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17 UNITED STATES DISTRICT COURT
18 NORTHERN DISTRICT OF CALIFORNIA

19 SAN JOSE DIVISION

20 UNITED STATES OF AMERICA,
21 Plaintiff,
22 vs.
23 UNIXIZ, Inc., a corporation doing business
24 as i-Dressup.com, and
25 ZHIJUN LIU and XICHEN ZHANG,
26 individually and as officers of UNIXIZ,
Inc.,
27 Defendants.

Case No. 5:19-cv-2222

**COMPLAINT FOR CIVIL PENALTIES,
PERMANENT INJUNCTION, AND
OTHER EQUITABLE RELIEF**

1 Plaintiff, the United States of America, acting upon notification and on behalf of the
2 Federal Trade Commission (“FTC” or “Commission”), for its Complaint alleges that:

3 1. Plaintiff brings this action under Sections 5(a)(1), 5(m)(1)(A), 13(b), and 16(a) of
4 the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 45(a)(1), 45(m)(1)(A), 53(b), and
5 56(a), and Sections 1303(c) and 1306(d) of the Children’s Online Privacy Protection Act of 1998
6 (“COPPA”), 15 U.S.C. §§ 6502(c) and 6505(d), to obtain monetary civil penalties, a permanent
7 injunction, and other equitable relief for Defendants’ violations of Section 5 of the FTC Act, 15
8 U.S.C. § 45, and the Children’s Online Privacy Protection Rule (“Rule” or “COPPA Rule”), 16
9 C.F.R. Part 312.

11 **JURISDICTION AND VENUE**

12 2. This Court has subject matter jurisdiction over this matter under 28 U.S.C. §§
13 1331, 1337(a), 1345, and 1355, and under 15 U.S.C. §§ 45(m)(1)(A), 53(b), and 56(a).

14 3. Venue is proper in the Northern District of California under 15 U.S.C. § 53(b) and
15 28 U.S.C. §§ 1391(b) – (d) and 1395(a).

17 **INTRADISTRICT ASSIGNMENT**

18 4. The conduct at issue in this action took place in substantial part in Santa Clara
19 County.

20 **SECTION FIVE OF THE FTC ACT**

21 5. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits unfair and deceptive
22 acts or practices in or affecting commerce.

24 **THE CHILDREN’S ONLINE PRIVACY PROTECTION ACT RULE**

25 6. Congress enacted COPPA in 1998 to protect the safety and privacy of children
26 online by prohibiting the unauthorized or unnecessary collection of children’s personal
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1 information online by operators of Internet Web sites and online services. COPPA directed the
2 Commission to promulgate a rule implementing COPPA. The Commission promulgated the
3 COPPA Rule on November 3, 1999, under Section 1303(b) of COPPA, 15 U.S.C. § 6502(b), and
4 Section 553 of the Administrative Procedure Act, 5 U.S.C. § 553. The Rule went into effect on
5 April 21, 2000. The Commission promulgated revisions to the Rule that went into effect on July
6 1, 2013. Pursuant to Section 1303(c) of COPPA, 15 U.S.C. § 6502(c), and Section 18(d)(3) of
7 the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the Rule constitutes an unfair or deceptive act
8 or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. §
9 45(a).

11 **DEFENDANTS**

12 7. Defendant Unixiz, Inc., which also does business as i-Dressup.com (“i-Dressup”),
13 is a California corporation established on June 27, 2016, with its principal place of business in
14 Mountain View, California. Unixiz, Inc. transacts or has transacted business in this district and
15 throughout the United States. At all times material to this Complaint, acting alone or in concert
16 with others, Unixiz, Inc. has advertised, marketed, and distributed its online content and website
17 activities to consumers throughout the United States. Prior to the establishment of Unixiz, Inc.,
18 Defendant Liu and Defendant Zhang owned and operated i-Dressup as an unincorporated
19 business from January 2016 to June 2016. From 2008 to 2015, Intellineur, Inc., a predecessor
20 California corporation formed by Defendant Zhang, operated i-Dressup.com. Defendant Zhang
21 was the Chief Executive Officer of Intellineur, Inc. and Defendant Zhijun Liu was Intellineur’s
22 Registered Agent. Intellineur, Inc. was dissolved in December 2015.

