

Amazon duped millions into enrolling in Prime, US regulator says in lawsuit

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The US Federal Trade Commission has sued Amazon for what it called a years-long effort to enroll consumers without consent into its paid subscription program, Amazon Prime, and making it hard for them to cancel. The FTC, the US agency charged with consumer protection, filed a federal lawsuit in Seattle, where Amazon is headquartered, alleging that the tech behemoth “knowingly duped millions of consumers into unknowingly enrolling in Amazon Prime” through a secret project internally called “Iliad”. The lawsuit marks the first time the agency has brought Amazon to court since its chair, Lina Khan, took the helm in 2021. Khan, a former antitrust scholar, has been widely expected to take a harder line on tech firms that have for years enjoyed unabated growth and little regulation. In its complaint, the FTC said Amazon used “manipulative, coercive or deceptive user-interface designs known as ‘dark patterns’ to trick consumers into enrolling in automatically renewing Prime subscriptions”. It said the option to purchase items on Amazon without subscribing to Prime was more difficult in many cases. It also said that consumers were sometimes presented with a button to complete their transactions – which did not clearly state it would also enroll them into Prime. Company leaders slowed or rejected changes that made canceling the subscription easier, the complaint said. It argued those patterns were in violation of the FTC Act and another law called the Restore Online Shoppers’ Confidence Act. The FTC said that “one of Amazon’s primary business goals – and the primary business goal of Prime – is increasing subscriber numbers”. Antitrust advocates and big tech watchdogs applauded the move and called for more action against the e-commerce giant. “Amazon’s monopoly over online shopping has resulted in a race to the bottom for the rest of us – violating our privacy, scamming us into keeping Prime memberships, and blocking us from even seeing the best available products,” said Kyle Morse, deputy executive director of the Tech Oversight Project, a non-profit watchdog organization. “Jeff Bezos and Amazon represent the very worst of big tech, and their contempt for their customers is glaringly obvious in how they conduct business.” Launched in 2005, Prime has more than 200 million members worldwide who pay \$139 a year, or \$14.99 a month, for faster shipping and other perks, such as free delivery, returns and the streaming service Prime Video. In the first three months of this year, Amazon reported it made \$9.6bn from subscription, a 17% jump from the same period last year. In a news release announcing the lawsuit, the FTC said that although its complaint is significantly redacted, it contained “a number of allegations” that back up its accusations against Amazon. It also accused the company of attempting to hinder the agency’s investigation into Prime, which began in 2021, in several instances. “Amazon tricked and trapped people into recurring subscriptions without their consent, not only frustrating users but also costing them significant money,” said Khan in a prepared statement. “These manipulative tactics harm consumers and law-abiding businesses alike.” The tech giant has faced other lawsuits

accusing its Prime cancelation process of being too complicated. Under scrutiny from the agency, the company in March provided consumers with instructions on how to cancel their Prime memberships in a blogpost. In a statement, Amazon disputed the FTC's claims and said that the agency announced the lawsuit without notifying the company first. Spokesperson Heather Layman said it was typical to have a dialog with commissioners before a lawsuit is filed and that the "absence of that normal course engagement is extremely disappointing". "The truth is that customers love Prime and by design we make it clear and simple for customers to both sign up for or cancel their Prime membership," she said. "As with all our products and services, we continually listen to customer feedback and look for ways to improve the customer experience and we look forward to the facts becoming clear as this case plays out." Amazon has faced heightened regulatory scrutiny in recent years as it moved to expand its e-commerce dominance and dip its toes into other markets, including groceries and healthcare. The lawsuit follows another Amazon-related win by the FTC just a few weeks ago. Earlier this month, Amazon agreed to pay a \$25m civil penalty to settle allegations it violated a child privacy law for storing kids' voice and location data recorded by its popular Alexa voice assistant. It also agreed to pay \$5.8m in customer refunds for alleged privacy violations involving its doorbell camera Ring.