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**UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA, PHOENIX DIVISION**

FEDERAL TRADE COMMISSION,)	
)	CV- No.
Plaintiff,)	
)	
v.)	
)	
YP.NET, INC.,)	
a corporation;)	
)	
TELCO BILLING, INC., d/b/a)	COMPLAINT FOR INJUNCTIVE
YELLOW-PAGE.NET,)	AND OTHER EQUITABLE
a corporation;)	RELIEF
)	
PUBLICATION MANAGEMENT, INC.,)	
a corporation;)	
)	
MICHAEL K. BLOOMQUIST,)	
individually, and as an officer of TELCO))	
BILLING, INC., and PUBLICATION))	
MANAGEMENT, Inc., and MICHAEL))	
K. BLOOMQUIST and REBECCA L.))	
BLOOMQUIST, as Husband and Wife;))	
)	
JOSEPH T. CARLSON,)	
individually, and as an officer of TELCO))	
BILLING, INC., and JOSEPH T.))	
CARLSON and KARINA CARLSON,))	
as Husband and Wife;))	
)	

WILLIAM D. O'NEAL,)
 individually, and as an officer of)
 YP.NET, and WILLIAM D. O'NEAL)
 and ELIZABETH O'NEAL, as)
 Husband and Wife;)
)
 GREGORY B. CRANE,)
 individually, and as an officer of)
 YP.NET, and GREGORY B. CRANE)
 and LAURA CRANE, as Husband and)
 Wife,)
)
 Defendants.)
 _____)

Plaintiff Federal Trade Commission (“Commission”), by its undersigned attorneys, alleges:

1. This is an action under Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 53(b), to secure injunctive and other equitable relief, including rescission of contracts, restitution, and disgorgement for defendants' deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), in connection with the marketing and sale of Internet advertising services.

JURISDICTION AND VENUE

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

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

PLAINTIFF

4. Plaintiff Federal Trade Commission is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The Commission 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. The Commission may initiate federal district court proceedings to enjoin violations of the FTC Act and to secure such equitable relief as may be appropriate in each case, including restitution for injured consumers. 15 U.S.C. § 53(b).

DEFENDANTS

5. Defendant YP.NET is a Nevada corporation that does or has done business at 4840 East Jasmine Street, Mesa, Arizona. In 1999, YP.NET acquired Telco Billing, Inc. YP.NET, through its wholly-owned subsidiary, Telco Billing, Inc., sells Internet advertising services throughout the United States. YP.NET transacts or has transacted business in the District of Arizona.

6. Defendant Telco Billing, Inc., (“TBI”), doing business as Yellow-Page.Net, is a Nevada corporation that does or has done business at 9420 East Doubletree Ranch Road, Scottsdale, Arizona. TBI, doing business as Yellow-Page.Net, sells Internet advertising services throughout the United States. TBI transacts or has transacted business in the District of Arizona.

7. Defendant Publication Management, Inc., (“PMI”), is a Nevada corporation that does or has done business in Arizona. PMI provides marketing and billing services to TBI. PMI transacts or has transacted business in the District of Arizona.

8. Defendant Michael K. Bloomquist is the President of defendant PMI, and an officer of TBI. He resides and transacts or has transacted business in the District of Arizona. At all times material to this complaint, acting alone or in concert with others, Mr. Bloomquist has formulated, directed, controlled, or participated in the acts and practices of TBI d/b/a Yellow-Page.Net and PMI, including the acts and practices set forth in the complaint. YP.NET, TBI d/b/a Yellow-Page.Net, PMI, and Michael Bloomquist have jointly participated in the acts and practices alleged below.

9. Relief defendant Rebecca L. Bloomquist is named as wife of defendant Michael K. Bloomquist. At all times Michael K. Bloomquist has acted on behalf of the marital community and Rebecca L. Bloomquist is being named for community liability purposes.

10. Defendant Joseph T. Carlson is the President of TBI. He resides and transacts or has transacted business in the District of Arizona. At all times material to this complaint, acting alone or in concert with others, Mr. Carlson has formulated, directed, controlled, or participated in the acts and practices of TBI d/b/a Yellow-Page.Net, and PMI, including the acts and practices set forth in the complaint. YP.NET, TBI d/b/a Yellow-Page.Net, PMI, and Joseph Carlson have jointly participated in the acts and practices alleged below.

