Worth the Click: Why Greater FTC Enforcement Is Needed to Curtail Deceptive Practices in Influencer Marketing

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TABLE OF CONTENTS

INTRODUCTION ...................................... 1124  
I. INFLUENCER AND AFFILIATE MARKETING ................. 1127  
   A. The Rise of Influencer Marketing .................. 1128  
   B. The Appeal of Affiliate Marketing ................. 1130  
   C. The Importance of Endorsement Enforcement in Influencer Marketing .................. 1132  
II. THE CURRENT DECEPTIVE ADVERTISING LEGAL REGIME AND DISCLOSURE REQUIREMENTS ......... 1133  
   A. The FTC’s Deceptive Advertising Framework .......... 1134  
   B. Disclosure Requirements for Affiliate Links .......... 1138  
III. THE FTC’S ENFORCEMENT REGIME..................... 1141  
   A. The FTC’s Enforcement Mechanisms ................ 1142  
      B. Insights from the FTC’s Exercise of Its Enforcement Discretion .................. 1146  
         1. Parties Subject to Endorsement Enforcement ...... 1146  
         2. Closing Letter Commonalities and the Pursuit of Consent Orders ................. 1150  
         3. Consent Order Terms ........................... 1153  
IV. PROPOSAL: A MULTIPRONGED ENFORCEMENT APPROACH ....................................... 1154  
   A. Targeting Top Influencers .......................... 1155  
   B. Targeting Affiliate Networks ...................... 1158  
   C. Pursuing Consent Orders ............................ 1159  
   D. Avoiding a Strict Liability Approach .............. 1160  
   E. Increasing FTC Engagement with Individual Influencers .......................... 1161  
CONCLUSION ........................................ 1163
INTRODUCTION

Rach Parcell founded Pink Peonies in 2010 as a blog to document her first year of marriage.¹ Within three years, what had started as a mere hobby had rapidly grown into a full-fledged business.² Today, Parcell has over 16,300 followers on Twitter,³ over 98,000 “likes” on Facebook,⁴ and over 931,000 followers on Instagram.⁵ Parcell leverages the relationship she has built with her loyal followers to generate income from affiliate links, sponsored posts, and her recently launched clothing line.⁶

Parcell is an “influencer.” Broadly defined, an influencer is anyone who has the ability to impact someone’s purchase decisions.⁷ In 2014, Parcell earned over $960,000 just from sharing affiliate links;⁸ these links are specially coded to enable a brand to credit a consumer’s purchase to an influencer and provide the influencer with a commission based on the sale.⁹ Today, top influencers can make six figures a month, or at least $1.2 million annually, solely from affiliate links.¹⁰

¹ Rach Parcell, About, Pink Peonies, http://pinkpeonies.com/about/ [https://perma.cc/T4S7-JRZJ].
² See id.
³ @rachparcell, TWITTER, https://twitter.com/rachparcell [https://perma.cc/9EVZ-E9VA].
⁹ See Benjamin Edelman & Wesley Brandi, Risk, Information, and Incentives in Online Affiliate Marketing, 52 J. MARKETING RES. 1, 2-3 (2015).
Like Parcell, most influencers have built their followings by sharing insights and images of their everyday lives. Initially, influencers do not receive compensation for their posts; they personally purchase the products they choose to promote. But as an influencer’s following grows, so do the opportunities to generate profits from brand “partnerships” and “collaborations,” as well as from affiliate links. These profitable promotional opportunities, regardless of their moniker, are considered endorsements that the Federal Trade Commission (FTC) is empowered to regulate under section 5 of the FTC Act. To protect consumers from deceptive advertising practices, the FTC requires clear and conspicuous disclosure of an endorsement when there is a material relationship between the influencer and the brand that a consumer might not reasonably expect. Without clear and conspicuous disclosures of these material relationships, consumers struggle to determine the nature of the relationship between the influencer and the brand promoted in any given post and to accurately evaluate how much weight to give the influencer’s endorsement.

The FTC Guides Concerning Use of Endorsements and Testimonials in Advertising (the Guides) establish broad principles that govern endorsement disclosure requirements and provide the FTC’s interpretation of how section 5 of the FTC Act applies to the use of endorsements in advertising. Other scholarship in this area champions revisions to the Guides to further clarify when disclosures are required and what constitutes an adequate disclosure. However, revisions are unnecessary because the Guides provide detailed examples that demonstrate how the principles apply to a

12. See id.
16. See infra Part I.C.
17. See 16 C.F.R. § 255.0.
wide range of endorsement situations. Moreover, the adaptability of the Guides enables their application to endorsements across a variety of new and emerging advertising platforms. The FTC has even provided specific guidance confirming that influencers must clearly and conspicuously disclose any endorsement compensated through affiliate links. Yet, influencers do not disclose, and brands do not require influencers to disclose, these relationships at an alarming rate. To date, the FTC’s enforcement actions have failed to effectively address the nondisclosure of endorsements in the affiliate marketing industry because the FTC has generally limited its enforcement power to discrete influencer marketing campaigns.

Until 2017, the FTC made individual influencers seemingly invincible by declining to pursue enforcement actions against them. Moreover, the FTC’s few attempts to enforce endorsement disclosure requirements against individual influencers are insignificant in comparison to the number of influencers that face no scrutiny. Notably, the FTC still has not pursued action against an individual influencer for failing to properly disclose an endorsement in connection with an affiliate link. And the practices of the affiliate networks—which comprise a $4.5 billion industry—appear to have escaped scrutiny, as they are entities distinct from any individual marketing campaign or any particular brand. Therefore, to effectively protect consumers from deceptive affiliate marketing, the FTC must pursue enforcement actions against individual influencers and affiliate network companies for failing to clearly and

19. See, e.g., 16 C.F.R. § 255.0.
20. See, e.g., id.
22. See infra Part I.C.
25. See infra Parts I, IV.
27. See Strugatz, supra note 6.
conspicuously disclose endorsements compensated through affiliate links.

The FTC should leverage consent orders to set the industry standard for clear and conspicuous disclosures of affiliate links and effective influencer endorsement disclosure monitoring programs. To protect its enforcement legitimacy, the FTC should avoid pursuing enforcement mechanisms that would result in strict liability for any failure to disclose an endorsement. The FTC should also increase its outreach efforts to individual influencers to minimize endorsement disclosure issues with up-and-coming influencers.

Part I of this Note discusses the rise and appeal of influencer marketing, which highlights the importance of enforcing endorsement disclosure requirements to protect consumers from deceptive advertising practices. Part II provides an overview of the FTC’s deceptive advertising legal regime, explaining its application to endorsement disclosures in the influencer and affiliate marketing context. Part III explores the FTC’s prophylactic mission, enforcement mechanisms, and enforcement discretion by examining how the FTC exercises its enforcement discretion with respect to influencer endorsements and affiliate marketing. Part IV proposes the FTC pursue a multipronged enforcement approach to better protect consumers from influencers who fail to meet affiliate link disclosure requirements. This approach includes pursuing enforcement actions against top influencers and affiliate marketing companies and increasing engagement with the influencer community to improve voluntary compliance with disclosure requirements.

I. INFLUENCER AND AFFILIATE MARKETING

The influencer marketing industry is growing exponentially, and it shows no signs of slowing down. Affiliate marketing, a subset of influencer marketing, enables brands to monitor the return on their investment and reap the benefits of working with influencers to promote their products. Together, the rise and appeal of influencer marketing...
marketing highlight the importance of the FTC enforcing endorsement disclosure requirements.

