

Alerts

FTC Lessons Learned: COPPA Applies to Adult Coloring Book App That Also Targeted Children

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Hinshaw Privacy & Cyber Bytes

Once again, the Federal Trade Commission (FTC) has made it clear that absent parental consent, the personal information of children under 13 is off-limits to companies operating online applications and websites. On July 1, 2021, the FTC [announced a proposed settlement](#) with Kuuhub Inc., along with its Finnish subsidiaries Kuu Hubb Oy and Recolor Oy (collectively, the Companies) concerning their Recolor coloring book application (the App).

The FTC alleged that the Companies violated the Children's Online Privacy Protection Act (COPPA) by collecting and disclosing personal information about children who used the App without notifying their parents and obtaining their consent. Among other things, the proposed settlement includes a \$3 million monetary penalty and strict requirements regarding parental notice and consent prior to collecting personal information from children.

The FTC Complaint

As outlined in its [complaint](#), the FTC took issue with a number of the Companies' business practices. The App provides images that users can digitally color on their mobile devices. While marketed as a "coloring book for adults," a portion of the coloring book App was directed to children. For example, the App included a category labeled "Kids" that contained images with content that would appeal to children—e.g., My Little Pony and cartoon dinosaurs. The App generates revenues from subscriptions, promotional campaigns, and in-app advertising and offers social media features allowing users to upload images for others to view, comment on, and like. To use the App, users must register for an account and provide personal information.

The FTC alleged that children under the age of 13 were registering for accounts and using some of the social media features. The App collected children's personal information, and the Companies allowed third-party advertising networks (Ad Networks) to use the information for targeted ads. The Companies failed to inform the Ad Networks that a portion of the App was targeted at children or require them to refrain from behavioral advertising. The FTC also alleged that the Companies failed to notify parents or obtain verifiable parental consent prior to collecting personal information from underage children, a COPPA violation.

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The Proposed Settlement

The [proposed settlement](#) includes the following terms:

- The Companies must implement an in-app "pop-up alert" that states: "Protecting Your Child's Personal Info: Recolor has settled Federal Trade Commission (FTC) allegations that it violated a law that protects children's online privacy. For more information & to learn what you can do, click here [link]. Recolor is for ages 13+."
- The Companies must delete all the personal information they collected from children under 13 unless they obtain parental consent.
- The Companies must offer current paid subscribers of the App a refund if they were under the age of 18 when they signed up for the App.
- The Companies are subject to record-keeping requirements, including copies of each materially different format through which personal information of children is collected.

The settlement includes a \$3 million monetary penalty, which will be suspended upon payment of \$100,000 due to the Companies' inability to pay the full amount. However, they will be required to pay the full amount if they are found to have misrepresented their finances. The FTC noted that if the Companies sell the App within a year following entry of the order approving the settlement, they must turn over the net proceeds from the sale to the FTC, after paying debts and other related expenses.

The Takeaways

The FTC takes a zero-tolerance stance when it comes to protecting children from exploitation by companies looking to collect their personal information online. All companies should regularly review their websites and applications to ensure they comply with COPPA—even if only a portion of the site or application is directed at children.