

days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for June 18, 2003), on the World Wide Web, at <http://www.ftc.gov/os/2003/06/index.htm>. A paper copy can be obtained from the FTC Public Reference Room, Room 130-H, 600 Pennsylvania Avenue, NW., Washington, DC 20580, either in person or by calling (202) 326-2222.

Public comments are invited, and may be filed with the Commission in either paper or electronic form. Comments filed in paper form should be directed to: FTC/Office of the Secretary, Room 159-H, 600 Pennsylvania Avenue, NW., Washington, DC 20580. If a comment contains nonpublic information, it must be filed in paper form, and the first page of the document must be clearly labeled "confidential." Comments that do not contain any nonpublic information may instead be filed in electronic form (in ASCII format, WordPerfect, or Microsoft Word) as part of or as an attachment to e-mail messages directed to the following e-mail box:

consentagreement@ftc.gov. Such comments will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with section 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 CFR 4.9(b)(6)(ii)).

Analysis of Proposed Consent Order to Aid Public Comment

The Federal Trade Commission has accepted, subject to final approval, a consent agreement from Guess?, Inc. and Guess.com, inc. ("Guess").

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.

Guess is an international company that designs and produces men's, women's, and children's clothing and accessory products. The company's products are marketed, distributed, and sold under various Guess brand names through its own stores, a limited number of independent retailers, and, its online store at www.guess.com. This matter concerns alleged false or misleading representations Guess made

to consumers about the security of personal information collected online through www.guess.com, Guess' online store.

The Commission's proposed complaint alleges that Guess misrepresented that the personal information it obtained from consumers through www.guess.com was stored in an unreadable, encrypted format at all times. The complaint alleges that this representation was false because a commonly known attack could and was used to gain access in clear readable text to sensitive personal information, including credit card numbers, that Guess obtained from consumers.

The proposed complaint also alleges that Guess represented that it implemented reasonable and appropriate measures to protect the personal information it obtained from consumers through www.guess.com against loss, misuse, or alteration. The complaint alleges this representation was false because Guess did not employ appropriate measures to detect reasonably foreseeable vulnerabilities and prevent their exploitation.

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

Specifically, Part I of the proposed order prohibits Guess, in connection with the 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 Guess 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 Guess'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 Guess 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

customer information that could result in the 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 must include consideration of 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 Guess knows or has reason to know may have a material impact on its information security program.

Part III of the proposed order requires that Guess obtain within one year, and on a biannual basis thereafter, an assessment and report from a qualified, objective, independent third-party professional, certifying that: (1) Guess has in place a security program that provides protections that meet or exceed the protections required by Part II of this order; and (2) Guess's security program is operating with sufficient effectiveness to provide reasonable assurance that the security, confidentiality, and integrity of consumer's personal information has been protected.

Parts IV through VII of the proposed order are reporting and compliance provisions. Part IV requires Guess's to retain documents relating to compliance. For most records, the order requires that the documents be retained for a five-year period. For the assessments and supporting documents, Guess must retain the documents for three years after the date that 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 order. Part VI ensures notification to the FTC of changes in corporate status. Part VII mandates that Guess 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 or to modify their terms in any way.