

TABLE OF CONTENTS

1

2

3 **I. INTRODUCTION 2**

4 **II. STATEMENT OF FACTS 3**

5

6 **A. PROCEDURAL HISTORY AND PERMANENT**

7 **INJUNCTION 3**

8 **B. DEFENDANTS’ AND EHRMAN’S POST-ORDER**

9 **CONDUCT 7**

10 **III. LEGAL ARGUMENT 10**

11 **A. CLEAR AND CONVINCING EVIDENCE PROVES**

12 **EACH OF THE ELEMENTS ESTABLISHING**

13 **DEFENDANTS’ AND EHRMAN’S CIVIL CONTEMPT . . . 11**

14 1. Defendants And Ehrman Are Bound By A Valid,

15 Effective Order 11

16 2. The Order Requires Certain Substantiation And

17 Prohibits Certain Misrepresentations By Defendants

18 And Ehrman 12

19 3. Defendants And Ehrman Failed To Comply With The

20 Order 12

21 a. Enforma has no competent and reliable scientific evidence

22 supporting its claims that Fat Trapper

23 Plus traps or absorbs fat or is clinically proven

24 to do so 15

25 b. Enforma has no competent and reliable evidence

26 that Fat Trapper Plus reduces calorie intake

27 from fat 16

28 c. Enforma has no competent and reliable evidence

that the psyllium in Fat Trapper Plus increases

chitosan’s effectiveness in trapping fat 17

d. Enforma has no competent and reliable evidence

that the pyruvate in Exercise In A Bottle stimulates

metabolism, even while resting 17

e. Enforma has no competent and reliable evidence

that the pyruvate in Exercise In A Bottle helps

the body use sugar and carbohydrates as fuel for

metabolism 18

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f. Enforma has no competent and reliable evidence that its products are more effective when used together 18

g. Enforma’s claim that the Enforma System “works” based on the alleged experience of “millions” of people is not substantiated 19

B. THE COURT SHOULD IMPOSE SANCTIONS ON ENFORMA TO COERCE COMPLIANCE WITH THE ORDER AND TO COMPENSATE PAST VIOLATIONS . . . 20

C. DEFENDANTS AND EHRMAN SHOULD BE REQUIRED TO RESPOND TO DISCOVERY REQUESTS CONCERNING THE POST-ORDER ADVERTISING AND SALE OF THE ENFORMA SYSTEM OUTSIDE THE UNITED STATES 24

IV. CONCLUSION 29

TABLE OF AUTHORITIES

Cases

Alfadda v. Fenn, 935 F.2d 475 (2d Cir. 1991) 27

Bakers Franchise Corp. v. FTC, 302 F.2d 258 (3d Cir. 1962) 22

Bala v. Idaho State Bd. of Corrections, 869 F.2d 461 (9th Cir. 1989) 10

Branch v. FTC, 141 F.2d 31 (7th Cir. 1944) 26, 28

Cancer Research Inst., Inc. v. Cancer Research Society, Inc., 744 F. Supp. 526 (S.D.N.Y. 1990) 21

Carter Prods., Inc. v. FTC, 268 F.2d 461 (9th Cir. 1959) 22

Continental Wax Corp. v. FTC, 330 F.2d 475 (2d Cir. 1964) 23, 24

El Moro Cigar Co. v. FTC, 107 F.2d 429 (4th Cir. 1939) 22

FTC v. Affordable Media, LLC, 179 F.3d 1228 (9th Cir. 1999) 10, 11

FTC v. Algoma Lumber Co., 291 U.S. 67, 54 S. Ct. 315, 78 L. Ed 655 (1934) . 22

FTC v. Army & Navy Trading Co., 88 F.2d 776 (D.C. Cir. 1937) 22

FTC v. Commonwealth Mktg. Group, Inc., 72 F. Supp. 2d 530 (W.D. Pa. 1999) 26

FTC v. Gill, 2001 WL 1301218 (C.D. Cal., July 13, 2001), *appeal filed*, Sept. 6, 2001 21

FTC v. Productive Marketing, Inc., 136 F. Supp. 2d 1096 (C.D. Cal. 2001) . . 20

FTC v. Skybiz.com, Inc., No. 01-CV-396-K(E) at 21 (N.D. Okla. August 31, 2001) 26

FTC v. SlimAmerica, Inc., 77 F. Supp. 2d 1263 (S.D. Fla. 1999) 19

Gold Tone Studios, Inc. v. FTC, 183 F.2d 257 (2d Cir. 1950) 22

Gunn v. University Committee to End War, 399 U.S. 383, 90 S. Ct. 2013, 26 L. Ed. 2d 684 (1970) 10

In re Brake Guard Prods., 1998 F.T.C. LEXIS 184(Jan. 23, 1998), *aff'd sub nom Jones v. FTC*, 194 F.3d 1317 (9th Cir. 1999) 22

In re Dual-Deck Video Cassette Antitrust Litig., 10 F.3d 693 (9th Cir. 1993) . . 11

Leslie v. Lloyds of London, 1995 U.S. Dist. LEXIS 15380 (S.D. Tex. Aug. 28, 1995) 27

1 *Marietta Manufacturing Co. v. FTC*, 50 F.2d 641 (7th Cir. 1931) 22
2 *Masland Duraleather Co. v. FTC*, 34 F.2d 733 (3d Cir. 1929) 22
3 *McGregor v. Cherico*, 206 F.3d 1378 (11th Cir. 2000) 20, 21
4 *Nieman v. Dryclean U.S.A. Franchise Co.*

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1 **I. INTRODUCTION**

2 Plaintiff Federal Trade Commission (“Commission”) respectfully seeks an
3 Order to Show Cause why defendants Enforma Natural Products, Inc. (“Enforma”)
4 and Andrew Grey (“Grey”) and non-defendant Enforma Vice President Michael
5 Ehrman (“Ehrman”) should not be held in civil contempt for violating the Stipulated
6 Final Order and Settlement of Claims for Monetary Relief as to Defendants
7 Enforma Natural Products, Inc. and Andrew Grey (the “Order”), entered by the
8 Court on May 11, 2000 (attached as Exhibit 1 to the Declaration of David P.
9 Frankel) in connection with their systematic and ongoing violations of the Order.

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1 packaging, labeling, advertisements and promotions containing any unsubstantiated
2 claims encompassed by the Order are not distributed, offered for sale or sold; (5)
3 provide to the Commission full and complete answers to all outstanding discovery
4 requests, including deposition testimony, to all questions concerning the
5 advertising, promotion, offering for sale and sale of and revenues derived from the
6 Enforma System, Fat Trapper, Fat Trapper Plus and Exercise In A Bottle outside
7 of the United States after May 11, 2000; and (6) compensate the Commission for
8 its expenses in bringing and pursuing this application. A proposed order to show
9 cause is lodged with this application.

10 **II. STATEMENT OF FACTS**

11 **A. PROCEDURAL HISTORY AND PERMANENT INJUNCTION**

12 Enforma broadcast two infomercials for its weight loss products Fat Trapper
13 Enf'ubstantiated

1 in consumer redress. The Order prohibits Enforma and Grey from making
2 unsubstantiated claims in the future and requires them to disclose in advertising that
3 dieting and/or exercise are required to lose weight.

4 Paragraph I of the Order prohibits defendants (and those in active concert or
5 participation with defendants) from representing, without competent and reliable
6 scientific substantiation, that the Enforma System (or its components): (1) enables
7 consumers to lose weight, avoid weight gain or maintain weight loss without the
8 need for a restricted calorie diet or exercise; (2) prevents the absorption of fat in the
9 human body; (3) increases metabolism at the cellular level, burns sugar or
10 carbohydrates before they turn to fat, or burns off fat already in the human body;
11 or (4) enables consumers to lose weight even if consumers eat foods high in fat,
12 including fried chicken, pizza, cheeseburgers, butter, and sour cream. This
13 provision of the Order specifically prohibits such claims that may be made
14 “through the use of the names ‘Fat Trapper,’ ‘Fat Trapper Plus,’ and ‘Exercise In
15 A Bottle’”:

16 **I.**

17 IT IS HEREBY ORDERED that defendants, directly or through
18 any corporation, partnership, subsidiary, division, or other device, and
19 their officers, agents, servants, employees and attorneys, and all other
20 persons or entities in active concert or participation with them who
21 receive actual notice of this Order, by personal service or otherwise, in
22 connection with the manufacturing, labeling, advertising, promotion,
23 offering for sale, sale or distribution of the Enforma System, Fat
24 Trapper, Fat Trapper Plus, or Exercise In A Bottle, or any other
25 product, service or program in or affecting commerce, shall not make
26 any representation, in any manner, expressly or by implication,
27 including through the use of the names “Fat Trapper,” “Fat Trapper
28 Plus,” and “Exercise In A Bottle,” that such product, service or
program:

- 24 A. Enables consumers to lose weight, avoid weight gain or maintain
25 weight loss without the need for a restricted calorie diet or
exercise;
- 26 B. Prevents the absorption of fat in the human body;

1 C. Increases metabolism at the cellular level, burns sugar or
2 carbohydrates before they turn to fat, or burns off fat
already in the human body; or

3 D. Enables consumers to lose weight even if consumers eat
4 foods high in fat, including fried chicken, pizza,
cheeseburgers, butter, and sour cream,

5 unless at the time the representation is made, defendants possess and
6 rely upon competent and reliable scientific evidence that substantiates
the representation.

7 Paragraph III of the Order prohibits the dissemination of express or implied
8 representations concerning weight loss benefits, performance, or efficacy of
9 defendants' products without competent and reliable scientific evidence
10 substantiating these representations:

11 **III.**

12 IT IS FURTHER ORDERED that defendants, directly or
13 through any corporation, partnership, subsidiary, division, or other
device, and their officers, agents, servants, employees, and attorneys,
14 and all other persons or entities in active concert or participation with
them who receive actual notice of this Order, by personal service or
15 otherwise, in connection with the manufacturing, labeling, advertising,
promotion, offering for sale, sale, or distribution of the Enforma
System, Fat Trapper, Fat Trapper Plus, or Exercise In A Bottle; or
16 any other food, dietary supplement, drug, device; or weight loss
product, service, or program; in or affecting commerce, shall not
17 make any representation, in any manner, expressly or by implication,
about the health or weight loss benefits, performance, safety, or
18 System6nner, em2s made, defendants possess and

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¹ The Order also required defendants to pay \$10 million as consumer redress over six months. These payments were made in a timely manner. The

1 of its receipt. Ehrman has responsibility for creating and developing advertising for
2 the company's products and he reviews substantiation for such advertisements.

3 **B. DEFENDANTS' AND EHRMAN'S POST-ORDER CONDUCT**

4 After entry of the Order on May 11, 2000, Enforma, Grey and Ehrman have
5 continued to offer for sale and sell the Enforma System, Fat Trapper Plus and
6 Exercise In A Bottle through retail stores, the company's continuity program, and
7 the Internet. They have also continued to make numerous representations for those
8 products on the Internet, product packaging, television commercials and elsewhere.
9 For example, a 3 minute, 30 second infomercial that appeared on Enforma's official
10 website beginning May 12, 2000, one day

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- 1 • “Exercise In a Bottle helps your body use sugar and carbohydrates as fuel
2 for metabolism.” (Exh. 2 at 4.)
- 3 • “So, you trap the fat with Fat Trapper, use up the sugar and carbohydrates
4 faster with Exercise In A Bottle and you can regain the freedom to eat your
5 favorite foods.” (Exh. 2 at 7.)
- 6 • “We know that the Enforma System works because the ingredients are
7 backed by years of scientific studies including clinical trials.” (Exh. 2 at 7.)
- 8 • “And we know the Enforma System works because millions of consumers
9 have purchased the system and have lost 10, 20, 30, 40, 50, even 100
10 pounds.” (Exh. 2 at 8.)

11 At the time this infomercial was available for viewing on Enforma’s web site,
12 the packaging of each bottle of Fat Trapper Plus and Exercise In A Bottle and
13 commercials running on television also made similar sweeping claims about the
14 products:

- 15 • Fat Trapper Plus “[r]educes calorie intake from fat.” (Exh. 3.)
- 16 • “We all know how hard it is to change eating habits when it comes to eating
17 fatty food, the habit is just about impossible to break. That’s why we
18 invented all natural FAT TRAPPER PLUS™, designed to reduce the
19 amount of fat our bodies can absorb from the foods we love.” (Exh. 3.)
- 20 • “Do you dream about eating wonderful fat filled foods? Stop dreaming and
21 take FAT TRAPPER PLUS™. All natural FAT TRAPPER PLUS™ binds
22 and entraps fat, reducing the amount of fat the body absorbs. This results in
23 an effective way to reduce calories from fat.” (Exh. 4.)
- 24 • “Clinical studies indicate that FAT TRAPPER PLUS™ absorbs some of the
25 fat from high fat foods.” (Exh. 4.)
- 26 • Fat Trapper Plus is “**CLINICALLY PROVEN TO ABSORB FAT**” (Exh.
27 4.) (emphasis in original)
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1 that the product traps fat in fatty foods, implying that consumers can continue to
2 eat high calorie and fatty foods and still lose weight:

- 3 • “TRAP THE FAT” (Exhs. 5, 7.)
- 4 • “Fat Trapper’s main ingredient has been shown to trap some of the fat in the
5 foods you love.” (Exhs. 5, 7.)
- 6 • “Studies indicate that the main ingredient in Fat Trapper Plus™ traps some
7 of the fat in the foods you love.” (Exhs. 5, 7.)

8 In addition, of course, the trade name “Fat Trapper Plus” has all along made an
9 express claim that the product traps fat in humans when taken at the recommended
10 dose, and the name “Exercise In A Bottle” has represented that it provides some of
11 the health, weight loss or weight management benefits of exercise when taken at the
12 recommended dose.

13 Although defendants have submitted volumes of purported substantiation,
14 they have not provided any *competent and reliable evidence* to support the claims
15 made above, and therefore are in contempt of court for their actions in advertising
16 and promoting Fat Trapper Plus and Exercise In A Bottle.

17 **III. LEGAL ARGUMENT**

18 Courts possess the inherent authority to enforce compliance with their
19 orders through civil contempt. *See, e.g., Gunn v. University Committee to End*
20 *War*, 399 U.S. 383, 389, 90 S. Ct. 2013, 2016-17, 26 L. Ed. 2d 684, 688-89 (1970);
21 *Shillitani v. United States*, 384 U.S. 364, 370, 86 S. Ct. 1531, 1535-36, 16 L. Ed.
22 2d 622, 627 (1966). To establish liability for civil contempt, the plaintiff must show
23 by clear and convincing evidence that the defendant has violated a specific and
24 definite order of the court. *FTC v. Affordable Media, LLC*, 179 F.3d 1228, 1239
25 (9th Cir. 1999). Clear and convincing evidence requires proof by more than a
26 preponderance of the evidence but less than proof beyond a reasonable doubt.
27 *See, e.g., Bala v. Idaho State Bd. of Corrections*, 869 F.2d 461, 466 (9th Cir.

1 1989). The burden is on the complainant to demonstrate by clear and convincing

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1 See Exh. 8.⁴ As Enforma’s Executive Vice President of Sales and Marketing,
2 Ehrman is an agent or employee of defendant Enforma and in active concert or
3 participation with defendants Enforma and Grey with actual notice of the Order and
4 its terms. Thus, he is also bound by the Order.

5 2. The Order Requires Certain Substantiation And Prohibits
6 Certain Misrepresentations By Defendants And Ehrman

7 Paragraph I of the Order specifically enjoins defendants and Ehrman from
8 disseminating certain specified express or implied claims unless they possess
9 “competent and reliable scientific evidence that substantiates the representation[s].”

10 Order ¶ I.⁵ Paragraph III of the Order enjoins defendants and Ehrman from
11 disseminating express or implied representations concerning weight loss benefits,
12 performance or efficacy of their products, unless they possess “competent and
13 reliable scientific evidence that substantiates the representation[s].” *Id.* ¶ III.

14 Paragraph IV of the Order prohibits defendants and Ehrman from
15 “misrepresenting, in any manner, expressly or by implication, the existence,
16 contents, validity, results, conclusions or interpretations of any test, study, or
17 research.” *Id.* ¶ IV.

18 3. Defendants And Ehrman Failed To Comply With The Order

19 Defendants and Ehrman have blatantly ignored the core conduct provisions
20 of the Order by continuing to disseminate the Enforma System, Fat Trapper Plus

21 ⁴ Ehrman’s “acknowledgment” form was required by Paragraph IX of the
22 Order.

23 ⁵ “Competent and reliable scientific evidence” is defined in the Order to
24 mean “tests, analyses, research, studies, or other evidence based on the expertise
25 of professionals in the relevant area, that have been conducted and evaluated in an
26 objective manner by persons qualified to do so, using procedures generally
27 accepted in the profession to yield accurate and reliable results.” Exh. 1 at 3. Thus
28 studies and reports offered by Enforma as support are not necessarily adequate
“substantiation;” they must fit the above criteria of reliability.

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⁷ Notably, Enforma, Grey, and Ehrman did not designate an expert to support their claims for Exercise In A Bottle or its main active ingredient, pyruvate. Thus, they have apparently conceded their inability to provide competent and reliable scientific evidence for *any* claim about this product, including the highly dubious assertion that it speeds up the metabolism, “even while resting.”

1 studies contain severe methodological flaws.⁸ In others, the statistical analysis was
2 conducted improperly. Dr. Levitsky's declaration, submitted with this application,
3 sets out why the submitted materials do not constitute competent and reliable
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27 ⁸ In some studies, for example, the authors selected only some of the results
28 for inclusion in the analysis.

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1 c. Enforma has no competent and reliable evidence that the
2 psyllium in Fat Trapper Plus increases chitosan's
effectiveness in trapping fat

3 Although Enforma claimed in its advertising that the psyllium⁹ in Fat Trapper
4 Plus increases chitosan's effectiveness in trapping fat, there is no evidence to
5 support this representation. Enforma provided absolutely no substantiation for this
6 claim in response to the Commission's request. Even Dr. Preuss, in his deposition,
7 testified that he could not say whether the psyllium in Fat Trapper Plus helps the
8 chitosan in any way. Exh. 9 at 175:7-22. Indeed, there is no scientific research that
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27 ⁹ Enforma's ads sometimes refer to psyllium as "an insoluble fiber from
28 plants." In fact, psyllium is actually a soluble fiber. Levitsky Decl., ¶ 57.

1 *times* the dosage found in Exercise In A Bottle, which is a mere one gram per day.
2 Levitsky Decl., ¶¶ 58-60. Second, even at these high doses, neither of those
3 studies found that pyruvate had a statistically significant effect on resting
4 metabolism. *Id.* The studies offered are thus not competent and reliable scientific
5 evidence and did not substantiate Enforma’s claims. *See id.* Defendants and
6 Ehrman therefore violated Paragraphs I and III of the Order.

7 e. Enforma has no competent and reliable evidence that the
8 pyruvate in Exercise In A Bottle helps the body use sugar
and carbohydrates as fuel for metabolism

9 Enforma also continues to imply that its product Exercise In a Bottle burns
10 sugar and carbohydrates, presumably before they turn to fat, *e.g.*, “Supports
11 Metabolism.” But it offers no support for this claim. The only two studies that
12 even looked at carbohydrate metabolism with pyruvate use found no difference.
13 Levitsky Decl., ¶¶ 61-63. Moreover, both of these studies used dosages of
14 pyruvate far in excess of that found in Exercise In A Bottle. *Id.* If high doses of
15 pyruvate have no effect whatsoever on carbohydrate metabolism, Enforma cannot
16 possibly claim that the minuscule doses in Exercise In A Bottle have an effect. *See*
17 *id.* Because this claim is not substantiated with competent and reliable scientific
18 evidence, defendants and Ehrman are in violation of Paragraphs I and III of the
19 Order.

20 f. Enforma has no competent and reliable evidence that its
21 products are more effective when used together

22 Enforma claimed in its advertising that its products Fat Trapper Plus and
23 Exercise In A Bottle may be more effective when used together, or when used with
24 Enforma’s other dietary supplements. There are numerous problems with this
25 claim. First, the claim implies that Fat Trapper Plus and Exercise In A Bottle are
26 effective at all, which has not been established by competent and reliable scientific
27 evidence. *See* Section III.A.3.a-e, *supra*. Second, in response to the
28 Commission’s request for substantiation for this claim, Enforma merely provided

1 documents purporting to demonstrate the properties of each product's
2 ingredients. No evidence was provided to show that the products were "more
3 effective" when used together. Enforma's experts also have not testified that the
4 products are more efficacious when used together. Because these claims
5 constituted unsubstantiated representations about the efficacy of Fat Trapper Plus
6 and Exercise In A Bottle, defendants and Ehrman violated Paragraph III of the
7 Order.

8 g. Enforma's claim that the Enforma System "works"
9 based on the alleged experience of "millions" of people
is not substantiated

10 Enforma's advertisements also claimed that "the Enforma System works
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1 some of these claims, contempt sanctions are nevertheless available to compensate
2 for injuries incurred during the period in which defendant failed to comply with the
3 Order. *See Cancer Research Inst., Inc. v. Cancer Research Society, Inc.*, 744 F.
4 Supp. 526, 530-31 (S.D.N.Y. 1990). Most of Enforma's unsubstantiated
5 advertising claims were only recently discontinued, while other claims continue to
6 the present. Therefore, as a sanction for defendants' and Ehrman's contempt, the
7 Commission requests that all revenues from the sales of Fat Trapper Plus and
8 Exercise In A Bottle from May 11, 2000 to the date of full Order compliance be
9 turned over to the Commission for consumer redress. This relief represents the ill-
10 gotten gains from consumers' "tainted" purchase decisions, due to
11 unsubstantiated and misleading advertising of the products in the face of a clear
12 court order. *FTC v. Gill*, 2001 WL 1301218, at *12 (C.D. Cal., July 13, 2001),
13 *appeal filed*, Sept. 6, 2001. Where consumers are induced to buy a product
14 through deceptive means, a contempt sanction in the amount of gross sales of the
15 -0.152 D /Fncsp.15pred a

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24 ¹⁰ In order to have a complete picture of Enforma's gross revenues, it is
25 necessary to determine where the offending products were advertised and sold and
26 what revenues Enforma derived from those sales. As discussed in greater detail in
27 Section III.C. *infra*, Enforma has stymied the Commission's attempts to obtain this
28 information as it relates to its post-Order advertising and sales outside the United
States. Thus, one aspect of the relief the Commission seeks here is an order
requiring defendants and Ehrman to provide this necessary discovery.

1 deceptive claim, and when less restrictive remedies, such as disclosures, are
2 insufficient to eliminate the deception.¹¹ *See, e.g., Resort Car Rental System, Inc.*
3 *v. FTC*, 518 F.2d 962, 964 (9th Cir. 1975) (affirming FTC order prohibiting as
4 deceptive use of trade name “Dollar-A-Day” in connection with rental car agency).

7 ¹¹ Trade name excision is a longstanding and appropriate remedy to cure
8 consumer injury caused by deceptive trade names. *See, e.g., FTC v. Algoma*
9 *Lumber Co.*, 291 U.S. 67, 81, 54 S. Ct. 315, 321, 78 L. Ed 655, 664 (1934)
10 (upholding FTC order excising word “white” from trade name “California White
11 Pine” because lumber was made from inferior yellow pine); *Bakers Franchise*
12 *Corp. v. FTC*, 302 F.2d 258, 262 (3d Cir. 1962) (upholding FTC order excising
13 trade name “Lite Diet” in connection with bread that was lower in calories only
14 because it was sliced thinner than other breads); *Carter Prods., Inc. v. FTC*, 268
15 F.2d 461, 497-99 (9th Cir. 1959) (upholding FTC order excising word “liver” from
16 trade name, “Carter’s Little Liver Pills” because pills were not found to have any
17 effect on liver function); *Gold Tone Studios, Inc. v. FTC*, 183 F.2d 257, 259 (2d
18 Cir. 1950) (upholding FTC order excising trade name “Gold Tone Studios” where
19 photographic finishing process used by company was not the recognized gold tone
20 process); *El Moro Cigar Co. v. FTC*, 107 F.2d 429, 431 (4th Cir. 1939)
21 (upholding FTC order excising word “Havana” from trade name, “Havana Counts”
22 cigars, despite written disclaimer that tobacco came from domestic sources); *FTC*
23 *v. Army & Navy Trading Co.*, 88 F.2d 776, 780 (D.C. Cir. 1937) (upholding FTC
24 order excising trade name “Army and Navy Trading Co.” where few goods sold
25 were army or navy goods); *Marietta Manufacturing Co. v. FTC*, 50 F.2d 641, 642
26 (7th Cir. 1931) (upholding FTC order excising trade name “Sani-Onyx, a Vitreous
27 Marble” because product contained neither marble nor onyx); *Masland*
28 *Duraleather Co. v. FTC*, 34 F.2d 733, 737 (3d Cir. 1929) (upholding FTC order
excising trade name “Duraleather” because product not made of real leather);
Proctor & Gamble Co. v. FTC, 11 F.2d 47, 48 (6th Cir. 1926) (upholding portion
of FTC order excising word “naphtha” from various soap product trade names
containing kerosene, not naphtha); *In re Brake Guard Prods., Inc.*, 1998 F.T.C.
LEXIS 184 at *55-58 (Jan. 23, 1998) (barring the use of term “ABS” in connection
with a brake product that was not an antilock braking system), *aff’d sub nom Jones*
v. FTC, 194 F.3d 1317 (9th Cir. 1999).

