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15 UNITED STATES DISTRICT COURT
16 CENTRAL DISTRICT OF CALIFORNIA
17

18 _____) Case No.
19 FEDERAL TRADE COMMISSION,)
20)
21 Plaintiff,) Memorandum in Support of Plaintiff's
22 v.) *Ex Parte* Application for Temporary
23) Restraining Order with an Asset Freeze,
24 APPLIED MARKETING SCIENCES,) Appointment of a Receiver, and Other
25) Equitable Relief, and Order to Show
26) Cause Why a Preliminary Injunction
27) Should Not Issue
28)
STANDARD REGISTRATION) (Lodged Under Seal)
CORPORATION, a Nevada)
corporation, also d/b/a Consolidated)
Research Authority and CRA,)

1 WORLDWIDE INFORMATION)
2 SYSTEMS INCORPORATED, a)
3 Nevada corporation, also d/b/a Specific)
4 Monitoring Service, SMS, Specific)
5 Reporting Service, SRS, Universal)
6 Information Services, UIS,)
7 Compendium Sampler Services and)
8 CSS, and)
9 LIAM O. MORAN, individually and as)
10 an as owner, officer, or director of)
11 Applied Marketing Sciences, LLC,)
12 Standard Registration Corporation, and)
13 Worldwide Information Systems)
14 Incorporated,)
15)
16 Defendants.)

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1 **I. INTRODUCTION**

2 We ask this Court to put an immediate end to a massive sweepstakes scam
3 that has defrauded hundreds of thousands of consumers throughout the United
4 States and dozens of other countries, including Japan, France, the United Kingdom,
5 the Netherlands, and Canada. For over seven years, Defendants have bombarded
6 millions of consumers with deceptive sweepstakes promotion letters informing
7 them that they have won a multi-million dollar cash prize, with prominent
8 statements such as “Over TWO MILLION DOLLARS in sweepstakes has been
9 reserved for you!” These letters are unmistakably designed to create the
10 impression that the consumer has already won and is guaranteed the cash prize as
11 long as the consumer sends Defendants a small processing fee of around \$20-\$30.
12

13 The letters contain confusing fine print stating that Defendants in fact do not
14 sponsor sweepstakes or award prizes and instead are in the business of compiling a
15 report of available sweepstakes. This language is not calculated to alert consumers
16 of the truth -- that they have won nothing and will get nothing of value for their
17 money. Instead, Defendants’ fine print is nothing more than an attempt to concoct
18 a potential defense to law enforcement challenges. It is well-settled under FTC
19 law, however, that this sort of fine print is no defense to a charge of deception.
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22 What is worse, Defendants target elderly consumers who often fail to see or
23 understand the nearly indecipherable language of the “disclaimer” and, as a result,
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1 send Defendants the requested fees. Based on consumers who have complained
2 about Defendants to the FTC and other law enforcement agencies, the vast
3 majority of Defendants' victims are over the age of 65.
4

5 None of the consumers who pay Defendants receive the promised prize
6 money. In fact, most consumers seem to receive nothing at all from Defendants,
7 not even the worthless sweepstakes compilation report Defendants claim to create
8 for consumers. Defendants have taken consumers for more than \$11 million in just
9 the last three years, victimizing hundreds of thousands of people.
10
11

12 This fraud has continued for years even though Liam Moran, the individual
13 running this enterprise, is already subject to not one, but *two* U.S. Postal Inspection
14 Services ("USPIS") Cease and Desist Orders from 1995 and 2010 prohibiting the
15 same type of deceptive prize promotion activity at issue in this case.¹ When the
16 USPIS caught him in 2010, he was still actively violating the 1995 Order. After
17 the 2010 Order was entered, Moran promptly began violating this order as well,
18 but started taking active steps to conceal his illegal activity from law enforcement.
19 He temporarily stopped sending mailings to U.S. consumers – which he has since
20 resumed -- but continued to scam consumers in other countries by using another
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25 ¹ PX 11 at 98-99, ¶ 39, Att. U at 303-11, 316-17, (2010 Agreement and Cease and
26 Desist Order prohibits, *inter alia*, falsely representing that consumers have won an
27 award consisting of a substantial amount of money and paying the required fee
28 Order prohibits essentially the same conduct).

1 d/b/a name and hiring a Canadian company to open a P.O. Box for him in
2 Vancouver.² When this company was shut down by Canadian law enforcement,³
3 Moran simply opened a new mailbox in Ventura to continue receiving consumer
4 payments.⁴ More recently, many of Defendants' deceptive letters were seized by
5 the London Metropolitan Police for suspected fraud, but the scheme nevertheless
6 continues.⁵

9 The FTC brings this motion *ex parte* to seek an immediate halt to this
10 operation, to freeze its assets, and to have a temporary receiver appointed over the
11 corporations. Defendants' widespread pattern of fraud, as well as their attempts to
12 conceal their scam from law enforcement, suggests that they would hide or
13 dissipate assets if they received notice of this action. The requested relief is
14 necessary to preserve the Court's ability to provide effective final relief, such as
15 providing refunds to victims.

20 ² See *id.* at 94, 99-100, ¶¶ 32 and 41(a), Att. P at 157-68 (complaints from U.S.
21 victims stop in 2010; Moran hires Canadian company to rent Vancouver mailbox
22 and pick up mail); PX 3 at 34, ¶ 4 (address on return envelopes changed from Las
23 Vegas to Vancouver); PX 4 at 36, ¶ 4 (same).

24 ³ See PX 11 at 94, ¶ 31 (Vancouver Police Department executes search warrant
25 against company for allegedly obtaining money under false pretenses).

26 ⁴ See *id.* at 86, ¶ 9(b), Att. F at 123-27.

27 ⁵ PX 1 at 1-3, ¶¶ 3-9 (Metropolitan Police seized five tons of mail at Heathrow,
28 including letters from Defendants destined for consumers in numerous countries
and notified Defendants that their letters had been seized and determined to be
illegal; Defendants never responded).