A. The Rise of Influencer Marketing

An influencer is anyone “who ha[s] the power to affect purchase decisions of others because of their (real or perceived) authority, knowledge, position, or relationship.”32 This Note specifically focuses on noncelebrity, professional influencers.33 These are individuals who have developed loyal followings by sharing insights and images from their everyday lives online.34 The FTC defines influencers as endorsers because influencers provide “advertising message[s] ... that consumers are likely to believe reflect[] the opinions, beliefs, findings, or experiences of [the influencer, and not] the sponsoring advertiser.”35

Endorsements from influencers are distinguishable from traditional celebrity endorsements. As ordinary people sharing their everyday lives on social media, influencers are more relatable and their endorsements are seemingly more authentic than endorsements from traditional celebrities.36 An influencer’s endorsement is often equivalent to a peer recommendation and can carry significant weight with her followers.37

This “trusted voice speaking to their personal audience ... is the most effective and organic exposure a brand can get.”38 One study found that 49 percent of consumers rely on influencer recommendations when making purchasing decisions.39 Approximately 40 percent had purchased an item after seeing an influencer endorsement

33. Simply referred to as “influencers” throughout this Note.
34. See Solis, supra note 11, at 1.
35. 16 C.F.R. § 255.0(b) (2017).
36. See Solis, supra note 11, at 1.
37. See id.; see also Nielsen, Global Trust in Advertising: Winning Strategies for an Evolving Media Landscape 4 (2015) (“In fact, two-thirds (66%) say they trust consumer opinions posted online—the third-most-trusted format.”).
on social media, and 20 percent had shared a product they learned about from an influencer with their own friends and family.\textsuperscript{40} Accordingly, companies are increasingly diverting money from traditional advertising and investing in the power of influencers.\textsuperscript{41}

Influencers often leverage their followings across multiple social media platforms, including personal blogs, YouTube, Facebook, Instagram, Twitter, and Snapchat.\textsuperscript{42} Influencers post over 200,000 sponsored images every month on Instagram, an image-based social media platform.\textsuperscript{43} An influencer with three to seven million followers can earn on average $75,000 per Instagram post.\textsuperscript{44} An influencer with one to five hundred thousand followers can earn on average $5,000 per Instagram post.\textsuperscript{45} Compensation ranges from $2,000 to $300,000 per post depending on the social media platform and the influencer’s number of followers.\textsuperscript{46} Accordingly, top influencers have the potential to earn between $1 million and $3 million per year simply by sharing products through sponsored posts and affiliate links.\textsuperscript{47} Even influencers with smaller followings can generate income in the high six figures.\textsuperscript{48} This profitability allows many influencers to pursue being an influencer as a full-time job.\textsuperscript{49}

However, a large number of followers is not the same thing as influence.\textsuperscript{50} Brands must carefully select influencers that can

\textsuperscript{40} Id.
\textsuperscript{43} Id.
\textsuperscript{44} Id.
\textsuperscript{45} Id.
\textsuperscript{46} Id.
\textsuperscript{47} Strugatz, supra note 6.
\textsuperscript{48} See Strugatz, supra note 10.
\textsuperscript{49} See id.
\textsuperscript{50} See Solis, supra note 11, at 4.
convert views, likes, and shares into sales.\textsuperscript{51} Further, measuring this conversion and return on investment is often hard to do.\textsuperscript{52}

\textit{B. The Appeal of Affiliate Marketing}

Affiliate marketing solves the challenge of ensuring a brand's return on investment from sponsored social media posts. Instead of paying a significant fee for a sponsored post that has no guarantee of generating sales, a brand only pays an influencer when the influencer successfully generates a sale.\textsuperscript{53} The brand provides the influencer with specially coded hyperlinks to share across her social media platforms, and the influencer earns a commission each time a consumer clicks the link shared by the influencer and completes a purchase from the brand.\textsuperscript{54}

Some brands manage their affiliate programs in-house, but most brands work with an affiliate network (network)—a company that brings together brands and influencers.\textsuperscript{55} Networks recruit brands and influencers, generate the hyperlinks for influencers to share, track brand and influencer performance, collect payments from brands, and issue consolidated payments from multiple brands to influencers.\textsuperscript{56} Networks also advise influencers on leveraging their followings to maximize profit and direct influencers with regard to permissible practices as a network member.\textsuperscript{57}

\begin{itemize}
\item \textsuperscript{52} See id.
\item \textsuperscript{53} See Edelman & Brandi, supra note 9, at 1.
\item \textsuperscript{54} See id. at 3. When the consumer clicks on the specially coded hyperlink, the link places a "cookie" on the consumer's computer. \textit{Id.} at 4-5. The cookie enables the brand's website to recognize that the influencer referred the consumer to the brand through an affiliate link and pay the influencer a commission if the consumer makes a purchase. \textit{Id.} at 3-5.
\item \textsuperscript{55} See id. at 4. Amazon, eBay, and Apple all manage their affiliate programs in-house. \textit{Id.}
\item \textsuperscript{56} See id.
\item \textsuperscript{57} See id.; see also Francesca Mari, \textit{The Click Clique}, TEX. MONTHLY (Sept. 2014), http://www.texasmonthly.com/articles/the-click-clique/ [https://perma.cc/5RM4-MDTY] ("When one popular rewardStyle blogger became so successful featuring outfits under $100 that she was suddenly able to incorporate more-expensive clothing, [the network] quickly intervened. 'All of a sudden, her earnings are going down with us .... So we had to say, ‘You’re not converting whenever you show the Tibi or the McQueen or whatever else, because your reader is only spending a hundred dollars or less online at any given time. You got rich, but your

For brands and influencers in the fashion, beauty, and lifestyle industries, rewardStyle is one of the premiere affiliate network companies. In 2014, rewardStyle’s network of over 9000 influencers and 4000 retailers generated $282 million in sales. Today, rewardStyle’s network consists of over one million brands around the world and has generated over $1 billion in sales since its founding in 2011.

RewardStyle has innovated beyond basic hyperlinks and provides influencers with embeddable widgets containing affiliate links, which enable influencers to add an easily shoppable visual to their blog posts. The network also developed LIKetoKNOW.it to monetize Instagram posts for influencers. Instagram allows influencers to include the text of a web address in a post caption, but Instagram does not make that text clickable and a consumer cannot quickly use an affiliate link in one step if the consumer wants to purchase a product from an influencer’s post. To circumvent this problem, rewardStyle encourages consumers to sign up for LIKetoKNOW.it. When the consumer “likes” an Instagram post that an influencer created according to LIKetoKNOW.it’s specifications, rewardStyle sends the consumer an email containing affiliate links to the products shared in the Instagram post. As with affiliate links that influencers share on other platforms, LIKetoKNOW.it minimizes the number of steps a consumer must take to shop the products an influencer has endorsed, while also turning a profit for the influencer, network, and brand. In the first nine months of
LIKEtoKNOW.it’s operation, rewardStyle generated $10 million in sales.67

For influencers, affiliate links are a significant revenue stream.68 This is remarkable because, of the consumers who click on an affiliate link, only 1 or 2 percent make a purchase and only 3 percent of purchases include the exact item from the affiliate link.69 Nonetheless, these profits are possible because affiliate links enable influencers to earn a commission on a consumer’s entire purchase.70 Commissions range from 3 to over 20 percent,71 and rewardStyle’s average commission is 13 percent.72 A top influencer can generate well over $1.2 million in annual revenue from affiliate links alone.73 Affiliate marketing is a rapidly growing industry, and experts projected that brands would spend $4.5 billion on affiliate marketing in 2016.74

C. The Importance of Endorsement Enforcement in Influencer Marketing

The FTC requires influencers to disclose any material connection between themselves and a brand that consumers might not reasonably expect.75 These disclosures are necessary to ensure consumers can accurately evaluate and give appropriate weight to an influencer’s endorsement.76 Consumers view influencers as their peers, and will give the same high-level of value to a fashion influencer’s opinion as they would to a best friend that goes shopping with them.77 A best friend’s endorsement of a particular pair of shoes will typically be independent of any material relationship with the brand. In contrast, the employee who assists the consumer in a store clearly has a relationship with the brand. The consumer

67. Id.
68. See Strugatz, supra note 6.
69. Mari, supra note 57.
70. See id.
71. Holmes, supra note 59.
72. Mari, supra note 57.
73. Strugatz, supra note 10.
74. Strugatz, supra note 6.
77. See supra notes 36-37 and accompanying text.
will be wary of placing as much value on the employee’s opinion because the consumer knows that the economic benefit that comes from making the sale motivates the employee’s endorsement. Without clear and conspicuous disclosures of material relationships, a consumer cannot effectively determine whether an influencer’s endorsement should be given the weight of a trusted friend or of a brand’s employee.\footnote{See \textit{Fed. Trade Comm’n}, supra note 14.}

Despite disclosure requirements, just over half of brands require influencers to disclose material connections,\footnote{See \textit{Solis}, supra note 11, at 16.} and one in four influencers report that brands have specifically asked them not to disclose their material connection to the brand.\footnote{Lindsay Stein, \textit{One in Four Influencers Asked Not to Disclose Paid Promotion}, \textit{ADAGE} (Aug. 10, 2016), http://adage.com/article/cmoto-strategy/influencers-asked-disclose-arrangement/305889/ [https://perma.cc/UBH4-7KPP].} Market forces alone are unlikely to correct this deceptive advertising practice, because clear and conspicuous disclosures jeopardize the inherent power of influencers by revealing that what a consumer perceives to be a peer recommendation is actually a paid advertisement.\footnote{See \textit{Solis}, supra note 11, at 1.} Thus, effective FTC enforcement of endorsement disclosure requirements in influencer marketing is critical to preventing consumer deception and enabling consumers to make informed purchasing decisions. Effective enforcement will also benefit brands and influencers, who stand to lose essential credibility when consumers discover the extent of their nondisclosures and feel betrayed by what they once thought was an “authentic and trustworthy” voice.\footnote{Thomas Harvey, \textit{Marketing Your Brand with Influencers? Make Sure the FTC Hits the “Like” Button}, \textit{Recorder} (Sept. 26, 2016, 10:57 AM), http://www.therecorder.com/id=1202768022029/Marketing-Your-Brand-With-Influencers-Make-Sure-the-FTC-Hits-the-Like-Button?slreturn=20170830173158 [https://perma.cc/XQL6-Z9WE].}

\section*{II. The Current Deceptive Advertising Legal Regime and Disclosure Requirements}

The FTC’s deceptive advertising legal regime applies to endorsement disclosures in the influencer and marketing context. An overview of the FTC’s deceptive advertising legal regime provides the
foundation for understanding the FTC’s endorsement disclosure requirements for influencers, brands, and intermediaries.

