

**UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION**

**COMMISSIONERS:**      **Lina M. Khan, Chair**  
                                  **Noah Joshua Phillips**  
                                  **Rebecca Kelly Slaughter**  
                                  **Christine S. Wilson**  
                                  **Alvaro M. Bedoya**

**In the Matter of**

**DRIZLY, LLC, a Limited Liability Company,**

**and**

**JAMES CORY RELLAS, individually, and as an  
officer of DRIZLY, LLC.**

**DOCKET NO.**

**COMPLAINT**

The Federal Trade Commission (“FTC”), having reason to believe that Drizly, LLC, a limited liability company, and James Cory Rellas, individually and as an officer of Drizly, LLC (collectively “Respondents”), violated provisions of the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1), and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Drizly, LLC (“Drizly”) is a Delaware limited liability company with its principal place of business at 501 Boylston Street, Boston, MA 02216. Until October 13, 2021, Drizly was a subsidiary of The Drizly Group, Inc., a holding company. On October 13, 2021, Drizly, LLC became a wholly-owned subsidiary of Uber Technologies, Inc. (“Uber”).
2. Respondent James Cory Rellas (“Rellas”), is the Chief Executive Officer (“CEO”) of Drizly, LLC. Individually or in concert with others, he had the authority to control, or participated in, the acts and practices alleged in this complaint.
3. Respondents’ acts and practices as alleged in this Complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

**Summary of the Case**

4. Drizly failed to use appropriate information security practices to protect consumers’ personal information. These failures allowed a malicious actor to access Drizly’s consumer database and steal information relating to 2.5 million consumers, as described in greater detail below. Rellas is responsible for this failure, as he did not implement, or

properly delegate the responsibility to implement, reasonable information security practices. Indeed, as CEO of Drizly prior to and during the breach, Rellas hired senior executives dedicated to finance, legal, marketing, retail, human resources, product, and analytics, but failed to hire a senior executive responsible for the security of consumers' personal information collected and maintained by Drizly.

### **Drizly's Business Model and Operations**

5. Drizly operates an e-commerce platform that enables local retailers to sell alcohol online to consumers of legal drinking age. Retailers choose the products to offer and the prices to charge on the platform. When a consumer places an order through Drizly's website or one of Drizly's mobile apps, the retailer accepts the order and facilitates delivery of the purchase.
6. Drizly's platform includes tools to verify a consumer's age; monitor, track, and analyze orders; and support customer service. The platform also collects and stores both personal information that consumers provide and information that it automatically obtains from consumers' computers and mobile devices.
7. Drizly was founded in 2012 and now has more than 360 employees. The company maintains a headquarters in Boston, Massachusetts and an office in Denver, Colorado. It advertises itself as North America's "largest online marketplace for alcohol," partnering with more than 4,000 retailers across 1,600 urban and suburban markets. Drizly claims that it facilitates sales of alcohol for delivery in more than 33 states and the District of Columbia. It also claims that its retail partners saw average growth in 2020 of 350%, with an average monthly number of orders of more than 230 per store.
8. Rellas has been Drizly's Chief Executive Officer since August 2018. He was previously Drizly's Chief Operating Officer and is a co-founder of Drizly. At all times relevant to the allegations in this Complaint, Rellas had the authority to control, or participated in, Drizly's information security practices.

### **Drizly's Information Technology Infrastructure**

9. Drizly uses a third-party service called the Amazon Relational Database Service ("Amazon RDS") to host its production database environment (the software Drizly uses to operate its e-commerce platform). Amazon RDS is a cloud service provided by Amazon Web Services ("AWS").
10. Drizly's production environment includes a variety of applications and databases, some of which store personal information. These databases contain, among other things, names, email addresses, postal addresses, phone numbers, unique device identifiers, order histories, partial payment information, geolocation information, and consumer data (including, *e.g.*, income level, marital status, gender, ethnicity, existence of children, and home value) purchased from third parties. The databases also contain passwords that were hashed—converted into new values so as not to store the password itself in the database. The passwords were hashed using the bcrypt function or MD5, the latter of which is cryptographically broken, and widely considered insecure. This personal

information can be misused to facilitate identity theft and other consumer harm. Drizly's databases contain some or all of this personal information for more than 2.5 million consumers.

11. Drizly also uses the GitHub software platform ("GitHub") for the development, management, and storage of source code that supports the Drizly website and mobile apps. GitHub facilitates collaboration among developers, allowing them to store and share project files, including images, spreadsheets, and data sets, as well as the histories of all source code changes, in "repositories." Through its GitHub account, Drizly maintains a number of repositories that hold company data and projects, and which at one point improperly held AWS credentials, which could be used to access the company's production environment.
12. Drizly employees are required to use their personal GitHub accounts to access Drizly projects and data using GitHub, with the company granting those accounts access to its repositories.

