

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

In the Matter of)	
)	AGREEMENT CONTAINING
)	CONSENT ORDER
TRENDNET, INC.,)	
a corporation.)	
)	FILE NO. 122 3090
)	

The Federal Trade Commission has conducted an investigation of certain acts and practices of TRENDnet, Inc. (“proposed respondent”). Proposed respondent, having been represented by counsel, is willing to enter into an agreement containing a consent order resolving the allegations contained in the attached draft complaint. Therefore,

IT IS HEREBY AGREED by and between TRENDnet, Inc., by its duly authorized officers, and counsel for the Federal Trade Commission that:

1. Proposed respondent TRENDnet, Inc. (“TRENDnet”) is a California corporation with its principal office or place of business at 20675 Manhattan Place, Torrance, California 90501.
2. Proposed respondent neither admits nor denies any of the allegations in the draft complaint, except as specifically stated in this order. Only for purposes of this action, proposed respondent admits the facts necessary to establish jurisdiction.
3. Proposed respondent waives:
 - A. Any further procedural steps;
 - B. The requirement that the Commission’s decision contain a statement of findings of fact and conclusions of law; and
 - C. All rights to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.
4. This agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft complaint, will be placed on the public record for a period of thirty (30) days and information about it publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify proposed respondent, in which event it will take such action as it may consider appropriate, or issue and serve

its complaint (in such form as the circumstances may require) and decision in disposition of the proceeding.

5. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of Section 2.34 of the Commission's Rules, the Commission may, without further notice to proposed respondent, (1) issue its complaint corresponding in form and substance with the attached draft complaint and its decision containing the following order in disposition of the proceeding, and (2) make information about it public. When so entered, the order shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Delivery of the complaint and the decision and order to proposed respondent's address as stated in this agreement by any means specified in Section 4.4(a) of the Commission's Rules shall constitute service. Proposed respondent waives any right it may have to any other manner of service. The complaint may be used in construing the terms of the order. No agreement, understanding, representation, or interpretation not contained in the order or the agreement may be used to vary or contradict the terms of the order.
6. Proposed respondent has read the draft complaint and consent order. Proposed respondent understands that it may be liable for civil penalties in the amount provided by law and other appropriate relief for each violation of the order after it becomes final.

ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

1. "Affected Consumers" shall mean persons who purchased and installed one of the following Cameras with software last updated prior to February 7, 2012: TV-IP110 (Version A1.xR); TV-IP110W (Version A1.xR); TV-IP110WN (Version A1.xR); TV-IP110WN (Version V2.0R); TV-IP121W (Version A1.xR); TV-IP121WN (Version V1.0R); TV-IP121WN (Version V2.0R); TV-IP212 (Version A1.xR); TV-IP212W (Version A1.xR); TV-IP252P (Version B1.xR); TV-IP312 (Version A1.xR); TV-IP312W (Version A1.xr); TV-IP312WN (Version A1.xR); TV-IP322P (Version V1.0R); TV-IP410 (Version A1.XR); TV-IP410W (Version A1.xR); TV-IP410WN (Version V1.0R); TV-IP422 (Versions A1.xR/A2.xR); TV-IP422W (Versions A1.xR/A2.xR); TV-IP422WN (Version V1.0R); TV-VS1 (Version V1.0R); and TV-VS1P (Version V1.0R).
2. "App" or "Apps" shall mean any software application or related code developed, branded, or provided by respondent for a mobile device, including, but not limited to, any iPhone, iPod touch, iPad, BlackBerry, Android, Amazon Kindle, or Microsoft Windows device.

