may deter similar conduct that has no legitimate business purpose.\(^5\)

As described above, during the relevant time period, Fortiline competed with Manufacturer A in selling DIP to customers while also serving as Manufacturer A’s distributor. Fundamentally, the fact that the firms are competitors in some transactions and collaborators in others does not alter the legal analysis. An agreement between actual or potential competitors that restrains *interbrand* price competition between the two firms presumptively harms competition. The existence of an *intrabrand* component to the conspirators’ relationship (such as a distribution agreement or a license agreement) does not necessarily foreclose *per se* analysis.\(^6\) The relevant issue is not whether the parties are in a vertical or horizontal relationship, but whether the *restraint* on competition is an intrabrand restraint or an interbrand restraint.\(^7\) A similar analysis applies in the context of an invitation to collude. Here, the Complaint charges that Fortiline invited Manufacturer A to collude on pricing across the board, including on transactions in which Fortiline was distributing for a rival manufacturer, Manufacturer B.\(^8\)

Certainly, market and price-related communications between a manufacturer and its distributor can be appropriate and procompetitive.\(^9\) A firm may not, however, use an intrabrand relationship to shield itself from anticompetitive interbrand conduct.\(^10\) As an intrabrand relationship will not immunize an otherwise unlawful agreement, it likewise will not immunize an unlawful invitation to collude. If Manufacturer A accepted Fortiline’s requests to raise prices on projects for which the firms were interbrand competitors, the resulting agreement would be *per se* unlawful. It follows that Fortiline’s communications to Manufacturer A—its attempts to secure an unlawful agreement—were unlawful invitations to collude.

### III. The Proposed Consent Order

The Commission recognizes the need to tailor relief that will prevent Fortiline from engaging in the anticompetitive conduct described in the complaint, yet avoid chilling procompetitive communications and efficient contracting between Fortiline and each of its current and future suppliers. The Proposed Order contains the following substantive provisions: Section II prohibits Fortiline from entering into, attempting to enter into, participating in, maintaining, organizing, implementing, enforcing, inviting, encouraging, offering or soliciting an agreement or understanding with any competitor to raise or fix prices or any other pricing action, or to allocate or divide markets, customers, contracts, transactions, business opportunities, lines of commerce, or territories. Two provisos apply to Section II. The first proviso makes clear that Fortiline may engage in conduct that is reasonably related to and reasonably necessary to achieve the procompetitive benefits of, a lawful manufacturer-distributor relationship, joint venture agreement, or lawful merger, acquisition, or sale agreement. The second proviso makes clear that Fortiline may negotiate and enter into an agreement to buy DIP from, or sell DIP to, a competitor.

Paragraphs III–VI of the Proposed Order impose certain standard reporting and compliance requirements on Fortiline. The Proposed Order will expire in 20 years.

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\(^5\) *In re Valassis Commc’ns*, 141 F.T.C. at 283 (Analysis of Agreement Containing Consent Order to Aid Public Comment).

\(^6\) See *Gen. Leaseways, Inc. v. Nat’l Truck Leasing Ass’n*, 744 F.2d 588, 594 (7th Cir. 1984) ("It does not follow that because two firms sometimes have a cooperative relationship there are no competitive gains from forbidding them to cooperate in ways that yield no economies but simply limit competition."). See also *Palmer v. BBG of Georgia, Inc.*, 498 U.S. 48, 58 (1990) (per se liability where conspirators had both horizontal and vertical (licensee/licensor) relationship); *Elli Lilly & Co. v. Zenith Goldline Pharmaceuticals, Inc.*, 172 F.Supp.2d 1060 (S.D. Ind. 2001) (per se liability where conspirators had both horizontal and vertical relationship); *United States v. General Electric Co.*, 1997–1 Trade Cas. (CCH) ¶ 71,765 (D. Mont. 1997) (same).

\(^7\) See *United States v. Apple, Inc.*, 791 F.3d 290, 322 (2d Cir. 2015) (internal citations omitted) (rejecting Apple’s argument that its role in a horizontal conspiracy with publishers should be evaluated under rule of reason because it was in a vertical relationship with publishers, noting that “it is the type of restraint that Apple agreed with the publishers to impose that determines whether the per se rule or the rule of reason is appropriate. These rules are means of evaluating ‘whether a restraint is unreasonable,’ not the reasonableness of a particular defendant’s role in the scheme.”).