1 **II. DEFENDANTS' ILLEGAL BUSINESS PRACTICES**

2 Defendants began their mass mailing sweepstakes scam by at least 2006.⁶

3 This far-reaching scam has targeted consumers in over 150 countries and has
4 bilked consumers of over \$11 million.⁷

5 **A. Deceptive Letters Promise Multi-Million Dollar Cash Prize**

6 Defendants' scam begins with an artfully constructed, personalized letter to
7 consumers informing them that they are the winners of a very substantial, cash
8 prize, typically a multi-million dollar figure featured prominently on the letter.⁸
9 Consumers are told that to collect their winnings, they only need to pay a small fee,
10 typically \$20-\$30 in U.S. dollars, or a similar amount in the currency of the
11 consumer's residence.⁹ The letters include a detachable, short form and an
12 unstamped, return envelope addressed to Defendants at one of their P.O. Box
13 addresses.¹⁰ Defendants use numerous different versions of the letters, in various
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20 ⁶ PX 11 at 99-100, ¶ 41(a) (consumer complaints began prior to 2006). Moran,
21 however, has been "in the business" since at least 1995, sending letters including
22 false representations that consumers had won a cash prize and collecting an
23 advance fee from consumers, although letters varied from those at issue in this
24 case. *See id.* at 99, ¶ 39(a), Att. T at 228-301 (1995 USPIS complaint and sample
25 letters).

26 ⁷ *Id.* at 87, 95-97, ¶¶ 11, 34-36.

27 ⁸ *See, e.g.*, PX 1 at 2, ¶ 5, Att. A at 16, 21, 23; PX 4 at 37-38, ¶ 9, Att. B at 42; PX
28 5 at 47, ¶ 9, Att. B. at 52; PX 11 at 98, ¶ 37, Att. R at 190-91, 201.

⁹ *See, e.g.*, PX 1 at 2, ¶ 5, Att. A at 5 (\$25 CAD), 9 (\$30 USD), 29 (£20); PX 11 at
 98, ¶ 38, Att. S at 206 (\$30 AUD).

¹⁰ *See, e.g.*, PX 5 at 47, ¶ 9, Att. A at 49, 51-53 (form and envelope).

1 languages depending on the destination, but the essential substance of the letters is
2 the same.¹¹ The letters appear professional and official, often including suggestive
3 seals, approval stamps, bar codes, pin numbers, and routing numbers meant to
4 convey that the letters are coming from, or specifically authorized by, a
5 governmental entity or sweepstakes provider.¹²

6
7 Addressing them by name, the letters inform consumers that they have been
8 specially selected to receive the letters, using statements such as “This document
9 will not be re-issued and is for your use alone to claim eligibility,”¹³ “Over TWO
10 MILLION DOLLARS in sweepstakes has been reserved for you,”¹⁴ or “you have
11 been given Full Approval after Universal Information Services closely considered
12 your name for this opportunity.”¹⁵ One version of the letter even suggests that the
13 consumer had the “good fortune” of being “singled out” for the award from a pool
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20 ¹¹ See, e.g., PX 4 at 37-38, ¶ 9, Att. B at 1-5 (recent letter to consumer); PX 5 at
21 47, ¶ 9, Atts. A and B at 48-53 (same); PX 8 at 65, ¶ 2, Att. A at 67-70 (same); PX
22 11 at 98, ¶ 37, Att. R at 189-204 (same); PX 1 at 2, ¶ 5, Att. A at 5-30 (samples).

23 ¹² See, e.g., PX 1 at 2, ¶ 5, Att. A at 7 (bar code, seal, approval stamp), 9-10
24 (approval stamp, bar code), 13 (same), 19 (seal, transaction or PIN number, bar
25 code), 23 (“FILED” stamp, bar code); PX 8 at 65, ¶ 2, Att. A at 68 (“Received
26 Approved” Stamp), PX 11 at 98, ¶ 37, Att. R at 189-91, 196, 201 (various seals
27 and stamps). One of Defendants’ letters even attempts to pass as some type of
28 court document. PX 11 at 99, ¶ 39(b), Att. U at 312.

¹³ See, e.g., PX 5 at 47, ¶ 9 Att. B at 52.

¹⁴ See, e.g., PX 1 at 2, ¶ 5, Att. A at 19.

¹⁵ See, e.g., PX 5 at 47, ¶ 9, Att. A at 48.

1 of “250,637 Pending/Possible Names.”¹⁶ Another tells the consumer it is “an
2 extraordinary day . . . [e]specially if you’ve never . . . experienced the opportunity
3 of winning a major lottery or sweepstakes before,” and warns that most people
4 “find this news startling at first so take a deep breath.”¹⁷

6 Using an assortment of creative language, the letters convey to consumers
7 that they have already been approved for, or are otherwise guaranteed to, receive
8 the prize money. For example, Defendants’ letters have included statements such
9 as “Your invitation has been approved, documents issued and your full rights to the
10 over £2,250,000.00 opportunity amount GUARANTEED,”¹⁸ “FIRST AND FINAL
11 NOTICE of the guaranteed eligibility of [consumer’s name] for specific over
12 £2,249,366.00 Prize Portfolio,”¹⁹ “Full access to claim the over £2,250,000.00 in
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22 ¹⁶ PX 1 at 2, ¶ 5, Att. A at 27 (“250,637 Pending/Possible Names Narrowed Down
23 by One Name . . . You are entitled to act on this good fortune of your name being
24 singled out for High End . . . referencing over £2,575,003.56.”); PX 11 at 95, ¶33,
25 Att. Q at 182. (same). *See also* PX 11 at 99, ¶ 39(b), Att. U at 312 (“Providing an
26 Amount of United States Dollars Exceeding THE SUM \$1,578,000.00 in Prize
27 Money that no one else has acquired.”).

28 ¹⁷ PX 11 at 98, ¶ 37, Att. R at 201.

¹⁸ *See, e.g.*, PX 5 at 47, ¶ 9, Att. A at 48 (emphasis in original).

¹⁹ *See, e.g.*, PX 5 at 47, ¶ 9, Att. B at 52 (emphasis in original).

