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UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

COMMISSIONERS: Jon Leibowitz, Chairman
J. Thomas Rosch

consumers. PC Rental Agent, when installed on a rented computer, enables Watershed to disable the computer remotely. Watershed disables the computer when it is reported lost or stolen, or when a consumer is late making payments, stopped communicating with Watershed, or has otherwise violated the rental contract. PC Rental Agent also enables Watershed to remotely install and activate an add-on program called Detective Mode. Using Detective Mode, Watershed can surreptitiously monitor the activity on the computer's hard drive.

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

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



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

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

VIOLATIONS OF THE FTC ACT

COUNT I

Unfair Gathering of Consumers' Personal Information

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

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

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

COUNT II Unfair Collection Practices

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

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

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

COUNT III Deceptive Gathering of Consumers' Personal Information

18. Through the means described in Paragraphs 3 through 11, respondent has represented or caused to be represented to consumers, expressly or by implication, that certain pop-up notices that appear on computer screens are notices from trusted sources.

THEREFORE, the Federal Trade Commission ~~this~~ ____ day of _____, 2012, has issued this complaint against respondent.