

**FEDERAL TRADE COMMISSION
BUREAU OF CONSUMER PROTECTION
WASHINGTON, D.C.**

RE: Online Event Ticket Workshop)
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ATTORNEY GENERAL OF ARIZONA COMMENT

The Office of the Arizona Attorney General is the chief consumer protection agency in the State of Arizona, with power to enforce Arizona’s consumer protection statute, A.R.S. § 44-1521, *et seq.* Like the Federal Trade Commission, the Arizona Attorney General’s Office has broad enforcement and remedial authority as part of its consumer protection mandate. *See* A.R.S. §§ 44-1524; 44-1526 – 44-1528; 44-1531 – 44-1534.

In view of the shared mandate and similar authority of the two agencies, and the request for comment on the online event ticket marketplace, Arizona Attorney General Mark Brnovich wishes to take this opportunity to raise the issue of fake events—events that sell advance tickets but never occur at all. The Arizona Attorney General’s Office has recently discovered a significant increase in fake events and has taken a leading role in not only investigating fake events after they happen, but striving to identify fake events and warn consumers before additional tickets are purchased.

It appears that scammers selling tickets to fake events may have previously evaded the Commission’s oversight, in part because the amount lost by consumers for any given event can be relatively small and the losses can appear to be unrelated. But given the rise in these fake events and the high likelihood of repeat offenders in this arena, Arizona Attorney General Mark

Brnovich urges the Commission to add fake events as a discussion topic to the March 27, 2019 workshop, educate consumers about fake events, and take a more active role to investigate and prosecute the organizers of fake events.

I. Recent Fake Events in Arizona

Arizona Attorney General Mark Brnovich has taken a leading role in investigating, prosecuting, and flagging fake events. Three examples are listed below.

A. The “Crab and Lobster Feast” Scam

On September 2, 2018, consumers from all over Arizona drove to an address in Phoenix, looking forward to an all-you-can-eat “Crab and Lobster Feast.” Consumers had bought tickets to this event for \$30 or more online before the event occurred, via a professional-looking website found at <https://www.crabandlobsters.com>.¹ But when consumers arrived at the designated address at the appointed time, they were shocked to find only an empty parking lot.

Some of the victimized consumers complained to the Arizona Attorney General’s Office. Thereafter, using its investigative tools, the Office discovered that the organizers of the Crab and Lobster Feast were organizing dozens of other fake 5K race events across the country under the guise of a seemingly unrelated company, “Fantasy and Fear.”² The Office reached out to consumers who had signed up for some of the early 5K races in other states and discovered that those consumers had paid \$30, but never received their race shirt, and no races were held on the listed date at the prescribed location. Arizona Attorney General Mark Brnovich then issued a warning to Arizona consumers about three upcoming 5K races, and worked with the websites

¹ <https://www.abc15.com/news/region-phoenix-metro/central-phoenix/dozens-say-they-were-scammed-by-crab-and-lobster-feast-in-phoenix>

² <https://www.azcentral.com/story/money/business/consumers/2018/09/29/company-sells-tickets-fake-5-k-fun-runs-seafood-dinner-events-arizona-fantasy-fear-attorney-general/1449759002/>

hosting ticket sales for the races to take down all sales links for these events supposedly scheduled to take place across the country.³

The Arizona Attorney General's Office continues to investigate this matter, and believes that these same scammers have been responsible for other past scams and have future scams planned. We have also referred this matter to the Commission for review.

B. The "Michelle Obama" Conference Scam

In August 2018, the Arizona Attorney General's Office began to look into a local women's conference, supposedly set to occur in late September. The conference was being touted as featuring politicians and celebrities including Michelle Obama and Angela Ducey (wife of Arizona Governor Doug Ducey). The organizer also attempted to boost ticket sales by advertising that a Maserati would be raffled away at the conference. The Office confirmed that neither woman was attending the conference, that the supposed conference location had no knowledge of the conference, and that the pictured Maserati did not belong to the conference organizer or anyone affiliated with her.

Once again, Arizona Attorney General Mark Brnovich sounded the alarm about this conference and warned legitimate websites that the conference appeared to be a scam.⁴ The organizer publicly denied any wrongdoing, but admitted that the Maserati did not exist and that the listed guests had not said they would attend. Though the organizer insisted in media reports that the event would still occur as planned, days before the conference was supposed to be held, it was quietly rescheduled.