1 disbursements awaits you,”²⁰ “FUND AVAILABILITY GUARANTEED TO
2 EXCEED TWO MILLION DOLLARS!!”²¹

3 The letters often assure recipients that the money is ready for “immediate
4 delivery” to consumers.²² The only thing consumers need to do to collect their
5 prize, according to the letters, is to complete the attached, short form and send it to
6 Defendants, along with a small fee.²³ The forms frequently have official-sounding
7 names suggesting that consumers are agreeing to something of great magnitude:
8 “Approval Acceptance form,”²⁴ “Right of Legal Registration,”²⁵ “Notice of
9 Declaration,”²⁶ “Claim Disposition Form,”²⁷ or “[Official] Claim-Return Letter.”²⁸

15 _____
16 ²⁰ See, e.g., PX 5 at 47, ¶ 9, Att. A at 48.

17 ²¹ See, .e.g., PX 1 at 2, ¶ 5, Att. A at 19 (emphasis in original); see also *id.*, Att. A
18 at 27 (“There is no chance of error; it is not preliminary, it is final . . . Entitlement
19 Eligibility Confirmed”). Defendants also print statements such as “Cash Amounts
20 Guaranteed & Deliverable” on the envelope in which the letter arrives. PX 4 at 38,
21 ¶ 9, Att. B at 41.

22 ²² See, e.g., PX 11 at 98, ¶ 38, Att. S at 206. See also PX 1 at 2, ¶ 5, Att. A at 29
23 (“That’s right, We have over TWO MILLION in prizes and awards on report ready
24 for delivery to your doorstep.”). See also PX 5 at 47, ¶ 9, Att. B at 52 (“Complete
25 and return . . . for Priority Dispatch of the over £2,249,366.00 Portfolio to your
26 [city] home.”).

27 ²³ See, e.g., PX 5 at 47, ¶ 9, Att. A at 48; PX 11 at 98, ¶ 37, Att. R at 191.

28 ²⁴ See, e.g., PX 5 at 47, ¶ 9, Att. A at 48.

²⁵ See, e.g., *id.* at 47, ¶ 9, Att. A at 49; PX 11 at 98, ¶ 37, Att. R at 196.

²⁶ See, e.g., PX 4 at 37-38, ¶ 9, Att. B at 42.

²⁷ See, e.g., PX 11 at 98, ¶ 37, Att. R at 191.

²⁸ See, e.g., *id.* at 98, ¶ 37, Att. R at 201.

1 The forms always ask for consumers' signature, again signifying a
2 heightened level of formality, and frequently reiterate the promise of a substantial
3 cash prize. For example, claim forms have stated, "YES – Send me the available
4 amount in reported sweepstakes awards . . . ,"²⁹ "Sign below for £2,249,366.00
5 portfolio delivery to your home,"³⁰ "RUSH the reported awards to my home
6 immediately!"³¹ "Official Registration, [consumer's name], \$2,249,366.00 in
7 funds for immediate disbursement"³² or "please follow these instructions for
8 immediate delivery of over CAD \$2,249,366.00 Sweepstakes Prize Agenda."³³
9 Consumers are told to pay the fee by cash, check, or money order made payable to
10 Defendants.³⁴
11

12 To further encourage consumers to send in the fee without delay, the letters
13 create an extreme sense of urgency, frequently warning consumers that they have a
14 very limited amount of time to claim their prize money or it will be forfeited. For
15 example, one letter cautions, the offer is "extremely time-sensitive, don't delay if
16 you want the money" "deadlines are strictly enforced, your immediate response is
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24 ²⁹ See, e.g., PX 1 at 2, ¶ 5, Att. A at 20.

25 ³⁰ See, e.g., PX 5 at 47, ¶ 9, Att. B at 52.

26 ³¹ See, e.g., PX 1 at 2, ¶ 5, Att. A at 29.

27 ³² See, e.g., PX 4 at 38, ¶ 9, Att. B at 42.

28 ³³ See, e.g., PX 11 at 98, ¶ 38, Att. S at 206.

³⁴ See, e.g., *supra* notes 29-33.

1 required.”³⁵ Another letter warns, “Disbursement is scheduled shortly and
2 immediate action is required to secure claims . . . I hope this notice has reached
3 you in time.”³⁶ Envelopes in which the letters arrive sometimes are labeled
4 “URGENT,”³⁷ or “TIME SENSITIVE MAIL.”³⁸

6 B. Useless “Disclaimers”

7
8 Only in fine print, typically buried at the bottom of the letters beneath the
9 more prominent discussion of the cash award, or on the backs of the letters where
10 consumers are unlikely to look, do Defendants include their version of a
11 “disclaimer”—although the language is really more of a retraction than a
12 disclaimer. This proviso states that consumers, in fact, have not really won the
13 prize the letter just informed them they won, and that Defendants do not sponsor
14 sweepstakes or make an award of cash or prizes. Instead, Defendants supposedly
15 compile some type of report about sweepstakes for consumers. Not only is the text
16 of this “disclaimer” written in dense, all capital letters, typically in small font, but
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21 ³⁵ PX 4 at 38, ¶ 9, Att. B at 42.

22 ³⁶ See, e.g., PX 5 at 47, ¶ 9, Att. At at 49. See also PX 11 at 98, ¶ 38, Att. S at 205
23 (“It is critical you respond before the [] deadline for full eligibility”); PX 1 at 2, ¶
24 5, Att. A at 7 (“This letter has been dispatched with **URGENCY** and it is in your
25 best interest to acknowledge it promptly”), 9 (“This is a time sensitive report that
26 must be initiated immediately in order to meet the deadline for delivery”), 23
27 (“RESPOND PROMPTLY”) (emphasis in original).

28 ³⁷ See, e.g., PX 11 at 98, ¶ 38, Att. S at 208. See also *id.* at 98, ¶ 37, Att. R at 194.
29 (“IMMEDIATE Action Requested”)

³⁸ See, e.g., PX 4 at 38, ¶ 9, Att. B at 41.

