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**THIRD JUDICIAL DISTRICT COURT  
SALT LAKE COUNTY, STATE OF UTAH**

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**UTAH DIVISION OF CONSUMER  
PROTECTION,**

*Plaintiff,*

v.

**TIKTOK INC.,**

*Defendant.*

**NOTICE OF FILING OF  
LESS-REDACTED, PUBLIC  
COMPLAINT**

Case No.: 240904292

Honorable Coral Sanchez

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In accordance with the Court’s December 20, 2024 Order Granting in Part and Denying in Part Defendant’s Motion to Maintain Redactions to the Complaint, Plaintiff Utah Division of Consumer Protection (the “Division”) submits an updated version of the Complaint that has fewer redactions on the public record. The full, unredacted complaint remains unchanged and was filed as a protected record under Utah Code of Judicial Administration section 4-202.02. The Division attaches the updated, less-redacted Complaint as Exhibit A to this document.

Respectfully submitted,

**SEAN D. REYES**  
UTAH ATTORNEY GENERAL

Dated: January 3, 2025

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**CERTIFICATE OF SERVICE**

I hereby certify I caused a true and correct copy of the foregoing **NOTICE OF FILING OF LESS-REDACTED, PUBLIC COMPLAINT** to be delivered via the Court's electronic system, which electronically transmitted notice of such filing to all counsel of record this January 3, 2025.

*/s/ Taylor Mosolf*  
Taylor Mosolf

# EXHIBIT A

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**If you do not respond to  
this document within  
applicable time limits,  
judgment could be entered  
against you as requested.**

(Additional counsel on signature page)

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**THIRD JUDICIAL DISTRICT COURT  
SALT LAKE COUNTY, STATE OF UTAH**

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**UTAH DIVISION OF CONSUMER  
PROTECTION,**

*Plaintiff,*

v.

**TIKTOK INC.,**

*Defendant.*

**COMPLAINT AND JURY DEMAND**

Case No. 240904292

Honorable Richard D. McKelvie

**Tier III**

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**COMPLAINT FOR VIOLATIONS OF THE  
CONSUMER SALES PRACTICES ACT**

The Division of Consumer Protection (the “Division”), acting through the Attorney General of Utah, Sean D. Reyes, brings this action against Defendant TikTok Inc. (“TikTok”) to stop TikTok’s continued profiting from deceptive design features that facilitate sexual exploitation, sex trafficking, the distribution of pornography, and other illegal acts through its

virtual currency system in violation of the Utah Consumer Sales Practices Act (“UCSPA”), Utah Code Sections 13-11-1 through -24. In support of this action, the Division alleges:

### INTRODUCTION

1. For years, TikTok has profited from manipulative design features that contribute to the emotional, financial, and sexual exploitation of children.<sup>1</sup> Through a feature called “TikTok LIVE,” users can stream live videos of themselves and interact with viewers in real-time. Combined with TikTok’s virtual currency system, this feature allows adults to prey on children in many egregious ways, including by transacting with and soliciting sexual acts from minors. Despite knowing and facilitating these dangers, the company turns a blind eye because LIVE has helped make TikTok very rich.

2. Live streaming has become incredibly popular on TikTok and other social media platforms, enabling real-time interaction between users with just the swipe of a finger. Streamers can build a devoted fan-base that watches their videos around the clock.

3. Recently, sophisticated tech companies like TikTok have discovered that using manipulative design features known as “dark patterns” make their social media apps “stickier”—keeping users engaged for longer. These manipulative features confuse, manipulate, and erode the agency of users, driving decisions within the app that benefit the tech company at the user’s expense. TikTok has made expert use of dark patterns. The company encourages users to live stream and buy into the app’s virtual currency system, which TikTok makes intentionally complex, including by purposely obscuring the low exchange value of its currency, to promote further purchases on and use of its app.

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<sup>1</sup> “Children,” “young users,” or “minors” when used in this Complaint means a user of TikTok’s app who is under eighteen years old.

4. Children’s developing brains make them prime targets for dark patterns.

Children are less able to make reasoned decisions and are more likely to act impulsively.

Compared to adults, children are at higher risk of making unwise decisions.

5. TikTok introduced LIVE in 2019 and the feature quickly became extraordinarily popular, creating a major source of revenue for the company. The same year, TikTok added monetization features allowing users to purchase “Coins” and send virtual “Gifts” during LIVE sessions. These Gifts can be cashed out for real money by the recipient. Streamers can earn thousands of dollars each month from fans, and those who become very popular earn millions from brand sponsorships and major contracts. TikTok incentivizes users to broadcast on LIVE by promising more money “the more popular [their] content becomes.”<sup>2</sup>

6. Unlike traditional advertising revenue (and unbeknownst to its users), TikTok takes a significant cut when users buy virtual Gifts. Users purchase these Gifts to send to their favorite live streamers, but TikTok hides the fact that only *half* of this money goes to the streamers—pocketing the rest for itself. This monetization strategy has been hugely profitable. In the first quarter of 2023 alone, TikTok earned ██████████ globally from LIVE. In Utah, TikTok makes millions annually from virtual-currency transactions.

7. But TikTok has long known—and hidden—the significant risks of live streaming, especially for children. By TikTok’s own admission: “we’ve created an environment that encourages sexual content.”

8. Shortly after launching LIVE, TikTok convened experts to advise it on safety measures. These experts warned TikTok that live streaming could be misused in “harmful ways”

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<sup>2</sup> *Turning Passion to Profit: WAYS TO MAKE MONEY ON TIKTOK LIVE*, TikTok (Dec. 15, 2022), [https://www.tiktok.com/live/creators/en-US/article/turning-passion-to-profit-ways-to-make-money-on-tiktok-live\\_en-US](https://www.tiktok.com/live/creators/en-US/article/turning-passion-to-profit-ways-to-make-money-on-tiktok-live_en-US).

and inspire “atrocious acts” in front of a live audience. Despite these clear warnings, TikTok ignored most of the panel’s recommendations on enhancing safety, prioritizing profit over public safety.

9. In early 2022, TikTok’s internal investigation of LIVE, called “Project Meramec,” revealed shocking findings. Hundreds of thousands of children between 13 and 15 years old were bypassing TikTok’s minimum age restrictions, hosting LIVE sessions, and receiving concerning messages from adults. The project confirmed that LIVE “enable[d the] exploitation of live hosts” and that TikTok profited significantly from “transactional gifting” involving nudity and sexual activity, all facilitated by TikTok’s virtual currency system.

10. Worse yet, TikTok knows that its LIVE recommendation algorithm “prefers feeds with gifts,” which it admits “incentivizes sexual content.” This means TikTok knows that users are more likely to exchange Gifts for sexualized acts and content and is aware it is promoting sexual exploitation on its app. TikTok admits: “Transactional sexual content incorporates tons of signals that inform the algorithm as well as Live Ops metrics of success . . . .” Despite this, TikTok looks the other way because sexually exploitative content boosts business: “[t]ransactional sexual content hits most of [TikTok’s] business’ metrics of success & is pushed to TopLives.”

11. Despite admitting internally that LIVE poses “cruel[.]” risks to minors—encouraging “addiction and impulsive purchasing of virtual items,” leading to “financial harm,” and putting minors at “developmental risk”—TikTok continues to use manipulative features to increase the time and money users spend on the app. TikTok has added additional monetization features like “exclusive” Gifts and subscription-based services, where users can subscribe to their favorite live streamers for a monthly fee. TikTok does not disclose its cut from



subscriptions but pushes users to buy-in for an even “closer” connection with streamers, promising perks like “subscriber-only chat.”<sup>3</sup>

12. Any responsible company would shut down a feature if it facilitated children being exploited and adults paying children for sexual acts. But TikTok is too hooked on LIVE’s massive revenue stream. Instead, in response to reports of rampant sexual exploitation on LIVE, TikTok has made superficial changes it knows does not solve the problem.

13. If enabling and profiting from child exploitation were not enough, TikTok also knows that LIVE is being used for money laundering and other criminal activities.

14. In 2021, TikTok launched “Project Jupiter” to investigate suspicions that organized crime was using LIVE to launder money through TikTok’s gifting feature. TikTok discovered that criminals were selling drugs and running fraud operations on LIVE.

15. TikTok admits that sexual exploitation and illegal activities on LIVE are “controversial” and worsened by its *own* monetization scheme. Despite acknowledging internally that “sexually suggestive LIVE content is on the rise,” TikTok refuses to warn consumers about these dangers. Instead, TikTok plans to “make better use of monetization methods such as gifting and subscription to gain revenue . . . .”

16. TikTok’s design tactics encourage and allow it to profit from crime and the sexual exploitation of children. These deceptive and unconscionable practices violate Utah’s Consumer Sales Practices Act and harm Utah’s consumers. The Division brings this suit to stop TikTok’s exploitative monetization scheme and protect Utah youth from TikTok’s conduct.

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<sup>3</sup> *Exploring new ways for creators to build their community and be rewarded with LIVE Subscription*, TikTok (May 23, 2022), <https://newsroom.tiktok.com/en-us/live-subscription-invite-only>.

## **PARTIES**

17. Plaintiff Utah Division of Consumer Protection is authorized to enforce the UCSPA, to investigate violations of the UCSPA, and to sue to enforce the same. The Division of Consumer Protection is one of ten divisions within the Utah Department of Commerce. Here, it is represented by Utah's chief legal officer, Attorney General Sean D. Reyes.

18. Defendant TikTok Inc. is incorporated in California with its principal place of business located at 5800 Bristol Parkway, Culver City, Los Angeles, California 90230. TikTok transacts or has transacted business inside the State's boundaries, including entering into contracts with Utah consumers. At all times material to this Complaint, TikTok has advertised, marketed, and distributed the TikTok social media app, including LIVE, to consumers in Utah.

## **JURISDICTION AND VENUE**

19. This Court has subject-matter jurisdiction over this case under Utah Code Sections 13-2-6(4) and 78A-5-102(1) because TikTok transacts business within, and the UCSPA violations occurred in connection to, the State of Utah.

20. Venue is appropriate in this Court under Utah Code Section 78B-3-307(3).

21. This Court has personal jurisdiction over TikTok under Utah Code Subsections 78B-3-205(1), (2), and (3) because TikTok has transacted business in Utah, contracts to supply goods or services in the State, and has injured Utah's consumers and citizens.

## **TIKTOK'S RELEVANT CONTACTS WITH THE STATE OF UTAH**

22. TikTok has significant contacts with the State of Utah, examples of which include the following.

23. TikTok has entered (and continues to enter) into contracts with hundreds of thousands, if not millions, of Utahns to provide them social media services in the State.<sup>4</sup> In October 2023, there were 3,171,209 registered accounts associated with Utah users.<sup>5</sup> TikTok also succeeds at capturing the time and attention of a substantial portion of Utah’s children. In 2023, there were 278,506 TikTok accounts associated with Utah users under 18 years old—which likely significantly undercounts the number of minors using the app.<sup>6</sup>

24. These are not free services: TikTok charges Utah consumers by collecting their time and data, including users’ locations, interests, and behaviors (for example, video views, likes, comments, live streams, and posts). TikTok then converts this data into advertising dollars. As explained throughout this Complaint, TikTok also profits directly from Utah users by taking a hefty commission on virtual currency transactions.

25. First, TikTok sells significant advertising space to marketers, allowing them to tailor messages and offers to specific locations throughout Utah.<sup>7</sup> TikTok’s marketing materials even highlight Utah locations—like our capital, Salt Lake City—as prime targets for advertisers.<sup>8</sup> See Figure 1, showing a screenshot from TikTok’s Business Help Center.

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<sup>4</sup> *Terms of Service*, TikTok (Nov. 2023), <https://www.tiktok.com/legal/page/us/terms-of-service/en>.

<sup>5</sup> Letter from Shamis Beckley, Counsel for TikTok, to Douglas Crapo, Counsel for the Division (Dec. 1, 2023) (on file with Division of Consumer Protection).

<sup>6</sup> *Id.*

<sup>7</sup> *Location Targeting*, TikTok (Nov. 2023), <https://ads.tiktok.com/help/article/location-targeting?lang=en>.

