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11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

13 FEDERAL TRADE COMMISSION,
14 Plaintiff,

15 v.

16 UNIVERSAL PREMIUM SERVICES,
17 INC., a California corporation (also
18 known as Premier Benefits, Inc.);
19 CONSUMER REWARD NETWORK,
20 INC., a California corporation;
21 STAR COMMUNICATIONS LLC, a
22 California limited liability company;
23 MEMBERSHIP SERVICES DIRECT,
24 INC., a Nevada corporation (also
25 known as Continuity Partners, Inc.);
26 CONNECT2USA, INC., a Nevada
27 corporation;
28 BRIAN K. MACGREGOR;
HARIJINDER SIDHU;
JOSEPH F. LAROSA, JR.;
PRANOT SANGPRASIT;
WILLIAM THOMAS HEICHERT;
MICHAEL HOWARD CUSHING;
PAUL P. TOSI; and
MANH D. CAO,

Defendants.

Case no. CVO6-0849

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COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF

1 Plaintiff Federal Trade Commission (“FTC” or “Commission”) for its
2 complaint alleges:

3 1. The FTC brings this action under Sections 13(b) and 19 of the Federal
4 Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and the
5 Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing
6 Act”), 15 U.S.C. §§ 6101-6108, to obtain preliminary and permanent injunctive
7 relief, rescission of contracts, restitution, disgorgement, and other equitable relief
8 for Defendants’ deceptive and unfair acts or practices in violation of Section 5(a) of
9 the FTC Act, 15 U.S.C. § 45(a), and the FTC’s Telemarketing Sales Rule (“TSR”),
10 16 C.F.R. Part 310.

11 JURISDICTION AND VENUE

12 2. This Court has subject matter jurisdiction pursuant to 15 U.S.C.
13 §§ 45(a), 53(b), 57b, 6102(c), and 6105(b), and 28 U.S.C. §§ 1331, 1337(a), and
14 1345.

15 3. Venue is proper in this district under 15 U.S.C. §§ 53(b) and 28 U.S.C.
16 § 1391(b), and (c).

17 PLAINTIFF

18 4. Plaintiff **Federal Trade Commission** is an independent agency of the
19 United States Government created by statute. 15 U.S.C. §§ 41 *et seq.* The
20 Commission is charged with, *inter alia*, enforcing Section 5(a) of the FTC Act, 15
21 U.S.C. § 45(a), which prohibits unfair and deceptive acts or practices in or affecting
22 commerce. The FTC is also charged with enforcement of the Telemarketing Act, 15
23 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and
24 enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive
25 telemarketing acts or practices.

26 5. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes the FTC to
27 initiate federal district court proceedings, in its own name by its designated
28 attorneys, to enjoin violations of any provision of law enforced by the FTC, and to

1 secure such equitable relief as may be appropriate in each case, including rescission
2 of contracts, restitution, and disgorgement, 15 U.S.C. §§ 53(b), 57b, 6102(c), and
3 6105(b).

4 DEFENDANTS

5 6. Defendant **Universal Premium Services, Inc.** (also known as Premier
6 Benefits, Inc.) is a California corporation that does business as Premier Benefits,
7 Buyer’s Union, Premier Movie Pass, and Call-One Unlimited Communications
8 (“Premier Benefits”). It transacts or has transacted business through the following
9 mail drop addresses: 333 City Blvd., 17th Floor, Orange, CA 92868, 1442 East
10 Lincoln Ave., Suite 361, Orange, CA 92865, and P.O. Box 4172, Woodland Hills,
11 CA 91365-4172. It has also transacted business at 22130 Clarendon Street,
12 Woodland Hills, CA 91367. Defendant Premier Benefits transacts or has transacted
13 business within the Central District of California.