A. The FTC’s Deceptive Advertising Framework

Section 5 of the FTC Act empowers the FTC to require influencers disclose affiliate links through its mandate “to prevent persons, partnerships, or corporations ... from using ... unfair or deceptive acts or practices in or affecting commerce.”83 The FTC Act does not define “deceptive acts or practices.”84 Thus, the FTC has issued a policy statement outlining its interpretation of “deception.”85 This policy statement guides the FTC’s enforcement regime.86

The FTC defines deception as “a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer’s detriment.”87 An omission is deceptive when (1) the “information necessary to prevent a ... reasonable expectation or belief from being misleading is not disclosed,”88 and (2) “consumers are likely to have chosen differently but for the deception.”89 An omission is deceptive when it is “likely to mislead reasonable consumers under the circumstances. The test is whether the consumer’s interpretation or reaction is reasonable.”90 An omission is sufficiently deceptive as long as it misleads “a significant minority” of reasonable consumers.91

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84. See id. § 45. The FTC Act defines “false advertising” with respect to regulating the advertising of “food, drugs, devices, services, or cosmetics” under 15 U.S.C. § 52. See id. § 55(a)(1) (“[A]n advertisement, other than labeling, which is misleading in a material re-

spect.”).
86. See ABA SECTION OF ANTITRUST LAW, FTC PRACTICE AND PROCEDURE MANUAL 26-28 (2d ed. 2014).
87. See FTC POLICY STATEMENT ON DECEPTION, supra note 85, at app. at 176.
88. Id. at app. at 175 n.4; see also Aronberg v. FTC, 132 F.2d 165, 167 (7th Cir. 1942) (“The ultimate impression upon the mind of the reader arises from the sum total of not only what is said but also of all that is reasonably implied.”).
89. FTC POLICY STATEMENT ON DECEPTION, supra note 85, at app. at 176.
90. Id. at app. at 177 (footnote omitted).
91. Id. at app. at 177 n.20.
percent of reasonable consumers. This definition of deception does not require the FTC to prove actual deception or an intent to deceive.

The Guides elaborate on the application of these principles in the context of the use of endorsements and testimonials in advertising. Although the Guides are promulgated under the FTC’s rulemaking authority, they are distinct from trade regulation rules. Thus, the Guides provide only “the general principles that the Commission will use in evaluating endorsements and testimonials,” and compliance with those principles is voluntary, not compulsory.

The Guides define an endorsement as “any advertising message ... that consumers are likely to believe reflects the opinions, beliefs, findings, or experiences of a party other than the sponsoring advertiser.” An endorser is “[t]he party whose opinions, beliefs, findings, or experience the message appears to reflect ... and may be an individual, group, or institution.” To prevent an endorsement from being deceptive, the Guides require disclosure of any “connection between the endorser and the seller of the advertised product that might materially affect the weight or credibility of the endorsement.”

92. See Firestone Tire & Rubber Co. v. FTC, 481 F.2d 246, 249 (6th Cir. 1973) (affirming the FTC’s finding of deception when the ad “misled 15% (or 10%) of the buying public”).
93. See FTC POLICY STATEMENT ON DECEPTION, supra note 85, at app. at 176 (“The issue is whether the act or practice is likely to mislead, rather than whether it causes actual deception.”).
94. See Regina Corp. v. FTC, 322 F.2d 765, 768 (3d Cir. 1963) (“Proof of petitioner’s intention to deceive is not a prerequisite to a finding of a violation, it is sufficient that deception is possible.” (citation omitted)).
95. See 16 C.F.R. § 255.0(a) (2017).
96. See 15 U.S.C. § 57a(a)(1)(A) (2012) (“The Commission may prescribe ... interpretative rules and general statements of policy with respect to unfair or deceptive acts or practices in or affecting commerce.”).
97. FEDERAL TRADE COMMISSION: LAW, PRACTICE AND PROCEDURE § 13.01 (2017) (“Guides, enforcement policy statements and interpretations are not conclusive legally on the issue of whether the law has been violated, but they do inform the public about the Commission’s enforcement intentions and the likely outcome of a proceeding involving the issues covered. On the other hand, trade regulation rules constitute a statement of the law, and the legality of the prohibited conduct ceases to be an issue to be litigated in an enforcement action.” (citations omitted)).
98. 16 C.F.R. § 255.0(a).
99. Id. § 255.0(b) (emphasis added).
100. Id.
(i.e., the connection is not reasonably expected by the audience).”101
All disclosures must be made “clearly and conspicuously.”102

Although the Guides repeatedly state that all disclosures must be made “clearly and conspicuously,” the Guides do not define this standard.103 The FTC has issued additional guidance to clarify how this standard applies.104

In evaluating whether a disclosure is likely to be clear and conspicuous, advertisers should consider its placement in the ad and its proximity to the relevant claim.... Additional considerations include: the prominence of the disclosure; whether it is unavoidable; whether other parts of the ad distract attention from the disclosure; whether the disclosure needs to be repeated at different places on a website; ... and whether the language of the disclosure is understandable to the intended audience.105

With respect to proximity and placement, this framework requires that disclosures are “effectively communicated to consumers before they make a purchase or incur a financial obligation.”106 The FTC considers all of these factors together to determine whether “the overall net impression of the ad” is misleading to a reasonable consumer.107

These general principles are adaptable and intended to be applied on a case-by-case basis.108 Ultimately, “[l]iability as an endorser turns on whether a consumer would reasonably attribute the

102. 16 C.F.R § 255.5.
103. See id. §§ 255.0, 255.5.
105. Id. at i-ii.
106. Id. at 14 (emphasis added); see also FTC Policy Statement on Deception, supra note 8, at app. at 180 (“Thus, when the first contact between a seller and a buyer occurs through a deceptive practice, the law may be violated even if the truth is subsequently made known to the purchaser.”).
108. 16 C.F.R. § 255.0(a) (“Whether a particular endorsement or testimonial is deceptive will depend on the specific factual circumstances of the advertisement at issue.”).
views, opinions, or beliefs expressed as personal to the speaker or merely as those of the sponsoring advertiser.”109 Because this framework is context dependent, it is flexible enough to be applied across the broad spectrum of existing and emerging advertising platforms—including influencer marketing.110

The Guides offer several examples that specifically demonstrate how these principles apply to influencers.111 In one example, the influencer must disclose that she received a product for free through a network marketing program.112 Even though the influencer’s decision to write a review on her personal blog is voluntary, this post is an endorsement and she must disclose it because her receipt of the product for free is a material connection that her readers might not reasonably expect.113 In another example, disclosure is similarly required when an influencer receives a video game system for free from the manufacturer in exchange for posting a review of the product on his personal blog.114 Again, the influencer’s relationship to the brand is not obvious to consumers without a disclosure.115 Furthermore, these examples demonstrate that the nature of the relationship between the influencer and the brand—in which the brand gave the influencer something of value—is a fact that is likely to have a significant impact on how much weight and credibility a consumer gives to the influencer’s endorsement.116

The examples in the Guides also highlight that the influencer and the advertiser are both responsible for ensuring that the material relationship is clearly and conspicuously disclosed with the endorsement.117 One example expressly imputes liability to an
influencer “if she fails to disclose clearly and conspicuously that she is being paid for her services.” 118 Moreover, an advertiser must monitor the influencers it works with to ensure that those influencers make clear and conspicuous endorsement disclosures. 119 When an advertiser discovers deficient or nonexistent disclosures, the advertiser must “take steps necessary to halt the continued publication of deceptive representations.” 120 The advertiser cannot escape liability for the influencer’s deceptive representations or omissions by employing an advertising service to develop and administer the advertising campaign. 121 As Mary Engle, Associate Director for Advertising Practices at the FTC, has emphasized, the advertiser’s duty to monitor extends to “all third-party marketing affiliates that may endorse or promote a brand.” 122

B. Disclosure Requirements for Affiliate Links

An influencer’s use of an affiliate link is an endorsement that requires clear and conspicuous disclosure of the relationship between the influencer and the advertiser. By broadly defining endorsements to include “any advertising message,” the FTC ensured that regulations governing endorsements would extend to new and nontraditional forms of advertising. 123 New and nontraditional forms of advertising—such as affiliate marketing—are endorsements when “consumers are likely to believe [the advertising message] reflects the opinions, beliefs, findings, or experiences of a party other than the sponsoring advertiser.” 124 Affiliate links are endorsements because an influencer’s followers are likely to attribute the influencer’s recommendation of a product and inclusion

