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11 UNITED STATES DISTRICT COURT
 12 CENTRAL DISTRICT OF CALIFORNIA

13 UNITED STATES OF AMERICA,

14 Plaintiff,

15 v.

16 COGNOSPHERE, LLC, a limited
 liability company; and

17 COGNOSPHERE PTE. LTD., a
 private limited company,

18 Defendants.

19 Case No. 2:25-cv-447

20 COMPLAINT FOR PERMANENT
 21 INJUNCTION, CIVIL PENALTY
 22 JUDGMENT, AND OTHER RELIEF

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

4 1. Plaintiff brings this action for Defendants’ violations of Section 5(a)
5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a), Sections 1303(c) and
6 1306(d) of the Children’s Online Privacy Protection Act of 1998 (“COPPA”), 15
7 U.S.C. §§ 6502(c), 6505(d), and the Children’s Online Privacy Protection Rule
8 (“Rule” or “COPPA Rule”), 16 C.F.R. pt. 312. For these violations, Plaintiff seeks
9 relief, including a permanent injunction, monetary relief, civil penalties, and other
10 relief, pursuant to Sections 5(m)(1)(A) and 13(b) of the FTC Act, 15 U.S.C.
11 §§ 45(m)(1)(A) and 53(b), COPPA, and the COPPA Rule.

12 **SUMMARY OF THE CASE**

13 2. Defendants developed, operate, and distribute the hit online video
14 game “Genshin Impact,” which was released in September 2020.

15 3. Genshin Impact is popular among children and teenagers, some of
16 whom have spent hundreds or thousands of dollars to obtain select chance-based
17 prizes in the game, to their parents’ surprise. The game features anime-style
18 cartoon graphics, bright and colorful animation, and several heroes who have the
19 speech or appearance of children. Defendants have extensively promoted the
20 game, including to children, through advertisements, social media channels, and
21 paid “influencers.”

22 4. Yet despite these child-directed features of the game, and, in some
23 cases, Defendants’ knowledge that particular users of the game were children
24 under 13 years old, Defendants have proceeded to collect personal information
25 from children before (and without ever) notifying parents and obtaining parental
26 consent, in violation of the requirements of the COPPA Rule.

27 5. Genshin Impact, which can be downloaded and played for free, makes
28 money primarily by selling virtual currency within the game that consumers can

1 spend on chances to obtain a prize based on luck. Mystery prizes of this kind that
2 are awarded based on luck, and revealed only after the consumer has paid to open
3 them, are known as “loot boxes.”

4 6. Defendants widely advertise, and prominently feature within Genshin
5 Impact, select “5-star” prizes, which consumers can obtain only by opening loot
6 boxes. The odds of any given loot box containing the advertised prize are very
7 low, and consumers commonly must purchase dozens of loot boxes, at the cost of
8 hundreds of dollars, to obtain a single 5-star prize. Yet Defendants have
9 misrepresented players’ odds of obtaining rare loot box prizes, and Defendants
10 have misled players about the substantial expenditure likely required to obtain
11 these prizes.

12 7. Defendants have also engaged in unfair business practices related to
13 loot box transactions in Genshin Impact.

14 8. First, Defendants sell players virtual currency that can be used to
15 purchase loot boxes only after engaging in a complicated and confusing series of
16 transactions involving multiple tiers of currency with different exchange rates.
17 This serves to obscure the true amount of money that players are spending on the
18 game and the true amount that players must spend to obtain rare loot box prizes.

19 9. Second, Defendants have unfairly promoted and offered to children
20 and teenagers rare prizes that can be obtained only by opening loot boxes, which in
21 some instances has led children and teenagers to spend hundreds or thousands of
22 dollars in pursuit of these prizes.

23 **JURISDICTION AND VENUE**

24 10. This Court has subject matter jurisdiction pursuant to 28 U.S.C.
25 §§ 1331, 1337(a), 1345, and 1355.

26 11. Venue is proper in this District under 28 U.S.C. §§ 1391(b)(1), (b)(2),
27 (c)(2), and (d), 1395(a), and 15 U.S.C. § 53(b).

28 **SECTION 5 OF THE FTC ACT**

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

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

4 13. Congress enacted COPPA in 1998 to protect the safety and privacy of
5 children by prohibiting the unauthorized or unnecessary collection of children’s
6 personal information online by operators of Internet websites and online services.
7 COPPA directed the Commission to promulgate a rule implementing COPPA. The
8 Commission promulgated the COPPA Rule, 16 C.F.R. Part 312, on November 3,
9 1999, under Section 1303(b) of COPPA, 15 U.S.C. § 6502(b), and Section 553 of
10 the Administrative Procedure Act, 5 U.S.C. § 553. The Rule went into effect on
11 April 21, 2000. The Commission promulgated revisions to the Rule that went into
12 effect on July 1, 2013. Pursuant to Section 1303(c) of COPPA, 15 U.S.C.
13 § 6502(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation
14 of the Rule constitutes an unfair or deceptive act or practice in or affecting
15 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

16 14. The COPPA Rule applies to any operator of a commercial website or
17 online service directed to children and to any operator of a commercial website or
18 online service that has actual knowledge that it is collecting or maintaining
19 personal information from children. The Rule requires an operator to meet specific
20 requirements before collecting online, using, or disclosing personal information
21 from children, including but not limited to:

- 22 a. Providing clear, understandable, and complete notice of its
23 information practices, including specific disclosures, directly to
24 parents;
- 25 b. Posting a prominent and clearly labeled link to an online notice of its
26 information practices with regard to children at specific locations of
27 the website or online service and including in that notice specific
28 disclosures set forth in the Rule, including what information the

1 operator collects from children online, how it uses such information,
2 and its disclosure practices for such information;

3 c. Obtaining verifiable parental consent before collecting, using, and/or
4 disclosing personal information from children; and

5 d. Retaining personal information collected from children online only as
6 long as is reasonably necessary to fulfill the purpose for which the
7 information was collected.

8 15. For purposes of this Complaint, the terms “child,” “collects,”
9 “collection,” “disclosure,” “Internet,” “obtaining verifiable parental consent,”
10 “online contact information,” “operator,” “parent,” “personal information,” and
11 “Web site or online service directed to children,” are defined as those terms are
12 defined in Section 312.2 of the COPPA Rule, 16 C.F.R. § 312.2.

13 **PLAINTIFF**

14 16. Plaintiff brings this action upon notification and referral from the
15 FTC, pursuant to Section 16(a)(1) of the FTC Act, 15 U.S.C. § 56(a)(1). The FTC
16 is an independent agency of the United States Government created by the FTC Act.
17 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. §
18 45(a), which prohibits unfair or deceptive acts or practices in or affecting
19 commerce. The FTC also enforces the COPPA Rule, 16 C.F.R. Part 312.

20 **DEFENDANTS**

21 17. Defendant **Cognosphere, LLC** is a California corporation with its
22 principal place of business at 1620 26th Street, Santa Monica, California 90404.
23 Cognosphere, LLC has been a wholly owned subsidiary of Defendant Cognosphere
24 Pte. Ltd. Cognosphere, LLC transacts or has transacted business in this District
25 and throughout the United States since its formation in or around January 2022.

26 18. Defendant **Cognosphere Pte. Ltd.** is a private limited company in
27 Singapore with its principal place of business at 1 One-North Crescent #06-01
28 Razer Sea HQ Singapore, 138538 Singapore. Cognosphere Pte. Ltd. transacts or

1 has transacted business in this District and throughout the United States.

