

Contents

	Online Version of This Treatise	v
	What Your Library Should Contain	vi
Chapter 1	First Considerations	1
	1.1 Introduction to This Treatise	1
	1.1.1 All Subscribers Have Access to the Online Version	1
	1.1.2 The Treatise’s Subject Matter	1
	1.2 Relation to NCLC’s <i>Unfair and Deceptive Acts and Practices</i>	1
	1.3 Topics Covered by Other NCLC Treatises	2
	1.4 Organization of This Treatise	2
	1.4.1 The Chapters	2
	1.4.2 The Appendices	3
	1.4.3 Pleadings and Primary Sources	3
	1.4.4 Unreported Cases	3
	1.5 What Is “UDAP”?	4
Chapter 2	FTC Trade Regulation Rules	5
	2.1 Overview	5
	2.1.1 Introduction	5
	2.1.2 Rules Not Covered in This Chapter	5
	2.2 FTC Trade Regulation Rulemaking	6
	2.2.1 The Nature of Trade Regulation Rules	6
	2.2.2 Scope	6
	2.2.3 Substantive Scope of FTC Rulemaking	6
	2.2.4 Private Remedies	7
	2.2.4.1 No FTC Act Private Right of Action for FTC Rule Violations	7
	2.2.4.2 FTC Rule Violation As a State UDAP Violation	7
	2.2.5 FTC Remedies	9
	2.2.6 CFPB Remedies	9
	2.3 The FTC Credit Practices Rule	9
	2.3.1 General Overview	9
	2.3.2 Similar FRB, OTS, and NCUA Rules for Banks	10
	2.3.3 FTC Staff Letters As Precedent	10
	2.3.4 Confession of Judgment Provision	11
	2.3.5 Waiver of Exemption Clauses	11
	2.3.6 Wage Assignments	11
	2.3.7 Household Goods Security Interests	12
	2.3.8 Pyramiding Late Charges	14
	2.3.9 Co-Signer Warning Notice	14
	2.3.10 Private Remedies for Credit Practices Rule Violations	15
	2.3.11 Attempts to Circumvent FTC Credit Practices Rule	16
	2.4 Used Car Rule	16
	2.4.1 The Rule’s Scope	16
	2.4.2 Rule Requirements	17
	2.4.3 Common Rule Violations	18
	2.4.4 Remedies for Rule Violations	18

2.4.5	When Buyers Guide Warranty Disclosure Conflicts with Warranty Provided in the Sales Agreement	19
2.4.6	FTC Used Car Rule Does Not Insulate Sellers from UDAP Liability	19
2.5	Door-to-Door and Off-Premises Sales	19
2.5.1	The FTC Cooling-Off Period Rule Described	19
2.5.2	Interrelation of FTC Rule with State Law	21
2.5.3	Interrelation of FTC Rule and State Law with Truth in Lending Rescission	22
2.5.4	Scope of the FTC Rule	22
2.5.4.1	Sales Outside the Home Are Also Covered	22
2.5.4.2	Effect of Prior Negotiations, Seller Being Invited to the Home	23
2.5.4.3	Buyer-Initiated Visits to Home to Repair Personal Property	23
2.5.4.4	Emergency Exception	23
2.5.4.5	Mail and Telephone Sales	24
2.5.4.6	Leases, Rent-to-Own Transactions, Transactions Under \$25 or \$130	24
2.5.4.7	Sales of Real Property, Home Improvements, Securities, and Insurance	24
2.5.4.8	Transactions Subject to Truth in Lending Rescission	25
2.5.4.9	What Sellers Are Covered	25
2.5.5	Scope of State Laws	25
2.5.5.1	Overview	25
2.5.5.2	Coverage That Is Broader Than the FTC Rule	25
2.5.5.3	Narrower Coverage Than the FTC Rule	26
2.5.5.4	Level of In-Home Contact Required Under State Statutes	27
2.5.5.5	Particular Interpretations of State Law Scope Provisions	28
2.5.6	Consumers' Rights Under FTC Rule, State Statutes	28
2.5.6.1	Mechanics of Three-Day Cancellation Right	28
2.5.6.2	No Recovery for Services Performed Prior to Cancellation	29
2.5.6.3	Continuing Right to Cancel If Notice Is Defective	30
2.5.6.4	Other Consumer Protections	31
2.5.7	Consumer Remedies Under Cooling-Off Rule, State Statutes	31
2.6	Mail, Internet, or Telephone Order Merchandise Rule	32
2.6.1	The FTC Rule	32
2.6.2	State Mail and Telephone Order Laws and Regulations; Other Claims	33
2.7	Negative Option Rule	33
2.8	Franchise and Business Opportunity Rules	34
2.8.1	Overview and History of the FTC Franchising and Business Opportunity Rules	34
2.8.2	The FTC's Franchising Rule	35
2.8.3	The FTC's Business Opportunity Rule	36
2.8.3.1	Introduction	36
2.8.3.2	Scope	36
2.8.3.3	Substantive Requirements	37
2.8.4	Other FTC, State UDAP Precedent	37
2.8.5	Other Claims	40
2.9	Funeral Rule	40
2.9.1	The FTC Rule	40
2.9.2	State Claims	41
2.10	FTC Guides	42
Chapter 3	Consumer Financial Protection Bureau UDAAP Standards	43
3.1	Introduction	43
3.1.1	The Consumer Financial Protection Bureau	43
3.1.2	Constitutionality of Appointment and Limits on Removal of the CFPB Director	43
3.1.3	The Scope of This Chapter	44
3.1.4	CFPB Rules Not Covered in This Chapter	44
3.2	UDAAP Standards	44
3.2.1	General	44

