

The FTC's Revised .com Disclosures Guide: What Third Party Advertisers and Lead Generators Need to Know

LeadsCouncil Webinar April 16, 2013, 2 – 3 pm ET Jonathan L. Pompan, Partner Ellen T. Berge, Partner



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Today's Webinar

- Background
- Scope of the Guide
 - Applicability of FTC Law to Online Advertising
- Clear and Conspicuous Disclosures in Online Advertisements
 - Background on Disclosures
 - The Clear and Conspicuous Requirement
 - What are Clear and Conspicuous Disclosures?
 - 1. Proximity and Placement
 - 2. Prominence
 - 3. Distracting Factors in Ads
 - 4. Repetition
 - 5. Multimedia Messages and Campaigns
 - 6. Understandable Language
- Key Areas that We'll Focus on:
 - Displaying Disclosures Prior to Purchase/Consent
 - Space-Constrained Ads (Tweets)
 - Negative Options
- Wrap-Up and Q & A





- First published in May 2000, discussed applicability of FTC rules and guides to online activity
- Revised staff guidance issued March 2013, addresses changes in the marketplace, growth of mobile and social media
- Guides are not law, and do not provide safe harbor from potential liability
- Serve as guidance on best practices for clear and conspicuous disclosures pursuant to the laws the FTC enforces



A copy of the guide is available at www.ftc.gov.



Background (cont'd)

- The guide only addresses disclosures required pursuant to laws that the FTC enforces.
- The Guide does not address disclosures that may be required pursuant to local, state (*e.g.*, many sweepstake requirements), or other federal laws or regulations (*e.g.*, regulations issued by the Consumer Financial Protection Bureau or the Food and Drug Administration).



Applicability of FTC Law to Online Advertising

- The FTC Act's prohibition on "unfair or deceptive acts or practices" broadly covers advertising claims, marketing and promotional activities.
 - Covers online advertising, marketing, and sales online
 - "Online" includes advertising and marketing through the Internet and on mobile devices, including smartphones and tablets
- FTC issues rules and guides:
 - Rules prohibit specific acts or practices
 - Guides help businesses in their efforts to comply with the law by providing examples or direction.
- Although guides do not have the force and effect of law, if a person or company fails to comply with a guide, the FTC might bring an enforcement action alleging an unfair or deceptive practice in violation of the FTC Act.

Clear and Conspicuous Disclosures in Online Advertisements

- The basic principles of advertising apply to online advertisements:
 - They must be truthful, and not be misleading
 - Advertisers must be able to substantiate claims with evidence
 - Advertisements cannot be unfair
- Unique features in online ads may affect how an ad and any required disclosure as a whole is evaluated.



Background on Disclosures

- When is a disclosure required:
 - If an ad makes express or implied claims that are likely to be misleading without certain qualifying information, the information must be disclosed.
- A disclosure cannot cure a false claim; it can only qualify or limit a claim to avoid a misleading impression.
- If a disclosure is required, it must be clear and conspicuous
 - FTC rules and guides often spell out information that must be disclosed; or specify material information that must be provided.

The Clear and Conspicuous Requirement

- To evaluate whether a particular disclosure is clear and conspicuous, the FTC will consider overall net impression.
- If a disclose is not seen or comprehended it will not change the net impression...and therefore cannot qualify the claim to avoid a misleading impression.

- Adopt the perspective of a reasonable consumer
- Don't assume consumers read an entire website or screen
- Place disclosures as close to the claim they qualify as possible

What are Clear and Conspicuous Disclosures?

- There is no set formula; it depends on the information that must be provided and the nature of advertisement.
- Consider:
 - The placement of the disclosure and its proximity to the claim it is qualifying
 - Prominence
 - Whether the disclosure is unavailable
 - If other items might distract
 - Whether the disclosure needs to be repeated
 - Volume, cadence, and duration
 - Language

Examples of Clear and Conspicuous Disclosures

<u>Note</u>: The following examples are from the *FTC* .com Disclosures Guide. Each mock ad presents a scenario to illustrate one or more particular factors. Advertisers must consider all of the factors, however, and evaluate an actual disclosure in the context of the ad as a whole.



