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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON

FEDERAL TRADE COMMISSION,  
  
Plaintiff,  
  
v.  
  
T-MOBILE USA, INC., a corporation,  
  
Defendant.

Case No. \_\_\_\_\_  
  
**COMPLAINT FOR PERMANENT  
INJUNCTION AND OTHER  
EQUITABLE RELIEF**

COMPLAINT  
Case No. \_\_\_\_\_

Federal Trade Commission  
600 Pennsylvania Avenue N.W.  
Washington, DC 20580  
(202) 326-3720

1 Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

2 1. The FTC brings this action under Section 13(b) of the Federal Trade Commission  
3 Act (“FTC Act”), 15 U.S.C. § 53(b), to obtain temporary, preliminary, and permanent injunctive  
4 relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement  
5 of ill-gotten monies, and other equitable relief for Defendant’s acts or practices in violation of  
6 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), in connection with charging consumers for  
7 monthly subscriptions offered by third-party merchants without the consumers’ authorization.

8 **JURISDICTION AND VENUE**

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

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

13 **PLAINTIFF**

14 4. The FTC is an independent agency of the United States Government created by  
15 statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),  
16 which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC and  
17 Federal Communications Commission have concurrent enforcement jurisdiction over mobile  
18 telephone companies’ billing and collection of third-party charges for non-telecommunications  
19 services.

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

24 **DEFENDANT**

25 6. Defendant T-Mobile USA, Inc. (“T-Mobile” or “Defendant”) is a Delaware  
26 corporation with its principal place of business in Bellevue, Washington. Defendant is a mobile

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1 phone carrier and transacts or has transacted business in this district and throughout the United  
2 States. Until at least December 2013, T-Mobile has also charged consumers for other services  
3 offered and provided by third-party merchants unrelated to Defendant's common carriage mobile  
4 phone services.

5 **COMMERCE**

6 7. At all times material to this Complaint, Defendant has maintained a substantial  
7 course of trade in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act,  
8 15 U.S.C. § 44.

9 **T-MOBILE'S COURSE OF CONDUCT**

10 **Overview**

11 8. Until at least December 2013, in addition to charging for phone services offered  
12 by Defendant, Defendant has charged many consumers for other services offered by third-party  
13 merchants. These purported services have included monthly subscriptions for content such as  
14 ringtones, wallpaper, and text messages providing horoscopes, flirting tips, celebrity gossip, and  
15 other similar information ("Third-Party Subscriptions"). Defendant typically has charged  
16 consumers \$9.99 per month for such Third-Party Subscriptions.

17 9. In numerous instances, Defendant has charged consumers for Third-Party  
18 Subscriptions that the consumers did not order or authorize, a practice known as cramming.  
19 Defendant has continued to charge consumers for Third-Party Subscriptions even after large  
20 numbers of consumers complained about unauthorized charges. Refund rates for the  
21 subscriptions were high – in some cases as high as 40%. Further, Defendant has continued to  
22 charge consumers for Third-Party Subscriptions even after industry auditor alerts, law  
23 enforcement and other legal actions, and news articles indicated that the third-party merchants  
24 were not obtaining valid authorization from consumers for the charges.

25 10. Defendant has retained a portion of each charge for Third-Party Subscriptions  
26 paid by consumers, typically at least 35% of the charge and in some cases as high as 40%.

1 Defendant has retained a larger cut from subscriptions that generate a large percentage of  
2 refunds. Defendant has earned hundreds of millions of dollars from Third-Party Subscriptions.  
3 T-Mobile’s practices have caused consumers millions of dollars of injury.

4 **Defendant’s Billing of Consumers for Third-Party Subscriptions**

5 11. In television and other advertisements, and during its sales process, Defendant  
6 markets its telephone and data services to consumers. Defendant’s sales representatives often  
7 discuss these services only, and not purported third-party services, with consumers. Defendant’s  
8 contracts make clear and prominent representations about the services it provides; information  
9 about third-party services is buried in lengthy terms and conditions of its service contract.