3.2.2	Deception	45
3.2.3	Unfairness	45
3.2.4	Abusive Practices	46
3.2.4.1	General Standard	46
3.2.4.2	Material Interference with a Consumer’s Understanding	46
3.2.4.3	Taking Unreasonable Advantage	46
3.2.4.4	Taking Advantage of the Consumer’s Lack of Understanding	46
3.2.4.5	Consumers’ Inability to Protect Their Own Interests	47
3.2.4.6	Consumer Reliance on the Financial Services Provider	47
3.2.5	Distinguishing Deceptive, Unfair, and Abusive Practices	48
3.3	UDAAP Rules	48
3.4	CFPB’s UDAAP Guidance Bulletins	48
3.4.1	General	48
3.4.2	Collection of Consumer Debts	49
3.4.3	Mortgage Servicing for Military Homeowners Ordered to Relocate	49
3.4.4	Marketing and Sales of Credit Card Add-On Products	49
3.4.5	Marketing of Credit Card Promotional Offers	50
3.5	CFPB Supervision and Examination Manual	50
3.6	Scope of CFPB UDAAP Authority	50
3.6.1	Consumer Financial Products and Services	50
3.6.2	Limits on Covered Persons and Exemptions	51
3.7	No Direct Private Enforcement of UDAAP Standards	52
3.8	Federal Enforcement of CFPB Rules	52
3.9	State Enforcement of CFPB Standards	53
3.10	CFPB Rules’ Relationship to State Law	53

Chapter 4	The FTC Holder Rule and State Law Counterparts	55
4.1	Overview	55
4.1.1	Importance of the FTC Holder Rule	55
4.1.2	FTC Holder Rule Versus Other Theories of Lender Liability	55
4.1.2.1	Credit-Sale Obligations Assigned to Creditor	55
4.1.2.2	Seller-Related Claims in Seller-Arranged Loans	56
4.1.2.3	Raising Seller-Related Claims Against the Credit Card Issuer	57
4.1.2.4	Loan-Related Claims in Direct Loans	57
4.1.2.5	Raising Seller-Related Claims in Lease Transactions	57
4.1.2.6	Stopping Check, Debit Card, or Other Payments As a Response to the Seller’s Misconduct	58
4.2	Scope of the FTC Holder Rule	58
4.2.1	Operational Scope of the Holder Notice	58
4.2.2	Legal Scope of the Rule	59
4.2.2.1	Relevance of the Rule’s Legal Scope	59
4.2.2.2	Sales Transactions Covered	59
4.2.2.3	Application to Mortgage Loans	59
4.2.2.4	Coverage of Leases	60
4.2.2.5	Covered Sellers	60
4.2.2.6	Public and Nonprofit Entities	60
4.2.2.7	Rule Applies to Financed Sale and Purchase Money Loans	61
4.2.2.8	Does the Rule Apply to Loans with an Amount Financed Exceeding a Dollar Threshold?	62
4.2.2.9	Implications If Rule Does Not Apply to Loans Exempted from Truth in Lending	62
4.2.2.10	Student Loans	63
4.3	Operation of the FTC Holder Rule	63
4.3.1	Seller-Related Claims Covered by the Rule	63
4.3.2	Consumer’s Claims Can Offset Remainder Due on the Note	64

