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11 Attorneys for Plaintiff

12 UNITED STATES DISTRICT COURT  
13 CENTRAL DISTRICT OF CALIFORNIA  
14

15 FEDERAL TRADE COMMISSION,  
16 Plaintiff  
17  
18 v.  
19 AMERICAN INFORMATION LABOR  
SERVICES, INC., AMERICAN DATA  
20 BUREAU, LLC, SCOTT HOROWITZ  
AND MITCHELL M. GROD,  
21 Defendants.

CIV. NO SACV 01-33A

COMPLAINT FOR  
INJUNCTION  
AND OTHER EQUITABLE  
RELIEF

22  
23 Plaintiff, the Federal Trade Commission ("Commission"),  
24 for its complaint alleges:

- 25 1. The Commission brings this action under Section  
26 13(b) of the Federal Trade Commission Act ("FTC Act"), 15  
27 U.S.C. § 53(b), to secure preliminary and permanent  
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(EIA)

1 injunctive relief, rescission of contracts, restitution,  
2 disgorgement, and other equitable relief for defendants'  
3 deceptive acts or practices in connection with the selling of  
4 employment goods and services in violation of Section 5(a) of  
5 the FTC Act, 15 U.S.C. § 45(a).

#### 6 JURISDICTION AND VENUE

7 2. This Court has subject matter jurisdiction over  
8 Plaintiff's claims pursuant to 28 U.S.C. §§ 1331(a), 1337(a),  
9 and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

10 3. Venue in the Central District of California is  
11 proper under 28 U.S.C. § 1391(b) and (c) and 15 U.S.C. § 53(b).

#### 12 THE PARTIES

13 4. Plaintiff **Federal Trade Commission** is an  
14 independent agency of the United States government created by  
15 the FTC Act, 15 U.S.C. §§ 41-58. The Commission enforces the  
16 FTC Act, which prohibits unfair or deceptive acts or  
17 practices in or affecting commerce. The Commission may  
18 initiate federal district court proceedings to enjoin  
19 violations of the FTC Act, and to secure such equitable  
20 relief as is appropriate in each case, including restitution  
21 and disgorgement. 15 U.S.C. § 53(b).

22 5. Defendant **American Data Bureau, LLC** ("ADB") is a  
23 California limited liability company with its principal place  
24 of business at 6070 Mission Gorge Rd., Suite 5, San Diego,  
25 CA 92120. ADB transacts or has transacted business in this  
26 district.

27 6. Defendant **American Information Labor Services, Inc.**  
28 ("AILS") is a California corporation with its principal place

1 of business at 6043 Tampa, #203, Tarzana, CA 91356. AILS  
2 transacts or has transacted business in this district.

3 7. Defendant **Scott A. Horowitz** is a general manager of  
4 ADB and Secretary/Director of AILS. Individually or in  
5 concert with others, he directs, controls, formulates or  
6 participates in the acts and practices set forth herein. He  
7 resides, transacts, or has transacted business in this  
8 district.

9 8. Defendant **Mitchell M. Grod** is a general partner in  
10 ADB and the Chief Executive Officer, Chief Financial Officer  
11 and Director of AILS. Individually or in concert with  
12 others, he directs, controls, formulates or participates in  
13 the acts and practices set forth herein. He resides,  
14 transacts or has transacted business in this district.

15 **COMMERCE**

16 9. Defendants' course of trade is in or affecting  
17 commerce within the meaning of Section 4 of the FTC Act, 15  
18 U.S.C. § 44.

19 **DEFENDANTS' BUSINESS PRACTICES**

20 10. Since at least February 2000, defendants have  
21 conducted a nationwide advertising and telemarketing scheme  
22 to sell purported employment goods and services to consumers  
23 residing throughout the United States. Previously,  
24 defendants specialized in goods and services relating to  
25 federal jobs, but their current business concentrates on  
26 employment goods and services relating to state civil service  
27 jobs.

28

1 11. Defendants place classified advertisements in the  
2 employment sections of local newspapers or community gazettes  
3 located throughout the United States. The advertisements  
4 announce the local availability of state clerical jobs,  
5 requiring no experience, at hourly salaries ranging from  
6 \$12.00 to \$16.00 per hour. The advertisements invite readers  
7 to call for information. The ads include a toll free number  
8 with an extension. The extension number is keyed to the  
9 newspaper ad thereby identifying the geographic area from  
10 which the consumer is calling. The following is illustrative  
11 of the advertisements placed by defendants:

12                   **Clerical Positions**  
13                   \$12-\$16 per hr.,  
14                   No exp Nec. FT/PT. Full  
                    benefits 1-800 573-1346 EXT 2701

15 12. Consumers who telephone the company are told by  
16 defendants' telemarketers that: (1) ADB supplies all the  
17 information necessary to obtain a state government clerical  
18 position, (2) ADB provides study materials to prepare for the  
19 qualifying civil service test for the state jobs, (3) ADB's  
20 training materials include an entire chapter of practice  
21 tests with answers that will completely prepare the consumer  
22 for the exam, (4) ADB provides customer service and (5)  
23 consumers who have questions may call customer service at a  
24 toll-free number (888) 876-9871. The telemarketers also  
25 state that ADB supplies a registration form to use for local  
26 registration for the state tests, and that the tests are  
27 administered as often as once or twice a week. They state

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1 the charge for the materials is \$49.95 for registration plus  
2 \$9.90 for shipping and handling.

