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CENTRAL DIST. OF CALIF.
LOS ANGELES

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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

GAF JTLX

11 _____)
12 FEDERAL TRADE COMMISSION,)
13)
14 Plaintiff,)
15 v.)
16 INNOVATIVE SYSTEMS TECHNOLOGY,)
17 INC., dba Briggs & Baker;)
18)
19 DEBT RESOLUTION SPECIALISTS,)
20 INC.;)
TODD A. BAKER; and)
JACK BRIGGS, aka JOHN BRIGGS,)
Defendants.)

Case No. **CVO4-0728**

**COMPLAINT FOR INJUNCTIVE AND
OTHER EQUITABLE RELIEF**

21
22 Plaintiff Federal Trade Commission for its complaint alleges:

23 1. The Federal Trade Commission brings this action under
24 Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15
25 U.S.C. § 53(b), to obtain preliminary and permanent injunctive
26 relief, rescission or reformation of contracts, restitution,
27 disgorgement, and other equitable relief for Defendants'
28 violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

1 located at 26017 Huntington Lane, Unit B, Santa Clarita,
2 California 91355. Debt Resolution Specialists, Inc. transacts or
3 has transacted business in the Central District of California and
4 throughout the United States.

5 7. Defendant **Todd A. Baker** ("Baker") is the president,
6 chief executive officer, a director, and an owner of corporate
7 defendant Innovative. Baker has also done business as Briggs &
8 Baker. Baker is also the president and an owner of corporate
9 defendant Debt Resolution Specialists, Inc. At all times material
10 to this complaint, acting alone or in concert with others, he has
11 formulated, directed, controlled, or participated in the acts and
12 practices of Innovative and Debt Resolution Specialists, Inc.,
13 including the acts and practices set forth in this complaint.
14 Baker transacts or has transacted business in the Central District
15 of California and throughout the United States.

16 8. Defendant **Jack Briggs, also known as John Briggs**
17 ("Briggs"), was a principal and an owner of Innovative until
18 Spring 2002. At all times material to this complaint, acting
19 alone or in concert with others, he formulated, directed,
20 controlled, or participated in the acts and practices of
21 Innovative including the acts and practices set forth in this
22 complaint. Briggs transacts or has transacted business in the
23 Central District of California and throughout the United States.

24 **COMMERCE**

25 9. At all times relevant to this complaint, Defendants have
26 maintained a substantial course of business in the advertising,
27 marketing, promoting, offering for sale and sale of debt
28 negotiation services, in or affecting commerce, as "commerce" is

1 defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

2 DEFENDANTS' BUSINESS ACTIVITIES

3 **Briggs & Baker**

4 10. Since at least 1999 and continuing thereafter, corporate
5 defendant Innovative and individual defendants Briggs and Baker
6 (collectively, "Briggs & Baker") have offered debt negotiation
7 services to consumers throughout the United States. Briggs &
8 Baker has promoted its services through a variety of means,
9 including an Internet web site (www.briggsandbaker.com), radio
10 advertisements, telephone presentations, and written materials
11 sent to inquiring consumers. Briggs & Baker significantly
12 curtailed or stopped advertising and soliciting new business in
13 early 2003.

14 11. Most of Briggs & Baker's customers initially learned
15 about the company through its radio ads or website, in which
16 Briggs & Baker claimed that it could negotiate a reduction in the
17 amount a consumer owed to his unsecured creditors by as much as
18 75%, which would enable consumers to pay off their debts for as
19 little as 25% of the amount owed. The ads and the website told
20 consumers to call or e-mail Briggs & Baker for a description of
21 the services the company could provide to the individual consumer
22 and for a quote of the cost of those services.

