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IN THE UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

JAIVIN KARNANI, BALLS OF  
KRYPTONITE, LLC, a California  
Limited Liability Company, all doing  
business as Bite Size Deals, LLC and Best  
Priced Brands, LLC, and INTRIGUE  
INC., a Belize corporation, doing  
business as Crazy Cameras,

Defendants.

Civil No. CV 09-05276 DDP (Ex)

STIPULATED  
FINAL ORDER FOR  
INJUNCTIONS AND OTHER  
EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission (“FTC” or “Commission”), filed its Complaint for Permanent Injunction and Other Equitable Relief in this matter on July 20, 2009, pursuant to Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 53(b). A stipulated Preliminary Injunction was entered September 25, 2009. The parties now stipulate to the entry of a final order resolving this case as follows:

**FINDINGS:**

1. Defendants have marketed and sold various consumer electronic goods to consumers in the United Kingdom (“UK”) via Internet websites which

1 use “co.uk” names, and which state prices in pounds sterling;

2 2. The Complaint states claims upon which relief may be granted against  
3 Defendants, under Section 5 the FTC Act, 15 U.S.C. § 45, and under the  
4 Commission’s Trade Regulation Rule Concerning the Sale of Mail or Telephone  
5 Order Merchandise (“Mail Order Rule”) 16 C.F.R. Part 435.

6 3. This Court has jurisdiction of the subject matter of the case and over  
7 all named parties;

8 4. Venue is proper as to all parties in this District;

9 5. The Defendants’ activities are “in or affecting commerce” as defined  
10 in Section 4 of the FTC Act, 15 U.S.C. § 44.

11 6. Defendants waive all rights to seek judicial review or otherwise  
12 challenge or appeal the validity of this Order. Defendants also waive any claim  
13 they may have held under the Equal Access to Justice Act, 28 U.S.C. § 2412,  
14 concerning the prosecution of this action to the date of this Order;

15 7. The Commission and Defendants stipulate and agree to entry of this  
16 Order under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), without trial or final  
17 adjudication of any issue of fact or law. By entering into this stipulation,  
18 Defendants do not admit or deny any of the allegations set forth in the Complaint,  
19 other than jurisdictional facts, and as otherwise specifically stated in this Order;

20 8. This action and the relief awarded herein are in addition to, and not in  
21 lieu of, other remedies as may be provided by law;

22 9. Nothing in this Order obviates the obligation of Defendants to comply  
23 with Sections 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52;

24 10. The Commission’s action against Defendants is an exercise of the  
25 Commission’s police or regulatory power as a governmental unit;

26 11. The paragraphs of this Order shall be read as the necessary  
27 requirements for compliance and not as alternatives for compliance, and no  
28 paragraph serves to modify another paragraph unless expressly so stated;

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1 or may be required to pay, for products or services offered for sale or sold by the  
2 Defendants.

3 8. "Card holder" means any consumer who uses a credit or debit card to  
4 purchase goods or services.

5 9. "Chargeback" means any request by a card holder or a card issuer to  
6 reverse a disputed purchase or charge.

### 7 PROHIBITED BUSINESS ACTIVITIES

#### 8 I.

9 IT IS HEREBY ORDERED that Defendants and their successors, assigns,  
10 officers, agents, servants, employees, and attorneys, and those persons or entities in  
11 active concert or participation with any of them who receive actual notice of this  
12 Order by personal service, facsimile transmission, email, or otherwise, whether  
13 acting directly or through any corporation, subsidiary, division, trade name, or  
14 other device, in connection with the advertising, marketing, promotion, offering for  
15 sale or sale of any goods or services, in or affecting commerce, are hereby  
16 restrained and enjoined from misrepresenting, or from assisting others in  
17 misrepresenting, expressly or by implication, any of the following:

- 18 A. Defendants' location, including but not limited to any  
19 misrepresentation that Defendants are physically located in or operate  
20 from the United Kingdom or European Union;
- 21 B. The qualities, quantities, or characteristics, of any goods sold,  
22 including color, brand, or model name or number;
- 23 C. The existence and/or validity of any manufacturers' warranty;
- 24 D. The total price for goods sold;
- 25 E. The extent to which Defendants are members of, adhere to, comply  
26 with, are certified by, are endorsed by, or otherwise participate in any  
27 privacy, security, or any other compliance program sponsored by any  
28 government or third party; or,

F. Defendants' policies concerning cancellation, exchange, or refund.

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1 business making the sale has obtained the goods and is ready to ship them.

