

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman
Julie Brill
Maureen K. Ohlhausen
Joshua D. Wright**

_____)
In the Matter of))
) **DOCKET NO. C-**
AARON’S, INC., a corporation.))
))
_____)

COMPLAINT

The Federal Trade Commission, having reason to believe that Aaron’s, Inc., has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Aaron’s, Inc., (“Aaron’s” or “respondent”), is a Georgia corporation with its principal office or place of business at 309 E. Paces Ferry Road, N.E., Atlanta, Georgia 30305. Aaron’s is a national “rent-to-own” (“RTO”) retailer of consumer electronics, residential furniture, and household appliances. RTO retailers allow consumers to rent goods with an option to purchase them.
2. The acts and practices of respondent as alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

RESPONDENT’S BUSINESS PRACTICES

3. Aaron’s does business through a network of more than 1,300 company-owned stores and 700 independently owned franchised stores that operate across the United States. Since at least 2009 through January 2012, some Aaron’s franchisees licensed a software product known as PC Rental Agent from DesignerWare, LLC (“DesignerWare”) and installed it on computers rented to consumers. Aaron’s knew that some of its franchisees had installed PC Rental Agent on computers rented to consumers because, among other things, Aaron’s provided these stores with the technical capacity to access and use PC Rental Agent, as detailed below. Company-owned Aaron’s stores did not license or use PC Rental Agent.

4. When installed on a rented computer, PC Rental Agent enabled Aaron's franchisees to disable a computer remotely. PC Rental Agent also enabled Aaron's franchisees to remotely install and activate an add-on program called Detective Mode. Using Detective Mode, Aaron's franchisees could – and did – surreptitiously monitor the activities of computer users, including by logging keystrokes, capturing screenshots, and using the computer's webcam. Through Detective Mode, Aaron's franchisees could – and did – secretly gather consumers' personal information using fake software registration windows. In addition, using a different PC Rental Agent feature, Aaron's franchisees tracked the physical location of rented computers using WiFi hotspot location information. Aaron's franchisees used this illicitly gathered data to assist in collecting past-due payments and recovering computers after default.

5. Detective Mode data sent to Aaron's franchisees revealed private, confidential, and personal details about consumers using rented computers. Keystroke logs displayed usernames and passwords for access to email accounts, social media websites, and financial institutions. Screenshots captured additional confidential details, including medical information, applications containing Social Security numbers, and bank and credit card statements. Webcams operating secretly inside computer users' homes took photographs of computer users and anyone else within view of the camera. These included images of minor children as well as individuals not fully clothed and engaged in intimate conduct. The presence of PC Rental Agent was not detectible to computer users and computer renters could not uninstall it. In numerous instances, Aaron's franchisees did not obtain consent from their rental customers and did not disclose to them or the rental computers' users that PC Rental Agent was installed and could be used to track consumers' physical locations and remotely spy on their activities.

6. To use PC Rental Agent and activate Detective Mode, Aaron's franchisees needed to access DesignerWare's website and direct PC Rental Agent to take the desired action. Aaron's franchisees also needed to provide DesignerWare with an email address to which DesignerWare could send data captured by Detective Mode. DesignerWare forwarded immediately all data collected by Detective Mode to the email address provided by the Aaron's franchisee. Because at one activation level Detective Mode would capture screen shots, log keystrokes, and take webcam pictures every two minutes that the computer was connected to the Internet until directed to stop, and because this data was contemporaneously emailed to the Aaron's franchisees requesting it, Detective Mode activations often generated an enormous volume of data.

7. Aaron's requires its franchisees to have company-provided, Aarons.com email addresses. Aaron's also provides these franchisees with email accounts and server space to store email messages. Such email messages are routed through Aaron's corporate headquarters and stored on computer servers owned, controlled, and maintained by Aaron's. Under the franchise agreement that governs each Aaron's franchisee, Aaron's may terminate a franchisee that breaches any Aaron's policy or practice or that violates federal, state, or local laws, regulations, or ordinances. In addition, Aaron's policies and training materials for franchisees prohibit "unlawful" computer and Internet use, and set standards for fair collection practices.

8. Aaron's protects its computer network with certain security features. DesignerWare's website, through which Aaron's franchisees needed to access PC Rental Agent and activate Detective Mode, did not interface smoothly with Aaron's network configurations. In numerous instances, Aaron's franchisees had to seek written permission from Aaron's to access the DesignerWare website so that they could use PC Rental Agent. Senior Aaron's management approved these requests and authorized franchisees to access the DesignerWare website using the Aaron's network. Absent this permission, many Aaron's franchisees could not have used PC Rental Agent, activated Detective Mode, and surreptitiously monitored consumers' activities on rented computers.

