

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

vs.

VTECH ELECTRONICS LIMITED, a
corporation, and

VTECH ELECTRONICS NORTH
AMERICA, LLC, a limited liability
company,

Defendants.

Case No : 1:18-cv-114

COMPLAINT

Plaintiff, the United States of America, acting upon notification and authorization to the Attorney General by the Federal Trade Commission (“FTC” or “Commission”), for its Complaint alleges that:

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

JURISDICTION AND VENUE

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

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

SECTION FIVE OF THE FTC ACT

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

THE CHILDREN’S ONLINE PRIVACY PROTECTION ACT RULE

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

DEFENDANTS

6. Defendant VTech Electronics Limited is a Hong Kong corporation with its principal place of business in Hong Kong. VTech Electronics Limited transacts or has transacted business in this district and throughout the United States. At all times material to this Complaint, acting alone or in concert with others, VTech Electronics Limited purposefully directed its activities to the United States by advertising, marketing, distributing, or selling electronic

learning products via U.S.-based wholesalers, and related downloadable content in direct-to-consumer online sales, to consumers throughout the United States. VTech Electronics Limited also purposefully directed its activities to the United States by operating, developing, and maintaining the infrastructure and content of websites and services used by consumers throughout the United States.

7. Defendant VTech Electronics North America, LLC is a Delaware corporation with its principal place of business in Arlington Heights, Illinois. VTech Electronics North America, LLC transacts or has transacted business in this district and throughout the United States. At all times material to this Complaint, acting alone or in concert with others, VTech Electronics North America, LLC has advertised, marketed, distributed, or sold electronic learning products to consumers throughout the United States.

8. The Commission's claims against VTech Electronics Limited and VTech Electronics North America, LLC arise from or relate to Defendants' acts or practices aimed at or taking place in the United States.

COMMERCE

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

DEFENDANTS' BUSINESS PRACTICES

10. Defendants develop a number of products and services for children. Among other things, they market, distribute, and sell portable devices known as "electronic learning products" or "ELPs" throughout the United States and the world. These ELPs are generally marketed as being appropriate for children ages 3 – 9. They also offer online games, available through these

ELPs or the web. Finally, they develop and operate the Learning Lodge Navigator online service (“Learning Lodge”) – a platform similar to an app store – that allows customers to download child-directed apps, games, e-books and other online content developed by Defendants.

Consumers can access Learning Lodge through the home screen of Defendants’ ELPs or through the web. By November 2015, approximately 2,250,000 parents in the United States had registered and created accounts with Learning Lodge for almost 3,000,000 children.

KID CONNECT

11. One of the apps available to customers is Kid Connect, which is primarily intended to be used by children on Defendants’ ELPs. Through Kid Connect, children can communicate with other children who have the Kid Connect app, or with adults who download the adult version of the app, available through Apple’s App Store and Google’s Google Play Store. By November 2015, approximately 485,000 consumers in the United States had created Kid Connect accounts for almost 638,000 children.

12. From at least July 2013 and through November 2015, in order for a child to use Kid Connect, parents had to first register for Learning Lodge. To do so, they submitted their full name, physical address, e-mail address, password, secret question and answer for password retrieval, along with their children’s names, dates of birth (including birth year), and gender. None of the information provided was encrypted in transmission.

13. Parents could then set up a Kid Connect account by submitting an e-mail address, a parent username and password, parent profile picture, and a username and child profile photo for each child they planned to associate with their account. Defendants did not have a mechanism in place to verify that the person registering the account was a parent, and not a child.

14. Once registered for Kid Connect, children could only communicate with contacts authorized by the parent after the parent downloaded the Kid Connect smartphone app, through text messages (individual or group), audio messages, photos, or stickers. Alternatively, they could post messages to an electronic bulletin board accessible to people within their contact list. In addition to sending these communications to intended recipients, Defendants generally collected and stored audio messages and photos for one year and other communications for shorter periods.

PLANET V-TECH

15. Defendants also offered a web-based platform directed to children ages “5+” called Planet VTech, which permitted children to play online games and chat with other friends. By November 2015, approximately 134,000 parents in the United States had created Planet VTech accounts, for 130,000 children.

16. From at least June 2008 and through November 2015, parents created an account by submitting an email address, full name, password, secret question and answer, physical address, child first name, child login name, child login password, and child’s full date of birth. Defendants did not encrypt any of the registration information submitted, either in transmission or in storage.

DEFENDANTS ARE SUBJECT TO THE COPPA RULE

17. For purposes of Paragraphs 22 through 25, herein, the terms “child,” “collects,” “collection,” “disclosure,” “Internet,” “online contact information,” “operator,” “parent,” “personal information,” “obtaining verifiable consent,” and “Web site or online service directed to children,” are defined as those terms are defined in Section 312.2 of the COPPA Rule, 16 C.F.R. § 312.2.