1 the language used is complicated and confusing. It is challenging to read through
2 the text itself and just as hard to comprehend precisely what it means. An example
3 of the way the disclaimer typically appears on the letters is set out below:³⁹
4

5 UNIVERSAL INFORMATION SERVICES (UIS) DOES NOT SPONSOR ANY SWEEPSTAKES,
6 MAKE AN AWARD OF CASH OR PRIZES OR ENTER YOU INTO ANY SWEEPSTAKES. UIS
7 SEARCHES FOR ENTRY PROCEDURES AND DIRECTIVES OF AVAILABLE SWEEPSTAKES
8 AND CONTESTS THAT ARE CONDUCTED BY INDEPENDENT SPONSORS PROVIDING ENTRY
9 INFORMATION INCLUDING SPONSOR SET DEADLINES. THIS IS NOT A SWEEPSTAKES OR
AWARD NOTIFICATION AND DOES NOT GUARANTEE ANY WINNINGS. YOU HAVE NOT YET
WON A PRIZE AND THIS IS NOT A PRIZE NOTIFICATION. UIS USES ALL DUE DILIGENCE TO
COMPILE THE REPORT AND THE ENTRY PARTICULARS REQUIRED BY THE INDEPENDENT
SPONSORS. YOU DO NOT NEED OUR REPORT TO ENTER ANY SWEEPSTAKES BUT THE
VARIETY OF CASH CONTESTS PUBLISHED IN OUR REPORT ARE RIGHT AT YOUR
FINGERTIPS AND CAN BE ENTERED FROM THE COMFORT OF YOUR HOME. UIS SAVES
YOU TIME BY RESEARCHING SWEEPSTAKES AND CONTESTS FOR YOU. IF YOU WISH TO
BE REMOVED FROM OUR MAILING LIST WRITE TO: UIS 3875 TELEGRAPH RD. STE. A PMB
408 VENTURA, CA 93003-3419 USA.

10 The “disclaimer” in Defendants’ letters does not alert consumers to the truth
11 and is entirely insufficient to cure the impression in the body of the letter that
12 consumers’ have won a cash prize. Consumers send money because they are
13 convinced that they have won a sweepstakes.⁴⁰ They do not even see, let alone
14 read and understand, the disclaimer, and if they did, they certainly would not have
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16

17 ³⁹ See, e.g., PX 1 at 2, ¶ 5, Att. A at 19, 23, 27, PX 5 at 47, ¶ 5, Att. A at 48
18 (disclaimers at the bottom of letters); PX 1 at 2, ¶ 5, Att. A at 8, 10, 30 (disclaimers
19 on the back of letter).

20 ⁴⁰ See, e.g., PX 5 at 46, ¶ 6 (“the letter I received convinced me that I had won a
21 large sum of money . . . created the unmistakable impression that if I sent in the
22 requested payment, I would receive the prize money.”); PX 8 at 66 (same); PX 2 at
23 32, ¶ 4 (“unmistakable impression that if I sent in a processing fee, the prize was
24 practically guaranteed”); PX 9 at 74, ¶ 4 (same); PX 6 at 54, ¶ 3 (“under the
25 impression that this letter was sent by a legitimate sweepstakes organization and
26 that I would receive a substantial amount of money if I sent a \$20.00 processing
27 fee”); PX 4 at 37, ¶ 6 (“letters convinced me that I was very close, if not about to,
28 receive a large monetary prize. . . . that if I sent in the \$25 processing fee, the prize
was practically guaranteed”); PX 3 at 35, ¶ 6 (same); PX 7 at 56. ¶ 3 (“under the
impression that the letter was sent by a governmental entity or some other official
organization . . . I believed that all I needed to do to receive the money was to send
in the fee”).

1 sent money to purchase a sweepstakes compilation report.⁴¹ Many consumers who
2 actually read the disclaimer cannot make sense of it.⁴² Some consumers are
3 deceived into sending fees multiple times.⁴³
4

5 **C. Thousands of Victims**

6 Defendants' scam purposefully preys upon the elderly, one of the most
7 vulnerable and frequently targeted groups of consumers.⁴⁴ Indeed, Defendants'
8 success depends upon the fact that their victims either do not see the fine print
9 disclaimer or, if they attempt to read it, do not understand it.
10
11

12 ⁴¹ PX 5 at 47, ¶ 7 (does not recall seeing any disclaimer or other language saying
13 fee was for sweepstakes report and would not have paid for such information); PX
14 4 at 37, ¶ 6 (same); PX 3 at 35, ¶ 6 (same); PX 8 at 66, ¶ 7 (same); PX 9 at 74, ¶ 4
15 (same, although ultimately did not send money to Defendants); PX 2 at 32, ¶ 4 (did
16 not see anything stating fee was for a sweepstakes report); PX 7 at 54, ¶ 3 (did not
see any disclaimer indicating he did not in fact win money).

17 ⁴² *See, e.g.*, PX 6 at 54-55, ¶ 4 (vaguely remembers some "legal language" at
18 bottom of letter, which "did not appear to be important" and which she understood
19 to be protection for Defendants in case they sent the letter to the wrong recipient;
she did not understand language to mean she had not won the award); PX 8 at 66, ¶
20 7 (misunderstood the disclaimer to mean that "the company sending the letter does
21 not itself sponsor sweepstakes, but is sending the letter on behalf of a sweepstakes
sponsor").

22 ⁴³ *See, e.g.*, PX 7 at 56, ¶ 5 (sent at least 13 checks, totaling \$260); PX 8 at 65-66,
23 ¶¶ 4-5 (sent at least 10 payments total of £20 each to two of Defendants' d/b/as);
PX 3 at 35, ¶ 5 (sent payments numerous times, lost at least \$200 in Canadian
24 dollars); PX 10 at 77, ¶ 5 (sent at least four checks totaling \$85).

25 ⁴⁴ *See* PX 11 at 100, ¶ 41(c) (78% of consumers who reported their age when
26 complaining about Defendants were 65 or older); *see also* PX 10 at 77, ¶ 7
27 (declarant's elderly mother lost over \$800 total to sweepstakes scams, including
28 Defendants' scam); PX 11 at 100-101, ¶ 42 and Att. V at 319-28 (articles and
consumer alerts concerning financial elder abuse and sweepstakes scams that target
the elderly).