### **Drizly's Information Security Practices**

13. Drizly failed to use reasonable information security practices to protect consumers' personal information. Among other things, Drizly failed to:
  - a. Develop adequate written information security standards, policies, procedures, or practices; assess or enforce compliance with the written standards, policies, procedures, and practices that it did have; and implement training for employees (including engineers) regarding such standards, policies, procedures, and practices;
  - b. Securely store AWS and database login credentials, by including them in GitHub repositories, and failed to use readily available measures to scan these repositories for unsecured credentials (such as usernames, passwords, API keys, secure access tokens, and asymmetric private keys);
  - c. Impose reasonable data access controls such as: (1) requiring unique and complex passwords (*i.e.*, long passwords not used by the individual for any other online service) or multifactor authentication to access source code or databases; (2) enforcing role-based access controls; (3) monitoring and terminating employee and contractor access to source code once they no longer needed such access; (4) restricting inbound connections to known IP addresses; and (5) requiring appropriate authentications between Drizly applications and the production environment;
  - d. Prevent data loss by monitoring for unauthorized attempts to transfer or exfiltrate consumers' personal information outside the company's network boundaries; continually log and monitor its systems and assets to identify data security events; and perform regular assessments as to the effectiveness of protection measures;

- e. Test, audit, assess, or review its products' or applications' security features; and conduct regular risk assessments, vulnerability scans, and penetration testing of its networks and databases; and
- f. Have a policy, procedure, or practice for inventorying and deleting consumers' personal information stored on its network that was no longer necessary.

### **Drizly's Information Security Statements**

- 14. Drizly made explicit representations about its information security practices that led consumers to believe that it used reasonable and appropriate information security practices to protect their personal information.
- 15. For example, Drizly's Privacy Policy in effect from September 1, 2016 until approximately October 1, 2019 included the following statement:

Security. All information we collect is securely stored within our database, and we use standard, industry-wide, commercially reasonable security practices such as 128-bit encryption, firewalls and SSL (Secure Socket Layers).

(Exhibit A, Drizly.com Privacy Policy)

- 16. Drizly's Privacy Policy in effect after October 1, 2019 contained similar language:

Security. We use standard security practices such as encryption and firewalls to protect the information we collect from you.

(Exhibit B, Drizly.com Privacy Policy)

### **2020 Breach of Personal Information**

- 17. Drizly's failures, as described in Paragraph 13, led to a breach in or around July 2020 of its production environment, and the exfiltration of the personal information of 2.5 million consumers.
- 18. In April 2018, Drizly granted a company executive access to its GitHub repositories so that he could participate in a one-day hackathon (a collaborative programming event). Following the event, Drizly failed to monitor and terminate the executive's access, even though such access was no longer needed. The lack of need was underscored by the fact that the executive never accessed the repositories after the hackathon and started employment for a different Drizly subsidiary at the beginning of 2020.
- 19. Drizly failed to require unique and complex passwords or multifactor authentication for personal GitHub accounts that it granted access to its repositories, nor did it leverage Single Sign On for the GitHub organization. Consequently, the executive's GitHub account used a seven-character alphanumeric password that he had used for other personal accounts and did not use multifactor authentication although it was available.

20. In early July 2020, a malicious actor accessed the executive's GitHub account by reusing credentials from an unrelated breach. The malicious actor then used the executive's GitHub account to access one of Drizly's GitHub repositories containing source code, which it could use to find vulnerabilities in Drizly's software. It was also able to access, in those same repositories, AWS and database credentials.
21. Drizly employees stored these credentials in the company's GitHub repository even though GitHub security guidance and numerous publicly-reported security incidents since 2013 have highlighted the dangers of storing passwords and other access keys in GitHub repositories. For example, the Commission's 2018 Complaint against Uber Technologies Inc. specifically publicized and described credential reuse, lack of multifactor authentication, and insecure AWS credentials exposed through GitHub repository code as failures contributing to the breach and exposure of consumers' personal information.
22. The intruder used the compromised credentials from Drizly's GitHub repositories to modify the company's AWS security settings. This modification provided the intruder unfettered access to Drizly's production environment, including databases containing millions of records of user information. The intruder proceeded to exfiltrate Drizly's User Table, comprising more than 2.5 million records.
23. Drizly did not itself detect the breach of its production environment or discover the exfiltration of the personal information of nearly 2.5 million consumers. Drizly only learned of the breach from media and social media reports describing its customers' accounts for sale on dark web forums.
24. The GitHub compromise and breach of Drizly's production environment was not the company's first security incident involving GitHub. In 2018, another Drizly employee posted Drizly AWS credentials to their individual public (personal) GitHub repository. The employee was unable to delete the GitHub posting or rotate the AWS credentials prior to the public exploitation of the credentials; as a result, Drizly's AWS servers were used to mine cryptocurrency until Drizly learned of the exploitation and changed the credentials. Following this incident, Respondents were on notice of the potential dangers of exposing AWS credentials and should have taken appropriate steps to improve GitHub security, including implementation of policies, procedures, and technical measures to address the security practices of employees with access to Drizly's organizational GitHub repositories.
25. Drizly's own post-breach analyses concluded the company's lack of security preparedness, including failures to operate a formal security program or practice basic security hygiene, was exposed as a result of a data breach.