1 In *Continental Wax Corp. v. FTC*, 330 F.2d 475 (2d Cir. 1964), the court
2 affirmed the FTC’s decision to bar a company from using the trade name “Six
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1 *Continental Wax*, 330 F.2d at 480. Therefore, the appropriate and justified
2 remedy for Enforma’s conduct is to prohibit the use of the trade names “Fat
3 Trapper,” “Fat Trapper Plus,” or any variation thereof for its chitosan-based
4 product, and the trade name “Exercise In A Bottle” or any variation thereof for its
5 pyruvate-based product, unless and until it can provide competent and reliable
6 scientific evidence supporting the claims therein.¹²

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8 **C. DEFENDANTS AND EHRMAN SHOULD BE REQUIRED**
9 **TO RESPOND TO DISCOVERY REQUESTS**
10 **CONCERNING THE POST-ORDER ADVERTISING AND**
11 **SALE OF THE ENFORMA SYSTEM OUTSIDE THE**
12 **UNITED STATES**

13 As part of its efforts to present the Court with the full scope of Enforma’s
14 post-Order advertising, promotion, offering for sale and sale of and revenues from
15 the Enforma System, Fat Trapper, Fat Trapper Plus and Exercise In A Bottle, the
16 Commission sought to elicit discovery of these facts as they pertain to advertising,
17 sales and revenues outside the United States after May 11, 2000. Defendants have
18 objected to and refused to answer many of these discovery requests. For
19 example, when requested to admit that “Enforma Natural or its authorized
20 licensees caused the first Enforma infomercial to be broadcast on television after
21 May 11, 2000 outside the United States,” Enforma wrote that it “objects to this
22 request on the ground that it calls for irrelevant information.” Exh. 11, No. 62.
23 Enforma asserted identical objections to numerous other requests for admission
24 on this subject. *See id.* RFA Nos. 63-71, 121-42. Defendants’ blanket objection
25 is without merit and should be rejected.

26 ¹² As a logical extension of an order to excise the trade names “Fat Trapper”
27 and “Exercise In A Bottle,” the Court should also order that any products bearing
28 these names presently in the distribution or retail chain be recalled so that these
unsubstantiated claims are no longer disseminated to the public.

1 In the related *Garvey* case, the defendants there (represented by the same
2 attorneys as are defendants and Ehrman here) also refused to respond to the
3 Commission’s discovery requests pertaining to the advertising and sale of and
4 revenues from the Enforma System, Fat Trapper and Exercise In A Bottle outside
5 the United States. The Commission filed a motion to compel that discovery and a
6 hearing was held before U.S. Magistrate Judge Woehrle, the same magistrate judge
7 assigned to this case. Judge Woehrle considered the extensive briefs presented by
8 the parties, heard oral argument, granted the Commission’s motion and required
9 the *Garvey* defendants to respond to this discovery. Exh. 12. Despite this ruling,
10 defendants here refuse to provide this discovery.

11 As Judge Woehrle held, the standard employed for determining whether
12 recipients must respond to discovery requests regarding their activities outside the
13 United States is not whether the FTC has extraterritorial jurisdiction. Rather, the
14 question is whether discovery regarding the advertising, promotion, and sale of the
15 Enforma System outside the United States is “reasonably calculated to lead to the
16 discovery of admissible evidence.” Fed. R. Civ. P. 26(b)(1). Under this broad
17 scope of discovery, Judge Woehrle held that the Commission is entitled to
18 discover whether the Enforma System was advertised or promoted outside of the
19 United States, where, when, how often, and how much money was paid to
20 Enforma as a result of sales generated in those countries.

