
In the Matter of)
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)
 INTERACTIVE MEDICAL TECHNOLOGIES, LTD.,)
 and EFFECTIVE HEALTH, INC.,)
 corporations, and)
)
 WILLIAM PELZER, JR., individually and)
 as a former officer of Interactive Medical)
 Technologies, Ltd., and Effective)
 Health, Inc., and)
)
 WILLIAM E. SHELL, M.D., individually and)
 as a former officer of Interactive Medical Technologies,)
 Ltd.)
)

DOCKET NO. C-3749

COMPLAINT

The Federal Trade Commission (“Commission”), having reason to believe that Interactive Medical Technologies, Ltd., and Effective Health, Inc., corporations, and William Pelzer, Jr., individually and as a former officer of Interactive Medical Technologies, Ltd., and Effective Health, Inc., and William E. Shell, M.D., individually and as a former officer of Interactive Medical Technologies, Ltd. (“respondents”), have violated provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Interactive Medical Technologies, Ltd. (“IMT”), is a Delaware corporation with its principal office or place of business at 2139 Pontius Avenue, Los Angeles, California 90025.
2. Respondent Effective Health, Inc. (“EHI”), is a California corporation with its principal office or place of business at 2139 Pontius Avenue, Los Angeles, California 90025. EHI is a wholly owned subsidiary of IMT.

3. Respondent William Pelzer, Jr. ("Pelzer"), was chief executive officer and president of IMT and EHI from February 1993 to April 1995. Individually or in concert with others, he formulated, directed, controlled or participated in the acts and practices of IMT and EHI, including the acts and practices alleged in this complaint. His principal office or place of business is P.O. Box 269006, San Diego, California 92196.

4. Respondent William E. Shell, M.D. ("Shell") was chairman of the board of IMT from January 1990 through February 1996, and served as that company's chief financial officer from May 1993 through June 1994. Individually or in concert with others, he formulated, directed, controlled or participated in the acts and practices of IMT and EHI, including the acts and practices alleged in this complaint. His principal office or place of business is 2934 ½ Beverly Glen Circle, Suite 209, Los Angeles, California 90077.

5. Respondents IMT, EHI and Shell have advertised, labeled, offered for sale, sold and distributed products to the public, including Lipitrol, an over-the-counter fat reduction and weight-loss tablet. Lipitrol is a "food" and/or "drug," within the meaning of Sections 12 and 15 of the Federal Trade Commission Act. Respondents have advertised, distributed and sold Lipitrol, a combination of fiber and ox bile extract, to the public through direct mail.

6. Respondents also have assisted others who have advertised, labeled, offered for sale, sold and distributed products to the public, including SeQuester, an over-the-counter fat reduction and weight-loss tablet. SeQuester is a "food" and/or "drug," within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

7. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

Lipitrol Fat Reduction and Weight-Loss Tablets

8. Respondents IMT, EHI and Shell have disseminated or have caused to be disseminated advertisements for Lipitrol, including but not necessarily limited to the attached Exhibits A through E. These advertisements contain the following statements:

A.

INTRODUCING

LIPITROL

a patented dietary supplement
that aids in your FIGHT against FAT
by assisting in weight and cholesterol reduction.

**NO ANCIENT FORMULA NO MAGIC NO MECHANICAL GADGETS
NO SHOTS NO DRUGS NO WILD PROMISES NO PATCHES
NO SPECIAL FOOD TO PURCHASE NO SECRET INGREDIENTS NO WRAPS
NO SPECIAL TESTING MATERIALS NO POWDERS NO SURGERY
NO VERY LOW CALORIE DIETS NO GIMMICKS NO CURE-ALLS
NO MOOD ELEVATORS NO SUPER-SPEEDY WEIGHT LOSS NO HYPE
DOESN'T EVEN DISSOLVE CELLULITE
BUT IT DOES WORK
WHICH MAY SEEM LIKE A MIRACLE TO SOME PEOPLE**

Effective Health knows of no other diet or weight loss program that is backed by scientific data and a recognized patent for "Dietary Fat Reduction."

