

**Analysis of Proposed Consent Order
to Aid Public Comment**
In the Matter of Petco Animal Supplies, Inc., File No. 0323221

The Federal Trade Commission has accepted, subject to final approval, a consent agreement from Petco Animal Supplies, Inc. (“Petco”).

The consent agreement has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement’s proposed order.

Petco is a national retailer that sells pet food, pet supplies, and pet services from over 600 stores throughout the United States. It also sells pet food and supplies through its online store at www.PETCO.com. This matter concerns alleged false or misleading representations Petco made to consumers about the security of personal information collected through its online store.

The Commission’s proposed complaint alleges that Petco represented that personal information it obtained from consumers through www.PETCO.com was stored in an encrypted format and therefore was not accessible to anyone except the consumer that provided the information. The complaint alleges this representation was false because a commonly known attack on its website could and was used to gain access in clear readable text to personal information, including credit card numbers and expiration dates, that Petco obtained from consumers.

The proposed complaint also alleges that Petco represented that it implemented reasonable and appropriate measures to protect the personal information it obtained through the website against unauthorized access. The complaint alleges this representation was false because Petco did not implement reasonable and appropriate measures to detect common vulnerabilities and prevent them from being exploited.

The proposed order applies to Petco’s collection and storage of personal information from or about consumers in connection with its online business. It contains provisions designed to prevent Petco from engaging in the future in practices similar to those alleged in the complaint.

Specifically, Part I of the proposed order prohibits Petco, in connection with online advertising, marketing, promotion, offering for sale, or sale of any product or service, from misrepresenting the extent to which it maintains and protects the security, confidentiality, or integrity of any personal information collected from or about consumers.

Part II of the proposed order requires Petco to establish and maintain a comprehensive information security program in writing that is reasonably designed to protect the security, confidentiality, and integrity of personal information collected from or about consumers. The

security program must contain administrative, technical, and physical safeguards appropriate to Petco's size and complexity, the nature and scope of its activities, and the sensitivity of the personal information collected from or about consumers. Specifically, the order requires Petco to:

- Designate an employee or employees to coordinate and be accountable for the information security program.
- Identify material internal and external risks to the security, confidentiality, and integrity of consumer information that could result in unauthorized disclosure, misuse, loss, alteration, destruction, or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks. At a minimum, this risk assessment should include consideration of the risks in each area of relevant operation.
- Design and implement reasonable safeguards to control the risks identified through risk assessment, and regularly test or monitor the effectiveness of the safeguards' key controls, systems, and procedures.
- Evaluate and adjust its information security program in light of the results of testing and monitoring, any material changes to its operations or business arrangements, or any other circumstances that Petco knows or has to reason to know may have a material impact on the effectiveness of its information security program.

Part III of the proposed order requires that Petco obtain within 180 days after being served with the final order approved by the Commission, and on a biennial basis thereafter, an assessment and report from a qualified, objective, independent third-party professional, certifying, among other things, that: (1) Petco has in place a security program that provides protections that meet or exceed the protections required by Part II of the proposed order, and (2) Petco's security program is operating with sufficient effectiveness to provide reasonable assurance that the security, confidentiality, and integrity of consumers' personal information has been protected.

Parts IV through VII of the proposed order are reporting and compliance provisions. Part IV requires Petco to retain documents relating to compliance. It requires Petco to retain most documents for a five-year period; assessments and supporting documents, however, must be retained for three years after the date when each assessment is prepared. Part V requires dissemination of the order now and in the future to persons with responsibilities relating to the subject matter of the proposed order. Part VI requires Petco to notify the Commission of changes in Petco's corporate status. Part VII mandates that Petco submit compliance reports to the FTC. Part VIII is a provision "sunsetting" the order after twenty (20) years, with certain exceptions.

The purpose of this analysis is to facilitate public comment on the proposed order. It is not intended to constitute an official interpretation of the proposed order to modify its terms in any way.