1 Consumers who send Defendants the requested fees receive absolutely
2 nothing of value in exchange for their money. They do not receive the
3 “guaranteed” multi-million dollar prize. We have not identified a single consumer
4 who even received the purported sweepstakes compilation report, which, even if it
5 exists, would be of questionable value.⁴⁵ Typically, the only thing consumers who
6 pay Defendants receive are more deceptive letters requesting additional fees to
7 claim another alleged sweepstakes award.⁴⁶

10 Even if some consumers actually read and understand the disclaimer,
11 Defendants send such an enormous volume of letters to consumers that their scam
12 remains exceptionally profitable. Over the course of two years, from 2011 to
13 2013, Defendants sent over 3.7 million pieces of mail.⁴⁷ In the first half of 2013
14 alone, Defendants sent over 800,000 letters to consumers in 156 different countries
15 around the world.⁴⁸ Defendants disseminate their letters far and wide, making sure
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20 ⁴⁵ See, e.g., PX 2 at 33, ¶ 6 (never received any money or other product or
21 service); PX 4 at 37, ¶ 7 (same); PX 5 at 47, ¶ 8 (same); PX 6 at 55, ¶ 6 (same); PX
22 7 at 57, ¶ 6 (same); PX 8 at 66, ¶ 8; PX 10 at 77, ¶ 6 (same); PX 3 at 35, ¶ 7 (the
23 only thing received was one Canadian dollar).

24 ⁴⁶ See, e.g., PX 5 at 47, ¶ 9 (after sending money, continued to receive letters); PX
25 8 at 66, ¶ 8 (same); PX 2 at 32, ¶ 3 (had been receiving sweepstakes scam letters
26 from Defendants for years); PX 3 at 34, ¶¶ 3-4 (same); PX 10 at 76, ¶ 3 (had been
27 receiving letters from Defendants for almost a year, if not more); PX 4 at 37-38, ¶
28 9 (continued to receive numerous letters); PX 7 at 56, ¶ 5 (same).

⁴⁷ PX 11 at 87, ¶ 11.

⁴⁸ *Id.*

1 to reach every potential victim in any country, no matter how remote.⁴⁹ This
2 lucrative scam has defrauded consumers of more than \$11 million dollars since
3 2008 alone,⁵⁰ without even accounting for the losses caused by during the scam's
4 first several years of operation.
5

6 **III. DEFENDANTS**

7 Defendants are three Nevada corporations that operate as a common
8 enterprise and one individual, **Liam Moran**, a California resident, who owns,
9 directs, and manages these three corporations, which operate primarily from this
10 district. The three corporate defendants engage in the same sweepstakes scam,
11 share the same ownership and management, have shared at least one P.O. Box, and
12 routinely co-mingle funds.⁵¹
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16 **Standard Registration Corporation ("SRC"), d/b/a Consolidated**

17 **Research Authority or CRA ("CRA")** appeared on deceptive sweepstakes letters
18 primarily targeting U.S. consumers from 2006-2010 until the USPIS issued a
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21 ⁴⁹ See *id.* (Defendants, for example, have sent letter to countries such as North
Korea, Tuvalu, Burkina Faso, Tonga, Suriname, and the Faroe Islands).

22 ⁵⁰ See *id.* at 95-97, ¶¶ 34-36.

23 ⁵¹ "Where one or more corporate entities operate as a common enterprise, each
24 may be held liable for the deceptive acts and practices of the others." *FTC v. Think*
25 *Achievement Corp.*, 144 F. Supp. 2d 993, 1011 (N.D. Ind. 2000) (*aff'd* 312 F.3d
26 259 (7th Cir. 2002). See also *FTC v. John Beck Amazing Profits, LLC*, 865
27 F.Supp.2d 1052, 1082 (C.D. Cal. 2013) (quoting *Delaware Watch Co. v. FTC*, 332
28 F.2d 745, 746 (2d Cir. 1964) (when the same individuals transact business through
a "maze of interrelated companies," the whole enterprise may be held liable as a
joint enterprise.").

1 Cease and Desist Order against the operation in 2010.⁵² SRC's bank accounts have
2 received proceeds from the scam, paid for business expenses such as mailing
3 services, and co-mingled funds with the other corporate defendants.⁵³
4

5 **Worldwide Information Systems Incorporated ("WIS"), d/b/a Specific**
6 **Monitoring Service, Specific Reporting Service, Universal Information**
7 **Services or UIS ("UIS"), and Compendium Sampler Services or CSS ("CSS"),**
8 appeared as "UIS" on letters targeting consumers in foreign countries beginning as
9 early as 2008.⁵⁴ UIS first received consumer payments at a P.O. Box in Vancouver
10 and then a mailbox in Ventura, where consumers currently send their money.⁵⁵
11 Accounts with a foreign money exchange company and a shipping company used
12 to conduct the scam are in the WIS/UIS name.⁵⁶ WIS's bank accounts have
13 received significant proceeds from the scam, paid for business expenses such as
14 mailing services, and co-mingled funds with the other corporate defendants.⁵⁷
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19 **Applied Marketing Sciences, LLC ("AMS")** has received significant sums
20 in proceeds from the scam into its bank account.⁵⁸ The AMS account also
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22 ⁵² See PX 11 at 100, ¶ 41(a) (complaints against CRA from 2005-2010).

23 ⁵³ See *id.* at 89-92, 96-97, ¶¶ 18, 20-21, 26, 35.

24 ⁵⁴ See *id.* at 100, ¶ 6.

25 ⁵⁵ See, e.g., *id.* at 95, ¶ 33, Att. Q at 170-88 (mail received at Vancouver P.O. Box
26 prior to 2012), 98, ¶ 37, Att. R at 189-204 (recent letters using Ventura mailbox).

27 ⁵⁶ See *id.* at 93, ¶ 28, Att. O at 156.

28 ⁵⁷ See *id.* at 90-93, 96-97, ¶¶ 21-22, 26, 28, 35, Att. O at 156.