4.3.3	Effect on Security Interest	65
4.3.4	Recovery of Amounts Already Paid	66
4.3.4.1	General	66
4.3.4.2	Recovering from a Prior Holder	67
4.3.4.3	Is Recovery of Amount Paid Only Available When Consumer Could Rescind the Sale?	67
4.3.4.3.1	Courts that get it wrong	67
4.3.4.3.2	Full Federal Trade Commission clarifies that these courts are wrong.	68
4.3.4.3.3	Courts that get it right	68
4.3.4.3.4	Consumer tactics if a court still gets it wrong	69
4.3.4.4	Is Recovery of Amounts Paid Available Only When Otherwise Permitted By State Law?	69
4.3.5	Are Attorney Fees Limited by the Cap?	69
4.3.6	Multiple or Punitive Damages.	70
4.3.7	No Limit on Creditor’s Liability for Own Conduct	71
4.3.8	Impact of Federal Statutes Limiting Creditor’s Derivative Liability	71
4.3.8.1	TILA Limits on Assignee Liability.	71
4.3.8.2	EOCA Limits on Assignee Liability	72
4.3.8.3	Relation to the Magnuson-Moss Warranty Act.	72
4.3.9	Liability of Holders of Securitized Debt.	73
4.3.10	Liability of FDIC or Subsequent Holders	73
4.3.11	Relation of FTC Rule to State Law.	74
4.3.11.1	FTC Rule Overrides Only Less Protective State Laws.	74
4.3.11.2	The <i>LaBarre</i> Court’s Misinterpretation	74
4.3.12	Does the FTC Holder Rule Create Federal Jurisdiction?	75
4.3.13	Consumer’s Waiver of Claims Against the Holder	76
4.3.14	Holder’s Refusal to Accept Liability Under FTC Holder Rule as an Independent UDAP Violation.	76
4.4	Theories of Recovery When FTC Holder Notice Is Improperly Omitted	77
4.4.1	General	77
4.4.2	UCC Makes the Absent Holder Notice an Implied Contract Term.	77
4.4.2.1	UCC Article 9 Requires Notice to Be Implied Into the Contract	77
4.4.2.2	Revised Article 3 Requires the Holder Notice to Be Implied in Negotiable Instruments.	78
4.4.2.3	Case Law Implying the Notice into the Contract Without the Aid of the UCC	78
4.4.3	State Holder Statutes	79
4.4.4	Omission of Holder Notice As the Holder’s UDAP Violation	79
4.4.4.1	General	79
4.4.4.2	Holder’s Actions As a Deceptive Practice	79
4.4.4.3	Holder’s Actions As a Violation of State UDAP Regulations	80
4.4.4.4	Holder’s Actions As an Unfair Practice	80
4.4.4.5	Are the Creditor’s Actions Within the UDAP Statute’s Scope?	81
4.4.5	Aiding and Abetting Seller’s Omission of Holder Notice.	82
4.4.6	Do State Law Theories for Omitted Holder Notice Apply to National Banks and Federal Savings Associations?	82
4.5	State “Holder” Statutes	83
Chapter 5	Telemarketing Fraud: The FTC Rule and State Counterparts.	87
5.1	Introduction	87
5.1.1	Topics Covered in This Chapter	87
5.1.2	Authority for FTC Telemarketing Sales Rule	87
5.1.3	History of the Telemarketing Sales Rule.	87
5.2	Scope of the FTC Telemarketing Sales Rule	87
5.2.1	General Coverage	87

5.2.2	Partial Exemption for Customer Initiated Calls	88
5.2.3	Exemptions That Apply Even to Telemarketer-Initiated Calls	89
5.2.3.1	Transactions Not Completed Until After Face-to-Face Meeting	89
5.2.3.2	Transactions Covered by Other FTC Rules	89
5.2.3.3	Business-to-Business Exception	89
5.2.3.4	General Limits to the FTC’s Jurisdiction	90
5.2.4	No Coverage of Online Fraud	90
5.3	The Rule’s General Requirements and Prohibitions	91
5.3.1	General	91
5.3.2	Required Disclosures	91
5.3.3	Prohibited Misrepresentations	92
5.3.4	Negative Option Features	93
5.4	Restrictions on Billing and Payments	94
5.4.1	Introduction	94
5.4.2	Limits on Obtaining or Disclosing Unencrypted Account Information	94
5.4.3	Limits for All Payment Methods, Including Credit Cards and Debit Cards	94
5.4.4	Limits on Check, Electronic Funds Transfer, Telephone Bill, and Other Payment Methods	95
5.4.4.1	Introduction	95
5.4.4.2	New requirements prohibiting telechecks and certain other forms of payment	95
5.4.4.3	“Express Verifiable Authorization” Required for All Payment Methods Other Than Credit Cards and Debit Cards	96
5.4.4.4	Additional Requirement When Payment Involves Preacquired Account Information and Free-to-Pay Conversion	97
5.5	Special Regulation of Certain Transactions	97
5.5.1	Advance Fee Loans	97
5.5.2	Credit Repair	97
5.5.3	Offers to Recover Amounts Lost Through Past Telemarketing Fraud	98
5.5.4	Debt Relief Services	98
5.5.5	Credit Card Protection Products	99
5.5.6	Investment and Business Opportunity Sales	99
5.5.7	Prize Promotions	99
5.5.8	Charitable Contributions	100
5.6	Remedies	100
5.6.1	Private Remedies	100
5.6.1.1	Remedies Under the Telemarketing and Consumer Fraud and Abuse Prevention Act	100
5.6.1.2	Other Private Remedies for Rule Violations	101
5.6.1.3	Private Remedies for Telemarketing Fraud Independent of Rule Violations	101
5.6.2	State Enforcement	102
5.6.3	Federal Enforcement	102
5.7	Who Is Liable	103
5.7.1	The Telemarketer	103
5.7.2	The Seller	103
5.7.3	Those Facilitating Credit Card Laundering	104
5.7.4	Other Third Parties	104
5.7.5	Third-Party Liability Outside the Telemarketing Sales Rule	106
5.7.6	Defendants’ Ability to Enforce an Arbitration Requirement	106
5.8	Records That Telemarketers and Sellers Must Keep	107
5.9	State Telemarketing Fraud Statutes	107
5.9.1	General	107
5.9.2	Right to Cancel	107
5.9.3	Scope of State Telemarketing Statutes	107
5.9.4	Federal Preemption and Constitutionality	108
5.10	Tips to Prevent, Limit Fraud	108