18. The COPPA Rule applies to any operator of a commercial Web site or online service directed to children that collects, uses, and/or discloses personal information from children, or on whose behalf such information is collected or maintained, and to any operator of a commercial website or online service that has actual knowledge that it collects, uses, and/or discloses personal information from children. Defendants operate Kid Connect which is an online service directed to children.

19. The COPPA Rule defines “personal information” to include, among other things, a first and last name; a home or other physical address including street name and name of a city or town; online contact information (i.e., an email address or other substantially similar identifier that permits direct contact with a person online, such as an instant messaging user identifiers, screen name, or user name); a persistent identifier such as an IP address that can be used to recognize a user over time and across different Web sites or online services; a photograph, video, or audio file where such file contains a child’s image or voice; or information concerning the child or parents of that child that the operator collects online from the child and combines with an identifier described in this definition. Through Kid Connect, Defendants collected personal information as defined in the Rule, including the content of text messages or messages to shared electronic bulletin boards, user names for a child that could be used to contact the child, and photographs and audio files containing a child’s image or voice. Defendants also collected information from the child concerning the child that was combined with other identifiers, such as the name or photograph of the child.

20. Because Defendants collect and maintain personal information from their users through Kid Connect, Defendants are operators as defined by the COPPA Rule, 16 C.F.R. § 312.2.

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

- a. posting a privacy policy on its website or online service providing clear, understandable, and complete notice of its information practices, including what information it collects from children, how it uses such information, and its disclosure practices for such information, and other specific disclosures set forth in the Rule;
- b. providing clear, understandable, and complete notice of its information practices, including specific disclosures, directly to parents;
- c. obtaining verifiable parental consent prior to collecting, using, and/or disclosing personal information from children; and
- d. establishing and maintaining reasonable procedures to protect the confidentiality, security, and integrity of personal information collected from children.

DEFENDANTS' COPPA VIOLATIONS (KID CONNECT)

22. Defendants did not link to their Privacy Policy in each area of Kid Connect where personal information was collected from children. *See* Exhibit A. Defendants also did not link to their Privacy Policy in the landing screen of the Kid Connect parent app. *See* Exhibit B. Defendants linked to their Privacy Policy in small blue font in the bottom right hand corner of the Kid Connect registration pages. *See* Exhibit C. These links were not prominent and clearly labeled, as required by the COPPA Rule.

23. The Privacy Policy did not include information that the COPPA Rule requires operators of child-directed websites to disclose, such as:

- a. Defendants' address, and email address;
- b. a full description of the information the Defendants collect from children; and
- c. information about the parents' right to review or delete a child's personal information.

24. Defendants did not provide a direct notice of its information collection and use practices, as required by the COPPA Rule.

25. Defendants have engaged in a number of practices that, taken together, failed to provide reasonable and appropriate data security to protect the personal information collected from consumers, including children through Kid Connect. Among other things, Defendants failed to:

- a. develop, implement, or maintain a comprehensive information security program;
- b. implement adequate safeguards and security measures to segment and protect Defendants' live website environment from Defendants' test environment;
- c. implement an intrusion or prevention or detection system, or similar safeguards, to alert Defendants of potentially unauthorized access to their computer network;
- d. implement a tool to monitor for unauthorized attempts to exfiltrate consumers' personal information across Defendants' network boundaries;
- e. complete its vulnerability and penetration testing of environments that could be exploited to gain unauthorized access to consumers' personal information for well-known and reasonably foreseeable vulnerabilities, such as SQL Injection; and
- f. implement reasonable guidance or training for employees regarding data security and safeguarding consumers' personal information.

26. In November 2015, Defendants learned that a hacker had accessed their computer network, and exfiltrated the personal information of consumers, including personal information about the children who used Kid Connect. The hacker remotely accessed Defendants' test environment, and from there was able to traverse to the live environment, where Defendants stored in clear text, among other things, parents' full names, mailing addresses, e-mail addresses, secret questions, and children's usernames. And although Defendants stored passwords and children's photos and audio files in an encrypted format, a database accessed by the hacker included the decryption keys for the photos and audio files, which would have allowed the hacker to access this information in a readable format. In addition, the information was stored so

that the children's information was linked to their parents' information. Thus, for example, if a child had submitted a photo through Kid Connect, the hacker could have found that photo, along with their physical address.

27. The hacker gained remote unauthorized access to Defendants' computer network by exploiting commonly known and reasonably foreseeable vulnerabilities.

28. Defendants were unaware that the personal information of consumers had been copied from their computer network until a journalist contacted them.