2 **COMPLIANCE WITH MAIL ORDER RULE**

3 **IV.**

4 **IT IS FURTHER ORDERED** that Defendants and their successors,  
5 assigns, officers, agents, servants, and employees, and attorneys, and those persons  
6 or entities in active concert or participation with any of them who receive actual  
7 notice of this Order by personal service, facsimile transmission, email, or  
8 otherwise, whether acting directly or through any corporation, subsidiary, division,  
9 trade name, or other device, in connection with the advertising, marketing,  
10 promotion, offering for sale or sale of any goods, in or affecting commerce, are  
11 hereby restrained and enjoined from violating any provision of the Mail Order  
12 Rule in any way, including but not limited to:

- 13 A. Violating Section 435.1(a)(1) of the Rule by soliciting a customer  
14 order for merchandise unless, at the time of the solicitation,  
15 Defendants have a reasonable expectation that the ordered  
16 merchandise can be shipped within the time limits clearly and  
17 conspicuously disclosed in the solicitation;
- 18 B. Violating Section 435.1(b)(1) of the Rule by failing to timely offer to  
19 the buyer, clearly and conspicuously and without prior demand, an  
20 option either to consent to a delay in shipping or to cancel the order  
21 and receive a prompt refund;
- 22 C. Violating Section 435.1(b)(1) of the Rule by failing to provide the  
23 buyer with a definite revised shipping date;
- 24 D. Violating Section 435.1(b)(2) of the Rule by failing to timely offer to  
25 the buyer, clearly and conspicuously and without prior demand, a  
26 renewed option either to consent to a delay in shipping or to cancel  
27 the order and receive a prompt refund;
- 28 E. Violating Section 435.1(b)(2)(ii) of the Rule by failing to advise the

1 buyer in a renewed option notice that the order will be automatically  
2 canceled and a prompt refund provided unless the buyer gives specific  
3 consent to a further delay prior to expiration of the old definite revised  
4 shipping date; and,

- 5 F. Violating Section 435.1(c)(3) of the Rule by failing to deem orders  
6 cancelled and make prompt consumer refunds when consumers have  
7 not consented to further delay of shipments.

### 8 CUSTOMER CHARGEBACKS

#### 9 V.

10 IT IS FURTHER ORDERED that Defendants shall not oppose or contest  
11 customer chargebacks made prior to twelve (12) months from the date of entry of  
12 this Order.

### 13 MONETARY RELIEF

#### 14 VI.

15 IT IS FURTHER ORDERED that Defendants shall pay to the Commission  
16 the sum of five hundred thousand dollars (~~\$500,000~~), as equitable monetary relief,  
17 which payment shall be suspended subject to the provisions of Section VII.

#### 18 VII.

### 19 RIGHT TO REOPEN

20 IT IS FURTHER ORDERED that:

- 21 A. The Commission's agreement to this Order is expressly premised  
22 upon the truthfulness, accuracy, and completeness of the certified  
23 financial statements and supporting documents submitted to the  
24 Commission by Defendants including the following:
- 25 1. Financial Statements of Balls of Kryptonite, LLC dated August  
26 18 and August 27, 2009, May 13, 2010, and February 17, 2011,  
27 including attachments;
  - 28 2. Financial Statement of Intrigue, Inc., dated February 17, 2011,

1 including attachments;

2 3. Financial Statement of Erudite, Inc., a corporation wholly-  
3 owned by Defendant Jaivin Karnani, dated February 17, 2011,  
4 including attachments;

5 4. Sworn Deposition Testimony of Defendant Jaivin Karnani on  
6 September 14, 2009, including exhibits; and

7 5. Financial Statements of Jaivin Karnani dated August 10, and  
8 August 27, 2009, May 13, 2010, and February 17, 2011,  
9 including attachments..

10 Defendants stipulate that all of the materials submitted are truthful,  
11 accurate, and complete. These documents contain material  
12 information upon which the Commission relied in negotiating and  
13 agreeing to the terms of this Order.