5.10.1	Withholding Payment on Credit Card Bill for Fraudulent Telemarketing Sale	108
5.10.2	Reporting Telemarketing Fraud	108
5.10.3	Stopping Future Consumer Victimization	109

Chapter 6	Unwanted Calls and Texts, Junk Faxes, and Spam	111
6.1	Scope of This Chapter	111
6.2	Overview and Scope of the FTC Rule: Comparison to the TCPA	111
6.2.1	FTC Telemarketing Sales Rule: Substantive Prohibitions, Comparison to TCPA	111
6.2.2	Scope of the FTC Rule: Comparison to the TCPA	112
6.2.3	Limited Private Enforcement of FTC Rule	113
6.2.4	The Telephone Consumer Protection Act	113
6.2.4.1	Overview of TCPA Requirements	113
6.2.4.2	TCPA Scope; Effect on State Laws	114
6.2.4.3	Challenges to the TCPA and FCC Regulation	115
6.3	Restrictions on Autodialed or Prerecorded Calls to Cell Phones, Other Sensitive Numbers	116
6.3.1	Nature of the Prohibition	116
6.3.2	What Is an Autodialer?	117
6.3.3	Scope of the Prohibition	119
6.3.3.1	General Scope	119
6.3.3.2	Exemptions	119
6.3.4	Exceptions for Calls Made with Consent	121
6.3.4.1	Prior Express Written Consent Is Required for Telemarketing Calls	121
6.3.4.2	Prior Express Consent Is Required for Debt Collection and Other Non-Telemarketing Calls	122
6.3.4.2.1	Prior oral or written consent is sufficient	122
6.3.4.2.2	Methods of obtaining consent	122
6.3.4.2.3	Is mere provision of a cell phone number express consent to receive autodialed or prerecorded calls?	123
6.3.4.3	Consent of the Called Party Is Required; Reassigned Numbers	125
6.3.4.4	Revocation of Consent	126
6.3.4.5	No Established Business Relationship Exception	127
6.3.5	Special Rules for Calls to Collect Debts Owed to or Guaranteed by the United States	127
6.3.5.1	The Budget Act Amendment and the FCC's 2016 Rule	127
6.3.5.2	Scope of the FCC's Rule	128
6.3.5.3	Persons and Numbers That May Be Called	129
6.3.5.4	Limits on the Number, Times, Duration, and Content of Calls	129
6.3.5.5	The Right to Request That Robocalls Stop	130
6.3.5.6	Violations Are Actionable Under Section 227(b)(3)	130
6.3.5.7	Other Laws That Apply to These Calls	130
6.3.6	Private Remedies; Who May Sue	130
6.3.7	Investigating and Documenting TCPA Cell Phone Cases	131
6.4	Prerecorded Calls to Residential Lines	132
6.4.1	General	132
6.4.2	Scope and Exceptions	132
6.4.3	Prior Express Written Consent Required	134
6.4.4	Required Disclosures for All Prerecorded Calls	134
6.4.5	Requirement of Opt-Out Mechanism for Prerecorded Telemarketing Calls	135
6.4.6	Private Remedies	135
6.5	FTC and FCC Do-Not-Call Rules	135
6.5.1	Company-Specific Do-Not-Call Lists	135
6.5.2	Nationwide Do-Not-Call List	136
6.5.2.1	Authority	136
6.5.2.2	Scope of the FTC and FCC Do-Not-Call-Rules	136
6.5.2.3	Exemptions	137
6.5.2.4	Operation of the Do-Not-Call Rules	138