**DEFENDANTS' MISREPRESENTATION (LEARNING LODGE,
KID CONNECT, AND PLANET VTECH)**

29. Between October 2012 and January 2016, Defendants disseminated or caused to be disseminated the following statement to consumers in their Privacy Policy, which applied to Learning Lodge, Kid Connect, and Planet VTech (*see* Exhibit D):

In most cases, if you submit your PII to VTech directly through the Web Services it will be transmitted encrypted to protect your privacy using HTTPS encryption technology. Any Registration Data submitted in conjunction with encrypted PII will also be transmitted encrypted.

30. This statement is false or misleading.

COUNT I (COPPA)

31. Defendants collected personal information from children under the age of 13 through the Kid Connect online service, which Defendants operate and is directed to children. Moreover, because Defendants collected children's birth date and year, Defendants had actual knowledge that children used these online services.

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

- a. Failing to provide sufficient notice on its website or online services of the information it collects, or is collected on their behalf, online from children, how it uses such information, its disclosure practices, and all other required content, in violation of Section 312.4(d) of the Rule, 16 C.F.R. § 312.4(d);
- b. Failing to provide direct notice to parents of the information Defendants collect, or information that has been collected on Defendants' behalf, online from children, how it uses such information, its disclosure practices, and all other required content, in violation of Sections 312.4(b) and (c) of the Rule, 16 C.F.R. § 312.4(b)-(c);
- c. Failing to obtain verifiable parental consent before any collection or use of personal information from children, in violation of Section 312.5 of the Rule, 16 C.F.R. § 312.5; and
- d. Failing to establish and maintain reasonable procedures to protect the confidentiality, security, and integrity of personal information collected from children, in violation of Section 312.8 of the Rule, 16 C.F.R. § 312.8.

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

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

COUNT II (FTC ACT)

34. Through the means described in Paragraph 29, Defendants have represented, directly or indirectly, expressly or by implication, that most personally identifying information submitted by consumers and all registration information transmitted with it would be transmitted in encrypted form.

35. In truth and in fact, as set forth in Paragraphs 10 to 16, Defendants did not encrypt any information transmitted through their Learning Lodge or Planet VTech online services, including registration information.

36. Therefore, Defendants' representation as described in Paragraph 34 of this Complaint is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THIS COURT'S POWER TO GRANT RELIEF

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

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

39. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), as modified by Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, 28 U.S.C. § 2461, amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Public Law 114-74, sec. 701, 129 Stat. 599 (2015), and Section 1.98(d) of the FTC's Rules of Practice, 16 C.F.R. § 1.98(d), authorizes this Court to award monetary civil penalties of not more than \$40,654 for each such violation of the Rule assessed after January 24, 2017.

40. Section 13(b) of the FTC Act, U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of any provision of law enforced by the FTC.

PRAYER FOR RELIEF

Wherefore, Plaintiff United States of America, pursuant to Sections 5(a)(1), 5(m)(1)(A), 13(b), and 16(a) of the FTC Act, 15 U.S.C. §§ 45(a)(1), 45(m)(1)(A), 53(b), and 56(a) and the Court's own equitable powers, requests that the Court:

A. Enter a permanent injunction to prevent future violations of the FTC Act and the Rule by Defendant;

B. Award Plaintiff monetary civil penalties from Defendant for each violation of the Rule alleged in this Complaint; and

C. Award other and additional relief the Court may determine to be just and proper.

Dated: January 8, 2018

Respectfully Submitted:

**FOR THE FEDERAL TRADE
COMMISSION:**

MANEESHA MITHAL
Associate Director
Division of Privacy and Identity
Protection

MARK EICHORN
Assistant Director
Division of Privacy and Identity
Protection

JACQUELINE K. CONNOR
Attorney
Division of Privacy and Identity
Protection
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(202) 326 -2844 (voice)
(202) 326-3062 (fax)

KATHERINE WHITE
Attorney
Division of Privacy and Identity
Protection
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(202) 326-2878 (voice)
(202) 326-3062 (fax)

**FOR PLAINTIFF
THE UNITED STATES OF AMERICA:**

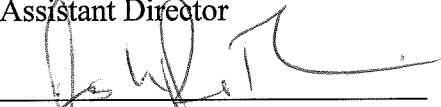
CHAD A. READLER
Acting Assistant Attorney General
Civil Division

JOHN R. LAUSCH, JR.
United States Attorney
Northern District of Illinois

ETHAN P. DAVIS
Deputy Assistant Attorney General

GUSTAV W. EYLER
Acting Director
Consumer Protection Branch

ANDREW E. CLARK
Assistant Director



JOSHUA D. ROTHMAN
Trial Attorney
Consumer Protection Branch
U.S. Department of Justice
P.O. Box 386
Washington, DC 20044
(202) 514-1586
Joshua.D.Rothman@usdoj.gov

Exhibit A



(Kid Connect opening on child's ELP)



(Kid Connect home page on child's ELP)



(Kid Connect message page on child's ELP)



(Kid Connect text message interface on child's ELP)



(Kid Connect audio message interface on child's ELP)