<sup>8</sup> *Id.*

Location Targeting Options	
Location Type	Example
City	Salt Lake City, Utah
Country / Region	United States

(Figure 1.)<sup>9</sup>

26. TikTok’s revenue indicates that advertisements shown to Utah users are highly lucrative. In 2022, TikTok earned over [REDACTED]<sup>10</sup> Ad revenue has continued to grow as TikTok gained more attention in the State. In 2021, advertising revenue from Utah users was [REDACTED], and in 2020, advertising revenue was [REDACTED].<sup>11</sup> Since 2020, TikTok’s ad revenue in the State has grown over [REDACTED]%.<sup>12</sup>

27. Second, as it relates to the LIVE feature at issue in this Complaint, TikTok profits from a monetization scheme involving virtual currency known as TikTok Coins. Users purchase Coins directly through TikTok’s website or mobile app or through the Apple or Google app stores, and cash out these Coins for real money. TikTok allows users, including Utah users, to exchange or “Gift” this virtual currency during LIVE sessions.

28. TikTok’s virtual currency operation is highly lucrative, in Utah, the United States, and globally. In 2023, TikTok’s U.S. quarterly revenue was [REDACTED] and its global quarterly revenue was [REDACTED]. TikTok achieves massive profits from Coins by taking a 50% commission on *each* virtual currency purchase.<sup>13</sup> End recipients of these virtual Gifts, many of

<sup>9</sup> *Id.*

<sup>10</sup> Letter from Shamis Beckley, Counsel for TikTok, to Douglas Crapo, Counsel for the Division (Mar. 29, 2024) (on file with Division of Consumer Protection).

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Turning Passion to Profit: WAYS TO MAKE MONEY ON TIKTOK LIVE*, TikTok, *supra* note 2.

whom are also Utah residents, receive only a portion of the Gift’s value—TikTok keeps the rest. In Utah, TikTok’s profit from Coins has grown substantially since it started facilitating virtual transactions. In 2020, TikTok’s payout on Coins from Utah users was only [REDACTED]. By 2022, TikTok’s revenue in Utah grew to [REDACTED]—representing growth increases of more than [REDACTED]% in just two years.<sup>14</sup>

29. Third, Utah is a hub for “content creators” or users that share and post content on the app. In Utah alone, there are as many as 1,540,957 content creators.<sup>15</sup> A subset of these content creators are “influencers”—people with large followings who produce popular videos watched by millions. For example, Tess Bohne is an Ogden-based influencer with hundreds of thousands of TikTok followers.<sup>16</sup> Known as the “livestream queen,”<sup>17</sup> she is famous for live streaming Taylor Swift concerts for the pop singer’s loyal fan base, known as the “Swifties.” Tess Bohne locates the highest quality live stream of each Taylor Swift concert, setting up a streaming command center from her Ogden bedroom.

30. Collectively, Utah-based content creators have almost a billion (919,171,787) cumulative followers on TikTok.<sup>18</sup> As of May 2023, these content creators have also netted [REDACTED] in profit from TikTok.<sup>19</sup>

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<sup>14</sup> See Letter from Beckley to Crapo, *supra* note 10.

<sup>15</sup> Letter from Beckley to Crapo, *supra* note 5.

<sup>16</sup> Nell Gallogly, *Can’t Make the Concert? Livestreamers Are Coming to the Rescue*, N.Y. Times (Nov. 8, 2023), <https://www.nytimes.com/2023/11/08/arts/music/concert-livestreamers.html>.

<sup>17</sup> Hannah Kerns, *How the eras tour’s livestream queen perfected her craft*, Elite Daily (Apr. 15, 2024), <https://www.elitedaily.com/entertainment/eras-tour-livestream-queen-tiktok-surprise-songs>.

<sup>18</sup> Letter from Beckley to Crapo, *supra* note 5.

<sup>19</sup> *Id.*

31. Many content creators use LIVE, as alleged throughout the Complaint. These content creators are compensated by other users through TikTok’s virtual currency “Gifting” and/or directly from TikTok’s “Creator Rewards Program”<sup>20</sup> (formerly known as the “Creator Fund”). Earnings accrue in a reward “dashboard” on the content creator’s TikTok account, which allows live streamers to convert virtual Coins into actual money.<sup>21</sup>

32. The Division’s presuit investigation also confirmed that TikTok’s platform facilitates the sale of illegal drugs to underage children right here at our doorstep—including easily allowing TikTok users to offer the sale and delivery of drugs like Xanax, Valium, and MDMA to children in Salt Lake City.

33. Finally, TikTok intentionally builds relationships within Utah, including lobbying the Utah state government, and asking the National Parent Teacher Association to prioritize awarding grant funds in Utah, which led to it funding several Utah elementary schools.

## FACTUAL ALLEGATIONS

### **I. TikTok operates a sophisticated and unregulated virtual economy but hides from its users the dangers lurking in it.**

#### ***A. Background on Dark Patterns.***

34. “Dark patterns” are ways that website and app designers entice users down a path that benefits the company, rather than the user. These manipulative design practices are created

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<sup>20</sup> *TikTok’s Monetization Features*, TikTok, <https://www.tiktok.com/creator-academy/en/article/monetization-offerings-overview> (last visited May 24, 2024).

<sup>21</sup> *Creator Rewards Program*, TikTok, <https://www.tiktok.com/creator-academy/en/article/creator-rewards-program> (last updated May 30, 2024); TikTok, *Creator Rewards Program*, Web Archive (last updated Apr. 2, 2024), <https://web.archive.org/web/20240411083348/https://www.tiktok.com/creator-academy/en/article/creator-rewards-program>.

or chosen to “trick or manipulate users into making choices they would not otherwise have made and that may cause harm.”<sup>22</sup>

35. Manipulative tricks in consumer marketing are nothing new: hard-to-find-and-read disclosures, pre-checked consent boxes, and confusing cancellation policies have been common for decades. As consumers spend more time online, tech companies like TikTok have refined these tactics to make money with expert precision.

36. The digital world offers companies countless opportunities to exploit consumers with deceptive tricks. The U.S. Federal Trade Commission has stated: “As more and more commerce has moved online, so too have these manipulative design practices—termed ‘dark patterns’—only they have grown in scale and sophistication, creating ever greater challenges for consumers.”<sup>23</sup>

37. Manipulative design features come in many forms—including, relevant here, features that hide or obscure material information from consumers, like “burying key limitations of the product or service in dense Terms of Service documents . . . .”<sup>24</sup> Additional common tactics include (1) disguising ads and misleading consumers, like making consumers believe they have only a limited time to purchase a product; (2) making it difficult to cancel subscriptions or charges; and (3) tricking consumers into sharing data, for example, by giving consumers the

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<sup>22</sup> *Bringing Dark Patterns to Light*, Fed. Trade Comm’n (Sept. 15, 2022), [https://www.ftc.gov/system/files/ftc\\_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/P214800%20Dark%20Patterns%20Report%209.14.2022%20-%20FINAL.pdf).

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

appearance of choices about privacy settings while designing the interface to steer consumers towards sharing their data.<sup>25</sup>

38. “Currency confusion” is another dark pattern, where apps force users to convert real money into virtual currency for in-app purchases.<sup>26</sup> Virtual currency systems make the true cost of purchases abstract and confusing, especially for children, who do not have to live in the world of budgets or account balances.<sup>27</sup> These virtual currency systems often exploit a child’s limited financial literacy.<sup>28</sup>

39. Children are especially vulnerable to dark patterns. Due to their developing brains and lack of real-world experience, children are far more likely to fall prey to manipulative designs that exploit their need for social validation.<sup>29</sup> Design elements that obscure user settings, bury important terms, and coax children into making harmful decisions are highly effective at undermining children’s agency online.

40. When companies use these tactics without safeguards and limitations, it can be downright dangerous for children to enter these online worlds.

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<sup>25</sup> *FTC Report Shows Rise in Sophisticated Dark Patterns Designed to Trick and Trap Consumers*, Fed. Trade Comm’n (Sept. 15, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/09/ftc-report-shows-rise-sophisticated-dark-patterns-designed-trick-trap-consumers>.

<sup>26</sup> Scott Goodstein, *When the Cat’s Away: Techlash, Loot Boxes, and Regulating “Dark Patterns” in the Video Game Industry’s Monetization Strategies*, 92 U. Colo. L. Rev. 285 (Feb. 1, 2021), <https://scholar.law.colorado.edu/cgi/viewcontent.cgi?article=1057&context=lawreview>.

<sup>27</sup> *Building Blocks to Help Youth Achieve Financial Capability: A New Model and Recommendations*, Consumer Fin. Prot. Bureau 9 (Sept. 2016), [https://files.consumerfinance.gov/f/documents/092016\\_cfpb\\_BuildingBlocksReport\\_ModelAndRecommendations\\_web.pdf](https://files.consumerfinance.gov/f/documents/092016_cfpb_BuildingBlocksReport_ModelAndRecommendations_web.pdf).

<sup>28</sup> *Id.*

<sup>29</sup> Sarah-Jayne Blakemore & Kathryn L. Mills, *Is adolescence a sensitive period for sociocultural processing?*, 65 Annual Rev. of Psych. 187 (2014), <https://www.annualreviews.org/content/journals/10.1146/annurev-psych-010213-115202>.



***B. The launch of TikTok LIVE and its monetization scheme.***

41. In 2019, TikTok launched its flagship live streaming feature called “TikTok LIVE.” Similar to live TV broadcasts, TikTok LIVE lets users stream videos of themselves to other app users in real-time to a broad audience.

42. LIVE has become a very popular feature on TikTok. In 2022, of the 83 million daily U.S. TikTok users, 20% (nearly 17 million people) watch LIVE every day. Over 110,000 U.S. TikTok users stream themselves on LIVE every day, for, on average, one hour every day. LIVE viewers have been described by TikTok as a “committed” user base, with 62% of them watching it every day.<sup>30</sup>

43. The same year TikTok launched LIVE, it also launched an easy way to monetize the feature. TikTok lets users watching LIVE send money to the person live streaming, called a host. TikTok pushes users to tune into LIVE by promoting live streaming videos on a user’s “For You” feed, meaning the app’s recommendation algorithm presents users with live streams as they scroll through the app.

44. TikTok has now taken its monetization system to the extreme, loading up the app with flashy, eye-catching incentives to coax users into spending more time and money on the app. For example, by increasing their Gift-giving activity, users “level” up and unlock “exclusive” Gifts and badges, which become more enticing at each level. At the highest gifter level (level 50), users can “Awaken the Pegasus that inhabits the enchanted forest.” See Figures

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<sup>30</sup> *Growing Your Community with TikTok LIVE*, TikTok (July 19, 2022), <https://www.tiktok.com/business/en-US/blog/growing-community-tiktok-live>.

2 and 3 below showing a screenshot of TikTok’s Gifter Level Up Program.<sup>31</sup> This way, TikTok incentivizes users to purchase more and more Gifts on the app.



(Figure 2.)



(Figure 3.)

45. TikTok also incentivizes streamers to go LIVE by offering compensation if their content gains popularity. LIVE streamers earn “Diamonds,” an in-app token, for each Gift they receive.<sup>32</sup> This creates a virtual economy centered on popularity, all under TikTok’s control. Simultaneously, TikTok’s virtual economy is intentionally complex, involving five different steps and three different forms of company scrip. At each step, TikTok obscures the value of the money and the amount TikTok pockets for itself.

46. A typical transaction between a User and LIVE host involves the following five steps:

1. A TikTok user spends real currency (e.g., U.S. dollars) and purchases Coins through either TikTok’s app (using a credit or debit card

<sup>31</sup> TikTok Live US (@tiktoklive\_us), TikTok (Dec. 13, 2023), [https://www.tiktok.com/@tiktoklive\\_us/video/7312175443719867691](https://www.tiktok.com/@tiktoklive_us/video/7312175443719867691).

<sup>32</sup> *Diamonds*, TikTok, <https://support.tiktok.com/en/business-and-creator/video-gifts-on-tiktok/diamonds> (last visited May 24, 2024).

associated with the Apple or Google App Store) or directly through TikTok's website.

2. That user joins a LIVE session.
3. In the LIVE session, the user then spends their Coins to purchase a virtual Gift on the TikTok app and send the virtual Gift to the LIVE host.
4. TikTok credits the LIVE host's account with a certain number of Diamonds for receiving a virtual Gift, based on TikTok's undisclosed formula. TikTok also holds discretionary power to send additional Diamonds to users based on the popularity of their content.
5. After the LIVE session ends, the host can convert the Diamonds she received back into real currency (e.g., U.S. dollars), which TikTok deposits into the host's PayPal account.