\(^8\) The Commission has previously found similar communications to constitute unlawful invitations to collude. *E.g., In re Step N Grip LLC*, 160 F.T.C. 322 (2015); *In re Precision Moulding, Inc.*, 126 F.T.C. 1014 (2016) (respondent complained to competitor that the competitor’s pricing was “ridiculously low” and that the competitor did not have to “give the product away”); *In re AB Clevote*, 116 F.T.C. 389, 391 (1993) (respondent complained to competitor about its pricing, and subsequently faxed the competitor comparative price lists from both companies).


\(^10\) See supra notes 6–8.
600 Pennsylvania Avenue NW., Room CC–8232, Washington, DC 20580, (202) 326–2127.

SUPPLEMENTARY INFORMATION: On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Dodd-Frank Act substantially changed the federal legal framework for financial services providers. Among the changes, the Dodd-Frank Act transferred to the CFPB most of the FTC’s rulemaking authority for the Affiliate Marketing provisions of the Fair Credit Reporting Act ("FCRA"). The Dodd-Frank Act transferred to the CFPB most of the FTC’s rulemaking authority for the Affiliate Marketing provisions of the Fair Credit Reporting Act ("FCRA").2 On July 21, 2011. For certain other portions of the FCRA, the FTC retains its full rulemaking authority.4

The FTC retains rulemaking authority for its Affiliate Marketing Rule, 16 CFR 680, solely for motor vehicle dealers described in section 1029(a) of the Dodd-Frank Act that are predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both.5

Regulation V subpart C does not affect the pre-existing requirements of the FCRA. Additionally, the FTC shares enforcement authority with the CFPB for provisions of Regulation V subpart C that apply to entities other than those specified above. Thus, for that remainder, the FTC and CFPB have overlapping enforcement authority.

As an analytical framework to estimate PRA burden in the “Burden Statement” below, the FTC estimates burden pertaining to respondents over which both agencies have shared enforcement authority, divides the resulting total by one-half to reflect the FTC’s shared jurisdiction, and add to the resulting subtotal the incremental estimated burden regarding the motor vehicle dealers described above over which the FTC retains exclusive enforcement (and rulemaking) authority.

Background

As mandated by section 214 of the Fair and Accurate Credit Transactions Act ("FACT Act"), Public Law 108–159 (Dec. 6, 2003), the Affiliate Marketing Rule, 16 CFR part 680, specifies disclosure requirements for certain affiliated companies. Except as discussed below, these requirements constitute “collection[s] of information” for purposes of the PRA. Specifically, the FACT Act and the FTC Rule require covered entities to provide consumers with notice and an opportunity to opt out of the use of certain information before sending marketing solicitations. The FTC Rule generally provides that, if a company communicates certain information about a consumer (eligibility information) to an affiliate, the affiliate may not use it to make or send solicitations to him or her unless the consumer provides a reasonable opportunity to opt out of such use of the information and s/he does not opt out.

To minimize compliance costs and burdens for entities, particularly any small businesses that may be affected, the FTC Rule contains model disclosures and opt-out notices that may be used to satisfy the statutory requirements. The FTC Rule also gives covered entities flexibility to satisfy the notice and opt-out requirement by sending the consumer a free-standing opt-out notice or by adding the opt-out notice to the privacy notices already provided to consumers, such as those provided in accordance with the provisions of Title V, subtitle A of the Gramm Leach Bliley Act ("GLBA"). In either event, the time necessary to prepare or incorporate an opt-out notice would be minimal because those entities could either use the model disclosure verbatim or base their own disclosures upon it. Moreover, verbatim adoption of the model notice does not constitute a PRA “collection of information.” 7

Burden Statement

Under the PRA, 44 U.S.C. 3501–3521, federal agencies must get OMB approval for each collection of information they conduct or sponsor. “Collection of information” includes agency requests or requirements to submit reports, keep records, or provide information to a third party. 44 U.S.C. 3502(3); 5 CFR 1320.3(c). The FTC is seeking clearance for its assumed share of the estimated PRA burden regarding the disclosure requirements under the FTC and CFPB Rules.

Except where otherwise specifically noted, staff’s estimates of burden are based on its knowledge of the consumer credit industries and knowledge of the entities over which the Commission has jurisdiction. This said, estimating PRA burden of the Rule’s disclosure requirements is difficult given the highly diverse group of affected entities that may use certain eligibility information shared by their affiliates to send marketing notices to consumers.

