

# FTC Concentrating Enforcement Efforts on Use of AI in Operation AI Comply

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The Federal Trade Commission (FTC) has initiated a new “law enforcement sweep called [Operation AI Comply](#).” The operation shows that the FTC is serious about protecting consumers from companies that use artificial intelligence (AI) tools and services to “trick, mislead, or defraud people.” Such conduct is “illegal,” and in announcing the first five enforcement actions against companies alleged to have used AI to deceive consumers, the FTC stated that its “enforcement actions make clear that there is no AI exemption from the laws on the books. By cracking down on unfair or deceptive practices in these markets, [the] FTC is ensuring that honest businesses and innovators can get a fair shot and consumers are being protected.”

The five companies the FTC targeted in the initial crackdown are DoNotPay, Ascend Ecom, Ecommerce Empire Builders, Rytr, and FBA Machine.

DoNotPay “promised that its service would allow consumers to ‘sue for assault without a lawyer’ and ‘generate perfectly valid legal documents in no time,’ and that the company would ‘replace the \$200-billion-dollar legal industry with artificial intelligence.’” The FTC alleges that “the company did not conduct testing to determine whether its AI chatbot’s output was equal to the level of a human lawyer, and that the company itself did not hire or retain any attorneys.” DoNotPay has agreed to pay a fine of \$193,000, provide notice to consumers who subscribed to the services informing them of the limitations of the services offered, and prohibits the company from “making claims about its ability to substitute for any professional service without evidence to back it up.”

The FTC has filed a lawsuit against Ascend Ecom, which the FTC alleges falsely claimed that it uses AI-powered tools to “help consumers quickly earn thousands of dollars a month in passive income by opening online storefronts.” According to the FTC’s complaint, “the scheme has defrauded consumers of at least \$25 million.” The suit against Ascend Ecom is ongoing.

The FTC alleges that Ecommerce Empire Builders falsely claimed “to help consumers build an ‘AI-powered Ecommerce Empire’ by participating in its training programs that can cost almost \$2,000 or by buying a ‘done for you’ online storefront for tens of thousands of dollars. The scheme, known as Ecommerce Empire Builders (EEB), claims consumers can potentially make millions of dollars, but the FTC’s complaint alleges that those profits fail to materialize.”

According to the FTC's complaint, the CEO of EEB has used consumers' money "to enrich himself while failing to deliver on the scheme's promises of big income by selling goods online. In its marketing, EEB encourages consumers to 'Skip the guesswork and start a million-dollar business today' by harnessing the 'power of artificial intelligence' and the scheme's supposed strategies." Despite promises made to consumers that they can make \$10,000 a month, consumers have complained that they have made little or no money, and that "the company has resisted providing refunds to consumers, either denying refunds or only providing partial refunds." The FTC successfully obtained a temporary restraining order against EEB, and the litigation is ongoing.

The FTC has also filed a complaint against Rytr, which markets and sells an AI generated writing assistant services for testimonials and reviews. Consumers can subscribe to the service and use it to generate consumer reviews. The FTC alleges in its complaint against Rytr that the generated reviews "almost certainly would be false for the users who copied them and published them online. In many cases, subscribers' AI-generated reviews featured information that would deceive potential consumers who were using the reviews to make purchasing decisions. The complaint further alleges that at least some of Rytr's subscribers used the service to produce hundreds, and in some cases tens of thousands, of reviews potentially containing false information." The complaint alleges that Rytr violated the FTC Act by "providing subscribers with the means to generate false and deceptive written content for consumer reviews" and that Rytr "engaged in an unfair business practice by offering a service that is likely to pollute the marketplace with a glut of fake reviews that would harm both consumers and honest competitors."

The FTC has also successfully obtained a temporary restraining order against FBA Machine alleging, that it "falsely promised consumers that they would make guaranteed income through online storefronts that utilized AI-powered software. According to the FTC, the scheme, which has operated under the names Passive Scaling and FBA Machine, cost consumers more than \$15.9 million based on deceptive earnings claims that rarely, if ever, materialize." The scheme promised consumers that they could make over \$100,000 a month and that the business was "risk-free." It "falsely guaranteed refunds to consumers who did not make back their initial investments, which ranged from tens of thousands to hundreds of thousands of dollars." [EM1] These cases show that the FTC is concentrating on companies that tout the use of AI to defraud consumers. It also illustrates how fraudsters are using the hype of AI to defraud consumers, and how critical it is for consumers to be aware of new schemes using new technology like AI.

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