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**STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,

Plaintiff,

v.

INTELIUS INC., a Delaware
corporation,

Defendant.

NO.

COMPLAINT FOR INJUNCTIVE
AND OTHER RELIEF UNDER THE
CONSUMER PROTECTION ACT,
RCW 19.86

COMES NOW Plaintiff, State of Washington, by and through its attorneys Robert M. McKenna, Attorney General, and Shannon E. Smith, Assistant Attorney General, and brings this action against the Defendant named herein, alleging as follows on information and belief:

I. JURISDICTION AND VENUE

1.1 This Complaint is filed and these proceedings are instituted under the provisions of Chapter 19.86 RCW, the Consumer Protection Act. Plaintiff seeks a permanent injunction and other equitable relief, including restitution, civil penalties, and attorneys' costs and fees based on violations of the Consumer Protection Act.

1.2 The violations alleged in this Complaint have been and are being committed in whole or in part in King County, Washington, by the Defendant. The Attorney General's authority to commence this action is set forth in RCW 19.86.080 and RCW 19.86.140.

1 **II. DEFENDANT**

2 2.1 Defendant Intelius Inc., (“Intelius”) is incorporated in the state of Delaware. Its
3 principal place of business is in Bellevue, Washington, and it transacts business in the state of
4 Washington. At all times relevant to this action, Intelius was engaged in the marketing and
5 sale of membership programs to Washington consumers via Intelius-owned Web sites.

6 **III. NATURE OF TRADE OR COMMERCE**

7 3.1 Intelius operates several Web sites on which it sells various services, including
8 background reports on individuals, identity protection services, and employee screening. The
9 main Intelius Web sites are www.intelius.com, www.peoplelookup.com, and
10 www.lookupanyone.com, although Intelius owns and operates a large number of other Web
11 sites that are used primarily to drive traffic to its principal sites.

12 **Intelius’ “Post-Transaction Marketing” of Adaptive Marketing, Inc., Programs**

13 3.2 Since July 2007, Intelius has marketed third-party subscription membership
14 programs to its customers during the customer’s primary transaction process with Intelius.

15 3.3 The third-party memberships have various names, including 24Protect Plus and
16 Privacy Matters, and purport to offer various benefits such as free credit reports, free credit
17 monitoring, and 24-hour roadside assistance.

18 3.4 The third-party membership programs are owned and serviced by Adaptive
19 Marketing, Inc. (“Adaptive”), a subsidiary of Vertrue, Inc. (“Vertrue”), a Connecticut-based
20 company.

21 3.5 The membership programs are billed by Adaptive on a recurring monthly or
22 annual basis.

23 3.6 In July 2007, Intelius entered into an agreement with Adaptive (“the
24 Agreement”) to offer 7-day free trials of Adaptive’s membership programs to Intelius
25 customers via (1) an interstitial offer within the Intelius purchase path, (2) promotional ads
26 places on the Intelius purchase confirmation page, and (3) email marketing.

1 3.7 The Agreement provides that all of Intelius' marketing of Adaptive's
2 membership programs is to be "card-on-file," which means that the consumer does not need to
3 re-enter his or her billing information on the membership enrollment form after linking from an
4 advertisement or marketing offer in order for Adaptive to charge the membership fee to the
5 consumer's credit or debit card.

6 3.8 Intelius' marketing of Adaptive programs is a type of marketing known as
7 "post-transaction marketing," where the offer for the program is made after the consumer
8 enters his or her account information to make a purchase with Intelius but before Intelius
9 shows the consumer his or her report.

10 3.9 Intelius obtains the consumer's billing information during the consumer's
11 purchase of an Intelius service or product.

12 3.10 Intelius then transmits the consumer's billing information obtained during the
13 consumer's Intelius purchase to Adaptive in order for Adaptive to charge the applicable
14 recurring monthly membership fee to the consumer's credit or debit card.

15 3.11 The Agreement requires Intelius to obtain consent from the consumer for the
16 transmission of his or her billing information to Adaptive.