2 19. Cognosphere Pte. Ltd. has acted as the video game’s publisher since
3 at least December 2021, and has made the game available to consumers through
4 websites controlled by Cognosphere Pte. Ltd. and third-party application and game
5 stores.

6 20. Each Defendant, acting alone or in concert with others, has advertised,
7 marketed and distributed the video game Genshin Impact and in-game Genshin
8 Impact content to consumers throughout the United States. And each Defendant,
9 acting alone or in concert with others, has formulated, directed, controlled, had the
10 authority to control, or participated in the acts and practices set forth in this
11 Complaint. These statements are true as to Cognosphere Pte. Ltd. at all times
12 relevant to this Complaint since at least December 2021; and as to Cognosphere,
13 LLC, at all times relevant to this Complaint since at least February 2022. Since at
14 least February 2022, Defendants have made use of a common “HoYoverse” trade
15 name to conduct business in the United States.

16 21. Plaintiff’s claims against Defendants Cognosphere, LLC and
17 Cognosphere Pte. Ltd. arise from or relate to Defendants’ acts or practices aimed at
18 or taking place in the United States.

19 **COMMON ENTERPRISE**

20 22. Cognosphere, LLC and Cognosphere Pte. Ltd. (collectively,
21 “Defendants,” or “HoYoverse”) have operated as a common enterprise while
22 engaging in the unfair and deceptive acts and practices and other violations of law
23 alleged below. Defendants have conducted the business practices described below
24 through interrelated business entities that have common ultimate ownership,
25 pooled resources and staff, a shared “HoYoverse” trade name for doing business,
26 and a shared business scheme. Because Defendants have operated as a common
27
28

1 enterprise, each of them is liable for the acts and practices alleged below.

2 **COMMERCE**

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

6 **DEFENDANTS’ BUSINESS ACTIVITIES**

7 24. Defendants, a group of related entities that do business under the trade
8 name “HoYoverse,” developed, market, and distribute the video game Genshin
9 Impact to consumers on the iOS, Android, PC, and Sony PlayStation platforms.

10 25. Genshin Impact launched in September 2020, and quickly grew a
11 large following, including among teenagers under 18 years old and children under
12 13 years old. Hereafter, references to “children” in this Complaint mean children
13 under the age of 13, and references to “teenagers” mean individuals aged 13, 14,
14 15, 16, or 17. Since Genshin Impact launched in 2020, the game has been
15 downloaded over 120 million times worldwide, and by tens of millions of users in
16 the United States.

17 26. Genshin Impact takes place in a fantasy world, depicted in the colorful
18 style of an anime cartoon. Players control a team of heroes who explore this
19 world, completing quests, collecting treasures, and battling enemies.

20 27. Genshin Impact is free to download and play. HoYoverse has grossed
21 more than \$4 billion by selling in-game digital content to players. Genshin Impact
22 generates revenue primarily by selling virtual currency that players can use to
23 purchase loot boxes, referred to as “Wishes” in the game.

24 **Defendants’ Business Practices Regarding the Collection, Use, and**
25 **Disclosure of Personal Information from Children**

26 **HoYoverse Is Subject to the COPPA Rule, and Collects Players’**

27 **Personal Information**

28 28. The COPPA Rule applies to operators of commercial websites and

1 online services directed to children that collect, use, and/or disclose personal
2 information, or those with actual knowledge they have collected, used, and/or
3 disclosed personal information from children under 13. As explained further
4 below, HoYoverse operates an online service directed to children, and had actual
5 knowledge that it collected personal information from children.

6 29. Through the Genshin Impact online service, HoYoverse collects
7 players' personal information, as defined in the COPPA Rule.

8 30. To play Genshin Impact using a personal computer or mobile device,
9 players must first create a HoYoverse account. Players are required to provide an
10 email address to create the account. Once the player's account has been created,
11 HoYoverse also solicits players to enter a mobile telephone number, and to create a
12 user name. HoYoverse assigns each account a unique user ID, which functions as
13 online contact information. Players can use these user IDs to exchange friend
14 requests and send and receive chat messages. On the backend, HoYoverse uses
15 these user IDs, as well as device-related persistent identifiers, to keep track of
16 players' progress, purchases, settings, and friends lists, among other player-specific
17 information. HoYoverse also shares device-related persistent identifier
18 information and records of the player's engagement, progress, and spending within
19 the game with third-party analytics and advertising providers.

20 31. HoYoverse purports to require players to acknowledge that they have
21 read and agreed to terms of service and a privacy policy when creating the account.
22 Unlike many other popular video games, Genshin Impact does not screen players'
23 ages by way of an "age gate" or require them to enter a birth year.

24 *Genshin Impact Is Directed to Children Under 13*

25 32. The COPPA Rule sets forth several factors that bear on whether an
26 online service, or portion thereof, is deemed "directed to children" and is therefore
27 subject to the COPPA Rule's substantive requirements. 16 C.F.R. § 312.2.
28 Considering the factors set forth in the COPPA Rule, including the game's subject

1 matter, visual content, animated characters and child-oriented activities, and child
2 heroes, as well as HoYoverse’s use of influencers who appeal to children and
3 promotional advertising directed to children, and also the substantial number of
4 children among the game’s user base, Genshin Impact is directed to children under
5 age 13.

6 33. Genshin Impact’s gameplay and subject matter revolve around
7 exploring an open world, role-playing and collecting a team of heroes, and
8 engaging in stylized fantasy combat with no blood or gore, which are mechanics
9 like those in other games popular with children.

10 34. Genshin Impact includes visual content that appeals to children, such
11 as anime-style cartoon graphics and colorful animation. For example, during the
12 game, players are accompanied by Paimon, a child-like non-playable character,
13 that serves at the player’s guide. Paimon serves as Genshin Impact’s mascot, as
14 Paimon is used as the icon for the game on its official website, various social
15 media accounts, and the app stores from which players can download the game,
16 such as Apple’s App Store for iOS devices.