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118. Id. § 255.1 ex. 5.
119. Id.
120. Id.
121. See id. (“In order to limit its potential liability, the advertiser should ensure that the advertising service provides guidance and training to its bloggers concerning the need to ensure that statements they make are truthful and substantiated.”).
123. 16 C.F.R. § 255.0(b) (emphasis added).
124. Id. (emphasis added).
of a link to purchase that product to the influencer, not the brand.\textsuperscript{125} Further, the FTC requires clear and conspicuous disclosure of any connection between influencers and brands “that might materially affect the weight or credibility of the endorsement.”\textsuperscript{126} Therefore, an influencer must clearly and conspicuously disclose her use of an affiliate link because the link allows both the influencer and the brand to profit from an influencer’s personal recommendation to her followers that a particular product is worth purchasing, and that connection may materially affect the weight a consumer gives to the influencer’s endorsement.\textsuperscript{127}

In its May 2015 publication, The FTC’s Endorsement Guides: What People Are Asking, the FTC confirmed that it requires influencers to clearly and conspicuously disclose any endorsement compensated through affiliate links.\textsuperscript{128} The FTC reiterated that the influencer should place the disclosure as close to the endorsement as possible, and that the influencer must include the disclosure each time she shares an affiliate link on any platform.\textsuperscript{129} The FTC indicated that “affiliate link” by itself would likely not be an adequate disclosure because “[c]onsumers might not understand that ‘affiliate link’ means that the person placing the link is getting paid for purchases through the link.”\textsuperscript{130} Instead, the FTC recommended influencers state, “I get commissions for purchases made through links in this post.”\textsuperscript{131}

The FTC also rejected the argument that it might be common knowledge that influencers receive payment for promoting products and make commissions from the links on their websites.\textsuperscript{132} The FTC reasoned that it is immaterial that a majority of consumers might be aware of these practices because any omission “that misleads a


\textsuperscript{126} 16 C.F.R. § 255.5.

\textsuperscript{127} See Mari, supra note 57.

\textsuperscript{128} See Fed. Trade Comm’n, supra note 14.

\textsuperscript{129} See id.

\textsuperscript{130} Id.

\textsuperscript{131} Id.

\textsuperscript{132} Id.
significant minority of reasonable consumers is deceptive.” 133 Similarly, distinctions between a personal blog and a full-time influencer’s blog are immaterial, because in either instance it is likely that a significant minority of reasonable consumers might not be aware that the influencer is receiving commissions from the links on her website absent a disclosure.134

In accordance with the Guides, the influencer is responsible for clearly and conspicuously disclosing that she earns a commission from an affiliate link, and the brand is responsible for implementing a monitoring program to ensure adequate disclosures accompany an influencer’s affiliate link.135 The FTC has affirmatively stated that pursuing an enforcement action against an individual influencer for endorsement disclosure violations “might be appropriate in certain circumstances, such as if the endorser has continued to fail to make required disclosures despite warnings.” 136 Nevertheless, the FTC has stated that it is generally not actively monitoring individual influencers for insufficient and nonexistent endorsement disclosures.137 The FTC will evaluate, on a case-by-case basis, any concerns brought to its attention about a particular influencer’s insufficient or nonexistent endorsement disclosures.138

The FTC generally focuses its enforcement efforts in this area on brands and their advertising agencies.139 Brands cannot avoid liability by delegating all or part of a promotional program to an outside entity.140 Additionally, the FTC will hold advertising agencies that pay and direct influencers responsible for the inadequate and nonexistent endorsement disclosures of those influencers.141 These intermediaries, like brands, are responsible for educating influencers on adequate disclosures and implementing a reasonable

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133. FTC POLICY STATEMENT ON DECEPTION, supra note 85, at app. at 177 n.20 (emphasis added); see also Fed. Trade Comm’n, supra note 14.
135. See supra notes 117-19 and accompanying text.
137. See id.
138. See id.; see also infra Part IV.A (discussing the FTC’s issuance of warning letters to Instagram influencers in response to letters from Public Citizen and Truth in Advertising).
140. See id.; see also supra notes 121-22 and accompanying text.
monitoring program to ensure influencers make adequate disclosures.\footnote{142}

III. THE FTC’S ENFORCEMENT REGIME

The FTC has a variety of enforcement mechanisms available to address an influencer’s failure to clearly and conspicuously disclose that she earns a commission from an affiliate link. In accordance with the FTC’s consumer protection mission, these enforcement mechanisms are intended to be exercised in a preventative, not punitive, manner.\footnote{143} Thus, the prevention of future violations is the primary focus of each enforcement action.\footnote{144}

Additionally, the FTC must exercise its enforcement discretion strategically to maximize its limited resources.\footnote{145} This enforcement discretion includes the consideration of the number of consumers potentially deceived, the degree of physical or economic harm, the incentives for brands to employ a particular deceptive practice, and the likelihood that market forces will correct that practice.\footnote{146} Because the FTC addresses enforcement on a case-by-case basis,\footnote{147} the FTC’s influencer endorsement enforcement actions provide insight that is critical to understanding when and how the FTC’s endorsement mechanisms can be used to prevent consumer deception.

A. The FTC’s Enforcement Mechanisms

The FTC has broad investigative authority that provides the basis for its enforcement mechanisms.148 This investigative authority empowers the FTC “[t]o gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any person, partnership, or corporation engaged in or whose business affects commerce.”149 Through its far-reaching investigative authority, the FTC can require individuals and brands to submit reports responding to specific questions.150 The FTC can use this reporting mechanism independently from a law enforcement action to gather nonpublic data on particular business practices and develop responsive policy recommendations.151

Opening an investigation into whether an advertiser has engaged in a deceptive practice is the FTC’s first step toward any enforcement action.152 An investigation can be initiated “upon the request of the President, Congress, governmental agencies, or the Attorney General; upon referrals by the courts; upon complaint by members of the public; or by the Commission upon its own initiative.”153 The launch of an investigation does not guarantee that the FTC will pursue an enforcement action.154

The FTC may resolve a pending investigation by closing the investigation, seeking a consent order, or issuing a complaint.155 When the FTC closes an investigation, it may issue a public closing letter indicating that the FTC is not recommending enforcement action.156 Closing letters do not provide a determination as to

150. See id. § 46(b).
152. See ABA SECTION OF ANTITRUST LAW, supra note 86, at 183.
154. See ABA SECTION OF ANTITRUST LAW, supra note 86, at 195.
155. Id.
whether a violation has occurred, and the FTC reserves the right to take further action on the matter in the future. The FTC and an advertiser may enter into a consent order before or after the FTC issues a complaint. A consent order allows the advertiser to settle deception allegations, often without admitting liability, and waives any right to judicial review. An advertiser is liable for a civil penalty of up to $40,000 for each violation of a consent order.

Following an investigation, the FTC can bring a case directly in federal court. To enforce any civil penalty or seek consumer redress, the FTC must pursue litigation in court. The FTC may elect to challenge a deceptive or unfair practice directly in court by seeking preliminary and permanent injunctions. Judicial enforcement is advantageous because “the court may award both prohibitory and monetary equitable relief in one step” and “a judicial injunction becomes effective immediately.”

Alternatively, when the FTC issues a complaint and the advertiser contests the allegations, the parties may proceed with an administrative trial and an administrative law judge will recommend either entering a cease and desist order or dismissing the complaint. An advertiser is liable for a civil penalty of up to $40,000 for each violation of a cease and desist order. After all judicial review of a cease and desist order is complete, the FTC may seek relief for consumers by filing a civil action in federal court against the advertiser.

Once a cease and desist order is final, the FTC can hold a nonparty liable for committing a deceptive act that violates the order. The FTC can collect a civil penalty from the nonparty, provided the FTC can prove that it had placed the nonparty on

closing_letters/nid/150902machinima_letter.pdf [https://perma.cc/3QKD-4TQZ].
157. See, e.g., id. at 2.
158. See ABA SECTION OF ANTITRUST LAW, supra note 86, at 196.
159. FED. TRADE COMM’N, supra note 148.
161. See FED. TRADE COMM’N, supra note 148.
162. Id.
164. FED. TRADE COMM’N, supra note 148.
165. Id.
notice by providing the nonparty with a copy or synopsis of the order. A similar strict liability enforcement mechanism is available through the FTC’s administrative rulemaking power. Rulemaking enables the FTC to address deceptive practices in a particular industry by identifying specific acts and practices that it considers to be deceptive. The FTC can hold a party strictly liable for a civil penalty of up to $40,000 for each violation of an administrative rule provided the party had “actual knowledge or knowledge fairly implied ... that such act ... is prohibited.” Regardless of a party’s knowledge, the FTC can hold a party strictly “liable for injury caused to consumers by [a] rule violation.”