Proximity and Placement

- A disclosure is more effective if it is near the triggering claim or other relevant information
- Proximity increase the likelihood that consumers will see the disclosure

- Medium considerations:
 - Online
 - Mobile applications
 - Screen size
- Empirical research (where do consumers look?)

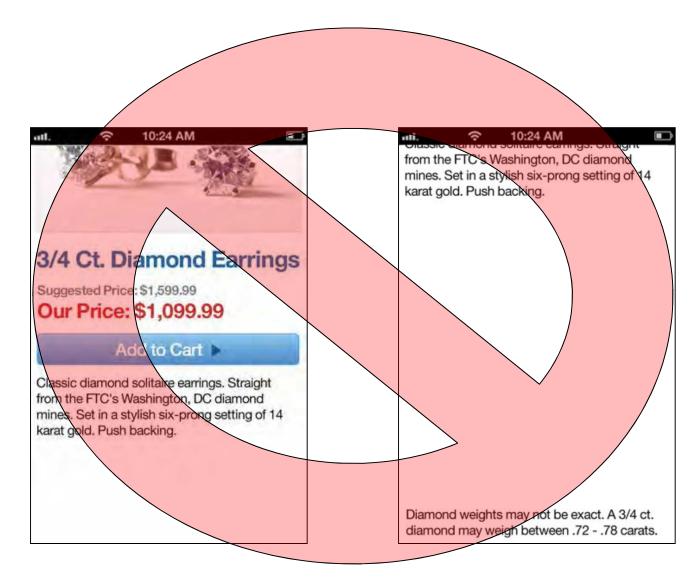
Evaluating Proximity

- The disclosure "imitation" needs to accompany the triggering term "pearl," so that consumers are not misled about the type of pearls being sold.
- The disclosure would not be as effective if it was separated from the word "pearl" or placed on a different page.
- Guides for Jewelry, Precious Metals, and Pewter Industries
- Often, disclosures consist of a word or phrase that may be easily incorporated into the text, along with the claim. Doing so increases the likelihood that consumers will see the disclosure and relate it to the relevant claim.



Lustrous imitation pearl dangle earrings. The highest quality imitation pearls fall delicately from these classical 14K gold chains. Hinge post backs. Hanging length: 1/3"

Evaluating Proximity





Proximity and Placement: Ex. to Avoid

Login or Register | About Us | Certification

Call us now 1-800-XXX-XXXX





Keep an Eye on Your Home for Safety and Security



Eye on

Your Home

*Usage requires a \$9.99 monthly service fee.

Do you worry that the nanny is putting your toodler in front of the television for hours, instead of reading to her? Or do you have older children who come home to an empty house after school? An elderly parent at home alone? Or do you just want to see what the dog does while you're at work?

Get our wireless home monitoring system!



Buy Now

Set up our cameras wherever you need them, and relax. You'll be able to check on everyone and everything. wherever you are, using either your computer, tablet, or smartphone equipped with our free Eye app.

Our wide-angle cameras can be wall mounted or free standing. See camera specifications.



*My 80 year-old mother lives with us. I was always womed about her when I was out of the house because she had a bad fall last year. With Eve-On-Your-Home cameras In the kitchen and the family room, I can just check my smart phone when I'm out and know she's okay."

> - Julie Brown Satisfied Customer



Webpage on a desktop

Proximity and Placement: Ex. to Avoid





Set up our cameras wherever you need them, and relax. You'll be able to check on everyone and everything wherever you are, using either your computer, tablet, or smartphone equipped with our <u>bee Eye app</u>.

Our wide-angle cameras can be wall mounted or hee standing. See camera specifications.

Mobile screen (zoomed-in)



Hyperlinking to a Disclosure

- Hyperlinks can be useful to make non fundamental disclosures, particularly if the disclosure is lengthy
- But if integral part of a claim, then should not use hyperlink
 - Particularly for cost information or certain health and safety disclosures



Hyperlinking to a Disclosure

FROST-A-TRON so fresh & cool

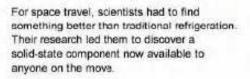
FAQ

Home

Order Now

SEEN ON

Reviews



Think about your next road trip with the family. You're cruising along, making great time and – you guessed it – one of the kids is hungry.