3. “Cameras” shall mean any Internet Protocol (“IP”) camera, cloud camera, or other Internet-accessible camera advertised, developed, branded, or sold by respondent, or on behalf of respondent, or any corporation, subsidiary, division or affiliate owned or controlled by respondent that transmits, or allows for the transmission of Live Feed Information over the Internet.
4. “Clear(ly) and prominent(ly)” shall mean:
 - A. In textual communications (*e.g.*, printed publications or words displayed on the screen of a computer or device), the required disclosures are of a type, size, and location sufficiently noticeable for an ordinary consumer to read and comprehend them, in print that contrasts highly with the background on which they appear;
 - B. In communications disseminated orally or through audible means (*e.g.*, radio or streaming audio), the required disclosures are delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend them;
 - C. In communications disseminated through video means (*e.g.*, television or streaming video), the required disclosures are in writing in a form consistent with subparagraph (A) of this definition and shall appear on the screen for a duration sufficient for an ordinary consumer to read and comprehend them, and in the same language as the predominant language that is used in the communication; and
 - D. In all instances, the required disclosures (1) are presented in an understandable language and syntax; and (2) include nothing contrary to, inconsistent with, or in mitigation of any other statements or disclosures provided by respondent.
5. “Commerce” shall mean commerce among the several States or with foreign nations, or in any Territory of the United States or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation, as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.
6. “Covered Device” shall mean: (1) any Internet-accessible electronic product or device, including but not limited to “Cameras,” advertised, developed, branded, or sold by respondent, or on behalf of respondent, or any corporation, subsidiary, division or affiliate owned or controlled by respondent that transmits or allows for the transmission of Covered Information over the Internet; and (2) any App or software advertised, developed, branded, or provided by respondent or any corporation, subsidiary, division or affiliate owned or controlled by respondent used to operate, manage, access, or view the product or device.

7. “Covered Device Functionality” shall mean any capability of a Covered Device to capture, access, store, or transmit Covered Information.
8. “Covered Information” shall mean individually-identifiable information from or about an individual consumer input into, stored on, captured with, accessed, or transmitted through a Covered Device, including but not limited to: (a) a first or last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as a user identifier or screen name; (d) photos; (e) videos; (f) pre-recorded and live-streaming audio; (g) an IP address, User ID or other persistent identifier; or (h) an authentication credential, such as a username or password.
9. “Live Feed Information” shall mean video, audio, or audiovisual data.
10. Unless otherwise specified, “respondent” shall mean TRENDnet, Inc., and its successors and assigns.

I.

IT IS ORDERED that respondent and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, website, other device, or an affiliate owned or controlled by respondent, in or affecting commerce, shall not misrepresent in any manner, expressly or by implication:

- A. The extent to which respondent or its products or services maintain and protect:
 1. The security of Covered Device Functionality;
 2. The security, privacy, confidentiality, or integrity of any Covered Information; and
- B. The extent to which a consumer can control the security of any Covered Information input into, stored on, captured with, accessed, or transmitted by a Covered Device.

II.

IT IS FURTHER ORDERED that respondent shall, no later than the date of service of this order, establish and implement, and thereafter maintain, a comprehensive security program that is reasonably designed to (1) address security risks that could result in unauthorized access to or use of Covered Device Functionality, and (2) protect the security, confidentiality, and integrity of Covered Information, whether collected by respondent, or input into, stored on, captured with, accessed, or transmitted through a Covered Device. Such program, the content and implementation of which must be fully documented in writing, shall contain administrative,

technical, and physical safeguards appropriate to respondent's size and complexity, the nature and scope of respondent's activities, and the sensitivity of the Covered Device Functionality or Covered Information, including:

- A. The designation of an employee or employees to coordinate and be accountable for the security program;
- B. The identification of material internal and external risks to the security of Covered Devices that could result in unauthorized access to or use of Covered Device Functionality, and assessment of the sufficiency of any safeguards in place to control these risks;
- C. The identification of material internal and external risks to the security, confidentiality, and integrity of Covered Information that could result in the unauthorized disclosure, misuse, loss, alteration, destruction, or other compromise of such information, whether such information is in respondent's possession or is input into, stored on, captured with, accessed, or transmitted through a Covered Device, and assessment of the sufficiency of any safeguards in place to control these risks;
- D. At a minimum, the risk assessments required by Subparts B and C should include consideration of risks in each area of relevant operation, including, but not limited to: (1) employee training and management; (2) product design, development, and research; (3) secure software design, development, and testing; and (4) review, assessment, and response to third-party security vulnerability reports;
- E. The design and implementation of reasonable safeguards to control the risks identified through the risk assessments, including but not limited to reasonable and appropriate software security testing techniques, such as: (1) vulnerability and penetration testing; (2) security architecture reviews; (3) code reviews; and (4) other reasonable and appropriate assessments, audits, reviews, or other tests to identify potential security failures and verify that access to Covered Information is restricted consistent with a user's security settings;
- F. Regular testing or monitoring of the effectiveness of the safeguards' key controls, systems, and procedures;
- G. The development and use of reasonable steps to select and retain service providers capable of maintaining security practices consistent with this order, and requiring service providers, by contract, to establish and implement, and thereafter maintain, appropriate safeguards consistent with this order; and
- H. The evaluation and adjustment of the security program in light of the results of the testing and monitoring required by Subpart F, any material changes to the

respondent's operations or business arrangements, or any other circumstances that respondent knows or has reason to know may have a material impact on the effectiveness of its security program.

III.

IT IS FURTHER ORDERED that, in connection with its compliance with Part II of this order, respondent shall obtain initial and biennial assessments and reports ("Assessments") from a qualified, objective, independent third-party professional, who uses procedures and standards generally accepted in the profession. Professionals qualified to prepare such Assessments shall be: a person qualified as a Certified Secure Software Lifecycle Professional (CSSLP) with experience programming secure Covered Devices or other similar Internet-accessible consumer-grade devices; or as a Certified Information System Security Professional (CISSP) with professional experience in the Software Development Security domain and in programming secure Covered Devices or other similar Internet-accessible consumer-grade devices; or a similarly qualified person or organization; or a similarly qualified person or organization approved by the Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580. The reporting period for the Assessments shall cover: (1) the first one hundred eighty (180) days after service of the order for the initial Assessment; and (2) each two (2) year period thereafter for twenty (20) years after service of the order for the biennial Assessments. Each Assessment shall:

- A. Set forth the specific administrative, technical, and physical safeguards that respondent has implemented and maintained during the reporting period;
- B. Explain how such safeguards are appropriate to respondent's size and complexity, the nature and scope of respondent's activities, and the sensitivity of the Covered Device Functionality or Covered Information;
- C. Explain how the safeguards that have been implemented meet or exceed the protections required by Part II of this order; and
- D. Certify that respondent's security program is operating with sufficient effectiveness to provide reasonable assurance that the security of Covered Device Functionality and the security, confidentiality, and integrity of Covered Information is protected and has so operated throughout the reporting period.

Each Assessment shall be prepared and completed within sixty (60) days after the end of the reporting period to which the Assessment applies. Respondent shall provide the initial Assessment to the Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580, within ten (10) days after the Assessment has been prepared. All subsequent biennial Assessments shall be retained by respondent until the order is terminated and provided to the Associate Director of Enforcement within ten (10) days of request. Unless otherwise directed by a representative of the Commission, the initial

Assessment, and any subsequent Assessments requested, shall be sent by overnight courier (not the U.S. Postal Service) to the Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, D.C. 20580, with the subject line *In the matter of TRENDnet, Inc.*, FTC File No. **xxxxxxx**. Provided, however, that in lieu of overnight courier, notices may be sent by first-class mail, but only if an electronic version of any such notice is contemporaneously sent to the Commission at Debrief@ftc.gov.

IV.

