

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. _____

10-21788

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

FEREIDOUN "FRED" KHALILIAN, and

THE DOLCE GROUP WORLDWIDE, LLC, a
limited liability company,

Defendants.

CIV - COOKE

COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE RELIEF

MAGISTRATE JUDGE
BANDSTRA

FILED by _____ D.C.

JUN 02 2010

STEVEN M. LARIMORE
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S. D. of FLA. - MIAMI

Plaintiff, the Federal Trade Commission ("FTC"), for its Complaint alleges:

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to obtain temporary, preliminary, and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-gotten monies, and other equitable relief for Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

3. Venue is proper in this district under 28 U.S.C. § 1391(b) and (c) and 15 U.S.C. § 53(b).

PLAINTIFF

4. The FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce.

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and to secure such equitable relief as may be appropriate in each case, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 56(a)(2)(A)-(B), 57b.

DEFENDANTS

6. Defendant The Dolce Group Worldwide, LLC d/b/a My Car Solutions, iCost Direct, and Insurance Cost Direct (“TDGW” or “My Car Solutions”), is a Florida limited liability company with its principal place of business at 80 SW 8th St., 19th Floor, Suite 1915, Miami, FL 33130. TDGW transacts or has transacted business in this district and throughout the United States.

7. Defendant Fereidoun “Fred” Khalilian (“Khalilian”) is the manager and *de facto* principal of The Dolce Group Worldwide, LLC. At times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint, including by hiring employees, contracting with robocall companies, writing telemarketing scripts, and directing telemarketers. In connection with the matters alleged herein, Khalilian transacts or has transacted business in this district and throughout the United States.

COMMERCE

8. At all times material to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ BUSINESS ACTIVITIES

9. From at least early 2009, Defendants have deceptively marketed and sold purported “extended auto warranties” by making misrepresentations, including that My Car Solutions is calling from, or on behalf of, the manufacturer or dealer of the consumer’s vehicle.

10. My Car Solutions contacts consumers through “robocalls” – prerecorded telephone messages. Consumers who answer these calls hear a brief prerecorded message typically warning them that their automobile warranty is about to expire and instructing them to “press one” to speak to someone. When consumers “press one,” they are transferred to My Car Solutions telemarketers who identify themselves as the “service contract department.” Without mentioning My Car Solutions, the telemarketers follow a script and ask consumers to “verify” the year, make, and model of their cars and to “confirm” their zip code. They also refer to the “status” of consumers’ original factory warranties, inform them that their “account[s]” are “on final notice,” and tout an “opportunity to extend your auto protection plan.” These statements aim to convince consumers that My Car Solutions is affiliated with their manufacturer or dealer.

11. In truth, My Car Solutions is not affiliated with any car manufacturers or dealers and has no information on file about consumers, their cars, or their warranties.

12. In fact, before My Car Solution’s telemarketers connect with each consumer, they look at the consumer’s telephone number, which is displayed on their computer screen, and type

it into an online white pages directory to obtain the consumer's name so that they can refer to the consumer by name during the call.

13. Telemarketers transfer consumers interested in purchasing a warranty to so-called "senior specialists," with statements such as "I will transfer you to a representative of the Ford manufacturer" or "I will put the Ford specialist on the line." These "specialists" make additional misrepresentations that My Car Solutions is or is affiliated with a car dealer or manufacturer, such as, "I'm from your authorized Honda dealer," or "I'm from Honda."

14. For example, one specialist went to great lengths to convince a consumer he was calling from Volkswagen. He conferenced the local Volkswagen dealer into the call and, when the dealer said that Volkswagen did not offer such an extended warranty, the My Car Solutions representative insisted that he was the Volkswagen manufacturer so he could make the offer.

15. When consumers receive the warranties in the mail from My Car Solutions, often several weeks after purchase, they learn that My Car Solutions has no affiliation with their car manufacturer or dealer.

16. They also learn that, contrary to representations made by My Car Solutions telemarketers, the warranties have significant restrictions. Indeed, My Car Solutions representatives state that coverage includes "the entire engine," but the warranties expressly exclude certain components of the engine. Moreover, in numerous instances salespeople tell consumers that the warranty protects the entire car ("bumper to bumper") or that it covers whatever parts the consumer specifically asks about.

17. For example, one consumer was assured a warranty would cover her car's struts, only to learn from her mechanic after purchasing the warranty that it does not. Another representative told a consumer that the warranty would cover his malfunctioning power seats,

but upon receiving the warranty he discovered that it expressly excludes coverage of preexisting conditions.

18. In numerous instances, consumers who attempt to cancel the warranty and recover their money are forced to go through a burdensome process. They frequently have difficulty reaching someone at My Car Solutions and, when they do, receive onerous and conflicting cancellation instructions.

19. In addition, in numerous instances My Car Solutions tells consumers that they cannot obtain a refund because more than 30 days have passed, even if the consumer did not receive the warranty packet within that time period.

20. Consumers pay Defendants between \$1300 and \$2845 for each warranty.

THE FTC ACT

21. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”

22. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE FTC ACT

COUNT ONE

23. In numerous instances Defendants have represented, directly or indirectly, expressly or by implication, that:

- (1) they are calling from or on behalf of consumers’ car dealers or manufacturers;
- (2) Defendants know that consumers’ original auto warranties are about to expire;

- (3) they sell extensions of consumers' original warranties; and
- (4) the products they sell provide complete and/or specified coverage for automobile repair.

24. In truth and in fact, Defendants

- (1) are not calling from or on behalf of consumers' car dealers or manufacturers;
- (2) do not know if consumers' original auto warranties are about to expire;
- (3) do not sell extensions of consumers' original warranties; and
- (4) sell products with numerous coverage restrictions including exclusions for specified repairs they tell consumers are covered.

25. Therefore, Defendants' representations as set forth in Paragraph 23 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

26. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

27. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of the FTC Act. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid,

and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

PRAYER FOR RELIEF

Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. §§ 53(b), and the Court's equitable powers, requests that the Court:

A. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including, but not limited to, temporary and preliminary injunctions, an order freezing assets, immediate access, and the appointment of a receiver;

B. Enter a permanent injunction to prevent future violations of the FTC Act by Defendants;

C. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, including, but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies; and

D. Award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Dated: June 2, 2010

Respectfully submitted,

WILLARD K. TOM
General Counsel



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