Lipitrol contains natural ingredients consisting of Activated Fiber Complex (AFC). AFC forms an indigestible cellulose mesh containing molecules of bile. Bile is the part of the digestive system which enables the body to use and/or store fat. Fat droplets in stomach and intestines are naturally attracted to the AFC and when they adhere to the enmeshed bile molecules, they can then be carried through the intestinal tract and excreted rather than being absorbed for use or storage (sic). If stools are lighter in color, or yellowish, and if they frequently tend to float instead of sink in water, then the bile-bonded fat is now being excreted rather than absorbed. The only adverse effect from using LIPITROL is occasional diarrhea related to the excessive fat in the stools.

A major benefit of LIPITROL is that it imparts a feeling of satiety of fullness to the user (sic). A second, highly significant benefit is the fact that LIPITROL has been proven to lower blood cholesterol levels. Cholesterol is lowered as a result of the weight loss.

. . . .

Effective Health believes LIPITROL meets an urgent need in society, and does so in a healthy and genuine manner. LIPITROL is not an overnight solution to excess weight, but it offers sincere and dedicated users an option whereby they can lose weight and maintain the loss without doing violence to their lifestyles or drugging their systems.

You have nothing to LOSE but FAT itself!

(Exhibit A -- direct mail solicitation)

B. NOW THERE'S AN EFFECTIVE WAY TO HELP REDUCE FAT -- NOW THERE'S LIPITROL! -- DIETARY SUPPLEMENT

LIPITROL IS AN EFFECTIVE WEIGHT CONTROL PRODUCT

LIPITROL can help you control your weight by reducing FAT intake. No kidding! LIPITROL actually helps decrease the amount of FAT absorbed by your body. . . .

IT HELPS FAT PASS THROUGH THE BODY

LIPITROL'S fiber formula forms an indigestible cellulose mesh containing molecules of bile. Bile is part of the digestive system which enables the body to use and/or store FAT. FAT droplets in the stomach and intestines are naturally attracted to the "Fiber Complex." When the FAT adheres to the enmeshed bile molecules, the FAT can then be passed through the

intestinal tract and is excreted rather than absorbed - Naturally and Comfortably. **NO DRUGS, NO CAFFEINE, NO DIURETICS - EVER!**

. . . .

CONTROL FAT WITH LIPITROL:

Keeping FAT under control is important to good health.

FAT makes you FAT. There are 9 calories in 1 gram of FAT - plus your body stores FAT directly. Get FAT out of your diet. FAT laden diets may contribute to a variety of health problems including high blood pressure, diabetes, breast cancer, and heart disease.

Our clinical studies have shown LIPITROL to absorb approximately 5.9 grams of FAT per tablet from the foods you eat. Take hold of the FAT before the FAT takes hold of you. Use **LIPITROL - Dietary Supplement DAILY!**

. . . .

A NATURAL FOOD PRODUCT

. . . .

Remember, LIPITROL is not an overnight solution to excess weight, but offers you, the sincere and dedicated individual the option to reduce FAT absorption, lose weight, and maintain that loss, without doing harm to your body.

MORE ABOUT LIPITROL:

LIPITROL has been studied for over 7 years. One of the recent 4 week studies has indicated that diet and exercise will result in an average weight loss of about 2.1 lbs per month. With sensible eating, exercise and LIPITROL the average weight loss was 6.2 lbs per month -- with little or no FAT retention.

THE REAL ENEMY

Remember while excess "weight" is certainly a big concern, your real enemy is FAT. LIPITROL Fights FAT, and losing FAT takes time. Use LIPITROL for 60 days or more to see measurable results. LIPITROL helps remove a large portion of the FAT from the food you eat before it ends up on your body, or clogging your arteries.

You Have Nothing to LOSE, But Fat Itself!

(Exhibit B -- direct mail solicitation)

C. Effective Health Inc. is pleased to announce the development of LIPITROL through fat sequestrant technology. Our specially formulated product, marketed as a dietary food supplement, assists in weight and cholesterol reduction.

. . . .

When taken as directed, our tablet attracts fat from the food you eat and helps eliminate it from your body. Cholesterol reduction occurs subsequent to weight loss. Overdoses result in nothing more serious than self/limiting diarrhea (sic).

. . . .

LIPITROL has undergone independent open label trials. A technical brochure that substantiates the efficacy of LIPITROL is available upon request.

(Exhibit C -- direct mail solicitation)

D.

Q: Should I Increase My Dosage?