47. Along the five-step transaction process, TikTok captures as much as half of the cash value of the original Coins purchased by users.<sup>33</sup> And nowhere during the five-step process does TikTok disclose to consumers that the Gifts bought with these Coins are worth as little as 50% of their upfront cash value.

48. When users buy Coins, they do so either through a third-party app store (like Apple's App Store or Google's Play Store) or directly from TikTok's website. For Coins purchased through TikTok's website, the current exchange rate is roughly one Coin per penny (\$0.01), fluctuating based on the quantity of Coins purchased.<sup>34</sup> If Coins are bought through a mobile phone app, like Apple's App Store or Google's Play Store, a 30% processing fee applies.<sup>35</sup>

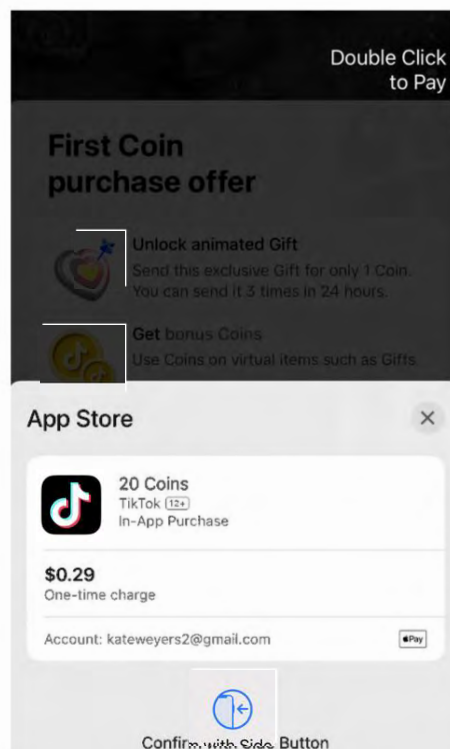
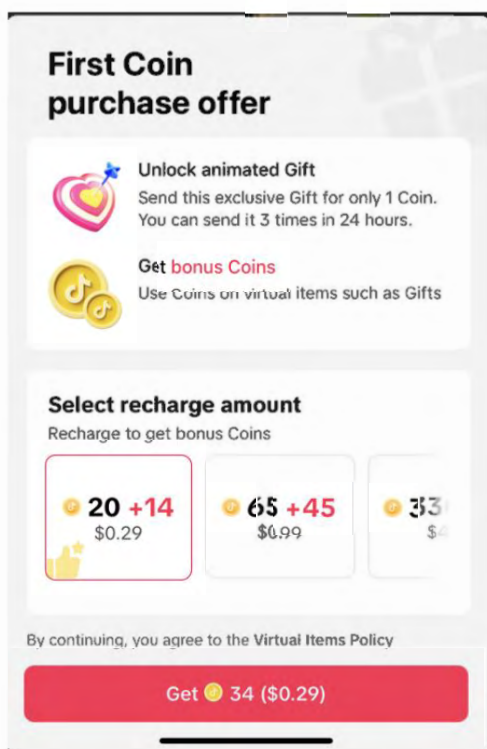
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<sup>33</sup> *Turning Passion to Profit: WAYS TO MAKE MONEY ON TIKTOK LIVE*, TikTok, *supra* note 2.

<sup>34</sup> *Get Coins*, TikTok, <https://www.tiktok.com/coin> (last visited May 24, 2024).

<sup>35</sup> *Coins Policy*, TikTok (June 2022), <https://www.tiktok.com/legal/page/global/coin-policy-eea/en>; *see also Get Coins*, TikTok, *supra* note 34.

49. When purchasing Coins within the TikTok app on a mobile phone, users are linked to TikTok’s “Virtual Items Policy.” This policy appears in small, hard-to-read grey sub-text just above the red “Get” Coins button. *See* Figures 4 and 5 below showing TikTok’s in-app process to recharge and/or purchase Coins. The Virtual Items Policy explains how to use Coins, how to purchase and use Gifts (which unlock a user’s ability to send the value of the purchased Coins to live streamers), and how users can accrue Gifts and withdraw their value for real money.



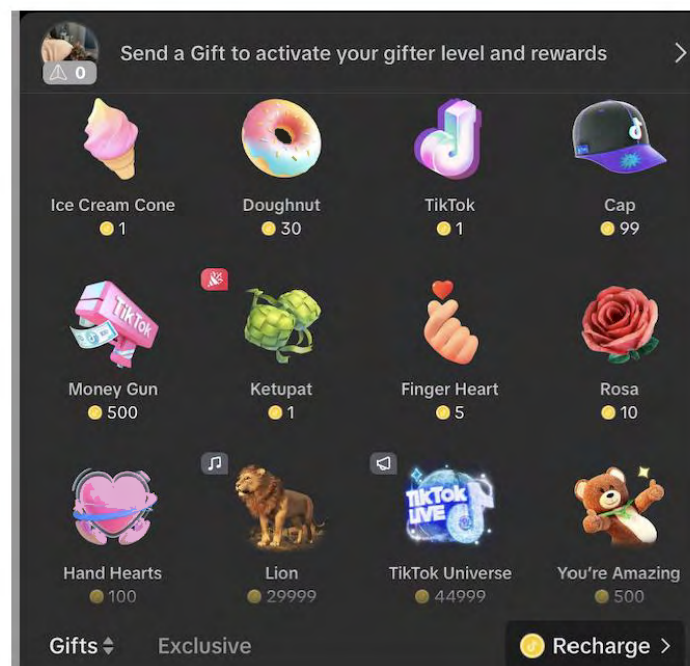
(Figure 4. In-App Coin Purchase Offer.) (Figure 5. In-App Purchase.)

50. Nowhere in the Virtual Items Policy does TikTok disclose that it gives only 50% of its net revenue from virtual items to the hosts who receive those Gifts.

51. Should a consumer want to find out how much a Coin is worth and whether TikTok takes a commission from virtual currency transactions, they will not find this information in any of TikTok’s user-facing policies or Terms of Service. Instead, TikTok covertly discloses

to prospective streamers only its 50% commission in a short article published in December 2022.<sup>36</sup>

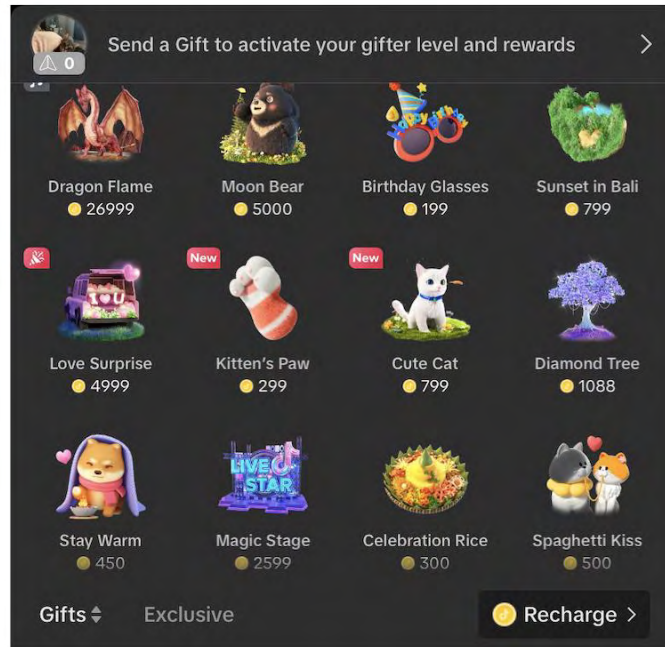
52. Once users purchase Coins, they can buy and send Gifts to other streamers. These Gifts appear as animated emojis in a LIVE session’s chat, but carry real cash value for the hosts. See Figures 6 and 7 below, showing virtual Gifts for purchase on TikTok. Each Gift costs a different number of Coins—for example, an “Ice Cream Cone” costs one Coin, while the coveted “Lion” emoji costs 29,999 Coins (\$299.99). See Figure 6 below. TikTok claims its virtual currency allows users to “react and show their appreciation” for a streamer’s content in real-time.<sup>37</sup> While some Gift exchanges may be harmless, many are not.



(Figure 6.)

<sup>36</sup> *Turning Passion to Profit: WAYS TO MAKE MONEY ON TIKTOK LIVE*, TikTok, *supra* note 2.

<sup>37</sup> *LIVE Gifts on TikTok*, TikTok, <https://support.tiktok.com/en/live-gifts-wallet/tiktok-live/live-gifts-on-tiktok> (last visited May 24, 2024).



(Figure 7.)

53. TikTok makes these animated Gifts even more tempting by designing them like cute, colorful emojis reminiscent of cartoons and Disney characters—clearly aimed at children. Internally, TikTok’s former CEO acknowledged that the design of its virtual Gifts was “appealing to young users.”

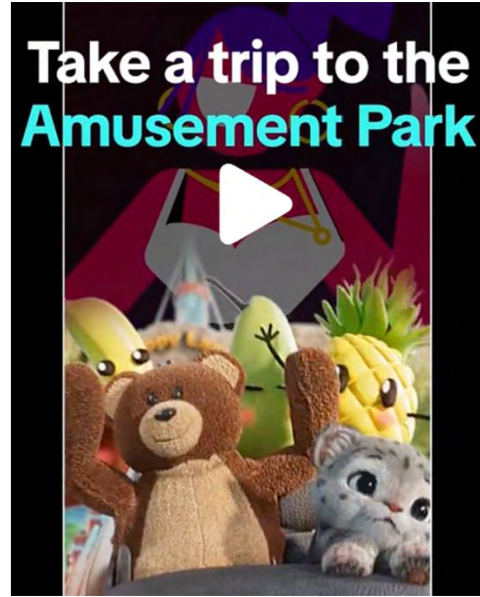
54. Despite these admissions, TikTok continues to launch new Gifts designed to appeal to young children. TikTok frequently introduces new Gifts like baby animals, plush toys, astronauts, and school buses, through animated short videos featuring playful tunes and themes like childhood dreams and back-to-school. *See* Figures 8-11, below showing new Gifts and snapshots from backstory videos launched in December 2022 and September-November 2023.<sup>38</sup>

<sup>38</sup> TikTok Live US (@tiktoklive\_us), TikTok (Sept. 26, 2023), [https://www.tiktok.com/@tiktoklive\\_us/video/7283228108164042027](https://www.tiktok.com/@tiktoklive_us/video/7283228108164042027); *see also* TikTok Live (@tiktoklive\_us), TikTok (Nov. 15, 2023), [https://www.tiktok.com/@tiktoklive\\_us/video/7301778162612981034?lang=en](https://www.tiktok.com/@tiktoklive_us/video/7301778162612981034?lang=en); *see also* TikTok Live (@tiktoklive\_us), TikTok (Dec. 8, 2022), [https://www.tiktok.com/@tiktoklive\\_us/video/7174872833015729454?lang=en](https://www.tiktok.com/@tiktoklive_us/video/7174872833015729454?lang=en); *see also* TikTok Live (@tiktoklive\_us), TikTok (Oct. 12, 2023), [https://www.tiktok.com/@tiktoklive\\_us/video/7289226843201359147?lang=en](https://www.tiktok.com/@tiktoklive_us/video/7289226843201359147?lang=en).





(Figure 8. The Rosa Gift.)



(Figure 9. The Lili and Friends Gift.)



(Figure 10. Adam the Astronaut backstory snapshot.)



(Figure 11. School Bus Gift.)

To target this young of an audience shows that even TikTok knows that many TikTok LIVE users are under 18 years old, despite TikTok saying the opposite.