17 **Figure 1: Screenshot of Genshin Impact Mascot “Paimon”**



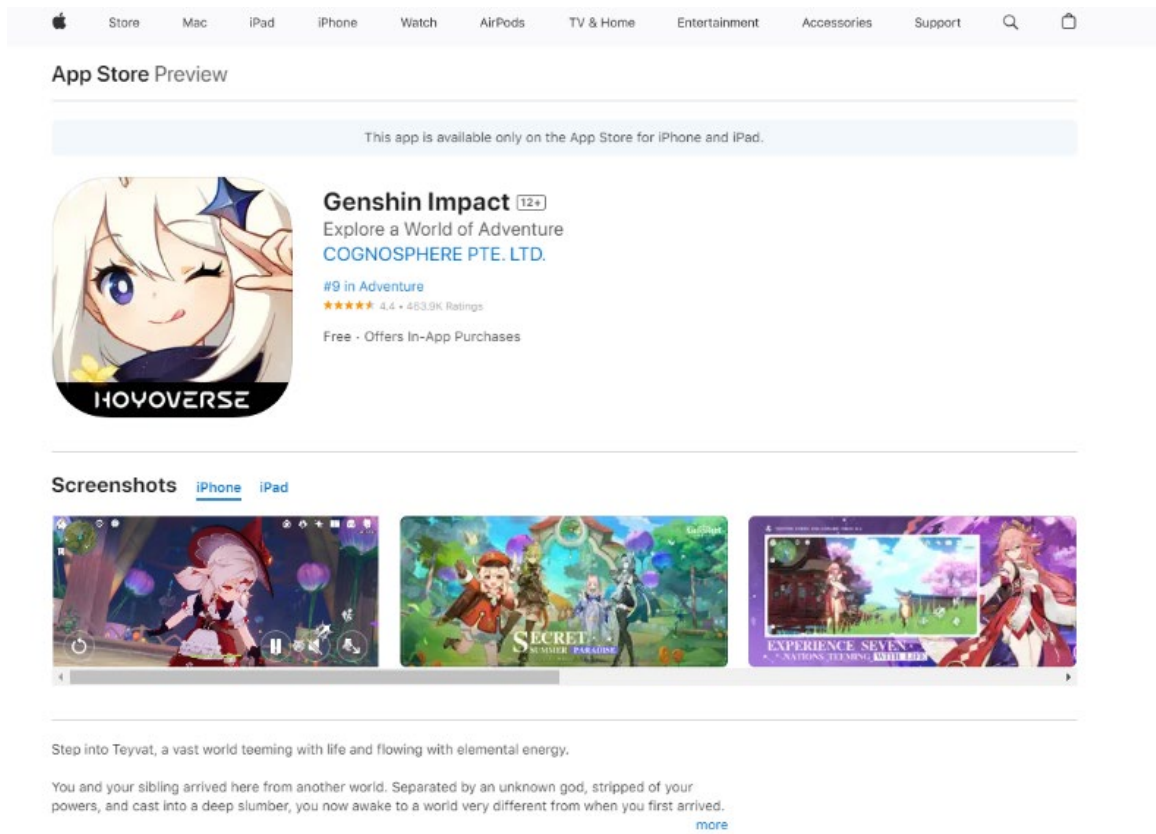


Figure 2: Genshin Impact “Paimon” Icon Used in Apple App Store

35. A number of the game’s heroes have the appearance of young children. In many instances, HoYoverse has disseminated promotional materials for the game that are appealing to children, which emphasize the child-like qualities of these heroes. For example, in a search engine advertisement disseminated by HoYoverse urging potential players to download Genshin Impact, and to “Play and Get 20 Free Wishes,” HoYoverse featured three child-like characters, Klee, Qiqi, and Diona, and referred to these characters as a “Cute Force,” with a stylized heart, pawprint, and clover reminiscent of children’s art:

1 **Figure 3: “Cute Force” Search Engine Ad Featuring Child-like Heroes**



18 36. HoYoverse has widely hired influencers to market and promote
19 Genshin Impact to their respective audiences on social media. Many of these paid
20 influencers appeal to and are popular among children. For example, some of these
21 paid influencers won or were finalists for categories related to gaming and online
22 media at the Nickelodeon Kids Choice Awards, an annual awards ceremony that
23 recognizes media and entertainers popular among children.

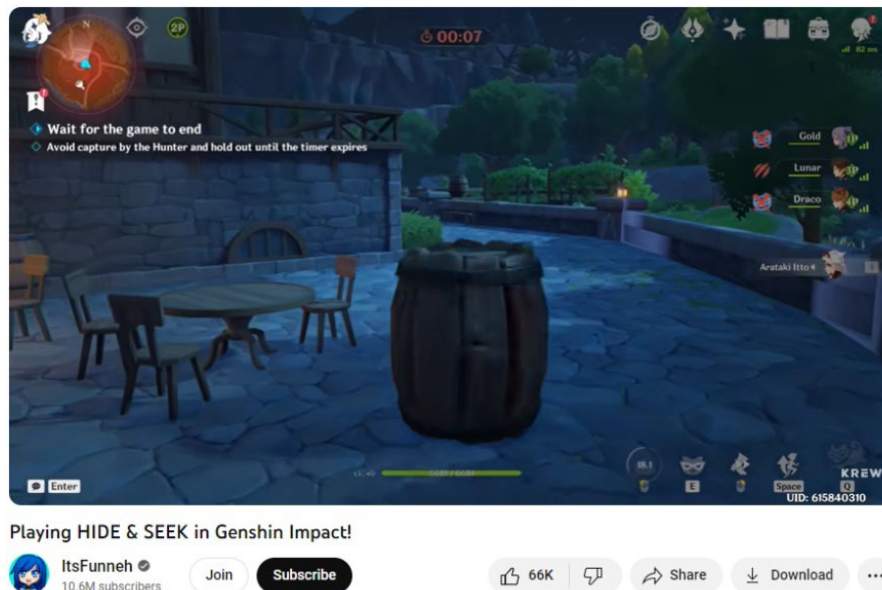
24 37. Some influencers hired by HoYoverse to promote Genshin Impact
25 became prominent by making content associated with games and activities that are
26 popular among children, such as the video games Minecraft and Roblox.

27 38. Internal planning documents used by HoYoverse made note of
28 whether hired influencers were known for producing Minecraft or Roblox-related
content. In some instances, HoYoverse’s intermediaries reached out to influencer

1 talent management agencies and stated specifically that they were looking to hire
2 influencers known for streaming themselves playing the Minecraft video game.

3 39. In some instances, HoYoverse has paid influencers to display Genshin
4 Impact promotional videos as part of a longer segment in which they engaged in a
5 different child-directed activity or game, such as Minecraft or Roblox. In other
6 instances, HoYoverse has paid the influencers popular among children to play
7 Genshin Impact for their audiences to view. At times, HoYoverse has encouraged
8 these influencers to engage in child-oriented activities within the Genshin Impact
9 game itself, such as a “Hide & Seek” event within the game.

10 **Figure 4: “Playing HIDE & SEEK in Genshin Impact” Influencer Video**



40. Genshin Impact is “directed to children” within the meaning of the
COPPA Rule. 16 C.F.R. § 312.2.

*HoYoverse Has Knowingly Collected, Used, and Disclosed
Children’s Personal Information Without Parental Consent*

41. In many instances, HoYoverse has continued to collect, use, and
disclose children’s personal information without obtaining parental consent, even
after obtaining actual knowledge that these users were children.

42. In addition, HoYoverse maintains and operates a social networking

1 service called “HoYoLAB,” which HoYoverse promotes to Genshin Impact
 2 players as a forum on which they can discuss the game. HoYoverse associates
 3 HoYoLAB accounts with players’ Genshin Impact accounts via persistent
 4 identifiers for, among other purposes, disbursing in-game log-in rewards to players
 5 who “check in” to the HoYoLAB social network by logging on.

6 **Figure 5: Daily Check-In Rewards for HoYoLAB Social Network**



16 43. In many instances, HoYoverse has become aware that HoYoLAB
 17 users are children. Some users have stated or indicated, in communications
 18 reviewed by HoYoverse, that they were under 13 years old, for example, in social
 19 media postings on HoYoLAB, or in posted photographs, videos, or audio files
 20 containing the child’s image or voice from which it was apparent that the user was
 21 a child. HoYoverse has, in some instances, taken limited, and insufficient,
 22 corrective steps when it has discovered a post by a child, such as removing the post
 23 in question and ‘muting’ the user from posting on the HoYoLAB social network,
 24 but without deleting or seeking verifiable parental consent for the use or disclosure
 25 of, other personal information of the child already collected. Thus, despite
 26 knowing specific users are under the age of 13, HoYoverse has continued to
 27 collect, use, and disclose personal information from these users’ Genshin Impact
 28 accounts without seeking verifiable parental consent.

