

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Federal Trade Commission,

Plaintiff,

vs.

Money Now Funding, LLC, et al.,

Defendants.

No. CV-13-01583-PHX-ROS

**AMENDED STIPULATED ORDER
FOR PERMANENT INJUNCTION AND
MONETARY JUDGMENT AS TO
DEFENDANT LANCE HIMES
(amended to include attachment)**

Plaintiff, the Federal Trade Commission (“Commission” or “FTC”), filed its Complaint for Permanent Injunction and Other Equitable Relief (Docket No. 3), subsequently amended by the First Amended Complaint for Permanent Injunction and Other Equitable Relief (Docket No. 194) (as amended, the “Complaint”), pursuant to Sections 13(b) and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) & 57b. The Commission and Defendant Lance Himes (“Defendant Himes”) stipulate to the entry of this Stipulated Order for Permanent Injunction and Monetary Judgment (“Order”) to resolve all matters in dispute in this action between them. Accordingly,

IT IS ORDERED as follows.

FINDINGS

1. This Court has jurisdiction over this matter.
2. The Complaint charges that Defendant Himes participated in deceptive and unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, the FTC’s trade regulation rule entitled “Disclosure Requirements and Prohibitions

1 Concerning Business Opportunities” (“Business Opportunity Rule” or “Rule”), 16 C.F.R.
2 Part 437, as amended, and the “Telemarketing Sales Rule” (“TSR”), 16 C.F.R. Part 310,
3 in the operation of a telemarketing scheme offering consumers business opportunities.

4 3. Defendant Himes neither admits nor denies any of the allegations in the
5 Complaint, except as specifically stated in this Order. Only for purposes of this action,
6 Defendant Himes admits the facts necessary to establish jurisdiction.

7 4. Defendant Himes waives any claim that he may have under the Equal
8 Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action
9 through the date of this Order, and agrees to bear his own costs and attorney fees.

10 5. Defendant Himes and the Commission waive all rights to appeal or
11 otherwise challenge or contest the validity of this Order.

12 6. There is no reason to delay entry of judgment.

13 DEFINITIONS

14 For the purpose of this Order, the following definitions shall apply.

- 15 1. “**Business Opportunity**” means a commercial arrangement in which:
- 16 a) A Business Opportunity Seller solicits a prospective purchaser to
17 enter into a New Business;
 - 18 b) The prospective purchaser makes a Required Payment; and
 - 19 c) The Business Opportunity Seller, expressly or by implication, orally
20 or in writing, represents that the Seller or one or more Designated
21 Persons will:
 - 22 i. Provide Locations for the use or operation of equipment,
23 displays, vending machines, or similar devices, owned,
24 leased, controlled, or paid for by the purchaser; or
 - 25 ii. Provide Outlets, Accounts, or Customers, including, but not
26 limited to, Internet outlets, accounts, or customers, for the
27 purchaser’s goods or services; or
- 28

1 iii. Buy back any or all of the goods or services that the
2 purchaser makes, produces, fabricates, grows, breeds,
3 modifies, or provides, including but not limited to providing
4 payment for such services as, for example, stuffing envelopes
5 from the purchaser’s home.

6 2. **“Business Opportunity Rule”** means the FTC Rule entitled “Disclosure
7 Requirements and Prohibitions Concerning Business Opportunities,” 16 C.F.R. Part 437,
8 as amended.

9 3. **“Business Opportunity Seller”** means a Person who offers for sale or sells
10 a business opportunity.

11 4. **“Corporate Defendants”** means Money Now Funding, LLC, a/k/a Money
12 Now Funded, a/k/a Cash4Businesses, a/k/a CashFourBusinesses, a/k/a Green Merchant
13 Funding, a/k/a Nationwide Lending, Rose Marketing, LLC, DePaola Marketing, LLC,
14 Affiliate Marketing Group, LLC, Legal Doxs, LLC, a/k/a First Business, LLC, US Doc
15 Assist, LLC, a/k/a First Business, LLC, Affinity Technologies, LLC, Marketing Expert
16 Solutions, LLC, Strategic Media Advertising, LLC, Global Network Marketing, LLC,
17 Precise Payroll Services, LLC, and their successors and assigns.

18 5. **“Defendants”** means the Individual Defendants and Corporate Defendants,
19 individually, collectively, or in any combination.

20 6. **“Designated Person”** means any Person, other than the Business
21 Opportunity Seller, whose goods or services the Business Opportunity Seller suggests,
22 recommends, or requires that the purchaser use in establishing or operating a New
23 Business.

24 7. **“Individual Defendants”** means Lukeroy K. Rose, a/k/a Luke Rose,
25 Cordell Bess, Cynthia Miller, a/k/a Cynthia Metcalf, Solana DePaola, Jennifer Beckman,
26 William D. Claspell, a/k/a Bill Claspell, Richard Frost, Dino Mitchell, Clinton Rackley,
27 Lance Himes, a/k/a Lance R. Himes, a/k/a Raymond L. Himes, Leary Darling, Donna F.
28 Duckett, Della Frost, also d/b/a Zoom Docs, Christopher Grimes, also d/b/a Elite

1 Marketing Strategies, Alannah M. Harre, also d/b/a National Marketing Group, Ronald
2 W. Hobbs, a/k/a Ron Hobbs, also d/b/a Ron Hobbs & Associates, Janine Lilly, also d/b/a
3 Doc Assistant, Michael McIntyre, also d/b/a McIntyre Marketing, Benny Montgomery,
4 also d/b/a Montgomery Marketing, Virginia Rios, also d/b/a V&R Marketing Solutions
5 and Kendrick Thomas, also d/b/a KT Advertising.

6 8. “**National Do Not Call Registry**” means the registry of telephone numbers
7 maintained by the FTC, pursuant to the Telemarketing Sales Rule, 16 C.F.R.
8 § 310.4(b)(1)(iii)(B), of Persons who do not wish to receive Outbound Telephone Calls to
9 induce the purchase of goods or services.

10 9. “**New Business**” means a business in which the prospective purchaser is
11 not currently engaged, or a new line or type of business.

12 10. “**Outbound Telephone Call**” means a telephone call initiated by a
13 Telemarketer to induce the purchase of goods or services or to solicit a charitable
14 contribution.

15 11. “**Person**” means a natural person, organization, or other legal entity,
16 including a corporation, partnership, proprietorship, association, cooperative, government
17 or governmental subdivision or agency, or any other group or combination acting as an
18 entity.

19 12. “**Provide Locations, Outlets, Accounts or Customers**” means to furnish a
20 prospective purchaser with existing or potential locations, outlets, accounts, or customers;
21 requiring, recommending, or suggesting one or more locations or lead generation
22 companies; providing a list of locator or lead generating companies; collecting a fee on
23 behalf of one or more locators or lead generating companies; offering to furnish a list of
24 locations; or otherwise assisting the prospective purchaser in obtaining his or her own
25 locations, outlets, accounts, or customers.

26 13. “**Receiver**” means Peter S. Davis of Simon Consulting, LLC, the
27 permanent receiver appointed by this Court in Section XIII of the August 19, 2013
28

1 Preliminary Injunction Order (Doc. 56) and any deputy receivers named by the
2 permanent receiver.

3 14. **“Representatives”** means Defendant Himes’s officers, agents, servants,
4 employees, and attorneys, and all other Persons in active concert or participation with any
5 of them, who receive actual notice of this Order.

6 15. **“Required Payment”** means all consideration that the purchaser must pay
7 to the Business Opportunity Seller or an affiliate, either by contract or by practical
8 necessity, as a condition of obtaining or commencing operation of the Business
9 Opportunity. Such payment may be made directly or indirectly through a third party.

10 16. **“Telemarketer”** means any Person who, in connection with
11 Telemarketing, initiates or receives telephone calls to or from a customer or donor.

12 17. **“Telemarketing”** means any plan, program, or campaign which is
13 conducted to induce the purchase of goods or services by use of one or more telephones,
14 and which involves a telephone call, whether or not covered by the TSR.

15 18. **“Telemarketing Seller”** means any Person who, in connection with a
16 Telemarketing transaction, provides, offers to provide, or arranges for others to provide
17 goods or services to a customer in exchange for consideration whether or not such Person
18 is under the jurisdiction of the Commission.