55. When a host receives a Gift, its value appears in their app as a quantity of “Diamonds.” A LIVE host can convert these Diamonds into real money by accessing their “Live

Gifts” balance, which TikTok cashes out to the host’s PayPal account.<sup>39</sup> TikTok does not fully disclose how this process works or how much revenue it shares with hosts versus how much it keeps for itself. The company only publicly states:

Diamonds are a measurement of the popularity of the relevant User Content. Diamonds are based on the Gifts a Content Provider receives, at a rate of conversion to be determined by us from time to time in its absolute and sole discretion.<sup>40</sup>

56. The amount a host receives in Diamonds is worth at least 50% less than the amount a user paid in Coins. So, while a TikTok user paid 29,999 Coins (\$299.99) for a Lion, the host receives only the cash value in Diamonds of no more than \$149.99.<sup>41</sup>

57. Over the years, TikTok has added more monetization features to LIVE to boost profit. In May 2022, TikTok announced “LIVE Subscription,” a monthly subscription model where users pay to subscribe to another user’s live stream content. The model provides a “paid value-added service of privilege to users who want to enhance the experience of the live room host-viewer relationship.” TikTok markets LIVE Subscription as: “Bringing creators and viewers closer together with LIVE.”<sup>42</sup> Subscribers get “perks” like a subscriber-only chat, which facilitates exclusive access between users and enhances an “even more personal connection between creator and viewer.”<sup>43</sup>

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<sup>39</sup> *Virtual Items Policy*, TikTok (Oct. 2022), <https://www.tiktok.com/legal/page/row/virtual-items/en>.

<sup>40</sup> *Id.*

<sup>41</sup> *Turning Passion to Profit: WAYS TO MAKE MONEY ON TIKTOK LIVE*, TikTok, *supra* note 2.

<sup>42</sup> *Exploring new ways for creators to build their community and be rewarded with LIVE Subscription*, TikTok, *supra* note 3.

<sup>43</sup> *Id.*



58. Like LIVE Gifts, TikTok does not disclose to consumers the amount of money it pockets from LIVE Subscription.

59. Other monetization features like “Match” create a forum for users to “‘battle’ another creator.”<sup>44</sup> TikTok markets this feature to “rally . . . your followers[,],” but in reality, it is a popularity contest.<sup>45</sup> The Match feature is designed to boost Gift giving, and TikTok gives a monetary reward to the host with the most streamers: “Match levels up the appreciation game and can result in more diamond rewards for you.”<sup>46</sup>

60. With all these monetization features and the company’s 50% cut, LIVE has become incredibly profitable for TikTok. The company estimates it could capture up to ██████████ a year from LIVE alone by ██████████. Some estimates show that TikTok’s revenue from live streaming is growing nearly twice as fast as its traditional advertising revenue,<sup>47</sup> primarily driven by its large commission on live stream “gifting.”<sup>48</sup>

61. Likely because of this lucrative revenue stream, TikTok continues to obfuscate and hide the truth about LIVE’s safety from consumers, including children, who enter the live streaming world.

***C. TikTok’s unregulated LIVE economy opens the door to criminals and fraud.***

62. LIVE is far from a safe place for users—particularly children—and these dangers are no accident. The harmful and unconscionable acts on LIVE stem directly from TikTok’s in-app virtual economy, which has already facilitated billions of dollars in transactions. The money

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<sup>44</sup> *Turning Passion to Profit: WAYS TO MAKE MONEY ON TIKTOK LIVE*, TikTok, *supra* note 2.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> Chris Stokel-Walker, *TikTok’s Livestreaming Business Is Exploding*, Gizmodo (Oct. 13, 2022), <https://gizmodo.com/tiktok-live-revenue-growth-ads-business-1849652276>.

<sup>48</sup> *Id.*

is exchanged among users, stored on user accounts, and withdrawn from the platform, with little to no oversight, despite TikTok's control over the platform. This monetary scheme has fostered an alarming culture of exploitation and illegal activity.

63. TikTok has always allowed any user 13 and older to view LIVE videos. Over the years, TikTok has adjusted the minimum age requirements to host LIVE sessions and access monetization features. In December 2019, TikTok announced that users needed to be 18 or older to access monetization features (i.e., to purchase, send, and receive virtual Gifts). Before this date, users as young as 16 could receive gifts.<sup>49</sup> On October 17, 2022, TikTok further adjusted its policies so that the purported minimum age requirement to host LIVE changed from 16 to 18 or older for safety purposes.<sup>50</sup>

64. But these age restrictions are nothing more than hollow policy statements. Despite what TikTok claims, it refuses to enforce meaningful and effective oversight of users' ages. TikTok knows many users lie about their age and it does little to ensure its policies are adequately enforced and effective.

65. To meet industry standards, payment systems on digital platforms, like TikTok's, that facilitate the storage and exchange of money, must have safeguards to protect users and consumers. These safeguards are necessary to protect users and prevent criminal activity, such as money laundering and terrorism. For example, some jurisdictions require banks and peer-to-peer platforms (generally considered "money services businesses") to have adequate oversight, reporting, and consumer protection systems in place. While most of the virtual currency

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<sup>49</sup> *Updating our gifting policies to protect our community*, TikTok (Dec. 3, 2019), <https://newsroom.tiktok.com/en-gb/updating-our-gifting-policies>.

<sup>50</sup> *Enhancing the LIVE community experience with new features, updates, and policies*, TikTok (Oct. 17, 2022), <https://newsroom.tiktok.com/en-us/enhancing-the-live-community-experience>.

exchange that occurs on TikTok occurs on LIVE, TikTok has no auditing, documentation, or effective caps on the amount a user can spend or receive.

66. The Financial Crimes Enforcement Network (“FinCEN”), which is a part of the U.S. Treasury Department, defines money services businesses (the entities regulated under federal anti-money-laundering laws) to include those which administer and exchange “convertible virtual currency” or payments with an “equivalent value in real currency, or acts as a substitute for real currency”—criteria that match TikTok’s virtual currency system.<sup>51</sup> Under FinCEN’s guidelines, these entities are considered “money transmitters” and must follow federal anti-money laundering and counterterrorism laws. This includes registering and reporting to FinCEN, implementing an Anti-Money Laundering Program, and otherwise complying with the federal Bank Secrecy Act.<sup>52</sup>

67. Despite facilitating the two-way transfer of payments, also known as money transmission, TikTok is not registered as a money transmitter with FinCEN, as required by the federal Money Services Business Registration Rule, 31 C.F.R. § 1022.380.

68. FinCEN has even advised the public that convertible virtual currencies are being increasingly used for illicit activities. It writes, “the prevalence of unregistered CVC [convertible virtual currency] entities without sufficient AML [Anti-Money Laundering]/CFT [Countering the Financing of Terrorism] controls and the limited transparency of CVC transactions makes CVCs an attractive method of money transmission by those engaged in illicit conduct and other

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<sup>51</sup> *Application of FinCEN’s Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*, FinCEN (Mar. 18, 2013), <https://www.fincen.gov/sites/default/files/guidance/FIN-2013-G001.pdf>.

<sup>52</sup> *Advisory on Illicit Activity Involving Convertible Virtual Currency*, FinCEN (May 9, 2019), <https://www.fincen.gov/sites/default/files/advisory/2019-05-10/FinCEN%20Advisory%20CVC%20FINAL%20508.pdf>.

criminal acts” which include “human trafficking, child exploitation, fraud, extortion, cybercrime, drug trafficking, [and] money laundering . . . .”<sup>53</sup>

69. For these reasons, money transmitters are required to: (1) police their platforms for money laundering, sex trafficking, and other illegal acts; (2) maintain Know Your Customer (“KYC”) information; and (3) take other steps designed to catch and curtail illegal activity that harms the public and their customers.

70. TikTok appears to do little, if anything.

71. TikTok *admits that it was not in compliance with U.S. money transmitter laws.* In 2022, the company acknowledged that *it was not authorized to be engaging in money transmission, writing, “[United States] payment compliance is faced with three major challenges: 1) anti-money laundering (highly risky!); 2) user-to-user transactions without license; 3) TikTok [does] not have the license to have balances (stored value).”*

72. This admission was iterated by employees worried that TikTok’s *“revenue features may be treated as user direct transfer, which requires a Money Transmittance License that we do not have.”*

73. One year later, TikTok had still not registered with federal regulators and identified *“reduc[ing] payments compliance risks of MTL [Money Transmitter License] + Store Value”* as a goal for *“ensuring a sustainable LIVE gifting business model.”* It even recognized that it was *“not legitimate to handle user-to-user transactions”* under the U.S. regulatory framework.

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<sup>53</sup> *Id.*

74. Despite all these warnings, TikTok remains unregistered with the U.S. Treasury Department.<sup>54</sup>

75. Even if it were registered, TikTok has cautioned internally that it “lack[s] experienced legal and business team[s]” to ensure compliance with regulations and the company would “buckle under the weight of . . . compliance requirements.”

76. So, instead of compliance, TikTok tries to hide that it is engaging in money transmissions. It focuses on “add[ing] some other factors other than the amount/value of gifts received when distributing income to host” to “reduce the risk of virtual gifts being recognized as user-to-user transaction.” In other words, TikTok conceals that it is an unregistered money transmitter from federal regulators.

77. Because TikTok refuses to appropriately oversee virtual currency exchanges, every transaction that takes place on the platform avoids regulatory schemes designed to identify and stop sexual exploitation and other illicit activities, like money laundering, terrorism financing, drug sales, and illegal gambling—abhorrent conduct that TikTok is not only facilitating but also receiving huge profits from. Despite knowing this area is a “high money-laundering risk for TikTok LIVE,” TikTok never took meaningful measures to curb money laundering or illicit activities on LIVE.

78. TikTok admits it lacks adequate payment controls, even going so far as conceding that it facilitates money laundering. TikTok employees acknowledge internally that “[m]oney laundering is easier in live (higher priced gifts and [users] can give as many as wanted per

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<sup>54</sup> *MSB Registrant Search*, FinCEN, <https://www.fincen.gov/msb-state-selector> (last visited May 24, 2024).

session),” as well as because “video gifts caps total daily gift spend to \$500, this does not exist for live.”

79. In 2022, internal company-strategy documents identified the risk of the “real-time nature of livestreaming,” saying that “TikTok LIVE is lacking in areas such as . . . payment compliance.” One significant risk the document identified was that “[c]riminals can use the gifting feature of TikTok LIVE to engage in cross-border capital transfer or money laundering. We will face huge risks if [we] fail[] to fulfill necessary anti-money laundering obligations.”

80. Despite all this, TikTok LIVE’s CEO still found anti-money laundering failures “not a big deal.”

81. TikTok’s failures are proving to be significant and pervasive. As recently as 2023, TikTok compliance teams reported, “we have identified major money laundering criminal patterns on TikTok live platform.” Nevertheless, TikTok refuses to establish accurate bookkeeping, real-time suspicious payment monitoring for fraud and money laundering, timely reporting processes to law enforcement of suspicious transaction reports, KYC verification for all users, or even processes to keep banned users off the platform.

82. For example, TikTok conducted no KYC verification for users before 2022, and when it did begin basic KYC verification, it was to identify only “high-risk users.” As recently as last year, TikTok’s staff admitted that KYC processes for U.S. users were “limited,” leaving customers exposed to over 144,000 “high-risk” users on LIVE, with 2,000 of those located in the United States. In fact, TikTok users can still avoid these processes altogether if they deposit [REDACTED] or withdraw [REDACTED] in Coins per day, undermining the accuracy of the true count of high-risk individuals altogether.

83. Users can do more than just avoid KYC verification. [REDACTED]

[REDACTED]

84. Unfortunately, yet unsurprisingly, this has led to a proliferation of TikTok accounts being used by people facing sanctions, including people affiliated with the Russian government or terrorist groups like the Islamic State of Iraq and the Levant (“ISIL”). In fact, in 2022, Turkey’s Financial Crimes Investigation Board found ISIL benefitted from some of the approximately 1.5 billion liras (approximately \$82 million) that was transferred to U.S. and foreign TikTok LIVE users in a money-laundering and terrorist-financing scheme.<sup>55</sup>

85. TikTok not only masks this activity from regulators but also hides it from its most vulnerable and unsuspecting users. At no time has TikTok clearly told users—many of whom TikTok knows are children—that TikTok LIVE was littered with known criminals and that TikTok knows users are at heightened risk of fraud or financial crimes.

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<sup>55</sup> *Türkiye takes action against TikTok money laundering*, Daily Sabah (Aug. 29, 2022), [https://www.dailysabah.com/turkey/investigations/turkiye-takes-action-against-tiktok-money-laundering?gallery\\_image=undefined](https://www.dailysabah.com/turkey/investigations/turkiye-takes-action-against-tiktok-money-laundering?gallery_image=undefined).