3 13. Defendants' telemarketers represent that states  
4 guarantee clerical jobs to all applicants who receive a score  
5 of 90% on a state civil service exam and that state clerical  
6 jobs, which require no experience, pay \$12 to \$16 per hour.  
7 Defendants' telemarketers state that there are clerical job  
8 vacancies in consumers' home towns and that they will be  
9 hired once they score 90% or higher on the test. The  
10 telemarketers state that the test is administered in the town  
11 in which the consumer resides.

12 14. Defendants' telemarketers represent that ADB  
13 guarantees that consumers who use their study materials will  
14 score 90% on the civil service test. They state that the  
15 guarantee is backed by ADB's promise that it will refund the  
16 registration fee of \$49.95 if: (a) the consumer fails the  
17 exam, or (b) the consumer scores 90% on the exam and is  
18 unable to acquire a job. The telemarketers state that the  
19 policy is explained in a refund package that is sent with the  
20 study material.

21 15. Consumers who want to purchase the study materials  
22 are asked to provide credit information that the defendants  
23 use for immediate credit verification. A supervisor then  
24 speaks to the consumer and verifies the order.

25 16. Shortly thereafter, defendants ship to consumers a  
26 packet that consists of: (1) a book named Civil Service  
27 Employment Manual, (2) an Application for Federal Employment  
28 (Official Form 612) and (3) a document titled "Employment

1 Training Manual 12-Month Guarantee." The content of the book  
2 is directed to consumers who aspire to obtain federal, not  
3 state jobs. There is no information about any state civil  
4 service positions or eligibility requirements, state hiring  
5 procedures, test administration procedures or registration  
6 for any written test. The federal employment form cannot be  
7 used to register for any state civil service test.  
8 Defendants' written guarantee varies from the terms orally  
9 disclosed to consumers at point of sale.

10 **DEFENDANTS' VIOLATIONS OF THE FTC ACT**

11 **COUNT I**

12 17. Defendants represent, expressly or by implication,  
13 that consumers are likely to obtain state government clerical  
14 jobs by using defendants' examination preparation materials.

15 18. In truth and in fact, consumers are not likely to  
16 obtain state government clerical jobs by using defendants'  
17 examination preparation materials.

18 19. Therefore, the representations set forth in  
19 paragraph 17 are false and misleading and constitute  
20 deceptive acts or practices in violation of Section 5(a) of  
21 the FTC Act, 15 U.S.C. § 45(a).

22 **COUNT II**

23 20. Defendants represent, expressly or by implication,  
24 that job applicants who score 90% or higher on the civil  
25 service examination are guaranteed state government clerical  
26 jobs.



1 unlawful acts and practices. Absent injunctive relief by  
2 this Court, defendants are likely to continue to injure  
3 consumers, reap unjust enrichment, and harm the public  
4 interest.

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

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

11 **PRAYER FOR RELIEF**

12 WHEREFORE, Plaintiff requests that this Court,  
13 authorized by Section 13(b) of the FTC Act, 15 U.S.C. §  
14 53(b), and pursuant to its own equitable powers:

15 (1) Award the Commission all temporary and preliminary  
16 injunctive and ancillary relief that may be necessary to  
17 avert the likelihood of consumer injury during the pendency  
18 of this action, and to preserve the possibility of effective  
19 final relief, including, but not limited to, temporary and  
20 preliminary injunctions, an order freezing each defendant's  
21 assets, and the appointment of an equity receiver;

22 (2) Enjoin defendants permanently from violating  
23 Section 5(a) of the FTC Act, including committing such  
24 violations in connection with the advertising, offering for  
25 sale, or other promotion of employment goods and services;

26 (3) Award such relief as the Court finds necessary to  
27 redress injury to consumers resulting from defendants'  
28 violations of Section 5(a) of the FTC Act, including, but not



1 limited to, restitution, the rescission of contracts or  
2 refund of monies paid, and the disgorgement of unlawfully  
3 obtained monies; and

4 (4) Award plaintiff the costs of bringing this action  
5 as well as such additional equitable relief as the Court may  
6 determine to be just and proper.

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8 Dated: January 7, 2001

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Respectfully submitted,

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DEBRA A. VALENTINE  
General Counsel

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*Connie Wagner*

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Federal Trade Commission

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