10 12. Defendant has not obtained authorization from consumers before charging them  
11 for Third-Party Subscriptions. Instead, the third-party merchants or billing intermediaries  
12 purportedly have obtained authorization. In many cases, however, these third parties have failed  
13 to obtain authorization from consumers.

14 13. Defendants’ phone bills include charges for its own services and third-party  
15 services. For consumers who receive their bills online, Defendant has provided an online  
16 summary:

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https://ebill.t-mobile.com/myTMobile/ [REDACTED]

Related links:  
Usage details  
Plans & Services

Service charges	Account	[REDACTED]	[REDACTED]	Totals
9/15/12 - 10/14/12 <a href="#">Expand all</a>	[REDACTED]	<a href="#">See call records</a> <a href="#">PPU address</a>	<a href="#">See call records</a> <a href="#">PPU address</a>	
<b>Monthly charges</b> ?	\$59.98	\$10.00	\$10.00	\$79.98
Classic Family 1K Talk	\$59.98			\$59.98
Enhanced Voicemail		\$0.00	\$0.00	\$0.00
REQ Classic Simple 200MB Data		\$10.00	\$10.00	\$20.00
<b>Use charges</b> ?	\$0.00	\$3.20	\$16.39	\$19.59
<b>One-time charges</b> ?	\$0.00			\$0.00
<b>Credits &amp; adj.</b> ?	\$0.00			\$0.00
<b>Other charges</b> ?	\$0.00	\$1.61	\$1.61	\$3.22
<b>Taxes &amp; Fees</b> ?	\$3.70	\$0.09	\$0.09	\$3.88
<b>Total New Charges</b>	\$63.68	\$14.90	\$28.09	\$106.67
			Previous Balance	\$105.48
			Payment received	(105.48)
			Total Past Due (due immediately)	\$0.00
			<b>Amount due</b> 11/07/12	<b>\$106.67</b>

In this summary, third-party charges, including for Third-Party Subscriptions, are included in the total for "Use Charges." If the consumer clicked to expand the field for "Use Charges," the consumer saw the following screen:

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1 https://ebill.t-mobile.com/myTMobile/viewBill.do

2 Plans & Services

3 Service charges 9/15/12 - 10/14/12 Account [REDACTED] [REDACTED] Totals  
 Expand all See call records PPU address See call records PPU address

Service charges	Account	[REDACTED]	[REDACTED]	Totals
<b>Monthly charges</b> ?	\$59.98		\$10.00	\$79.98
Classic Family 1K Talk	\$59.98			\$59.98
Enhanced Voicemail		\$0.00	\$0.00	\$0.00
REQ Classic Simple 200MB Data		\$10.00	\$10.00	\$20.00
<b>Use charges</b> ?	\$0.00		\$16.39	\$19.59
MESSAGING CHARGES		\$3.20	\$6.40	\$9.60
PREMIUM SERVICES			\$9.99	\$9.99
<b>One-time charges</b> ?	\$0.00			\$0.00
Credits & adj. ?	\$0.00			\$0.00
<b>Other charges</b> ?	\$0.00		\$1.61	\$3.22
<b>Taxes &amp; Fees</b> ?	\$3.70		\$0.09	\$3.88
<b>Total New Charges</b>	\$63.68		\$28.09	\$106.67
		Previous Balance	\$105.48	
		Payment received	(105.48)	
		Total Past Due (due immediately)	\$0.00	
		<b>Amount due 11/07/12</b>	<b>\$106.67</b>	

4 The category “Use charges” has included such charges as text messaging, as well as “Premium  
 5 Services.” This screen, however, provides no explanation that “Premium Services” includes  
 6 third-party charges for recurring Third-Party Subscriptions, nor does this section provide any  
 7 additional information about the charges.

