

the computer remotely. Watershed disables the computer when it is reported lost or stolen, or when a consumer is late making payments, has stopped communicating with Watershed, or has otherwise violated the rental contract. PC Rental Agent also enables Watershed to remotely install and activate an add-on program called Detective Mode. Using Detective Mode, Watershed can surreptitiously monitor the activities of the computer's user. Through Detective Mode, Watershed can also secretly gather consumers' personal information using fake software registration windows.

4. Watershed installed PC Rental Agent on computers it rented to consumers prior to the consumer taking possession of the computer. Consumers cannot uninstall PC Rental Agent. Watershed stopped using PC Rental Agent on January 1, 2012.

5. Watershed can remotely install and activate Detective Mode on any computer with PC Rental Agent. Once activated, Detective Mode can log the keystrokes of the computer user, take screen shots of the computer user's activities on the computer, and photograph anyone within view of the computer's webcam. Detective Mode gathers requested information and transmits it to Watershed unbeknownst to the individual using the computer. Watershed does not tell the computer user about the activation of Detective Mode.

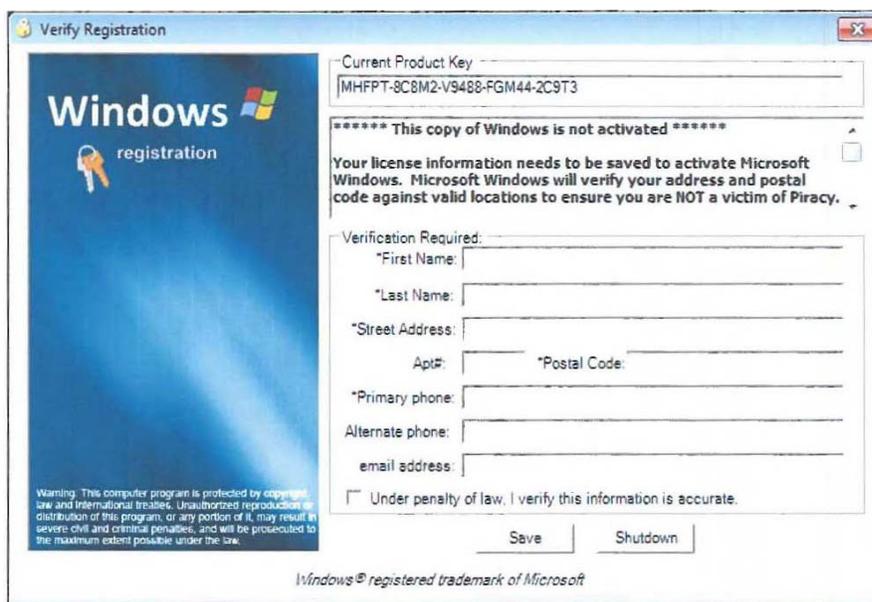
6. Using Detective Mode, Watershed has gathered data about whoever is using the computer, whether the user is the computer's renter or another individual. At one level of activation, Detective Mode will gather data every two minutes that the computer is connected to the Internet for a period of 60 minutes. If Watershed wants more information it can instruct Detective Mode to record data every two minutes until directed to stop doing so. In numerous instances, Watershed has obtained data via Detective Mode that has revealed private, confidential, or personal details about computer users. Keystroke logs have displayed usernames and passwords for access to email accounts, social media websites, and financial institutions. Screenshots have captured additional confidential information about the computer user. Watershed did not activate the webcam feature of Detective Mode.

7. Watershed has used the information improperly obtained via Detective Mode in connection with collecting or attempting to collect debts, money, or property pursuant to consumer rental contracts.

8. Gathering this private and confidential information about individuals causes or is likely to cause substantial harm to consumers. Because of Watershed's intrusion, consumers are at risk of harm from exposure of their personal, financial account access, and medical information. Consumers are actually harmed by the unwarranted invasion into their homes and lives, and the capture of the private details of individual and family life. Secretly collecting such data can cause consumers financial and physical injury and impair their peaceful enjoyment of their homes. Consumers cannot reasonably avoid these injuries because Detective Mode is invisible to them. The harm caused by Watershed's unauthorized gathering of confidential consumer information is not outweighed by countervailing benefits to consumers or to competition; indeed, in this context, where rent-to-own stores have alternate effective methods of

collection, e.g., using PC Rental Agent to remotely disable the computer, there are no legitimate benefits to respondent or to the public.

9. Watershed has also used another feature of Detective Mode that allows it to cause a user's computer to display a fake registration window, purportedly for Microsoft Windows or other software. The fake registration window prompts the computer user to enter a name, address, email address, and phone number. The computer user must enter the requested information to close the window. A screenshot of one such fake software registration window appears below.



10. No actual software is registered as a result of a consumer providing the requested information; instead, Detective Mode captures the information entered in the prompt boxes and sends the data to Watershed. In numerous instances, Watershed has used this information to find, require payment for, or repossess a computer.

11. Consumers who respond to the fake prompt screen and provide the requested contact information are deprived of the ability to control who has access to their contact information and how they are contacted.

VIOLATIONS OF THE FTC ACT

COUNT I

Unfair Gathering of Consumers' Personal Information

12. Through the means described in Paragraphs 3 through 11, respondent has installed monitoring software on rented computers and gathered, or caused to be gathered, sensitive personal information about consumers from those computers.

13. Respondent's actions cause or are likely to cause substantial injury to consumers that cannot be reasonably avoided and is not outweighed by countervailing benefits to consumers or competition.

14. Therefore, respondent's practices, as described in Paragraph 12, constitute unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a).

COUNT II Unfair Collection Practices

15. Through the means described in Paragraphs 3 through 11, respondent has used information improperly gathered from consumers to collect or attempt to collect a debt, money, or property pursuant to a consumer rental contract.

16. Respondent's actions cause or are likely to cause substantial injury to consumers that cannot be reasonably avoided and is not outweighed by countervailing benefits to consumers or competition.

17. Therefore, respondent's practices, as described in Paragraph 15, constitute unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a).

COUNT III Deceptive Gathering of Consumers' Personal Information

18. Through the means described in Paragraphs 3 through 11, respondent has represented or caused to be represented to consumers, expressly or by implication, that certain pop-up notices that appear on computer screens are notices from trusted software providers that contain software registration forms that must be filled out with the consumers' contact information in order to continue to use the providers' software.

19. In truth and in fact, these pop-up notices are not from trusted software providers and do not contain software registration forms that must be filled out with the consumers' contact information in order to continue to use the providers' software, but instead serve only to cause the consumer to provide the requested contact information so that respondent can use this information in connection with collecting or attempting to collect debts, money, or property pursuant to consumer rental contracts.

20. Therefore, respondent's practices, as described in Paragraph 18, constitute deceptive acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a).

THEREFORE, the Federal Trade Commission this eleventh day of April, 2013, has issued this complaint against respondent.

By the Commission, Commissioner Wright not participating.

Donald S. Clark
Secretary