	6.5.2.5 Relationship to State Do Not Call Laws	138
	6.5.3 Remedies for Rule Violations	139
6.6	Other Restrictions on Unwanted Calls	139
	6.6.1 Threats and Obscene Language; Harassment	139
	6.6.2 Misrepresentations and Disclosure of the Purpose of Telemarketing Calls	140
	6.6.2.1 FTC Rule Requirements	140
	6.6.2.2 TCPA Disclosure Requirements	140
	6.6.3 Abandoned Calls	140
	6.6.4 Restrictions on Calling Times	141
	6.6.5 Transmitting Caller ID Information and Prohibition of Caller ID Blocking	142
	6.6.6 State Statutes Limiting Unwanted Calls	142
6.7	Text Messages	143
	6.7.1 Introduction	143
	6.7.2 TCPA Prohibits Use of Automatic Dialing Systems to Send Text Messages Without Consent	143
	6.7.3 Extremely Limited Exceptions to the General Prohibition	144
	6.7.4 Remedies	145
6.8	Junk Faxes	145
	6.8.1 TCPA Limits on Junk Faxes	145
	6.8.2 Types of Junk Faxes Prohibited	146
	6.8.2.1 Unsolicited Advertising	146
	6.8.2.2 Exemption When Fax Sent Pursuant to Express Invitation or Permission	147
	6.8.2.3 Exemption for Established Business Relationship	148
	6.8.2.4 Notice Requirement If Fax Sent Pursuant to Explicit Permission or Established Business Relationship.	149
	6.8.3 Other Junk Fax Restrictions and Requirements	150
	6.8.4 Junk Fax Litigation and Remedies	150
	6.8.5 State Junk Fax Claims	151
6.9	Private Causes of Action Under the TCPA and Parties Liable	151
	6.9.1 Private Causes of Action Under the TCPA	151
	6.9.2 Who Is Liable	152
	6.9.2.1 “Any Person”	152
	6.9.2.2 Fax Cases	153
	6.9.2.2.1 Liability of the person on whose behalf the advertisement is faxed	153
	6.9.2.2.2 Fax blasters	154
	6.9.2.3 Direct Liability for “Making” or “Initiating” a Call	155
	6.9.2.4 Creditor’s Liability for Debt Collector’s Autodialed or Prerecorded Calls to Cell Phones	156
	6.9.2.5 Seller’s Liability for Telemarketers’ Calls	156
	6.9.2.6 Principal’s Liability for Robocalls to Cell Phones for Purposes Other Than Debt Collection	158
	6.9.2.7 Joint Venture, Aiding and Abetting, and Liability of Individuals, Parent Companies, Subsidiaries	158
	6.9.2.8 Federal Contractors	159
6.10	Article III Standing	160
	6.10.1 Introduction	160
	6.10.2 <i>Spokeo</i> ’s Interpretation of Article III Standing	160
	6.10.3 Article III Standing for Unlawful Robocalls and Texts	161
	6.10.3.1 Types of Harm Caused by Robocalls; Substantive Versus Procedural	161
	6.10.3.2 The Invasion of Privacy Caused by Robocalls Provides Article III Standing	162
	6.10.3.2.1 Invasion of privacy is actionable at common law	162
	6.10.3.2.2 Congress clearly identified invasion of privacy as a legally cognizable harm	164
	6.10.3.3 The Intrusion Upon and Occupation of the Capacity of the Consumer’s Phone Caused by Robocalls Provides Article III Standing	165

6.10.3.4	Wasting the Consumer’s Time and Causing Risk of Injury Due to Interruption and Distraction Provides Article III Standing	167
6.10.3.5	The Vast Majority of Decisions, Consistent with <i>Spokeo</i> , Hold That the Harm Caused by Receipt of Illegal Robocalls Meets Article III Requirements.	168
6.10.4	Article III Standing for Prerecorded Telemarketing Calls to Residential Lines and Violations of the Do-Not-Call Rule	170
6.10.5	Article III Standing in Junk Fax Cases	171
6.10.6	Informational Injuries in TCPA Cases.	172
6.10.7	Allegations of Harm in TCPA Cases.	173
6.10.8	Sample Briefs and Practice Aids	174
6.11	TCPA Litigation	174
6.11.1	Jurisdiction in Federal and State Court	174
6.11.2	Arbitration of TCPA Claims	175
6.11.3	Pleadings and Counterclaims	176
6.11.4	Investigation and Discovery	177
6.11.5	Burden of Proof Regarding Exceptions.	178
6.11.6	Statute of Limitations	178
6.11.7	Recovering from Defendant’s Insurance Policy	179
6.12	Private TCPA Remedies	180
6.12.1	Overview of TCPA Remedies	180
6.12.2	Multiple Violations	181
6.12.3	Willfulness or Knowledge As a Requirement for Treble Damages	181
6.12.4	Attorney Fees	182
6.12.5	Class Actions.	182
6.12.6	Remedies Under UDAP Statutes and Other State Laws	185
6.13	Government Enforcement	185
6.14	Unsolicited Bulk Commercial E-Mail (Spam).	186
6.14.1	Background	186
6.14.2	Federal CAN-SPAM Act	187
6.14.2.1	Substantive Prohibitions	187
6.14.2.2	CAN-SPAM Remedies	188
6.14.3	Other Federal Restrictions on Spam	189
6.14.3.1	The Telephone Consumer Protection Act	189
6.14.3.2	FTC Rules	190
6.14.3.3	Federal Criminal Statutes	190
6.14.3.4	Trademark Infringements	190
6.14.4	State Anti-Spam Laws.	190
6.14.4.1	Substantive Prohibitions	190
6.14.4.2	Preemption	191
6.14.4.3	Constitutional Challenges to State Anti-Spam Statutes	192
6.14.4.4	Remedies Under State Anti-Spam Laws.	192
6.14.5	Other State Law Claims	193
6.14.5.1	UDAP Claims	193
6.14.5.2	Common Law Tort Claims	193
6.14.5.3	State Telemarketing and Door-to-Door Statutes.	194
6.14.6	Available Defendants in a Private Cause of Action	194
6.14.7	Consumer’s Consent As a Defense	195