Relax. Your Frost-a-tron is plugged into one of your 12 volt outlets and stocked with fruit, sandwiches, cold drinks, fried chicken ... fresh and cold.

Only \$129 plus shipping & hardling

Satisfaction is guaranteed.

Important Health Information



Order Now | FAQ | Reviews | Contact Us

Example: A hyperlink labeled "Important Health Information" disclosing <u>fundamental</u> information is not adequate

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Hyperlinking to a Disclosure

- If a product's cost is advertised on one page, but there are other significant additional fees, proper disclosure must be made
- If information about additional fees is too detailed to describe next to the price claim, the information can be provided by using a hyperlink
- The hyperlink should be clearly labeled and it should appear adjacent to the price



Hyperlinking to a Disclosure



Login or Pegater | About Us | Cetification

Call us now 1-800-XXX-XXXX



Keep an Eye on Your Home for Safety and Security



Do you worry thatthe name is putting your todder in front of the television for hours, instead of reading to her? Or do you have alder children who come home to an empty house after school? An elder/cpanent at home alone? Or do you acts want to see what he dog does while you've at work?

Get our wireless home monitoring system!

Set up our camerus wherever you need them, and retar. You'll be able to check on everyone and everything wherever you are, using either your computer, tablet, or smarbhone equipped with our bee Eve app.

Our wide-engle cameras can be wall ineuted or hee standing. See camera specifications.

Price: \$99.99 per camera Service plan required. Get service plan arices.





"My 80 year-old mother lives with us, I was always werned about her when I was out of the house because she had a bad link ket year Writ Sye-Con-Youri-Kome cameas in the Kohen and the family norm, I use just check my smart phone when I'm out and innew she's sing."

> - Jule Brown Satisfiert Castorne

Example: A hyperlink labeled "Get service plan prices," placed directly below the claim is effective

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Hyperlinking to a Disclosure Tips

• For Effective Hyperlinks Consider:

- The labeling or description of the hyperlink
- The consistency in the use of hyperlink styles
- The placement and prominence of the hyperlink on the webpage or screen, and
- The handling of the disclosure on the clickthrough page or screen



Hyperlinking to a Disclosure

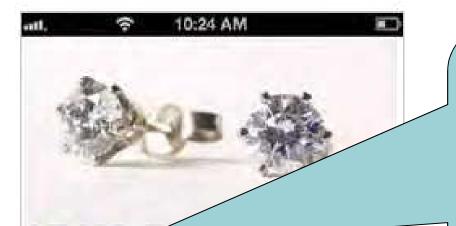
Labeling or Description of the Hyperlink



Example: An effective hyperlink says "Restocking fee applies to all returns" and clicks through to restocking fee policy

Hyperlinking to a Disclosure

Labeling or Description of the Hyperlink



3/4 Ct. Diamond Earrings

Suggested Price: \$1,599.99 Our Price: \$1,099.99

Add to Cart

Classic diamond solitaire earrings. Straight from the FTC's Washington, DC diamond mines. Set in a stylish six-prong setting of 14 karat gold. Push backing.

Customer Reviews Be the first to review this item

A hyperlink labeled "3/4 carat" is not sufficient to convey that additional information is available about the weight range of the diamonds

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Hyperlinking to a Disclosure

Labeling or Description of the Hyperlink





Example: A hyperlink merely labeled "Disclaimer," "Disclosure," "Details," or even "Return Information" is not effective

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Hyperlinking to a Disclosure Labeling or Description of the Hyperlink



See more details on this jewelry item.

3/4 Ct. Diamond Earring

Suggested Price: \$1,599.99 Our Price: \$1,099.99

Add to Cart >

Classic diamond solitaire earrings. Straight from the FTC's Washington, DC diamond mines. Set in a stylish six-prong setting of 14 karat gold. Push backing.