The estimates provided in this burden statement may well overstate actual burden. As noted above, verbatim adoption of the disclosure of information provided by the federal government is not a “collection of information” to which to assign PRA burden estimates, and an unknown number of covered entities will opt to use the model disclosure language.

Second, an uncertain, but possibly significant, number of entities subject to FTC jurisdiction do not have affiliates and thus would not be covered by section 214 of the FACT Act or the Rule. Third, Commission staff does not know how many companies subject to FTC jurisdiction under the Rule actually share eligibility information among affiliates and, of those, how many affiliates use such information to make marketing solicitations to consumers. Fourth, still other entities may choose to rely on the exceptions to the Rule’s notice and opt-out requirements. Finally, the population estimates below to apply further calculations are based on industry data that, while providing tallies of business entities within industries and industry segments, does not identify those entities individually. Thus, there is no clear path to ascertain how many individual businesses have newly entered and departed within a given industry classification, from one year to the next or from one triennial PRA clearance cycle to the next.

Accordingly, there is no ready way to quantify how many establishments accounted for in the data reflect those previously accounted for in the FTC’s prior PRA analysis, i.e., entities that would already have experienced a declining learning curve applying the Rule with the passage of time. For simplicity, the FTC analysis will continue to treat covered entities as newly undergoing the previously discussed analyses.

Exceptions include, for example, having a preexisting business relationship with a consumer, using information in response to a communication initiated by the consumer, and solicitations authorized or requested by the consumer.

3 Dodd-Frank Act, at section 1061. This date was initiated by the consumer, and solicitations
4 The Dodd-Frank Act does not transfer to the CFPB rulemaking authority for FCRA sections 680, solely for motor vehicle dealers
7 “The public disclosure of information originally supplied by the Federal government to the recipient for purpose of disclosure to the public is not included within [the definition of collection of information].” 5 CFR 1320.3(c)(2).
assumed learning curve cycle, although this would effectively overstate estimated burden for unidentified covered entities that have remained in existence since OMB’s most recent clearances for the FTC Rule.9

As in the past, FTC staff’s estimates assume a higher burden will be incurred during the first year of a prospective OMB three-year clearance, with a lesser burden for each of the subsequent two years because the opt-out notice to consumers is required to be given only once. Institutions may provide for an indefinite period for the opt-out or they may time limit it, but for no less than five years.

Staff’s labor cost estimates take into account: Managerial and professional time for reviewing internal policies and determining compliance obligations; technical time for creating the notice and opt-out, in either paper or electronic form; and clerical time for disseminating the notice and opt-out.10 In addition, staff’s cost estimates presume that the availability of model disclosures and opt-out notices will simplify the compliance review and implementation processes, thereby significantly reducing the cost of compliance. Moreover, the Rule gives entities considerable flexibility to determine the scope and duration of the opt-out. Indeed, this flexibility permits entities to send a single joint notice on opt-out. Thus, average annual burden for non-GLBA families during the prospective three-year clearance period would approximate 894,969 hours.12 Associated average annual labor cost would total $35,626,785.13 These estimates include the start-up burden and attendant costs, such as determining compliance obligations.

A. Non-GLBA Entities

Based, in part, on industry data regarding the number of businesses under various industry codes, staff estimates that 958,894 non-GLBA entities under FTC jurisdiction have affiliates and would be affected by the Rule.11 Commission staff further estimates an average of 5 businesses per family or affiliated partnership, and believes that the affiliated entities will choose to send a joint notice, as permitted by the Rule. Thus, an estimated 191,779 non-GLBA business families may send the affiliate marketing notice.

Staff also estimates that non-GLBA entities under the jurisdiction of the FTC would each incur 14 hours of burden during the prospective requested three-year PRA clearance period, comprised of a projected 7 hours of managerial time, 2 hours of technical time, and 5 hours of clerical assistance. Non-GLBA entities, however, will give notice once only during the clearance period ahead. Thus, average annual burden for non-GLBA families during the prospective three-year clearance period would approximate 984,969 hours. Thus, average annual labor burden for non-GLBA families during the prospective three-year clearance period would approximate 15,633 hours. Associated average annual labor cost would total $818,059.18

Before attribution to the FTC of its apportioned share of PRA burden estimates, the cumulative average annual burden for both non-GLBA and GLBA for the prospective three-year clearance period is 910,602 burden hours and $36,444,844 in labor costs. GLBA entities are already providing notices to their customers so there are no new capital or non-labor costs, as this notice may be consolidated into their current notices. For non-GLBA entities, the Rule provides for simple and concise model forms that institutions may use to comply. Thus, any capital or non-labor costs associated with compliance for these entities are negligible.