19 19. **“Telemarketing Sales Rule”** means the FTC Rule entitled “Telemarketing
20 Sales Rule,” 16 C.F.R. Part 310.

21 20. **“Work-at-home Opportunity”** means any good, service, plan, or program
22 that is represented, expressly or by implication, to assist an individual in any manner to
23 earn money while working from home or from locations other than the business premises
24 of the Defendants, whether or not a Business Opportunity.

25
26
27
28

1 **ORDER**

2 **I.**

3 **Ban on the Sale of Business or Work-at-Home Opportunities**

4 **IT IS ORDERED** Defendant Himes, whether acting directly or through an
5 intermediary, **is permanently restrained and enjoined from:**

6 A. Advertising, marketing, promoting, or offering for sale or assisting in the
7 advertising, marketing, promoting, or offering for sale of any (1) Business Opportunity,
8 (2) Work-at-home Opportunity, or (3) service to assist in the creation, advertising,
9 marketing, promotion, or operation of a Business Opportunity or Work-at-home
10 Opportunity, including, but not limited to, website development, advertising, marketing,
11 sale of leads or lead generation, social media promotion, search engine optimization,
12 training, and business establishment services; and

13 B. Holding any ownership interest, share, or stock in any business, other than
14 a publicly traded company, that engages in or assists in advertising, marketing,
15 promoting, or offering for sale of any (1) Business Opportunity, (2) Work-at-Home
16 Opportunity, or (3) service to assist in the creation, advertising, marketing, promotion, or
17 operation of a Business Opportunity or Work-at-Home Opportunity, including, but not
18 limited to, website development, advertising, marketing, sale of leads or lead generation,
19 social media promotion, search engine optimization, training, and business establishment
20 services.

21 **II.**

22 **Prohibition Against Misrepresentations**

23 **IT IS FURTHER ORDERED** Defendant Himes and his Representatives,
24 whether acting directly or indirectly, in connection with the advertising, marketing,
25 promotion, offering for sale, or sale of any products or services other than those banned
26 by Section I of this Order, are **permanently restrained and enjoined from**
27 misrepresenting or assisting others in misrepresenting, expressly or by implication:
28

1 A. That Defendant Himes or any other Person offers, sells, or provides loans
2 or cash advances;

3 B. The amount of income, earnings, or profits that a Person may or is likely to
4 earn, or that other Persons have earned;

5 C. That Defendant Himes or any other Person will provide, locate, or obtain
6 leads containing the names or contact information of Persons potentially interested in
7 products or services Defendant Himes or any other Person purports to offer;

8 D. That Defendant Himes or any other Person will contact, sell, or provide
9 services to businesses consumers refer;

10 E. The total cost to purchase, receive, or use any products or services; or

11 F. Any material aspect of the performance, efficacy, nature, or central
12 characteristics of any product or service.

13 **III.**

14 **Prohibition Against Violating the Telemarketing Sales Rule**

15 **IT IS FURTHER ORDERED** Defendant Himes and his Representatives,
16 whether acting directly or indirectly, in connection with the Telemarketing of any product
17 or service, are **permanently restrained and enjoined from** engaging in violations of the
18 Telemarketing Sales Rule, 16 C.F.R. Part 310, a copy of which is attached, including, but
19 not limited to:

20 A. Initiating, or causing others to initiate, an Outbound Telephone Call (1) to a
21 person's telephone number on the National Do Not Call Registry or (2) to a person who
22 previously has stated that he or she does not wish to receive an Outbound Telephone Call
23 made by or on behalf of the Telemarketing Seller whose goods or services are being
24 offered;

25 B. Causing the telephone to ring or engaging persons in telephone
26 conversation repeatedly or continuously, with intent to annoy, abuse, or harass the person
27 at the called number;

28 C. Threatening, intimidating, or the using of profane or obscene language; or

1 D. Initiating Outbound Telephone Calls to a telephone number within a given
2 area code on behalf of a Telemarketing Seller who has not, either directly or through
3 another person, paid the required annual fee for access to the telephone numbers within
4 that area code that are included in the National Do Not Call Registry.

5 **IV.**

6 **Monetary Judgment and Partial Suspension**

7 **IT IS FURTHER ORDERED** that:

8 A. Judgment in the amount of five million, five hundred ninety thousand,
9 eight hundred eight-one dollars and fifteen cents (\$5,590,881.15) is entered in favor of
10 the Commission against Defendant Himes as equitable monetary relief. Defendant
11 Himes's liability for the judgment shall be joint and several with any and all other
12 Defendants against whom the Court may enter judgment, jointly and severally, for
13 equitable monetary relief.

14 B. JPMorgan Chase Bank, N.A. is ordered, within seven (7) days of entry of
15 this Order, to transfer the funds held in account number xxxxx8839, in the name of Lance
16 R. Himes, to the Commission by electronic fund transfer in accordance with instructions
17 provided by a representative of the Commission.

18 C. Desert Schools Federal Credit Union is ordered, within seven (7) days of
19 entry of this Order, to transfer the funds held in account number xxxxxx9400, in the name
20 of Lance Himes, to the Commission by electronic fund transfer in accordance with
21 instructions provided by a representative of the Commission.

22 D. Upon the asset transfers set forth in Subsections B and C, the remainder of
23 the judgment is suspended, subject to the Subsections below.

24 E. The Commission's agreement to the suspension of part of the judgment is
25 expressly premised upon the truthfulness, accuracy, and completeness of Defendant
26 Himes's financial representations to the Commission, namely, the deposition of
27 Defendant Himes taken by counsel for the Commission on September 30, 2014.

28

1 F. The suspension of the judgment will be lifted as to Defendant Himes if,
2 upon motion by the Commission, the Court finds that Defendant Himes failed to disclose
3 any material asset, materially misstated the value of any asset, or made any other material
4 misstatement or omission in the financial representations identified above.

5 G. If the suspension of the judgment is lifted, the judgment becomes
6 immediately due in the amount specified in Subsection IV.A above (which the parties
7 stipulate only for purposes of this Section represents the consumer injury alleged in the
8 Complaint for the period that Defendant Himes participated in the acts and practices
9 alleged in the Complaint), less any payment previously made pursuant to this Section,
10 plus interest computed from the date of entry of this Order.

11 V.

12 **Additional Monetary Provisions**

13 **IT IS FURTHER ORDERED** that:

14 A. Defendant Himes hereby grants to the Commission all rights and claims he
15 has to any asset currently in the possession, custody, or control of the Receiver, including,
16 but not limited to, any computers or servers and all funds transferred to the Receiver from
17 any bank accounts held in the name of any Corporate Defendant.

18 B. Defendant Himes relinquishes dominion and all legal and equitable right,
19 title, and interest in all assets transferred pursuant to this Order and may not seek the
20 return of any assets.

21 C. The facts alleged in the Complaint will be taken as true, without further
22 proof, in any subsequent civil litigation by or on behalf of the Commission, including in a
23 proceeding to enforce its rights to any payment or monetary judgment pursuant to this
24 Order, such as a nondischargeability complaint in any bankruptcy case.

25 D. The facts alleged in the Complaint establish all elements necessary to
26 sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the Bankruptcy
27 Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel effect for
28 such purposes.

1 E. Defendant Himes acknowledges that his Taxpayer Identification Numbers
2 (Social Security Numbers or Employer Identification Numbers), which Defendant Himes
3 must submit to the Commission, may be used for collecting and reporting on any
4 delinquent amount arising out of this Order, in accordance with 31 U.S.C. §7701.

5 F. All money paid to the Commission pursuant to this Order may be deposited
6 into a fund administered by the Commission or its designee to be used for equitable
7 relief, including consumer redress and any attendant expenses for the administration of
8 any redress fund. If a representative of the Commission decides that direct redress to
9 consumers is wholly or partially impracticable or money remains after redress is
10 completed, the Commission may apply any remaining money for such other equitable
11 relief (including consumer information remedies) as it determines to be reasonably
12 related to Defendants' practices alleged in the Complaint. Any money not used for such
13 equitable relief is to be deposited to the U.S. Treasury as disgorgement. Defendant Himes
14 has no right to challenge any actions the Commission or its representatives may take
15 pursuant to this Subsection.