⁵⁸ See *id.* at 92-93, 96-97, ¶¶ 26, 28, 35, Att. O at 156.

1 routinely receives significant deposits from the WIS and SRC bank accounts, and
2 has received deposits from the foreign money exchange companies Defendants use
3 to convert currency.⁵⁹ The AMS account is also used to cover business expenses
4 such as pay payroll and rent.⁶⁰

6 **IV. ARGUMENT**

7
8 The Court should issue a TRO to prevent continued harm, dissipation of
9 assets, and destruction of evidence, and to preserve the Court's ability to provide
10 effective and final relief to the injured.

11 **A. This Court has the Authority to Grant the Requested Relief**

12
13 The FTC Act provides that “in proper cases the Commission may seek, and
14 after proper proof, the court may issue, a permanent injunction.” 15 U.S.C. §
15 53(b). Once the Commission invokes a federal court's equitable powers, the full
16 breadth of the court's authority is available, including the power to grant such
17 ancillary final relief as restitution. *FTC v. Pantron I Corp.*, 33 F.3d 1088, 1102
18 (9th Cir. 1994) (holding that section 13(b) “gives the federal courts broad authority
19 to fashion appropriate remedies for violations of the [FTC] Act”); *FTC v. H.N.*
20 *Singer, Inc.*, 668 F.2d 1107, 1113 (9th Cir. 1982). Such ancillary relief may
21 include an order to preserve assets for eventual restitution to victimized consumers.
22 *H.N. Singer*, 668 F.2d at 1112-13. Numerous courts in this district have granted or

27 ⁵⁹ *See id.*

28 ⁶⁰ *See id.* at 92-93, ¶ 26.

1 affirmed injunctive relief similar to that requested here.⁶¹ Moreover, district courts
2 throughout this circuit have granted TROs with asset freezes in prize promotion
3 cases nearly identical to the one at issue here. *FTC v. Nat'l Prize Info. Group*, No.
4 2:06-cv-1305-RCJ-PAL, 2006 WL 3234360, *1, 5 (D. Nev. Oct. 18, 2006) (TRO
5 with asset freeze); *FTC v. Nat'l Awards Serv. Advisory, LLC, et al.*, 10-CV-05418-
6 PJH (N.D. Ca. Dec. 1, 2010) (same).
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9 **B. The FTC Satisfies the Applicable Legal Standard for Issuance of**
10 **Injunctive Relief**

11 To grant temporary injunctive relief in an FTC Act case, the district court
12 must (1) determine the likelihood that the Commission ultimately will succeed on
13 the merits, and (2) balance the equities. *See Affordable Media*, 179 F.3d at 1233
14 (quoting *FTC v. Warner Commc 'ns, Inc.*, 742 F.2d 1156, 1160 (9th Cir. 1984)).
15 Unlike private litigants, the FTC need not prove irreparable injury. *See id.* at 1233.
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17 The FTC easily satisfies the TRO elements here.
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20 ⁶¹ *See, e.g., FTC v. Asset & Capital Mgmt. Group, Inc.*, CV-13-5267-DSV (JCx)
21 (July 24, 2013) (*ex parte* TRO with asset freeze, appointment of a receiver,
22 immediate access to business premises); *FTC v. Am. Mortgage Consulting Group,*
23 *LLC*, SACV-12-01561-DOC (JPRx) (Sept. 18, 2012) (same); *FTC v. Rincon*
24 *Mgmt. Servs. LLC*, CV-11-01623-VAP-SP (Oct. 11, 2011) (same); *FTC v.*
25 *Forensic Case Mgmt. Servs., Inc.*, CV-11-07484-RGK-SS (Sept. 12, 2011) (same);
26 *FTC v. U.S. Homeowners Relief, Inc.*, CV-10-01452-JST (PJWx) (Sept. 28, 2010)
27 (same). *See also FTC v. Affordable Media, LLC*, 179 F.3d 1228, 1232-33, 1238
28 (9th Cir. 1999) (*ex parte* TRO, preliminary injunction, asset freeze); *FTC v.*
Publ'g Clearing House, Inc., 104 F.3d 1168, 1170 (9th Cir. 1997) (*ex parte* TRO,
preliminary injunction); *FTC v. World Wide Factors*, 882 F.2d 344, 346-47 (9th
Cir. 1989) (TRO, preliminary injunction, asset freeze).

1 **1. Defendants are Violating the FTC Act**

2 An act or practice is deceptive under the FTC Act if it is likely to mislead
3 consumers, acting reasonably under the circumstances, in a material respect. *See*
4 *FTC v. Cyberspace.com*, 453 F.3d 1196, 1199 (9th Cir. 2006). In considering
5 whether a claim is deceptive, the Court must consider the “net impression” created
6 by the representation. *Id.* at 1200 (solicitation can be deceptive by virtue of its net
7 impression even if it contains truthful disclosures); *see also FTC v. Stefanchik*, 559
8 F.3d 924, 928 (9th Cir. 2009) (“Deception may be found based on the ‘net
9 impression’ created by a representation.”); *FTC v. Five-Star Auto Club*, 97 F.
10 Supp. 2d 502, 528 (S.D.N.Y. 2000) (“the Court must consider the
11 misrepresentations at issue, by viewing [them] as a whole without emphasizing
12 isolated words or phrases apart from their context”). Here Defendants’ letters,
13 with their official-looking designs, prominently featured multi-million dollar
14 figures, and carefully crafted language, create the overwhelming impression that
15 consumers have won a substantial cash prize and need only send in a small fee to
16 claim their winnings. Tellingly, the purported product being sold is not even
17 mentioned in the body of the letter.
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24 The fine print Defendants bury at the bottom or on the backs of their letters,
25 in dense text and confusing language, in no way corrects this overall impression.
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1 The law in this circuit,⁶² and throughout the country,⁶³ is that fine print disclaimers
2 do not cure deceptive solicitations. In *FTC v. Cyberspace.com, LLC*, the Ninth
3 Circuit held that a fine print disclosure on the back of a check sent to consumers
4 violated the FTC Act because it contained “no obvious mention of an offer for
5 services, no product information, and no indication that a contract is in the offing .
6 . . .” 453 F.3d at 1200-01. The Court further held that a survey commissioned by
7 the defendants which found that most people understood the substance of the
8 disclaimer was irrelevant because the study shed no light on whether the notice
9 was sufficiently conspicuous to draw consumers’ attention in the first place. *See*
10 *id.* at 1201.⁶⁴

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Indeed, the court in *FTC v. National Prize Information Group*, held that the
fine print disclosure used by a scheme nearly identical to Defendants’ scheme did

18 ⁶² *See Cyberspace.com*, 453 F.3d at 1200.