(Kid Connect recorded audio message interface on child's ELP)

Exhibit B

(Kid Connect parent app landing pages)

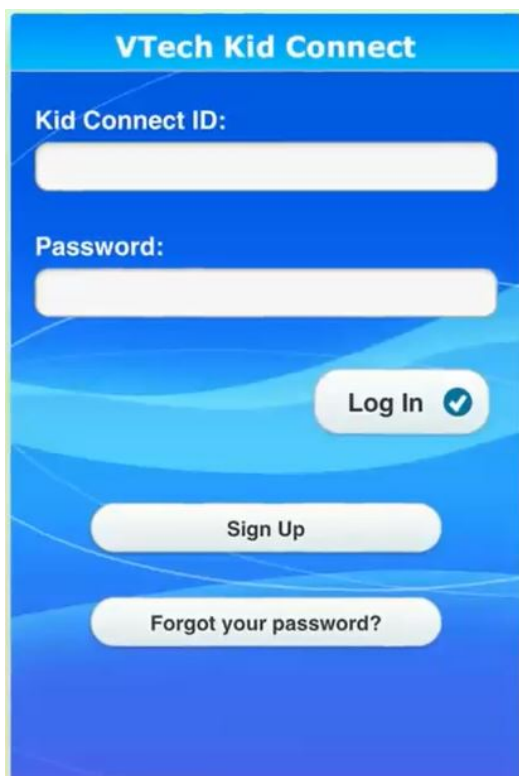


Exhibit C

(Kid Connect registration on Learning Lodge)

vtech Home Download Center Progress Log My Account Help

Introducing Vtech® Kid Connect

Register for a Kid Connect account and install the app on your smartphone to send messages to your child's InnoTab® 3S!

Download on the **App Store** GET IT ON **Google play**

Kids connect with family and friends!
With Kid Connect, kids can use the InnoTab® 3S to connect with mom and dad, grandma and grandpa, friends and family. It's 100% safe because all contacts must be approved by you.

Share photos, voice messages and more!
Send your child text messages, photos, drawings, voice messages and animated stickers with our kid-friendly chat interface.

Continue

© Vtech Electronics North America LLC, All Rights Reserved. Legal Terms Privacy Policy

Vtech® Kid Connect Account Setup

Set Up Parent User ?

Kid Connect ID: ?

Nickname: ?

Password: ?

Confirm Password: ?

Set Up Child Users ?

Jimmy

Kid Connect ID: ?

Terms & Conditions

[TERMS AND CONDITIONS OF VTECH KID CONNECT](#)

© Vtech Electronics North America LLC, All Rights Reserved. Legal Terms Privacy Policy

VTech® Kid Connect Account Setup

Confirm Password:

Set Up Child Users

Jimmy

Kid Connect ID:

Terms & Conditions

TERMS AND CONDITIONS OF VTECH KID CONNECT

The Terms and Conditions of Use of VTech Kid Connect (hereinafter referred to as the "Terms and Conditions") are an agreement between VTech Electronics Limited (hereinafter referred as the "Company") and users (hereinafter referred as the "User" or "Users") and state the terms and conditions that govern User's use of the services, including, without limitation, Content, Submitted Content, software/applications, components or features of VTech Kid Connect (hereinafter referred to as the "Service").

1. Definitions

The following words and terms shall have the meanings set forth below when they are used in the Terms and Conditions.

I agree to the terms & conditions and would like to proceed.

© VTech Electronics North America LLC, All Rights Reserved. [Legal Terms](#) [Privacy Policy](#)

Exhibit D

VTech Kids, Club VTech, Learning Lodge Navigator, VTech Rewards Program and Switch and Go Dinos microsite

For specific information practices with respect to children, please see Section 7 below or [click here](#).

VTech Electronics North America LLC ("VTech") appreciates your interest in our company and your visit to our website, web-connected software applications or other online service (collectively, the "Web Services"). The Web Services are intended for visitors and users located in the United States. If you do not live in the U.S., please visit www.vtech.com to find the appropriate website for your use.

This Privacy Policy (this "Policy") reflects VTech's commitment to protect your privacy and personal information. In this Policy, VTech may be referred to as "VTech", "we", "us" or "our." Although VTech sells and promotes children's products, the Web Services are intended for adult use, and VTech's information collection practices are targeted toward adults. Therefore, unless otherwise specified, all references to "you" or "your" refer to adult users.

Although VTech is committed to protecting your personal information no matter how it is obtained, this Policy addresses only data obtained through the Web Services. It does not address data VTech receives or collects through any other means. It also does not address any information given to us for business or employment purposes, such as job applicant information submitted through the "Careers" section of any of our websites. This Policy describes the information we collect from visitors to the Web Services, where we store that information, how we use that information and when we may disclose it to others.

1.

Agreement; Modification.