***D. TikTok knows children are particularly vulnerable to LIVE's dangers.***

86. Children are uniquely vulnerable to online harms, especially those involving financial transactions. Children have difficulty conceptualizing the impact money can have on their lives, because most have never had to look at a bank account and figure out how to use that money to cover all their monthly expenses.

87. As the U.S. Consumer Financial Protection Bureau has stated: “Teens may act as ‘financial apprentices’ to the adults in their lives, [and] engage in experiential learning.”<sup>56</sup> Further, for teens (many of whom are on TikTok) “executive function skills, like self-regulation and the ability to stay focused, seem to develop at a slower pace and do not reach maturity until early adulthood. Therefore, “teens may display adult-level cognition in some settings but may **have difficulty controlling impulses, particularly during highly tempting situations.**”<sup>57</sup>

88. On a more practical level, children and teens are still forming life experiences necessary for their development and are highly impressionable. TikTok knows this and still employs its harmful design tactics for the sake of profit.

89. For example, TikTok knows “giftbaiting” (when users solicit and ask for Gifts in exchange for fulfilling promises during live streams) is a persistent issue on LIVE. TikTok knows that young users are especially vulnerable to a host’s enticements, which lure children into spending money without delivering the promised likes, shout outs, goods, or interactions.<sup>58</sup>

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<sup>56</sup> Consumer Fin. Prot. Bureau, *supra* note 27, at 14.

<sup>57</sup> *Id.* at 27 (emphasis added).

<sup>58</sup> Judy Tidy, *TikTok's young fans 'exploited' for digital gifts*, BBC (July 2, 2019), <https://www.bbc.com/news/technology-48725515>.



Research confirms this: studies show that younger generations report higher rates of victimization from online fraud—like giftbaiting—than adults.<sup>59</sup>

90. Since its start, TikTok has received complaints about young users being duped. In September 2018, a father complained that his ten-year old daughter was induced into spending over \$10,000 on Gifts to numerous users, writing his belief that “adults are targeting children on this application and attempting to solicit money from minors.”

91. Impersonations of celebrities, another popular form of giftbaiting on the platform, has been a “longstanding issue” where users “defraud fans and bait gifts.” Among the celebrities who have been impersonated are Dwayne “The Rock” Johnson, Chris Pratt, Charli D’Amelio (who has the second largest following on TikTok), and Bella Poarch (who has the most popular video on TikTok)—all of whom are popular with young audiences.<sup>60</sup>

92. Impersonation cases are rampant in part because TikTok fails to conduct KYC verification, leading moderators to struggle determining whether accounts belong to the actual host or someone pretending to be them. As a result, TikTok leaves itself unable to control fake accounts and has allowed large paydays to users for fraudulent impersonations of celebrities, with internal records showing that hosts were receiving up to one million dollars in Diamonds from unsuspecting users to be cashed out from the platform. Even worse, TikTok knows a majority of its viewers (60–90% by its own estimation) cannot recognize fake accounts.

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<sup>59</sup> A.W. Ohlheiser, *Gen Z falls for online scams more than then boomer grandparents do*, Vox (Sept. 21, 2023), <https://www.vox.com/technology/23882304/gen-z-vs-boomers-scams-hacks>.

<sup>60</sup> Satnam Narang, *TikTok LIVE Scams: Stolen Live Footage Used to Earn TikTok Gifts, Promote Scams to Make Money*, Tenable (Oct. 22, 2021), <https://www.tenable.com/blog/tiktok-scams-stolen-live-footage-used-to-earn-tiktok-gifts-promote-scams-to-make-money>.

93. When BBC investigated TikTok in July 2019 for exploitation of young users on the platform, TikTok publicly responded, “We do not tolerate behaviours that are deceptive in nature . . . . We will further strengthen our polices and product features.”<sup>61</sup> Despite saying this nearly five years ago and knowing the predatory and deceptive nature of these practices, TikTok continues to allow users of all ages to view LIVE content and allows children to Gift because of its ineffective age gate. In fact, in 2022, the company “deprecated” the policy limiting giftbaiting, formally permitting creators to engage in the practice.

94. TikTok lets its users, many of whom are children, freely interact with, and fall victim to, known criminals without warning because TikTok prioritizes preserving its cut of money transactions—which it perversely intends to be the main deterrent to money laundering. This strategy is not enough. Some employees noted that “previous investigations” show that even TikTok taking a large percentage of every transaction is not a “disincentive if the original money is coming from stolen credit cards, i.e., the criminals are not taking a financial ‘loss’ as it was not their money in the first place.” Other employees posited that taking 50% was not enough, but was adequate for limiting terrorism financing, writing, “I agree that 50% rev share isn’t enough to completely stop ML . . . right now 50% rev share is just a way to stop the bleeding, at least in the case where someone can freely move the money from a blacklisted country to the US via a long gifting path . . . without losing a penny.”

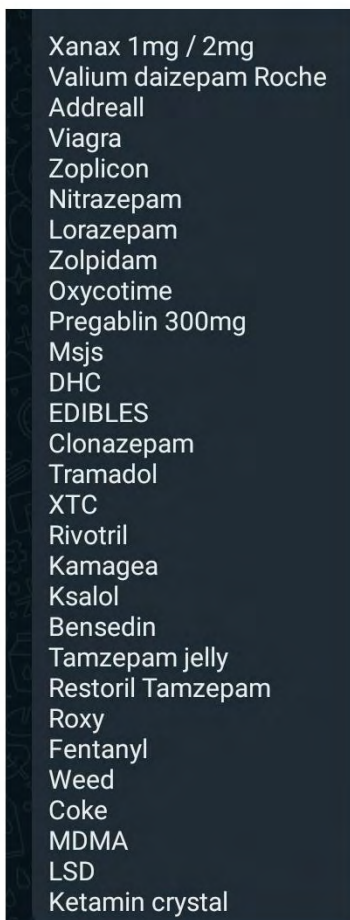
95. Despite disagreement over the deterrence value of its ongoing profiteering, what has been made clear is that TikTok continues to reap extraordinary financial gains from illegal transactions, while also routinely denying refunds to customers who have fallen victim to fraud as a result of its refusals to set up real-time transaction monitoring.

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<sup>61</sup> Judy Tidy, *supra* note 58.

96. TikTok also knows that LIVE facilitates other illegal activity. By as early as 2021, TikTok knew that drug trafficking was “becoming more prevalent” on the app.

97. These harms are already showing up at Utah’s doorstep. For example, a Division investigator confirmed that TikTok’s platform *easily* facilitates illegal drug sales in Utah. An investigator posed as a 17-year-old boy in Utah on TikTok, and after a single initial post on a message board asking for “plugs” (a euphemism for drugs), was quickly approached by dealers on the platform offering a laundry list of drugs for shipment. *See* Figure 12 below showing a list of drugs for sale on TikTok.



Xanax 1mg / 2mg  
Valium daizepam Roche  
Addreall  
Viagra  
Zopiclon  
Nitrazepam  
Lorazepam  
Zolpidam  
Oxycotime  
Pregablin 300mg  
Msjs  
DHC  
EDIBLES  
Clonazepam  
Tramadol  
XTC  
Rivotril  
Kamagea  
Ksalol  
Bensedin  
Tamzepam jelly  
Restoril Tamzepam  
Roxy  
Fentanyl  
Weed  
Coke  
MDMA  
LSD  
Ketamin crystal

**(Figure 12.)**

In another exchange with the same fake underage account, a TikTok user offered to deliver Xanax, Valium, and MDMA to the young user’s own home in Salt Lake City.

98. Similarly, in August 2019, TikTok’s analysis of user safety identified that there was “gambling in live streaming and betting by buying gifts.” This was again confirmed in 2022 when TikTok drafted a memo stating that “promotion of commercial gambling services” was a top “driver” of “badness”—or content that violated guidelines on the app—notably by Russian and Thai users using a VPN to “pretend to be US accounts,” in a likely attempt to target American users. Illegal gambling remained an issue as TikTok discussed its attempts to close gaps in its U.S. gambling policy last year.

99. Uniformly across all these dangerous activities—predatory gifting, money laundering, illegal gambling, and drug trafficking—TikTok rakes in large profits by taking a cut of each transaction.

100. Despite all of this knowledge, TikTok continues to market and misrepresent its app as a “welcoming, safe, and entertaining experience.”<sup>62</sup>

## **II. TikTok has long known LIVE is a haven for sexual exploitation of young users.**

### ***A. TikTok is failing to take appropriate or effective steps to protect children on LIVE.***

101. TikTok’s own definition of giftbaiting also includes users performing demeaning, gratuitous, and even obscene actions, like “exchang[ing] nudes/stripping behavior/sexual activity (intercourse, stimulation, allusive behavior)” as well as “sexually seductive movements (moaning/masturbating/fetish exposure/fetish outfit).”

102. Left without limits, and because of TikTok’s financial motivators and algorithmic boosters, TikTok LIVE has become a seedy underbelly of sexual exploitation.

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<sup>62</sup> *Community Guidelines*, TikTok (Apr. 17, 2024), <https://www.tiktok.com/community-guidelines/en/overview?cgversion=2024H1update>.

103. Contrary to representations that TikTok does “not allow content that may put young people at risk of psychological, physical, or developmental harm”<sup>63</sup>—the company knows LIVE operates in part like a virtual strip club, providing streamers with a performance stage, and allowing users to hand over virtual money. In countless live streams, minors have been encouraged by adults to—among other illicit acts—strip, spread their legs, and flash body parts to the camera, in exchange for virtual Gifts.

104. TikTok knows **giftbaiting** in exchange for sexualized behavior is happening and is dangerous to children. TikTok’s own Trust & Safety Team acknowledges that promises to share personal information or **“perform sexualized behavior in exchange for virtual items”** is:

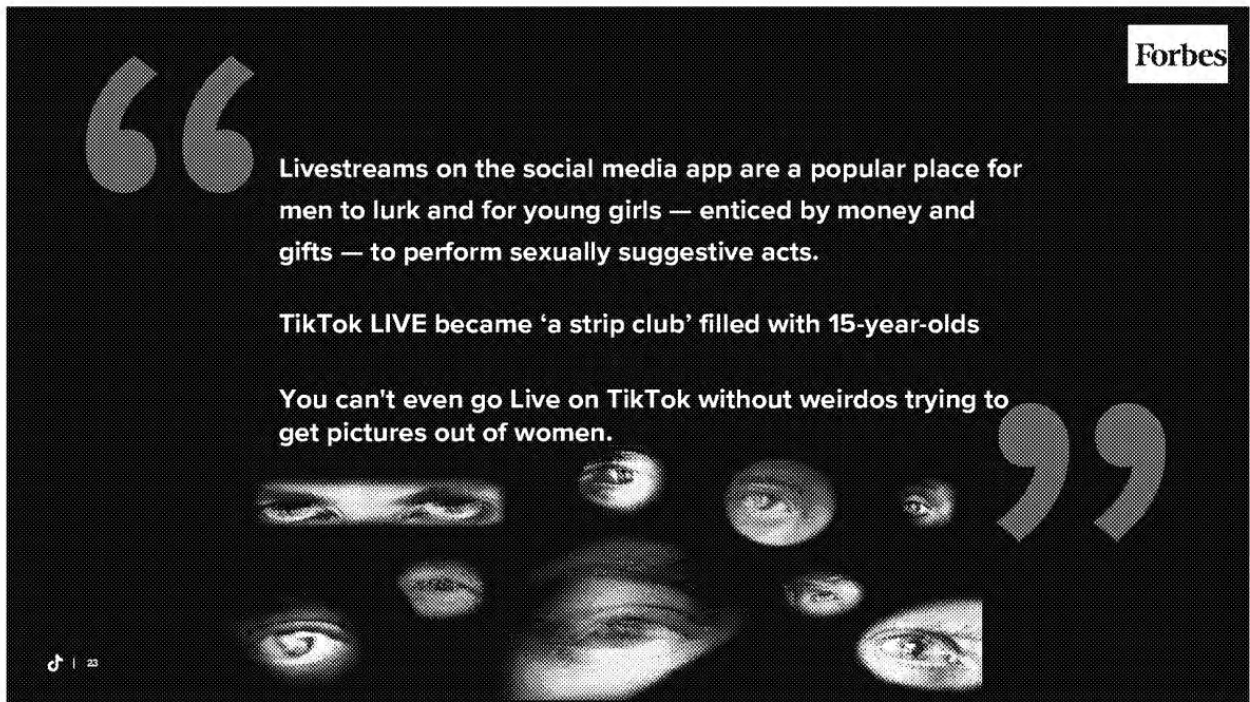
- a. **“Likely leading to moderate financial harm;”**
- b. **“Exposing minors to a misleading environment that encourages addiction and impulsive purchasing of virtual items;”** and
- c. **“Exposing minors to repeated sexualized content puts them at development risk.”**

105. All this was made public in April 2022, after Forbes reported that teens and other users were being sexually exploited over LIVE, including a fourteen-year-old who told viewers they were “paying [her] bills” in exchange for viewing nudity and more.<sup>64</sup>

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<sup>63</sup> *Youth Safety and Well-Being*, TikTok (Apr. 17, 2024), <https://www.tiktok.com/community-guidelines/en/overview?cgversion=2024H1update>.