14 B. If, upon motion by the Commission, a Court determines that  
15 Defendants made a material misrepresentation or omitted material  
16 information concerning their financial condition, then the Court shall  
17 lift the suspension described in Section VI, and shall enter a money  
18 judgment against Defendants, jointly and severally, for the sum of five  
19 hundred thousand dollars (\$500,000) as equitable monetary relief,  
20 which amount shall become immediately due and payable by  
21 Defendants, and interest computed at the rate prescribed under 28  
22 U.S.C. § 1961, as amended, shall immediately begin to accrue on the  
23 unpaid balance, *provided, however*, that in all other respects this Order  
24 shall remain in full force and effect unless otherwise ordered by the  
25 Court; and *provided*, further, that proceedings instituted under this  
26 provision would be in addition to, and not in lieu of, any other civil or  
27 criminal remedies, as may be provided by law, including but not  
28 limited to contempt proceedings, or any other proceedings that the



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1 unless they have done so already, to furnish to the Commission their  
2 taxpayer identifying number and/or social security number, which  
3 shall be used for the purposes of collecting and reporting on any  
4 delinquent amount arising out of Defendants' relationship with the  
5 government.

- 6 G. Proceedings instituted under this Section are in addition to, and not in  
7 lieu of, any other civil or criminal remedies that may be provided by  
8 law, including any other proceedings the Commission may initiate to  
9 enforce this Order.

10 **COMPLIANCE MONITORING**

11 **VIII.**

12 **IT IS FURTHER ORDERED** that, for the purpose of monitoring and  
13 investigating compliance with any provision of this Order:

- 14 A. Within ten (10) days of receipt of written notice from a representative  
15 of the Commission, Defendants shall submit additional written  
16 reports, which are true and accurate and sworn to under penalty of  
17 perjury; produce documents for inspection and copying; appear for  
18 deposition; and provide entry during normal business hours to any  
19 business location in each Defendant's possession or direct or indirect  
20 control to inspect the business operation;
- 21 B. In addition, the Commission is authorized to use all other lawful  
22 means, including but not limited to:
- 23 1. obtaining discovery from any person, without further leave of  
24 court, using the procedures prescribed by Fed. R. Civ. P. 30, 31,  
25 33, 34, 36, 45 and 69;
  - 26 2. posing as consumers and suppliers to Defendants, their  
27 employees, or any other entity managed or controlled in whole  
28 or in part by any Defendant, without the necessity of

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1 the nature of the business; and a detailed description of  
2 Defendant's duties and responsibilities in connection  
3 with the business or employment; and

4 c. Any changes in Defendant's name or use of any aliases  
5 or fictitious names;

6 2. Defendants shall notify the Commission of any changes in  
7 structure of any Corporate Defendant or any business entity that  
8 any Defendant directly or indirectly controls, or has an  
9 ownership interest in, that may affect compliance obligations  
10 arising under this Order, including but not limited to:  
11 incorporation or other organization; a dissolution, assignment,  
12 sale, merger, or other action; the creation or dissolution of a  
13 subsidiary, parent, or affiliate that engages in any acts or  
14 practices subject to this Order; or a change in the business name  
15 or address, at least thirty (30) days prior to such change,  
16 *provided that*, with respect to any proposed change in the  
17 business entity about which a Defendant learns less than thirty  
18 (30) days prior to the date such action is to take place, such  
19 Defendant shall notify the Commission as soon as is practicable  
20 after obtaining such knowledge.

21 B. Sixty days (60) days after the date of entry of this Order and annually  
22 thereafter for a period of four (4) years, Defendants each shall provide  
23 a written report to the FTC, which is true and accurate and sworn to  
24 under penalty of perjury, setting forth in detail the manner and form in  
25 which they have complied and are complying with this Order. This  
26 report shall include, but not be limited to:

27 1. For Individual Defendant:

28 a. Defendant's then-current residence address, mailing

1 addresses, and telephone numbers;

2 b. Defendant's then-current employment status (including  
3 self-employment), including the name, addresses, and  
4 telephone numbers of each business that Defendant is  
5 affiliated with, employed by, or performs services for; a  
6 detailed description of the nature of the business; and a  
7 detailed description of Defendant's duties and  
8 responsibilities in connection with the business or  
9 employment; and

10 c. Any other changes required to be reported under  
11 Subsection A of this Section.