Your use of the Web Services constitutes your acceptance of this Policy. If you do not accept this Policy, please do not visit or use the Web Services. VTech may change this Policy from time to time. Each time you visit or use the Web Services, the current version of this Policy will apply. Accordingly, when you visit or use any of the Web Services, you should check the date of this Policy (which appears at the end of this Policy) and review any changes since the last version.

2.

Information VTech Collects.

2.1

Information that You Provide.

To access certain features of the Web Services, you may be asked to provide certain information about yourself and your child. The types of information that you would need to provide are described below. You may choose not provide such information

when requested, but doing this could limit or completely prevent you from being able to use or access certain features of the Web Services.

(a) Personal Identifying Information. In order to access certain features of the Web Services or to purchase items offered through the Web Services, you may be required to provide your first and last name, mailing address, billing and shipping addresses, e-mail address, phone number, and credit card information. This type of information is considered "Personally Identifying Information" ("PII"), because it would allow us and others who may have access to it to personally identify you or contact you. Although VTech will not knowingly ever request or collect PII directly from children, certain Web Services may ask you for limited PII about your children (e.g., your child's name).

(b) Registration Data. Certain Web Services may ask for and collect additional information about you and your children. This information may include information about recent purchases, information about your interests and the interests and activities of your child, your child's play or activity data from VTech web-connected products, and certain demographic information about you and your child, such as your occupation, marital status, level of education, and annual family income, and the age, birth date, gender, and grade level of your child. VTech refers to this type of information as "Registration Data." In some cases, Registration Data may be combined and stored with your PII. Any Registration Data about children is only collected from adults. VTech does not knowingly ever request or collect Registration Data directly from children.

(c) Login Information. To set up or access your user account through any of the Web Services, you will be required to enter your email address or username and your password. This is considered "Login Information," which allows us to identify your account and authenticate you as the user of the account.

2.2

Information Passively Collected.

VTech uses the web technologies described below to passively collect information about your visit to a Web Service. This information may include information about your computer, such as its operating system, internet protocol address ("IP Address"), and web browser. It may also include information about your VTech web-connected device and your browsing data.

(a) Cookies. Some of the pages on the Web Services use "cookies" to help us better serve you and other visitors to the Web Services. Cookies are brief text messages transmitted by websites to the hard drive of visitors' computers when they click on a website page. Should the visitor return to that page at a later time, the visitor's computer will transmit the text message back to the website server to permit the

server to recall previous visits to that page or website or to keep track of a transaction in progress. You may set your browser to reject cookies from the Web Services and all other websites by changing the settings on your browser. Doing this, however, could diminish your ability to use the Web Services or prevent your use of certain features of the Web Services. Cookies are not linked to any PII or Registration Data.

(b) Action Tags. Some of the pages of the Web Services use "action tags," which are also known as "clear GIF" or "web beacons". An action tag is an invisible tag that may be placed on certain pages of a website but not the visitor's computer. When you access pages with an action tags, those action tags generate a generic notice of that visit. Action tags are not linked to any PII or Registration Data.

(c) Log Files. Like most companies with websites, VTech uses log files to analyze trends, administer the Web Services, track user movement and gather other information. The log files contain information such as IP Addresses, browser type used, internet service provider information, referring/exit pages, platform type, date/time, and number of clicks. The contents of the log files are not linked to any PII or Registration Data.

2.3

When VTech Collects Information.

VTech collects the passively collected information while a user is visiting or browsing the Web Services. VTech may request or require PII, Registration Data, or Login Information if you choose to participate in any of the following Web Services features:

- Create, log in to, or manage a Web Services account
- Purchase a product or download a software application
- Upload play or activity data from a VTech web-connected product (Note: additional details about this feature are provided below)
- Register products
- Submit reviews or testimonials about products
- Sign-up for newsletters or other marketing promotions
- Participate in promotions
- Redeem VTech Reward Points
- Engage in certain online activities to gain VTech Reward Points (e.g., watch a product video or completing a survey)
- Contact VTech Customer Support
- Purchase gift certificates or other VTech products as gifts (Note: To use this feature, we may require certain PII about the recipient of your gift, such as the recipient's name, e-mail address, and shipping address to deliver the purchased item. The recipient's information is only used and collected for this purpose.)

- Send messages about VTech products or services or the VTech Rewards Program using our send-to-a-friend or refer-a-friend feature (Note: To use this feature, we will require the recipient's e-mail address to deliver the message. The recipient's information is only used and collected for this purpose.)

2.4

More Information about Play or Activity Data from VTech Web-Connected Products and Learning Lodge Navigator. Certain VTech products are designed to connect to your computer for synchronization with Learning Lodge Navigator, which is a web-connected software program. When your child uses this kind of VTech product, the device will record of the play activities or other actions performed on the device. This includes information about your child's duration of use, how many questions were answered, how many items were completed, and other similar play data or performance patterns. When the device is connected to your computer, this information is uploaded to the Learning Lodge Navigator program on your computer and sent to VTech via the Internet.