A: After two or three days, increase your dosage to 2 tablets prior to your largest and Fattiest meal of the day. If no diarrhea results from 2 tablets at your largest meal, you may choose to use 2 tablets prior to every meal. Some people will even use 3 LIPITROL or more prior to their Fattiest meal. If diarrhea occurs, this is a form of controllable diarrhea and not the same as diarrhea caused by food poisoning. It does not require medication or any treatment. It just means that there is too much FAT in your stool to allow a normal bowel movement. This actually is a condition we regard as Desirable as it means the FAT is leaving your body. Whether the normal dosage or the Maxi FAT strategy described below is appropriate for you depends upon how your body responds to lesser dosages, and upon the advice of your physician.

Q: How Can I Get Maximum FAT Removal?

A: Each LIPITROL tablet has the capability to remove approximately 6 grams of FAT (the actual figure is 5.9 grams) from the food you eat. By determining as accurately as possible, the number of grams of FAT you are consuming in your next meal, you can use that figure, divided by 6, and take the appropriate number of tablets to absorb that FAT -- this is what we call the Maxi-FAT strategy.

. . . .

Q: When Should I Begin To See Weight Loss and/or Size Loss?

A: One of our four week studies indicates that diet and exercise alone will result in an average weight loss of about 2.1 pounds per month. With diet and exercise plus LIPITROL the average weight loss in our study was 6.2 pounds per month.

. . . .

Q: NOTE: Please do not view your LIPITROL as an antidote for poor nutritional habits. Don't think that it is now o.k. to over indulge yourself and eat all the FAT-soaked food you want. NOT SO. You must realize that while some foods may be 40% or 50% FAT, the remaining 50% or 60% is not and still contains calories that won't be dealt with by taking LIPITROL.

.....

(Exhibit D -- product package insert)

E.

Each LIPITROL tablet has been shown to absorb approximately 5.9 grams of FAT, from the foods you eat.

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(Exhibit E -- product package label)

9. Through the means described in Paragraph 8, respondents IMT, EHI and Shell have represented, expressly or by implication, that:

- A. Lipitrol prevents or significantly reduces the body's absorption of fat from consumed food.
- B. Lipitrol absorbs approximately 5.9 grams of fat per tablet from consumed food.
- C. Scientific research demonstrates that Lipitrol prevents or significantly reduces the body's absorption of fat from consumed food.
- D. Scientific research demonstrates that Lipitrol absorbs approximately 5.9 grams of fat per tablet from consumed food.
- E. Scientific research demonstrates that Lipitrol causes significant weight loss.
- F. Scientific research demonstrates that Lipitrol lowers blood cholesterol levels.

10. In truth and in fact:

- A. Lipitrol does not prevent or significantly reduce the body's absorption of fat from consumed food.
- B. Lipitrol does not absorb approximately 5.9 grams of dietary fat per tablet from consumed food.

- C. Scientific research does not demonstrate that Lipitrol prevents or significantly reduces the body's absorption of fat from consumed food.
- D. Scientific research does not demonstrate that Lipitrol absorbs approximately 5.9 grams of fat per tablet from consumed food.
- E. Scientific research does not demonstrate that Lipitrol causes significant weight loss.
- F. Scientific research does not demonstrate that Lipitrol lowers blood cholesterol levels.

Therefore, the representations set forth in Paragraph 9 were, and are, false or misleading.

11. Through the means described in Paragraph 8, respondents IMT, EHI and Shell have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 9(A) and (B), at the time the representations were made.

12. In truth and in fact, respondents IMT, EHI and Shell did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 9(A) and (B), at the time the representations were made. Therefore, the representation set forth in Paragraph 11 was, and is, false or misleading.

13. Through the means described in Paragraph 8, respondents IMT, EHI and Shell have represented, expressly or by implication, that Lipitrol:

- A. Causes significant weight loss.
- B. Lowers blood cholesterol levels.
- C. Reduces, or reduces the risks associated with, high cholesterol, including clogged arteries, high blood pressure, diabetes, breast cancer and heart disease.
- D. Causes significantly greater weight loss than diet and exercise alone.
- E. Is beneficial and safe when taken in amounts sufficient to cause diarrhea.

14. Through the means described in Paragraph 8, respondents IMT, EHI and Shell have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 13, at the time the representations were made.

15. In truth and in fact, respondents IMT, EHI and Shell did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 13, at the time the representations were made. Therefore, the representation set forth in Paragraph 14 was, and is, false or misleading.

