

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**
 Julie Brill
 Maureen K. Ohlhausen
 Joshua D. Wright
 Terrell McSweeney

_____)
In the Matter of) **DOCKET NO. C-4460**
)
ADT LLC,)
 a limited liability company.)
)
_____)

COMPLAINT

The Federal Trade Commission, having reason to believe that ADT LLC, a limited liability company (“Respondent”), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

- 1. ADT LLC, also doing business as ADT Security Services, is a Delaware limited liability company with its principal office or place of business at 1501 Yamato Road, Boca Raton, Florida, 33431.
- 2. The acts and practices of Respondent, as alleged herein, have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.
- 3. Respondent manufactures, advertises, markets, promotes, offers to sell, sells, and distributes various electronic security products and services, including but not limited to, the ADT Pulse home security and monitoring system (“ADT Pulse”).
- 4. Respondent used paid spokespersons to promote the ADT Pulse in interviews on national and local television and radio news programs and talk shows. Respondent set up these media interviews through its public relations firms and booking agents, often providing the reporters and news anchors with suggested interview questions and b-roll (background video). The paid spokesperson would be identified on air as an expert in child safety, home security, or technology and would be interviewed as part of a news segment on a topic related to his or her expertise. During the course of the interview, the paid spokesperson would demonstrate the ADT Pulse and provide a favorable review of the product. The paid spokesperson sometimes demonstrated other child safety, home security, or technology products, in addition to the ADT

Pulse, adding to the impression that the spokesperson was providing an impartial, expert review of products. In most of these media appearances, there was no mention of any connection between the spokesperson and Respondent.

5. Respondent also used these paid spokespersons to promote the ADT Pulse in what appeared to be independent and objective reviews on the spokesperson's own website, in blog posts, and in other online materials.

6. Respondent provided both financial and in-kind compensation to its spokespersons for the activities referred to in Paragraphs 4 and 5. For example, Respondent paid three spokespersons, including a child safety expert, a home security expert, and a technology expert, a total of approximately \$313,000, with one spokesperson receiving more than \$200,000. Two of the spokespersons also received a free ADT Pulse security system, valued at approximately \$4,000, and free monthly monitoring service. In exchange, the spokespersons appeared on more than 40 different television programs in markets across the country and posted regular blogs and other online material touting the benefits of the ADT Pulse.

7. Through the television and radio appearances and online materials referred to in Paragraphs 4 through 6, Respondent's spokespersons made favorable statements about the features and benefits of the ADT Pulse. The appearances and online materials include but are not limited to those attached as Exhibits A-D. They include the following statements:

A. Today Show (NBC), January 4, 2011 (Video attached as Exhibit A)

(Excerpted from national market television interview of Alison Rhodes by Hoda Kotb and Kathie Lee Gifford)

Kotb: Keeping your kids safe when you're not around is probably the biggest concern worrying most parents.

Gifford: Well now with advances in technology, a parent's job is much easier than it was only a handful of years ago. Here to tell us what is out there is Alison Rhodes. She's a national family and safety expert known as "The Safety Mom"

[Video Banner: "KEEP YOUR KIDS SAFE
TOOLS FOR AT SCHOOL & AT HOME"]

Kotb: We were captivated by the first thing you have on your table. And it's almost, like I guess, a motion detector for kids at home while you're at work so you can check on them, right?

[Video Banner "CHILD SAFETY
ADT PULSE \$399
ADTPULSE.COM"]

Rhodes: This is truly the virtual babysitter. I travel a lot. I'm on the road. This is the ADT Pulse Home Monitoring System. I've got wireless cameras. I've got motion detectors. I've got

texts that come into my iPhone if my daughter doesn't walk into the door from school So I can see my kids if they're not doing their homework after school

Kotb: How pricey is this whole apparatus?

Rhodes: You know, it's really not that much. It starts at \$399 and then it's a monthly fee, but you actually get a discount on your homeowner's insurance because it's your ADT security system.

Gifford: That's a great idea. Smart.

Rhodes: It's amazing!

[News segment continues with Ms. Rhodes discussing three other child safety products.]

B. Daybreak USA (USA Radio Network), Jan. 20, 2011 (Video attached as Exhibit B) (Excerpt of interview of Alison Rhodes on nationally syndicated talk radio show)

Host Scott West: A nationally known family safety and lifestyle expert who often provides tips and advice on keeping moms and kids safe, happy, and healthy, is with us this morning, Alison Rhodes, welcome to Daybreak USA.

. . . .

Now what is it that makes this house, that you're in, there in Windermere, Florida, a busy mom's dream?

