

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

NRRM, LLC, a limited liability company, also dba
CARSHIELD,

AMERICAN AUTO SHIELD, LLC, a limited
liability company,

Defendants.

Case No. 4:24-cv 1055

STIPULATED ORDER FOR
PERMANENT INJUNCTION,
MONETARY JUDGMENT, AND
OTHER RELIEF

9-17-2024
[Handwritten signature]

Plaintiff, the Federal Trade Commission ("Commission" or "FTC"), filed its Complaint for Permanent Injunction, Monetary Judgment, and Other Relief ("Complaint"), for a permanent injunction, monetary relief, and other relief in this matter, pursuant to Sections 13(b) and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(h) and 57h and the Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. §§ 6101-08. The Commission and Defendants stipulate to the entry of this Stipulated Order for Permanent Injunction, Monetary Judgment, and Other Relief ("Order") to resolve all matters in dispute in this action between them.

THEREFORE, IT IS ORDERED as follows:

FINDINGS

1. This Court has jurisdiction over this matter.
2. The Complaint charges that Defendants participated in deceptive acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, and in violation of the FTC's Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, by advertising, marketing, and selling vehicle service contracts ("VSCs") to consumers throughout the United States using false and/or

misleading claims regarding, among other things, what the VSCs cover, what repair facilities consumers can use for repairs, and whether endorsers have and/or use the VSCs.

3. Defendants neither admit nor deny any of the allegations in the Complaint, except as specifically stated in this Order. Only for purposes of this action, Defendants admit the facts necessary to establish jurisdiction.

4. Defendants waive any claim that they may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action through the date of this Order, and agree to bear their own costs and attorney fees.

5. Defendants and the Commission waive all rights to appeal or otherwise challenge or contest the validity of this Order.

DEFINITIONS

For the purpose of this Order, the following definitions apply:

A. **“Administrator/Obligor”** means the party contractually obligated to perform repair, replacement, or maintenance of property or to provide indemnification for repair, replacement, or maintenance of property under the terms of a Service Contract.

B. **“Clear and Conspicuous”** means that a required disclosure is difficult to miss (*i.e.*, easily noticeable) and easily understandable by ordinary consumers, including in all of the following ways:

1. In any communication that is solely visual or solely audible, the disclosure must be made through the same means through which the communication is presented. In any communication made through both visual and audible means, such as a television advertisement, the disclosure must be presented simultaneously in both the visual and audible portions of the communication even if the representation requiring the disclosure

is made in only one means.

2. A visual disclosure, by its size, contrast, location, the length of time it appears, and other characteristics, must stand out from any accompanying text or other visual elements so that it is easily noticed, read, and understood.

3. An audible disclosure, including by telephone or streaming video, must be delivered in a volume, speed, and cadence sufficient for ordinary consumers to easily hear and understand it.

4. In any communication using an interactive electronic medium, such as the Internet or software, the disclosure must be unavoidable.

5. The disclosure must use diction and syntax understandable to ordinary consumers and must appear in each language in which the representation that requires the disclosure appears.

6. The disclosure must comply with these requirements in each medium through which it is received, including all electronic devices and face-to-face communications.

7. The disclosure must not be contradicted or mitigated by, or inconsistent with, anything else in the communication.

8. When the representation or sales practice targets a specific audience, such as children, the elderly, or the terminally ill, "ordinary consumers" includes reasonable members of that group.

C. "Defendants" means NRRM, LLC d/b/a CarShield and American Auto Shield, LLC ("AAS"), and their successors and assigns.

D. **"Service Contract"** means a contract or agreement to perform the repair, replacement, or maintenance of any property or to provide indemnification for the repair, replacement, or maintenance of any property.

E. **"Telemarketing"** means any plan, program, or campaign which is conducted to induce the purchase of goods or services by use of one or more telephones and which involves more than one interstate telephone call, as defined by the Telemarketing Sales Rule.

ORDER

I. PROHIBITION AGAINST MISREPRESENTATIONS

IT IS FURTHER ORDERED that Defendants, Defendants' officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with promoting or offering for sale any good or service, are permanently restrained and enjoined from misrepresenting or assisting others in misrepresenting, expressly or by implication:

- A. whether, under what circumstances, or to what extent repair, replacement, or maintenance will be covered by a Service Contract;
- B. whether, under what circumstances, or to what extent any incidental benefit, including, but not limited to, rental car benefits, will be provided by a Service Contract.
- C. whether or under what circumstances, consumers can use the mechanic or service provider of their choice for repair, replacement, or maintenance with a Service Contract;
- D. whether, under what circumstances, or to what extent consumers will be responsible for out-of-pocket costs for repair, replacement, or maintenance with a Service Contract, including, but not limited to, being responsible for a deductible;
- E. the amount of claims an Administrator/Obligor of a Service Contract has paid in

the past; or

F. any other fact material to consumers concerning any good or service, such as: the total costs; any material restrictions, limitations, or conditions; or any material aspect of its performance, efficacy, nature, or central characteristics.