The FTC also has a variety of opportunities to promote voluntary compliance through outreach and engagement with stakeholders. “Surfs” are one such opportunity. The FTC collaborates with law enforcement agencies on organized surfs of the Internet to identify instances of deceptive advertising practices. Following a surf, the FTC issues warning letters to the individuals and companies that were found to be using potentially deceptive advertising practices. A warning letter identifies the questionable practice, explains the applicable law, and provides an opportunity for the individual or company to voluntarily comply with the law.

Public outreach mechanisms include disseminating business and consumer education publications and working papers, hosting public workshops and seminars, and giving speeches at industry

170. See id.
171. See 15 U.S.C. § 57a(a)(1)(B); Fed. Trade Comm’n, supra note 148. Recall that the Guides are promulgated under this authority, but are distinct from and do not carry the same weight as trade regulation rules. See supra notes 96-98 and accompanying text.
173. Fed. Trade Comm’n, supra note 148 (“The Commission may pursue such recovery in a suit for consumer redress under Section 19 of the FTC Act.”).
175. See ABA Section of Antitrust Law, supra note 86, at 220.
176. Id.
177. Id.
178. See id.
Through workshops and seminars, the FTC convenes academics, industry representatives, and consumer advocates to discuss regulatory concerns and potential solutions. By creating a forum for stakeholders to engage in a productive discourse, these workshops and seminars provide the FTC with invaluable information to further “its policymaking and enforcement efforts” and raise the profile of significant regulatory issues. These workshops have also led to substantive staff or FTC reports.

The FTC also leverages its social media presence, in a similar fashion as influencers, to increase awareness of its enforcement activities and regulatory guidance. Its social media presence enables the FTC “to answer questions and solicit input from the public on various consumer protection subjects.” For instance, the FTC has used Twitter to host conversations with consumers on issues involving online security and identity theft. In September 2017, the FTC held a Twitter chat that “address[ed] a range of issues” regarding endorsement disclosures.

All of these mechanisms align with the FTC’s mission of preventing the use of unfair or deceptive practices in commerce. Because

179. 1 ABA SECTION OF ANTITRUST LAW, CONSUMER PROTECTION LAW DEVELOPMENTS (SECOND) 523 (2016).
181. ABA SECTION OF ANTITRUST LAW, supra note 179, at 525.
183. ABA SECTION OF ANTITRUST LAW, supra note 179, at 525-26.
184. Id.
the launch of an investigation does not guarantee that the FTC will pursue an enforcement action, the FTC can leverage its investigative authority and prosecutorial discretion to motivate advertisers to take immediate corrective action and update internal policies. Moreover, the risk or actual issuance of an administrative complaint can incentivize an advertiser to enter a consent order consisting of a voluntary agreement to discontinue the alleged deceptive practices and take steps to prevent future violations. Additionally, the civil penalties facing advertisers who violate an order are more preventative than punitive because they discourage advertisers from engaging in particular deceptive practices.

The FTC has a variety of enforcement mechanisms to choose from when evaluating how best to prevent a particular deceptive advertising practice.

**B. Insights from the FTC’s Exercise of Its Enforcement Discretion**

Because the FTC addresses enforcement on a case-by-case basis, the FTC’s influencer endorsement enforcement actions to date provide insight that is critical to understanding who will be subject to an FTC endorsement enforcement investigation or action, when the FTC will pursue consent orders, and on what terms the FTC will settle an action.

1. **Parties Subject to Endorsement Enforcement**

Under the Guides, brands share responsibility for adequate endorsement disclosures with influencers. Although the FTC has not ruled out bringing enforcement actions against individual influencers, the FTC primarily focuses its enforcement efforts on brands and their advertising firms. To date, the FTC has enforced endorsement disclosure requirements not only against brands, but also

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188. See infra Part III.B.
189. See infra Part III.B.
191. See supra notes 117-22 and accompanying text.
192. See Fed. Trade Comm’n, supra note 14; supra notes 135-39 and accompanying text.
against an entertainment marketing network, several public relations firms, and three individual influencers.

In 2011, the FTC pursued an endorsement enforcement action against the brand Legacy Learning Systems, Inc. (Legacy). The FTC alleged that through Legacy’s online affiliate marketing program, individuals “falsely posed as ordinary consumers or independent reviewers without clearly disclosing they were paid substantial commissions for every sale they generated.” Influencers who shared Legacy’s affiliate links earned commissions “ranging from 20% to 45% of the cost of each instructional course sold.” Influencers endorsed Legacy’s products on their personal websites, and elsewhere on the Internet, without disclosing their material connection to Legacy. The FTC found that twenty-five of these affiliates generated “at least $5 million in sales.” The FTC pursued enforcement against Legacy for the “fail[ure] to disclose, or disclose adequately, that the endorser receives financial compensation from the sale of Legacy’s products” because “[t]his fact would be


197. Id.


199. See id. at 384-85.

200. Id. at 386.
material to consumers in their purchasing decision.”201 In June 2011, the FTC finalized the order settling charges of deceptive advertising against Legacy.202

In some cases, the FTC has not pursued enforcement against the brand, and it has proceeded instead with enforcement only against the party that is responsible for directing and compensating the influencers.203 As a result of inadequate endorsement disclosures in a YouTube influencer campaign promoting Microsoft’s Xbox One system, the FTC initiated an investigation into the actions of Microsoft Corporation (Microsoft); Microsoft’s advertising agency, Starcom Media Vest Group (Starcom); and Machinima, Inc. (Machinima), an entertainment network that contracted with Starcom to run the YouTube influencer campaign.204 Ultimately, the FTC closed its investigation into Microsoft and Starcom and issued a complaint against Machinima.205 In its closing letter, the FTC acknowledged that Microsoft and Starcom were responsible for the influencers’ failures to disclose.206 Nevertheless, the FTC found that “[t]he failures to disclose here appear to be isolated incidents that occurred in spite of, and not in the absence of, policies and procedures designed to prevent such lapses.”207 The FTC considered that “Microsoft and Starcom took swift action to require that Machinima insert disclosures into the campaign videos once they learned that Machinima had paid the influencers and that no disclosures had been made.”208 Thus, the FTC also pursued enforcement action only against

201. Id. at 387.
203. Compare Complaint, Machinima, Inc., F.T.C. Docket No. C-4569 at paras. 3, 5, 8, 25 (Mar. 16, 2016) [hereinafter Machinima Complaint], https://www.ftc.gov/system/files/documents/cases/160317machinimacmpt.pdf [https://perma.cc/QZL6-8NUQ], with Complaint, Warner Bros. Home Entm’t Inc., F.T.C. Docket No. C-4595, at paras. 4, 7-10, 16 (Nov. 17, 2016) [hereinafter Warner Bros. Complaint], https://www.ftc.gov/system/files/documents/cases/161811warner_bros_complaint.pdf [https://perma.cc/3RB9-N8VN] (asserting that although Warner Bros. hired an advertising agency to run a YouTube influencer campaign, Warner Bros. set the minimum requirements for each influencer’s video and the videos were subject to pre-approval by Warner Bros.; thus, Warner Bros. was responsible for ensuring that the influencers adequately disclosed their material relationship).
205. See id.
207. Id.
208. Id. (emphasis added).
Machinima, the party responsible for recruiting, contracting with, directing, and compensating the influencers.\footnote{209}{See Machinima Complaint, \textit{supra} note 203, paras. 9-22.}

On September 7, 2017, the FTC announced its first complaint against individual influencers.\footnote{210}{See Press Release, Fed. Trade Comm’n, \textit{supra} note 24.} Trevor “TmarTn” Martin and Thomas “Syndicate” Cassell both posted on YouTube and Twitter promoting their company, CSGO Lotto, Inc. without “disclos[ing] they jointly owned the company.”\footnote{211}{See id.} Although this action targeted two individual influencers in their individual capacities, the action also targeted their company, CSGO Lotto, Inc.\footnote{212}{See Complaint, CSGO Lotto, Inc., F.T.C. File No. C-4632 (Nov. 28, 2017) \textit{[hereinafter CSGO Lotto Complaint], https://www.ftc.gov/system/files/documents/cases/1623184_csgo_lotto_complaint.pdf [https://perma.cc/Y72M-YAPB].}} CSGO Lotto, Inc. “allegedly paid other well-known influencers thousands of dollars to promote the site on YouTube, Twitch, Twitter, and Facebook, without requiring them to disclose the payments in their social media posts.”\footnote{213}{See Press Release, Fed. Trade Comm’n, \textit{supra} note 24.}