8 14. Even on a full mobile phone bill, the third-party charges have not been  
 9 conspicuous. The first page of Defendant’s bills have contained a “Summary:”

**Summary**

Previous Balance	\$	98.70
Pmt Rec'd - Thank You	\$	(100.00)

<b>Total Past Due</b>	\$	<b>(1.30)</b>
<i>(Credit Balance)</i>		

Monthly Recurring Chgs	\$	79.99
Usage Charges	\$	10.39
Other Charges	\$	1.61
Taxes & Surcharges	\$	7.13

<b>Total Current Charges</b>	\$	<b>99.12</b>
<b>Current Charges Due By</b>		<b>12/21/12</b>

<b>Grand Total</b>	\$	<b>97.82</b>
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15. Third-party charges are not broken out separately in the summary, but have been lumped together under the generic descriptor "Usage Charges," which may include both third-party charges and other charges, such as for texting. The "Usage Charges" line item in the summary is included in the "Total Current Charges" and "Grand Total" that Defendant represents are "due by" a specific date. Many consumers believe they are obligated to pay Defendant for all charges appearing on their phone bills.

16. "Usage Charges" have also appeared in the "Account Service Detail" section of T-Mobile's bills. "Usage Charges" in this section has a line item for "Premium Services:"

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<b>Account Service Detail</b>		
	<b>Amount</b>	<b>Totals</b>
Previous Balance	\$ 113.68	
Payment Received On 7/19/12	\$ (113.68)	
<b>Monthly Recurring Charges</b>		<b>\$ 79.99</b>
Classic Uni Talk & Text	\$ 59.99	
Partial charge for Name ID Free Trial from 6/29/12 to 7/02/12	\$ -	
REQ Plus 2GB Data Classic	\$ 20.00	
<b>Credits &amp; Adjustments</b>		<b>\$ (20.00)</b>
Svc Warranty Process Fee ADJ	\$ (20.00)	
<b>Usage Charges</b>		<b>\$ 10.19</b>
MESSAGING CHARGES	\$ 0.20	
PREMIUM SERVICES	\$ 9.99	
<b>Other Charges</b>		<b>\$ 1.61</b>
<b>Communications Related</b>		
Regulatory Programs Fee*	\$ 1.61	

Although third-party charges are included in the line item “Premium Services,” the Account Service Detail section of T-Mobile’s bills do not identify them as such or provide any additional information to consumers.

17. A description of “Usage Charges” or “Premium Services” also does not appear in the section of the bill in which T-Mobile provides an explanation of some of the charges that may appear on the phone bill, such as taxes and fees.

**Additional Information:**

**Taxes, Fees and Surcharges** - Includes government fees and taxes that we collect and are required by federal, state or local law to remit to the appropriate governmental entity (including, but not limited to, sales, use, excise, public utility, and E911). This section may also include certain fees and costs incurred by us as a result of providing service, such as universal service fees (USF). We elect to collect them in order to recover or help defray the costs we incur. These fees, and what is included in the fees, may vary by locale and may change from time to time without notice.

**Regulatory Programs Fee** - We collect and retain this fee to recover some of the costs we incur to comply with local, state and federal governmental mandates and programs, including, but not limited to, E911, local number portability and number pooling. We may impose the fee whether or not the benefits of any or all of these mandates and programs are available to you in your location.

**Equipment Protect by Asurion (in Puerto Rico: CAPIC)** is for the equipment repair and replacement program you may have selected. See [Equipment Protection Terms and Conditions](#) at T-Mobile.com for program details.

**Late Fees** - May apply on past due amounts not paid by the date on page 1 of your statement. See your rate plan for details. Late fee charges are liquidated damages and are not a penalty.

18. A breakout of the actual third-party charges has typically appeared in the middle or towards the end of the bill, which in some instances may exceed 50 pages in length, under the heading “Premium Services.”



PREMIUM SERVICES						
Date	Content Provider	Time	Description	Usage Charges		Total
OTHER SERVICE PROVIDER CHARGES						
11/13/12	Shaboom Media	10:32 AM	8888906150 BrnStorm23918	\$ 9.99		\$ 9.99
Other Service Provider Charges						

19. The information listed in this subsection has appeared in an abbreviated form (“8888906150BrnStorm23918”) that has not provided detailed information to the consumer about the nature of the charge. It has not explained that the charge was for a recurring Third-Party Subscription that the consumer purportedly authorized.

