



UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
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competitive marketplace. The cornerstone of the Commission's mandate is Section 5 of the Federal Trade Commission Act, which prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce.<sup>(2)</sup> Since 1994, the FTC has used this authority to bring over 100 Internet-related cases, obtaining orders for over \$80 million in consumer redress and injunctions prohibiting future illegal conduct.<sup>(3)</sup> Many of the Commission's Internet cases have involved traditional scams which migrated online - *e.g.*, pyramid schemes, miracle health cures, and credit repair scams - and an increasing number involve the use of new technology in devious ways to injure consumers.<sup>(4)</sup> Whether traditional or high-tech, scams on the Internet can appear suddenly, spread rapidly, and disappear just as quickly. The challenge for law enforcement is to identify and stop the wrongdoers that harm consumers and undermine overall confidence in the burgeoning global online marketplace.

Although the Internet can be used to facilitate fraudulent practices, it has also become an increasingly valuable tool in the effort to stop such practices.<sup>(5)</sup> For example, the Commission maintains a large consumer fraud database, *Consumer Sentinel*, which it makes available to law enforcement officials in the U.S. and Canada via a secure Web site. Similarly, e-mail and other forms of electronic communication have enhanced the Commission's ability to coordinate its efforts with law enforcement partners around the

termination of the registration. From a law enforcement perspective, the most critical information gathered is the name and physical address of the domain name holder, which is necessary to identify an alleged wrongdoer and facilitate service of process.<sup>(11)</sup>

responded with more inaccurate information - the registrar should be required to suspend

Commission or any individual Commissioner.

1. The importance of accurate contact information was noted in a comment submitted by Commission staff in 1998 to the National Telecommunications and Information Administration on its proposal to privatize the DNS. The comment is available on the Commission's Web site: [www.ftc.gov/be/v980005.htm](http://www.ftc.gov/be/v980005.htm).

2. 15 U.S.C. § 41 *et seq.* The Commission has responsibilities under 40 additional statutes, *e.g.*, the Children's Online Privacy Protection Act of 1998, 15 U.S.C. § 6501 *et seq.*, which prohibits unfair and deceptive acts and practices in connection with the collection and use of personally identifiable information from and about children on the Internet. *See* [www.ftc.gov/ogc/coppa1.pdf](http://www.ftc.gov/ogc/coppa1.pdf). The Commission also enforces over 30 rules governing specific industries and practices, *e.g.*, the Mail and Telephone Order Merchandise Rule, 16 C.F.R. Part 435, which covers purchases made over the Internet and spells out the ground rules for making promises about shipments, notifying consumers about unexpected delays, and refunding consumers' money. *See* [www.access.gpo.gov/nara/cfr/waisidx\\_99/16cfr435\\_99.html](http://www.access.gpo.gov/nara/cfr/waisidx_99/16cfr435_99.html).

3. A list of these cases is posted at [www.ftc.gov/opa/1999/9909/case92199.pdf](http://www.ftc.gov/opa/1999/9909/case92199.pdf).

4. For example, in *FTC v. Audiotex Connection, Inc.*, CV-97-0726 (E.D.N.Y. filed Feb. 13, 1997) the Commission alleged that consumers who visited defendants' sites were solicited to download a "viewer" program in order to obtain "free" online images. Once downloaded and executed, the program disconnected the computer from the consumer's own access provider, turned off the consumer's modem speakers, dialed an international telephone number and reconnected the computer to a remote site. The international call was charged to consumers at more than \$2 per minute, and charges kept accruing until the consumer shut down his computer entirely. Pursuant to settlements entered in this case and a companion case, 27,000 consumers received \$2.14 million in redress. *See* [www.ftc.gov/opa/1997/9711/audiot-2.htm](http://www.ftc.gov/opa/1997/9711/audiot-2.htm).

5. The Internet also has enhanced the Commission's consumer and business education initiatives. For example, the Commission's Web site, [www.ftc.gov](http://www.ftc.gov), houses a large number of electronic brochures for both consumers and business. Through the use of "teaser" Web pages, the Commission warns consumers not to get duped by Web-based scams. FTC Surf Days result in the sending of an e-mail message containing an educational message to businesses. *See, e.g.*, [www.ftc.gov/opa/1999/9906/coupon2.htm](http://www.ftc.gov/opa/1999/9906/coupon2.htm).

6. The importance of accurate domain name registration information goes beyond the need to identify fraud operators. Because some online businesses do not provide sufficient identifying information on their Web sites, *Whois* information can provide consumers with a useful supplement to the Web site disclosures.

7. Apart from its utility as a tool for information gathering and communication, the Internet - actually the DNS itself - offers a mechanism for bringing Web sites permeated by fraud to a rapid halt. Indeed, in a recent FTC enforcement action the Court ordered that

several domain name registrations be suspended by the registrar pending trial, effectively stopping the injurious practices. *FTC v. Pereira*, CV-99-1367-A (E.D.Va. filed Sept. 14, 1999)(Preliminary Injunction entered Sept. 21, 1999). See [www.ftc.gov/os/1999/9909/index.htm#22](http://www.ftc.gov/os/1999/9909/index.htm#22).

8. For example,