B. GLBA Entities

Entities that are subject to the Commission’s GLBA privacy notice regulation already provide privacy notices to their customers.14 Because the FACT Act and the Rule contemplate that the affiliate marketing notice can be included in the GLBA notices, the burden on GLBA regulated entities would be greatly reduced. Accordingly, the GLBA entities would incur 6 hours of burden during the first year of the clearance period, comprised of a projected 5 hours of managerial time and 1 hour of technical time to execute the notice, given that the Rule provides a model.15 Staff further estimates that 3,350 GLBA entities under FTC jurisdiction would be affected.16 Allowing for increased familiarity with procedure, however, the PRA burden in ensuing years would decline, with GLBA entities each incurring an estimated 4 hours of annual burden (3 hours of managerial time and 1 hour of technical time) during the remaining two years of the clearance. Thus, average annual burden for GLBA families during the prospective three-year clearance period would approximate 15,633 hours. Associated average annual labor cost would total $818,059.18

Before attribution to the FTC of its apportioned share of PRA burden estimates, the cumulative average annual burden for both non-GLBA and GLBA for the prospective three-year clearance period is 910,602 burden hours and $36,444,844 in labor costs. GLBA entities are already providing notices to their customers so there are no new capital or non-labor costs, as this notice may be consolidated into their current notices. For non-GLBA entities, the Rule provides for simple and concise model forms that institutions may use to comply. Thus, any capital or non-labor costs associated with compliance for these entities are negligible.

C. FTC Share of Burden: 460,205 Hours; $18,472,938, Labor Costs

To calculate the total burden attributed to the FTC, staff first deducted from the total annual burden hours those hours attributed to motor vehicle dealers, which are in the exclusive jurisdiction of the FTC. Staff estimates that there are 62,750 motor vehicle dealerships subject to the Rule.19 If these, staff estimates that

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10 No clerical time was included in staff’s burden analysis for GLBA entities as the notice would likely be combined with existing GLBA notices.
11 This estimate is derived from an analysis of a database of U.S. businesses based on June 2015 SIC codes for businesses that market goods or services to consumers, which included, among others, the following industries: Transportation services; communication, electric, and sanitary services; retail trade; finance, insurance, and real estate; and services (excluding business services and engineering, management services), See http://www.naics.com/search.htm. This estimate excludes businesses not subject to FTC jurisdiction as well as businesses that do not use data or information subject to the rule. To the resulting sub-total, 3,350,739, staff applies a continuing assumed rate of affiliation of 16.75 percent, see 78 FR 73,192, 73,193 n.12 (Dec. 5, 2013), thus, 975,644 (businesses in a family tree of at least two members), reduced by a continuing estimate of 100,000 entity subjects to the Commission’s GLBA privacy notice regulations, see id., applied to the same assumed rate of affiliation. The net total is 958,894 (975,644 – (100,000 × 16.75%)).
12 191,779 × (14 + 3).
13 The associated labor cost is based on the labor cost burden per notice by adding the hourly non-private sector wages for managerial, technical, and clerical work and multiplying that sum by the estimated number of hours. The classifications used are “Management Occupations” for managerial employees, “Computer and Mathematical Science Occupations” for technical staff, and “Office and Administrative Support” for clerical workers. See OCCUPATIONAL EMPLOYMENT AND WAGES—MAY 2015, U.S. Department of Labor, released March 30, 2016, Table 1 (“National employment and wage data from the Occupational Employment Statistics survey by occupation, May 2015”); http://www.bls.gov/news.release/ocwage.htm. The respective private sector hourly wages for these classifications are $55.30, $41.43, and $17.47.
14 As stated above, no clerical time is included in the estimate because the notice likely would be combined with existing GLBA notices.
15 Based on the previously stated estimates of 100,000 GLBA business entities at an assumed rate of affiliation of 16.75 percent (16,750), divided by the presumed ratio of 5 businesses per family, this yields a total of 3,350 GLBA business entities subject to the Rule. Thus, 3,350 × (14 + 3).
16 Year 1: 3,350 GLBA families × ([($55.30 × 5) + $41.43 × 1 hour]) × ($1,065,066). Year 2 and 3,350 GLBA families × ([($55.30 × 3) + $41.43 × 1 hour]) × ($694,556 × 3) = $818,059.
17 This figure consists, in part, of 62,750 motor car dealers (based on industry data for the number of franchise/new car and independent/used car dealers).
10% are non-GLBA entities (6,275), and 90% are GLBA entities (56,475). Applying an assumed rate of affiliation of 16.75%, staff estimates that there are 1,051 non-GLBA and 9,460 GLBA motor vehicle dealerships in affiliated families. Staff further assumes there are an average of 5 businesses per family or affiliated relationship, leaving approximately 210 non-GLBA and 1,892 GLBA motor vehicle dealership families, respectively.