16 **VI.**

17 **Lifting of Asset Freeze**

18 **IT IS FURTHER ORDERED** the asset freeze set forth in the Preliminary
19 Injunction Order (Doc. 56) entered by this Court on August 19, 2013, is modified to
20 permit the payments and transfers identified in Section IV of this Order. Upon
21 completion of all payments and transfers required by Section IV of this order, the asset
22 freeze as to Defendant Himes is dissolved.

23 **VII.**

24 **Customer Information**

25 **IT IS FURTHER ORDERED** Defendant Himes and his Representatives,
26 whether acting directly or indirectly, are **permanently restrained and enjoined from:**

27 A. Failing to provide sufficient customer information to enable the
28 Commission to efficiently administer consumer redress. If a representative of the

1 Commission requests in writing any information related to redress, Defendant Himes
2 must provide it, in the form prescribed by the Commission, within fourteen (14) days.

3 B. Disclosing, using, or benefitting from customer information, including the
4 name, address, telephone number, email address, social security number, other identifying
5 information, or any data that enables access to a customer's account (including a credit
6 card, bank account, or other financial account), that any Defendant obtained prior to
7 entry of this Order; and

8 C. Failing to destroy such customer information in all forms in Defendant
9 Himes's possession, custody, or control within thirty (30) days after receipt of written
10 direction to do so from a representative of the Commission.

11 However, that customer information need not be disposed of, and may be
12 disclosed, to the extent requested by a government agency or required by law, regulation,
13 or court order.

14 **VIII.**

15 **Cooperation**

16 **IT IS FURTHER ORDERED** Defendant Himes must fully cooperate with
17 representatives of the Commission in this case and in any investigation related to or
18 associated with the transactions or the occurrences that are the subject of the Complaint.
19 Defendant Himes must provide truthful and complete information, evidence, and
20 testimony. Defendant Himes must appear for interviews, discovery, hearings, trials, and
21 any other proceedings that a Commission representative may reasonably request upon
22 five (5) days written notice, or other reasonable notice, at such places and times as a
23 Commission representative may designate, without the service of a subpoena.

24 **IX.**

25 **Order Acknowledgments**

26 **IT IS FURTHER ORDERED** that Defendant Himes obtain acknowledgments
27 of receipt of this Order as follows.

28

1 A. Defendant Himes, within seven (7) days of entry of this Order, must submit
2 to the Commission an acknowledgment of receipt of this Order sworn under penalty of
3 perjury.

4 B. For five (5) years after entry of this Order, Defendant Himes, for any
5 business that Defendant Himes is the majority owner or controls directly or indirectly,
6 must deliver a copy of this Order to: (1) all principals, officers, directors, and LLC
7 managers and members; (2) all employees, agents, and representatives who participate in
8 conduct related to the subject matter of the Order; and (3) any business entity resulting
9 from any change in structure as set forth in the Section titled Compliance Reporting.
10 Delivery must occur within seven (7) days of entry of this Order for current personnel.
11 For all others, delivery must occur before they assume their responsibilities.

12 C. From each individual or entity to which Defendant Himes delivered a copy
13 of this Order, Defendant Himes must obtain, within thirty (30) days, a signed and dated
14 acknowledgment of receipt of this Order.

15 **X.**

16 **Compliance Reporting**

17 **IT IS FURTHER ORDERED** that Defendant Himes make timely submissions
18 to the Commission as follows.

19 A. One year after entry of this Order, Defendant Himes must submit a
20 compliance report, sworn under penalty of perjury, which must:

- 21 1) Identify all telephone numbers and all physical, postal, email and
22 Internet addresses, including all residences, and identify the primary
23 physical, postal, and email address and telephone number, as
24 designated points of contact, which representatives of the
25 Commission may use to communicate with Defendant Himes;
- 26 2) Identify all business activities, including any business for which
27 Defendant Himes performs services whether as an employee or
28

- 1 otherwise and any entity in which Defendant Himes has any
- 2 ownership interest;
- 3 3) Describe in detail Defendant Himes's involvement in each such
- 4 business, including title, role, responsibilities, participation,
- 5 authority, control, and any ownership;
- 6 4) Identify all of Defendant Himes's businesses by all of their names,
- 7 telephone numbers, and physical, postal, email, and Internet
- 8 addresses;
- 9 5) Describe the activities of each business, including the goods and
- 10 services offered, the means of advertising, marketing, and sales, and
- 11 the involvement of any other Defendant in the case of *FTC v. Money*
- 12 *Now Funding* (which Defendant Himes must describe if he knows or
- 13 should know due to his own involvement);
- 14 6) Describe in detail whether and how Defendant Himes is in
- 15 compliance with each Section of this Order; and
- 16 7) Provide a copy of each Order Acknowledgment obtained pursuant to
- 17 this Order, unless previously submitted to the Commission.

18 B. For twenty (20) years after entry of this Order, Defendant Himes must
19 submit a compliance notice, sworn under penalty of perjury, within fourteen (14) days of
20 any change in the following:

- 21 1) Name, including aliases or fictitious name, or residence address;
- 22 2) Any designated point of contact;
- 23 3) Title or role in any business activity, including any business for
- 24 which Defendant Himes performs services whether as an employee
- 25 or otherwise and any entity in which Defendant Himes has any
- 26 ownership interest, and identify the name, physical address, and any
- 27 Internet address of the business or entity; and
- 28

1 B. Personnel records showing, for each person providing services, whether as
2 an employee or otherwise, that person's: name; addresses; telephone numbers; job title or
3 position; dates of service; and (if applicable) the reason for termination;

4 C. Records of all consumer complaints and refund requests, whether received
5 directly or indirectly, such as through a third party, and any response;

6 D. All records necessary to demonstrate full compliance with each provision
7 of this Order, including all submissions to the Commission; and

8 E. A copy of each unique advertisement or other marketing material.

9 **XII.**

10 **Compliance Monitoring**

11 **IT IS FURTHER ORDERED** for the purpose of monitoring Defendant Himes's
12 compliance with this Order, including the financial representations upon which part of the
13 judgment was suspended and any failure to transfer any assets as required by this Order,
14 that:

15 A. Within 14 days of receipt of a written request from a representative of the
16 Commission, Defendant Himes must submit additional compliance reports or other
17 requested information, which must be sworn under penalty of perjury; appear for
18 depositions; and produce documents for inspection and copying. The Commission is also
19 authorized to obtain discovery, without further leave of court, using any of the procedures
20 prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic depositions),
21 31, 33, 34, 36, 45, and 69.

22 B. For matters concerning this Order, the Commission is authorized to
23 communicate directly with Defendant Himes. Defendant Himes must permit
24 representatives of the Commission to interview any employee or other person affiliated
25 with Defendant Himes who has agreed to such an interview. The person interviewed may
26 have counsel present.

27 C. The Commission may use all other lawful means, including posing, through
28 its representatives as consumers, suppliers, or other individuals or entities, to Defendant

1 Himes or any individual or entity affiliated with him, without the necessity of
2 identification or prior notice. Nothing in this Order limits the Commission’s lawful use of
3 compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

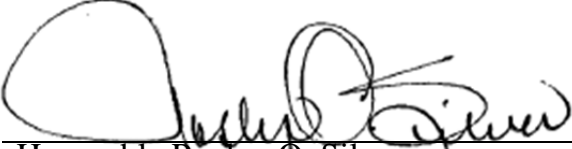
4 D. Upon written request from a representative of the Commission, any
5 consumer reporting agency must furnish consumer reports concerning Defendant Himes,
6 pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C. §1681b(a)(1).

7 **XIII.**

8 **Retention of Jurisdiction**

9 **IT IS FURTHER ORDERED** this Court retains jurisdiction of this matter for
10 purposes of construction, modification, and enforcement of this Order.

11 Dated this 3rd day of June, 2015.

12
13
14 
15 Honorable Roslyn O. Silver
16 Senior United States District Judge
17
18
19
20
21
22
23
24
25
26
27
28

Pt. 309, App. A

16 CFR Ch. I (1–1–14 Edition)

**PART 310—TELEMARKETING SALES
RULE 16 CFR PART 310**

Sec.