Customer Reviews Rothe first to succes this item

Example: A hyperlink labeled "See more details on this jewelry item" is not an effective disclosure of variable diamond weight

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Hyperlinking to a Disclosure

Labeling or Description of the Hyperlink



Keep an Eye on Your Home for Safety and Security



Do you worry that the name is putting your toddler in front of the television for hours, instead of reading to her? Or do you have older children who come home to an empty house after school? An elderly parent at home alone? Or do you just want to see what the dog does while you're at work?

Get our wireless home monitoring system!

Set up our cameras wherever you need them, and relax. You'll be able to check on everyone and everything wherever you are, using either your computer, tablet, or smartphone equipped with our free Eve app

Our wide-angle cameras can be wall mounted or free standing. See camera specifications.

Price: \$99.99* per camera

Buy New

"Service plan required. Get service plan prices.



"My 80 year-old mother lives with us, I was always worred about her when I was out of the house because she had a bad fall last year. With Eye-On-Your-Home cameras in the kitchen and the family room, I canjust check my smart phone when I'm out and know she's olay."

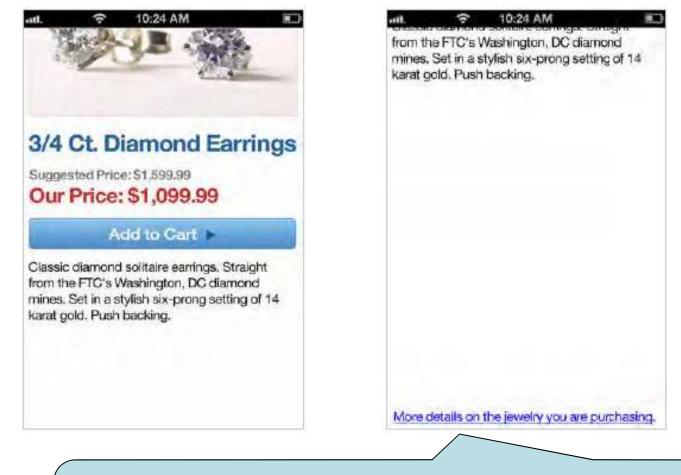
> - Jule Brown (B) Satisfied Custome

Example: A graphic icon (FS) does not effectively disclose that the customer received a free sample

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Hyperlinking to a Disclosure

Consistency in Hyperlink Styles



Example: A hyperlink describing the product, placed far below the text separated by a large blank space is not effective

Hyperlinking to a Disclosure

Placement and Prominence of the Hyperlink

- Ads should be supported by all browsers and devices
- For example, a disclosure that requires Adobe Flash Player will not be displayed on certain mobile devices
- Advertisers should not use pop-up ads for disclosures because of blocking software or they may be closed by the consumer before the information is conveyed



Hyperlinking to a Disclosure

The Click-Through Page

- The click-through page must contain the complete disclosure displayed prominently
- Distracting visuals, extra information, and options to "click" elsewhere can make a disclaimer unclear
- Use available tools to identify whether disclosures accessed through hyperlinks are effective
 - Monitor click-through rates
 - Evaluate how long consumers spend on different webpages, which is an indication of whether the disclosure is being read
 - If hyperlinks are not clicked or disclosures are not being read, must use another method of conveying the information

Displaying Disclosures Prior to Purchase

- Disclosures must be communicated to consumers before they make a purchase
- With online transactions, disclosures must be provided before the consumer makes the decision to buy (before clicking on an "order now" button or a link that says "add to shopping cart")



Displaying Disclosures Prior to Purchase



Keep an Eye on Your Home for Safety and Security



Do you worry that the name is putting your toddler in front of the television for hours, instead of reading to her? Or do you have older children who come home to an empty house after school? An elderly parent at home alorie? Or do you just want to see what the dog does while you're at work?

Get our wireless home monitoring system!

Set up our cameras wherever you need them, and relax. You'll be able to chack on everyone and everything wherever you are using either your computer, tablet, or smartphone equipped with our free Eye app.

Our wide-angle cameras can be wall mounted or free standing. See camera specifications.

Price: \$99.99* per camera Elly Now



"My 80 year-old mother lives with us. I was always womed about her when I was out of the house because site hard a load fall fast year. With Eye-On-Your-Home cameras in the latchen and the family room, I can just check my smart phone when I'm out and know she's clay."