1 HoYoverse Has Not Sought Parental Consent to Collect Children’s Personal
2 Information, or Explained How HoYoverse Handled It

3 44. Because HoYoverse operates an online service directed to children
4 and had actual knowledge that it collected personal information from children, it is
5 subject to the COPPA Rule.

6 45. HoYoverse has failed to provide parents with a direct notice of its
7 practices concerning the collection, use, and disclosure of children’s personal
8 information, or failed to adequately explain what information HoYoverse collected
9 from children through Genshin Impact. HoYoverse’s terms of service and privacy
10 policy have purported to require children to refrain from using Genshin Impact.
11 As stated in Paragraph 31, HoYoverse purports to obtain assent to these terms at
12 the time a user creates an account, and it has taken no additional steps to age-gate
13 the game or comply with the COPPA Rule’s parental notice and consent
14 requirements. In December 2022, after becoming aware of the FTC’s investigation
15 in this matter, HoYoverse also added a “Children’s Notice” as the second-to-last
16 section of its privacy policy, disavowing that it marketed its services to children or
17 intentionally collected personal information from children:

18
19 Our Services are not marketed to, or intended for, children. Children
20 for the purposes of our Services are (a) under the age of 13 years old
21 or, if older (b) between 13 and 18 years old but under the age at which
22 they can give valid digital consent to processing of their personal
23 information under applicable data privacy laws. We strive to follow the
24 different minimum age guidelines set by the laws of individual regions
when determining the age that children can access certain features of
our Services.

25 Children are not permitted to use these Services, and we do not
26 knowingly collect any personal information from children. Though our
27 Services are not intended for children as the primary audience, we may
28 collect age information before allowing a user to proceed for certain
Services. If we learn that we have inadvertently gathered personal

1 information about a child that is not subject to an exemption under
2 applicable privacy law, we will take measures to promptly remove that
3 information from our records.

4 46. HoYoverse has failed to seek verifiable parental consent from parents
5 before collecting, using, or disclosing their children’s personal information.

6 **Defendants’ Business Practices Regarding Virtual Currency and Loot Boxes**

7 *Overview of “Wish” Loot Boxes and Paid Virtual Currency*

8 47. Players progress in Genshin Impact by collecting virtual heroes,
9 forming a team, and using the heroes’ abilities to complete tasks. Heroes have
10 different abilities and roles, for example, as defenders who shield the player’s team
11 or as attackers who rapidly damage enemies. It is advantageous for players to
12 collect heroes with complementary abilities and roles in order to progress.

13 Additionally, Genshin Impact makes use of voice acting, visual elements, and
14 gameplay to depict the heroes as having distinct identities and personalities with
15 which players can relate. This motivates some players to try to collect specific
16 heroes with whom they personally identify or relate.

17 48. Within the game and in marketing materials, HoYoverse classifies
18 heroes as having rarities of either “4 stars” or “5 stars,” with 5-star heroes being far
19 more powerful and desirable for players to collect. In order to obtain nearly all of
20 these 5-star heroes, as well as many of the 4-star heroes, consumers must purchase
21 loot boxes known as “Wishes” using in-game virtual currency. HoYoverse does
22 not make these heroes available directly for purchase, and so the only way that
23 players can obtain them is by opening loot boxes. Five-star hero prizes in Genshin
24 Impact are not merely cosmetic, but offer direct and immediate advantages to
25 players seeking to advance and excel in the game. As HoYoverse acknowledged
26 in a product marketing presentation to a gaming platform partner, Genshin Impact
27 is “pay to win.” As a result, the core gameplay creates pressure on players to open
28 loot boxes to advance in the game, and, frequently, to spend real money to do so.

49. The odds of any given loot box containing a desired 5-star hero are

1 quite low, and so players will typically need to open a substantial number of loot
2 boxes, in the dozens to low hundreds, to obtain a desired 5-star hero.

3 50. Consumers can “Wish,” or open, loot boxes, through a menu in the
4 game associated with the childlike fairy guide, Paimon.

5 **Figure 6: Paimon Menu Used to Open Loot Boxes, or “Wish”**



15 51. HoYoverse requires consumers to engage in a complicated and
16 confusing series of in-game transactions to open loot boxes, involving multiple
17 types of in-game virtual currency with different exchange rates. The purchasing
18 process obscures the reality that consumers commonly must spend large amounts
19 of real money to obtain 5-star heroes.

20 52. In order to open a loot box, a consumer must spend a virtual token,
21 called a “Fate” or “Wish token.” HoYoverse occasionally awards players small
22 numbers of Wish tokens for completing tasks within the game.

23 53. Most commonly, consumers must exchange a different virtual
24 currency, called “Primogems,” to acquire Wish tokens, at an exchange rate of 160
25 Primogems for one Wish token. Players acquire Wish tokens in this way through a
26 virtual storefront called “Paimon’s Bargains,” named for the childlike Paimon.

27 54. Consumers can gradually accumulate Primogems through gameplay
28 or by completing certain specified objectives inside or outside the game, such as

1 logging in to play the game, or watching influencers affiliated with HoYoverse
2 stream the game for their audiences on social media.

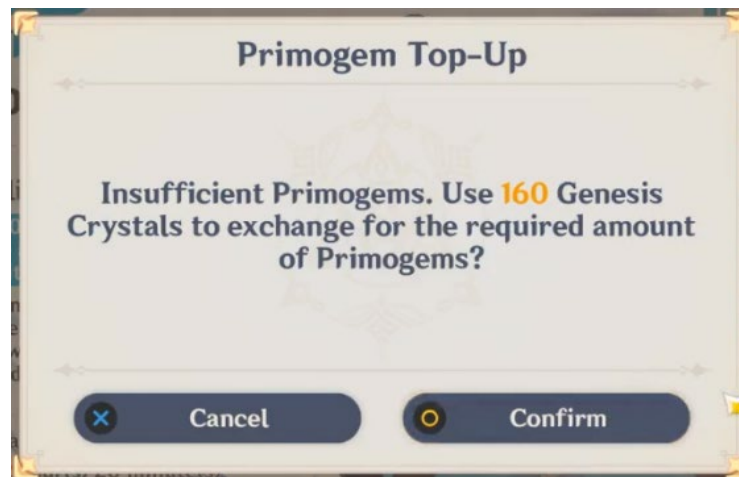
3 55. HoYoverse provides Genshin Impact players with limited amounts of
4 free Wish tokens and Primogems exchangeable for Wish tokens. This introduces
5 players to the experience of opening loot boxes in the game, and provides an
6 incentive to continue to play the game regularly. However, players can easily
7 spend all of the free tokens and Primogems they have accumulated over the course
8 of many hours without successfully acquiring a single 5-star prize.

9 56. To reliably acquire 5-star prizes, players must spend real money, often
10 in large sums, to open loot boxes. Players cannot purchase 5-star prizes with real
11 money directly. Instead, they must buy a second virtual currency, “Genesis
12 Crystals,” which can only be acquired by spending real money. HoYoverse then
13 prompts the player to exchange Genesis Crystals for Primogems, and Primogems
14 for Wish tokens, and finally to spend the Wish tokens to open loot boxes. These
15 multiple layers of currency create abstraction between the real money spent and the
16 player’s purchases in the game.

17 57. If a player attempts to open a loot box, but does not have enough
18 Wish tokens, the game prompts the player to exchange Primogems for Wish
19 tokens. If a player has fewer than 160 Primogems, the amount needed to exchange
20 for a single Wish token, the game prompts the player to “top-up,” or spend real
21 money to buy Genesis Crystals to exchange for Primogems.