Chapter 7	The Federal Racketeer Influenced and Corrupt Organizations Act (RICO).	197
7.1	Overview	197
7.1.1	The Structure of RICO	197
7.1.2	Advantages and Disadvantages of RICO Claims	197
7.1.3	Relation to and Displacement by Other Statutes.	198
7.1.4	RICO’s Interstate or Foreign Commerce Requirement.	199

7.1.5	Liberal Construction	200
7.2	The RICO Defendant	201
7.3	Pattern of Racketeering Activity or Collection of an Unlawful Debt	201
7.3.1	Introduction	201
7.3.2	Racketeering Activity	202
7.3.2.1	General	202
7.3.2.2	Elements of Mail Fraud	202
7.3.2.3	Mail Fraud’s Mailing Requirement	204
7.3.2.4	Aiding and Abetting Mail Fraud	204
7.3.2.5	Wire Fraud	205
7.3.3	“Pattern” of Racketeering Activity	205
7.3.3.1	Introduction	205
7.3.3.2	Supreme Court Guidance	205
7.3.3.3	Closed-Ended Continuity	206
7.3.3.4	Open-Ended Continuity	208
7.3.3.5	Relationship Aspect of Pattern	211
7.3.3.6	Factors Facilitating Proof of a Pattern	212
7.3.4	Collection of an Unlawful Debt	212
7.4	The “Enterprise”	213
7.4.1	General	213
7.4.2	Entities Making Up an “Association in Fact”	214
7.4.3	Level of Association Necessary for an Association in Fact	214
7.4.3.1	Introduction	214
7.4.3.2	The Enterprise’s “Ongoing Organization”	215
7.4.3.3	A Continuing Unit	216
7.4.3.4	Relation of Enterprise to the Racketeering Activity	217
7.4.4	Enterprise Must Be Distinct from Defendant for Section 1962(c) Claims	218
7.4.4.1	General	218
7.4.4.2	The Defendant-Employees Enterprise	219
7.4.4.3	The Defendant-Employer Enterprise	219
7.4.4.4	The Defendant-Parent Corporation Enterprise	220
7.4.4.5	The Defendant-Subsidiary Enterprise	221
7.4.5	Subsections 1962(a), (b), and (d) Generally Do Not Require a Distinct Enterprise	222
7.4.6	Strategies to Find the Corporation Liable	222
7.4.6.1	Introduction	222
7.4.6.2	<i>Respondet Superior</i>	222
7.4.6.3	Indemnification and Insurance	224
7.4.6.4	Aiding and Abetting	224
7.5	Enterprise’s Relationship to the Predicate Offenses	225
7.5.1	Introduction	225
7.5.2	Proceeds of Illegal Conduct Invested in the Enterprise: Section 1962(a)	225
7.5.3	Acquiring an Interest in the Enterprise Through Illegal Conduct: Section 1962(b)	225
7.5.4	Participation in the Enterprise Through Illegal Conduct: Section 1962(c)	226
7.5.5	Conspiracy: Section 1962(d)	229
7.6	Required Injury	231
7.6.1	General	231
7.6.2	Injury from Predicate Offense’s Relationship to the Enterprise	231
7.6.2.1	Injury Under Section 1962(a)	231
7.6.2.2	Injury Under Section 1962(b)	232
7.6.2.3	Injury Under Section 1962(c)	233
7.6.2.4	Injury Under Section 1962(d)	233
7.6.3	Proximate Causation Required	233
7.6.4	Type of Injury Required for a RICO Claim	236
7.6.5	Indirect Injury to Third Parties	238
7.6.6	Is the Injury Concrete and Ripe?	239

7.7	Pleading	240
7.7.1	Local Requirements for Case Statements	240
7.7.2	Pleading Fraud—Particularity Requirement in Rule 9(b)	241
7.7.3	Avoiding Rule 11 Claims	245
7.8	Litigation	246
7.8.1	Service of Process, Venue, and Jurisdiction	246
7.8.2	RICO Statute of Limitations	247
7.8.3	RICO Standard of Proof	249
7.8.4	Use of Offensive Collateral Estoppel Against the RICO Defendant	250
7.8.5	Res Judicata or Collateral Estoppel As Defense to RICO Claim	250
7.8.6	<i>In Pari Delicto</i> Defense	251
7.9	Private Remedies	251
7.9.1	Actual Damages	251
7.9.2	Treble and Punitive Damages	252
7.9.3	Attorney Fees and Costs	252
7.9.4	Prejudgment Interest	253
7.9.5	Injunctive and Other Equitable Relief	253
7.10	RICO Consumer Cases in the Courts	254
7.10.1	Examples of Successful Consumer RICO Cases	254
7.10.1.1	Mortgage Lending	254
7.10.1.2	Predatory Non-Mortgage Lending and Rent to Own	255
7.10.1.3	Auto Financing, Leasing, and Repossessions	256
7.10.1.4	Land Sales, Retirement Communities, and Nursing Homes	256
7.10.1.5	Trade Schools	256
7.10.1.6	Insurance, Annuities	256
7.10.1.7	Miscellaneous	257
7.10.2	Examples of Unsuccessful Consumer RICO Cases	258

