



United States of America
FEDERAL TRADE COMMISSION
Washington, D.C. 20580

Division of Advertising Practices

Mary K. Engle
Associate Director

July 7, 2016

Richard J. Lutton, Jr.
Head of Legal and Regulatory Affairs
Nest Labs, Inc.
3400 Hillview Avenue Building 1
Palo Alto, CA 94304

Re: Nest Labs, Inc., FTC File No. 162-3119

Dear Mr. Lutton:

As you know, the staff of the Federal Trade Commission's Division of Advertising Practices has investigated whether Nest Labs, Inc. violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, in connection with Nest's decision to shut down the services necessary to operate its Revolv "Smart Home Hub" on June 19, 2016.

We understand that in late 2014, Nest purchased Revolv Inc. Starting in approximately September 2013, Revolv marketed and sold a "Smart Home Hub" for \$299. The hub is an electronic device with transmitters to communicate with a range of compatible brands of "smart" or "connected" devices, such as light bulbs, locks, sound systems, and thermostats. Revolv also provided a mobile app for consumers to use the hub to control these devices. The Revolv app communicated with the hub via the home's Wi-Fi network and a Revolv cloud-based service. The Revolv system enabled users to control devices individually or in groups, and to trigger actions based on the time of day, the user's geolocation, the settings of other devices, or manual input. Marketing materials for Revolv billed it as:

ONE HUB. ONE APP.

ONE UNIFIED SMART HOME.

Revolv: The Universal Smart Home Hub & App

Finally, one simple answer for unifying, controlling, and automating all of your favorite Smart Home and connected devices.

After Nest acquired Revolv Inc. in October 2014, it stopped selling the Revolv devices. Nest continued to provide the cloud service supporting the devices, but announced in late February 2016, through in-app notifications and a posting on the Revolv website, that it was

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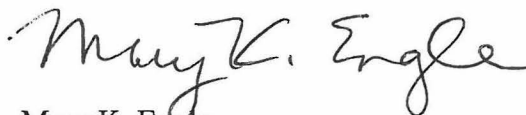
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shutting down the services necessary to use them: “As of May 15, 2016, your Revolv hub and app will no longer work.”¹

The FTC staff was concerned that reasonable consumers would not expect the Revolv hubs to become unusable due to Revolv Inc.’s actions, and that unilaterally rendering the devices inoperable would cause unjustified, substantial consumer injury that consumers themselves could not reasonably avoid.² Nevertheless, upon review of this matter and confidential information Nest provided during our investigation, we have decided not to recommend enforcement action at this time. We considered a number of factors in reaching this decision, including the limited number of units sold; Nest’s practice of providing full refunds after the Revolv system shutdown was announced; and its announcements – via the Revolv website, in-app notifications to Revolv system users, and emails to Revolv purchasers – that it will refund Revolv customers the purchase price of the Revolv hub. Thus, it appears that no further action is warranted at this time and the investigation is closed.

Our decision not to pursue enforcement action should not be construed as a determination that a violation did not occur, just as the pendency of an investigation should not be construed as a determination that a violation has occurred. The Commission reserves the right to take further action as the public interest may warrant.

Very truly yours,



Mary K. Engle

Associate Director for Advertising Practices

¹ A short “Q&A” section at the bottom of the web page added: “Is my product still under warranty? No. Our one-year warranty against defects in materials or workmanship has expired for all Revolv products.”

² See 15 U.S.C. § 5(n); cf. *Orkin Exterminating Co.*, 108 F.T.C. 263 (1986) (unilateral breach of consumer contracts for “lifetime” guarantee of pest control protection for a fixed annual renewal fee by raising renewal fee held unfair under Section 5 of the FTC Act), *aff’d*, 849 F.2d 1354 (11th Cir. 1988).