14 7. Defendant **Consumer Reward Network, Inc.** is a California
15 corporation that does business as Star Communications, Consumer Health Reward
16 Network, Health Network Unlimited, AutoGold, Net4Ever, Family Fun Pass, Mega
17 Movie Pass, and Half Price TV (“Consumer Reward Network”). It transacts or has
18 transacted business through the following mail drop addresses: P.O. Box 4172,
19 Woodland Hills, CA 91365-4172, 22647 Ventura Blvd., #1023, Woodland Hills,
20 CA 91364-1416, 6320 Canoga Ave., Suite 1500, Woodland Hills, CA 91367 and
21 6433 Topanga Canyon Blvd., P.O. Box 801, Canoga Park, CA 91303. It has also
22 transacted business at 22130 Clarendon Street, Woodland Hills, CA 91367.
23 Defendant Consumer Reward Network transacts or has transacted business within
24 the Central District of California.

25 8. Defendant **Star Communications LLC** is a California limited liability
26 company that does business as Star Communications, Family Fun Card, and Half
27 Price TV (“Star Communications”). It transacts or has transacted business through
28 the following mail drop addresses: 1800 Century Park East, Suite 600, Los Angeles,

1 CA 90067 and 6433 Topanga Canyon Blvd., P.O. Box 402, Canoga Park, CA
2 91303. It has also transacted business at 22130 Clarendon Street, Woodland Hills,
3 CA 91367. Defendant Star Communications transacts or has transacted business
4 within the Central District of California.

5 9. Defendant **Membership Services Direct, Inc.** (also known as
6 Continuity Partners, Inc.) is a Nevada corporation that does business as Continuity
7 Partners, American Values, WellNet America, Washballs, and Utalk Unlimited
8 (“Continuity Partners”). It maintains its principal place of business at 4699
9 Industrial Road, #206, Las Vegas, NV 89103, conducts business out of the Malibu,
10 California, home of its principal Brian MacGregor, and receives mail at P.O. Box
11 18434, Las Vegas, 89114. Defendant Continuity Partners has transacted business
12 within the Central District of California in connection with the acts and practices
13 described in this complaint.

14 10. Defendant **Connect2USA, Inc.** is a Nevada corporation. Its principal
15 place of business is 3800 Howard Hughes Parkway, Suite 500, Las Vegas, NV
16 89109. It also conducts business at 22130 Clarendon Street, Woodland Hills, CA
17 91367. At all times material to this complaint, Connect2USA has provided
18 telemarketing, account, fulfillment, customer service, and other management
19 services for the other corporate defendants, and directs, controls, assists, or
20 facilitates the acts and practices described in this complaint. It transacts or has
21 transacted business within the Central District of California.

22 11. Defendant **Brian Kenneth MacGregor** is the President, Secretary,
23 Treasurer, and owner of Continuity Partners. He resides in, among other places, the
24 Central District of California and transacts business there. At all times material to
25 this complaint, he has formulated, directed, controlled, participated in, assisted in, or
26 facilitated the acts or practices set forth in this complaint.

27 12. Defendant **Harjinder Sidhu** is the President, Secretary, and Treasurer
28 of Connect2USA. He has also served as President of Consumer Reward Network.

1 He resides and transacts business in the Central District of California. At all times
2 material to this complaint, he has formulated, directed, controlled, participated in,
3 assisted in, or facilitated the acts or practices set forth in this complaint.

4 13. Defendant **Joseph F. LaRosa, Jr.** is the General Manager of
5 Connect2USA. He resides in Las Vegas, Nevada. He transacts business in the
6 Central District of California. At all times material to this complaint, he has
7 formulated, directed, controlled, participated in, assisted in, or facilitated the acts or
8 practices set forth in this complaint.

9 14. Defendant **Pranot Sangprasit** is President, Secretary, and Treasurer of
10 Premier Benefits. He resides in, among other places, the Central District of
11 California and transacts business there. At times material to this complaint, he has
12 formulated, directed, controlled, participated in, assisted in, or facilitated the acts or
13 practices set forth in this complaint.