Chapter 8

	State RICO and Civil Theft Statutes	261
8.1	Introduction	261
8.2	Advantages of State RICO Statutes	261
8.2.1	Strategic Advantages of State RICO Statutes As Compared to Federal RICO	261
8.2.2	Strategic Advantages of State RICO Laws As Compared to UDAP Statutes	262
8.3	Validity and Interpretation of State RICO Statutes	262
8.4	Elements of a State RICO Claim	264
8.4.1	Predicate Offenses	264
8.4.2	Pattern Requirements	265
8.4.3	Enterprise Requirements	266
8.5	Statute of Limitations	268
8.6	Litigating State RICO Cases	269
8.6.1	Jurisdictional and Procedural Issues	269
8.6.2	Who May Be a Defendant in a State RICO Suit?	269
8.6.3	Private Remedies Under State RICO Statutes	269
8.7	Application of State RICO Statutes to Consumer Fraud	271
8.8	State Civil Theft and Crime Victims Statutes	272
8.8.1	Civil Theft Statutes	272
8.8.2	Other Statutes That Provide a Private Cause of Action for Crime Victims	274

Chapter 9

	The Federal False Claims Act	277
9.1	Background	277
9.1.1	Introduction	277
9.1.2	History of the Federal False Claims Act	277
9.1.2.1	Early History	277
9.1.2.2	Civil War Origins of the Federal False Claims Act	278

9.1.2.3	1943 Federal False Claims Act Revisions	278
9.1.2.4	Defense Industry Fraud Prompts 1986 FCA Liberalization	278
9.1.2.5	2009 and 2010 Amendments	279
9.2	Advantages and Disadvantages of the Federal False Claims Act	279
9.2.1	Advantages	279
9.2.2	Disadvantages	280
9.3	Elements of an FCA Case	280
9.3.1	False Claims Covered by the Statute	280
9.3.2	Standards for Liability	280
9.3.3	Who May File a False Claims Act Case	280
9.3.3.1	Introduction	280
9.3.3.2	Persons Excluded from Bringing a False Claims Act Case	281
9.3.3.3	Relator Must Introduce Non-Public Information or Qualify As an Original Source	281
9.3.3.4	Relator May Not File Action Based on Same Facts As Pending Case	281
9.4	The FCA’s Litigation Procedures	282
9.5	FCA Claims Are Not Subject to Arbitration Requirements	282
9.6	Remedies	283
9.7	Incentives Available to the Relator	284
9.8	Examples of False Claims Act Cases	284
9.9	The FCA’s Whistleblower Protection	286
9.9.1	General	286
9.9.2	Arbitration Requirements and Whistleblower Retaliation Claims	286
9.10	State False Claims Acts	287
9.10.1	Relation of State and Federal False Claims Acts	287
9.10.2	Who May File a State False Claims Act Case	287
9.10.3	Claims Covered and Exemptions Provided	287
9.10.4	State Procedural Requirements	288
9.10.5	Other Considerations	288
9.11	Other Statutes That Give Rewards to Whistleblowers	288
9.12	False Claims Act Checklist	289

Chapter 10	Regulation of Debt Relief Services	291
10.1	Introduction	291
10.2	Types of Debt Relief Services	291
10.2.1	Credit Counseling	291
10.2.1.1	History and Effectiveness	291
10.2.1.2	Debt Management Plans Described	293
10.2.1.3	DMP Pros and Cons	294
10.2.1.4	The Credit Counseling Requirement Before Filing Bankruptcy	295
10.2.2	Debt Settlement Services	295
10.2.2.1	Overview	295
10.2.2.2	Debt Settlement Abuses	296
10.2.3	Debt Negotiation Services	297
10.2.4	Debt Elimination	297
10.3	Nonprofit Versus For-Profit Services	299
10.3.1	Impact of the Distinction	299
10.3.2	IRS Standards for Nonprofit Status	299
10.3.3	FTC Standards for Nonprofit Status	300
10.4	Federal and State Credit Repair Laws	301
10.4.1	Introduction	301
10.4.2	CROA’s Applicability to Debt Relief Services	301
10.4.2.1	Applicability to Credit Repair Organizations	301
10.4.2.2	Applicability to “Any Person”	302
10.4.3	CROA Requirements	302

