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July 8, 2026

Betting on Deception: Polymarket's Influencer Campaign Draws Lawsuit

by Bryan J. Wolin

Fake trades. Sockpuppet accounts. Scripted talking points. A wooden plaque honoring “the first Polymarket Pledge Class.” These aren’t plot points from a satire about crypto bros gone wild, they’re allegations in a lawsuit recently filed by the National Association of Consumer Advocates, Inc. (NACA) against Polymarket, the online prediction market platform that’s been bursting in popularity.

The suit stems from a Wall Street Journal investigation detailing an elaborate scheme to manufacture authenticity. According to the complaint, Polymarket ran a coordinated influencer campaign using dummy websites designed to mirror the real platform—which U.S. users are barred from accessing—so creators could film fake “winning” trades. Roughly 10% of videos reportedly featured fabricated content implying successful bets. Yet creators depicted as winning nearly $900,000 would have allegedly lost more than $166,000.

None of this is subtle and, assuming the allegations are accurate, much of it appears unlawful. U.S. advertising law requires advertisements to be both truthful and non-misleading. The Federal Trade Commission’s (FTC’s) endorsement guidelines state that advertisers must clearly disclose material connections between brands and paid creators. Commodities law independently bars deceptive and misleading practices. And Polymarket allegedly reviewed videos before publication and provided creators with scripted talking points—allegations that would undercut any claim that the influencers operated without Polymarket’s knowledge.

NACA filed suit in DC Superior Court, naming not just Polymarket but also CEO Shayne Coplan and CMO Matthew Modabber personally. Modabber allegedly routed more than $350,000 to creators through a personal PayPal account. The campaign ran through a digital marketplace called Whop, where Polymarket allegedly paid for sockpuppet accounts, instructed creators to spend three days "warming up" their profiles to appear organic, and specified that clippers would only be paid if at least 60% of their viewers were U.S.-based. The complaint also alleges targeted marketing to college-aged Americans: $15 per new user sign-up at fraternities, $150 for a 15-minute slot at a chapter meeting, branded beer pong cups, and a wooden plaque honoring Columbia's Sigma Phi Epsilon as "the first Polymarket Pledge Class." An academic study cited in the complaint found the top 1% of Polymarket users captured 76.5% of profits, while roughly 69% of all users ended in the red, reinforcing the potentially misleading nature of the advertising at issue (which showed substantial windfall profits).

Polymarket has not yet formally responded to the suit, but a spokesperson for the company did tell reporters that they “are conducting a comprehensive audit of active promotional content to ensure it complies with our standards, as well as applicable regulatory and legal disclosure requirements.”

If this all sounds familiar, it should. Regular readers of this blog will recall that Kalshi—another online prediction market—recently declined to participate in a National Advertising Division (NAD) monitoring inquiry into its influencer and affiliate disclosure practices, prompting a referral to regulatory authorities.

The takeaway for advertisers isn’t complicated: influencer disclosures aren’t optional, even for new industries. If anything, businesses offering novel services have an added burden: their users are less likely to know what they’re getting into, and regulators (traditionally) have little patience for companies that treat compliance as an afterthought with high-risk products and ignorant consumers. The FTC guidelines exist precisely to forbid the kind of manufactured authenticity on display here. We’ll be watching to see how authorities and the prediction markets respond.

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