³ <https://www.azag.gov/press-release/ag-brnovich-warns-about-upcoming-5k-races-tucson-chandler-and-mesa>

⁴ <https://www.azag.gov/press-release/ag-brnovich-warns-about-falsely-advertised-womens-conference>

C. BTW Cruises

In 2014 and 2015, a company known as BTW Cruises or BTW Concerts promoted and sold tickets for a chartered cruise and a three-day music festival. Neither event ever occurred, but the company failed to provide refunds. Attorney General Brnovich pursued this matter as well and settled with the company after it agreed to provide full refunds to all victimized consumers.⁵

II. Increases in Fake Events Nationwide

In investigating the Crab and Lobster Feast scammers, the Arizona Attorney General's Office discovered that fake events have begun to occur more often in recent years, and that scammers are increasingly using the Internet to scam consumers remotely and anonymously.

Most of the scams related to fake food festivals. Examples include:

- **Modesto Beer and Bites Festival:** In early 2015, a beer and seafood festival in California never took place.⁶
- **Super Crab:** In 2015 and 2016, a series of crab feasts across the Southwest failed to occur after ticket sales.⁷ Tickets were sold through Active.com, a website that allows people to buy tickets for races and other local events.⁸
- **Crab Holiday:** In 2017, crab feasts in California sold tickets but never occurred.⁹
- **Mo's Crab and Chowder Fest:** In early 2018, crab and chowder events in Kansas

⁵ <https://www.azag.gov/press-release/ag-brnovich-obtains-refunds-arizonans-after-canceled-concerts>

⁶ <https://www.modbee.com/news/local/crime/article36343113.html>

⁷ <https://www.sacbee.com/news/local/article50827610.html>

⁸ <https://www.active.com/los-angeles-ca/super-crab-2015>

⁹ <https://www.sandiegoreader.com/news/2017/feb/23/stringers-crab-feast-too-delicious-be-true/#https://www.10news.com/news/local-woman-buys-tickets-to-all-you-can-eat-crab-festival-learns-event-was-never-going-to-happen>

City and Sioux Falls never materialized.¹⁰

- **Sushi Fest:** In May 2018, a sushi fest in Sacramento did not happen. The event was supposedly rescheduled, but appears to have never taken place.¹¹
- **Chicago Taco Fest:** In June 2018, a taco festival in Chicago did not take place, even though over 1,000 people had RSVP'ed on the event's Facebook page.¹²

Tickets ranged from \$20-\$100, typically at a price low enough to incentivize a purchase but not so low as to raise suspicion. Tickets were sold online using a variety of methods, including Groupon, Facebook, Active.com, BrownPaperTickets, and individual websites that would pop up to sell tickets and then usually disappear after the scam became apparent. Advertisements for the events used these same platforms, but also popped up in local newspapers, on local radio stations, and on local websites.

III. Explanations for the Increase in Fake Events

A. Fake Events Are Profitable and Easier Than Ever to Set Up

The increase in fake events appears to be directly correlated to the ease with which a person can create a fake event and list it on legitimate sites like Facebook and Active.com. Setting up a fake event can be as simple as picking a fake company name, setting up a fake email address, buying a cheap domain name, customizing a pre-built website template, and pushing the fake event out to unsuspecting, legitimate platforms. It is very easy for scammers to list an event on a trusted site like Facebook or Active.com, but surprisingly difficult for consumers and law

¹⁰ <https://fox4kc.com/2018/01/15/scam-theres-no-40-mos-crab-chowder-fest-event-in-kansas-city/>
<https://www.argusleader.com/story/news/2017/11/08/sioux-falls-crab-feed-you-saw-thats-scam/844831001/>

¹¹ See "Bogus sushi fest deceives customers" <https://www.pressreader.com/usa/the-sacramento-bee/20180712/281771334990581>

¹² https://munchies.vice.com/en_us/article/59qkzn/chicago-taco-fest-turns-out-to-be-huge-scam

enforcement to get those platforms to take down scam events.

The cost of setting up an event is quite low, so low that only the rare fake event will fail to produce a profit. And there is a wide pool of potential victims—as demonstrated by the fake 5k runs, a scammer anywhere in the country can create dozens of fake events nationwide literally overnight. Even if each of the fake 5k runs were to only attract a few dozen victims, the scammers could easily clear tens of thousands of dollars.