20. Some consumers do not even receive mobile phone bills. Consumers with pre-paid accounts do not receive monthly bills from Defendant; instead, these consumers pay a certain amount of money upfront for a specific number of minutes. When an unauthorized charge for \$9.99 has been charged to these consumers’ accounts, Defendant has deducted \$9.99 worth of minutes from their available balance. Defendant typically has provided no notice to the consumer of the charge.

**Despite Complaints About Third-Party Subscriptions,  
Defendant Has Refused To Provide Refunds And Has Continued To Charge For  
Subscriptions**

21. Some consumers who become aware of unauthorized charges have complained to Defendant that they did not authorize the charges. Defendant’s own internal documents demonstrate that consumers were complaining in increasing numbers about unauthorized charges from at least early 2012. These documents state that there had been an increase in complaints, explain that consumers “do not know what the charges are or why they are being billed for them,” and note several third-party merchants that Defendant’s employees had identified as being the subject of many complaints. Despite knowing about these complaints of unauthorized charges, Defendant did not take sufficient steps to determine whether other consumers actually

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1 authorized the charges for Third-Party Subscriptions purportedly offered by the problematic  
2 third-party merchants.

3 22. Furthermore, when consumers have sought refunds for unauthorized charges from  
4 Defendant, Defendant frequently has refused to provide them. In some instances, Defendant has  
5 told consumers that there is nothing it can do about the unauthorized charges or that it would  
6 block future charges, but then failed to do so.

7 23. In other instances, Defendant has instructed consumers to seek a refund directly  
8 from the third-party merchant. At times, however, Defendant failed to provide accurate contact  
9 information for the third-party merchant. In other instances, Defendant has refused to grant a  
10 full refund, but has granted only a partial refund.

11 24. In yet other instances, Defendant has asserted that consumers authorized the  
12 charge, despite the fact that Defendant did not have records of the purported authorization.  
13 Defendant also has told consumers that they authorized the charge by not actively declining a  
14 solicitation by a third-party merchant.

15 25. Even after receiving complaints that consumers did not authorize particular  
16 subscriptions, Defendant often has continued to charge other consumers for such subscriptions,  
17 without obtaining authorization from them, notifying consumers of upcoming charges,  
18 confirming charges with consumers, or including additional information on consumers' phone  
19 bills regarding the subscriptions.

20 **Defendant Has Charged Consumers For Third-Party Subscriptions**  
21 **With High Refund Rates**

22 26. When Defendant has provided refunds, it has tracked the dollar amount of refunds  
23 for each Third-Party Subscription. It then has compared the dollar amount of refunds issued in a  
24 calendar month to the revenue charged that month for each subscription. That ratio, given in  
25 percentage terms, is the "refund rate." Defendant has charged consumers for subscriptions with  
26 refund rates as high as 40% in a single month.

1           27.    The refund rate likely understates the number of consumers who have been  
2 crammed. Only those consumers who successfully identify the unauthorized charge can even  
3 attempt to dispute it. Because consumers who are on pre-paid plans do not receive monthly bills  
4 and others have not noticed the charges in their abbreviated form on their phone bills, the refund  
5 rate does not include all consumers who did not authorize the charges.

6           28.    The refund rate also likely understates the number of consumers who have been  
7 crammed because only refunds granted by Defendant have counted towards the refund rate. As  
8 explained above, in numerous instances, Defendant has told consumers that they must seek  
9 refunds directly from the third-party merchant. Refunds obtained directly from a third-party  
10 merchant have not been counted as part of the refund rate. At various times, Defendant also has  
11 experimented with shortening the time period for which a front-line customer service  
12 representative may refund charges (from 60 to 45 days), which also has the effect of lowering the  
13 amount of a refund given to a complaining consumer, thereby lowering the reported refund rate.