<sup>64</sup> Alexandra S. Levine, *How TikTok Lives Became a ‘Strip Club Filled with Fifteen-Year-Olds,’* Forbes (Apr. 27, 2022), <https://www.forbes.com/sites/alexandralevine/2022/04/27/how-tiktok-live-became-a-strip-club-filled-with-15-year-olds/?sh=63b0efa762d7>.



(Figure 13.)

106. Publicly, the company responded to the Forbes article with this public statement, “TikTok has robust policies and measures to help protect the safety and well-being of teens . . . we immediately revoke access to features if we find accounts that do not meet our age requirements.”<sup>65</sup> This statement was false.

107. Internally, employees were unsurprised by the revelations. They and the company had long known about this issue.

108. After TikTok was alerted to the coming Forbes article, one employee remarked: “I think it’s the story we’ve been waiting for,” and “I’m expecting the worst.”

109. An internal study from December 2023, following the Forbes article, documented what TikTok admits is “the cruelty” of maintaining LIVE with its current risks for minors on the app. The study showed its LIVE feature had the following characteristics:

- a. “[H]igher proportion[s] of minor users”;

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<sup>65</sup> *Id.*

- b. **“Minor users are more likely to access high severity risk LIVE content than adult users”;**
- c. For violating content like **“[a]dult nudity and sexual activities (ANSA) . . . and minor-hosted LIVE rooms**, minor views are likely 2 times higher than other LIVE rooms”; and
- d. **“Minor users lack self-protection awareness and interact more with risky LIVE content.”**

110. Even before the Forbes story broke, TikTok knew about pervasive issues with transactional sexual content occurring during LIVE sessions, especially involving kids, through user complaints and internal safety reports.

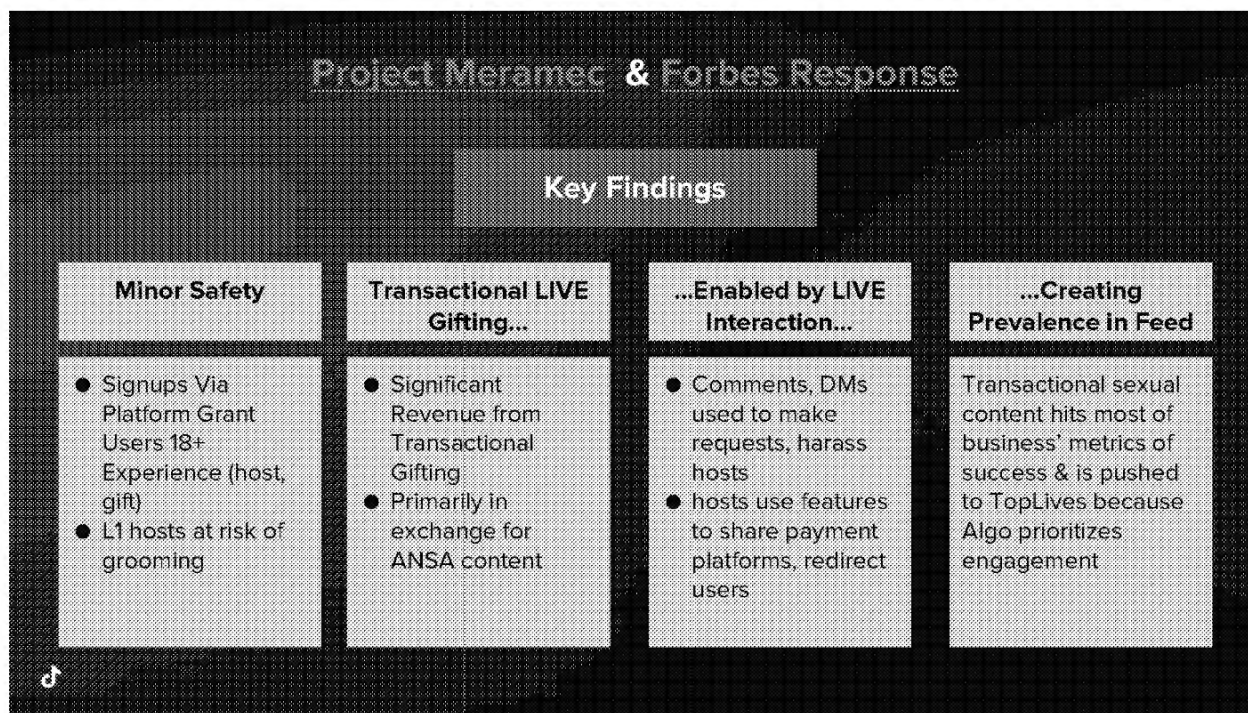
111. In February 2022, two TikTok leaders discussed the need to remove “egregious content from clearly commercial sexual solicitation accounts,” and were aware of issues with women and minors being sexually solicited through LIVE.

112. Even more insidious, these leaders knew about agencies that recruited minors to create Child Sexual Abuse Material and commercialized it using LIVE.

113. In another example from a March 2022 LIVE safety survey, users reported that “streamer-led sexual engagements (often transactional) [were] commonly associated with TikTok LIVE.” Users also reported “often seeing cam-girls or prostitutes asking viewers for tips/donations to take off their clothes or write their names on their body . . . .” That same month, TikTok employees admitted “cam girls” (or women who do sex work online by streaming videos for money) were on LIVE and that these videos had a “good amount of minors engaging in it.” TikTok leaders have known since at least 2020 that TikTok has “a lot of nudity and soft porn.” An internal document from May 2020 also highlighted concerns about “camming” becoming more popular as sex workers turned to online platforms during the COVID-19 pandemic.

114. TikTok has long known that virtual gifting is used as a predatory grooming tactic on LIVE. TikTok has internally acknowledged that “perpetrators tend to use tactics such as gift giving, flattery, and gifting money to win the trust of minors.”

115. In response to the Forbes article, TikTok also conducted a formal investigation into issues on LIVE called “Project Meramec.” TikTok shared the results of the investigation internally during a May 2022 “Safety Summit”:



(Figure 14.)

116. Project Meramec confirmed that young users well under the minimum age requirement could host LIVE sessions on TikTok. The study confirmed that in just the month of January 2022 alone, 112,000 “L1” users (i.e., a metric TikTok uses to categorize users between 13 and 15 years old) hosted LIVE sessions.

117. These underage users also received a significant number of direct messages from adult users, raising red flags to TikTok that these minors were likely being groomed by adults. Project Meramec revealed that TikTok received not only “significant revenue” from



“transactional gifting”—to the tune of one million Gifts in January 2022 alone—but also that this revenue was in large part generated through transactions for sexual content.

118. Project Meramec also confirmed that LIVE was profitable in part because TikTok’s algorithm was working as intended by amplifying popular content to prioritize engagement on its app: “[t]ransactional sexual content hits most of business’ metrics of success and is pushed to TopLives . . . .”

119. Given how lucrative LIVE is for TikTok, the company slow-rolled implementing safety measures, and once it did, these measures proved largely ineffective at keeping pace with the growing popularity of LIVE. This was by design—LIVE was “such a huge part of the strategy for the [TikTok app]” that TikTok employees recognized they “d[id not] know” if they could “reasonably expect to increase limitations for LIVE” even in February 2022, and even after recognizing that “it is irresponsible [of TikTok] to expect that users will use LIVE wisely.”

120. In other words, LIVE was too profitable to be interfered with, even to protect children.

121. In May 2022, after the Forbes article came out, TikTok took steps to evaluate how “valuable” its underage LIVE hosts were *before* it would decide to make safety changes to the feature, like increasing the minimum age requirement from 16 to 18. It found 384,833 hosts were 16 to 17—as far as TikTok was aware—and they spent over *seven million minutes* streaming themselves on LIVE.

122. Despite learning that there were a “high” number of underage hosts on the platform and that these minors were receiving problematic messages from adult users, TikTok waited *six months* before raising the minimum age for a user to host a LIVE session from 16 to 18.

123. But raising the minimum age from 16 to 18 did nothing to solve the problem. TikTok’s age-gating is ineffective, and many kids still join LIVE events daily. TikTok also chose to forgo reasonable safety measures, prioritizing profits over safety, allowing unrestrained transactional sexual content and other illicit activities to thrive.

124. As a result, these activities have not just continued—they have exploded as LIVE has become even more popular. In 2023, a TikTok senior director was alerted by advocates who had noticed an increase in “teens in overtly sexualized situations on live streams controlled by someone older than 18 who is collecting money from viewers while the teen performs sexually suggestive acts.” The advocates said they reported the streams through TikTok’s internal reporting tools, but TikTok found they did not violate its policies.

125. Even after the Forbes story, sexual exploitation on LIVE continues to proliferate. In September 2022—five months after the Forbes story—an investigator found that “within minutes of browsing the [LIVE] feed” they were shown underage girls providing sexually suggestive content in exchange for money and young boys using filters to pose as girls to receive Gifts.<sup>66</sup>

126. The investigator also found a “never-ending stream” of hosts who openly admitted that they were 14 and 15 years old while also “holding signs” or “standing in front of the camera” with a sign saying “Rose = say daddy,” “ice cream = 360 spin,” or “universe = cut shirt.” *See supra*, Gift Emojis in Figures 6 and 7 above. These symbols alluded to the Gifts that corresponded to each sexually suggestive act—payments the investigator deemed to be “built for obfuscation.”<sup>67</sup>

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<sup>66</sup> Upper Echelon, *TikTok Is Poisoning Society*, YouTube (Sept. 13, 2022), <https://youtu.be/qbv-VteX5H8?feature=shared>; *see also* TT-UT-AG-000078784.

<sup>67</sup> *Id.*

127. As the investigator continued viewing, he describes being “bombarded” by a stream of underage hosts who “did spins, bent over on camera, lifted their shirts, or engaged in other clearly suggestive content directly for money” with a chatroom of users trying to view them in compromising positions.<sup>68</sup>



(Figure 15.)

128. The investigator also documented the coded language which viewers used to have underage girls perform for them, including “fit check” which means lift your shirt to show your stomach; “you forgot something” or “get something from the back” which means walk away and show your rear; “outfit check” where girls would back up to show their entire bodies; and “feet check” or “toe ring check” to show their feet. In his words, these LIVE streams were “overrun” with paying viewers.<sup>69</sup>

129. Even when the investigator created a new test account, it quickly fell into a similar pattern and recommended exploitative content. This rapid escalation to sexually exploitative content on LIVE has been confirmed elsewhere. Just last year in April 2023, CNN

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<sup>68</sup> *Id.*

<sup>69</sup> *Id.*

created a test account for a 14-year-old. After just 17 minutes of use on the first day, the account was flooded with sexually suggestive LIVE recommendations in the For You Feed on the user's account. These included LIVE videos of a girl in short shorts with the reporter stating, "all we're really seeing is this girl's bottom in the frame, it looks like that's the point of this video."<sup>70</sup>

130. This rampant sexually exploitative content reveals not only the lack of control TikTok has exercised over LIVE, but also the extent to which exploitative content drives the entire success of LIVE.

***B. TikTok has used manipulative "dark patterns" to keep underage users on LIVE, while pretending it is policing LIVE.***

131. TikTok has refused to implement reasonable safety measures to protect underage users or warn them of the dangers of LIVE. Instead, it has put in place "dark patterns" meant to provide a façade of safety while making sure underage users can have unfettered access to LIVE.

