

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Deborah Platt Majoras, Chairman**
 Orson Swindle
 Thomas B. Leary
 Pamela Jones Harbour
 Jon Leibowitz

<p>In the Matter of</p> <p>COMPUSA INC., a corporation.</p>
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DOCKET NO. C-4137

COMPLAINT

The Federal Trade Commission, having reason to believe that CompUSA Inc., a corporation, (“respondent”), 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 CompUSA Inc. (“CompUSA”) is a Delaware corporation with its principal office or place of business at 14951 North Dallas Parkway, Dallas, TX 75240.
2. Respondent is a major retailer of personal computers, computer-related hardware and software products, and other consumer electronics products. Respondent has advertised, labeled, offered for sale, sold, and distributed all of these products to the public. Among the products that CompUSA has marketed are QPS computer peripheral products, as well as CompUSA-labeled computer peripheral products. In marketing these and other products, respondent has advertised rebates, which it has funded and which third-party manufacturers, such as QPS, have funded.
3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

FALSE SHIPMENT REPRESENTATIONS

4. Respondent was involved with the creation of the rebate program for QPS-funded mail-in rebates for QPS products sold at CompUSA. In addition, respondent has disseminated or has caused to be disseminated advertisements and rebate forms for QPS-funded mail-in rebates,

including but not necessarily limited to the attached Exhibits A and B. This advertisement and rebate form contain the following statements:

- A. **“SAVE! \$50
32x10x40 FireWire
CD-RW Drive
....
\$129⁹⁹ After Savings & Rebate
179.99 - 20 Instant Savings
-30 Mfr. Mail-In Rebate”**

(Exhibit A, an excerpt from a typical freestanding newspaper insert that advertised a QPS-funded mail-in rebate (Offer # 8372). Respondent disseminated or caused to be disseminated similar advertisements from September 2001 to July 2002).

- B. **“\$30 Mail-in Rebate
QPS
32x10x40 FireWire CD-RW Drive
....**

Rebate checks will be mailed in 6-8 weeks. If you have not received your check within 10 weeks, visit www.wheresmyrebate.com or call 800-390-2344.”

[The “COMPUSA” logo is printed on the rebate form.]

(Exhibit B, a typical QPS rebate form (Offer # 8372). Respondent disseminated or caused to be disseminated similar forms to consumers from September 2001 to July 2002).

5. Many consumers who submitted valid QPS rebate requests during the time period of September 2001 until December 2001 experienced delays ranging from one to six months in receiving their promised rebates, which ranged from \$15 to \$100 in value. Many consumers who submitted valid rebate requests during the time period of January 2002 through July 2002 experienced similar delays, and thousands of consumers never received their promised rebates from QPS.

6. Despite knowledge of these significant problems, CompUSA continually advertised these QPS rebates until shortly before QPS filed for bankruptcy in August 2002.

7. Through the means described in Paragraph 4, respondent has represented, expressly or by implication, that:

- A. Rebate checks will be mailed to purchasers of advertised QPS products within six to eight weeks of receipt of their valid requests; and

- B. Rebate checks will be mailed to purchasers of advertised QPS products within a reasonable period of time of receipt of their valid requests.

8. In truth and in fact, in numerous instances, rebate checks were not mailed to purchasers of advertised QPS products within either six to eight weeks or within a reasonable period of time of receipt of their valid requests. Therefore, the representations set forth in Paragraph 7 were, and are, false or misleading.

9. Respondent has disseminated or has caused to be disseminated advertisements for CompUSA-funded rebates, including but not necessarily limited to the attached Exhibit C. This advertisement contains the following statements:

“SAVE! \$10
3.5" Floppy Disk Drive
\$9.99 After Savings & Rebate
19.99 - 5 Instant Savings
-5 Mail-In Rebate”

(Exhibit C, an excerpt from a typical freestanding newspaper insert that advertised a CompUSA-funded rebate (Offer # 5973). CompUSA disseminated or caused to be disseminated similar advertisements from September 2001 to July 2002)

10. Respondent has disseminated or has caused to be disseminated rebate forms for CompUSA-funded rebates that contain the following statement: “Rebate checks will be mailed in 6-8 weeks. If you have not received your check within 10 weeks, visit www.wheresmyrebate.com or call 800-390-2344.” The “COMPUSA” logo is printed on these rebate forms.

11. Through the means described in Paragraphs 9 and 10, respondent has represented, expressly or by implication, that:

- A. Respondent will mail rebate checks to consumers who purchase computer peripheral products at CompUSA within six to eight weeks of its receipt of their valid requests; and
- B. Respondent will mail rebate checks to consumers who purchase computer peripheral products at CompUSA within a reasonable period of time after it receives their valid requests.

12. In truth and in fact, in numerous instances, respondent did not mail rebate checks to consumers who purchased computer peripheral products at CompUSA within six to eight weeks or within a reasonable period of time of respondent’s receipt of their valid requests. Between

September 2001 and June 2002, many consumers experienced delays ranging from one week to more than three months in receiving their promised rebates. The rebates at issue ranged from \$3 to \$100 in value. Therefore, the representations set forth in Paragraph 11 were, and are, false or misleading.

**UNILATERAL MODIFICATION OF TERMS OR CONDITIONS OF
COMPUSA-FUNDED REBATE OFFERS:
UNFAIR BUSINESS PRACTICE**

13. In the advertising and sale of computer peripheral products, respondent has offered, expressly or by implication, that consumers would receive rebate checks within six to eight weeks if they purchased the advertised computer peripheral products and submitted valid rebate requests for CompUSA-funded rebate offers.

14. After receiving rebate requests for CompUSA-funded rebate offers in conformance with the offers described in Paragraph 13, respondent extended the time period in which it would deliver the rebates to consumers without consumers agreeing to this extension of time. Consumers often learned about this unilateral extension of time when they inquired about the status of a rebate request. Respondent then failed to deliver the rebates to consumers within the originally-promised time period.

15. Respondent's practice set forth in Paragraphs 13 and 14 was not reasonably avoidable by consumers, and caused substantial injury to consumers that was not outweighed by countervailing benefits to consumers or competition. This practice was, and is, an unfair act or practice.

16. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this first day of June, 2005, has issued this complaint against respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: