

Crime In The Suites

An Analysis of Current Issues in White Collar Defense

'Tiny Belly' Ads Conceal Large Credit-Card Scheme

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The companies behind the ubiquitous "1 Tip for a Tiny Belly" ads are the most recent targets of a new FTC crackdown on online weight-loss ads that have conned millions of people. The ad seems innocent enough; it promises "1 Tip" to a svelte stomach. But this ad is actually the tip of something much larger: a scheme by the promoters and sellers of a host of diet pills and weight loss products to grab consumer credit card information and pile on additional, unapproved charges.

The headline typically reads: "1 Tip for a Tiny Belly," in what appears to be handlettered type and positioned above a crudely animated drawing of a woman's bare midriff, which shrinks and reinflates — flabby to svelte, svelte to flabby. Versions of these ads appear just about everywhere, including Facebook and the home pages of major news organizations. The government estimates that the accumulated number of "impressions"—the number of times it has flashed by a viewer on the Internet over the past 18 months — runs into "the tens of billions."

In April, the FTC filed ten lawsuits against some of the companies and individuals behind these ads, but the "1 Tip" ads continued. The ads are the work of an army of affiliate marketers who place them on various websites on behalf of diet product sellers with such names as HCG Ultra Lean Plus. The promoters make money every time someone clicks through to the product seller's site and orders a "free" sample. The samples, however, are not always free. The government estimates that the affiliate companies sued by the FTC spent more than \$10 million buying Internet ads to push products such as acai berry diet products. One of the companies the government sued, IMM Interactive of Long Island, spent more than \$1.3 million last year to place "flat belly" ads, which generated more than a billion impressions.

The FTC contends that almost everything about these ads is bogus. According to the FTC, these ads are part of a three-part scheme to obtain consumers' credit card information and pile on additional, unapproved charges, which have led to thousands of consumer complaints. The "1 Tip" ad is the first step in this scheme, meant to lure consumers into the process. Consumers who click on the ad are directed to a second site, which looks like a diet or health-news page that seems to carry positive information about the products supposedly from credible news sources like CNN, USA Today, or ABC and to include brief "reader comments" extolling the virtues of the product. The pages then link to a third site, where consumers can use a credit or debit card to order "trial" samples of the featured products. But people who order the free sample find out later that they have actually agreed to pay \$79.99 for an additional shipment of the



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product two weeks later, and another \$79.99 for a shipment six weeks later, and so on until the consumer cancels the product, which is not always that easy.

These ads undoubtedly have power to attract the unwitting consumer in search of weight loss secrets. Some of this drawing power can be attributed to their appearance on websites belonging to real news organizations. In all of these cases, the credible news sites appear to be passive hosts of the ads. The ads are "served" to the news sites and thousands of others by ad networks, including those operated by Google and Pulse360, based in New York. The "host" sites, in turn, receive a commission for being part of the network or when their visitors click on one of the network-fed ads. If these ads continue, perhaps the the FTC will decide to investigate hosts of these ads, such as Google, for promoting these deceptive ads, as the Consumer Watchdog group encouraged the FTC to do in the case of mortgage scammers.

Crime in the Suites is authored by the <u>Ifrah Law Firm</u>, a Washington DC-based law firm specializing in the defense of government investigations and litigation. Our client base spans many regulated industries, particularly e-business, e-commerce, government contracts, gaming and healthcare.

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