17 3.12 Under the Agreement, Adaptive is responsible for billing and collecting the fees
18 for its membership programs from consumers who are enrolled in its programs through
19 Intelius.

20 3.13 Under the Agreement, Adaptive is responsible for servicing the membership
21 programs that it offers.

22 3.14 Under the Agreement, Adaptive is responsible for handling customer service
23 related to its membership programs that are marketed by Intelius.

24 3.15 Under the Agreement, Adaptive is responsible for responding to cancellation
25 and refund requests from consumers who were enrolled in one of its membership programs
26 through an Intelius transaction.

1 3.16 Intelius has been selling consumers' credit and debit card information to
2 Adaptive in the form of receiving a "bounty" of between \$40 and \$59 per consumer who
3 enrolls in an Adaptive membership program based upon an offer featured on an Intelius Web
4 site.

5 3.17 Intelius initially approved the form of the offers that Adaptive had created and
6 presented to Intelius to be shown on Intelius' Web sites, and subsequently, Intelius requested
7 and Adaptive agreed to modify the offers "to improve the presentation to potential customers,"
8 according to Intelius.

9 3.18 Intelius uses and tests numerous versions of Adaptive's offers and keeps a
10 record of the number of consumers who view the offer, number of consumers who "accept" the
11 offer, and the conversion rates of offers.

12 3.19 The Adaptive offers that Intelius displays have high conversion rates,
13 sometimes over 80 percent.

14 3.20 The Adaptive offers on the Intelius Web site appear on the screen after the
15 consumer has paid for the Intelius product but before the consumer is shown the report of his
16 or her purchase.

17 3.21 Many of the Adaptive offers appearing on Intelius Web sites feature an offer to
18 customers of "\$10 cash back."

19 3.22 The "cash back" offer, however, is first displayed on the screen on which the
20 consumer's search results appear, informing the consumer that if he or she proceeds with the
21 Intelius transaction, he or she will be offered \$10 cash back. See Figure 1.

22 ///

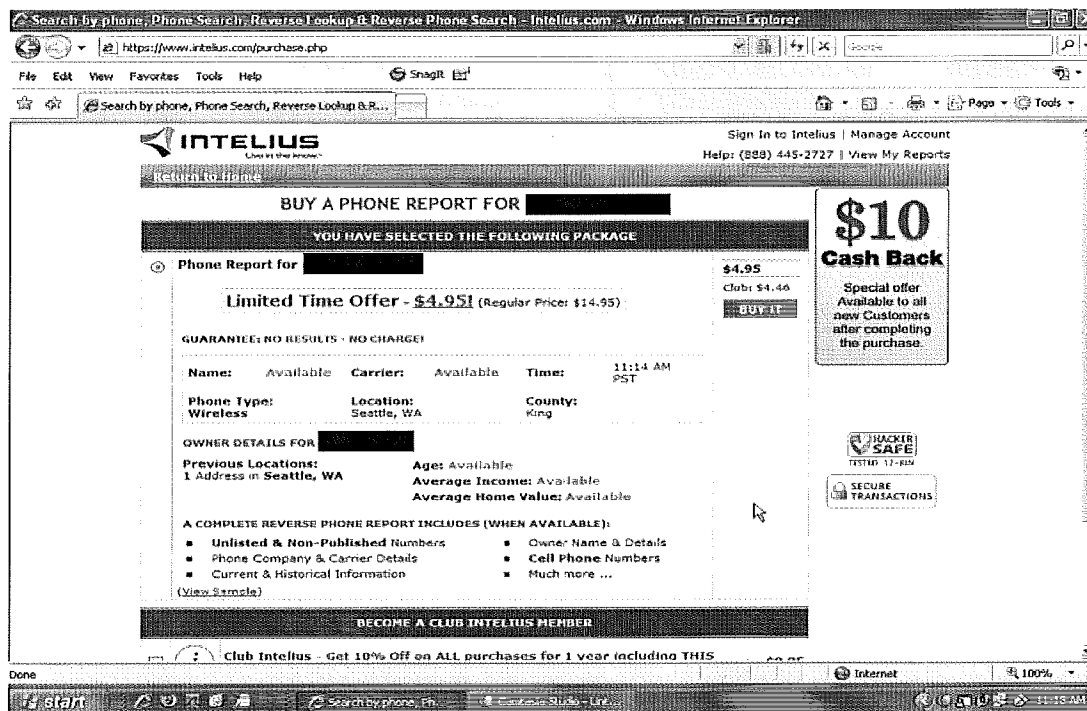
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1 Figure 1.