> Julie Brown Satisfied Customer

Example: Disclosing the service fee cost on the checkout screen would not be an adequate disclosure

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Displaying Disclosures Prior to Purchase

heels			Callu	s now 1-800-XXX-XXX
Order Su			Credit Card	
Je	Comers Qt \$99.99 each 2 Monitoring - First Month* Qt \$9.99 per samera 2 Standard Shipping & Handling	\$199.98 \$19.98 \$9.99	Dredit card number Name on card Expiration date 01	2012 CCV
_	Taxes	511.88	Address line 1 Address line 2 (optional)	
	Total itoring service billed to your credit car purchase. Carcellation details include		Place your order	Statu 🔽 Zip code

Example: A disclosure on the check-out page of sales tax and reasonable shipping and handling charges, would not be problematic, because these charges are expected

Space-Constrained Ads - Twitter



JuliStarz Misters

Shooting movie beach scene. Had to lose 30lbs in 6 wks. Thanks Fat-away Pills for making it easy, bit.ly/f56

- In a tweeted endorsement of diet pills, the ad requires disclosures that it is a paid endorsement as well as the amount of weight consumers can generally expect to lose
- A link to the diet pill website is not an adequate way to disclose this information
- A disclosure in the store or placed on an unrelated online retailer's website is not adequate to cure a deceptive advertisement



Space-Constrained Ads

- In some cases, a disclosure can be incorporated into a space-constrained ad
- In other instances, the disclosures may be too detailed and may sometimes be communicated effectively if they are made clearly and conspicuously on the website to which the ad links



JuliStarz JuliStare

Ad: Shooting movie beach scene. Had to lose 30lbs in 6 wks. Thanks Fat-away Pills for making it easy. Typical loss: 1lb/wk.

Example: An endorsement tweet beginning "Ad" and including the text "Typical loss:11b/wk," succinctly and effectively makes the required disclosures

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Space-Constrained Ads Tips

- Advertisers should consider:
 - how important the information is to prevent deception
 - how much information needs to be disclosed
 - the burden of disclosing it in the ad itself
 - how much information the consumer may absorb from the ad, and
 - how effective the disclosure would be if it were made on the website



Space-Constrained Ads

	JuliStarz JudStarz I am a paid spokesperson for Fat-away Pills. Typical weight loss: 1 Ib/wk.	Im
Y	DevAnvegr @DevArvegr #app Check out my latest app http://t.co/iASs40576	Im
1	MomingJoey MomingJoey Post lunch coffee run.Yum.	249
	JeniRath1 @ElzaRath #20factsaboutmysister (fer bday is today and all i got her is this tweet #Io!!	3m U
- Ala	JimGudr ात्त्राब्हात्ता #reasonsthatismile Lunch outside 2day with my gd	Эm
	JimGudr @TaylerTill #reasonsthatismile college basketball is backl	6m
1.0	MomingJoey CMomingJoey Stellar column from Rorker, Rorker, co/drgf	6.11
D	JeniRathi /EJenRati Warm apple cinnamon slices! Place sliced apples on buttered bake sheet, sprinkle cinnamon, bake @ 350 for 30min. pic.twitter.com/ugjng87	7m
0-5-1 200-5-1	MomingJoey MomingJoey I can't wait for the world to hear the music I made over the weekend. Ty/kg/kkd56	τ'n
	JuliStarz JuliStarz Shooting movie beach scene. Had to lose 30lbs in 6 wks. Thanks Fat-away Pills for making it easy.	7m -

If a spaceconstrained ad requires disclosure, it should be in each and every ad, as if that ad were viewed alone



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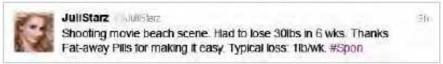
Space-Constrained Ads

- Short-form disclosures may or might not properly inform consumers of a required disclosure
- "Ad:" at the beginning of a tweet informs consumers that the message is an advertisement
- The word "Sponsored" probably informs consumers that the message is sponsored by an advertiser

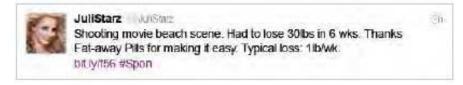
- Other abbreviations may or may not be sufficient, if they are clear and conspicuous, and if consumers understand and are not misled
- Advertisers should use best practices to prevent disclosures from being deleted when ads are republished by others

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Space-Constrained Ads



Consumers might not understand that "#spon" means that the message was sponsored by an advertiser. If a significant proportion of reasonable viewers would not, then the ad would be deceptive.