132. In part, this is because TikTok recognizes internally that its age-gating is ineffective and that TikTok's own moderation efforts on LIVE are ineffective and inconsistently applied, and TikTok hides this information from users and the public. TikTok knows this is particularly true for children, admitting internally: (1) "Minors are more curious and prone to ignore warnings" and (2) "Without meaningful age verification methods, minors would typically just lie about their age."

133. First, TikTok markets an array of tools to consumers meant to "Keep Your LIVE Safe" that the company knows do not work—in part because of users' low adoption rates.<sup>71</sup> But the low adoption rates are by design. TikTok is aware users do not use these features but will not

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<sup>70</sup> CNN Takes Over a 14-Year-Old's TikTok Account. 17 Minutes In, This Is What We Saw, CNN (Apr. 20, 2023), <https://www.cnn.com/videos/business/2023/04/18/teen-tiktok-experiment-clare-duffy-zw-orig.cnn-business>.

<sup>71</sup> LIVE Safety Features: Tools to Keep Your LIVE Safe, TikTok (Oct. 21, 2022), <https://www.tiktok.com/live/creators/en-UK/article/live-safety>.

adequately inform users about them: “Despite some awareness, most users have little experience using the community tools TikTok LIVE offers. Despite welcoming the idea, users currently lack a ‘reference point’ on how to use these tools and how they may be effective.”

134. For example, as of April 2023, TikTok knew that “keyword filters,” a feature which allows users themselves to block certain words through LIVE’s comment function, needed to add more “keyword signals” for minor safety. TikTok also knows that the “mute” function, which lets LIVE hosts mute viewers that they find abusive, had an incredibly low adoption rate: “Our data confirms this: [REDACTED]. We’re working on features to address education to users and make our tools more suggestive.”

135. TikTok has also disincentivized use of its self-report feature, through which TikTok allows users to report LIVE sessions for Community Guideline violations or to indicate that they are not interested in viewing similar content, because users lack confidence in TikTok’s ability to adequately enforce its policies. “Viewers tend to quickly swipe to the next LIVE instead of ‘reporting’ or [selecting] ‘not interested,’ as the general perception is that they are not effective (slow, ambiguous platform response).”

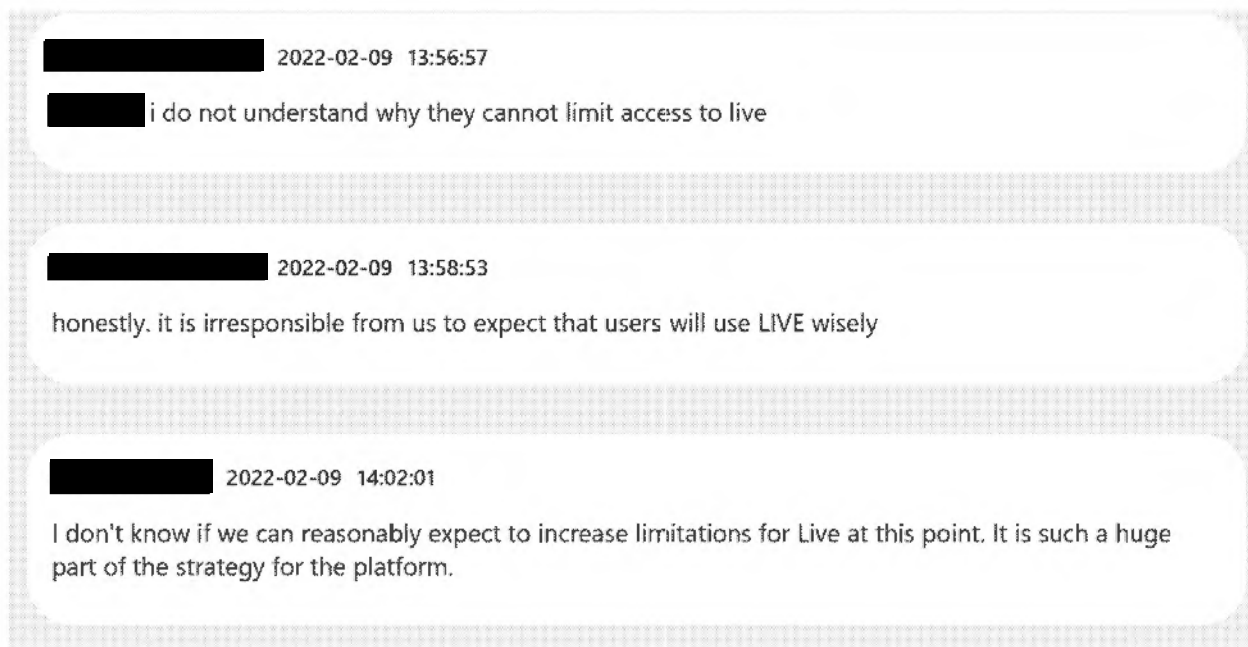
136. *Second*, while publicly touting its age-gating, TikTok internally admits it has difficulty determining who its users are. As one TikTok employee wrote: “I feel that we are in a classic dilemma. . . . We as a platform, we do not know who our users are, including age unless the user report[s] proactively.”

137. TikTok employees have consistently recognized the dangers of its open-door policy for underage users on LIVE, and yet the company refuses to enact adequate controls. In a document from June 2022, the company admitted that it “lack[ed] identity verification mechanisms” which meant that it could not “systematically prevent minors from going LIVE or

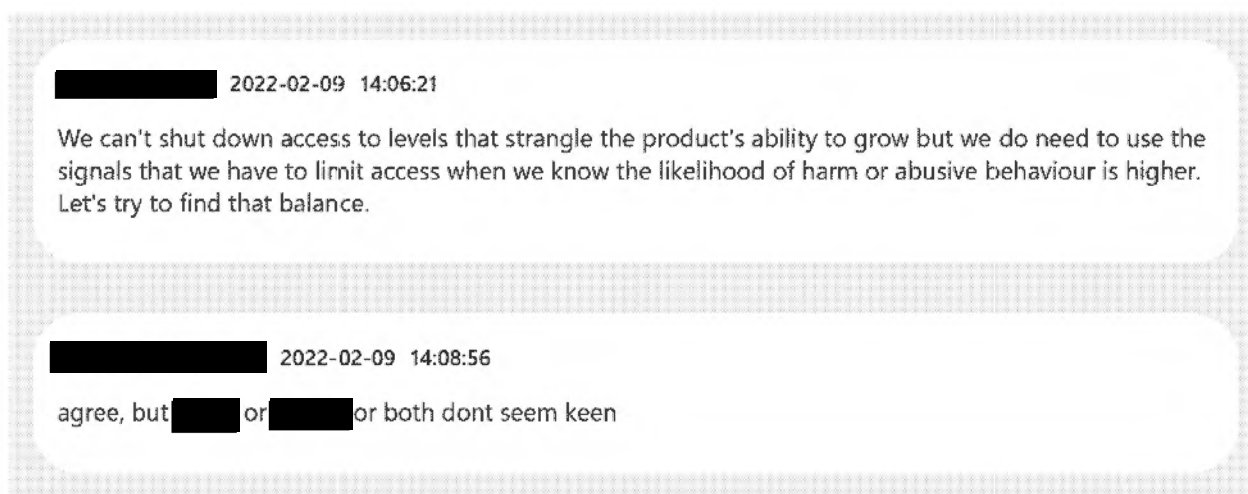
sending virtual gifts.” Documents from the same time showed that the company’s policies were failing and admitted that minors were bypassing age restrictions and “easily accessing Livestream feed.” For instance, a “key issue” on LIVE included the fact that minors “ [REDACTED] [REDACTED] [REDACTED]” Despite the ubiquity of this old tactic, TikTok is found obstinate or flat footed and decided that [REDACTED] [REDACTED]

138. In reaction to the “highly visible” prevalence of sexually suggestive content on LIVE, TikTok leaders suggested as early as December 2021 that access to LIVE should have a “much much higher bar” and be limited to “people who have demonstrated they are responsible and can create good content.”

139. Despite acknowledging how downright “irresponsible” it would be to expect that users will use LIVE wisely without appropriate safeguards in place, company leaders have admitted internally that the company placed profits over the safety of consumers. See Figures 16 and 17 below showing a February 2022 internal chat exchange between [REDACTED] [REDACTED]



(Figure 16.)



(Figure 17.)

140. Also, while publicly touting the “robust” measures the company employed for child safety in response to the Forbes story,<sup>72</sup> TikTok confirmed internally that it had “no age-related feed strategy.” Rather, even when a TikTok employee found “numerous under 18s on LIVE,” that employee could not get the accounts banned because “policy is clear that although they’re suspected of being under 18 they won’t be banned.”

<sup>72</sup> Levine, *supra* note 64.

141. These failures have held true since the early days of LIVE. In June 2021, a senior TikTok employee admitted that:

[a]t this point we have very limited options to protect minors from live content . . . . Currently we are NOT able to age gate livestreams because we do not have the functional capability to do so. We also do not have the ability to show warning screens. . . . Until we establish reliable content filtering strategies, we need to consider BLOCKING all L1s [13–15 year olds] from viewing (or interacting in any capacity) with Live.

142. On information and belief, formed through the Division’s investigation and public statements from TikTok, this blocking was never implemented, despite the company recognizing that these failures left TikTok “vulnerable.”

143. Even if TikTok had adequate procedures in place, it still proved willing to circumvent its own policies for its profit interests, particularly when popular influencers fell under its own minimum age requirements.

144. TikTok’s Community Guidelines have routinely changed over the years. The Community Guidelines currently read:

We are deeply committed to TikTok being a safe and positive experience for people under the age of 18 (we refer to them as “youth” or “young people”). This starts by being old enough to use TikTok. You must be 13 years and older to have an account . . . . To support a safe experience on LIVE, we restrict young people from using this feature. **You must be 18 years and older to go LIVE, and to send gifts to a creator during a LIVE session.**<sup>73</sup>

145. These policies do not adequately safeguard children and, furthermore, are not consistently applied. In 2020, TikTok unveiled an “internal program” to “protect creators and other accounts that [TikTok] deem to be high value.” The program featured policy shortcuts like “delayed enforcement,” “deferred policy decisions,” or “no permanent ban on Elite + Accounts,”

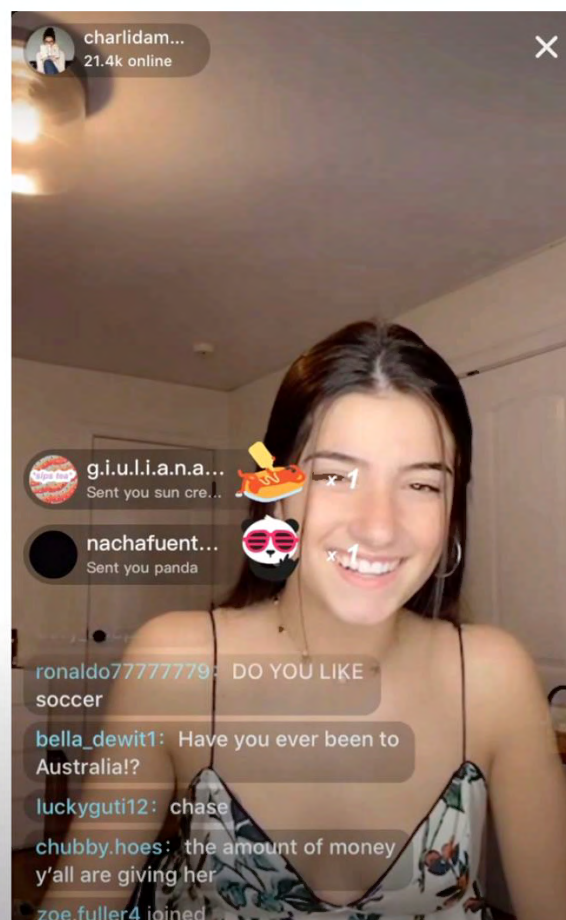
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<sup>73</sup> *Youth Safety and Well-Being*, TikTok, *supra* note 63; *Accounts and Features*, TikTok, <https://www.tiktok.com/community-guidelines/en/accounts-features?cgversion=2023#2> (last updated Apr. 17, 2024).



to protect its popular users who violate TikTok’s policies. TikTok deployed this look-the-other-way policy despite knowing that the “majority of elite accounts appear to run afoul of [TikTok’s] policies on sexually explicit content,” among other violations. Approximately 1,400 minors were considered “elite creators.”

