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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

WEBSITE: <http://commerce.senate.gov>

March 7, 2017

Mark Meyers
Chairman and Chief Executive Officer
Spiral Toys
30077 Agoura Court, Suite 230
Agoura Hills, CA 91301

Dear Mr. Meyers:

In light of the recent breach of a Spiral Toys' database containing information about hundreds of thousands of users collected from its internet-connected CloudPets toys, I write to you with questions regarding the overall data privacy and security practices of Spiral Toys.

According to a report from a security researcher, hackers appear to have accessed and exposed Spiral Toy's database that contained more than 800,000 email addresses and hashed passwords.¹ Not only was the information accessed, but records also reportedly show that the data was ransomed by the hackers on multiple occasions. Because Spiral Toys created no requirements for password strength, the hackers could have easily cracked many passwords by simply checking the data against common passwords. This information could then be used to access and download the private voice recordings of children and parents.²

The 2015 VTech breach that exposed the personal information of more than six million children globally should have served as a wakeup call for toymakers who were not adequately protecting the consumer information they collect.³ I also released a report last year that raised concerns over the privacy risks associated with internet-connected toys and called on toymakers to invest in technology that ensures they are always a step ahead of increasingly sophisticated hackers.⁴

¹ *Data from Connected CloudPets Teddy Bears Leaked and Ransomed, Exposing Kids' Voice Messages*, Troy Hunt (Feb. 28, 2017).

² *Id.*

³ *See One of the Largest Hacks Yet Exposes Data on Hundreds of Thousands of Kids*, Motherboard (Nov. 27, 2015).

⁴ Senate Committee on Commerce, Science, and Transportation, *Children's Connected Toys: Data Security and Privacy Concerns*, 114th Congress (Dec. 14, 2016).

The breach of Spiral Toys raises serious questions concerning how well your company protects the information it collects, especially information collected from children. Additionally, the incident raises questions about Spiral Toys' compliance with the Children's Online Privacy Protection Act (COPPA), a law that, among other things, requires covered companies to "establish and maintain reasonable procedures to protect the confidentiality, security, and integrity of personal information collected from children."⁵

As Ranking Member of the U.S. Senate Committee on Commerce, Science, and Transportation, I request that you respond to the following inquiries:

1. Provide a summary of the data breach, including, but not limited to:
 - a. When the breach occurred;
 - b. When and how Spiral Toys first learned of the breach;
 - c. What consumer information was compromised in the breach;
 - d. What consumer information was potentially accessible to the hackers (i.e., the universe of data stored in the database accessed by the hackers);
 - e. How many Spiral Toys consumers were affected, including the number of affected children;
 - f. Whether and how Spiral Toys has notified affected consumers (if so, please provide a copy of the notice);
 - g. Whether Spiral Toys currently offers, or plans to offer, a free identity theft protection service for impacted consumers;
 - h. What security measures Spiral Toys had in place at the time of breach to protect against the risk of unauthorized access to its data;
 - i. Whether, prior to the breach, Spiral Toys had a chief information officer (CIO), a chief technology officer (CTO), or an employee with responsibilities similar to those of a CIO or CTO;
 - j. Whether, prior to the breach, Spiral Toys provided notice to consumers of its data collection, use, and sharing practices, such as a privacy policy and terms of use (if so, please describe how you provided notice and copies of each notice); and
 - k. Whether, prior to the breach, Spiral Toys had policies in place that offered consumers the ability to control data collection, such as the ability to access, correct, and/or delete collected information.

⁵ 16 C.F.R §312.8.

2. Does COPPA apply to Spiral Toys' products and/or services? If so, list the products and services to which COPPA applies.
3. For each Spiral Toys product or service that is intended for use by children, identify and provide a description of the consumer information your company collects.
4. Provide a description of how this information is collected and how it is used. If this information is combined with data collected from other sources, describe the additional data and identify the sources.
5. Does Spiral Toys share or sell any of the collected information with or to third parties? If so, please identify and provide a description of these third parties, the information that is shared, how that information is used, and how you notify parents that collected information may be shared or sold with or to third parties.
6. Provide a detailed description of all security procedures that Spiral Toys currently has in place to protect collected consumer information, including a detailed description of how the information is stored and for how long Spiral Toys retains the information.
7. Describe the measures Spiral Toys currently has in place to protect against the risk of unauthorized access to its data. In addition, does your company have in place consumer notification procedures to be used in the event of a breach?
8. During the previous two years, has Spiral Toys suffered any other data breaches impacting consumer data? If so, please provide a detailed description, including what information was compromised, the number of impacted consumers, whether consumer notification of the breach was provided and, if so, a copy of the notification, and whether any free identity theft protection was offered to consumers.
9. Does Spiral Toys provide notice to consumers of its data collection, use, and sharing practices (e.g., privacy policy and terms of use)? If so, please describe how you provide notice and copies of each notice.

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10. Can consumers access, correct, and delete the information your company collects about them? If not, why not? If so, please provide a description of the process through which a consumer can access, correct, and delete the information and how your company makes consumers aware of these choices.

Please provide this information as soon as possible but by no later than March 23, 2017. Thank you in advance for your assistance with this matter.

Sincerely,



BILL NELSON
Ranking Member

cc: The Honorable John Thune, Chairman