19 ⁶³ *See, e.g., FTC v. Direct Mktg. Concepts, Inc.*, 624 F.3d 1, 12 & n.9 (1st Cir.
20 2010) (“[d]isclaimers or qualifications in any particular ad are not adequate to
21 avoid liability unless they are sufficiently prominent and unambiguous to change
22 the apparent meaning of the claims and to leave an accurate impression.”) (citation
23 omitted); *FTC v. Brown & Williamson Tobacco Corp.*, 778 F.2d 35, 42-43 (D.C.
24 Cir. 1985) (affirmed district court’s finding that advertisement’s description of
25 cigarette tar content deceptive even though fine print in corner contained truthful
26 explanation); *Porter & Dietsch v. FTC*, 605 F.2d 294, 301 (7th Cir. 1979)
27 (upholding FTC finding that disclosures “buried in small print” were inadequate to
28 change net impression of weight loss claims in advertising).

⁶⁴ *See also Florsheim v. FTC*, 411 F.2d 874, 876-78 (9th Cir. 1969) (appearance
and prominent repetition of words ‘Washington D.C.’ on debt-collection forms
created deceptive impression that forms were a demand from government even
though forms contained small print disclaimer stating that was not the case).

1 not insulate the defendants from liability under the FTC Act. 2006 WL 3234360,
2 at *3. In *National Prize*, as in the instant case, the letters sent to consumers
3 created the impression that consumers had won millions of dollars, and included a
4 dense, fine print disclosure at the bottom of the letters which disclosed that the
5 defendants actually only sent a newsletter about available sweepstakes to
6 consumers. *Id.* at *2-3. The district court concluded that the consumers' net
7 impression from the letters was that they had won a cash prize which could be
8 obtained by sending a \$20 fee, and held that the "small-print disclosure, containing
9 legalistic and ambiguous language, [did] not dispel that net impression." *Id.* at *3.

13 As in *National Prize*, the disclaimers in Defendants' letters are not
14 conspicuous and, as the evidence demonstrates, certainly do not draw consumers'
15 attention. We have not heard from a single consumer who believed they had
16 purchased a list of sweepstakes contests. Similarly, not a single consumer reported
17 receiving, let alone benefitting from, the report they supposedly agreed to
18 purchase. Hundreds of thousands of consumers, often elderly, send money to
19 Defendants thinking they have won a sweepstakes and in return, receive absolutely
20 nothing of value. Although it is not necessary to prove actual deception to
21 establish a violation of the FTC Act, such proof is "highly probative to show that a
22 practice is likely to mislead consumers acting reasonably under the circumstances."
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1 *Cyberspace.com*, 453 F.3d at 1201 (citations and internal quotation marks
2 omitted).

3 **2. The Equities Tip Decidedly in the FTC's Favor**

4 The public equities in this case warrant preliminary and ancillary injunctive
5 relief. In weighing the equities, the Ninth Circuit has held that the public interest
6 should receive far greater weight than private interests. *See Affordable Media*, 179
7 F.3d at 1236; *World Wide Factors*, 882 F.2d at 347. The public equities in this
8 case are compelling, as the public has a strong interest in halting Defendants' law
9 violations and preserving assets for a meaningful monetary remedy. Defendants,
10 by contrast, have no legitimate interest in continuing to mislead consumers and
11 compliance with the law is hardly an unreasonable burden. *See World Wide*
12 *Factors*, 882 F.2d at 347 (“[T]here is no oppressive hardship to defendants in
13 requiring them to comply with the FTC Act, refrain from fraudulent representation
14 or preserve their assets from dissipation or concealment.”).

15 **3. Liam O. Moran is Individually Liable Under the FTC Act**

16 Defendant Liam Moran is individually responsible for the illegal activity of
17 the corporations he controls. An individual defendant may be held liable for
18 corporate practices where he (1) participated directly in, or had some authority to
19 control, a corporation's deceptive practices, and (2) knew or should have known of
20 the practices. *Stefanchik*, 559 F.3d at 931. Authority to control can arise from
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1 assuming the duties of a corporate officer, particularly when the corporate
2 defendant is a small, closely-held corporation. *FTC v. Amy Travel Serv. Inc.*, 875
3 F.2d 564, 573-74 (7th Cir. 1989). The FTC does not need to show intent to
4 defraud. *Affordable Media*, 179 F.3d at 1234.

6 Defendant Moran, the sole officer and alter-ego of the closely-held corporate
7 defendants, unquestionably controlled, participated in, and was aware of their
8 practices. Moran is the sole managing member of AMS, and the sole director,
9 president, secretary, and treasurer of SRC and WIS.⁶⁵ Moreover, he was the
10 respondent in the USPIS's 2010 action against him for engaging in the same scam
11 at issue in this case.⁶⁶ Moran also opened two mailboxes in the U.S. used in
12 connection with the scam and hired a Canadian company to open a P.O. Box in
13 Vancouver for the scam.⁶⁷ He is the sole signatory on corporate bank accounts
14 that have received millions in scam proceeds.⁶⁸ In fact, his personal signature even
15 appears on some letters to consumers as the company representative, including as
16 "President," "CEO," "Authorization Officer," or "Issuance Officer."⁶⁹

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24 ⁶⁵ PX 11 at 83-84, ¶¶ 5(a)-(c), 6(b)-(c), 7(a)-(c).