Putting #spon directly after the link might confuse consumers and make it less likely that they would understand that it is a disclosure.



JuliStarz = DuliStarz Shooting movie beach scene. Had to lose 30lbs in 6 wks. Thanks Fat-away Pills for making it easy. bit.ly/f56

Consumers viewing "bit.ly/f56," which links to the advertiser's official website for the product, might not realize the nature and relevance of the information that could be found by clicking on it. Moreover, if consumers can buy Fat-away in brick and mortar stores, at third-party online retailers, or in any way other than by clicking on the link, consumers who do not click on the link would be misled.





JuliStarz WullStarz Shooting movie beach scene. Had to lose 30lbs in 6 wks. Thanks Fat-away Pills for making it easy. bitJy/f56/disclose[6]

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Bh-

Prominence

- Advertisers must display disclosures prominently so they are noticeable to consumers
- Factors that affect prominence of a disclosure are size, color, and graphics
- To be effective, disclosures should be at least as large as the claim to which they relate
- If a claim uses a particular color text or graphic, the disclosure should be formatted the same way to ensure that consumers see the disclosure and relate it back to the claim it modifies
- Disclosures should not be buried in other text, such as in "terms of use" or other long agreements

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Prominence

Order Now | FAQ | Reviews | Contact Us

FROST-A-TRON so fresh & cool Order New Home FAQ Reviews For space travel, scientists had to find Price: \$129 something better than traditional refrigeration. They discovered a solid-state component now light blue Color: available to anyone on the move. Qty: 1 Think about your next road trip with the family. You're cruising along, making great time and you guessed it - one of the kids is hungry. Relax. Your Frost-a-Iron is plugged into one of your 12 volt outlets and stocked with fruit, sandwiches, cold drinks, fried chicken ... fresh and cold. Only \$129, plus shipping & handling Frost-e-bon may not keep penahable tood terra cold enough to prevent the prowth of bacteria when the temperature is over 60%, such as in a hot car, use in AS SEEN ON these conditions could lead to food-brame rimeas. Buy now Satisfaction is guaranteed. and get 2 Restocting teo applies to all returns. for just \$199.99! Example: Text that is a similar color and shade of the ad's background

le: Text that is a similar color and shade of the ad's backgroui color is not prominent

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Prominence Tips

- Advertisers should design websites so that necessary disclosures are clear and conspicuous, regardless of the device on which it may be accessed (unless it defaults to a mobile-optimized version)
- If a disclosure is not legible on a mobile device, it is probably not adequate



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Prominence



Set up our cameras wherever you need them, and relax. You'll be able to check on everyone and everything wherever you are, using either your computer, tablet, or smartphone equipped with our free Eye app.

Our wide-angle cameras can be wall mounted or free standing. See camera specifications.

Price: \$99.99 per camera Service plan required. Get service plan prices.

Buy Now I

Example: A website optimized for mobile devices shows both the information about the service plan and the hyperlink to the plan's prices immediately adjacent to the camera price they qualify



Negative Options

- To help ensure that a consumer has read and understood a disclosure like a negative option trial, advertisers can require consumers to affirmatively acknowledge that they read the disclosure by choosing between multiple answer options
- This type of affirmative acknowledgment should be displayed before the primary product or service is actually added to the shopping cart or purchased



Negative Options





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Negative Options

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	Registry Resipes Culinary Classes Blog							search	2
Gookware	Cook's Tools	Gutlery	Electric	Bakewara	[Tabletop	Glas	ses & Bar	Outdoor	Sale & Clearance
🙄 1 ite	m added to	your Ca	rt						
				_			quantity	prid	*
-		Signature Oval 6 Quart Dutch Oven					1	\$220	0.00
-	Dute	n Oven							
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	the fr	eé trial, my ch	edit card will b	e billed \$4.95 e ok's Club. <u>Cano</u>	ach month for				
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Distracting Factors in Ads