25 8. Defendant Zhijun Liu is the Chief Executive Officer and the Chief Financial
26 Officer of Unixiz, Inc. At all times material to this Complaint, acting alone or in concert with
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1 others, he has formulated, directed, controlled, had the authority to control, or participated in the
2 acts or practices of Unixiz, Inc. d/b/a i-Dressup.com, including the acts or practices set forth in
3 this Complaint. Defendant Liu, in connection with the matters alleged herein, transacts or has
4 transacted business in this district and throughout the United States.

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6 9. Defendant Xichen Zhang is the Secretary of Unixiz, Inc. At all times material to
7 this Complaint, acting alone or in concert with others, she has formulated, directed, controlled,
8 had the authority to control, or participated in the acts or practices of Unixiz, Inc. d/b/a
9 i-Dressup.com, including the acts or practices set forth in this Complaint. Defendant Zhang, in
10 connection with the matters alleged herein, transacts or has transacted business in this district
11 and throughout the United States.

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13 **COMMERCE**

14 10. At all times material to this Complaint, Defendants have maintained a substantial
15 course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act,
16 15 U.S.C. § 44.

17 **DEFENDANTS’ BUSINESS PRACTICES**

18 11. Defendants operated i-Dressup.com, a website where users including children
19 played dress up games, designed clothes, and decorated their space. In addition, by
20 participating in i-Dressup’s online community, users would make friends and blog. i-Dressup’s
21 online community encouraged users to “explore their creativity and fashion sense with unique
22 personal profiles.”

23
24 12. i-Dressup allowed users to register as members. When a user first registered as a
25 member, i-Dressup required the user to submit a user name, password, birthdate, and email
26 address. If a prospective member indicated that he/she was over 13, the member had access to
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1 all of the features of the website, including the ability to participate in i-Dressup’s social
2 features, such as writing about themselves and their interests on an “About Me” page, creating
3 blog posts, adding friends, and sending direct online messages.

4 13. If a prospective member submitted a birthdate that indicated that he/she was under
5 13, the heading for the email field on a registration screen changed in real-time to “Parent’s
6 Email.” Once the under-13 user entered a user name, password, birthdate, and email address and
7 he/she clicked the “Join Now” button, i-Dressup collected the registration information entered
8 and sent an email notice to the email address entered in the “Parent’s Email” field.

9 14. The email notice described the i-Dressup website, along with the social features
10 that were available only if the parent provided consent.

11 15. The email notice contained a hyperlink through which i-Dressup sought consent
12 from a parent to activate i-Dressup’s social features. If the recipient of the parental email notice
13 clicked on the hyperlink in the email, he/she was taken to an online screen that contained the
14 child’s user name and a pre-populated activation code. The individual receiving the parental
15 email could consent by clicking the “Activate Now!” button on this screen.

16 16. If a parent did not provide consent, Defendants provided these under-13 users
17 with “Safe Mode” membership which allowed them to login to access all of i-Dressup’s doll-
18 related games and features, but not its social features. Defendants collected the Safe Mode
19 members’ registration information, such as their user name, password, and birthdate, and allowed
20 child members to provide Defendants, through the account settings webpage, their first and last
21 name and gender. Under-13 users could remain Safe Mode members indefinitely, and
22 Defendants retained the child’s personal information as well as the parent’s email address, even
23 if the child’s parent did not provide consent.
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1 17. As of January 1, 2016, i-Dressup had at least 2.1 million users, of which
2 approximately 245,000 entered an under 13 birthdate.

3 **DEFENDANTS ARE SUBJECT TO THE COPPA RULE**

4 18. For purposes of Paragraphs 6 through 35, herein, the terms “child,” “collects,”
5 “collection,” “disclosure,” “Internet,” “online contact information,” “operator,” “parent,”
6 “personal information,” “obtaining verifiable consent,” and “Web site or online service directed
7 to children,” are defined as those terms are defined in Section 312.2 of the COPPA Rule, 16
8 C.F.R. § 312.2.