22
23
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28

1 **Figure 7: In-Game Prompt to Pay for Virtual Currency to Open Loot Boxes**



10 58. HoYoverse maintains a virtual storefront within Genshin Impact
 11 where players can spend real money to buy Genesis Crystals. Genesis Crystals can
 12 be purchased in bundles of 60, 300, 980, 1,980, 3,280, and 6,480 Genesis Crystals,
 13 costing \$0.99, \$4.99, \$14.99, \$29.99, \$49.99, and \$99.99, respectively. Players
 14 can exchange Genesis Crystals for Primogems at a 1:1 ratio, meaning they can in
 15 effect spend 160 Genesis Crystals to buy a Wish token. Thus, the true cost to open
 16 a loot box is generally between \$2 to \$3, depending on the virtual currency bundle
 17 purchased, with larger bulk purchases required to get a more favorable rate.

18 **Figure 8: Paid Virtual Currency Storefront**



1 59. Considered as a whole, Genshin Impact’s confusing series of real
2 and virtual currency rates, from dollars to Genesis Crystals to Primogems to Wish
3 tokens to loot boxes, in mismatched and unintuitive denominations, serves to
4 mislead consumers, especially children and teenagers, about the amount of money
5 that players spend on loot boxes on an ongoing basis, and the amount of money
6 that players would likely need to spend to obtain certain prizes.

7 *HoYoverse’s Advertisement and Promotion of Loot Box Prizes*

8 60. HoYoverse drives consumer demand for Genshin Impact loot boxes
9 through several promotional channels inside and outside of the game, emphasizing
10 that desirable prizes will be available only on a limited basis. HoYoverse also
11 hires social media influencers to glamorize the excitement of opening loot boxes.

12 61. HoYoverse entices consumers to open loot boxes in the hopes of
13 obtaining desirable heroes prominently featured on “Event Banners,” also called
14 “Character Event Wishes,” which are in-game advertisements for time-limited
15 prizes that consumers can obtain by opening loot boxes. Event Banners
16 prominently feature a 5-star hero as the main prize that players can hope to obtain
17 by opening loot boxes, alongside less desirable, less prominently featured four-star
18 heroes. Event banners tout purportedly increased odds to obtain the featured hero
19 during the promotional period.

20 62. HoYoverse draws consumers’ attention to Event Banners through
21 notifications that appear periodically when players engage with the game. Below
22 the Event Banner itself, HoYoverse displays interactive buttons that consumers can
23 click to spend one Wish token, or ten Wish tokens at once, for a chance to obtain
24 the featured prizes. If a consumer has insufficient tokens to open the loot box, the
25 game prompts the consumer to exchange “Primogem” virtual currency for Wish
26 tokens. If the consumer has insufficient Primogems to convert to Wish tokens, the
27 game prompts the consumer to spend real money to buy “Genesis Crystal” virtual
28 currency. The game then prompts the consumer to exchange Genesis Crystals for

1 Primogems, and to exchange those for Wish tokens used to open the loot box.

2 **Figure 9: Example Event Banner Advertising “Probability increased!”**



11 63. HoYoverse rotates Event Banners approximately every three weeks,
12 replacing the advertised Event Banner with a new one featuring new heroes. This
13 often corresponds with updates to the Genshin Impact game in which HoYoverse
14 releases new heroes and content. HoYoverse also offers what it calls a Standard
15 Wish Banner, with a seldom changing pool of potential prizes, that serves as a foil
16 for the dynamic and widely advertised Event Banner.

17 64. HoYoverse’s Event Banners create urgency for players to spend
18 tokens and virtual currency, and ultimately real money, to open loot boxes. Event
19 Banners warn that featured 5-star heroes “can only be obtained in the specified
20 wish during the specified time period(s),” and display a timer counting down to the
21 minute the time remaining until the banner will rotate. After the Event Banner
22 rotates, consumers cannot obtain the featured 5-star hero until HoYoverse offers
23 another Event Banner featuring that character. HoYoverse generally does not
24 indicate when this will be, and in several instances, the wait has been a year or
25 more.

26 65. HoYoverse also drives consumer demand for loot boxes by
27 advertising current and upcoming Event Banners, including through display ads,
28 video ads, and social media. Many of these advertisements proclaim purportedly

1 superior odds of obtaining the heroes featured on the Event Banner. For example,
 2 HoYoverse disseminated a social media advertisement more than one million times
 3 for an upcoming Event Banner featuring the five-star hero, a child knight named
 4 “Klee,” during which players would be able to purchase and open loot boxes for
 5 the chance to obtain “Klee.” The advertisement proclaimed, “During the event
 6 wish, the event exclusive character . . . will receive a huge drop-rate boost!” This
 7 referred to a purportedly increased “rate,” or likelihood, at which the “Klee” hero
 8 would appear, or “drop,” when players opened loot boxes.

9 **Figure 10: Sample Social Media Ad Touting “Huge Drop-Rate Boost!”**



66. HoYoverse uses suspenseful and exciting animations and sound effects to make the experience of opening loot boxes appealing. HoYoverse even offers players the option to “10-pull,” or spend 10 Wish tokens at the same time (at

1 a cost of \$20 or more, if the player is using paid virtual currency) to open 10 loot
2 boxes in rapid succession, triggering an uninterrupted series of these animations
3 and effects. When a player spends a Wish token to open a loot box, this triggers an
4 animation in which a shooting star falls from the sky. The star bursts into color,
5 indicating the rarity level of the prize the player is about to receive, with gold
6 indicating a five-star prize. Next, a silhouette of the prize appears, surrounded by a
7 halo of light. The prize then flashes into focus, accompanied by the prize's name
8 and star rating. Each of these visual elements is underscored by sound effects that
9 build suspense while the prize is hidden, emit a flashing sound when the prize is
10 revealed, and then clink like coins as the star rating appears.

11 **Figure 11: Silhouette of Wish Reward**



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1 **Figure 12, below: “Klee” Wish Reward Revealed from Silhouette**



12 67. HoYoverse has spent millions of dollars hiring influencers to promote
13 Genshin Impact to their respective audiences on social media platforms including
14 YouTube, TikTok, and the video game streaming site Twitch. As noted
15 previously, many of these influencers appeal to and are popular among children,
16 and have built followings playing child-oriented games or engaging in child-
17 oriented activities in online video streams. In many instances, HoYoverse has
18 circulated creative briefs and talking points to these influencers requesting that
19 they promote Genshin Impact Event Banners to their audiences, and open loot
20 boxes as part of their paid promotional videos.