- It is important to consider the entire ad and whether elements could result in consumers being distracted from the disclosure leading them to not noticing, reading, or listening to the disclosure
- Ex: graphics, sound, text, links, or "add to cart" buttons



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Distracting Factors in Ads

Master Bath - A Splash of Color

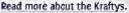
by Katle on May 7, 2012

This was my week to tackle the master bathroom. As you've seen from the "before" photos, it's tiny and very 1950s. I decided to paint the walls canary yellow to brighten the room, but it was very difficult finding the right shade of yellow. I tried eight different swatches on the wall. Some were clearly too pale and some were alarmingly gold! I finally ended up using PaintWorld's Just One Coat in Canary Sunrise. This paint is amazing. It required no primer and went on smoothly and easily. Believe it or not, one coat provided perfect coverage. I added a shower curtain that I made from a terrific tropical flower print on sale for \$4.99/yard from the Discount Fabric Factory, and replaced the old sink fixtures with new ultra-modern white ones from HardwareHideout.com. In no time at all, my master bathroom was canary yellow, fresh, and fabulous. I plan to use just One Coat when I paint the gift-wrapping nook in my craft room next week. By the way, PaintWorld gave me the paint to try out, but it's so terrific I'll buy it myself this time.



About Us

Hi! I'm Katle Krafty and this is my blog. I live with my husband, Harry, and our son, Grayson. Two years ago, we bought a fixer-upper here in Pittsburgh and we've been fixing it up ever since! Thanks for joining us on our home-making adventures!





Recent Posts

- Master Bath A Splash of Color May 7, 2012
- Spring for Window Boxes1
 May 1, 2012
- Mood Boards for Rainy Days

dry Room Makeover

Example: A statement buried at the end of a blogpost is not proper disclosure



Distracting Factors in Ads

Login or Register | About Us | Certification Eye on Your Home Call us now 1-800-XXX-XXXX Keep an Eye on Your Home for San ecurity Do you worry that the name is putting your toddler in front of the television for hours, instead of reading to her? Or do you have older children who come home to an empty house after school? An elderly parent at home alone? Or do you just want to see what the dog does while you've at work? Get our wireless home monitoring system! Set up our cameras wherever you need them, and relax. You'll be able to check on everyone and everything wherever you are, using either your computer, tablet, or r-old mother lives with smartphone equipped with our free Eye app. rays worried about her out of the house Our wide-angle cameras can be wall mounted or free. had a bad fall last year standing. See camera specifications. Your-Home cameras and the family room, I an just owock my smart phone Price: \$99.99* per camera Buy Now n out and Imow she's olay." e Brown "Service plan required. Get service plan prices. Customer

Example: An animated spokesperson moving around the screen might distract consumers from seeing a disclosure

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Repetition

- Disclosures should be repeated on long websites and applications to account for consumers accessing and navigating in different ways
- Consumers who see only a portion of an ad or website may be misled because they will either miss a necessary disclosure or not understand its relationship to the claim it modifies
- Also, if a claim is repeated throughout an ad or website, the disclosures must also be repeated



Multimedia Messages and Campaigns

- Audio should be in a volume and cadence sufficient for a reasonable consumer to hear and understand it
- If a disclosure is triggered by a written claim, the disclosure should not solely be placed in an audio or video clip
- Visual disclosures presented on video or other dynamic online ads should appear for a duration sufficient for consumers to notice, read, and understand them



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Understandable Language

- Consumers must be able to understand disclosures.
- Use clear language and syntax and avoid legalese or technical jargon.
- Simple and straightforward
 - Icons and abbreviations are often not adequate to prevent a claim from being misleading if a significant minority of consumers do not understand their meaning.



Questions & Answers

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For additional information about Venable's advertising and marketing practice see: www.venable.com/leads

For a copy of this presentation send an email to jlpompan@venable.com



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