II. PROHIBITION AGAINST DECEPTIVE TELEMARKETING

IT IS FURTHER ORDERED that Defendants and Defendants' officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the Telemarketing of any product or service, are hereby permanently restrained and enjoined from:

- A. misrepresenting any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer;
- B. misrepresenting any material restriction, limitation, or condition to purchase, receive, or use goods or services that are the subject of a sales offer;
- C. failing to disclose truthfully, in a Clear and Conspicuous manner, all material restrictions, limitations, or conditions to purchase, receive, or use the goods or services that are the subject of the sales offer, before a customer consents to pay for goods or services; or
- D. violating the Telemarketing Sales Rule, 16 C.F.R. Part 310, a copy of which is attached as Attachment A.

III. PROHIBITION REGARDING TESTIMONIALS AND ENDORSEMENTS

IT IS FURTHER ORDERED that Defendants and Defendants' officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of

them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the advertising, promotion, offering for sale, or sale of any product or service, are permanently restrained and enjoined from misrepresenting, or assisting others in misrepresenting, expressly or by implication:

- A. that an endorser has owned or used the product or service; or
- B. about an endorser's experience with the product or service.

IV. MONITORING OF ADVERTISEMENTS

IT IS FURTHER ORDERED that Defendant AAS, its officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, are permanently restrained and enjoined from failing to:

- A. provide to each seller or marketer of any Service Contract for which AAS is the Administrator/Obligor, as a condition of doing business, a copy of this Order within 7 days of its entry and a Clear and Conspicuous disclosure in writing that engaging in acts or practices prohibited by this Order will result in disciplinary action by AAS, which may include immediate termination of any seller or marketer and forfeiture of all monies owed to such seller or marketer;
- B. obtain, within 45 days of entry of this Order, a signed and dated statement from each seller or marketer of any Service Contract for which AAS is the Administrator/Obligor acknowledging receipt of this Order and expressly agreeing to comply with it, or suspend, until such a statement is provided, all business with any seller or marketer that fails to provide it; and
- C. establish, implement, and thereafter maintain a system to review and monitor all materially distinct advertising or marketing materials that any seller or marketer uses to sell or market any Service Contract for which AAS is the Administrator/Obligor.

V. MONETARY RELIEF JUDGMENT

IT IS FURTHER ORDERED that:

A. Judgment in the amount of Ten Million Dollars (\$10,000,000) is entered in favor of the Commission against Defendants, jointly and severally, as monetary relief.

B. Defendants are ordered to pay to the Commission Ten Million Dollars (\$10,000,000). Such payment must be made within 7 days of entry of this Order by electronic fund transfer in accordance with instructions previously provided by a representative of the Commission.

VI. ADDITIONAL MONETARY PROVISIONS

IT IS FURTHER ORDERED that:

A. Defendants relinquish dominion and all legal and equitable right, title, and interest in all assets transferred pursuant to this Order and may not seek the return of any assets.

B. The facts alleged in the Complaint will be taken as true, without further proof, in any subsequent civil litigation by or on behalf of the Commission, including in a proceeding to enforce its rights to any payment or monetary judgment pursuant to this Order, such as a nondischargeability complaint in any bankruptcy case.

C. The facts alleged in the Complaint establish all elements necessary to sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel effect for such purposes.

D. Defendants acknowledge that their Employer Identification Numbers, which Defendants must submit to the Commission within 7 days of entry of this Order, may be used for reporting and other lawful purposes, including collecting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. § 7701.

E. All money received by the Commission pursuant to this Order may be deposited into a fund administered by the Commission or its designee to be used for consumer relief, such as redress and any attendant expenses for the administration of any redress fund. If a representative of the Commission decides that direct redress to consumers is wholly or partially impracticable or money remains after such redress is completed, the Commission may apply any remaining money for such related relief as it determines to be reasonably related to Defendants' practices alleged in the Complaint. Any money not used for relief is to be deposited to the U.S. Treasury. Defendants have no right to challenge any actions the Commission or its representatives may take pursuant to this Subsection.

VII. CUSTOMER INFORMATION

IT IS FURTHER ORDERED that Defendants, Defendants' officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly are permanently restrained and enjoined from directly or indirectly failing to provide sufficient customer information to enable the Commission to efficiently administer consumer redress. Defendants represent that they have provided this redress information to the Commission. If a representative of the Commission requests in writing any information related to redress, Defendants must provide it, in the form prescribed by the Commission, within 14 days.