Naming Martin and Cassell as individuals in this action may signal that the FTC is serious about enforcing endorsement disclosures against individual influencers. However, Martin and Cassell were not targeted solely because they promoted CSGO Lotto without making proper endorsement disclosures.\footnote{214}{See id.} Martin is the President and Cassell is the Vice President of CSGO Lotto, Inc.\footnote{215}{See generally id.} Notably, the FTC did not target any other influencers who were identified in the complaint as failing to make proper endorsement disclosures.\footnote{216}{See generally id.}

There is at least one other instance in which the FTC initiated an investigation into an individual influencer for failing to disclose her material relationship with a brand.\footnote{217}{See Rhodes-Jacobson Letter, \textit{supra} note 195, at 1.} The influencer had made numerous paid media appearances endorsing a home security system.\footnote{218}{See id.} The FTC’s investigation reviewed the influencer’s media appearances, website, and blog posts to determine whether she had
adequately disclosed her relationship with the brand.\textsuperscript{219} Ultimately, the FTC issued a closing letter to the influencer and pursued an enforcement action against the brand.\textsuperscript{220} In deciding to close their investigation, the FTC considered that the influencer immediately took steps to “revise her website and other online materials within her control to include appropriate disclosures.”\textsuperscript{221}

Even though the FTC is not actively monitoring the behavior of individual influencers, the FTC is willing to take at least the first step toward an enforcement action against an individual influencer by initiating an investigation into that individual influencer’s endorsement disclosure practices. And, depending on the circumstances, the FTC is also willing to issue a complaint against individual influencers and their company.

2. Closing Letter Commonalities and the Pursuit of Consent Orders

The FTC has issued closing letters in investigations involving the enforcement of endorsement disclosure requirements when the FTC determines that the brand’s or advertising agency’s failure to require an influencer to disclose their material relationship with the brand is an isolated incident with a limited reach.\textsuperscript{222} In most of these

\textsuperscript{219} See id.
\textsuperscript{221} Rhodes-Jacobson Letter, supra note 195, at 1-2.
instances, the endorsements had a limited reach due to the small number of influencers who posted, and some of those influencers did include a disclosure in their posts.\textsuperscript{223} The FTC also considered whether the brand and advertising agency took corrective action as soon as they were aware of the disclosure issue,\textsuperscript{224} and whether the brand and advertising agency had implemented a new influencer endorsement disclosure policy that complied with FTC guidance or updated an existing policy to ensure adequate disclosures in the future.\textsuperscript{225} Finally, the FTC did not pursue further enforcement action when it had not previously publicly addressed an issue, such as whether a contest entry constituted a material connection and whether a pin on Pinterest constituted an endorsement.\textsuperscript{226}

In contrast, the FTC has pursued further enforcement action when the influencer campaigns have resulted in significant

\textsuperscript{223} See, e.g., Nordstrom Rack Closing Letter, supra note 222, at 1 (noting that the FTC did not pursue enforcement because of “the fact that several social media influencers who posted content about the preview did disclose”); Letter from Mary K. Engle, Assoc. Dir., Div. of Advert. Practices, Fed. Trade Comm’n, to John D. Graubert, Counsel, Hewlett-Packard Co., & Amanda P. Reeves, Counsel, Porter Novelli, Inc. 2 (Sept. 27, 2012) [hereinafter HP Inkology Closing Letter], https://www.ftc.gov/sites/default/files/documents/closing_letters/hp-inkology/120927hpinkologycltr.pdf [https://perma.cc/7F5N-X9KJ] (noting that the FTC did not pursue enforcement because “a relatively small number of bloggers posted content ... and a few of those bloggers did adequately disclose their material connections”); Hyundai Closing Letter, supra note 194, at 1 (noting that the FTC did not pursue enforcement because “a relatively small number of bloggers received the gift certificates, and ... some of them did, in fact, disclose this information”); AnnTaylor Closing Letter, supra note 222, at 1 (noting that the FTC did not pursue enforcement because “only a very small number of bloggers posted content about the preview, and several of those bloggers disclosed”).

\textsuperscript{224} See, e.g., Hyundai Closing Letter, supra note 194, at 1 (noting that the FTC decided not to pursue enforcement because “upon learning of the misconduct, the media firm promptly took action to address it”); supra note 208 and accompanying text.

\textsuperscript{225} See, e.g., Nordstrom Rack Closing Letter, supra note 222, at 1 (noting that the FTC did not pursue enforcement because of “Nordstrom’s having revised its written social media policies to adequately address [the FTC’s] concerns”); HP Inkology Closing Letter, supra note 223, at 2 (noting that the FTC did not pursue enforcement because “both companies have revised their written social media policies to adequately address [the FTC’s] concerns”); Hyundai Closing Letter, supra note 194, at 1 (noting that the FTC did not pursue enforcement because “the actions at issue here were contrary both to Hyundai’s established social media policy, which calls for bloggers to disclose their receipt of compensation, and to the policies of the media firm in question”); AnnTaylor Closing Letter, supra note 222, at 1 (noting that the FTC did not pursue enforcement because LOFT adopted a written policy following the incident “stating that LOFT will not issue any gift to any blogger without first telling the blogger that the blogger must disclose the gift in his or her blog”).

\textsuperscript{226} Cole Haan Closing Letter, supra note 222.
monetary returns to the brand\textsuperscript{227} and when the influencer campaigns have reached several million consumers.\textsuperscript{228} The FTC has also pursued enforcement when the contracts with influencers subjected the influencers’ posts to pre-approval\textsuperscript{229} and when the contracts with influencers did not require disclosures\textsuperscript{230} or adequate disclosures.\textsuperscript{231} The FTC has also pursued further enforcement for “fail[ing] to implement a reasonable monitoring program to ensure that ... affiliates clearly and prominently disclose their relationship [with

\textsuperscript{227} See, e.g., Legacy Learning Sys., Inc., 151 F.T.C. 383, 386 (2011) (Complaint) (alleging that twenty-five of Legacy’s affiliates “are responsible for at least $5 million in sales”).


\textsuperscript{229} See, e.g., Warner Bros. Complaint, supra note 203, para. 12 (“By contract, influencers’ videos were subject to pre-approval ... to ensure that they conformed with respondent’s requirements. On at least one occasion, respondent reviewed and approved an influencer video with an inadequate sponsorship disclosure before it was made public.”); Complaint, Lord & Taylor, LLC, F.T.C. Docket No. C-4576, para. 7 (May 20, 2016) [hereinafter Lord & Taylor Complaint], https://www.ftc.gov/system/files/documents/cases/160523lordtaylorcmpt.pdf [https://perma.cc/3GXW-86ZV] (alleging that Lord & Taylor subjectedit influencer’s posts to pre-approval, edited some of the influencers’ proposed posts, and did not edit any of the fifty Instagram posts to add a disclosure).

\textsuperscript{230} See, e.g., Lord & Taylor Complaint, supra note 229, para. 6 (“Although Lord & Taylor’s Design Lab influencer contracts detailed the manner in which Respondent was to be mentioned in each Instagram posting, the contracts did not require the influencers to disclose in their postings that Respondent had compensated them, nor did Respondent otherwise obligate the influencers to disclose that they had been compensated.”); Machinima Complaint, supra note 203, paras. 14, 20 (“Respondent did not otherwise obligate the influencers to disclose in their videos that they had been compensated.”).

\textsuperscript{231} See, e.g., Warner Bros. Complaint, supra note 203, para. 9 (“Respondent did not require that the YouTube influencers be instructed to place a sponsorship disclosure clearly and conspicuously in the video itself. Nor did respondent require that the YouTube influencers be instructed to place the sponsorship disclosure ‘above the fold’ in the description box, or visible without consumers having to scroll down or click on a link.”).
With these enforcement actions, the FTC has signaled its willingness to pursue enforcement for failures to disclose, inadequate disclosures, and failures to monitor influencers when the deceptive advertising practice has a large impact on consumers. These enforcement actions are typically resolved with consent orders.

3. Consent Order Terms

Consent orders are reflective of the FTC's prophylactic mission and aim to prevent future violations by the same party. 233 Part I of an order addressing endorsement disclosures typically states, “[R]espondents ... shall not misrepresent, in any manner, expressly or by implication, ... that the ... endorser is an independent user or ordinary consumer of the product or service.”234 Part II of an order usually states, “[R]espondent ... shall clearly and conspicuously, and in close proximity to the representation, disclose a material connection, if one exists, between such endorser and Respondent.”235 To accomplish these goals, orders require respondents to educate influencers about disclosures through the signing of a disclosure agreement,236 make compensation to influencers contingent on

232. See, e.g., Legacy Learning Sys., Inc., 151 F.T.C. at 386 (Complaint) (noting that even though a contract clause required affiliates to “comply with the FTC guidelines on disclosures” it was ineffective without a monitoring program).