9 19. The COPPA Rule applies to any operator of a commercial Web site or online
10 service directed to children that collects, uses, and/or discloses personal information from
11 children, or on whose behalf such information is collected or maintained, and to any operator of
12 a commercial Web site or online service that has actual knowledge that it collects, uses, and/or
13 discloses personal information from children. Defendants operated i-Dressup.com, which was a
14 Web site directed to children. i-Dressup stated that “[m]ost of our members are girls and boys
15 between 7 and 17.” Because Defendants collected personal information from users who
16 indicated that they are under thirteen years of age when they registered with i-Dressup,
17 Defendants also have actual knowledge that they collected personal information from children
18 through i-Dressup.

19 20. The COPPA Rule defines “personal information” to include, among other things,
20 a first and last name; a home or other physical address including street name and name of a city
21 or town; online contact information (i.e., an email address or other substantially similar identifier
22 that permits direct contact with a person online, such as an instant messaging user identifiers,
23 screen name, or user name); a persistent identifier that can be used to recognize a user over time
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1 and across different Web sites or online services; a photograph, video, or audio file where such
2 file contains a child’s image or voice; or information concerning the child or parents of that child
3 that the operator collects online from the child and combines with an identifier described in this
4 definition. Through i-Dressup.com, Defendants collected personal information as defined in the
5 Rule in the form of first and last name, an email address, and the child’s user name that the child
6 can use to communicate with other users. They also collected other information that they
7 combined with this information, such as passwords. Finally, they “collected” personal
8 information under the Rule by enabling children to make personal information publicly available
9 via i-Dressup’s social features.
10

11 21. Because Defendants collected and maintained personal information from their
12 users through i-Dressup, Defendants are operators as defined by the COPPA Rule, 16 C.F.R. §
13 312.2.
14

15 22. Among other things, the Rule requires that an operator of a child-directed Web
16 site or online service meet specific requirements prior to collecting online, using, or disclosing
17 personal information from children, including but not limited to:

- 18 a. posting a privacy policy on its Web site or online service providing clear,
19 understandable, and complete notice of its information practices, including what
20 information it collects from children, how it uses such information, and its
21 disclosure practices for such information, and other specific disclosures set forth
22 in the Rule such as the operator’s contact information;
- 23 b. providing clear, understandable, and complete notice of its information practices,
24 directly to parents including specific disclosures about the operator’s obligation to
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1 delete parental online contact information if consent is not obtained and a
2 hyperlink to the privacy policy;

- 3 c. obtaining verifiable parental consent prior to collecting, using, and/or disclosing
4 personal information from children;
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6 d. deleting the parental online contact information if no consent was obtained; and
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8 e. establishing and maintaining reasonable procedures to protect the confidentiality,
9 security, and integrity of personal information collected from children.

9 **DEFENDANTS' COPPA VIOLATIONS**

10 23. Defendants' privacy policy failed to include information that the COPPA Rule
11 requires operators of child-directed Web sites to disclose, such as the operator's name, address,
12 telephone number and email address.

13
14 24. Defendants' direct notice failed to include the content that the COPPA Rule
15 requires. Among other things, Defendants' direct notice failed to include a hyperlink to
16 i-Dressup's privacy policy and failed to inform the recipient that if he/she did not provide
17 consent within a reasonable time, from the date that the direct notice was sent, Defendants
18 would delete the parent's online contact information from i-Dressup's records. In fact, contrary
19 to COPPA's requirements, Defendants did not delete the parent's online contact information,
20 but kept it indefinitely.

21
22 25. Defendants failed to obtain verifiable parental consent. For Safe Mode members,
23 Defendants failed to obtain *any* parental consent, even though such members were covered by
24 COPPA. For other members, the purported parental consent method was inadequate because it
25 was not reasonably calculated to ensure that the person providing consent was the child's
26 parent, as required by the COPPA Rule.