A parent or guardian must set up an account to access Learning Lodge Navigator, and the parent or guardian will be asked to provide certain information about his or her child that will be using the VTech web-connected product, such as the child's name, birth date, and gender. To access the Learning Lodge Navigator features or connect and synchronize the VTech web-connected product, the parent or guardian must always first log in to his or her account. Thus, only the parent or guardian should be able to synchronize, upload, and submit the information from the VTech web-connected product. The play activity collected from the VTech web-connected product is used to (1) allow the adults or guardians track the child's learning progress while using the device, and (2) recommend additional VTech products to the adults or guardians based on the child's preferences and learning progress.

3.

VTech's Use of Your Information.

3.1

General Use of Information. VTech uses the PII, Registration Data and other information collected through the Web Services to (a) provide products, services, and information that you request; (b) manage user accounts; (c) to improve our products and services; (d) to enhance and customize the playing experience for users of our web-connected products; (e) to provide you with a personalized assessment of your child's learning progress while using our web-connected products; (f) to allow VTech to improve the Web Services' content; (g) to analyze and monitor consumer activity; (h) to promote and support VTech's products; and (i) to verify product reviews.

3.2

Information about Other Products and Services. If you choose to provide PII or Registration Data, we may use it, alone or in conjunction with other publicly available information, to identify other products or services that we think you may be interested in purchasing, and unless you opted-out of receiving communications about new products and special offers, we will send you information about those other products or services.

3.3

Communications with You. From time to time, VTech may use your PII to send email messages to you regarding your account(s), to respond to any emails or other communications you send to us, and/or to advise you of any problems with the Web Services. In addition, if you registered for a Web Services account and you have not opted-out of receiving promotional emails, VTech may send you messages with information about services and events that we believe you may be interested in. You may opt-out of receiving future newsletters and marketing communications from us by contacting us directly through our web site at www.vtechkids.com and selecting the Support Link. Please fill out the web portal "Contact Us" form or follow the instructions at the bottom of the email received. The content of our emails to you may be tailored to your specific interests based on your Registration Data or website visitor data.

4.

Disclosure of Your Information.

VTech may disclose your information to its subsidiaries and other affiliated companies, and to unrelated persons in the following circumstances:

4.1

Third Parties that Provide Services to VTech.

(a) In responding to your inquiries or providing you with the products or services you request, we may employ third-party companies to perform functions on our behalf. These functions may include order fulfillment, package delivery, marketing assistance, postal and email delivery, customer service, data analysis, and credit processing. The third parties we contract for these purposes have limited access to your PII and Registration Data and may not use it for other purposes.

(b) VTech may use third-party advertising companies to serve ads on our behalf. These companies may employ cookies and action tags to measure advertising effectiveness. Any information that these third parties collect via cookies and action tags is not linked to any PII or Registration Data.

4.2

VTech Rewards Program. The VTech Rewards Program is a partnership program between VTech and certain of its affiliates. To administrate this program, VTech and

its participating affiliates share among each other the PII and Registration Data of users who register for the Rewards Program. This information may also be shared with other third party business partners that join the Rewards Program. If you are a Rewards Program member and you wish for your information not to be shared with any other companies, you can so indicate by sending an opt-out request to us as described in Section 9 below. However, because administration of the program requires information sharing, opting-out would result in the termination of your Rewards Program account and your further participation in the Rewards Program.

4.3

Testimonials and Product Reviews. Certain of the Web Services allow users to publicly post reviews and testimonials about VTech products and services. Although we request the user to submit his or her email address for verification purposes, we do not post this information, and we do not require the user to publicly disclose any PII to post a review or testimonial. To further protect users' PII from public disclosure, we ask them to use a screen name or nickname instead of their true name and generally provide their location in terms of city and state. Users have the option to post from a selection of standardized descriptions or post customized statements. Any information posted or shared using these features is done so at the user's own risk. If you choose to submit a review or testimonial, we encourage you not to reveal any personal information about yourself or your children that you do not want others to see.

4.4

VTech Affiliates and Third Parties Who Have Products or Services That May Be of Interest to You. We may share PII and Registration Data with our affiliate companies and with other companies who offer products and services that we think may be of interest to you. If you prefer that we not share your PII or Registration Data with any other companies, you can so indicate by sending an opt-out request to us as described in Section 9 below.

4.5

Investigations. VTech may disclose your information to unrelated persons in the investigation of any actual or suspected: (a) breach of this Policy or our Terms of Use, (b) illegal activity, (c) fraud, (d) intellectual property infringement, or (e) threats of violence or other harm. VTech will disclose your information if it is required by law or legal proceedings to do so or to enforce our legal rights.