233. See 15 U.S.C. § 45(m) (2012) (providing for judicial enforcement of order against the party the order was issued against).


235. Lord & Taylor Order, supra note 234, at 4; see also Warner Bros. Order, supra note 234, at 3; Machinima Order, supra note 234, at 3; Legacy Learning Sys., Inc., 151 F.T.C. at 391-92 (Decision & Order).

236. See, e.g., Lord & Taylor Order, supra note 234, at 4; see also Warner Bros. Order, supra note 234, at 4; Machinima Order, supra note 234, at 4; Legacy Learning Sys., Inc., 151 F.T.C. at 394 (Decision & Order).
adequate disclosure,\textsuperscript{237} and disqualify any noncompliant influencer from an affiliate program or future influencer campaign.\textsuperscript{238} Orders also outline monitoring programs tailored to the party’s business practices.\textsuperscript{239} For example, Legacy’s order required Legacy to monitor, on a monthly basis, its “top fifty (50) revenue-generating [a]ffiliates” and “a random sample of fifty [additional affiliates]” to ensure disclosures are clearly and conspicuously made.\textsuperscript{240} An order may also include a nonpunitive monetary payment to provide redress.\textsuperscript{241} These terms provide a formula for future consent orders as part of a multipronged enforcement approach.

IV. PROPOSAL: A MULTIPRONGED ENFORCEMENT APPROACH

In accordance with the FTC’s preventative mission, the FTC should pursue endorsement disclosure enforcement actions against top influencers and large affiliate networks that result in consent orders.\textsuperscript{242} The FTC should protect its enforcement legitimacy in this area by avoiding enforcement mechanisms that would result in strict liability for a failure to disclose an endorsement.\textsuperscript{243} The FTC should also increase its outreach to individual influencers to prevent endorsement disclosure problems with up-and-coming influencers.\textsuperscript{244}

This multipronged enforcement approach maximizes the FTC’s limited resources and minimizes harm to consumers by targeting individuals and companies who possess the potential to cause great economic harm by generating purchases through deceptive practices.\textsuperscript{245} Increased enforcement efforts in this area are critical;

\textsuperscript{237} See, e.g., Machinima Order, supra note 234, at 4; Legacy Learning Sys., Inc., 151 F.T.C. at 394 (Decision & Order).

\textsuperscript{238} See, e.g., Warner Bros. Order, supra note 234, at 4-5; Lord & Taylor Order, supra note 234, at 4-5; Machinima Order, supra note 234, at 5; Legacy Learning Sys., Inc., 151 F.T.C. at 393 (Decision & Order).

\textsuperscript{239} Compare Legacy Learning Sys., Inc., 151 F.T.C. at 392-93 (Decision & Order), with Warner Bros. Order, supra note 234, at 4-5 (establishing a program requiring Warner Bros. to monitor and review all of their influencers’ postings that are part of any future influencer campaign).

\textsuperscript{240} Legacy Learning Sys., Inc., 151 F.T.C. at 392-93 (Decision & Order).

\textsuperscript{241} See, e.g., id. at 394-95 (requiring a $250,000 payment for redress).

\textsuperscript{242} See supra Part III.A.

\textsuperscript{243} See infra Part IV.D.

\textsuperscript{244} See infra Part IV.E.

\textsuperscript{245} See Richards, supra note 143, at 17-19.
although consumers can easily evaluate the products for themselves, this is an area that is not experiencing market correction because there is a considerable incentive to misrepresent and not disclose material relationships.246

A. Targeting Top Influencers

The FTC should pursue endorsement disclosure enforcement actions against top influencers. The FTC typically pursues enforcement actions against the least cost avoider: the party that is best situated to avoid similar deceptive acts in the future.247 With regard to proper disclosure of affiliate links, the individual influencer who is sharing the link is the party best situated to ensure adequate disclosures are made on each advertising platform that influencer uses. Further, the FTC has not ruled out enforcement against an individual influencer. It has previously initiated at least one investigation into the endorsement disclosures of an individual influencer and pursued enforcement action against two others.248

April 2017 “marked the first time the [FTC] directly contacted influencers to provide guidance on proper disclosure.”249 Following calls for FTC enforcement action against members of the notorious Kardashian family and other celebrities who have failed to make adequate endorsement disclosures on their Instagram accounts,250 the FTC issued over ninety warning letters to brands and influencers.251 These warning letters flagged Instagram posts that

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246. See FTC POLICY STATEMENT ON DECEPTION, supra note 85; see also supra Part I.C.
247. See supra Part III.B.1.
248. See supra Part III.B.1.
251. Press Release, Fed. Trade Comm’n, supra note 195; see also Barber, supra note 249.
appeared to endorse a product or service without a proper disclosure.252 In the letters, the FTC reminded influencers and brands that they are subject to the Guides and any material connection must be disclosed clearly and conspicuously.253 Notably, these letters addressed only endorsement disclosures on Instagram and did not address disclosures on any other media platforms or in connection with affiliate links.254 Nor did these letters indicate that the FTC would take any further enforcement action against the influencers or brands.255

The FTC learned that some of the flagged posts were not paid endorsements but were products the influencer independently decided to promote.256 This further highlights the importance of clear and conspicuous endorsement disclosures.257 These disclosures enable consumers to know that when there is no disclosure there is no material relationship between the influencer and the brand she is promoting.258 Consumers can then make fully informed decisions about how much weight to give to any given endorsement.259

For the brands and influencers who did fail to disclose paid endorsements, the warning letters had a limited impact. At least two brands responded by reviewing their endorsement disclosure policies and implementing the FTC’s recommendations for clear and conspicuous disclosures.260 However, a Freedom of Information Act request from The National Law Journal “turned up no records of correspondence from any celebrit[y] [influencers] or their representatives [to the FTC].”261 From May 1 to June 12, 2017, Public

253. Id.
254. See id.; see also Press Release, Fed. Trade Comm’n, supra note 195.
257. See supra Part I.C.
258. See supra Part I.C.
259. See supra Part I.C.
260. Barber, supra note 256 (detailing Hormel Foods and FabFitFun’s responses to the warning letters).
261. Id.
Citizen monitored the Instagram accounts of forty-six influencers who received a warning letter from the FTC.\textsuperscript{262} Public Citizen found, Of the influencers who posted sponsored content, only one fully and consistently complied with FTC policy. While some users posted advertisements using a disclosure, the same influencers continued to post undisclosed content. In total, 327 (79 percent) of the 412 advertisements posted by the 46 influencers did not comply with FTC standards.\textsuperscript{263}

In September 2017, the FTC sent follow-up letters to twenty-one influencers who received warning letters.\textsuperscript{264} Unlike the initial letters, these follow-up letters requested a response from the influencers. The FTC asked influencers to “advis[e] the FTC staff of whether [the influencer] ha[s] a material connection with each of the brands or businesses ... endorsed in the[] posts.”\textsuperscript{265} If the influencer has a material connection with the brand, the FTC asked the influencer to “describe what actions [the influencer is] or will be taking to ensure that” future endorsements are clearly and conspicuously disclosed.\textsuperscript{266} Although these follow-up letters indicate greater FTC scrutiny of individual influencers’ endorsement disclosures, that scrutiny appears be limited to a small group of influencers and their posts on Instagram. This scrutiny does not address disclosures in connection with affiliate links.

Although the FTC can, and has, taken limited action against individual influencers, these actions have clearly been insufficient. As one commentator noted, “[The FTC’s] enforcement thus far has proven inconsistent and arguably ineffective, leaving consumers vulnerable to confusion when viewing brands’, celebs’, and influencers’

\begin{itemize}
\item \textsuperscript{263} Id.
\item \textsuperscript{264} See Press Release, Fed. Trade Comm’n, supra note 24.
\item \textsuperscript{266} Id.
\end{itemize}
posts."267 It is essential that the FTC pursue further enforcement action, starting with formal investigations into the endorsement disclosure practice of individual influencers who fail to adequately disclose affiliate links.

To maximize the FTC’s limited enforcement resources, the FTC should pursue enforcement action against only professional influencers who generate a significant amount of revenue from affiliate links and have millions of followers. Government action against these individuals is necessary because for many of these individuals, being an influencer is their full-time job.268 They have a responsibility to know and follow the laws that govern and regulate their industry—which includes adequately disclosing material relationships.

Pursuing selected professional influencers will not only encourage adequate endorsement disclosures among other professional influencers, but will also demonstrate to up-and-coming influencers that making adequate endorsement disclosures is a nonnegotiable element of true success as a professional influencer.