146. For example, Charli D’Amelio, an incredibly popular TikTok creator with over 150 million followers, was frequently allowed to live stream at just 15 years old, despite the minimum age requirement to host on LIVE being 16. See Figure 18 below showing a recording of a LIVE video from December 16, 2019 of D’Amelio, who is now no longer a minor.<sup>74</sup> The video shows her receiving Gifts nearly every second.



(Figure 18. Charli D’Amelio LIVE, Dec. 16, 2019.)

<sup>74</sup> Baileyando, *Charli D’Amelio TikTok Livestream December 16, 2019*, YouTube (Dec. 16, 2019), <https://www.youtube.com/watch?v=OGCwBYHO7Uk>.

147. Because LIVE gifting makes TikTok so much money, TikTok executives have routinely applied pressure to reduce safety restrictions regardless of their impacts. For example, while the company was being alerted to sexual exploitation in LIVE, internal planning documents for the U.S. market from 2021 demonstrate that TikTok was focusing on increasing LIVE revenue to “\$750K/day” while also “reduc[ing] ban rates of LIVE creators.”

148. At critical points TikTok could have affirmatively taken steps to keep children off LIVE or, at the very least, implemented reasonable safety measures to keep them from engaging in sexual activity on LIVE. Instead, TikTok rejected these reasonable measures and product alternatives. For instance, its own Content Advisory Council experts recommended a seven-second delay akin to television broadcasting’s “profanity delay,” which would allow a short period for content moderation. Instead, TikTok’s product team told the experts that they were “unwilling to consider” the experts’ recommendation.

149. In 2023, U.S. users reported in a survey that 13.7% of LIVE streams contained what TikTok calls “adult nudity and sexual activity”—1.9% higher than the rest of the world. At the same time, TikTok cannot guarantee that this reported “nudity and sexual activity” on LIVE is actually performed by adults, rather than children.

150. As TikTok employees recognized, the company “created an environment that encourages sexual content . . . [The] Live Recommendation algorithm prefers feeds with gifts, so [it] incentivizes sexual content.”

**COUNT I**  
**Deceptive Acts or Practices**  
**Violation of Utah Consumer Sales Practices Act, Utah Code § 13-11-4.**

151. The Division re-alleges and incorporates all other paragraphs of this Complaint, as if fully set forth herein.

152. The goods, services, and software products TikTok provides are transferred and provided to users for personal, family, and household purposes, and therefore are consumer transactions.

153. TikTok regularly and in the ordinary course of business provides these goods, services, and software products to and for consumers, and therefore is a supplier under the UCSPA.

154. The UCSPA prohibits deceptive acts and practices by a supplier in connection with a consumer transaction, whether before, during, or after the transaction takes place, Utah Code Subsection 13-11-4(1), as well as sets out a non-exhaustive list of specific deceptive practices. Utah Code § 13-11-4(2).

155. By engaging in the acts and practices alleged in this Complaint, TikTok committed deceptive acts and practices, including by making or causing to be made to Utah consumers, directly or indirectly, explicitly or by implication, misrepresentations or omissions of material facts in violation of the UCSPA. Utah Code § 13-11-4(1) and (2).

156. These deceptive acts include that TikTok deploys a myriad of manipulative design tactics, known as “dark patterns,” intended to limit user agency, particularly children’s agency, and coerce them into making decisions on the platform they otherwise would not have.

These deceptive acts include:

- a. creating an intentionally confusing maze of virtual currency in which the monetary value of consumer’s purchases are left unclear and vague;
- b. deploying features like the “Gifter Level Up” program, “TikTok Subscription,” and “Match” program to manipulate users into making additional in-app purchases;
- c. failing to properly notify consumers that TikTok takes approximately a 50% commission of all virtual transactions; and

- d. implementing and marketing safeguards on LIVE that TikTok knows are defective and do not keep users safe, including an ineffective age-gate and features and/or safety tools including keyword filters, the mute function, and the self-report and not-interested features.

157. When consumers purchase Coins on the platform, TikTok gives no indication that the value of the Gifts the users will later exchange with hosts will be approximately half of the purchase price, with TikTok taking the other half. A reasonable consumer is misled by these practices, which is a deceptive practice and material omission in violation of the UCSPA. Utah Code § 13-11-4.

158. Moreover, TikTok fails to notify users that it carves out special exceptions and protections for certain users of high financial value to TikTok, which includes inconsistently applying its policies to users, including minor users and their parents.

159. TikTok fails to notify users—particularly children and parents—of the increased potential danger of kids being taken advantage of financially, including through TikTok’s virtual currency system, “giftbaiting,” and dangerous interactions with criminals on the platform, particularly when exchanging virtual currency, which is a deceptive practice and material omission in violation of the UCSPA. Utah Code § 13-11-4.

160. If users knew about TikTok’s lack of oversight, and the increased risk of harm, they likely would have used different social media services or opted out of engaging in transactions in TikTok’s virtual economy.

161. TikTok further compounds the injuries to users by affirmatively failing to refund money lost due to fraud that TikTok would have caught had it implemented adequate oversight protocols for its virtual currency.

**COUNT II**  
**Unconscionable Acts or Practices Concerning Sexual Exploitation and Other Illegal Acts**  
**Violation of Utah Consumer Sales Practices Act, Utah Code § 13-11-5.**

162. The Division re-alleges and incorporates all other paragraphs of this Complaint, as if fully set forth herein.

163. The UCSPA is a remedial statute intended “to be construed liberally . . . to protect consumers from suppliers who commit deceptive and unconscionable sales practices.” Utah Code § 13-11-2.

164. The goods, services, and software products TikTok provides are transferred and provided to users for personal, family, and household purposes, and therefore are consumer transactions.

165. TikTok regularly and in the ordinary course of business provides these goods, services, and software products to and for consumers, and therefore is a supplier under the UCSPA.

166. The UCSPA prohibits unconscionable acts and practices by a supplier in connection with a consumer transaction, whether before, during, or after the transaction takes place.

167. Utah public policy has established clear prohibitions related to the sexual exploitation of children, the distribution of pornography, and unlawfully profiting from illegal acts. For example, Utah law prohibits human trafficking for sexual exploitation, defined as when an actor “recruits, harbors, transports, obtains, patronizes, or solicits an individual” where the compulsion is accomplished by enumerated means, including causing or threatening to cause serious harm to any person, threatening to commit a crime against the person, and coercing a

person to engage in these acts in satisfaction of a debt owed, among other things. Utah Code §§ 76-5-308.1, -308.5.

168. Sexual exploitation includes, “all forms of commercial sexual activity” including and not limited to “sexually explicit performance,” “participation in the production of pornography,” and “exotic dancing or display” when the person acts under “force, fraud, or coercion.” Utah Code § 76-5-308.1.

169. Utah Code Section 76-5-309 establishes an offense where an “actor benefits, receives, or exchanges anything of value” from human trafficking for sexual exploitation.

170. Utah law prohibits the distribution of pornographic material, including liability for internet service providers who “intentionally engage, aid, or abet in the distribution of the pornographic material” or who “knowingly receive funds from or through a person who distributes the pornographic material in exchange for permitting the person to distribute, store, or cache the pornographic material.” Utah Code § 76-10-1204.

171. TikTok provides the venue—TikTok LIVE—and a currency—TikTok Coins—for which actors both pay for and profit from the sexual exploitation of children, including reported cases of trafficking and the distribution of pornographic material, as well as other illicit acts like money laundering, and drug sales. For each act, TikTok reaps as much as 50% profit and continued to do so after becoming aware of these activities and their prevalence on TikTok LIVE. Operating TikTok LIVE, and allowing it to be used for these activities, in addition to benefitting financially from these activities, is an ongoing unconscionable trade practice in violation of the UCSPA. Utah Code § 13-11-5.

172. To that end, TikTok creates and offers a virtual currency to users, yet fails to appropriately monitor its use. This includes TikTok structuring or obscuring the true nature of its

virtual currency to avoid registration with the U.S. Secretary of the Treasury’s FinCEN as a money transmitting business under 31 U.S.C. § 5330, despite admitting that it is unregistered and is required to be so.<sup>75</sup> TikTok also fails to comply with Bank Secrecy Act requirements including, and not limited to, monitoring for and reporting suspicious transactions<sup>76</sup> and instituting anti-money laundering systems. 31 U.S.C. § 5318(g)(1); 31 C.F.R. § 1022.320(a)(2). Finally, the Defendant fails to institute basic oversight, auditing, or reporting protocols to ensure that consumers are not at heightened risk of fraud or criminal activity on its platform—foreseeable consequences of these failures.

173. Utah law prohibits money laundering, or instances when someone “transports, receives, or acquires the property which is in fact proceeds of the specified unlawful activity” as well as when they “conduct[] a transaction knowing the property involved in the transaction represents the proceeds of some form of unlawful activity with the intent . . . to avoid a transaction reporting requirement under this chapter or under federal law.” Utah Code § 76-10-1903.

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<sup>75</sup> The term “money transmitting business” means any business other than the United States Postal Service which—(A) provides check cashing, currency exchange, or money transmitting or remittance services, or issues or redeems money orders, travelers’ checks, and other similar instruments or any *other person who engages as a business in the transmission of currency, funds, or value that substitutes for currency, including any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institutions system*; (B) is required to file reports under section 5313; and (C) is not a depository institution (as defined in section 5313(g)). 31 U.S.C. § 5330(d)(1) (emphasis added).

<sup>76</sup> A transaction is “suspicious” if the transaction: (a) involves funds derived from illegal activity; (b) is designed to evade reporting requirements; (c) has no business or apparent lawful purpose, and the Money Services Business (“MSB”) knows of no reasonable explanation for the transaction after examining the available facts, including background and possible purpose; or (d) involves use of the money service business to facilitate criminal activity. 31 U.S.C. § 5318(g)(1); 31 C.F.R. § 1022.320(a)(2)(i)-(iv).

174. TikTok allows its currency to be used to make illegal sales and launder money while continuing to profit from each unlawful transaction. TikTok knowingly operates as an unregistered money services provider, permits sales through an unmonitored virtual currency, fails to monitor for money laundering, and benefits financially from illegal transactions. All these acts are unconscionable trade practices in violation of the UCSPA. Utah Code § 13-11-5.

175. At all times relevant to this Complaint, TikTok was aware of sexual exploitation, trafficking, distribution of pornography, money laundering, and other illicit acts occurring on TikTok LIVE, and exercised control over the design and implementation of TikTok LIVE. Further, TikTok was aware that its virtual currency has been and is being used to facilitate illegal activity, and exercised control over the design and implementation of its virtual currency and the app on which the currency is exchanged.

176. TikTok directly profits from its virtual currency and has continued to profit despite knowing its currency was being used for illegal activities, including, and not limited to, sexual exploitation, trafficking, the distribution of pornography, money laundering, and other illicit activities occurring on TikTok LIVE.

#### **PRAYER FOR RELIEF**

**WHEREFORE**, the Division respectfully requests this Court enter a judgment in its favor and grant relief against Defendant as follows:

- a. Preliminarily or permanently enjoin Defendant, in accordance with Utah Code Subsection 13-11-17(1), from violating the UCSPA;
- b. Order Defendant to pay restitution and actual damages on behalf of consumers well in excess of \$300,000, in accordance with Utah Code Subsection 13-11-17(1)(c);
- c. Order an equitable accounting of Defendant's revenue from LIVE in Utah, and order disgorgement of all amounts gathered in connection with illegal activity, well in excess of \$300,000;



- d. Order the payment of civil penalties well in excess of \$300,000, as permitted by statute in accordance with Utah Code Subsection 13-11-17(1), for Defendant's violations of the UCSPA;
- e. Award the Plaintiff the costs of this action, their investigation, and reasonable attorney's fees, in accordance with Utah Code Section 13-11-17.5; and
- f. Grant any further relief as the Court deems just and proper.

**JURY DEMAND**

The Division demands a trial by jury by the maximum number of jurors permitted by law for all claims and issues triable by jury.

Respectfully Submitted,

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