### **Consumer Injury**

26. Respondents' failures to provide reasonable security for consumers' personal information have caused or are likely to cause substantial injury to consumers.
27. Consumers have suffered or are likely to suffer substantial injury in the form of increased exposure to fraud and identity theft, leading to monetary loss and time spent remedying

the problem. Personal information exfiltrated from Drizly's databases was offered for sale on two different, publicly-accessible dark web forums, including raidforums.com, a website where criminals post and offer for sale information from compromised databases. Malicious actors combine such information to perpetrate fraud (for example, by opening fraudulent lines of credit) or obtain additional personal information by impersonating companies with whom the target has previously transacted. The opening of fraudulent accounts will cause consumers financial harm in the form of denied transactions due to damaged credit reflected in consumer reports, and time lost in trying to correct those reports. Moreover, as a result of Respondents' failures to secure consumers' personal information, including in many cases their physical addresses, this information is now in the possession of criminals. Consumers are harmed when criminals know and sell their personal information.

28. These harms were not reasonably avoidable by consumers, as consumers had no way of independently knowing about Respondents' security failures (described in Paragraph 13 above).
29. Respondents could have prevented or mitigated the failures described in Paragraph 13 through well known, readily available, and relatively low-cost measures. For example, Drizly could have required regular review of access permissions, multifactor authentication for all employees with access to code repositories, or scanning of code repositories for unsecured credentials. Any of these measures would likely have prevented the July 2020 breach.

### **Violations of the FTC Act**

30. The acts and practices of Respondents, as alleged in this Complaint, constitute unfair and/or deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

### **Count I – Drizly's Unfair Information Security Practices**

31. As alleged in Paragraphs 13 to 29, Respondents' failure to employ reasonable security measures to protect consumers' personal information caused or is likely to cause substantial injury to consumers that is not outweighed by countervailing benefits to consumers or competition and is not reasonably avoidable by consumers themselves. This practice was, and is, an unfair act or practice.

### **Count II – Drizly's Deceptive Security Statements**

32. Through the means described in Paragraphs 14 to 16, Respondents have represented, directly or indirectly, expressly or by implication, that Drizly used appropriate safeguards to protect consumers' personal information.
33. In truth and in fact, as described in Paragraph 13, Respondents did not maintain appropriate safeguards to protect consumers' personal information. Therefore, the representations set forth in Paragraph 32 are false or misleading.

THEREFORE, the Federal Trade Commission this \_\_\_\_ day of \_\_\_\_\_, 2022, has issued this complaint against Respondents.

By the Commission.

April J. Tabor  
Secretary

SEAL:

## **Exhibit A**

**Drizly.com Privacy Policy, September 1, 2016**



Security. All information we collect is securely stored within our database, and we use standard, industry-wide, commercially reasonable security practices such as 128-bit encryption, firewalls and SSL (Secure Socket Layers). However, as effective as encryption technology is, no security system is impenetrable. We cannot guarantee the security of our database, nor can we guarantee that information you supply won't be intercepted while being transmitted to us over the Internet, and any information you transmit to Drizly you do so at your own risk. We recommend that you use unique numbers, letters and special characters in your password and not disclose your password to anyone. If you do share your password or personal information with others, you are responsible for all actions taken in the name of your account. Please review our [Terms of Service](#) for additional information. If your password has been compromised for any reason, you should immediately notify Drizly at [info@drizly.com](mailto:info@drizly.com) and change your password.

## **Exhibit B**

**Drizly.com Privacy Policy, October 1, 2019**

Security. We use standard security practices such as encryption and firewalls to protect the information we collect from you. No security system is perfect, and we do not guarantee the security of your information. You are responsible for all actions taken in the name of your account, so use your discretion when providing information and managing your account. Use unique numbers, letters and special characters in your password and do not disclose it to anyone. Please review our [Terms of Service](#) for additional information. If your password is compromised notify us immediately at [info@drizly.com](mailto:info@drizly.com) and change your password. We may store the information we collect on servers in the United States.