14 15. Defendant **William Thomas Heichert** is or has served as President of
15 Consumer Reward Network. He resides in Las Vegas, Nevada. He transacts
16 business in the Central District of California. At times material to this complaint, he
17 has formulated, directed, controlled, participated in, assisted in, or facilitated the
18 acts or practices set forth in this complaint.

19 16. Defendant **Michael Howard Cushing** is or has served as President,
20 Secretary, and Treasurer of Consumer Reward Network. He resides and transacts
21 business in the Central District of California. At times material to this complaint, he
22 has formulated, directed, controlled, participated in, assisted in, or facilitated the
23 acts or practices set forth in this complaint.

24 17. Defendant **Paul P. Tosi** is President, Secretary, and Treasurer of
25 Consumer Reward Network. He resides in Las Vegas, Nevada. He transacts
26 business in the Central District of California. At times material to this complaint, he
27 has formulated, directed, controlled, participated in, assisted in, or facilitated the
28 acts or practices set forth in this complaint.

1 23. In numerous instances when the consumer declines the telemarketer's
2 offer, the telemarketer calls back repeatedly until the consumer agrees to listen to
3 the sales pitch.

4 24. In numerous instances when the consumer declines the telemarketer's
5 offer and tells the telemarketer that he does not wish to receive any additional
6 telephone calls made by or on behalf of the seller whose goods or services are being
7 offered, the telemarketer calls back repeatedly until the consumer agrees to listen to
8 the sales pitch.

9 25. Defendants' telemarketers use various ruses to get consumers to
10 disclose their bank routing and account numbers. Many consumers are told that in
11 order to receive the free item, they need to supply their bank routing and account
12 numbers so that the nominal shipping and handling charges can be paid. In other
13 instances, Defendants' telemarketers claim they need the information to make sure
14 the consumer has sufficient funds or to "confirm" the consumer's contact and
15 account information that the telemarketer already has.

16 26. It is only after Defendants' telemarketers obtain the consumer's bank
17 routing and account numbers that many consumers learn that the call is for more
18 than the free item. At this point, the telemarketers play a recording which asks the
19 consumer to orally verify that he is authorizing debits to his bank account for trial
20 memberships in various "discount" membership programs (the "verification
21 process" or "verification recording"). It is during the verification process that many
22 consumers first hear about the membership programs for which they will be charged
23 substantial membership fees and set-up fees.

24 27. Defendants' telemarketers take unlawful measures to obtain purported
25 authorization from consumers to debit their bank accounts. In numerous instances,
26 the telemarketer misleads the consumer in order to obtain affirmative responses
27 ("yes" or "okay") for the verification recording. Examples of misrepresentations
28

1 made by Defendants' telemarketers to induce the consumer to say "yes" or "okay"
2 during the verification process include:

- 3 a. the consumer should not worry about the charges mentioned in the
4 recording because those charges do not pertain to the consumer;
- 5 b. the consumer's bank account will not be debited during the trial period;
6 and
- 7 c. the consumer may easily cancel the membership during the trial period.

8 28. In some instances, the telemarketers engage in abusive tactics,
9 including threats and insults, to compel the consumer to give purported oral
10 authorization to debit his account for each of the membership programs. Examples
11 of threats that have been made by Defendants' telemarketers to consumers include:

- 12 a. the consumer will be subject to an additional, substantial charge if the
13 verification process is not completed;
- 14 b. the telemarketer cannot guarantee that consumer's banking information
15 is safe from charges if the verification process is not completed; and
- 16 c. the consumer's banking information will be made available to the
17 public on the Internet unless the verification process is completed.

18 29. In numerous instances when the consumer does not say "yes" when
19 instructed by the telemarketer during the verification process, the telemarketer
20 interrupts the recording, sometimes repeatedly, and tells the consumer he must
21 answer "yes" to every question or the whole verification process will start over
22 again.