4.6

Merger and Acquisition Activity. If we are bought or acquired by another company, merged with another company, or go through reorganization or bankruptcy, your information may be disclosed to prospective investors, buyers, or other acquirers or successors of VTech in connection with the applicable transaction (and in the case of

an acquisition, we may transfer the information collected through the Web Services to the purchaser as part of the sale).

4.7

Other Cases. VTech may disclose your information if we in good-faith believe we are required to do so: (a) to comply with applicable law, including court orders, subpoenas, statutes and regulations; (b) to protect and defend VTech's rights or property; and/or (c) in an emergency to protect the personal safety of VTech's customers, visitors or the public.

4.8

With Your Permission. VTech may disclose your information to unrelated persons when you have given us permission to do so.

5.

Protection of Your Information.

5.1

Transmission and Storage of Your Information. The security of your personal information is important to VTech, and VTech is committed to handling your information carefully. In most cases, if you submit your PII to VTech directly through the Web Services it will be transmitted encrypted to protect your privacy using HTTPS encryption technology. Any Registration Data submitted in conjunction with encrypted PII will also be transmitted encrypted. Further, VTech stores your PII and Registration Data in a database that is not accessible over the Internet.

5.2
Login and Authentication. VTech also protects PII and Registration Data by requiring users of the Web Services to verify their identities with unique login information before they can access or edit their account information or settings. If you select and establish Login Information in connection with your use of the Web Services, or any other interaction with the Web Services, you are responsible for keeping that Login Information confidential. Do not share your Login Information with anyone else.

6.

Links to Other Websites.

The Web Services may include access or links to other, third-party websites. If you choose to visit those other sites from the Web Services, VTech is not responsible for the privacy practices or content of those websites. Those third-party websites are beyond VTech's control and may not have privacy policies and security protections, or their privacy policies or security protections may not be as protective of your personal information as VTech's policies and protections. Those other websites may send their own cookies to visitors, collect data or solicit personal information. We recommend that you review and understand the privacy policies of the websites you visit, whether

you visit those websites directly or through a link from a page on the Web Services. VTech does not have access to or control over information collected by third-party websites.

7.

Policy Regarding Children.

VTech is concerned about the safety of children when they use the Internet. We encourage parents and guardians to spend time with their children online and to be familiar with the sites their children visit. We also urge children to check with their parents or guardians before entering information on any website.

7.1

Use of the Web Services. Although VTech sells and promotes children's products, all of our products are intended to be purchased by adults and the services offered by the Web Services are intended for adults. If you are under 18 years old and you want to buy something on the Web Services, you must have an adult buy it for you.

7.2

Children's Information VTech Collects.

(a) VTech's information collection practices are targeted toward adults. If VTech requires information about a child, the requests for information are directed at the parents, guardians, or adult educators of the child. Any information collected about the child is stored as part of the corresponding adult's account, and can only be accessed by the adult.

(b) VTech does not knowingly solicit or collect PII or Registration Data online directly from children. If VTech becomes aware that a child under the age of 13 years old has submitted his or her information online, we will delete that information from our files, and if we learn that a child under 18 years old made a purchase through the Web Services without adult involvement, the order will not be processed. If you become aware of any PII or Registration Data we have collected from a child under 13 years old, please contact us as described in Section 8 below.

7.3

Use of Children's Information. Except as otherwise described in this Section 7, any information we collect from you about your children is treated and handled in the same manner as the information we collect about you.

8.

Notices.

If you wish to contact Vtech, please (a) email us by using the "Contact Us" web page located in the Support Link on our website; or (b) telephone VTech's Customer Services Department at 800-521-2010n on Monday through Friday, 8:00 AM to 4:30 PM Central Time.

9.

Opt Out.

You may opt-out of allowing us to share your information with our affiliates and others as described in Section 8 above and/or of receiving emails from us regarding products and services we think you may be interested in by following the unsubscribe instructions located at the end of any promotional or marketing email you receive from us or by sending us an email request as described in Section 8 above. Email requests may take up to 10 days to become effective (or any longer period permitted by law). You may opt-out of receiving promotional or marketing mailings by postal mail as described in Section 8 above. Postal requests may take up to 14 days to become effective (or any longer period permitted by law). Please be sure to include in any opt-out request by email or postal mail, (a) the words "Opt Out" in the subject line; and (b) your full name and the email and postal addresses that should not receive any future promotional or marketing messages from VTech. If you choose, you may at anytime reauthorize us to share your PII and Registration Data and/or to send you emails and mailings regarding products or services that we think may be of interest to you.

10.

California Residents - Your California Privacy Rights.

California Civil Code Section 1798.83 permits our visitors who are California residents to request certain information regarding its disclosure of personal information to third parties for their direct marketing purpose. To make such a request please email us by using the "Contact Us" web page located in the Support Link on our website; or (b) telephone VTech's Customer Services Department at 800-521-2010n on Monday through Friday. 8:00 AM to 4:30 PM Central Time.