14           29.    Defendant has monitored the refund rates of each subscription through its  
15 Performance Improvement Plan (“PIP”) – a process by which Defendant purportedly has  
16 reviewed potentially problematic Third-Party Subscriptions. Nonetheless, Defendant has  
17 continued to charge consumers for unauthorized subscriptions.

18           30.    Defendant has placed Third-Party Subscriptions in its PIP process when the  
19 refund rate for the subscriptions has, among other things, exceeded 15%. By comparison, in the  
20 credit card industry, the average chargeback rate on charges billed to credit cards is around 0.2%,  
21 and a chargeback rate of 1% for any one merchant is flagged for further investigation by credit  
22 card companies. Moreover, under the PIP process, Defendant could continue to charge  
23 consumers for Third-Party Subscriptions for a full year before terminating the subscription. If a  
24 subscription’s refund rate has fallen below 15% in some months, Defendant has removed the  
25 subscription from the PIP process. If the refund rate for the subscription again rises above 15%,  
26 the year-long process has been reset from the beginning. Even if a particular subscription was

1 terminated through the PIP process, Defendant could still charge consumers for other  
2 subscriptions offered by the same third-party merchant.

3 31. Defendant continued to charge consumers for recurring Third-Party Subscriptions  
4 that were identified as having high refund rates under this PIP process. For example, Defendant  
5 has charged consumers for purported subscriptions offered by Jesta Digital, LLC, which was  
6 recently sued by the FTC for its cramming practices. The FTC alleged that Jesta Digital used  
7 advertisements posing as anti-virus scans to deceive consumers and sign them up for Third-Party  
8 Subscriptions without their authorization. Consumers sought refunds from Defendant in high  
9 numbers for Third-Party Subscriptions purportedly offered by Jesta Digital and despite  
10 identifying that these subscriptions' refund rates exceeded 15% in some months, Defendant  
11 continued to charge consumers for them.

12 **Defendant Has Charged Consumers For**  
13 **Third-Party Subscriptions That Were The Subject Of Industry Auditor Alerts, Lawsuits,**  
14 **And News Articles Detailing Deceptive Practices**

15 32. Industry auditors have monitored the online advertising of third-party merchants  
16 that purportedly offer Third-Party Subscriptions. Defendant has received audits and "alerts"  
17 from these industry auditors. The auditors' alerts have provided examples of deceptive  
18 marketing by third-party merchants to obtain consumers' phone numbers and purportedly enroll  
19 them in a monthly subscription. Defendant has continued to charge consumers for the recurring  
20 Third-Party Subscriptions offered by those merchants identified by the auditors, including  
21 subscriptions the alerts specifically identified as failing to obtain valid authorization from the  
22 consumers.

23 33. For example, one alert highlighted a purportedly free Facebook application that  
24 claimed it allowed users to see who views their Facebook profiles most frequently. The  
25 application required users to complete a short "survey" that included entering their mobile phone  
26 number. The application never revealed who viewed the users' Facebook profiles, but users

1 were charged for a Third-Party Subscription despite the application's claim of being free.  
2 Defendant has continued to charge consumers for the subscription and other subscriptions  
3 purportedly offered by the same third-party merchant after receiving this alert.

4 34. Defendant has also continued to charge consumers for Third-Party Subscriptions  
5 purportedly offered by third-party merchants that were the subject of news articles or law  
6 enforcement or other legal actions regarding cramming practices. For example, Defendant has  
7 charged for numerous subscriptions produced by third-party merchant Wise Media, LLC. In  
8 March 2012, the *New York Times* ran an article about potential cramming by Wise Media. In  
9 October 2012, a class action complaint was filed against Wise Media for mobile cramming.  
10 Defendant continued to charge consumers for Third-Party Subscriptions purportedly offered by  
11 Wise Media until the FTC sued Wise Media in April 2013. The FTC's complaint alleged that  
12 Wise Media placed charges on consumers' mobile phone bills for horoscopes, flirting tips, and  
13 other information without consumers' authorization. The FTC further alleged that consumers  
14 across the country were signed up for these services seemingly at random and that, even when  
15 consumers sent text messages to Wise Media indicating that they did not want any services, Wise  
16 Media still charged them. At least two other mobile carriers had terminated Wise Media on their  
17 networks a year before the FTC's action.