IT IS FURTHER ORDERED that respondent shall:

- A. Notify Affected Consumers, clearly and prominently, that their Cameras had a flaw that allowed third parties to access their Live Feed Information without inputting authentication credentials, despite their security setting choices; and provide instructions on how to remove this flaw. Notification shall include, but not be limited to, each of the following means:
 1. On or before ten (10) days after the date of service of this order and for two (2) years after the date of service of this order, posting of a notice on its website;
 2. On or before ten (10) days after the date of service of this order and for three (3) years after the date of service of this order, informing Affected Consumers who complain or inquire about a Camera; and
 3. On or before ten (10) days after the date of service of this order and for three (3) years after the date of service of this order, informing Affected Consumers who register, or who have registered, their Camera with respondent; and
- B. Provide prompt and free support with clear and prominent contact information to help consumers update and/or uninstall a Camera. For two (2) years after the date of service of this order, this support shall include toll-free, telephonic and electronic mail support.

V.

IT IS FURTHER ORDERED that respondent shall maintain and upon request make available to the Federal Trade Commission for inspection and copying, a print or electronic copy of:

- A. For a period of five (5) years after the date of preparation of each Assessment required under Part III of this order, all materials relied upon to prepare the

Assessment, whether prepared by or on behalf of the respondent, including but not limited to all plans, reports, studies, reviews, audits, audit trails, policies, training materials, and assessments, and any other materials relating to respondent's compliance with Part III of this order, for the compliance period covered by such Assessment;

- B. Unless covered by V.A, for a period of five (5) years from the date of preparation or dissemination, whichever is later, all other documents relating to compliance with this order, including but not limited to:
1. All advertisements, promotional materials, installation and user guides, and packaging containing any representations covered by this order, as well as all materials used or relied upon in making or disseminating the representation; and
 2. Any documents, whether prepared by or on behalf of respondent, that contradict, qualify, or call into question respondent's compliance with this order.

VI.

IT IS FURTHER ORDERED that respondent shall deliver a copy of this order to all (1) current and future subsidiaries, (2) current and future principals, officers, directors, and managers, (3) current and future employees, agents, and representatives having responsibilities relating to the subject matter of this order, and (4) current and future manufacturers and service providers of the Covered Products. Respondent shall deliver this order to such current subsidiaries, personnel, manufacturers, and service providers within thirty (30) days after service of this order, and to such future subsidiaries, personnel, manufacturers, and service providers within thirty (30) days after the person assumes such position or responsibilities. For any business entity resulting from any change in structure set forth in Part VII, delivery shall be at least ten (10) days prior to the change in structure. Respondent must secure a signed and dated statement acknowledging receipt of this order, within thirty (30) days of delivery, from all persons receiving a copy of the order pursuant to this section.

VII.

IT IS FURTHER ORDERED that respondent shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including, but not limited to: a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that, with respect to any proposed change in the corporation(s) about which respondent learns fewer than thirty (30) days prior to the date such action is to take place,

respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. Unless otherwise directed by a representative of the Commission, all notices required by this Part shall be sent by overnight courier (not the U.S. Postal Service) to the Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, D.C. 20580, with the subject line *In the matter of TRENDnet, Inc.*, FTC File No. 122 3090. Provided, however, that in lieu of overnight courier, notices may be sent by first-class mail, but only if an electronic version of any such notice is contemporaneously sent to the Commission at Debrief@ftc.gov.

VIII.

IT IS FURTHER ORDERED that respondent within sixty (60) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of its compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, it shall submit an additional true and accurate written report.

IX.

This order will terminate twenty (20) years from the date of its issuance, or twenty (20) years from the most recent date that the United States or the Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

- A. Any Part in this order that terminates in fewer than twenty (20) years;
- B. This order's application to any respondent that is not named as a defendant in such complaint; and
- C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order as to such respondent will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Signed this _____ day of _____, 2013.

TRENDNET Inc.

Dated: _____

By: _____
PEI HUANG, President and Chief Executive Officer
TRENDnet, Inc.

Dated: _____

By: _____
JOHN SUN, Esq.
Law Officers of John L. Sun
10724 Bridger Way
Tustin, CA 92782
Attorney for Respondent

FEDERAL TRADE COMMISSION

Dated: _____

By: _____
LAURA D. BERGER
Counsel for the Federal Trade Commission

By: _____
ANDREA V. ARIAS
Counsel for the Federal Trade Commission

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