- 310.1 Scope of regulations in this part.
- 310.2 Definitions.
- 310.3 Deceptive telemarketing acts or practices.
- 310.4 Abusive telemarketing acts or practices.
- 310.5 Recordkeeping requirements.
- 310.6 Exemptions.
- 310.7 Actions by states and private persons.
- 310.8 Fee for access to the National Do Not Call Registry.
- 310.9 Severability.

AUTHORITY: 15 U.S.C. 6101–6108.

SOURCE: 75 FR 48516, Aug. 10, 2010, unless otherwise noted.

§ 310.1 Scope of regulations in this part.

This part implements the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C. 6101–6108, as amended.

§ 310.2 Definitions.

(a) *Acquirer* means a business organization, financial institution, or an agent of a business organization or financial institution that has authority from an organization that operates or licenses a credit card system to authorize merchants to accept, transmit, or process payment by credit card through the credit card system for money, goods or services, or anything else of value.

Federal Trade Commission**§ 310.2**

(b) *Attorney General* means the chief legal officer of a state.

(c) *Billing information* means any data that enables any person to access a customer's or donor's account, such as a credit card, checking, savings, share or similar account, utility bill, mortgage loan account, or debit card.

(d) *Caller identification service* means a service that allows a telephone subscriber to have the telephone number, and, where available, name of the calling party transmitted contemporaneously with the telephone call, and displayed on a device in or connected to the subscriber's telephone.

(e) *Cardholder* means a person to whom a credit card is issued or who is authorized to use a credit card on behalf of or in addition to the person to whom the credit card is issued.

(f) *Charitable contribution* means any donation or gift of money or any other thing of value.

(g) *Commission* means the Federal Trade Commission.

(h) *Credit* means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(i) *Credit card* means any card, plate, coupon book, or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.

(j) *Credit card sales draft* means any record or evidence of a credit card transaction.

(k) *Credit card system* means any method or procedure used to process credit card transactions involving credit cards issued or licensed by the operator of that system.

(l) *Customer* means any person who is or may be required to pay for goods or services offered through telemarketing.

(m) *Debt relief service* means any program or service represented, directly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt between a person and one or more unsecured creditors or debt collectors, including, but not limited to, a reduction in the balance, interest rate, or fees owed by a person to an unsecured creditor or debt collector.

(n) *Donor* means any person solicited to make a charitable contribution.

(o) *Established business relationship* means a relationship between a seller and a consumer based on:

(1) the consumer's purchase, rental, or lease of the seller's goods or services or a financial transaction between the consumer and seller, within the eighteen (18) months immediately preceding the date of a telemarketing call; or

(2) the consumer's inquiry or application regarding a product or service offered by the seller, within the three (3) months immediately preceding the date of a telemarketing call.

(p) *Free-to-pay conversion* means, in an offer or agreement to sell or provide any goods or services, a provision under which a customer receives a product or service for free for an initial period and will incur an obligation to pay for the product or service if he or she does not take affirmative action to cancel before the end of that period.

(q) *Investment opportunity* means anything, tangible or intangible, that is offered, offered for sale, sold, or traded based wholly or in part on representations, either express or implied, about past, present, or future income, profit, or appreciation.

(r) *Material* means likely to affect a person's choice of, or conduct regarding, goods or services or a charitable contribution.

(s) *Merchant* means a person who is authorized under a written contract with an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(t) *Merchant agreement* means a written contract between a merchant and an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(u) *Negative option feature* means, in an offer or agreement to sell or provide any goods or services, a provision under which the customer's silence or failure to take an affirmative action to reject goods or services or to cancel the agreement is interpreted by the seller as acceptance of the offer.

§ 310.3

16 CFR Ch. I (1–1–14 Edition)

(v) *Outbound telephone call* means a telephone call initiated by a telemarketer to induce the purchase of goods or services or to solicit a charitable contribution.

(w) *Person* means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.

(x) *Preacquired account information* means any information that enables a seller or telemarketer to cause a charge to be placed against a customer's or donor's account without obtaining the account number directly from the customer or donor during the telemarketing transaction pursuant to which the account will be charged.

(y) *Prize* means anything offered, or purportedly offered, and given, or purportedly given, to a person by chance. For purposes of this definition, chance exists if a person is guaranteed to receive an item and, at the time of the offer or purported offer, the telemarketer does not identify the specific item that the person will receive.

(z) *Prize promotion* means:

(1) A sweepstakes or other game of chance; or

(2) An oral or written express or implied representation that a person has won, has been selected to receive, or may be eligible to receive a prize or purported prize.

(aa) *Seller* means any person who, in connection with a telemarketing transaction, provides, offers to provide, or arranges for others to provide goods or services to the customer in exchange for consideration.

(bb) *State* means any state of the United States, the District of Columbia, Puerto Rico, the Northern Mariana Islands, and any territory or possession of the United States.

(cc) *Telemarketer* means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a customer or donor.

(dd) *Telemarketing* means a plan, program, or campaign which is conducted to induce the purchase of goods or services or a charitable contribution, by use of one or more telephones and which involves more than one interstate telephone call. The term does not include the solicitation of sales through the mailing of a catalog

which: contains a written description or illustration of the goods or services offered for sale; includes the business address of the seller; includes multiple pages of written material or illustrations; and has been issued not less frequently than once a year, when the person making the solicitation does not solicit customers by telephone but only receives calls initiated by customers in response to the catalog and during those calls takes orders only without further solicitation. For purposes of the previous sentence, the term "further solicitation" does not include providing the customer with information about, or attempting to sell, any other item included in the same catalog which prompted the customer's call or in a substantially similar catalog.

(ee) *Upselling* means soliciting the purchase of goods or services following an initial transaction during a single telephone call. The upsell is a separate telemarketing transaction, not a continuation of the initial transaction. An "external upsell" is a solicitation made by or on behalf of a seller different from the seller in the initial transaction, regardless of whether the initial transaction and the subsequent solicitation are made by the same telemarketer. An "internal upsell" is a solicitation made by or on behalf of the same seller as in the initial transaction, regardless of whether the initial transaction and subsequent solicitation are made by the same telemarketer.

§ 310.3 Deceptive telemarketing acts or practices.

(a) *Prohibited deceptive telemarketing acts or practices.* It is a deceptive telemarketing act or practice and a violation of this Rule for any seller or telemarketer to engage in the following conduct:

(1) Before a customer consents to pay⁶⁵⁹ for goods or services offered,

⁶⁵⁹ When a seller or telemarketer uses, or directs a customer to use, a courier to transport payment, the seller or telemarketer must make the disclosures required by § 310.3(a)(1) before sending a courier to pick up payment or authorization for payment, or directing a customer to have a courier pick up payment or authorization for payment. In

Federal Trade Commission**§ 310.3**

failing to disclose truthfully, in a clear and conspicuous manner, the following material information:

(i) The total costs to purchase, receive, or use, and the quantity of, any goods or services that are the subject of the sales offer;⁶⁶⁰

(ii) All material restrictions, limitations, or conditions to purchase, receive, or use the goods or services that are the subject of the sales offer;

(iii) If the seller has a policy of not making refunds, cancellations, exchanges, or repurchases, a statement informing the customer that this is the seller's policy; or, if the seller or telemarketer makes a representation about a refund, cancellation, exchange, or repurchase policy, a statement of all material terms and conditions of such policy;

(iv) In any prize promotion, the odds of being able to receive the prize, and, if the odds are not calculable in advance, the factors used in calculating the odds; that no purchase or payment is required to win a prize or to participate in a prize promotion and that any purchase or payment will not increase the person's chances of winning; and the no-purchase/no-payment method of participating in the prize promotion with either instructions on how to participate or an address or local or toll-free telephone number to which customers may write or call for information on how to participate;

(v) All material costs or conditions to receive or redeem a prize that is the subject of the prize promotion;

(vi) In the sale of any goods or services represented to protect, insure, or otherwise limit a customer's liability in the event of unauthorized use of the customer's credit card, the limits on a cardholder's liability for unauthorized use of a credit card pursuant to 15 U.S.C. 1643;

the case of debt relief services, the seller or telemarketer must make the disclosures required by § 310.3(a)(1) before the consumer enrolls in an offered program.