B. Consumers Find Fake Events on Sites They Trust

To the Commission’s credit, it flagged the fake event issue in a consumer advisory in April 2016.¹³ But the problem of fake events cannot be simply solved through consumer education. Even if consumers know to avoid making a purchase through a website they have never heard of, consumers are more than comfortable buying tickets through trusted platforms like Facebook and Active.com. But when the event falls through, the organizers go dark, the platform takes no responsibility, and consumers are surprised to find out that they are without recourse. Even when consumers reported the fake 5k scam to Facebook and Active.com, neither site took down listings for future 5k races by the same company, with Active.com doing so only after receiving an investigative subpoena from the Arizona Attorney General’s Office.

Moreover, many tips previously given to consumers in articles about fake events, including those offered by the Commission, simply will not work against sophisticated scammers. For example, the Commission’s advisory in April 2016 recommended two tips. First, the Commission recommended that consumers look for the “name of the festival and/or its promoters in your search engine along with the words ‘scam,’ ‘fake,’ or ‘fraud.’” But with fake-event scammers routinely changing their name, searching for a new name along with “scam” will

¹³ <https://www.consumer.ftc.gov/blog/2016/04/eat-drink-and-be-wary>

not turn up results. Second, the Commission encouraged consumers to check for contact information, and make sure it works by sending an email. But in at least some of these cases, the email address does work, at least while tickets are being sold.

Other consumer tips have also become less useful. The BBB cautioned consumers in 2016 to look at the event organizer's website, checking to see if it looks professional and is secure (https).¹⁴ But it is now easier than ever to use free website templates to create a professional-looking, secure site, as demonstrated by the Crab and Lobster Feast site and the Fantasy and Fear site, both of which appear to be secure. The BBB also warned consumers to look out for prices that are too good to be true, but the prices for many of these events are in line with or only slightly lower than comparable, legitimate festivals.

Finally, even if consumers had the presence of mind to contact the event location and see if the event was scheduled, in some cases, scammers have actually put down deposits on event locations, correctly counting on still being able to make a profit through sales, with some of those sales generated through the advertising provided by the location itself.

The Arizona Attorney General's Office has been advising consumers not to purchase event tickets from companies they have never heard of. We encourage the Commission to get this message out to consumers as well.

C. Other Law Enforcement Agencies Have Not Prioritized Fake Events

Given the ease in creating profitable fake events and the issues with consumer education, enforcement becomes critical. But fake events have not been a law enforcement priority in recent years—although the Arizona Attorney General's Office took action on all of the Arizona cases

¹⁴ <https://www.bbb.org/council/news-events/bbb-scam-alerts/2016/05/festival-goers-fooled-by-fake-tickets-and-events/>

listed in Section A, to our knowledge, *none* of the events listed in Section B led to a law enforcement investigation or prosecution, despite occurring in various jurisdictions across the country.

The reluctance of some offices to investigate event issues is somewhat understandable. In the past, it was much more difficult to set up fake events, make a profit, and avoid being caught. Even when fake events started to emerge as a growing problem in 2016, they appeared to be isolated incidents spread out across the country. Individual law enforcement agencies might not be inclined to take action about a seemingly isolated fake event, especially one that could have been organized over the Internet from anywhere in the world. Even a federal law enforcement organization like the Commission may be tempted to brush off a few consumer complaints about an event that did not occur, especially when the event organizer name is not connected to any other fake events, and contact information for the organizer appears to be a dead end.

IV. Law Enforcement Must Prioritize Fake Events

But as the Arizona Attorney General's Office has discovered, a single fake event is often much more than it appears. Organizers of fake events can and do change names at the drop of a hat, and are driven to do so by the nature of their scheme. As soon as a fake company name is exposed as a scam, the scammers simply switch to another name. In fact, fake-event scammers will often set up fake names and websites in batches, switching between them as needed. And a scammer who gets away with one fake event will typically just set up another, and another, and another. As such, one seemingly isolated fake event (such as the Crab and Lobster Feast) can in fact be connected to years of fake events and countless sales.

As such, the Arizona Attorney General's Office urges other state attorneys general and the Commission to work together to vigorously investigate and prosecute fake-event scammers,

and to obtain restitution for victimized consumers.

V. Conclusion

Fake events are a growing problem that must be addressed through cooperation and collaboration by state and federal law enforcement. The Commission should address this issue at its March 2019 workshop, but the Commission should not wait until then to take action. The Commission ought to do more to educate consumers about fake events, and most importantly, to investigate and prosecute fake-event scammers.


MARK BRNOVICH
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