23 12. In consumers' initial telephone conversations with
24 Briggs & Baker's representatives, consumers were asked to identify
25 all of their unsecured credit accounts and the total amount owed.
26 Briggs & Baker's representatives would then calculate an amount
27 for which Briggs & Baker would purportedly be able to settle the
28 accounts - in some cases as low as 11-15% of the balance on a

1 consumer's account. Briggs & Baker would claim that this
2 "amazing" and "drastic" reduction would not only save consumers
3 money, but would also enable consumers to pay off their debts in a
4 shorter period of time.

5 13. Briggs & Baker told its clients that they used a
6 procedure under California law called accord and satisfaction to
7 negotiate with a client's creditors. Telling consumers that they
8 could make a "Fresh Start," Briggs & Baker represented to
9 consumers that the company could use accord and satisfaction to
10 extinguish a consumer's debts for a final, modest payment to each
11 creditor. Among other names, this was called the "Immediate
12 Program." Alternatively, Briggs & Baker represented that the
13 company would be able to reduce consumers' interest rates to zero
14 by using a so-called "indemnification agreement" made by the
15 company. Briggs & Baker referred to this zero-interest plan as
16 the "Payments Program."

17 14. For its Immediate Program services, Briggs & Baker
18 charged 20% of the total amount owed, and, in some cases, an
19 additional 5% for assistance by Briggs & Baker's legal counsel.
20 For the Payments Program, Briggs & Baker charged a monthly fee of
21 2.5% of the total amount owed, plus an enrollment fee of \$199.
22 Consumers were required to pay all or some of the fee before
23 Briggs & Baker would perform any debt negotiation services for
24 them.

25 15. If consumers signed up for the service, Briggs & Baker
26 directed consumers to stop making payments to all of their
27 unsecured creditors. Briggs & Baker represented that creditors
28 would be more willing to settle for a reduced amount once

1 consumers' accounts were sufficiently delinquent.

2 16. Briggs & Baker further represented that it would contact
3 all of a consumer's creditors and tell them that Briggs & Baker
4 represented the consumer. The company claimed that it could cause
5 creditors to cease contacting consumers and negotiate directly
6 with Briggs & Baker. Briggs & Baker told consumers to cease
7 communicating with any creditors who might attempt to contact
8 them, and to direct the creditors to Briggs & Baker.

9 17. Briggs & Baker represented that purchasing its services
10 constituted "no risk" to consumers because Briggs & Baker
11 guaranteed that its services would produce the advertised results.
12 Consumers were told that Briggs & Baker would "satisfy your
13 accounts for the enrollment fee paid - or refund your money."

14 18. Many of Briggs & Baker's representations were false.
15 Rather than negotiating a substantial reduction in the amount
16 owed, Briggs & Baker was usually unable to negotiate any
17 substantial reduction. Instead, consumers' failure to make
18 payments or to respond to their creditors' payment demands
19 (pursuant to Briggs & Baker's instructions) typically resulted in
20 an increased amount of debt due to the late fees incurred, as well
21 as additional finance charges and possibly overlimit charges. In
22 some cases, creditors also increased consumers' interest rates and
23 decreased their credit lines. Others found that the creditor was
24 willing to settle for no less than 80% of the debt. Thus, with
25 Briggs & Baker's usual 20% fee for the Immediate Program,
26 consumers were typically no better off than if they had paid the
27 entire debt without purchasing Briggs & Baker's services.

28 19. In numerous instances, Briggs & Baker did not even

1 contact all of the consumers' creditors to negotiate a settlement.
2 Thus, after months of being told that Briggs & Baker was settling
3 their accounts, many consumers found that creditors had sent their
4 accounts to a collection agency, or had initiated legal actions
5 against them.

6 20. In many cases, as a result of using Briggs & Baker's
7 services, consumers' credit reports were negatively affected due
8 to creditors' reports of non-payments, late fees, overlimits,
9 charge-offs, collections and garnishments. Such negative
10 information may remain on consumers' credit reports for up to
11 seven years.

12 21. In addition, Briggs & Baker was unresponsive to
13 customers who discovered a problem with the company's services.
14 These consumers, seriously concerned about the continuing dunning
15 notices from creditors, contacted Briggs & Baker only to find
16 their calls, e-mails or letters were not typically returned.
17 Consumers who have attempted to obtain refunds of the fees paid to
18 Briggs & Baker for its debt negotiation services, based on Briggs
19 & Baker's "no-risk" guarantees, have usually been unable to get
20 their money back.

21 22. In June 2002, individual defendant Briggs left
22 Innovative and ceased his involvement in its business operations.

23 23. Soon thereafter, Innovative ceased soliciting new
24 customers under the name "Briggs & Baker." Defendants Innovative
25 and Baker have advised numerous consumers that the "Briggs &
26 Baker" entity will be going out of business after concluding debt
27 negotiation services for its existing clients.

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Debt Resolution Specialists

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2 24. In October 2002, Baker formed a new debt negotiation
3 business known as "Debt Resolution Specialists." Baker and Debt
4 Resolution Specialists (collectively, "DRS") operate out of the
5 same business premises used by Innovative. Some consumers who
6 have asked DRS about its connection to "Briggs & Baker" have been
7 told that DRS shares employees and office space with the earlier
8 company.

9 25. In addition to having the same founder, the business
10 practices of DRS are similar to those used by Briggs & Baker. DRS
11 operates several Internet websites with domain names like
12 www.resolvemydebt.com, www.debtresolutionsspecialists.com and
13 www.drsdebt.com. Through these websites, DRS offers consumers
14 debt negotiation services for a fee.

15 26. DRS' Internet websites represent that, by using DRS'
16 debt negotiation services, consumers can pay off their credit card
17 debt for fifty percent or less of the amount currently owed and be
18 debt free within three to 36 months.

19 27. Through its Internet websites and its representatives,
20 DRS represents to consumers that it is able to obtain reductions
21 in principal and lower fixed interest rates because DRS has
22 special relationships with creditors. DRS also tells consumers
23 that its representatives will obtain better results for consumers
24 in debt negotiation than the consumers could obtain themselves.

25 28. DRS' Internet websites also represent that, by using
26 DRS' debt negotiation services, consumers will be able to prevent
27 creditors from making calls to them in an attempt to collect on
28 the debts consumers owe.

1 29. DRS' Internet websites state that "DRS charge [sic] a
2 one-time flat rate fee with the option of small monthly payments,"
3 and request that consumers contact DRS for a quote. Consumers who
4 call DRS are told that DRS' basic fee is between six and fifteen
5 percent of the total debt negotiated by DRS, with part of the fee
6 payable up front and the remainder due after the company has
7 concluded its negotiations.

8 30. DRS can offer no better results to consumers than Briggs
9 & Baker achieved. DRS' methods of attempting to reduce consumers'
10 debts are no more effective than those used by Briggs & Baker.
11 DRS does not have any special relationships with creditors. DRS
12 also lacks any special expertise or connections that would allow
13 its representatives to negotiate greater reductions in principal
14 or lower interest rates than consumers could obtain for
15 themselves. And DRS cannot insulate consumers from creditor calls
16 at home, as creditors can continue to contact those consumers to
17 collect on legitimate debts.

18 31. Thus, consumers cannot typically save fifty percent off
19 outstanding debts by using DRS' debt negotiation services. Nor
20 can consumers typically expect to be debt free in as little as
21 three to 36 months after signing up with DRS.

22 32. Instead, consumers who use DRS' debt negotiation
23 services will find themselves worse off than when they started
24 with DRS: consumers' credit ratings will suffer (for up to seven
25 years); their debts will not be substantially reduced or
26 eliminated; and the money consumers gave to DRS will not be
27 available to pay their debts.

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1 VIOLATIONS OF SECTION 5 OF THE FTC ACT

2 33. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),
3 prohibits unfair or deceptive acts and practices in or affecting
4 commerce.