B. Targeting Affiliate Networks

The FTC should also pursue endorsement disclosure enforcement actions against affiliate networks. The FTC has previously pursued enforcement against a brand’s in-house affiliate marketing program whose affiliates failed to disclose or adequately disclose their material relationship with the brand.269 However, both brands and intermediaries are responsible for implementing programs to monitor their influencers’ disclosures and ensure all disclosures are clear and conspicuous.270 Moreover, the FTC typically pursues enforcement actions against the party that is responsible for directing and compensating the influencers because that party is best situated ensure compliance with endorsement disclosure

268. See Strugatz, supra note 10.
269. See supra notes 196-202 and accompanying text.
270. See supra note 232 and accompanying text.
requirements. Thus, affiliate networks—which are responsible for recruiting, directing, and compensating influencers—are best situated to monitor influencers for adequate endorsement disclosures. Therefore, the FTC should pursue enforcement action against affiliate networks whose influencers fail to disclose or fail to adequately disclose their material relationships.

With complete control of its recruitment of influencers, an affiliate network can make admission to its program contingent on completing an endorsement disclosure training course or signing an endorsement disclosure agreement. As the party that tracks influencer performance and advises influencers on how to maximize profit, the network is best positioned to implement an endorsement disclosure monitoring program and advise influencers on the adequacy of their disclosures. The network can incentivize influencer compliance by making compensation contingent on adequate disclosures and expelling noncompliant influencers from the program. Additionally, the affiliate network can also add disclosures to embeddable widgets and promotional emails that contain affiliate links.

C. Pursuing Consent Orders

The FTC has an effective tool for enforcement against influencers and affiliate networks: the consent order. A consent order allows the advertiser to settle deception allegations by entering into a voluntary agreement to discontinue the alleged deceptive practices and take steps to prevent potential future violations. Closing investigations into individual influencers and affiliate networks with consent orders is consistent with the FTC’s other enforcement actions involving influencers who failed to disclose or adequately disclose

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271. See supra Part III.B.1.
272. See supra Part III.B.1.
273. See supra Part III.B.3.
274. See supra Part I.B. But cf. Mari, supra note 57 (noting that rewardStyle provides influencers with “link[s] out to the most updated rules and laws” and places the burden on the influencer to comply with the law).
275. See supra Part III.B.3.
276. See supra Part I.B.
277. See supra Parts III.A, III.B.3.
material relationships. Further, consent orders are warranted when the deceptive practice has impacted several million people or generated millions in revenue.

It is essential for the FTC to pursue consent orders in these cases and demonstrate that adequate endorsement disclosures with affiliate links are nonnegotiable in influencer marketing. This will serve the FTC’s prophylactic mission by encouraging other influencers to make adequate endorsement disclosures and other affiliate networks to take steps to ensure their influencers make adequate endorsement disclosures. Thus, the FTC can leverage the terms of the consent orders to establish effective endorsement disclosure monitoring systems that set an industry standard, ensuring compliance with FTC endorsement disclosure requirements.

Ending these investigations with closing letters would be inappropriate because these failures to disclose or adequately disclose are not isolated incidents. Rather, these professional influencers and affiliate marketing companies reach millions of consumers on a daily basis across multiple advertising platforms, generating millions in revenue. Moreover, this is not a novel issue. The FTC has publicly and clearly stated that an affiliate link is an endorsement that requires an adequate disclosure of the material relationship between the blogger and the brand.

D. Avoiding a Strict Liability Approach

The FTC could pursue a strict liability approach through administrative adjudication or administrative rulemaking. However, it would be incredibly challenging for the FTC to prosecute every instance in which an influencer fails to disclose or inadequately

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278. See supra notes 229-32 and accompanying text.
279. See supra notes 227-28 and accompanying text.
280. See supra Part III.B.3.
281. See supra Part III.B.3.
282. See supra Part III.B.2.
283. See supra Part I.
284. See supra Part III.B.2.
285. See supra notes 128-31 and accompanying text.
286. See supra notes 168-73 and accompanying text.
discloses a material relationship with an affiliate link. A mechanism that cannot be effectively enforced lacks a deterrent effect. If the FTC fails to monitor and subsequently prosecute each and every breach, prosecution of only some breaches becomes more punitive than preventative. Accordingly, a strict liability approach to enforcement with respect to influencer endorsement disclosures would jeopardize the legitimacy of the FTC’s enforcement power and yield more punitive than preventative results.

E. Increasing FTC Engagement with Individual Influencers

Outreach and engagement with stakeholders are the FTC’s most important prophylactic enforcement mechanisms. As an initial step, the FTC should raise the profile of the two guidance documents it has created to help businesses and individuals apply the Guides to influencer marketing. The FTC’s distribution of these documents should be targeted to top influencers and affiliate networks because they are the least cost avoiders. The FTC should also encourage affiliate networks to disseminate these documents to their influencers.

In its capacity as a convenor, the FTC should hold a public workshop or seminar to bring together influencers and advertisers who can speak to influencer marketing across multiple social media platforms and industries. Through these dialogues, the FTC can actively engage with influencers and advertisers to identify areas of confusion with the Guides and opportunities to educate influencers on how to make adequate endorsement disclosures.

287. See, e.g., supra note 43 and accompanying text.
288. See supra notes 83, 143-44 and accompanying text.
291. See supra note 179 and accompanying text.
292. See supra notes 179-82 and accompanying text.
293. See supra notes 181-82 and accompanying text.
Through its social media presence, the FTC can directly engage with influencers on their turf. The FTC should actively promote its guidance documents to influencers on its social media channels.\(^\text{294}\) The FTC should also ensure that it disseminates information through social media about its enforcement activities relating to endorsement disclosures.\(^\text{295}\) Without effective communication to influencers about the FTC’s increased enforcement activities in this area, those actions will have little deterrent effect.

In September 2017, the FTC leveraged its Twitter presence to host a Twitter chat with influencers and informally field questions from influencers about adequate endorsement disclosures.\(^\text{296}\) Of the twenty-six questions that the FTC addressed, three touched on disclosing affiliate links.\(^\text{297}\) During the Twitter chat, the FTC reaffirmed that “[w]hen an individual is posting content as an affiliate, he/she is usually an influencer.”\(^\text{298}\) The FTC also “advise[d] disclosing affiliate relationships.”\(^\text{299}\) This Twitter chat appears to be a step in the right direction. However, active engagement and communication with influencers requires more than just a one-hour Twitter chat. The FTC should continue to improve its engagement with influencers by following through on its tweet noting that “a part II [m]ay be needed.”\(^\text{300}\) The FTC can further improve its engagement with influencers by making educational posts about adequate influencer endorsement disclosures part of its regular social media postings.

The FTC should also explore opportunities to engage with the influencer community and encourage voluntary compliance through partnerships with brands, affiliate networks, and professional influencers. A partnership could be as simple as including an FTC presentation on endorsement disclosure requirements at a national

\(^{294}\) See supra note 183 and accompanying text.

\(^{295}\) See supra note 183 and accompanying text.


\(^{297}\) The author reviewed the FTC’s tweets from September 20, 2017, that contained the Twitter chat’s hashtag, “#Influencers101.” See FTC (@FTC), Twitter, https://twitter.com/FTC [https://perma.cc/NA7L-T3P6].


A partnership could also take the form of collaborating on a blog or social media post with a prominent influencer like Bryan Boy, who strives to be transparent with his followers about his endorsements.302

Finally, the FTC should also take an assertive approach to outreach by adding affiliate link marketing and influencers to the list of targets during organized surfs.303 Following the surfs, the FTC can issue warning letters to noncompliant influencers to promote adequate endorsement disclosures.304 The FTC’s issuance of warning letters in April 2017 demonstrates that this type of outreach is feasible, yet not completely effective.305 Nevertheless, preventing deceptive endorsements at their inception requires educating professional and amateur influencers about how to adequately disclose material connections with affiliate links.306

CONCLUSION

With the influencer marketing industry growing exponentially, it is critical that the FTC makes it clear to influencers, affiliate networks, and brands alike that disclosure of material connections is nonnegotiable. The FTC’s guidance provides ample public notice and opportunity for voluntary compliance with endorsement disclosure requirements.307 Yet, the noncompliance of individual influencers and affiliate networks with affiliate link disclosure requirements continues at an alarming rate and escapes FTC scrutiny.308

301. See supra note 179 and accompanying text.
303. See supra notes 175-76 and accompanying text.
304. See supra notes 177-78 and accompanying text.
305. See supra Part IV.A.
307. See supra Part II.B.
308. See supra Parts I.C, III.B.1.
The proposed multipronged enforcement approach leverages the FTC’s enforcement discretion to give greater authority to the existing FTC guidance on endorsements. By pursuing enforcement against selected influencers and affiliate networks, the FTC can seek consent orders that set the industry standard for clear and conspicuous disclosures of affiliate links and effective influencer monitoring programs. This approach maximizes the FTC’s limited resources by targeting the least cost avoiders to increase compliance with endorsement disclosure requirements, thus allowing consumers to effectively evaluate influencer endorsements.

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