

**Billing Code: 6750-01-P**

**FEDERAL TRADE COMMISSION**

**Public Workshop: Negative Options: An FTC Workshop Analyzing Negative Option Marketing**

**AGENCY:** Federal Trade Commission (FTC)

**ACTION:** Notice announcing Public Workshop and Requesting Public Comment.

**SUMMARY:** The FTC is planning to host a public workshop that will analyze the marketing of offers of goods and services with negative option features. The workshop will address the pros and cons of such offers, discuss online marketing of such offers, and explore ways to make effective disclosures in online advertising of such offers.

**DATES:** The workshop will be held on Thursday, January 25, 2007 from 8:00 a.m. to 4:30 p.m. at the Federal Trade Commission's Satellite Building, located at 601 New Jersey Avenue, N.W., Washington, DC. The event is open to the public and there is no fee for attendance. Pre-registration is not required. Comments addressing the workshop agenda topics and the issues discussed by the panelists at the workshop must be received on or before February 26, 2007.

**ADDRESSES:** Interested persons are invited to submit written comments addressing the workshop agenda topics and the issues discussed by the panelists at the workshop. Comments should refer to "Negative Option Workshop - Comment P064202" to facilitate the organization of comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered, with two copies to the following address: Federal Trade Commission/Office of the Secretary, Room 135-H (Annex E), 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. If the comment contains any material for which confidential treatment is requested, it must be filed in paper (rather than electronic) form, and the

first page of the document must be clearly labeled “Confidential.”<sup>1</sup> The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area, and at the Commission, is subject to delay due to heightened security precautions.

Because U.S. postal mail is subject to delay due to heightened security measures, please consider submitting your comments in electronic form. Comments filed in electronic form (except comments containing any confidential material) should be submitted by visiting the Web site at <https://secure.commentworks.com/ftc-negativeoptionworkshop> and following the instructions on the web-based form. To ensure that the Commission considers an electronic comment, you must file it on the web-based form at the <https://secure.commentworks.com/ftc-negativeoptionworkshop> Web site. If this Notice appears at [www.regulations.gov](http://www.regulations.gov), you may also file an electronic comment through that Web site. The Commission will consider all comments that [regulations.gov](http://www.regulations.gov) forwards to it.

The FTC Act and other laws the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments that it receives, whether filed in paper or electronic form. Comments received will be available to the public on the FTC Web site, to the extent practicable, at <http://www.ftc.gov>. As a matter of discretion, the FTC makes every effort to remove home contact information for individuals from the public comments it receives before

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<sup>1</sup> Commission Rule 4.2(d), 16 CFR 4.2 (d). The comment must be accompanied by an explicit request for confidential treatment, including the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. The request will be granted or denied by the Commission’s General Counsel, consistent with applicable law and the public interest. See Commission Rule 4.9(c), 16 CFR 4.9(c).

placing those comments on the FTC Web site. More information, including routine uses permitted by the Privacy Act, may be found in the FTC's privacy policy, at <http://www.ftc.gov/ftc/privacy.htm>.

**FOR FURTHER INFORMATION CONTACT:** Robin Rosen Spector, 202-326-3740, Bureau of Consumer Protection, 600 Pennsylvania Avenue, N.W., Room NJ-2202, Washington, D.C. 20580. Prior to the workshop, an agenda and additional information for attendees will be posted on the FTC's website, [www.ftc.gov/bcp/workshops/negativeoption](http://www.ftc.gov/bcp/workshops/negativeoption).

#### **SUPPLEMENTARY INFORMATION:**

##### **Background and Workshop Goals**

Many offers for products or services marketed to consumers today include not just an offer for one product or an initial provision of services, but the opportunity to consent in advance to continue to receive products or services in the future. This type of sales offer or agreement is commonly known as a "negative option offer." The central characteristic of a negative option offer is that 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.

Negative option offers take a variety of forms. One of the best known is a prenotification negative option plan. In such a plan, consumers receive periodic announcements of upcoming merchandise and have a set period of time to contact the company and decline the item. If they remain silent, the company sends them the merchandise. Another common offer is called a continuity plan. In this type of plan, consumers receive regular shipments of merchandise until the consumer cancels the agreement. A third popular offer is the trial conversion. Consumers in such a plan agree to receive products or utilize services for a trial period at no charge or for a

reduced price. If the consumer does not cancel the agreement before the end of the trial period, the product shipments or provision of services continue and the consumer incurs charges.

The FTC's upcoming workshop "Negative Options: Analyzing the Marketing of Offers with Negative Option Features" will continue the Commission's long-standing efforts to address these types of sales offers in a manner that balances their benefits to businesses and consumers against the potential for deception and abuse. The workshop will provide an opportunity to learn more about the benefits and costs of negative option offers from consumer, business, and academic perspectives.

With the explosion of Internet marketing over the past ten years, negative option offers are as much a fixture of online advertising as in any other advertising media. The workshop will bring together Internet experts, industry, and consumer groups to discuss consumer behavior online and how it affects consumers and marketers with respect to negative option offers.

We expect to address the following questions:

1. What are the pros and cons of negative option marketing?
  - Why do businesses choose to structure offers with negative option features?
  - What are the benefits of negative option offers to businesses and consumers?
  - What are the costs of negative option offers to businesses and consumers?
  - How do consumers interpret or misinterpret negative option offers?
2. How do consumers behave when viewing and responding to marketing offers online?
  - How do consumers navigate online advertising?
  - How do marketers present contract terms and make disclosures in online advertising?

- What does online research reveal about how to communicate effectively important offer terms to consumers?
3. How can marketers meet the clear and conspicuous standard for advertising disclosures when making negative option offers online?
- Are there issues unique to negative option offers that must be addressed when making clear and conspicuous disclosures?
  - What challenges do marketers face in applying the clear and conspicuous standard to online negative option offers?
4. How can advertisers make negative option offers with effective disclosures that are compatible with the advertising message?
- Where in online advertising should marketers make negative option disclosures?
  - At what point in the sales offer should marketers make such disclosures?
  - What types of information about the offer should marketers include in the advertising?

### **Form and Availability of Comments**

The FTC requests that interested parties submit written comments addressing the above questions to foster greater understanding of the issues. In particular, the FTC requests that commentators submit relevant studies, surveys, research, and empirical data. The comment period will remain open after the workshop so that interested parties can provide input regarding

the discussions held at the workshop. Written comments must be received on or before February 26, 2007, and may be filed in either paper or electronic form. All comments should be filed as prescribed in the **ADDRESSES** section above.

By direction of the Commission.

Donald S. Clark  
Secretary