18 35. Defendant has also charged consumers for Third-Party Subscriptions offered by  
19 Tatto Inc. and its related entities. In 2009, the Washington Attorney General entered into a  
20 consent decree with Tatto for its cramming practices. Defendant continued to charge consumers  
21 for Third-Party Subscriptions offered by Tatto and its related entities for years, until shortly  
22 before the FTC filed suit against Tatto and its related entities for placing unauthorized charges on  
23 consumers' mobile phone bills for Third-Party Subscriptions, such as celebrity gossip text alerts.  
24 The FTC alleged that Tatto and its related entities used misleading website offers to obtain valid  
25 consumer phone numbers that they used to sign up consumers for Third-Party Subscriptions  
26 without their knowledge.

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1 implication, that charges appearing on consumers' phone bills are for Defendant's services  
2 authorized by consumers.

3 40. In truth and in fact, in numerous instances in which Defendant has made the  
4 representations set forth in Paragraph 39 of this Complaint, the charges appearing on consumers'  
5 phone bills included Third-Party Subscriptions that the consumers had not authorized. These  
6 representations are material to consumers.

7 41. Defendant's representations as set forth in Paragraph 39 of this Complaint are  
8 likely to mislead reasonable consumers and constitute deceptive acts or practices in violation of  
9 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

10 **COUNT II**

11 **Unfair Billing Practices in Violation of Section 5 of the FTC Act**

12 42. In numerous instances, Defendant has charged consumers for Third-Party  
13 Subscriptions for which consumers have not provided express, informed consent.

14 43. Defendant's actions as described in Paragraph 42 have caused or are likely to  
15 cause substantial injury to consumers that consumers cannot reasonably avoid themselves and  
16 that is not outweighed by countervailing benefits to consumers or competition.

17 44. Defendant's practices as set forth in Paragraph 42 constitute unfair acts or  
18 practices in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a) and (n).

19 **CONSUMER INJURY**

20 45. Consumers have suffered and will continue to suffer substantial injury as a result  
21 of Defendant's violations of the FTC Act. In addition, Defendant has been unjustly enriched as a  
22 result of its unlawful acts or practices. Absent injunctive relief by this Court, Defendant is likely  
23 to injure consumers, reap unjust enrichment, and harm the public interest.

24 **THIS COURT'S POWER TO GRANT RELIEF**

25 46. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant  
26 injunctive and other such relief as the Court may deem appropriate to halt and redress violations

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1 of any provision of law enforced by the FTC. The Court, in the exercise of its equitable  
2 jurisdiction, may award ancillary relief, including rescission or reformation of contracts,  
3 restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and  
4 remedy any violation of any provision of law enforced by the FTC.

5 **PRAYER FOR RELIEF**

6 Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, § 53(b), and the  
7 Court's own equitable powers, requests that the Court:

- 8 A. Enter such preliminary and ancillary relief as may be necessary to avert the likelihood  
9 of consumer injury during the pendency of this action and to preserve the possibility  
10 of effective final relief, including, but not limited to, a temporary and preliminary  
11 injunction, an evidence preservation order, and expedited discovery;
- 12 B. Enter a permanent injunction to prevent future violations of the FTC Act by  
13 Defendant;
- 14 C. Award such relief as the Court finds necessary to redress injury to consumers  
15 resulting from Defendant's violations of the FTC Act, including, but not limited to,  
16 rescission and reformation of contracts, restitution, the refund of monies paid, and the  
17 disgorgement of ill-gotten monies;
- 18 D. Award Plaintiff the costs of bringing this action, as well as such other and additional  
19 relief as the Court may determine to be just and proper.
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Respectfully submitted,  
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s/ Laura M. Solis

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Dated: July 1, 2014

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