Staff further estimates that non-GLBA business families will spend 14 hours in the first year and 0 hours thereafter to comply with the Rule, while GLBA business families will spend 6 hours in the first year, and 4 hours in each of the following two years. The cumulative average annual burden for the non-GLBA and GLBA motor vehicle dealership families is 9,809 hours.20

To calculate the FTC’s total shared burden hours, staff deducted from overall estimated burden hours (910,602 hours) the hours attributed to motor vehicle dealerships (9,809 hours), leaving a total of 900,793 hours to split between the CFPB and the FTC. The resulting shared burden for the CFPB is half that amount, or 450,396 hours. To calculate the total burden hours apportioned to the FTC, staff added to the shared sub-total (450,396 hours) the hours separately attributed to motor vehicle dealers (9,809 hours), which yields for the FTC an apportioned burden estimate of 460,205 hours.

Staff used the same approach to estimate the shared costs for the FTC. Staff estimated the costs attributed to motor vehicle dealers as follows: Non-GLBA business families have $35,626,785 in annualized labor costs,21 and GLBA business families have $818,059 in annualized labor costs,22 for cumulative annualized costs of $36,444,844.

To calculate, on an annualized basis, the FTC’s cumulative share of labor cost burden, staff deducted from overall total labor costs ($36,444,844) the labor costs attributed to motor vehicle dealerships ($501,032), resulting in a total cost burden for the FTC of $36,427,938.

Request for Comment
You can file a comment online or on paper. For the Commission to consider your comment, you must receive it on or before October 14, 2016. Write “Affiliate Marketing Disclosure Rule, PRA Comment: FTC File No. P0105411” on your comment. Your comment, including your name and your state—will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Web site, at http://www.ftc.gov/os/publiccomment.shtm. As a matter of discretion, the Commission tries to remove individuals’ home contact information from comments before placing them on the Commission Web site.

Because your comment will be made public, you are solely responsible for making sure that your comment doesn’t include any sensitive personal information, like anyone’s Social Security number, date of birth, driver’s license number or other state identification number or foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment doesn’t include any sensitive health information, like medical records or other individually identifiable health information. In addition, don’t include any “[t]rade secret or any commercial or financial information which is . . . privileged or confidential,” as provided in Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2). In particular, don’t include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give your comment confidential treatment, you must file it in paper form, with a request for confidential treatment, and you have to follow the procedure explained in FTC Rule 4.9(c). 16 CFR 4.9(c). Your comment will be kept confidential only if the FTC General Counsel grants your request in accordance with the law and the public interest.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at https://public.commentworks.com/ftc/affiliatemarketingpra by following the instructions on the web-based form. If this Notice appears at http://www.regulations.gov/#/home, you also may file a comment through that Web site.

If you file your comment on paper, write “Affiliate Marketing Disclosure Rule, PRA Comment: FTC File No. P0105411” on your comment, and on the envelope, and mail or deliver it to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue NW., Suite CC–5610 (Annex J), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street SW., 5th Floor, Suite 5610 (Annex J), Washington, DC 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

The FTC Act and other laws that 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 on or before October 14, 2016. For information on the Commission’s privacy policy, including routine uses permitted by the Privacy Act, see http://www.ftc.gov/ftc/privacy.htm.

David C. Shonka,
Acting General Counsel.

[FR Doc. 2016–19226 Filed 8–12–16; 8:45 am]
BILLING CODE 6750–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Disease Control and Prevention

Statement of Organization, Functions, and Delegations of Authority

Part C (Centers for Disease Control and Prevention) of the Statement of Organization, Functions, and Delegations of Authority of the Department of Health and Human Services (45 FR 67772–76, dated October 14, 1980, and corrected at 45 FR 69296, October 20, 1980, as amended most recently at 81 FR 46677, dated July