Rhodes: [interviewed remotely by phone from KB model home at International Builders Show in Windermere, Florida] ... There are things here like the ADT Pulse home monitoring system. When I'm on the road, I can look in, I can turn the lights on and off. I can turn the thermostat on and off. I can get alerts when my kids walk in the door from school. So I know exactly what's going on in this home.

[interview continues with discussion of other features of the model home]

Rhodes: ... what's also nice about this [ADT] system is: say somebody's coming in the door, I can look on my computer. I can see the cameras. I can see who's coming in. I can see who's going out. So I also have my touch screen for the ADT set up in the bedroom. So this home itself opens up onto a big lake. I'm a little worried about the kids walking right out the door. So I can see everything that's going on anywhere in this house. I can see who's coming and going. I can remember to turn off the lights because, with girls, they never remember to turn off the lights. So literally I can run it. It's completely wired.

C. Blog by Alison Rhodes, Aug. 30, 2010 (posted on www.safetymom.com)
(Exhibit C)

Tips to Remember From National Safe at Home Week by Alison Rhodes, The Safety Mom

Written by Safety Mom August 30, 2010

This blog could go on forever since there are so many things to consider about being safe at home. But, here are a few of the top things to keep in mind:

Get a security and home monitoring system. I'll admit, I never had one before but, now that I have the **ADT Pulse** system, I can't imagine living with out [sic] it. We used to have dogs which made me feel much safer but now I'm a single mom living in a home without dogs and was just informed by a friend that there were three break-ins in our community this past month. Nothing has ever given me greater peace of mind. Not only do I have a "panic" button to get the police immediately but also a medical emergency button and fire button. I have a camera monitoring my driveway so I can see who is driving in and I can lock and unlock the doors remotely from my computer or iPhone. I also get alerts if my daughter hasn't walked in the door at a certain time after school. The ADT Pulse system will save on your energy bill since you can control lights and your thermostat as well as probably qualify you for a discount on your home owners insurance policy. . . .

[Blog post goes on to discuss other safety tips and products.]

D. News First Early Edition (Fox 29), San Antonio, TX, Jan. 6, 2011
(Video attached as Exhibit D) (Excerpted from local market television interview of David Gregg at the Las Vegas Consumer Electronics Show)

Reporter: We got David Gregg up and early this morning. He is a technology expert with BehindTheBuy.com and he's live with us this morning. ...

[Video Banner: "DAVID GREGG
TECHNOLOGY EXPERT"]

[Segment includes remote interview of David Gregg from the International Consumer Electronics Show in Las Vegas, NV. Mr. Gregg reviews various electronics, including a television set, a smart phone, the ADT Pulse home security system, a remote control for the car, and a hearing aid.]

Reporter: I see you've got the laptop in front of you, or what looks like a laptop. What's that all about?

Gregg: The purpose of the laptop is really more to focus on the video that's on the screen. What it's featuring is a service from ADT, that alarm company that people are familiar with. This kind

of impressed us, because it's not just home security. It also features the ability to have full home automation, so while you're away from home, besides operating your security system even having video cameras in your home and seeing what's going on, you can even control your thermostat, your air conditioning, your heat, even your appliances like your coffee maker, too. And the fact is you can control it from any smart phone anywhere in the world. It will even save you money on your insurance because these types of systems are associated with discounts of upwards of 20 per cent on your insurance premiums.

Reporter: And the images look good too. I mean everything looks clear. That's amazing you can do that.

Gregg: It really is incredible and just an added dimension of home automation that you can really control remotely

8. Through the means described in Paragraphs 4 through 7, Respondent has represented, expressly or by implication, that the demonstrations and discussions of the features and benefits of the ADT Pulse by individuals with expertise in child safety, technology, security, or other relevant fields, on various television and radio news programs and talks shows, and in online blogs and other online materials, were independent reviews by impartial experts.

9. In truth and in fact, the demonstrations and discussions of the features and benefits of the ADT Pulse were not independent reviews by impartial experts. The reviews were by experts who were ADT spokespersons who received financial and in-kind compensation for their promotion of the ADT Pulse. Therefore, the representation set forth in Paragraph 8 was, and is, false and misleading.

10. Through the means described in Paragraphs 4 through 7, Respondent has represented, expressly or by implication, that the demonstrations and discussions of the features and benefits of the ADT Pulse reflected the opinions of individuals with relevant expertise. On numerous occasions, Respondent failed to disclose or disclose adequately that these individuals were paid spokespersons for Respondent. These facts would be material to consumers in their decision to purchase the ADT Pulse. The failure to disclose these facts, in light of the representation made, was, and is, a deceptive practice.

11. The acts and practices of Respondent as alleged in this complaint constitute unfair or deceptive acts of practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this eighteenth day of June, 2014, has issued this Complaint against Respondent.

By the Commission, Commissioner McSweeney not participating.

Donald S. Clark
Secretary