influencers that they will disclose their material connection to Warner Bros.; monitoring the influencers' representations and disclosures; maintaining records of monitoring efforts; and, under certain circumstances, terminating and ceasing payment to influencers who misrepresent their independence, or fail to properly disclose any material connection to Warner Bros. Part III specifically provides that if Warner Bros. engages an entity to conduct an influencer campaign, Warner Bros. must take steps to ensure that the entity complies with this Part, and to monitor its compliance. If the entity fails to comply with this Part, Warner Bros. must cease payment to the entity until it cures any noncompliance. Furthermore, Warner Bros. is required to disqualify the entity from conducting future influencer campaigns upon a repeat incident, unless it reasonably concludes that the entity's failure to comply was inadvertent.

Part IV of the proposed order contains recordkeeping requirements for relevant documents.

Parts V through VII of the proposed order require the company to: Provide copies of the order to certain personnel having responsibilities with respect to the subject matter of the order; notify the Commission of changes in corporate structure that might affect compliance obligations under the order; and file compliance reports with the Commission.

Part VIII of the proposed order provides that the order will terminate after twenty (20) years, with certain exceptions.

The purpose of this analysis is to facilitate public comment on the proposed order, and it is not intended to constitute an official interpretation of the complaint or proposed order, or to modify the proposed order's terms in any way.

By direction of the Commission.

**Donald S. Clark,**

*Secretary.*

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