9. Aaron's also provided its franchisees with trouble-shooting advice relating to installation of PC Rental Agent software on rental computers. Technical conflicts between PC Rental Agent and the antivirus program already installed on computers in rental inventory prevented franchisees from readily installing PC Rental Agent. Aaron's published step-by-step instructions for installing PC Rental Agent on Aaron's rental computers in a newsletter for franchisees and posted those instructions on its website.

10. In numerous instances, Aaron's franchisees used the Aaron's computer network to access the DesignerWare website, and then, often using instructions provided by Aaron's, installed PC Rental Agent on computers rented to consumers. Aaron's franchisees directed DesignerWare to send Detective Mode data to the email accounts provided to them by Aaron's. Aaron's computer network was used to receive, store, and access upwards of 100,000 Detective Mode messages, including messages containing private and confidential consumer information about consumers who rented computers from Aaron's franchisees. Aaron's has stored such messages on its computer network since at least 2009.

11. Aaron's knew that Detective Mode captured confidential and personal information from consumer computer users without notice to those users. Aaron's IT personnel were aware that company server space was being used to store Detective Mode emails and knew what data those emails contained. One IT employee who reviewed Detective Mode images sent to a franchisee described the program as "very intrusive" in an email to Aaron's chief information officer.

12. Aaron's employees responsible for franchisee development and oversight, "franchise representatives," also knew that Aaron's franchisees were installing PC Rental Agent and using Detective Mode without notice to consumers. Franchise representatives discussed PC Rental Agent with franchisee employees, via email and in-person, including at Aaron's-sponsored conferences attended by franchisee employees where PC Rental Agent was an agenda item. Some franchisee employees first heard about PC Rental Agent from Aaron's franchise representatives. Through these communications, Aaron's employees also learned about the privacy-invasive capabilities of Detective Mode. For example, one franchisee owner suggested to an Aaron's franchise representative that PC Rental Agent use be put on the agenda for an upcoming meeting in part because he said he was "a little uncomfortable with the ability to see the customer through the webcam."

13. Beginning at least in 2010 and throughout 2011, Aaron's senior corporate management not only knew that its franchisees were using PC Rental Agent and activating Detective Mode without notice to computer users, they also knew that data and information gathered by Detective Mode could be highly intrusive and invaded consumers' privacy. Aaron's managers specifically discussed whether to purchase PC Rental Agent for installation on Aaron's corporate-owned stores. As part of that discussion, Aaron's reviewed the use of PC Rental Agent by some of its franchisees, as well as Detective Mode's capabilities. Among other things, managers received email communications that included examples of images captured by Detective Mode. Ultimately, Aaron's decided not to purchase PC Rental Agent for its corporate stores.

14. Aaron's management learned even more about PC Rental Agent and Detective Mode when, in May 2011, Aaron's was sued by a franchisee customer who alleged that an Aaron's franchisee's use of Detective Mode invaded her privacy and violated state and federal law. The lawsuit, which also named the Aaron's franchisee and DesignerWare, was styled as a class action. The complaint described, inter alia, the alleged properties of Detective Mode, including its capacity to capture computer users' keystrokes, screenshots of their computer activities, and webcam images.

15. Aaron's did not close its web portal and revoke franchisee access to the DesignerWare website and Detective Mode emails until December 2011. Following that action by Aaron's, its franchisees that used Aaron's network could no longer receive and view emails from DesignerWare containing Detective Mode-captured data about their customers. Aaron's computer servers received the last Detective Mode email in January 2012. Aaron's failed to act earlier despite clear authority to control its franchisees' access to and use of Aaron's computer network.

16. Aaron's conduct in permitting and participating in the gathering and storage of private and confidential information about individuals caused or was likely to cause substantial harm to consumers. Because of Aaron's actions, private and confidential information was captured, stored on Aaron's computer system, and revealed to Aaron's franchisees. This conduct placed consumers at risk from the exposure of their personal, financial account access, and medical information. Consumers also were injured by the unwarranted invasion into the peaceful enjoyment of their homes. Detective Mode's surreptitious capture of the private details of individual and family life – including images of visitors, children, family interactions, partially undressed individuals, and people engaged in intimate conduct – caused actual consumer harm. Because Detective Mode functioned secretly, consumers were unable to reasonably avoid this harm, which was neither trivial nor speculative. Further, the harm caused by the knowing and unauthorized gathering and storage of private and confidential information is not outweighed by countervailing benefits to consumers or to competition.

VIOLATION OF THE FTC ACT

17. Through the means described in Paragraphs 3 through 16, respondent's actions have caused or are likely to cause substantial injury to consumers that cannot be reasonably avoided and is not outweighed by countervailing benefits to consumers or competition. Therefore, respondent's practices constitute unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a).

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

By the Commission.

Donald S. Clark
Secretary