10.4.3.1	Requirements for Credit Services Organizations	302
10.4.3.2	Requirements Applicable to “Any Person”	303
10.4.4	CROA Remedies	303
10.5	The FTC Telemarketing Sales Rule	303
10.5.1	Introduction	303
10.5.2	Debt Relief Services Covered	303
10.5.2.1	Definition of Debt Relief Service	303
10.5.2.2	Telemarketing, Telemarketers, and Sellers	304
10.5.2.3	Required Use of the Telephone	304
10.5.2.4	Coverage of Those Assisting Telemarketing	305
10.5.3	Rule Requirements for Debt Relief Services	306
10.5.3.1	Prohibition Against Collection of Fees Before Results Are Achieved	306
10.5.3.2	Escrowing Fees	306
10.5.3.3	Disclosures	307
10.5.3.4	Deceptive Telemarketing Acts and Practices	307
10.5.3.5	Unsubstantiated Claims	307
10.5.4	Recordkeeping Requirements	308
10.5.5	Private Remedies and Government Enforcement	308
10.6	Fair Debt Collection Practices Act	309
10.7	State Regulation of Debt Relief Services	309
10.7.1	Licensing and Other Substantive Requirements	309
10.7.1.1	Registration and Licensing Requirements	309
10.7.1.2	Other Substantive Requirements	310
10.7.2	Debt Relief Services Within the Scope of State Statutes	310
10.7.2.1	Introduction	310
10.7.2.2	ULC Debt Management Act Applies to Debt Settlement	310
10.7.2.3	Other State Legislation Explicitly Applying to Debt Settlement	311
10.7.2.4	When Coverage of Debt Settlement Is Unclear	311
10.7.3	Whether Attorneys Are Exempt	312
10.7.4	Constitutional and Jurisdictional Challenges to State Debt Relief Statutes	314
10.7.5	Private Remedies	315
10.8	Other Claims	316
10.8.1	UDAP Claims	316
10.8.2	Unauthorized Practice of Law; Attorney Malpractice	317
10.8.3	RICO Claims	317
10.8.4	Common Law Claims	318
10.8.5	Consumer Bankruptcy	318
10.8.6	When Debt Relief Agency Files for Bankruptcy	318
Chapter 11	Other Statutes Protecting Consumers	319
11.1	Antitrust Statutes	319
11.1.1	Federal Antitrust Laws	319
11.1.2	State Antitrust Laws	319
11.2	Statutes Regulating Unsolicited Goods	320
11.3	Plain English Statutes	321
11.4	Statutes Protecting Non-English Speakers	322
11.4.1	Introduction	322
11.4.2	Federal Requirements Regarding Use of Non-English Language	322
11.4.3	State Statutes Requiring Use of a Non-English Language	323
11.4.3.1	State Requirements	323
11.4.3.2	Impact of English-Only and English Official Language Laws	324
11.4.4	UDAP and Unconscionability Claims	325
11.5	Restore Online Shoppers’ Confidence Act	325
11.6	The Federal Computer Fraud and Abuse Act	326
11.6.1	Introduction	326

	11.6.2 CFAA Prohibitions Relevant to Consumers	326
	11.6.3 Consumer Remedies	327
Appendix A	FTC Trade Regulation Rules	329
	A.1 Introduction	329
	A.2 Selected FTC Statutory Provisions	329
	A.2.1 FTC Standard Rulemaking Authority	329
	A.2.2 FTC Streamlined Rulemaking Authority Regarding Automobile Dealers	331
	A.3 Negative Option Rule—16 C.F.R. § 425	331
	A.4 FTC Rule Concerning Cooling-Off Period For Sales Made at Homes or at Certain Other Locations	332
	A.5 FTC Rule Concerning Preservation of Consumers’ Claims and Defenses	334
	A.5.1 The Rule	334
	A.5.2 FTC Advisory Opinion	335
	A.6 Mail, Internet, or Telephone Order Merchandise Rule	337
	A.7 FTC Franchise Rule—16 C.F.R. § 436	339
	A.8 FTC Business Opportunity Rule—16 C.F.R. § 437	358
	A.9 FTC Credit Practices Rule	363
	A.10 FTC Funeral Industry Practices Rule	364
	A.11 FTC Used Car Rule	368
Appendix B	Selected Consumer Financial Protection Act Provisions	383
Appendix C	Federal Regulation of Telemarketing, Robocalls, Junk Faxes, and Spam	397
	C.1 Telemarketing Fraud	397
	C.1.1 Telemarketing and Consumer Fraud and Abuse Prevention Act	397
	C.1.2 FTC Telemarketing Sales Rule	399
	C.2 Telephone and Fax Solicitations	408
	C.2.1 Telephone Consumer Protection Act	408
	C.2.1.1 Introduction	408
	C.2.1.2 Telephone Consumer Protection Act—Selected Provisions	408
	C.2.2 FCC Rule on Telemarketing, Robocalls, and Junk Faxes	414
	C.3 Spam E-Mail	418
	C.3.1 CAN-SPAM Act	418
	C.3.2 FTC CAN-SPAM Rule	425
Appendix D	State Telemarketing Statutes Summarized	429
Appendix E	Federal RICO Statute	445
	E.1 The Federal RICO Statute	445
	E.2 Federal Wire and Mail Fraud Statutes	450
Appendix F	State RICO Statutes Summarized	451
Appendix G	Federal False Claims Act	457
Appendix H	State False Claims Act Statutes Summarized	465

Appendix I	State Debt Relief Statutes Summarized	489
I.1	Introduction	489
I.2	The Uniform Debt-Management Services Act	489
I.2.1	Introduction	489
I.2.2	The Uniform Debt-Management Services Act (2011)	489
I.3	State-by-State Analysis of Debt Relief Legislation	491
Appendix J	Mailing of Unordered Merchandise	523
Appendix K	Restore Online Shoppers' Confidence Act	525
Appendix L	Federal Computer Fraud Abuse Act	527
Index	531