SeQuester Fat Reduction and Weight-Loss Tablets

16. Since at least May 1994, KCD, Incorporated, its holding corporation, KCD Holdings, Inc., their former principal, Clark M. Holcomb, and current principal, Bonnie L. Richards (collectively, "KCD"), have advertised, distributed and sold an over-the-counter fat reduction and weight-loss product to the public through, among other means, newspaper and radio advertisements disseminated nationally. KCD has wholesaled this product to retail drug stores and other retailers for resale to the general public. The product, sold under the name "SeQuester," is a combination of fiber and ox bile extract, and is the same or substantially the same as Lipitrol.

17. IMT, through its subsidiary EHI, Pelzer and Shell (hereinafter "IMT respondents") have provided KCD with, among other things, exclusive rights to sell SeQuester, technical assistance and "know how," clinical studies purporting to show that SeQuester is an effective fat reduction and weight-loss product, and certain promotional materials and information. Under the licensing agreement between the IMT respondents and KCD, KCD was required to make royalty payments to the IMT respondents based on sales of SeQuester.

18. KCD has disseminated or has caused to be disseminated advertisements for SeQuester, including but not necessarily limited to the attached Exhibits F through J. These advertisements contain the following statements and depictions:

F.

**THIS
IS WHAT
SEQUESTER
DOES TO
THE FAT
IN FOOD
YOU
EAT**

Introducing SeQvester - the revolutionary tablet that “shrinks” the amount of dietary fat your body absorbs.

SeQvester is a lab-tested formula that neutralizes fat in the food you eat - safely and naturally - *before* it's absorbed, so it won't wind up on your body.

SeQvester's unique, patented ingredients bind fat molecules to vegetable fiber passing them gently and harmlessly through your digestive tract. It's like you never ate them at all. Shrink fat with SeQvester. Take advantage of introductory savings, and discover the safe, natural approach to fat reduction. It's in the diet section, today.

(Exhibit F - newspaper advertisement)

G. **THE FAT STOPS HERE**

Dietary fat is a prime cause of overweight, heart disease, high cholesterol, and other major health problems. So imagine a tablet that can “shrink” the amount of fat your body absorbs.

Imagine SeQvester. A revolutionary discovery that lets you “remove” fat from the food you eat before it's absorbed, so it won't wind up on your body. Or in your arteries.

SeQvester is a safe, natural, lab-tested formula, shown to be effective in lowering fat absorption. It's easy. Just take one or more SeQvester tablets 30 minutes before meals. Its unique, patented formula binds fat molecules to natural vegetable fiber (as illustrated), passing it gently and harmlessly through your digestive tract.

SeQvester is intended for use as part of a program of sensible nutrition and exercise. Unlike fad diets that are ineffective at best, unhealthy at worst, SeQvester contributes to a safe, gradual loss of body fat and weight significantly better than what you're likely to accomplish through dieting and exercise alone.

So get control of fat, before fat controls you. Take advantage of our introductory savings on SeQvester, and experience for yourself this patently superior approach to fat reduction. Look for SeQvester in the diet section, today.

(Exhibit G - newspaper advertisement)

H. For the holidays, don't cut it all out.
Just take SeQuester.

SEQUESTER REDUCES FAT FROM THE FOOD YOU EAT.
Don't look now, weight watchers, but the holidays are gaining on us. So many parties, so much good food, so hard to say, "no." So consider your choices:

Either you can cut out all those rich, delicious foods that make life worthwhile.

Or you can cut out this coupon and introduce yourself to SeQuester - a revolutionary discovery that helps your body minimize fat retention from the food you eat.

With SeQuester, you can plan on enjoying reasonable portions of all those great holiday foods, confident that their entire fat content won't be showing up on your scale - or in your arteries - come January 1st.

SeQuester is a safe, natural dietary supplement. Its unique, patented formula helps bind fat molecules to natural vegetable fiber, so they pass gently and effortlessly through the digestive tract. Just take one or more tablets 30 minutes before meals.

This season, make SeQuester the centerpiece of all your holiday meals. You'll find it in better drugstores and supermarkets, everywhere.

NOTE: SeQuester is intended for use as part of a complete program of sensible nutrition and moderate exercise. By following this program, studies suggest that SeQuester contributes to a safe, gradual loss of body fat and weight significantly more successful than dieting and exercise alone.

(Exhibit H - newspaper advertisement)

I.