25 ⁶⁶ *Id.* at 98-99, ¶ 39, Att. U.

26 ⁶⁷ *Id.* at 85-86, 94, ¶ 9(a)-(b), Atts. E, F, and P at 157.

27 ⁶⁸ *Id.* at 87-93, 96-97, ¶¶ 14-16, 18, 20-22, 24, 35.

28 ⁶⁹ PX 11 at 98, ¶¶ 37-38, Att. R at 190-91, Att. S at 205; PX 1 at 2, ¶ 5, Att. A at 19, 23, 25.

1 **C. The Temporary Restraining Order Should Include an Asset**
2 **Freeze, Temporary Receivership, and Other Ancillary Relief**

3 The FTC requests that the Court issue a TRO that prohibits future law
4 violations and preserves assets and documents to ensure that the Court can grant
5 effective final relief in this case.⁷⁰ Part of the relief sought by the FTC in this case
6 is restitution for the victims of Defendants' fraud. To preserve the possibility of
7 such relief, the FTC seeks a freeze of Defendants' assets and an immediate
8 accounting to prevent concealment or dissipation of assets. Such an order is well
9 within the Court's authority. *H.N. Singer*, 668 F.2d at 1113 (FTC Act provides a
10 basis for freezing assets to ensure court can accomplish "complete justice"); *World*
11 *Wide Factors*, 882 F.2d at 347 (since FTC has shown probability of success on the
12 merits, district court did not abuse discretion in granting an injunction to freeze
13 assets"); *FTC v. Am. Nat'l Cellular, Inc.*, 810 F.2d 1511, 1514 (9th Cir. 1987)
14 (FTC's power to petition for injunctive relief and asset freeze "well-established").
15 *See also FTC v. Gem Merch. Corp.*, 87 F.3d 466, 469 (11th Cir. 1996) (district
16 court may order preliminary relief, including asset freeze, that may be needed to
17 make permanent relief possible); *FTC v. World Travel Vacation Brokers, Inc.*, 861
18 F.2d 1020, 1031 & n.9 (7th Cir. 1988) (asset freeze appropriate once Court
19 determines FTC likely to prevail on merits and restitution would be appropriate
20 final remedy; district court has a "duty to ensure that the assets of the corporate
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28 ⁷⁰ A Proposed TRO has been filed concurrently with the FTC's TRO motion.

1 defendants [are] available to make restitution to injured consumers”).

2 Here, an asset freeze is appropriate given the magnitude of financial injury.
3 Defendants’ deceptive conduct is especially egregious because it targets elderly
4 consumers. A freeze of Defendants’ assets is necessary to preserve the status quo
5 and ensure that funds do not disappear during the course of this action. *See*
6 *Johnson v. Couturier*, 572 F.3d 1067, 1085 (9th Cir. 2009) (upheld asset freeze
7 because plaintiffs established they were “likely to succeed in proving that
8 [Defendant] impermissibly awarded himself tens of millions of dollars”). The
9 freeze here should extend to Individual Defendant Moran as well because the
10 Commission is likely to succeed in showing that he is liable for restitution. *See*
11 *World Travel Vacation Brokers*, 861 F.2d. at 1031.
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16 The appointment of a temporary receiver would prevent the destruction of
17 documents and the dissipation of assets while the case is pending. Such an
18 appointment is particularly appropriate in light of Defendants’ pervasive fraud,
19 which presents the likelihood of continued misconduct. *See In the Matter of*
20 *McGaughey*, 24 F.3d 904, 907 (7th Cir. 1994) (appointment of receiver is “an
21 especially appropriate remedy in cases involving fraud and the possible dissipation
22 of assets”); *see also FTC v. U.S. Oil & Gas Corp.*, 748 F.2d 1431, 1434 (11th Cir.
23 1984). If Defendants are allowed to remain in control of their business, it is likely
24 that evidence will be destroyed and the fruits of their fraud will be dissipated. A
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1 temporary receiver would eliminate those risks with a minimal disruption of any
2 legitimate business activity. The receiver also would be helpful in assessing the
3 extent of Defendants' widespread fraud, tracing the proceeds of that fraud,
4 preparing an accounting, and making an independent report of Defendants'
5 activities to the Court.
6

7 **D. The Temporary Restraining Order Should be Issued *Ex Parte***
8

9 The requested TRO should be issued *ex parte* to prevent Defendants from
10 dissipating or concealing their assets or destroying evidence. An *ex parte* TRO is
11 warranted where the facts show that immediate and irreparable injury, loss, or
12 damage will occur before the defendants can be heard in opposition. *See* Fed. R.
13 Civ. P. 65(b). Here, as in similar FTC actions in this district where courts have
14 granted an *ex parte* TRO (*see supra* n. 52) there is a serious risk that assets and
15 evidence stemming from the illegal activity will disappear if Defendants receive
16 prior notice.⁷¹ Defendants are seasoned sweepstakes scam artists with a long
17 history of disregarding and evading law enforcement. They have continued their
18 blatantly deceptive scheme for years despite law enforcement intervention and
19 there is a significant risk that they will continue their pattern of evasion if given
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24 ⁷¹ *See* Certification and Declaration of Plaintiff's Counsel Pursuant to Federal
25 Rule of Civil Procedure 65(b) and Local Rule 7-19.2 in Support of Plaintiff's *Ex*
26 *Parte* Application for Temporary Restraining Order and *Ex Parte* Application to
27 Temporarily Seal Case File (describing need for *ex parte* relief and citing cases in
28 which defendants who learned of impending FTC action withdrew funds,
destroyed vital documents, and fled the jurisdiction).

1 advance notice of the Commission's motion.

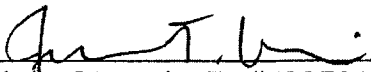
2 **V. CONCLUSION**

3 For the above reasons, the FTC respectfully requests that this Court issue the
4 attached proposed TRO with asset freeze, appointment of a receiver, immediate
5 access, and other equitable relief, and require Defendants to show cause why a
6 preliminary injunction should not issue.
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9 Dated: September 16, 2013

Respectfully submitted,

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