

Continued Focus on Subscription-Based Practices Leads to \$2.5 Billion Amazon Settlement With FTC

By Andrew Lustigman and Morgan Spina

October 24, 2025

Amazon has agreed to a staggering \$2.5 billion settlement with the Federal Trade Commission (FTC), marking a significant resolution to the case regarding its Prime subscription enrollment and cancellation practices. The FTC alleged that Amazon used manipulative design tactics—often referred to as “dark patterns”—to steer users into automatically renewing Prime memberships while making the cancellation process overly burdensome.

This enforcement action and eventual settlement should serve as a reminder to subscription-based companies that they must prioritize transparency and ease of cancellation. Failure to do so may result in substantial enforcement actions, both by private plaintiffs and regulatory agencies like the FTC.

This case sets a powerful precedent, underscoring the growing scrutiny around how companies design digital experiences, particularly when recurring payments and subscriptions are involved.

Specifically, marketers utilizing automatic renewals must display clear and conspicuous disclosures of the material subscription terms during sign-up, provide straightforward, simple and easy cancellation mechanisms, and must refrain from using coercive or manipulative tactics to retain customers.

Regulators continue to make it clear that consumer consent to such programs must be informed and



Amazon

freely given—not the product of confusion or design trickery. In an era where subscription models are ubiquitous, this case serves as a critical reminder that user trust is built through honest practices and respect for consumer choice.

An Epic Path To Cancellation

Of particular note in this case was Amazon’s arduous cancellation process. In the complaint filed in 2023, the FTC cited Amazon’s unnecessarily complex

cancellation journey, described by the FTC as a “four-page, six-click, fifteen-option process.” Even internally, Amazon referred to this cancellation flow as “Iliad,” referring to Homer’s epic about a long and grueling war, underscoring the difficulty users faced. Creating unnecessary friction in the cancellation process is a key indicator of a noncompliant automatic renewal program, and as exemplified here, carries the risk of significant enforcement.

Case Resolution: Settlement Announced Mid-Trial

In September 2025, shortly after the trial had commenced, the FTC announced that it had reached a settlement with Amazon. In addition to the multibillion-dollar payment, Amazon agreed to discontinue the practices at issue tied to Prime subscriptions. While the monetary penalty is certainly considerable, the broader implications of the case are equally significant, particularly given the FTC’s current political composition.

Political Shift: Republican-Led FTC Moves Forward With Enforcement

Since the original complaint was filed, the political dynamics of the FTC have undergone significant shifts. With President Trump serving a second term and Democratic commissioners removed, the FTC is now entirely Republican. This led to speculation that previously initiated cases, especially those involving major tech firms, might be dropped or deprioritized.

Instead, the Amazon case continued and ultimately resulted in a substantial settlement, indicating that consumer protection, particularly in relation to subscription models, remains a priority at the agency.

Negative Option Rule in Flux: Future Still Uncertain

The Amazon settlement requires the company to comply with any future amendments to the Negative

Option Rule, which may mean that the FTC may attempt to reintroduce a revised version despite the recent rejection in the Eighth Circuit Court. This could lead to broader industry changes in how subscription models are structured and regulated.

Broader Enforcement Trend: Chegg Settlement Offers More Clues

Amazon isn’t alone. Just weeks before the Amazon agreement, the FTC finalized a separate settlement with Chegg Inc., an ed-tech company, for similar violations related to auto-renewing subscriptions. In that case, the FTC alleged that more than 200,000 customers were billed after attempting to cancel, and that Chegg’s online cancellation process was challenging to find and confusing to use.

Chegg agreed to pay \$7.5 million and implement a simplified cancellation process, reinforcing the FTC’s commitment to addressing hard-to-exit subscription models across industries.

Companies Must Review Policies/Procedures and Adapt as Needed

The Amazon and Chegg settlements send a clear message: subscription-based companies must prioritize transparency and ease of cancellation. Despite the FTC’s changing leadership and political composition, enforcement of deceptive practices, especially those involving automatic renewals and dark patterns, remains a top priority.

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