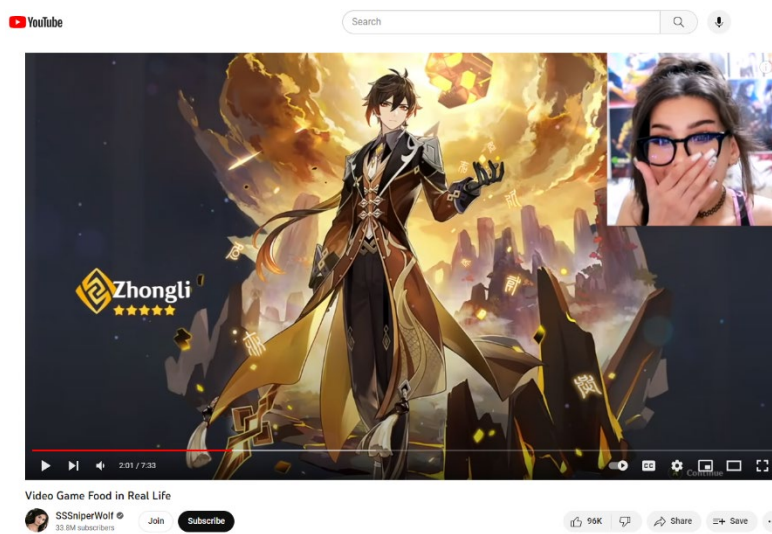
21 68. For example, in or about May 2021, HoYoverse paid popular
22 influencer Alia Shelesh, known as “SSSniperWolf,” more than \$100,000 to record
23 two short videos promoting Genshin Impact. SSSniperWolf has tens of millions of
24 subscribers on YouTube and is the two-time winner of the Nickelodeon Kids’
25 Choice Awards in the “favorite gamer” category.

26 69. HoYoverse provided SSSniperWolf with written instructions directing
27 her to open loot boxes for the chance to obtain characters featured on the Event
28 Banner, and to convey that “pulling for new characters [i.e., opening loot boxes for

1 the chance to obtain new characters] is exciting and fun.” HoYoverse also
 2 instructed SSSniperWolf to tout a “boosted rate” to obtain a 5-star hero, “Zhongli,”
 3 featured on the Event Banner.

4 70. In May 2021, the SSSniperwolf promotional video was released. It
 5 featured a segment in which the influencer opened twelve loot boxes in a row,
 6 conveying enthusiasm and excitement as she had been instructed, and won the
 7 featured 5-star hero. She remarked, “We are getting way too lucky tonight. I
 8 thought we were going to be here all night, but the RNG [random number
 9 generator] ‘bussin’,” indicating her unexpected luck that Genshin Impact had
 10 purportedly dispensed the rare prize to her by random chance.

11 **Figure 13: Screenshot of Loot Box Prize Revealed in SSSniperWolf Video**



21 71. In reality, the SSSniperWolf promotional video was misleadingly
 22 edited to depict a fake loot box prize win, in a way that would have been
 23 impossible in the Genshin Impact game. For instance, when a Genshin Impact
 24 player opens a loot box containing a 5-star prize, the game displays a golden
 25 shooting star animation, but in the SSSniperwolf video, the supposed 5-star prize
 26 win was preceded by a purple shooting star animation. The video also depicted an
 27 uninterrupted succession of twelve loot box opening animations, when the game
 28 allows no more than ten loot boxes to be opened at a time. Thus, the message

1 conveyed by this video was that consumers could obtain rare loot box prizes more
2 easily and at lesser expense than they likely could in reality, and the video
3 furthered this message with a deceptive demonstration of unachievable gameplay.

4 72. HoYoverse paid SSSniperWolf to create the promotional video and
5 had final approval authority over its contents, but HoYoverse did not exercise this
6 authority to correct the misleading message of the video. The video was viewed
7 more than ten million times, including two million views on the influencer's
8 YouTube channel, and more than eight million views on a YouTube channel used
9 by HoYoverse to disseminate Genshin Impact promotional materials.

10 *HoYoverse Overstates, and Misleadingly Discloses, Loot Box Odds*

11 73. In many instances, HoYoverse has represented that consumers who
12 open loot boxes corresponding with Event Banner promotions will receive
13 increased odds of obtaining the 5-star hero featured on the Event Banner. For
14 example, social media ads like **Figure 10** have touted a “huge drop-rate boost,”
15 and HoYoverse has instructed influencer-promoters to highlight “boosted rate[s],”
16 or odds, if players open loot boxes during the Event Banner promotion.

17 74. In reality, the purported “boost” in odds refers to the featured prize
18 being available to obtain at all during the promotional period, while the underlying
19 odds of obtaining the featured prize remains the same.

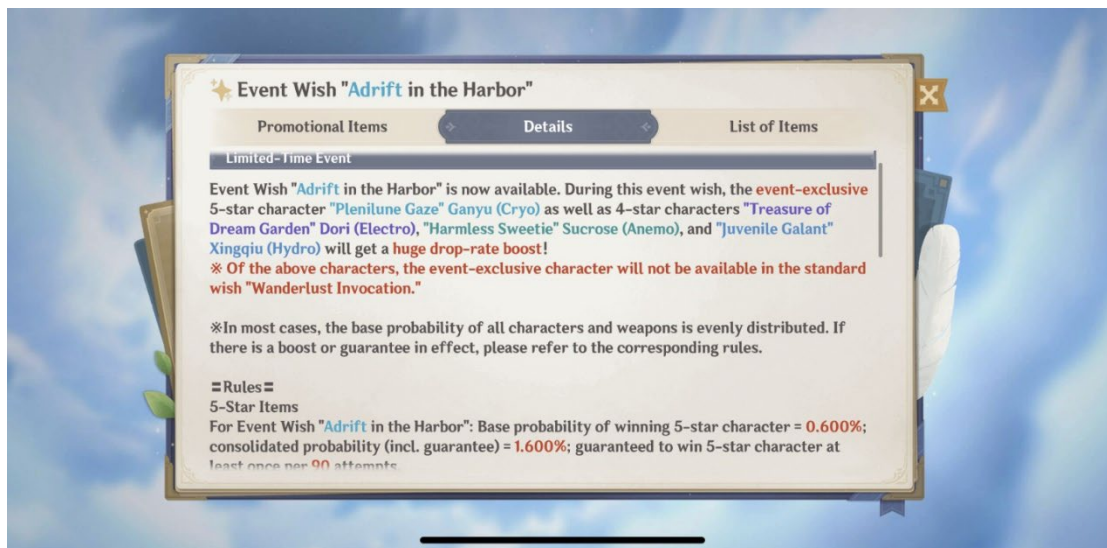
20 75. Within the Genshin Impact game itself, HoYoverse makes further
21 misstatements concerning purportedly increased odds of obtaining featured 5-star
22 heroes.

23 76. The Genshin Impact game represents that consumers can view
24 complete information about the game's loot box odds by engaging with a “Details”
25 menu navigation button below the Event Banner (like the second button from the
26 left in **Figure 9**), and navigating through several sub-menus.

27 77. The consumer is presented with a “Promotional Items” subsection,
28 which depicts the featured 5-star hero with the phrase “Increased Drop Rates!” and

1 a statement that this hero's "Percentage of 5-Star Item Drops" is "50%", without
 2 adequate additional context. A second "Details" sub-menu within this interface
 3 states that the "[b]ase probability of winning 5-star character = 0.600%;
 4 consolidated probability (incl. guarantee) = 1.600%; guaranteed to win 5-star
 5 character at least once per 90 attempts," and indicates that the featured hero has a
 6 "huge drop-rate boost." A third "List of Items" sub-menu similarly states that the
 7 odds of obtaining the featured hero are "UP!," but does not disclose actual or
 8 relative rates at which HoYoverse awards loot box prizes.

9 **Figure 14: Example "Details" Sub-Menu Text Concerning Loot Box Odds**



19 78. In reality, HoYoverse offers consumers only a 0.3% (three in one
 20 thousand) chance of obtaining the specific featured hero when they open loot
 21 boxes. To put these low odds into perspective, this means that, even if a consumer
 22 opens 50 loot boxes in a row, the consumer has odds of less than 15% to obtain the
 23 5-star prize featured on the banner.