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14 3.23 There are no terms or conditions disclosed on this initial offer of \$10 cash back.

15 3.24 The "cash back" offer is displayed on one more screen and then finally

16 displayed prominently on the "Thank you" screen after the consumer clicks on the "Buy It"

17 button (see Figure 1) to complete his or her purchase of the Intelius report. See Figure 2.

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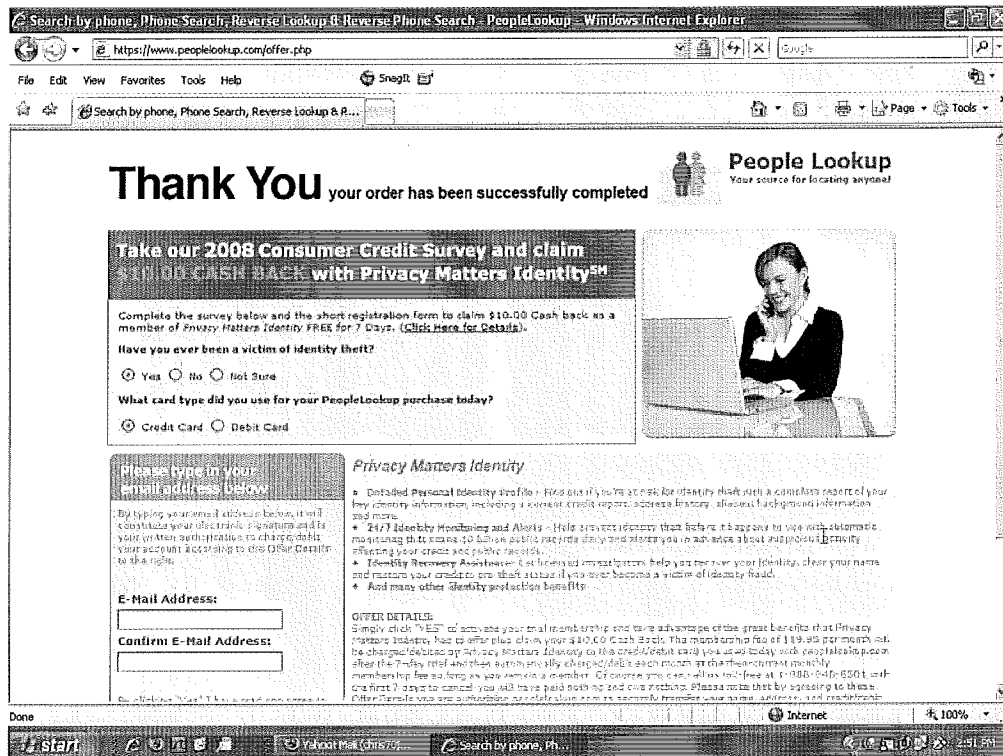
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1 Figure 2.



14 3.25 Following a prominent display of “Thank You your order has been successfully
15 completed,” the Adaptive advertisement offers the Intelius customer \$10 cash back” for taking
16 a two-question survey.

17 3.26 The Adaptive offer looks in all respects as though it is being made by Intelius.

18 3.27 There is no indication in close proximity to the offer that there are terms and
19 conditions attached to the \$10 cash back.

20 3.28 The “Click here for details” hyperlink, rather than disclosing the terms and
21 conditions, states that you will get an email telling you how to submit a claim for the \$10.00.

22 3.29 On the same Web page as the \$10 cash back offer for taking the survey, there is
23 a field in which the customer is asked to type in his or her email address.

24 3.30 Directly below the instruction to type in the email address is a prominent red
25 button that says “YES and show me my report.” See Figure 3.
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