⁶⁶⁰ For offers of consumer credit products subject to the Truth in Lending Act, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR 226, compliance with the disclosure requirements under the Truth in Lending Act and Regulation Z shall constitute compliance with § 310.3(a)(1)(i) of this Rule.

(vii) If the offer includes a negative option feature, all material terms and conditions of the negative option feature, including, but not limited to, the fact that the customer's account will be charged unless the customer takes an affirmative action to avoid the charge(s), the date(s) the charge(s) will be submitted for payment, and the specific steps the customer must take to avoid the charge(s); and

(viii) In the sale of any debt relief service:

(A) the amount of time necessary to achieve the represented results, and to the extent that the service may include a settlement offer to any of the customer's creditors or debt collectors, the time by which the debt relief service provider will make a bona fide settlement offer to each of them;

(B) to the extent that the service may include a settlement offer to any of the customer's creditors or debt collectors, the amount of money or the percentage of each outstanding debt that the customer must accumulate before the debt relief service provider will make a bona fide settlement offer to each of them;

(C) to the extent that any aspect of the debt relief service relies upon or results in the customer's failure to make timely payments to creditors or debt collectors, that the use of the debt relief service will likely adversely affect the customer's creditworthiness, may result in the customer being subject to collections or sued by creditors or debt collectors, and may increase the amount of money the customer owes due to the accrual of fees and interest; and

(D) to the extent that the debt relief service requests or requires the customer to place funds in an account at an insured financial institution, that the customer owns the funds held in the account, the customer may withdraw from the debt relief service at any time without penalty, and, if the customer withdraws, the customer must receive all funds in the account, other than funds earned by the debt relief service in compliance with § 310.4(a)(5)(i)(A) through (C).

(2) Misrepresenting, directly or by implication, in the sale of goods or

§ 310.3**16 CFR Ch. I (1–1–14 Edition)**

services any of the following material information:

(i) The total costs to purchase, receive, or use, and the quantity of, any goods or services that are the subject of a sales offer;

(ii) Any material restriction, limitation, or condition to purchase, receive, or use goods or services that are the subject of a sales offer;

(iii) Any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer;

(iv) Any material aspect of the nature or terms of the seller's refund, cancellation, exchange, or repurchase policies;

(v) Any material aspect of a prize promotion including, but not limited to, the odds of being able to receive a prize, the nature or value of a prize, or that a purchase or payment is required to win a prize or to participate in a prize promotion;

(vi) Any material aspect of an investment opportunity including, but not limited to, risk, liquidity, earnings potential, or profitability;

(vii) A seller's or telemarketer's affiliation with, or endorsement or sponsorship by, any person or government entity;

(viii) That any customer needs offered goods or services to provide protections a customer already has pursuant to 15 U.S.C. 1643;

(ix) Any material aspect of a negative option feature including, but not limited to, the fact that the customer's account will be charged unless the customer takes an affirmative action to avoid the charge(s), the date(s) the charge(s) will be submitted for payment, and the specific steps the customer must take to avoid the charge(s); or

(x) Any material aspect of any debt relief service, including, but not limited to, the amount of money or the percentage of the debt amount that a customer may save by using such service; the amount of time necessary to achieve the represented results; the amount of money or the percentage of each outstanding debt that the customer must accumulate before the provider of the debt relief service will initiate attempts with the customer's

creditors or debt collectors or make a bona fide offer to negotiate, settle, or modify the terms of the customer's debt; the effect of the service on a customer's creditworthiness; the effect of the service on collection efforts of the customer's creditors or debt collectors; the percentage or number of customers who attain the represented results; and whether a debt relief service is offered or provided by a non-profit entity.

(3) Causing billing information to be submitted for payment, or collecting or attempting to collect payment for goods or services or a charitable contribution, directly or indirectly, without the customer's or donor's express verifiable authorization, except when the method of payment used is a credit card subject to protections of the Truth in Lending Act and Regulation Z,⁶⁶¹ or a debit card subject to the protections of the Electronic Fund Transfer Act and Regulation E,⁶⁶² Such authorization shall be deemed verifiable if any of the following means is employed:

(i) Express written authorization by the customer or donor, which includes the customer's or donor's signature;⁶⁶³

(ii) Express oral authorization which is audio-recorded and made available upon request to the customer or donor, and the customer's or donor's bank or other billing entity, and which evidences clearly both the customer's or donor's authorization of payment for the goods or services or charitable contribution that are the subject of the telemarketing transaction and the customer's or donor's receipt of all of the following information:

(A) The number of debits, charges, or payments (if more than one);

(B) The date(s) the debit(s), charge(s), or payment(s) will be submitted for payment;

⁶⁶¹ Truth in Lending Act, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR part 226.

⁶⁶² Electronic Fund Transfer Act, 15 U.S.C. 1693 *et seq.*, and Regulation E, 12 CFR part 205.

⁶⁶³ For purposes of this Rule, the term "signature" shall include an electronic or digital form of signature, to the extent that such form of signature is recognized as a valid signature under applicable federal law or state contract law.

Federal Trade Commission**§ 310.3**

(C) The amount(s) of the debit(s), charge(s), or payment(s);

(D) The customer's or donor's name;

(E) The customer's or donor's billing information, identified with sufficient specificity such that the customer or donor understands what account will be used to collect payment for the goods or services or charitable contribution that are the subject of the telemarketing transaction;

(F) A telephone number for customer or donor inquiry that is answered during normal business hours; and

(G) The date of the customer's or donor's oral authorization; or

(iii) Written confirmation of the transaction, identified in a clear and conspicuous manner as such on the outside of the envelope, sent to the customer or donor via first class mail prior to the submission for payment of the customer's or donor's billing information, and that includes all of the information contained in §§ 310.3(a)(3)(ii)(A)-(G) and a clear and conspicuous statement of the procedures by which the customer or donor can obtain a refund from the seller or telemarketer or charitable organization in the event the confirmation is inaccurate; provided, however, that this means of authorization shall not be deemed verifiable in instances in which goods or services are offered in a transaction involving a free-to-pay conversion and preacquired account information.

(4) Making a false or misleading statement to induce any person to pay for goods or services or to induce a charitable contribution.

(b) *Assisting and facilitating.* It is a deceptive telemarketing act or practice and a violation of this Rule for a person to provide substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act or practice that violates §§ 310.3(a), (c) or (d), or § 310.4 of this Rule.

(c) *Credit card laundering.* Except as expressly permitted by the applicable credit card system, it is a deceptive telemarketing act or practice and a violation of this Rule for:

(1) A merchant to present to or deposit into, or cause another to present

to or deposit into, the credit card system for payment, a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant;

(2) Any person to employ, solicit, or otherwise cause a merchant, or an employee, representative, or agent of the merchant, to present to or deposit into the credit card system for payment, a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant; or

(3) Any person to obtain access to the credit card system through the use of a business relationship or an affiliation with a merchant, when such access is not authorized by the merchant agreement or the applicable credit card system.

(d) *Prohibited deceptive acts or practices in the solicitation of charitable contributions.* It is a fraudulent charitable solicitation, a deceptive telemarketing act or practice, and a violation of this Rule for any telemarketer soliciting charitable contributions to misrepresent, directly or by implication, any of the following material information:

(1) The nature, purpose, or mission of any entity on behalf of which a charitable contribution is being requested;

(2) That any charitable contribution is tax deductible in whole or in part;

(3) The purpose for which any charitable contribution will be used;

(4) The percentage or amount of any charitable contribution that will go to a charitable organization or to any particular charitable program;

(5) Any material aspect of a prize promotion including, but not limited to: the odds of being able to receive a prize; the nature or value of a prize; or that a charitable contribution is required to win a prize or to participate in a prize promotion; or

(6) A charitable organization's or telemarketer's affiliation with, or endorsement or sponsorship by, any person or government entity.