23 30. In some instances when the consumer terminates the call before the
24 telemarketer can obtain a recorded verification with "yes" responses, the
25 telemarketer calls back, sometimes repeatedly, threatening or verbally harassing the
26 consumer in an attempt to obtain purported authorization to debit the consumer's
27 account.

28

1 31. In some instances when the consumer has stated to the telemarketer that
2 he does not wish to receive any additional telephone calls made by or on behalf of
3 the seller whose goods or services are being offered and terminates the call before
4 the telemarketer can obtain a recorded verification with “yes” responses, the
5 telemarketer calls back, sometimes repeatedly, threatening or verbally harassing the
6 consumer in an attempt to obtain purported authorization to debit the consumer’s
7 account.

8 Defendants Fail to Deliver What They Promised to Consumers

9 32. Defendants do not send consumers the free item that Defendants’
10 telemarketers promise the consumers in the telemarketing sales calls.

11 Defendants’ Offensive Cancellation and Refund Practices

12 33. Defendants’ telemarketers and “customer service” representatives
13 routinely make it difficult or impossible for the consumers to cancel their trial
14 discount membership club memberships or to obtain a refund. Some examples of
15 Defendants’ telemarketers’ tactics to prevent or hinder cancellations and refund
16 requests include

- 17 a. giving a consumer an incorrect phone number for cancellations;
- 18 b. telling a consumer that his order is not “in the system yet” and that he
19 must call back after a certain number of days;
- 20 c. telling a consumer that he will be mailed a refund authorization form,
21 which comes only after significant delays and follow-up inquiries from
22 the consumer;
- 23 d. telling consumers repeatedly over a period of several months that their
24 refund is “processing”; and
- 25 e. giving various excuses for delays in the processing of refunds including
26 that the company’s computers are “down,” that the customer service
27 representative is experiencing “technical difficulties,” that the company
28 is “investigating” the refund request, and that the check is “in the mail.”

1 b. misrepresenting a seller’s or telemarketer’s affiliation with, or
2 endorsement or sponsorship by, any person or government entity (16
3 C.F.R. § 310.3(a)(2)(vii)).

4 42. Section 310.4(a) of the Telemarketing Sales Rule prohibits
5 telemarketers and sellers from engaging in abusive telemarketing acts and practices,
6 which are defined to include, *inter alia*:

7 a. use of threats, intimidation, or the use of profane or obscene language
8 (16 C.F.R. § 310.4(a)(1)); and

9 b. causing billing information to be submitted for payment without the
10 express informed consent of the customer (16 C.F.R. § 310.4(a)(6)).

11 43. Section 310.4(b) of the Telemarketing Sales Rule prohibits
12 telemarketers from engaging in, or sellers from causing a telemarketer to engage in
13 certain conduct, including, *inter alia*, initiating any outbound telephone call to a
14 person when that person previously has stated that he or she does not wish to receive
15 an outbound telephone call made by or on behalf of the seller whose goods or
16 services are being offered (16 C.F.R. § 310.4(b)(1)(iii)(A)).

17 44. The Telemarketing Sales Rule prohibits any person from providing
18 substantial assistance or support to any seller or telemarketer when that person
19 knows or consciously avoids knowing that the seller or telemarketer is engaged in
20 any act or practice that violates Telemarketing Sales Rule Sections 310.3(a), (c), or
21 (d) or 310.4, 16 C.F.R. §§ 310.(a), (c), (d) and 310.4 (16 C.F.R. § 310.3(b)).