11.

Update or Edit Your Information.

If your name, email address, mailing address, telephone number, or other PII or Registration Data changes, you may update or correct the relevant information by logging into your Web Services account(s) and editing your information, or by contacting us as described in Section 8.

12.

Disputes; Choice of Law and Forum.

If you choose to visit the Web Services, your visit and any dispute over privacy are subject to this Policy and our [Terms of Use](#). The Web Services is controlled and operated by VTech from its offices within the State of Illinois, USA. This Policy shall be governed and construed in accordance with the laws of the State of Illinois, excluding its conflicts of law rules. Any dispute arising out of or relating to this Policy

or information VTech receives through the Web Services will be subject to the exclusive jurisdiction of the courts located within Cook County in the State of Illinois, and you hereby submit to the personal jurisdiction of such courts.

13.

Separate Agreements.

If any provision of this Policy is held to be unlawful, void or unenforceable for any reason, then that provision will be deemed to be deleted from this Policy and that deletion will not affect in any way the remaining provisions in this Policy.

14.

Force Majeure.

VTech will not be liable in any way for its failure or delay to comply with this Policy if that performance becomes commercially impracticable as a result of any existing or future law, rule or regulation, whether valid or invalid, or any cause beyond VTech's reasonable control, including war, mobilization, insurrection, accident, natural disaster, explosion, rebellion, civil commotion, riot, act of an extremist, terrorist or public enemy, sabotage, labor dispute, lockout, strike, explosion, fire, flood, storm, accident, drought, power failure, inability to obtain suitable and sufficient energy, labor or material, delay of carriers or embargo. Without limiting the preceding, this Policy does not extend to anything that is inherent in the operation of the Internet, and therefore beyond VTech's control. VTech uses reasonable precautions to keep your personal information secure. However, VTech is not responsible for the actions of others.

15.

Entire Agreement.

This Policy constitutes your entire understanding related to information about you received in connection with your use of the Web Services, and it supersedes any prior agreements or understandings about that topic not incorporated in this Policy. If more than one version of this Policy applies to any dispute related to that information or the Web Services, the latest version of this Policy will control.

LAST UPDATED 10/22/2012.

CIVIL COVER SHEET

The ILND 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (See instructions on next page of this form.)

I. (a) PLAINTIFFS

United States of America

(b) County of Residence of First Listed Plaintiff (Except in U.S. plaintiff cases)

(c) Attorneys (firm name, address, and telephone number) Joshua D. Rothman, Consumer Protection Branch, USDOJ P.O. Box 386, Washington D.C. 20044

DEFENDANTS

VTech Electronics Limited, a corporation, and VTech Electronics North America, LLC

County of Residence of First Listed Defendant Hong Kong (In U.S. plaintiff cases only)

Note: In land condemnation cases, use the location of the tract of land involved.

Attorneys (if known) Michael Vatis, Steptoe & Johnson LLP, Lydia Parnes & Christopher N. Olsen, Wilson Sonsini Goodrich & Rosati

II. BASIS OF JURISDICTION (Check one box, only.)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government not a party), 4 Diversity (Indicate citizenship of parties in Item III.)

III. CITIZENSHIP OF PRINCIPAL PARTIES (For Diversity Cases Only.)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship and business location (Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business in This State, Incorporated and Principal Place of Business in Another State, Foreign Nation).

IV. NATURE OF SUIT (Check one box, only.)

Large table with categories: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, SOCIAL SECURITY, OTHER STATUTES, FEDERAL TAXES. Includes sub-sections like PERSONAL INJURY, PERSONAL PROPERTY, IMMIGRATION, and PROPERTY RIGHTS.

V. ORIGIN (Check one box, only.)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District (specify), 6 Multidistrict Litigation, 8 Multidistrict Litigation Direct File

VI. CAUSE OF ACTION (Enter U.S. Civil Statute under which you are filing and write a brief statement of cause.)

15 USC 45, 15 U.S.C. 6502 (FTC Act/COPPA Rule)

VII. Previous Bankruptcy Matters (For nature of suit 422 and 423, enter the case number and judge for any associated bankruptcy matter previously adjudicated by a judge of this Court. Use a separate attachment if necessary.)

VIII. REQUESTED IN COMPLAINT: Civil Penalties

Check if this is a class action under Rule 23, F.R.C.V.P. DEMAND \$ Check Yes only if demanded in complaint. JURY DEMAND: Yes No

IX. RELATED CASE(S) IF ANY

Judge Case Number

X. Is this a previously dismissed or remanded case? Yes No If yes, Case #

Date Signature of attorney of record Name of Judge

1/8/2018 /s/ Joshua D. Rothman