§ 310.4**16 CFR Ch. I (1–1–14 Edition)****§ 310.4 Abusive telemarketing acts or practices.**

(a) *Abusive conduct generally.* It is an abusive telemarketing act or practice and a violation of this Rule for any seller or telemarketer to engage in the following conduct:

(1) Threats, intimidation, or the use of profane or obscene language;

(2) Requesting or receiving payment of any fee or consideration for goods or services represented to remove derogatory information from, or improve, a person's credit history, credit record, or credit rating until:

(i) The time frame in which the seller has represented all of the goods or services will be provided to that person has expired; and

(ii) The seller has provided the person with documentation in the form of a consumer report from a consumer reporting agency demonstrating that the promised results have been achieved, such report having been issued more than six months after the results were achieved. Nothing in this Rule should be construed to affect the requirement in the Fair Credit Reporting Act, 15 U.S.C. 1681, that a consumer report may only be obtained for a specified permissible purpose;

(3) Requesting or receiving payment of any fee or consideration from a person for goods or services represented to recover or otherwise assist in the return of money or any other item of value paid for by, or promised to, that person in a previous telemarketing transaction, until seven (7) business days after such money or other item is delivered to that person. This provision shall not apply to goods or services provided to a person by a licensed attorney;

(4) Requesting or receiving payment of any fee or consideration in advance of obtaining a loan or other extension of credit when the seller or telemarketer has guaranteed or represented a high likelihood of success in obtaining or arranging a loan or other extension of credit for a person;

(5)(i) Requesting or receiving payment of any fee or consideration for any debt relief service until and unless:

(A) The seller or telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of at least one

debt pursuant to a settlement agreement, debt management plan, or other such valid contractual agreement executed by the customer;

(B) The customer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the customer and the creditor or debt collector; and

(C) To the extent that debts enrolled in a service are renegotiated, settled, reduced, or otherwise altered individually, the fee or consideration either:

(1) Bears the same proportional relationship to the total fee for renegotiating, settling, reducing, or altering the terms of the entire debt balance as the individual debt amount bears to the entire debt amount. The individual debt amount and the entire debt amount are those owed at the time the debt was enrolled in the service; or

(2) Is a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. The percentage charged cannot change from one individual debt to another. The amount saved is the difference between the amount owed at the time the debt was enrolled in the service and the amount actually paid to satisfy the debt.

(ii) Nothing in § 310.4(a)(5)(i) prohibits requesting or requiring the customer to place funds in an account to be used for the debt relief provider's fees and for payments to creditors or debt collectors in connection with the renegotiation, settlement, reduction, or other alteration of the terms of payment or other terms of a debt, provided that:

(A) The funds are held in an account at an insured financial institution;

(B) The customer owns the funds held in the account and is paid accrued interest on the account, if any;

(C) The entity administering the account is not owned or controlled by, or in any way affiliated with, the debt relief service;

(D) The entity administering the account does not give or accept any money or other compensation in exchange for referrals of business involving the debt relief service; and

(E) The customer may withdraw from the debt relief service at any time without penalty, and must receive all

Federal Trade Commission**§ 310.4**

funds in the account, other than funds earned by the debt relief service in compliance with §310.4(a)(5)(i)(A) through (C), within seven (7) business days of the customer's request.

(6) Disclosing or receiving, for consideration, unencrypted consumer account numbers for use in telemarketing; provided, however, that this paragraph shall not apply to the disclosure or receipt of a customer's or donor's billing information to process a payment for goods or services or a charitable contribution pursuant to a transaction;

(7) Causing billing information to be submitted for payment, directly or indirectly, without the express informed consent of the customer or donor. In any telemarketing transaction, the seller or telemarketer must obtain the express informed consent of the customer or donor to be charged for the goods or services or charitable contribution and to be charged using the identified account. In any telemarketing transaction involving preacquired account information, the requirements in paragraphs (a)(7)(i) through (ii) of this section must be met to evidence express informed consent.

(i) In any telemarketing transaction involving preacquired account information and a free-to-pay conversion feature, the seller or telemarketer must:

(A) Obtain from the customer, at a minimum, the last four (4) digits of the account number to be charged;

(B) Obtain from the customer his or her express agreement to be charged for the goods or services and to be charged using the account number pursuant to paragraph (a)(7)(i)(A) of this section; and,

(C) Make and maintain an audio recording of the entire telemarketing transaction.

(ii) In any other telemarketing transaction involving preacquired account information not described in paragraph (a)(7)(i) of this section, the seller or telemarketer must:

(A) At a minimum, identify the account to be charged with sufficient specificity for the customer or donor to understand what account will be charged; and

(B) Obtain from the customer or donor his or her express agreement to

be charged for the goods or services and to be charged using the account number identified pursuant to paragraph (a)(7)(ii)(A) of this section; or

(8) Failing to transmit or cause to be transmitted the telephone number, and, when made available by the telemarketer's carrier, the name of the telemarketer, to any caller identification service in use by a recipient of a telemarketing call; provided that it shall not be a violation to substitute (for the name and phone number used in, or billed for, making the call) the name of the seller or charitable organization on behalf of which a telemarketing call is placed, and the seller's or charitable organization's customer or donor service telephone number, which is answered during regular business hours.

(b) *Pattern of calls.* (1) It is an abusive telemarketing act or practice and a violation of this Rule for a telemarketer to engage in, or for a seller to cause a telemarketer to engage in, the following conduct:

(i) Causing any telephone to ring, or engaging any person in telephone conversation, repeatedly or continuously with intent to annoy, abuse, or harass any person at the called number;

(ii) Denying or interfering in any way, directly or indirectly, with a person's right to be placed on any registry of names and/or telephone numbers of persons who do not wish to receive outbound telephone calls established to comply with §310.4(b)(1)(iii);

(iii) Initiating any outbound telephone call to a person when:

(A) That person previously has stated that he or she does not wish to receive an outbound telephone call made by or on behalf of the seller whose goods or services are being offered or made on behalf of the charitable organization for which a charitable contribution is being solicited; or

(B) That person's telephone number is on the "do-not-call" registry, maintained by the Commission, of persons who do not wish to receive outbound telephone calls to induce the purchase of goods or services unless the seller:

(i) Has obtained the express agreement, in writing, of such person to place calls to that person. Such written agreement shall clearly evidence such

§ 310.4**16 CFR Ch. I (1–14 Edition)**

person's authorization that calls made by or on behalf of a specific party may be placed to that person, and shall include the telephone number to which the calls may be placed and the signature⁶⁶⁴ of that person; or

(ii) Has an established business relationship with such person, and that person has not stated that he or she does not wish to receive outbound telephone calls under paragraph (b)(1)(iii)(A) of this section; or

(iv) Abandoning any outbound telephone call. An outbound telephone call is "abandoned" under this section if a person answers it and the telemarketer does not connect the call to a sales representative within two (2) seconds of the person's completed greeting.

(v) Initiating any outbound telephone call that delivers a prerecorded message, other than a prerecorded message permitted for compliance with the call abandonment safe harbor in § 310.4(b)(4)(iii), unless:

(A) In any such call to induce the purchase of any good or service, the seller has obtained from the recipient of the call an express agreement, in writing, that:

(i) The seller obtained only after a clear and conspicuous disclosure that the purpose of the agreement is to authorize the seller to place prerecorded calls to such person;

(ii) The seller obtained without requiring, directly or indirectly, that the agreement be executed as a condition of purchasing any good or service;

(iii) Evidences the willingness of the recipient of the call to receive calls that deliver prerecorded messages by or on behalf of a specific seller; and

(iv) Includes such person's telephone number and signature;⁶⁶⁵ and

(B) In any such call to induce the purchase of any good or service, or to

induce a charitable contribution from a member of, or previous donor to, a non-profit charitable organization on whose behalf the call is made, the seller or telemarketer:

(i) Allows the telephone to ring for at least fifteen (15) seconds or four (4) rings before disconnecting an unanswered call; and

(ii) Within two (2) seconds after the completed greeting of the person called, plays a prerecorded message that promptly provides the disclosures required by § 310.4(d) or (e), followed immediately by a disclosure of one or both of the following:

(A) In the case of a call that could be answered in person by a consumer, that the person called can use an automated interactive voice and/or keypress-activated opt-out mechanism to assert a Do Not Call request pursuant to § 310.4(b)(1)(iii)(A) at any time during the message. The mechanism must:

(1) Automatically add the number called to the seller's entity-specific Do Not Call list;

(2) Once invoked, immediately disconnect the call; and

(3) Be available for use at any time during the message; and

(B) In the case of a call that could be answered by an answering machine or voicemail service, that the person called can use a toll-free telephone number to assert a Do Not Call request pursuant to § 310.4(b)(1)(iii)(A). The number provided must connect directly to an automated interactive voice or keypress-activated opt-out mechanism that:

(1) Automatically adds the number called to the seller's entity-specific Do Not Call list;

(2) Immediately thereafter disconnects the call; and

(3) Is accessible at any time throughout the duration of the telemarketing campaign; and

(iii) Complies with all other requirements of this part and other applicable federal and state laws.