24 79. Consumers are also misled by HoYoverse's "guarantee[] to win 5-star
 25 character at least once per 90 attempts" because they are led to believe that it
 26 applies to the 5-star character prominently featured in the Event Banner. As shown
 27 in **Figures 9 and 10** above, a picture and name of a character is featured next to
 28 language touting the opportunity to open loot boxes for the chance to win an

1 “event-exclusive 5-star character.” In reality, if a player opens 90 loot boxes,
2 HoYoverse frequently does not provide the player with the featured five-star
3 character: half of the time, HoYoverse will instead award the player an unrelated,
4 and typically less desirable, 5-star prize not featured on the Event Banner. If this
5 happens, the player must then open as many as 90 additional loot boxes, at which
6 point HoYoverse is finally certain to award the prize featured on the Event Banner.

7 80. In other words, a consumer may need to open as many as 180 loot
8 boxes, at a cost of \$2–3 per loot box (or as much as \$360–540 in total), simply to
9 get the prize that HoYoverse features on the Event Banner.

10 81. Taken as a whole, HoYoverse’s representations and misleading
11 disclosures serve to convey the message that consumers who purchase loot boxes
12 are more likely to obtain rare prizes than they are in reality.

13 *HoYoverse’s Unfair Practices*

14 82. Under Section 5 of the FTC Act, an act or practice is deemed “unfair”
15 where the act or practice: (1) “causes or is likely to cause substantial injury to
16 consumers” which (2) “is not reasonably avoidable by consumers themselves” and
17 (3) is “not outweighed by countervailing benefits to consumers or to competition.”
18 15 U.S.C. § 45(n); *see FTC v. Neovi*, 604 F.3d 1150, 1155 (9th Cir. 2010).

19 83. HoYoverse makes use of two types of unfair acts or practices to
20 generate revenue from, or monetize, the Genshin Impact game: (1) obscuring
21 players’ expenditures and the likely costs of rare prizes through the game’s multi-
22 tier virtual currency system, and (2) promoting and offering to children and
23 teenagers rare prizes that can be obtained only by opening loot boxes, which can be
24 purchased using paid virtual currency.

25 *HoYoverse’s Multi-Tier Virtual Currency System Is Unfair to Children and*
26 *Teenagers*

27 84. HoYoverse has unfairly designed and operated Genshin Impact with a
28 complex and confusing multi-tier virtual currency exchange system. This serves to

1 obscure the amount that children and teenagers spend within the game, as well as
2 the substantial amount of real-world money generally required to obtain rare loot
3 prizes.

4 85. Genshin Impact’s multi-tier virtual currency system permeates the
5 design of the game, for example, through prompts urging players to “top up” their
6 supplies of virtual currency by spending real money. Consumers who opt to spend
7 money purchasing virtual currency within the game cannot avoid the multi-tiered
8 system, which requires them to convert the paid virtual currency to other tiers or
9 categories of virtual currency in order to open loot boxes. This system obscures
10 the true amounts that children and teenagers are spending, and so increases the
11 likelihood that consumers will not understand what they are spending, or the
12 effective cost of loot box prizes awarded based on chance. Children and teenagers,
13 whose executive function skills are not yet fully developed are particularly
14 susceptible to these techniques.

15 86. Nor does the design of Genshin Impact’s multi-tier virtual currency
16 system generate any offsetting benefits to consumers or competition. To the
17 contrary, HoYoverse could have transparently priced virtual goods within the game
18 to make clear to players the true amounts that they spend within the game and the
19 true cost of loot box prizes.

20 *HoYoverse Unfairly Promotes and Sells Paid Loot Box Prizes to*
21 *Children and Teenagers*

22 87. HoYoverse has unfairly promoted and offered to children and
23 teenagers rare prizes that can be obtained only by opening loot boxes, which are
24 often purchased using paid virtual currency. The contents of these loot boxes are
25 unknown to the player at the time of purchase. The odds of obtaining rare prizes
26 are steeply unfavorable to the consumer, deceptively presented to the player, as
27 explained above, and the prizes often come at great real-world expense. And
28 children and teenagers are less likely than adults to understand what they are

1 spending or the real costs of desired digital items, particularly when those amounts
2 are abstracted and obscured through multiple tiers of fictitious virtual currency.

3 88. HoYoverse has promoted Genshin Impact and its rare loot box prizes
4 to children and teenagers through advertisements, social media channels, and paid
5 influencers, as described above. HoYoverse does not deploy widely available age
6 gating technology to screen users' ages. HoYoverse also does not restrict, based
7 on their age or otherwise, users' ability to purchase paid virtual currency, which
8 HoYoverse sells in bundles costing up to \$99 per purchase. Nor does HoYoverse
9 restrict, based on age or otherwise, users' ability to spend money to open loot
10 boxes. Indeed, the Genshin Impact game interface allows users of all ages to
11 easily and frictionlessly buy and spend hundreds of dollars worth of virtual
12 currency within moments.

13 89. HoYoverse makes the five-star heroes that rarely appear within
14 Genshin Impact loot boxes appealing and desirable to children and teenagers.
15 Players can in effect 'pay to win' by spending large sums on loot boxes in order to
16 unlock these heroes, who have enhanced abilities within the game, making it easier
17 for players to complete the game's challenges. Additionally, HoYoverse
18 encourages players to identify with Genshin Impact's virtual heroes, many of
19 whom have the appearance of young people, and to show their support or affinity
20 for these characters by opening loot boxes to unlock them as playable characters
21 within the game.

22 90. In addition to making the heroes themselves desirable to children and
23 teenagers, HoYoverse uses a number of techniques to create urgency to participate
24 and to make the experience of opening loot boxes aesthetically appealing and
25 exciting. These include interface and design elements that steer players toward
26 limited-time event banners through which HoYoverse offers loot boxes, and the
27 suspenseful and exciting animations and sound effects associated with opening loot
28 boxes, as described in Paragraphs 61–66 above. Children and teenagers, who have

1 less developed executive function and behave more impulsively than adults, are
2 particularly susceptible to these techniques.

3 91. A final, core characteristic of HoYoverse's loot boxes, that their
4 contents are distributed based on chance and unknown to players at the time of
5 purchase, also makes them particularly appealing to children and teenagers. It is a
6 demonstrated principle in psychology, known as "variable ratio reinforcement,"
7 that people are more likely to repeat a behavior when it yields a chance of winning
8 a reward at any time. The unpredictability and randomness of receiving rewards
9 based on chance makes it more exciting to participate, particularly for children and
10 teenagers, due to their greater impulsivity and less developed executive function.
11 Notably, this same principle of variable ratio reinforcement helps explain the allure
12 of traditional games of chance, from which many States limit or prohibit players
13 under 18 years old from participating.

14 92. Many of the children and teenagers to whom HoYoverse has
15 promoted Genshin Impact and its rare loot box prizes as described above have
16 spent real money on virtual currency, which they have used to purchase Genshin
17 Impact loot boxes.

18 93. In many instances, after children and teenagers have spent money
19 seeking to obtain rare loot box prizes in Genshin Impact, the children, teenagers, or
20 their parents have complained to HoYoverse or to app store intermediaries that
21 they did not fully understand what they were purchasing or the amount that they
22 were spending.

23 94. In some of these instances, the sums of money at issue have been
24 considerable, with parents shocked to learn that HoYoverse was charging them
25 hundreds or thousands of dollars for children's and teenagers' in-game purchases.
26 Genshin Impact is made available to download for free on gaming application
27 stores and is promoted using anime cartoon images, and HoYoverse has paid
28 influencers popular among children and teenagers to promote the game.

