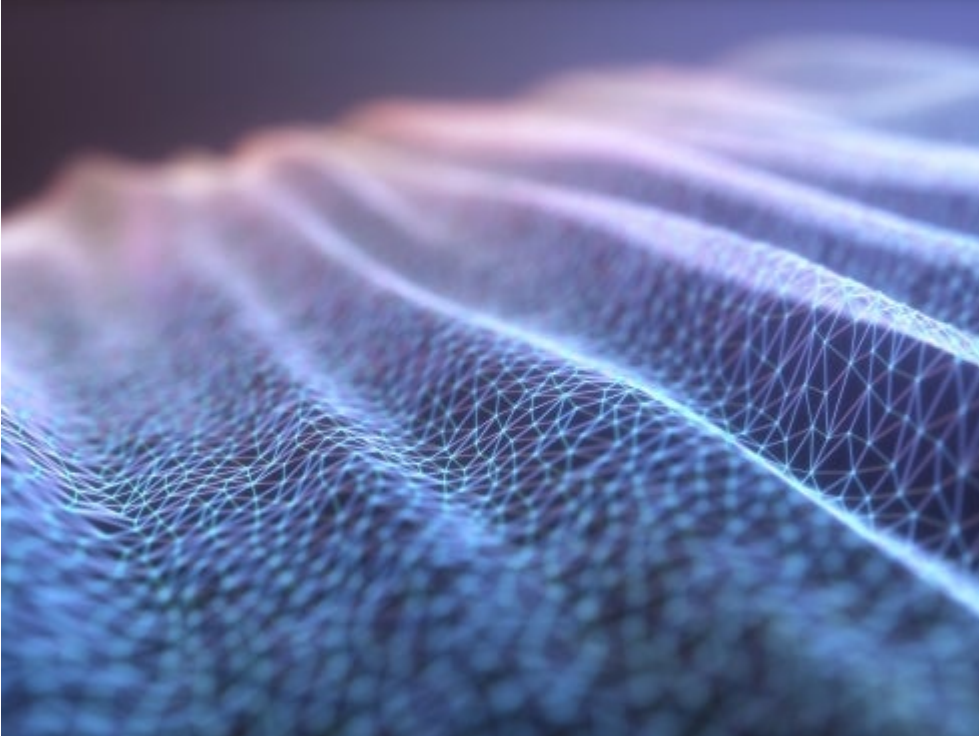


## [Blogs](#)

October 21, 2024

### With Operation AI Comply, the FTC Steps Up AI Enforcement



The Federal Trade Commission (FTC) recently [announced](#) several enforcement actions and proposed settlements as part of a new sweep it calls “Operation AI Comply.” These cases appear focused on companies that the FTC alleges made deceptive claims about their AI products and services or sold AI tools that could be used in misleading or deceptive ways.

- [DoNotPay](#). The FTC’s complaint alleges that DoNotPay offered an AI service that it touted as “the world’s first robot lawyer” but that did not meet the company’s promises of serving as a substitute for human legal expertise. The FTC’s complaint alleges that DoNotPay advertised several law-related features, including the ability to allow consumers to sue without a lawyer and generate valid legal documents quickly, but without designing these features to operate like a human lawyer, without training its technology on legal materials, without employing attorneys, and without testing whether these features operated like a human lawyer or otherwise testing the quality or accuracy of the materials generated by most such features. According to the complaint, the company also offered a service that it claimed would check small-business websites for legal violations based solely on an email address, but in fact did not conduct such analysis. DoNotPay has agreed to a proposed settlement that would require it to pay \$193,000, notify consumers about the FTC complaint and settlement, and refrain from making misleading or unsubstantiated claims about the capabilities of its services—particularly any express or implied representations that such services operate like a human lawyer.
- [Rytr](#). The FTC complaint alleges that, since April 2021, Rytr has marketed an AI-powered “writing assistant” service with 43 different “use cases,” including a “Testimonial & Review” use case that would enable users to generate written content for reviews that could, at the election of the user, be manually copied and pasted elsewhere. The FTC’s complaint alleges that Rytr’s service produced detailed reviews based on minimal input that “would almost certainly be false” for any user who copied that review and that “featured information that would deceive potential consumers” about the service or product at issue. Some subscribers allegedly used the service to create hundreds or thousands of reviews although, notably, the complaint does not specify whether any of the generated reviews were actually posted. Based on these

allegations, the complaint alleges that Rytr furnished its users and subscribers with the “means and instrumentalities” to engage in deceptive practices, and engaged in unfair business practices, in violation of the FTC Act. The proposed consent order would prohibit Rytr from promoting or selling any service dedicated to or offered as generating consumer reviews or testimonials. Notably, the FTC’s complaint in Rytr was issued over dissents by both Commissioners [Holyoak](#) and [Ferguson](#), likening the FTC’s action in Rytr to an unjustified expansion of FTC precedent likely to harm innovation and consumers. Both criticized the speculative nature of harm at issue and the mere likelihood that the products could be used for purportedly illegal purposes.

- **[Ecommerce Empire Builders](#)**. The FTC has charged Ecommerce Empire Builders (EEB) with falsely claiming to help consumers build an “AI-powered Ecommerce Empire” through costly training programs and expensive “done for you” online storefronts. The FTC’s complaint alleges that EEB’s CEO, Peter Prusinowski, used consumers’ money, sometimes up to \$35,000, for personal enrichment while failing to deliver promised profits; and that EEB’s marketing falsely claimed that consumers can make millions or \$10,000 monthly without evidence to support or substantiate these claims. According to the complaint, many consumers reported minimal or no earnings from the purchased stores and faced difficulties obtaining refunds. Based on these and other allegations, the FTC complaint alleges violations of both the FTC Act and the [Business Opportunity Rule](#). A federal court has issued a temporary restraining order that, among other things, prohibited these activities, imposed an asset freeze, and placed the business under a receiver’s control, with the FTC’s case ongoing and the company’s motion to dismiss the alleged Business Opportunity Rule counts in the FTC’s complaint pending.
- **[FBA Machine](#)**. In June, the FTC filed a complaint against several entities and officers it alleged engaged in a business opportunity scheme operating under the names Passive Scaling and FBA Machine, for allegedly falsely promising guaranteed income through AI-powered online storefronts. According to the allegations in the complaint, the scheme was led by Bratislav Rozenfeld (also known as Steven Rozenfeld and Steven Rozen) and cost consumers over \$15.9 million in response to deceptive earnings claims that rarely materialized. The complaint alleges that the scheme’s marketing falsely claimed consumers could run a “7-figure business” and guaranteed refunds for those who did not recoup their investments. A federal court has granted the parties’ stipulated preliminary injunction that, among other things, temporarily halts the alleged scheme and places it under a receiver’s control during the pendency of the litigation. This case remains ongoing.

These actions further highlight the Commission’s emphasis on scrutinizing AI-related claims and services, and come on the heels of several other recent FTC enforcement actions involving AI. These include a company that [allegedly used AI technology to contact consumers as one part of an allegedly deceptive scheme to convince consumers to enroll in bogus career training](#); a company that [allegedly made false claims its AI content moderation service filtered out cyberbullying and other harmful messages in an anonymous messaging app marketed to teens and children](#); and a company that [allegedly deceived users about the accuracy of its DNA reports](#), including claims it conducted genetic matching using a software algorithm.

## Authors

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