

## COMBATING INTERNET FRAUD AND DECEPTION

### Internet Cases

#### *Generally*

Since the fall of 1994, the Federal Trade Commission has brought over 140 law enforcement actions against over 490 companies and individuals to halt fraud and deception on the Internet. The FTC has not only attacked traditional schemes that have moved online, like pyramid and credit repair schemes, but in addition, the FTC has brought suit against pagejacking, mouse trapping, modem hijacking, fraudulent e-mail marketing, and other hi-tech schemes that take unique advantage of the Internet.

#### *Responding Rapidly*

The FTC is able to respond rapidly to emerging Internet fraud by drawing upon our extensive fraud complaint data. Through our Consumer Response Center, we take information by telephone, mail, and now electronically through our web site. This data is downloaded into the Consumer Sentinel database which the FTC manages. Consumer Sentinel is largest North American consumer fraud database and contains information from the FTC, over 100 BBB's around the country, the National Fraud Information Center, PhoneBusters in Canada, eBay, and numerous other sources. Recently, the Postal Inspection Service and the FBI agreed to contribute their fraud data to Consumer Sentinel as well. The FTC makes Consumer Sentinel complaints available through a secure web site to law enforcement across the U.S. and Canada. Today, over 250 law enforcement offices are members of Consumer Sentinel (including all 50 state Attorneys General, the FBI, U.S. Attorneys, local DA's and sheriffs, and the Royal Canadian Mounted Police), and the Consumer Sentinel database contains over 265,000 complaints.

We created the Internet Fraud Rapid Response Team to make best use of the Consumer Response Center and Consumer Sentinel, and we added an "Internet" button to Consumer Sentinel so that users could cull all Internet-related complaints on a given topic or target. This means that we can retrieve consumer complaint information about Internet fraud as soon as we receive it. It also means that the FTC's Bureau of Consumer Protection can spot emerging online fraud quickly and bring swift law enforcement action when necessary.

### Surf Days

In 25 different Surf Days or projects, the FTC has joined over 250 state, federal, or international law enforcement agencies or non-profit groups to search the Internet for sites containing deceptive claims or potential disclosure problems. Typically, the FTC targets a specific problem and coordinates a Surf Day around a 3-4 hour period on a particular day. When a suspect site is located, its pages are preserved as potential evidence and forwarded to the FTC. We then send e-mail warnings to the site operators. A month later, the FTC follows up to see if the allegedly illegal activity has ceased. After conducting our Surf Days, we have found that 20 to 70 percent of the operators that receive a warning remove their offending claims or take down their sites. Below are the Surf Days or events that we have conducted or participated in to date:

Pyramid Surf Day-- FTC, SEC, and 25 states: 500+ sites warned	<u>Announced</u> December 1996
Credit Repair Surf -- FTC: 47 sites warned	April 1997
Bus. Opp. Surf Day-- FTC, NASAA & 28 agencies: 215 sites warned	April 1997
Online Coupon Surf Day-- FTC & Coupon Info Ctr: 31 sites warned	August 1997

Health Claims Surf Day-- US, Canadian, Mexican agencies: 400+ sites warned	October 1997
HUD Tracer Surf Day -- FTC & HUD: 330 sites warned	November 1997
International Surf -- 24 countries: 180 sites warned	October 1997
Kids Privacy Surf Day – FTC: 126 children’s sites surveyed	December 1997
Junk E-mail Harvest -- FTC & Postal Insp: 1000+ warnings sent	December 1997
Privacy Surf -- FTC: 1400+ sites surveyed	March 1998
Textile and Wool Labeling Surf -- FTC: 200+ sites reviewed	August 1998
Y2K Surf– FTC: 171 electronic and home products reviewed	September 1998
Int’l Health Claim Surf Day – 80 agencies from 25 countries: 1200 sites reviewed	November 1998
Investment Surf Day-- FTC, CFTC, NASAA, NASD & 30 states: 400 sites warned	December 1998
Jewelry Guides Surf – FTC: 100 sites surveyed	January 1999
Pyramid Surf Day II – FTC, Postal Insp, NASAA, SEC, & 27 states: 500+ sites warned	March 1999
Green Guide Surf – FTC: 150 sites reviewed for compliance	April 1999
Online Coupon Surf Day II – FTC & Coupon Info Ctr: 51 sites warned	June 1999
Jewelry Guide Surf II – FTC: 90 sites resurfed for compliance	January 2000
Scholarscam 2000 Internet Surf – FTC: 37 sites warned	February 2000
GetRichQuick.Con – FTC and 150 agencies in 28 countries: identified 1600+ sites	March 2000
Lice Treatment Surf – FTC: analyzed treatment claims of 28 sites	April 2000
Privacy Survey 2000 – FTC: surveyed 100 most popular sites and 335 selected at random	May 2000
Children’s Online Privacy Protection Act Surf - FTC: non-complying sites warned	July 2000
Credit Repair Surf 2000– FTC, 10 states, 29 BBBs, NFCC; 180 sites warned	August 2000
Global Surf – FTC, 9 Countries, 4 other U.S. Agencies, And 23 States	October 2000
Tackle Internet Fraud and announced 251 law enforcement actions against online scammers in "Operation Top Ten Dot Cons."	

## Teaser Sites

Teaser sites are fake scam sites constructed by FTC staff. We cut and paste deceptive claims from real Internet pages and compile them into teaser sites that mimic different schemes. As consumers click through a teaser site, they see colorful come-ons, misleading testimonials, and eventually a warning page that states: “If you responded to an advertisement like this, YOU COULD GET SCAMMED!” The warning page explains that the teaser site is an educational project of the FTC and provides a hyper-link back to [www.ftc.gov](http://www.ftc.gov) for more specific consumer information. We register teaser sites with major search engines so that consumers will receive an educational tip when they need it most -- just when they may be about to fall for a scam.

The Ultimate Prosperity Page (a computer business opportunity) was our first "teaser site" and was posted in the spring of 1996. Consumers can go to it directly at [www.ari.net/prosper](http://www.ari.net/prosper), or they can go to our more recent business opportunity teaser site at [www.ari.net/NetOpportunities](http://www.ari.net/NetOpportunities). We have posted eleven other teasers sites, listed below, on topics ranging from vacation packages to pyramid schemes.

Looking for Success (pyramid)  
A+ Fast Cash (\$Scholar \$cam)  
Nordicalite (weight loss)  
EZ Travels (travel certificate)  
EZ Travels (travel agent credentials)

EZ Toyz (display rack bus. opp.)  
HUD Tracer Assn (HUD refund tracer)  
Credit Menders (credit repair)  
National Business Trainers (seminar scams)  
Virility Plus (health product scam)  
Arthriticure (health product scam)