1 26. Defendants engaged in a number of practices that, taken together, failed to
2 provide reasonable and appropriate data security to protect the personal information collected
3 from consumers, including children through i-Dressup.com. Among other things, Defendants:

- 4 a. failed to adequately assess the vulnerability of its web applications and network to
5 commonly known or reasonably foreseeable attacks, such as “Structured Query
6 Language” (“SQL”) injection attacks;
7
8 b. stored and transmitted users’ personal information as well as other information
9 submitted by users, including account passwords, in clear text;
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11 c. failed to implement an intrusion detection and prevention system, or similar
12 safeguards, to alert Defendants of potentially unauthorized access to their
13 computer network; and
14
15 d. failed to monitor logs to identify potential security incidents.

16 27. In late September 2016, Defendants learned that a hacker had accessed their
17 computer network, and accessed the personal information of consumers, including children who
18 used i-Dressup. In August, the hacker remotely accessed Defendants’ network, where
19 Defendants stored in clear text, among other things, users’ user name, password, email address,
20 full name, gender, and date of birth. The hacker accessed information of approximately
21 2,125,000 users, including 245,000 users who indicated they were under the age of 13.

22 28. The hacker gained access to Defendants’ computer network by exploiting
23 commonly known and reasonably foreseeable vulnerabilities.

24 29. Defendants were unaware that the personal information of any consumers had
25 been accessed from their computer network until the hacker sent the hacked data to journalists.
26 One of the journalists, in turn, attempted to contact Defendants, but, after having received no
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1 response from Defendants for five days, subsequently contacted Defendant's web hosting
2 provider, who notified i-Dressup.

3 30. Defendants could have addressed the failures described in Paragraph 26 by
4 implementing readily available and relatively low-cost security measures.

5
6 **COUNT I (COPPA)**

7 31. Defendants collected personal information from children under the age of 13
8 through the i-Dressup Web site, which Defendants operated and was directed to children.
9 Moreover, because Defendants collected children's birthdate and year, Defendants had actual
10 knowledge that children used this online site.

11 32. In numerous instances, in connection with the acts and practices described above,
12 Defendants collected, used, and/or disclosed personal information from children in violation of
13 the Rule, including by:

- 14
- 15 a. Failing to provide sufficient notice on its Web site or online services of the
16 information it collects, or is collected on their behalf, online from children, how it
17 uses such information, its disclosure practices, and all other required content, in
18 violation of Section 312.4(d) of the Rule, 16 C.F.R. § 312.4(d);
 - 19 b. Failing to provide sufficient direct notice to parents of the information Defendants
20 collect, or information that has been collected on Defendants' behalf, online from
21 children, how it uses such information, its disclosure practices, and all other
22 required content, in violation of Section 312.4(b) and (c) of the Rule, 16 C.F.R. §
23 312.4(b)-(c);
 - 24 c. Failing to obtain verifiable parental consent in violation of Section 312.5 of the
25 Rule, 16 C.F.R. § 312.5;
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- 1 d. Failing to delete online contact information of the parent after having failed to
2 obtain consent, in violation of Section 312.5(c)(1) of the Rule, 16 C.F.R. §
3 312.5(c)(1); and
4
5 e. Failing to establish and maintain reasonable procedures to protect the
6 confidentiality, security, and integrity of personal information collected from
7 children, in violation of Section 312.8 of the Rule, 16 C.F.R. § 312.8.

8 Therefore, Defendants have violated the Rule, 16 C.F.R. Part 312.

9 33. Pursuant to Section 1303(c) of COPPA, 15 U.S.C. § 6502(c), and Section
10 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the Rule constitutes an unfair or
11 deceptive act or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act,
12 15 U.S.C. § 45(a).

13
14 **THIS COURT'S POWER TO GRANT RELIEF**

15 34. Defendants violated the Rule as described above with the knowledge required by
16 Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A).

17 35. Each collection, use, or disclosure of a child's personal information in which
18 Defendants violated the Rule in one or more ways described above constitutes a separate
19 violation for which Plaintiff seeks monetary civil penalties.

20 36. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), as modified by
21 Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, 28 U.S.C. §2461,
22 amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015,
23 Public Law 114-74, sec. 701, 129 Stat. 599 (2015), and Section 1.98(d) of the FTC's Rules of
24 Practice, 16 C.F.R. § 1.98(d), authorizes this Court to award monetary civil penalties of not more
25 than \$41,484 for each such violation of the Rule assessed after January 22, 2018.
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