1 95. HoYoverse does not warn parents, children or teenagers at the point of
2 download that the company makes money on the game by selling loot boxes, that
3 the odds of winning featured prizes are very low, or that users can easily spend
4 hundreds of dollars trying to obtain a single rare loot box prize. Consumers could
5 not have reasonably avoided these practices that led to financial losses to
6 themselves or their households.

7 96. HoYoverse, however, could have adopted practices to mitigate these
8 harms without negatively impacting consumers or competition. Numerous high-
9 profile video games, including games freely available for download, do not sell
10 loot boxes at all, or have discontinued the sale of loot boxes in recent years in favor
11 of other monetization strategies. Alternatively, if HoYoverse insisted on offering
12 loot boxes for sale in its game, it could have prominently disclosed the pertinent
13 details at the point of download, avoided advertising to children and teenagers and
14 deployed widely available age-gating technology to screen users' ages. Had it
15 done so, HoYoverse could have either prevented loot box sales to children and
16 teenagers, or kept them off the platform entirely.

17 ***

18 97. Based on the facts and violations of law alleged in this Complaint, the
19 FTC has reason to believe that Defendants are violating or are about to violate laws
20 enforced by the Commission.

21 **VIOLATIONS OF THE COPPA RULE AND FTC ACT**

22 **Count I**

23 **COPPA Rule**

24 98. Paragraphs 1 through 97 are incorporated as if set forth herein.

25 99. Defendants are "operators" subject to the COPPA Rule.

26 100. In numerous instances, in connection with the acts and practices
27 described above, Defendants collected, used, and/or disclosed personal information
28 from children younger than age 13 in violation of the Rule by:

- 1 a. Failing to provide notice on their website or online service of the
2 information they collect online from children, how they use such
3 information, and their disclosure practices, among other required
4 content, in violation of Section 312.4(d) of the Rule, 16 C.F.R.
5 § 312.4(d);
- 6 b. Failing to provide direct notice to parents of the information they
7 collect online from children, how they use such information, and their
8 disclosure practices for such information, among other required
9 content, in violation of Section 312.4(b) of the Rule, 16 C.F.R.
10 § 312.4(b); and
- 11 c. Failing to obtain consent from parents before any collection or use of
12 personal information from children, in violation of Section 312.5(a)(1)
13 of the Rule, 16 C.F.R. § 312.5(a)(1).

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

18 **VIOLATIONS OF THE FTC ACT**

19 102. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or
20 deceptive acts or practices in or affecting commerce.”

21 103. Misrepresentations or deceptive omissions of material fact constitute
22 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

23 104. Acts or practices are unfair under Section 5 of the FTC Act if they
24 cause or are likely to cause substantial injury to consumers that consumers cannot
25 reasonably avoid themselves and that is not outweighed by countervailing benefits
26 to consumers or competition. 15 U.S.C. § 45(n).

1 **Count II**

2 **Misrepresentations of Loot Box Odds**

3 105. Paragraphs 1 through 104 are incorporated as if set forth herein.

4 106. In numerous instances, in connection with the advertising, marketing,
5 or promotion of digital merchandise, content, and paid virtual currency in the
6 Genshin Impact game, Defendants have represented, directly or indirectly,
7 expressly or by implication, certain odds that loot boxes known as “Wishes” would
8 contain particular prizes.

9 107. In truth and in fact, in numerous instances in which Defendants have
10 made these representations, a consumer’s odds of obtaining a particular prize
11 inside of a Genshin Impact loot box were meaningfully lower than what was
12 advertised, marketed, or promoted.

13 108. Defendants’ representations are false or misleading and constitute
14 deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. §
15 45(a).

16 **Count III**

17 **Misrepresentations of Cost of Loot Box Prizes**

18 109. Paragraphs 1 through 108 are incorporated as if set forth herein.

19 110. In numerous instances, in connection with the advertising, marketing,
20 or promotion of digital merchandise, content, and paid virtual currency in the
21 Genshin Impact game, Defendants have represented, directly or indirectly,
22 expressly or by implication, the amount of money that players would need to
23 spend, or would likely need to spend, in order to obtain particular loot box prizes.

24 111. In truth and in fact, in numerous instances in which Defendants have
25 made these representations, including in connection with Genshin Impact’s virtual
26 currency system, a consumer would need to spend, or would likely need to spend,
27 more money to obtain particular loot box prizes than what was advertised,
28 marketed, or promoted.

1 112. Therefore, Defendants' representations are false or misleading and
2 constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act,
3 15 U.S.C. § 45(a).

4 **Count IV**

5 **Unfair Selling and Offering a Multi-Tier Virtual Currency System to**
6 **Children and Teenagers**

7 113. Paragraphs 1 through 112 are incorporated as if set forth herein.

8 114. Defendants have sold and offered to sell bundles of virtual currency to
9 children and teenagers, who can exchange that virtual currency for another virtual
10 currency and exchange that yet again for a third virtual currency to open loot
11 boxes. Defendants' practice of selling bundles of virtual currency in a multi-tiered
12 system to children and teenagers obscures the amount that these consumers spend
13 within the game, as well as the substantial expenditure generally required to obtain
14 rare loot prizes.

15 115. Defendants' acts or practices have caused or are likely to cause
16 substantial injury to consumers that those consumers could not themselves
17 reasonably avoid and that is not outweighed by countervailing benefits to
18 consumers or competition.

19 116. Therefore, Defendants' acts or practices constitute unfair acts or
20 practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), (n).

21 **Count V**

22 **Unfair Promotion and Sale of Loot Boxes to Children and Teenagers**

23 117. Paragraphs 1 through 116 are incorporated as if set forth herein.

24 118. Defendants have promoted and offered to children and teenagers rare
25 prizes that can be obtained only by opening loot boxes within a freely available
26 and Internet-enabled video game developed and operated by Defendants. These
27 prizes are based on chance, and consumers can spend money to obtain paid virtual
28 currency to purchase loot boxes.

1 119. Defendants' acts or practices have caused or are likely to cause
2 substantial injury to consumers that those consumers could not themselves
3 reasonably avoid and that is not outweighed by countervailing benefits to
4 consumers or competition.

5 120. Therefore, Defendants' acts or practices constitute unfair acts or
6 practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), (n).

7 **CIVIL PENALTIES**

8 121. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A),
9 authorizes this Court to award civil penalties for each violation of the COPPA
10 Rule.

11 122. Defendants violated the COPPA Rule with the knowledge required by
12 Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A).

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

16 **CONSUMER INJURY**

17 124. Consumers are suffering, have suffered, and will continue to suffer
18 substantial injury as a result of Defendants' violations of the FTC Act and the
19 COPPA Rule. Absent injunctive relief by this Court, Defendants are likely to
20 continue to injure consumers and harm the public interest.

21 **PRAYER FOR RELIEF**

22 **WHEREFORE**, Plaintiff requests that this Court:

23 A. Enter a permanent injunction to prevent future violations of the FTC Act
24 and the COPPA Rule;

25 B. Award other relief within the Court's power to grant;

26 C. Impose civil penalties for each violation of the COPPA Rule; and

27 D. Award any additional relief as the Court determines to be just and
28 proper.

1 Dated: January 17, 2025

Respectfully submitted,

2 **FOR THE UNITED STATES OF**
3 **AMERICA:**

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