12 2. For all Defendants:

13 a. A copy of each acknowledgment of receipt of this Order,  
14 obtained pursuant to the Section titled "Distribution of  
15 Order"; and,

16 b. Any other changes required to be reported under  
17 Subsection A of this Section.

18 C. Each Defendant shall notify the Commission of the filing of a  
19 bankruptcy petition by such Defendant within fifteen (15) days of  
20 filing.

21 D. For the purposes of this Order, Defendants shall, unless otherwise  
22 directed by the Commission's authorized representatives, send by  
23 overnight courier all reports and notifications required by this Order to  
24 the Commission, to the following address:

25 Associate Director for Enforcement  
26 Federal Trade Commission  
27 600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580  
RE: *FTC v. JAIVIN KARNANI, et al.*

28 *Provided that, in lieu of overnight courier, Defendants may send such reports or*

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- F. Records sufficient to show the number of days between receipt of complaints or refund requests and Defendants’ responses to them; the report should also show: (1) dates of refund; (2) dates of notification of shipment delay; and, (3) dates that pre-paid shipment instructions were sent to customers for return of merchandise; such data should be kept in a form that is searchable and sortable.
- G. Copies of all sales scripts, invoices, collection letters, training materials, taped telemarketing or verification calls, advertisements, or other marketing materials, including newspaper advertisements and Internet web pages; and
- H. All records and documents necessary to demonstrate full compliance with each provision of this Order, including but not limited to, copies of acknowledgments of receipt of this Order required by the Sections titled “Distribution of Order” and “Acknowledgment of Receipt of Order” and all reports submitted to the FTC pursuant to the Section titled “Compliance Reporting.”

1 this Order upon such Defendant. For new personnel, delivery shall  
2 occur prior to them assuming their responsibilities. For any business  
3 entity resulting from any change in structure set forth in Subsection  
4 A.2 of the Section titled "Compliance Reporting," delivery shall be at  
5 least ten (10) days prior to the change in structure.

6 B. Individual Defendant as Control Person: For any business that the  
7 Individual Defendant controls, directly or indirectly, or in which such  
8 Defendant has a majority ownership interest, such Defendant must  
9 deliver a copy of this Order to (1) all principals, officers, directors,  
10 and managers of that business; (2) all employees, agents, and  
11 representatives of that business who engage in conduct related to the  
12 subject matter of the Order; and (3) any business entity resulting from  
13 any change in structure set forth in Subsection A.2 of the Section  
14 titled "Compliance Reporting." For current personnel, delivery shall  
15 be within five (5) days of service of this Order upon such Defendant.  
16 For new personnel, delivery shall occur prior to them assuming their  
17 responsibilities. For any business entity resulting from any change in  
18 structure set forth in Subsection A.2 of the Section titled "Compliance  
19 Reporting," delivery shall be at least ten (10) days prior to the change  
20 in structure.

21 C. Individual Defendant as employee or non-control person: For any  
22 business where the Individual Defendant is not a controlling person of  
23 a business but otherwise engages in conduct related to the subject  
24 matter of this Order, such Defendant must deliver a copy of this Order  
25 to all principals and managers of such business before engaging in  
26 such conduct.

27 D. All Defendants must secure a signed and dated statement  
28 acknowledging receipt of the Order, within thirty (30) days of



1 delivery, from all persons receiving a copy of the Order pursuant to  
2 this Section.

3 ACKNOWLEDGMENT OF RECEIPT OF ORDER

4 XII.

5 IT IS FURTHER ORDERED that Defendants, within ten (10) business  
6 days of receipt of this Order as entered by the Court, must submit to the  
7 Commission a truthful sworn statement acknowledging receipt of this Order.

8 RETENTION OF JURISDICTION

9 XIII.

10 IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this  
11 matter for purposes of construction, modification, and enforcement of this Order.  
12 The Status Conference set for June 27, 2011 is VACATED.

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14 IT IS SO ORDERED,

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16 Dated: May 20, 2011

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20 Honorable Dean D. Fegerson  
21 United States District Judge  
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