

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 10
Finance

(Senator Klausmeier)

Economic Matters

**Consumer Protection - False Advertising - Misrepresentations in Advertisements
and Telephone Directory Listings**

This bill prohibits a person from advertising falsely by placing a business telephone listing or publishing an advertisement in a local telephone directory that misrepresents the location of the person. "Location" includes any part of the address of a person, including the street, city, or state. A person who violates the bill's provisions is subject to a civil fine of up to \$500 for each edition of a local telephone directory in which the false advertisement or telephone listing is published. The bill only applies to business telephone listings; however, banks, trust companies, savings banks, savings and loan associations, and publishers, printers, or distributors of a telephone directory are excluded from the bill's provisions.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues due to the bill's imposition of an existing penalty provision. If the Consumer Protection Division of the Office of the Attorney General receives fewer than 50 complaints per year stemming from the bill, the additional workload can be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: State law prohibits a person from advertising falsely in the conduct of any business, trade, or commerce or in the provision of any service. To "advertise

falsely” means to use any advertisement, including a label, which is misleading in a material respect. The Attorney General is authorized to bring civil actions to enforce the State’s false advertising laws and may recover a penalty of up to \$500 for each violation. Before the Attorney General may bring an action against a person for false advertising, the person must be notified by registered or certified mail of the proposed action and be given an opportunity to show cause as to why the action should not commence.

Background: In 2007 and 2008 the Federal Trade Commission (FTC) and the Better Business Bureau (BBB) issued warnings to consumers about unscrupulous locksmith companies advertising in local telephone directories. Out-of-state companies providing locksmith services advertise in local directories with multiple local phone numbers and fake local addresses. Consumers dialing the local phone numbers are unknowingly transferred to an out-of-state call center.

Consumers believe they are talking to a local locksmith and are often quoted reasonable rates over the phone. However, when locksmiths associated with the out-of-state call centers arrive, often in unmarked vehicles, consumers have complained to BBB and FTC of significant overcharging, intimidation tactics, and paying for unnecessary services such as “breaking-in” surcharges and fees to “uninstall old locks.”

Legislation introduced in prior sessions attempted to prohibit the geographic misrepresentation of nonlocal businesses. For example, HB 785 of 2004 would have prohibited a person from misrepresenting the location of a business that derives at least 50% of its income from the sale or arrangement of flowers in a local telephone directory or directory assistance database.

Additional Information

Prior Introductions: Bills addressing misrepresentation of a business location in a telephone directory were introduced as HB 1275 of 2005 and HB 119 and HB 785 of 2004; all received unfavorable reports from the House Economic Matters Committee.

Cross File: HB 175 (Delegates Bromwell and Schuler) – Economic Matters.

Information Source(s): Better Business Bureau, Federal Trade Commission, Office of the Attorney General (Consumer Protection Division), Office of People’s Counsel, Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - February 1, 2009
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