11. Relief defendant Karina Carlson is named as the wife of defendant Joseph T. Carlson. At all times Joseph T. Carlson has acted on behalf of the marital community and Karina Carlson is being named for community liability purposes.

12. Defendant William D. O'Neal, is the President and General Counsel of YP.NET. He resides and transacts or has transacted business in the District of Arizona. At all times material to this complaint, acting alone or in concert with others, Mr. O'Neal has formulated, directed, controlled, or participated in the acts and practices of YP.NET, TBI d/b/a Yellow-Page.Net, and PMI, including the acts and practices set forth in the complaint. YP.NET, TBI d/b/a Yellow-Page.Net, PMI, and William O'Neal have jointly participated in the acts and practices alleged below.

13. Relief defendant Elizabeth O'Neal is named as the wife of defendant William D. O'Neal. At all times William D. O'Neal has acted on behalf of the marital community and Elizabeth O'Neal is being named for community liability purposes

14. Defendant Gregory B. Crane is the Director of Operations and a member of the Board of Directors of YP.NET. He resides and transacts or has transacted business in the District of Arizona. At all times material to this complaint, acting alone or in concert with others, Mr. Crane has formulated, directed, controlled, or participated in the acts and practices of YP.NET, TBI d/b/a Yellow-Page.Net, and PMI, including the acts and practices set forth in the complaint. YP.NET, TBI d/b/a Yellow-Page.Net, PMI, and Gregory B. Crane have jointly participated in the acts and practices alleged below.

15. Relief defendant Laura Crane is named as the wife of defendant Gregory B. Crane. At all times Gregory B. Crane has acted on behalf of the marital community and Laura Crane is being named for community liability purposes.

16. Hereinafter, the term “Defendants” shall refer to individual defendants Michael Bloomquist, Joseph Carlson, William O’Neal, and Gregory Crane, as well as corporate defendants YP.NET, TBI d/b/a Yellow-Page.Net, and PMI. The term “Relief defendants” shall refer to Rebecca Bloomquist, Karina Carlson, Elizabeth O’Neal, and Laura Crane.

COMMERCE

17. At all times material hereto, defendants (sometimes hereinafter referred to collectively as “Yellow-Page”) have been engaged in the business of offering for sale and selling Internet-related services to the public, including Internet web page listings and advertising, and other products, in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' BUSINESS ACTIVITIES

18. Since at least April 1998 and continuing thereafter, defendants have engaged in a plan, program or campaign to sell Internet web page services, including the design, maintenance, and hosting of Internet advertisements, to consumers who run small businesses and nonprofit organizations such as religious organizations, charities, and health care providers throughout the United States.

19. A “web page” is a single electronic file or document displayed on the World Wide Web (“WWW”). Web pages include at least the following elements: copy, graphics, layout, and internal technical design. Web pages are housed within a “Web site,” which is a home or location on the WWW. Web sites are usually comprised of a home page and subordinate pages. In the instant case, the web pages marketed and sold by defendants are housed within a Web site maintained by Yellow-Page.

20. Defendants primarily market their Internet-related services to consumers by direct mail, using a \$3.50 “rebate” check. The mailing consists of an envelope with three sides glued closed and one side with a perforated tab for opening. Once the consumer tears the tab off at the perforation, they can then slide the check from the envelope. The words “**REBATE ACCOUNT**” are on the front of the check in bold capital letters, right next to the familiar “walking fingers” logo, and above the Yellow-Page.Net trade name. Nothing on the face of the check alerts consumers that: (a) it is not a rebate for goods or services already purchased; (b) it is not a check from consumers’ regular provider of yellow page directories; and (c) it is a disguised solicitation for defendants’ Internet services that will result in charges to consumers who deposit or cash the check. In addition, most consumers never see the terms and conditions for defendants’ Internet advertising services which are only set forth in small print on the back of the check, and on a letter printed on the inside of the envelope that can only be seen if consumers were to rip apart the other sealed sides of the envelope. On both the back of the check and the

letter, defendants represent that consumers can cancel the service within 60 days and receive their money back.