Q. SHOULD I INCREASE MY DOSAGE?

A: After two or three days, increase your dosage to 2 tablets prior to your largest and fattiest meal of the day. If no diarrhea results from 2 tablets at your largest meal, you may choose to use 2 tablets before every meal. Some people will even use 3 or more SeQuester tablets prior to their fattiest meal. If diarrhea occurs, it is controllable. It does not require medication or any treatment. It just means that there is too much fat in your stool to allow a normal bowel movement. This actually is a condition we regard as desirable as it means the fat is leaving your body. Whatever is appropriate for you depends upon how your body responds to lesser dosages, and upon the advice of your physician.

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(Exhibit I - product package insert)

J.

SeQuester

Natural Nutritional Fat Sequestrant*

*SeQuester is a specially formulated patented product which, when used as directed, reduces fat and sugar from the foods you eat.

Tests have shown SeQuester effects metabolizable energy, thus increasing fecal energy (calorie) excretion and reduces hunger feelings without increasing total calorie intake.

(Exhibit J - product package)

19. Through the means described in Paragraph 18, KCD has represented, expressly or by implication, that:

- A. SeQuester prevents or significantly reduces the body's absorption of fat from consumed food.
- B. SeQuester significantly reduces the body's absorption of sugar from consumed food.
- C. Scientific research demonstrates that SeQuester prevents or significantly reduces the body's absorption of fat from consumed food.
- D. Scientific research demonstrates that SeQuester causes significant weight loss.

20. In truth and in fact:

- A. SeQuester does not prevent or significantly reduce the body's absorption of fat from consumed food.
- B. SeQuester does not significantly reduce the body's absorption of sugar from consumed food.
- C. Scientific research does not demonstrate that SeQuester prevents or significantly reduces the body's absorption of fat from consumed food.
- D. Scientific research does not demonstrate that SeQuester causes significant weight loss.

Therefore, the representations set forth in Paragraph 19 were and are, false or misleading.

21. Through the means described in Paragraph 18, KCD has represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the

representations set forth in Paragraph 19(A) and (B), at the time the representations were made.

22. In truth and in fact, KCD did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 19(A) and (B), at the time the representations were made. Therefore, the representation set forth in Paragraph 21 was, and is, false or misleading.

23. Through the means described in Paragraph 18, KCD has represented, expressly or by implication, that:

- A. SeQuester causes significant weight loss.
- B. Use of SeQuester allows consumers to eat high-fat foods without gaining weight.
- C. SeQuester causes significantly greater loss of weight and body fat than diet and exercise alone.
- D. Use of SeQuester allows consumers to eat high-fat foods without increasing their risk of high cholesterol, clogged arteries, heart disease and other health problems associated with a high-fat diet.
- E. SeQuester reduces the risk of high cholesterol, clogged arteries, heart disease, and other health problems associated with a high-fat diet.
- F. Use of SeQuester in amounts sufficient to cause diarrhea is beneficial and safe.

24. Through the means described in Paragraph 18, KCD has represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 23, at the time the representations were made.

25. In truth and fact, KCD did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 23, at the time the representations were made. Therefore, the representation set forth in Paragraph 24 was, and is, false or misleading.

26. The IMT respondents knew or should have known that the advertisements referred to in Paragraph 18, including but not limited to the advertisements attached as Exhibits F through J, contained the false and misleading representations set forth in Paragraphs 19 through 25 above; but the IMT respondents nevertheless have provided services and promotional materials to assist KCD's marketing and sale of SeQuester, including but not limited to:

- A. Studies purporting to show that SeQuester effectively reduces the body's absorption of fat from consumed food and causes significant weight loss;
- B. The licensing rights to market and sell SeQuester to consumers;
- C. Technical information regarding SeQuester; and
- D. Various promotional materials and information.

27. Through the means described in Paragraph 26, the IMT respondents have provided means and instrumentalities and/or have provided substantial assistance to KCD in furtherance of the unfair or deceptive acts or practices alleged in Paragraphs 19 through 25, which the IMT respondents knew or should have known were unfair or deceptive.

28. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices, and the making of false advertisements, in or affecting commerce in violation of Sections 5(a) and 12 of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this sixteenth day of June, 1997, has issued this complaint against respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL:

[Exhibits A-J attached to paper copies of complaint, but not available in electronic form.]