21 Even under a more stringent standard for discovery than Rule 26(b)(1), the
22 FTC is entitled to discovery on the extent to which the Enforma System was
23 advertised, promoted or sold outside the United States. The FTC Act clearly
24 authorizes the Commission to exercise its enforcement authority over deceptive
25 sales made by domestic entities to consumers in foreign countries. Section 5 of
26 the FTC Act gives the Commission authority to prohibit “unfair or deceptive acts
27 or practices in or affecting commerce.” 15 U.S.C. § 45(a)(1). “Commerce” is
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1 defined in Section 4 of the FTC Act to include “commerce . . . with foreign
2 nations.” *Id.* § 44. The Order at issue in this case contains absolutely no
3 limitations on its geographic scope and, in fact, adopts a finding that “[t]he acts
4 and practices of the defendants were or are in or affecting commerce, as
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1 franchise was to be entirely outside of the United States. The Commission played
2 no role in that litigation – not even as an amicus. The *Nieman* court observed that
3 the language and history of the Franchise Rule made it clear that the FTC never
4 intended that the Rule “protect franchisees in foreign countries.” *Nieman*, 178
5 F.3d at 1131. Any question of the reach of the FTC Act is irrelevant to the
6 holding in *Nieman*, and the court’s discussion of it is purely dictum.

7 Third, the reasoning behind *Nieman*’s discussion of the FTC Act is flawed.
8 The *Nieman* court analogized the FTC Act to Title VII of the Civil Rights Act of
9 1964, which the Supreme Court held did not apply extraterritorially in *EEOC v.*
10 *Arabian Am. Oil Co.*, 499 U.S. 244 (1991). However, the language of Title VII,
11 unlike the FTC Act, did not explicitly cover commerce with foreign nations and is
12 therefore not analogous. More analogous to the FTC Act is the Securities and
13 Exchange Act of 1934, which defines commerce as commerce “among the several
14 States, or between any foreign country and any State” 15 U.S.C. §
15 78c(a)(17). Cases interpreting the Securities and Exchange Act of 1934 have held
16 that that statute has extraterritorial reach. *Alfadda v. Fenn*, 935 F.2d 475 (2d Cir.
17 1991); *Psimenos v. E.F. Hutton & Co.*, 722 F.2d 1041 (2d Cir. 1983); *SEC v.*
18 *Briggs*, 234 F. Supp. 618 (N.D. Ohio 1964). Indeed, in *Leslie v. Lloyds of*
19 *London*, 1995 U.S. Dist. LEXIS 15380 at *53-55 (S.D. Tex. Aug. 28, 1995), the
20 court explicitly distinguished *EEOC* and held that the definition of “commerce”
21 under the Securities Exchange Act of 1934 includes the extraterritorial application
22 of that statute.

23 Finally, even if the reasoning of *Nieman* is correct, its facts are
24 distinguishable. While *Nieman* involved an international dispute brought by a
25 foreign party, this case involves a dispute between the FTC and U.S. citizens.
26 Unlike the *Nieman* case, in this case the plaintiff (the Commission), defendants
27 Enforma and Grey, and Ehrman are all located in or are citizens of the United
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1 **IV. CONCLUSION**

2 For the foregoing reasons, the Commission respectfully requests that the
3 Court issue an Order to Show Cause why defendants Enforma Natural Products,
4 Inc. and Andrew Grey and Enforma Vice President Michael Ehrman should not be
5 held in civil contempt for violating the Stipulated Final Order and Settlement of
6 Claims for Monetary Relief as to Defendants Enforma Natural Products, Inc. and
7 Andrew Grey. Defendants and Ehrman should also be required to answer the
8 Commission's discovery requests pertaining to their advertising and sale of and
9 revenues from the Enforma System, Fat Trapper, Fat Trapper Plus and Exercise
10 In A Bottle outside the United States after May 11, 2000.

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12 Dated: January 3, 2002

Respectfully submitted,

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