(C) Any call that complies with all applicable requirements of this paragraph (v) shall not be deemed to violate § 310.4(b)(1)(iv) of this part.

⁶⁶⁴ For purposes of this Rule, the term "signature" shall include an electronic or digital form of signature, to the extent that such form of signature is recognized as a valid signature under applicable federal law or state contract law.

⁶⁶⁵ For purposes of this Rule, the term "signature" shall include an electronic or digital form of signature, to the extent that such form of signature is recognized as a valid signature under applicable federal law or state contract law.

Federal Trade Commission**§ 310.4**

(D) This paragraph (v) shall not apply to any outbound telephone call that delivers a prerecorded healthcare message made by, or on behalf of, a covered entity or its business associate, as those terms are defined in the HIPAA Privacy Rule, 45 CFR 160.103.

(2) It is an abusive telemarketing act or practice and a violation of this Rule for any person to sell, rent, lease, purchase, or use any list established to comply with § 310.4(b)(1)(iii)(A), or maintained by the Commission pursuant to § 310.4(b)(1)(iii)(B), for any purpose except compliance with the provisions of this Rule or otherwise to prevent telephone calls to telephone numbers on such lists.

(3) A seller or telemarketer will not be liable for violating § 310.4(b)(1)(ii) and (iii) if it can demonstrate that, as part of the seller's or telemarketer's routine business practice:

(i) It has established and implemented written procedures to comply with § 310.4(b)(1)(ii) and (iii);

(ii) It has trained its personnel, and any entity assisting in its compliance, in the procedures established pursuant to § 310.4(b)(3)(i);

(iii) The seller, or a telemarketer or another person acting on behalf of the seller or charitable organization, has maintained and recorded a list of telephone numbers the seller or charitable organization may not contact, in compliance with § 310.4(b)(1)(iii)(A);

(iv) The seller or a telemarketer uses a process to prevent telemarketing to any telephone number on any list established pursuant to § 310.4(b)(3)(iii) or 310.4(b)(1)(iii)(B), employing a version of the "do-not-call" registry obtained from the Commission no more than thirty-one (31) days prior to the date any call is made, and maintains records documenting this process;

(v) The seller or a telemarketer or another person acting on behalf of the seller or charitable organization, monitors and enforces compliance with the procedures established pursuant to § 310.4(b)(3)(i); and

(vi) Any subsequent call otherwise violating § 310.4(b)(1)(ii) or (iii) is the result of error.

(4) A seller or telemarketer will not be liable for violating § 310.4(b)(1)(iv) if:

(i) The seller or telemarketer employs technology that ensures abandonment of no more than three (3) percent of all calls answered by a person, measured over the duration of a single calling campaign, if less than 30 days, or separately over each successive 30-day period or portion thereof that the campaign continues.

(ii) The seller or telemarketer, for each telemarketing call placed, allows the telephone to ring for at least fifteen (15) seconds or four (4) rings before disconnecting an unanswered call;

(iii) Whenever a sales representative is not available to speak with the person answering the call within two (2) seconds after the person's completed greeting, the seller or telemarketer promptly plays a recorded message that states the name and telephone number of the seller on whose behalf the call was placed⁶⁶⁶; and

(iv) The seller or telemarketer, in accordance with § 310.5(b)-(d), retains records establishing compliance with § 310.4(b)(4)(i)-(iii).

(c) *Calling time restrictions.* Without the prior consent of a person, it is an abusive telemarketing act or practice and a violation of this Rule for a telemarketer to engage in outbound telephone calls to a person's residence at any time other than between 8:00 a.m. and 9:00 p.m. local time at the called person's location.

(d) *Required oral disclosures in the sale of goods or services.* It is an abusive telemarketing act or practice and a violation of this Rule for a telemarketer in an outbound telephone call or internal or external upsell to induce the purchase of goods or services to fail to disclose truthfully, promptly, and in a clear and conspicuous manner to the person receiving the call, the following information:

- (1) The identity of the seller;
- (2) That the purpose of the call is to sell goods or services;
- (3) The nature of the goods or services; and
- (4) That no purchase or payment is necessary to be able to win a prize or

⁶⁶⁶ This provision does not affect any seller's or telemarketer's obligation to comply with relevant state and federal laws, including but not limited to the TCPA, 47 U.S.C. 227, and 47 CFR part 64.1200.

§ 310.5**16 CFR Ch. I (1–1–14 Edition)**

participate in a prize promotion if a prize promotion is offered and that any purchase or payment will not increase the person's chances of winning. This disclosure must be made before or in conjunction with the description of the prize to the person called. If requested by that person, the telemarketer must disclose the no-purchase/no-payment entry method for the prize promotion; provided, however, that, in any internal upsell for the sale of goods or services, the seller or telemarketer must provide the disclosures listed in this section only to the extent that the information in the upsell differs from the disclosures provided in the initial telemarketing transaction.

(e) *Required oral disclosures in charitable solicitations.* It is an abusive telemarketing act or practice and a violation of this Rule for a telemarketer, in an outbound telephone call to induce a charitable contribution, to fail to disclose truthfully, promptly, and in a clear and conspicuous manner to the person receiving the call, the following information:

(1) The identity of the charitable organization on behalf of which the request is being made; and

(2) That the purpose of the call is to solicit a charitable contribution.

[75 FR 48516, Aug. 10, 2010, as amended at 76 FR 58716, Sept. 22, 2011]

§ 310.5 Recordkeeping requirements.

(a) Any seller or telemarketer shall keep, for a period of 24 months from the date the record is produced, the following records relating to its telemarketing activities:

(1) All substantially different advertising, brochures, telemarketing scripts, and promotional materials;

(2) The name and last known address of each prize recipient and the prize awarded for prizes that are represented, directly or by implication, to have a value of \$25.00 or more;

(3) The name and last known address of each customer, the goods or services purchased, the date such goods or services were shipped or provided, and the amount paid by the customer for the goods or services;⁶⁶⁷

⁶⁶⁷ For offers of consumer credit products subject to the Truth in Lending Act, 15

(4) The name, any fictitious name used, the last known home address and telephone number, and the job title(s) for all current and former employees directly involved in telephone sales or solicitations; provided, however, that if the seller or telemarketer permits fictitious names to be used by employees, each fictitious name must be traceable to only one specific employee; and

(5) All verifiable authorizations or records of express informed consent or express agreement required to be provided or received under this Rule.

(b) A seller or telemarketer may keep the records required by § 310.5(a) in any form, and in the same manner, format, or place as they keep such records in the ordinary course of business. Failure to keep all records required by § 310.5(a) shall be a violation of this Rule.

(c) The seller and the telemarketer calling on behalf of the seller may, by written agreement, allocate responsibility between themselves for the recordkeeping required by this Section. When a seller and telemarketer have entered into such an agreement, the terms of that agreement shall govern, and the seller or telemarketer, as the case may be, need not keep records that duplicate those of the other. If the agreement is unclear as to who must maintain any required record(s), or if no such agreement exists, the seller shall be responsible for complying with §§ 310.5(a)(1)-(3) and (5); the telemarketer shall be responsible for complying with § 310.5(a)(4).

(d) In the event of any dissolution or termination of the seller's or telemarketer's business, the principal of that seller or telemarketer shall maintain all records as required under this section. In the event of any sale, assignment, or other change in ownership of the seller's or telemarketer's business, the successor business shall maintain all records required under this section.

U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR 226, compliance with the recordkeeping requirements under the Truth in Lending Act, and Regulation Z, shall constitute compliance with § 310.5(a)(3) of this Rule.