21. In numerous instances, consumers open the defendants' mail solicitation, and believing that it is a routine check for deposit, endorse or stamp it, and then deposit the check. Defendants' check often is never seen by a person with authority to purchase advertising or enter into contracts on behalf of the business. Based on consumers' deposit of the check, defendants sign up these consumers for one year of Internet advertising at the rate of \$150.00 per year or \$12.50 per month, even if the consumer had no intention of, or knowledge that it was signing up for defendants' Internet service.

22. After the 60-day cancellation period has passed, the defendants bill the consumer by sending an invoice, past due bill, or a notice from a collection agency, demanding payment for Internet advertising services. In some instances, defendants send the billing information regarding the Internet advertising service to a billing aggregator, which then submits the charges for defendants to the consumer's local telephone carrier. The local telephone carrier then puts the Yellow-Page.Net charge onto the consumer's telephone bill.

23. In numerous instances, consumers, upon receiving the invoice, collection notice, or phone bill, attempt to view their listings on the defendants' Web site but are unable to do so. If the information can be accessed, it is often inaccurate or misspelled.

24. In many instances, once consumers become aware of the charges, they attempt to cancel the defendants' services, but defendants refuse to cancel. In other instances, defendants cancel their service but demand a prorated payment.

VIOLATIONS OF SECTION 5 OF THE FTC ACT

25. As set forth below, defendants, individually and in concert with others, have violated Section 5(a) of the FTC Act in connection with the marketing, promotion, offer and sale of their Internet web page services, including design, maintenance, and hosting of Internet advertisements.

COUNT I

26. In numerous instances, defendants have represented, expressly or by implication, that consumers can obtain a cash rebate of \$3.50 by depositing defendants' rebate check without incurring any obligations to defendants.

27. Defendants fail to disclose to consumers, in a clear and conspicuous manner, the material conditions associated with depositing defendants' \$3.50 rebate check, including but not limited to the condition that consumers' depositing of the check is construed by defendants as authorization to charge consumers \$150 per year or \$12.50 per month for listing consumers' business names and addresses on defendants' Web site.

28. In view of defendants' failure to disclose the material information set forth in paragraph 27, above, in a manner likely to be noticed and understood by consumers, defendants' representation is false and deceptive, and violates Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

29. In their advertisements and other promotional materials, and through their use of the “Yellow Page” name, and the common “walking fingers” logo, defendants represent, expressly or by implication, that their check for \$3.50 is a rebate based on a prior or ongoing business relationship with consumers.

30. In truth and in fact, the check for \$3.50 is not a rebate based on a prior or ongoing business relationship; rather, it is a check which, when cashed or deposited, defendants use to initiate a business relationship by signing up the consumers for defendants’ Internet advertising service.

31. Therefore, defendants’ representation, as alleged in Paragraph 29, above, is false and deceptive, and violates Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III

32. In numerous instances, by billing consumers, or by placing charges on consumers’ telephone bills, defendants have represented, expressly or by implication, that consumers are legally obligated to pay charges for defendants’ Internet-related services that defendants have caused to be billed to these consumers.

33. In truth and in fact, in numerous instances, consumers are not legally obligated to pay charges for defendants’ Internet-related services that defendants have caused to be billed to these consumers.

34. Therefore, defendants’ representation, as alleged in Paragraph 32, is false and deceptive, and violate Section 5(a) of the FTC Act, 15 U.S.C. §45(a).

CONSUMER INJURY

35. Consumers in many areas of the United States have suffered substantial monetary loss as a result of defendants' unlawful acts or practices. In addition, defendants have been unjustly enriched as a result of their unlawful practices. Absent injunctive relief by this Court, defendants are likely to continue to injure consumers and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

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

PRAYER FOR RELIEF

Wherefore, plaintiff requests that this Court:

1. 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;
2. Permanently enjoin the defendants from violating the FTC Act, as alleged herein;
3. 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 of contracts, the refund of monies paid, and the disgorgement of ill-gotten monies; and

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

Respectfully Submitted,

DEBRA A. VALENTINE
General Counsel

Dated: _____, 2000.

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