5 COUNT I

6 AGAINST ALL DEFENDANTS

7 34. In numerous instances, in the course of advertising,
8 marketing, promoting, offering for sale and sale of debt
9 negotiation services, Defendants Innovative, Todd Baker, Jack
10 Briggs, and Debt Resolution Specialists, Inc., have represented,
11 expressly or by implication, that Defendants will successfully
12 negotiate a substantial reduction in the amount of debt that their
13 clients must pay to credit card issuers and other unsecured
14 creditors, such that their clients will be able to pay off or
15 "eliminate" these debts by paying substantially less than the
16 outstanding balance on their accounts.

17 35. In truth and in fact, in numerous instances, Defendants
18 do not successfully negotiate a substantial reduction in the
19 amount of debt that their clients must pay to credit card issuers
20 and other unsecured creditors, and their clients are not able to
21 pay off or eliminate these debts for substantially less than the
22 outstanding balance on their accounts.

23 36. Therefore, Defendants' representations as set forth in
24 Paragraph 34 are false and misleading and constitute deceptive
25 acts or practices in violation of Section 5(a) of the FTC Act, 15
26 U.S.C. § 45(a).

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1 COUNT II

2 AGAINST DEFENDANTS INNOVATIVE, TODD A. BAKER & JACK BRIGGS

3 37. In numerous instances, in the course of advertising,
4 marketing, promoting, offering for sale and sale of debt
5 negotiation services, Defendants Innovative, Todd Baker and Jack
6 Briggs have represented, expressly or by implication, that
7 Defendants will provide full refunds to clients for whom they are
8 unable to negotiate a reduction in their debts.

9 38. In truth and in fact, in numerous instances, Defendants
10 Innovative, Todd Baker and Jack Briggs have failed to provide
11 refunds to clients for whom they were unable to successfully
12 negotiate a reduction in their debts.

13 39. Therefore, the representation set forth in Paragraph 37
14 is false and misleading and constitutes a deceptive act or
15 practice in violation of Section 5(a) of the FTC Act, 15 U.S.C.
16 § 45(a).

17 CONSUMER INJURY

18 40. Consumers have suffered injury as a result of
19 Defendants' unlawful acts or practices. Absent injunctive relief
20 by this Court, Defendants are likely to continue to injure
21 consumers, reap unjust enrichment, and harm the public interest.

22 THIS COURT'S POWER TO GRANT RELIEF

23 41. Section 13(b) of the FTC Act, 15 U.S.C.
24 § 53(b), empowers this Court to grant injunctive and other
25 ancillary relief, including a preliminary injunction, consumer
26 redress, disgorgement, and rescission and restitution, to prevent
27 and remedy any violations of any provision of law enforced by the
28 Commission.

1 PRAYER FOR RELIEF

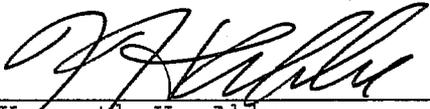
2 WHEREFORE, Plaintiff Federal Trade Commission, pursuant to
3 Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), requests that the
4 Court:

- 5 a. Award Plaintiff such preliminary injunctive and
6 ancillary relief as may be necessary to avert the
7 likelihood of consumer injury during the pendency of
8 this action and to preserve the possibility of effective
9 final relief;
- 10 b. Permanently enjoin the Defendants from violating the FTC
11 Act as alleged herein;
- 12 c. Award such relief as the Court finds necessary to
13 redress injury to consumers resulting from the
14 Defendants' violations of the FTC Act including, but not
15 limited to, the rescission or reformation of contracts,
16 the refund of monies paid, and the disgorgement of ill-
17 gotten gains; and
- 18 d. Award Plaintiff the costs of bringing this action, as
19 well as such other and additional relief as the Court
20 may determine to be just and proper.

21 Respectfully Submitted,

22 WILLIAM E. KOVACIC
23 General Counsel

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25 DATED: February 3, 2004

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27 Kenneth H. Abbe
28 Barbara Y.K. Chun
Attorneys for Plaintiff
Federal Trade Commission