22 45. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c),
23 and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), violations of the
24 Telemarketing Sales Rule constitute unfair or deceptive acts or practices in or
25 affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

26 46. Defendants are:
27
28

- 1 a. “sellers” or “telemarketers” engaged in “telemarketing,” as those terms
2 are defined in the amended Telemarketing Sales Rule (16 C.F.R.
3 §§ 310.2(z), (bb), and (cc)); or
4 b. persons who provide substantial assistance or support to “sellers” or
5 “telemarketers” when that person knows or consciously avoids
6 knowing that the sellers or telemarketers are engaged in acts or
7 practices that violate Telemarketing Sales Rule Sections 310.3(a) or
8 310.4, 16 C.F.R. §§ 310.3(a) and 310.4 (16 C.F.R. § 310.3(b)).

9 DEFENDANTS’ TELEMARKETING SALES RULE VIOLATIONS

10 Count 2: Misrepresentations about Defendants’ Refund and Cancellation Policies

11 47. In numerous instances, in connection with the telemarketing of various
12 goods or services, Defendants misrepresent, directly or by implication, a material
13 aspect of the nature or terms of their refund and cancellation policies, including, but
14 not limited to

- 15 a. that Defendants provide a free trial period during which time the
16 consumers will not be charged fees;
17 b. that Defendants provide a cancellation period during which time the
18 consumers may obtain a refund for fees already paid; and
19 c. that consumers may cancel their memberships in Defendants’ programs
20 at any time,

21 thereby violating Section 310.3(a)(2)(iv) of the TSR, 16 C.F.R. § 310.3(a)(2)(iv).

22 Count 3: Misrepresentations About Defendants’ Affiliations or Endorsements

23 48. In numerous instances, in connection with the telemarketing of various
24 goods or services, Defendants misrepresent, directly or by implication, their
25 affiliation with, or endorsement or sponsorship by, a person or government entity
26 (including, but not limited to, the federal government or an agency thereof or a
27 major retailer), thereby violating Section 310.3(a)(2)(vii) of the TSR, 16 C.F.R.
28 § 310.3(a)(2)(vii).

1 practices. In addition, Defendants have been unjustly enriched as a result of their
2 unlawful practices. Absent injunctive relief by this Court, Defendants are likely to
3 continue to injure consumers, reap unjust enrichment, and harm the public interest.

4 THE COURT'S POWER TO GRANT RELIEF

5 54. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court
6 to grant injunctive and other ancillary equitable relief, including rescission of
7 contracts, disgorgement, and restitution, to prevent and remedy violations of any
8 provision of law enforced by the Commission.

9 55. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the
10 Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to grant such relief as
11 the Court finds necessary to redress injury to consumers or other persons resulting
12 from Defendants' violations of the Telemarketing Sales Rule, including the
13 rescission and reformation of contracts and the refund of monies.

14 56. This Court, in the exercise of its equitable jurisdiction, may award other
15 ancillary relief to remedy injury caused by Defendants' law violations.

16 PRAYER FOR RELIEF

17 57. Wherefore, Plaintiff, the Federal Trade Commission, pursuant to
18 Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of
19 the Telemarketing Act, 15 U.S.C. § 6105(b), and the Court's own equitable powers,
20 requests that the Court:

- 21 a. award Plaintiff such preliminary injunctive and ancillary relief as may
22 be necessary to avert the likelihood of consumer injury during the
23 pendency of this action, and to preserve the possibility of effective final
24 relief;
- 25 b. permanently enjoin Defendants from violating the FTC Act and the
26 Telemarketing Sales Rule, as alleged herein;
- 27 c. award such relief as the Court finds necessary to redress injury to
28 consumers resulting from Defendants' violations of the FTC Act and

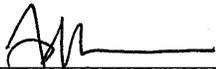
1 the Telemarketing Sales Rule, including, but not limited to, rescission
2 of contracts, the refund of monies paid, and the disgorgement of ill-
3 gotten monies; and

- 4 d. award Plaintiff the costs of bringing this action, as well as such other
5 and additional equitable relief as the Court may determine to be just
6 and proper.

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8 Dated: February 14, 2006

Respectfully submitted,

9 WILLIAM BLUMENTHAL
10 General Counsel

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