Federal Trade Commission**§ 310.7****§ 310.6 Exemptions.**

(a) Solicitations to induce charitable contributions via outbound telephone calls are not covered by § 310.4(b)(1)(iii)(B) of this Rule.

(b) The following acts or practices are exempt from this Rule:

(1) The sale of pay-per-call services subject to the Commission's Rule entitled "Trade Regulation Rule Pursuant to the Telephone Disclosure and Dispute Resolution Act of 1992," 16 CFR part 308, *provided*, however, that this exemption does not apply to the requirements of §§ 310.4(a)(1), (a)(7), (b), and (c);

(2) The sale of franchises subject to the Commission's Rule entitled "Disclosure Requirements and Prohibitions Concerning Franchising," ("Franchise Rule") 16 CFR part 436, and the sale of business opportunities subject to the Commission's Rule entitled "Disclosure Requirements and Prohibitions Concerning Business Opportunities," ("Business Opportunity Rule") 16 CFR part 437, *provided*, however, that this exemption does not apply to the requirements of §§ 310.4(a)(1), (a)(7), (b), and (c);

(3) Telephone calls in which the sale of goods or services or charitable solicitation is not completed, and payment or authorization of payment is not required, until after a face-to-face sales or donation presentation by the seller or charitable organization, *provided*, however, that this exemption does not apply to the requirements of §§ 310.4(a)(1), (a)(7), (b), and (c);

(4) Telephone calls initiated by a customer or donor that are not the result of any solicitation by a seller, charitable organization, or telemarketer, *provided*, however, that this exemption does not apply to any instances of upselling included in such telephone calls;

(5) Telephone calls initiated by a customer or donor in response to an advertisement through any medium, other than direct mail solicitation, *provided*, however, that this exemption does not apply to calls initiated by a customer or donor in response to an advertisement relating to investment opportunities, debt relief services, business opportunities other than business arrangements covered by the Franchise

Rule or Business Opportunity Rule, or advertisements involving goods or services described in §§ 310.3(a)(1)(vi) or 310.4(a)(2)-(4); or to any instances of upselling included in such telephone calls;

(6) Telephone calls initiated by a customer or donor in response to a direct mail solicitation, including solicitations via the U.S. Postal Service, facsimile transmission, electronic mail, and other similar methods of delivery in which a solicitation is directed to specific address(es) or person(s), that clearly, conspicuously, and truthfully discloses all material information listed in § 310.3(a)(1) of this Rule, for any goods or services offered in the direct mail solicitation, and that contains no material misrepresentation regarding any item contained in § 310.3(d) of this Rule for any requested charitable contribution; *provided*, however, that this exemption does not apply to calls initiated by a customer in response to a direct mail solicitation relating to prize promotions, investment opportunities, debt relief services, business opportunities other than business arrangements covered by the Franchise Rule or Business Opportunity Rule, or goods or services described in §§ 310.3(a)(1)(vi) or 310.4(a)(2)-(4); or to any instances of upselling included in such telephone calls; and

(7) Telephone calls between a telemarketer and any business, except calls to induce the retail sale of non-durable office or cleaning supplies; *provided*, however, that § 310.4(b)(1)(iii)(B) and § 310.5 of this Rule shall not apply to sellers or telemarketers of non-durable office or cleaning supplies.

§ 310.7 Actions by states and private persons.

(a) Any attorney general or other officer of a state authorized by the state to bring an action under the Telemarketing and Consumer Fraud and Abuse Prevention Act, and any private person who brings an action under that Act, shall serve written notice of its action on the Commission, if feasible, prior to its initiating an action under this Rule. The notice shall be sent to the Office of the Director, Bureau of Consumer Protection, Federal Trade Commission, Washington, DC 20580, and

§310.8**16 CFR Ch. I (1–1–14 Edition)**

shall include a copy of the state's or private person's complaint and any other pleadings to be filed with the court. If prior notice is not feasible, the state or private person shall serve the Commission with the required notice immediately upon instituting its action.

(b) Nothing contained in this Section shall prohibit any attorney general or other authorized state official from proceeding in state court on the basis of an alleged violation of any civil or criminal statute of such state.

§310.8 Fee for access to the National Do Not Call Registry.

(a) It is a violation of this Rule for any seller to initiate, or cause any telemarketer to initiate, an outbound telephone call to any person whose telephone number is within a given area code unless such seller, either directly or through another person, first has paid the annual fee, required by §310.8(c), for access to telephone numbers within that area code that are included in the National Do Not Call Registry maintained by the Commission under §310.4(b)(1)(iii)(B); provided, however, that such payment is not necessary if the seller initiates, or causes a telemarketer to initiate, calls solely to persons pursuant to §§310.4(b)(1)(iii)(B)(i) or (ii), and the seller does not access the National Do Not Call Registry for any other purpose.

(b) It is a violation of this Rule for any telemarketer, on behalf of any seller, to initiate an outbound telephone call to any person whose telephone number is within a given area code unless that seller, either directly or through another person, first has paid the annual fee, required by §310.8(c), for access to the telephone numbers within that area code that are included in the National Do Not Call Registry; provided, however, that such payment is not necessary if the seller initiates, or causes a telemarketer to initiate, calls solely to persons pursuant to §§310.4(b)(1)(iii)(B)(i) or (ii), and the seller does not access the National Do Not Call Registry for any other purpose.

(c) The annual fee, which must be paid by any person prior to obtaining

access to the National Do Not Call Registry, is \$59 for each area code of data accessed, up to a maximum of \$16,228; *provided*, however, that there shall be no charge to any person for accessing the first five area codes of data, and *provided further*, that there shall be no charge to any person engaging in or causing others to engage in outbound telephone calls to consumers and who is accessing area codes of data in the National Do Not Call Registry if the person is permitted to access, but is not required to access, the National Do Not Call Registry under this Rule, 47 CFR 64.1200, or any other Federal regulation or law. Any person accessing the National Do Not Call Registry may not participate in any arrangement to share the cost of accessing the registry, including any arrangement with any telemarketer or service provider to divide the costs to access the registry among various clients of that telemarketer or service provider.

(d) Each person who pays, either directly or through another person, the annual fee set forth in §310.8(c), each person excepted under §310.8(c) from paying the annual fee, and each person excepted from paying an annual fee under §310.4(b)(1)(iii)(B), will be provided a unique account number that will allow that person to access the registry data for the selected area codes at any time for the twelve month period beginning on the first day of the month in which the person paid the fee ("the annual period"). To obtain access to additional area codes of data during the first six months of the annual period, each person required to pay the fee under §310.8(c) must first pay \$59 for each additional area code of data not initially selected. To obtain access to additional area codes of data during the second six months of the annual period, each person required to pay the fee under §310.8(c) must first pay \$30 for each additional area code of data not initially selected. The payment of the additional fee will permit the person to access the additional area codes of data for the remainder of the annual period.

(e) Access to the National Do Not Call Registry is limited to telemarketers, sellers, others engaged in or causing others to engage in telephone

Federal Trade Commission**§ 311.4**

calls to consumers, service providers acting on behalf of such persons, and any government agency that has law enforcement authority. Prior to accessing the National Do Not Call Registry, a person must provide the identifying information required by the operator of the registry to collect the fee, and must certify, under penalty of law, that the person is accessing the registry solely to comply with the provisions of this Rule or to otherwise prevent telephone calls to telephone numbers on the registry. If the person is accessing the registry on behalf of sellers, that person also must identify each of the sellers on whose behalf it is accessing the registry, must provide each seller's unique account number for access to the national registry, and must certify, under penalty of law, that the sellers will be using the information gathered from the registry solely to comply with the provisions of this Rule or otherwise to prevent telephone calls to telephone numbers on the registry.

[75 FR 48516, Aug. 10, 2010; 75 FR 51934, Aug. 24, 2010, as amended at 77 FR 51697, Aug. 27, 2012; 78 FR 53643, Aug. 30, 2013]

§ 310.9 Severability.

The provisions of this Rule are separate and severable from one another. If any provision is stayed or determined to be invalid, it is the Commission's intention that the remaining provisions shall continue in effect.