VIII. ORDER ACKNOWLEDGMENTS

IT IS FURTHER ORDERED that Defendants obtain acknowledgments of receipt of this Order:

- A. Each Defendant, within 7 days of entry of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.
- B. For 5 years after entry of this Order, each Defendant, must deliver a copy of this

Order to: (1) all principals, officers, directors, and LLC managers and members; (2) all employees, agents, and representatives with managerial responsibilities for advertising, marketing, or Telemarketing (including retention); and (3) any business entity resulting from any change in structure as set forth in the Section titled Compliance Reporting. Delivery must occur within 7 days of entry of this Order for current personnel. For all others, delivery must occur before they assume their responsibilities.

C. From each individual or entity to which a Defendant delivered a copy of this Order, that Defendant must obtain, within 30 days, a signed and dated acknowledgment of receipt of this Order.

IX. COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Defendants make timely submissions to the Commission:

A. One year after entry of this Order, each Defendant must submit a compliance report, sworn under penalty of perjury that:

1. Identifies the primary physical, postal, and email address and telephone number, as designated points of contact, which representatives of the Commission may use to communicate with Defendant;
2. Identifies all of that Defendant's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses;
3. Describes the activities of each business, including the goods and services offered, the means of advertising, marketing, and sales, and the involvement of any other Defendant;

4. Describes in detail whether and how that Defendant is in compliance with each Section of this Order; and

5. Provides a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission.

B. For 10 years after entry of this Order, each Defendant must submit a compliance notice, sworn under penalty of perjury, within 14 days of any change in the following:

1. Any designated point of contact; or

2. The structure of any Corporate Defendant or any entity that Defendant has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.

C. Each Defendant must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against such Defendant within 14 days of its filing.

D. Any submission to the Commission required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as by concluding: "I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____" and supplying the date, signatory's full name, title (if applicable), and signature.

E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement,

Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: FTC v. NRRM, LLC d/b/a CarShield, 2223031.

X. RECORDKEEPING

IT IS FURTHER ORDERED that Defendants must create certain records for 10 years after entry of the Order, and retain each such record for 5 years. Specifically, each Defendant must create and retain the following records:

- A. accounting records showing the revenues from all goods or services sold;
- B. personnel records showing, for each person providing services, whether as an employee or otherwise, that person's name; addresses; telephone numbers; job title or position; dates of service; and (if applicable) the reason for termination;
- C. records of all consumer complaints and refund requests, whether received directly or indirectly, such as through a third party, and any response;
- D. all records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Commission; and
- E. a copy of each materially distinct advertisement or other marketing material.

XI. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Defendants' compliance with this Order and any failure to transfer any assets as required by this Order:

- A. Within 14 days of receipt of a written request from a representative of the Commission, each Defendant must submit additional compliance reports or other requested information, which must be sworn under penalty of perjury; appear for depositions; and produce documents for inspection and copying. The Commission is also authorized to obtain discovery,

without further leave of court, using any of the procedures prescribed by Federal Rules of Civil Procedure 29, 30 (including depositions by remote means), 31, 33, 34, 36, 45, and 69.

B. For matters concerning this Order, the Commission is authorized to communicate directly with each Defendant. Defendant must permit representatives of the Commission to interview any employee or other person affiliated with any Defendant who has agreed to such an interview. The person interviewed may have counsel present.

C. The Commission may use all other lawful means, including posing, through its representatives as consumers, suppliers, or other individuals or entities, to Defendants or any individual or entity affiliated with Defendants, without the necessity of identification or prior notice. Nothing in this Order limits the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57h-1.

XII. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

SO ORDERED this ___ day of _____, 2024.

UNITED STATES DISTRICT JUDGE

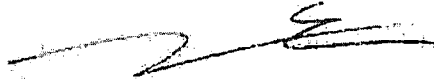
SO STIPULATED AND AGREED:

FOR THE FEDERAL TRADE COMMISSION

Matthew M. Scheff
Matthew M. Scheff 0082229(OH)
Adrienne M. Jenkins 0089568(OH)
Sammi D. Nachtigal 0400774(MN)
Attorneys
Federal Trade Commission
1111 Superior Avenue, Suite 200
Cleveland, OH 44114
ajenkins@ftc.gov, (216) 263-3411
snachtigal@ftc.gov, (216) 263-3418
mscheff@ftc.gov, (216) 263-3414


Date: 7/30/2024

FOR DEFENDANT NRRM, LLC:

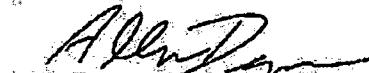

Michael E. Carter
General Counsel

Date: 6/11/2024

FOR DEFENDANT AMERICAN AUTO SHIELD, LLC:


Jason Currier
Vice President

Date: 6/11/2024


Allen H. Denson 999210(DC)
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue NW
Washington, DC 20004
allen.denson@morganlewis.com

Date: 06/09/2024

(202) 739-3000

Daniel S. Savrin 555434(MA)
Morgan, Lewis & Bockius LLP
One Federal Street
Boston, MA 02110
daniel.savrin@morganlewis.com
(617) 341-7700

Counsel for Defendants NRRM, LLC and American Auto Shield, LLC