

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

iSPRING WATER SYSTEMS, LLC,  
a limited liability company,

ZHUANGYONG CHEN, a/k/a John Chen,  
individually and as an officer of  
iSPRING WATER SYSTEMS, LLC,

and

PEARL CAI, a/k/a Yunzhu Cai,  
individually and as an officer of  
iSPRING WATER SYSTEMS, LLC,

Defendants.

Case No. \_\_\_\_\_

**COMPLAINT FOR CIVIL  
PENALTIES, PERMANENT  
INJUNCTION, AND OTHER  
EQUITABLE RELIEF**

Plaintiff, the United States of America, acting upon notification and on behalf of the Federal Trade Commission (“FTC” or “Commission”), for its Complaint alleges that:

1. Plaintiff brings this action against Defendants iSpring Water Systems, LLC (“iSpring” or “Corporate Defendant”); Zhuangyong Chen, a/k/a John Chen (“Chen”); and Pearl Cai, a/k/a Yunzhu Cai (“Cai”) (collectively, “Defendants”) under Sections 5(l) and 16(a)(1), of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 45(l) and 56(a)(1), to obtain civil penalties, an injunction, and other equitable relief for violations of an order previously issued by the Commission. *See Exhibit A, In re iSpring Water Systems, LLC*, 2017 FTC LEXIS 64 (2017) (Decision and Order, FTC Docket No. C-4611) (“Commission Order”).

2. The Commission Order prohibits Corporate Defendant, and Corporate Defendant’s officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of the Order, from representing that products or services are of United States origin unless: (a) the final assembly or processing of the product occurs in the United States, all significant processing that goes into the product occurs in the United States, and all or virtually all ingredients or components of the product are made and sourced in the United States; or (b) a clear and conspicuous qualification appears immediately adjacent to the representation that accurately conveys the extent to which the product contains foreign parts, ingredients, and/or processing. The Commission Order also prohibits Corporate Defendant, and Corporate

Defendant's officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, from making any unsubstantiated claim regarding a product or service's country of origin.

3. However, in numerous instances, Corporate Defendant and its officers, Chen and Cai, made false, deceptive, or unsubstantiated U.S.-origin claims for imported products in violation of these Commission Order provisions.

### **JURISDICTION AND VENUE**

4. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), 1345, and 1355, and 15 U.S.C. §§ 45(l) and 56(a)(1).

5. Venue in this District is proper under 28 U.S.C. §§ 1391(b)(2), (c)(2), and 1395(a).

### **DEFENDANTS**

6. iSpring Water Systems, LLC, also doing business as 123filter.com, is a Georgia limited liability company with its principal office or place of business at 3020 Trotters Parkway, Alpharetta, GA 30004. iSpring has engaged in the promotion or offering for sale of water filtration systems and parts to consumers internationally, throughout the United States, and in this District. iSpring advertises and sells its products primarily online, through its own website,

123filter.com, and through third-party websites, including, but not limited to, amazon.com, overstock.com, sears.com, and homedepot.com.

7. Zhuangyong Chen, a/k/a John Chen, is the owner and an officer of iSpring Water Systems, LLC. At all times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Corporate Defendant, including the acts and practices set forth in this Complaint. Defendant Chen resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

8. Pearl Cai, a/k/a Yunzhu Cai, is the Vice President of iSpring Water Systems, LLC. At all times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Corporate Defendant, including the acts and practices set forth in this Complaint. Defendant Cai resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

**COMMERCE**

9. At all times material to this Complaint, Defendants maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

**THE COMMISSION ORDER**

10. In a Commission proceeding bearing Docket No. C-4611, the Commission charged that Corporate Defendant engaged in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Specifically, the Commission charged that iSpring represented that its products, including, but not limited to, water filtration systems and parts, were all or virtually all made in the United States, even though, in many instances, iSpring’s products were wholly imported. In other instances, iSpring sourced significant inputs to its products from overseas.

11. The parties agreed to settle, and the Commission issued the Commission Order. The Commission Order was served on iSpring, became final in April 2017, and remains in effect.

12. Under the Commission Order, Part I states:

**I.**  
**PROHIBITED MISREPRESENTATIONS**

**IT IS ORDERED** that [iSpring], and [iSpring]’s officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any water filtration system or associated parts and accessories, or any other product or service, must not make any representation, expressly or by implication, that a product or service is Made in the United States unless:

- A. The final assembly or processing of the product occurs in the United States, all significant processing that goes into the product occurs in the United States, and all or virtually all ingredients or components of the product are made and sourced in the United States; or
- B. A Clear and Conspicuous qualification appears immediately adjacent to the representation that accurately conveys the extent to which the product contains foreign parts, ingredients, and/or processing.

*See* Commission Order, Part I.

13. The Commission Order defines “Made in USA” to mean “any representation, express or implied, that a product or service, or a specified component thereof, is of U.S.-origin, including, but not limited to, a representation that such product or service is “made,” “manufactured,” “built,” or “produced” in the United States, or any other U.S.-origin claim.”

*See* Commission Order, Definition B.

14. The Commission Order defines “Clear(ly) and Conspicuous(ly)” to mean:

[T]hat a required disclosure is difficult to miss (i.e., easily noticeable) and easily understandable by ordinary consumers, including in all of the following ways:

- a. In any communication that is solely visual or solely audible, the disclosure must be made through the same means through which the communication is presented. In any communication made through both visual and audible means, such as a television advertisement, the disclosure must be presented simultaneously in both the visual and audible portions of the communication even if the representation requiring the disclosure (“triggering representation”) is made through only one means.
- b. A visual disclosure, by its size, contrast, location, the length of time it appears, and other characteristics, must stand out from any accompanying text or other visual elements so that it is easily noticed, read, and understood.
- c. An audible disclosure, including by telephone or streaming video, must be delivered in a volume, speed, and cadence sufficient for ordinary consumers to easily hear and understand it.
- d. In any communication using an interactive electronic medium, such as the Internet or software, the disclosure must be unavoidable.
- e. On a product label, the disclosure must be presented on the principal display panel.
- f. The disclosure must use diction and syntax understandable to ordinary consumers and must appear in each language in which the triggering representation appears.
- g. The disclosure must comply with these requirements in each medium through which it is received, including all electronic devices and face-to-face communications.

- h. The disclosure must not be contradicted or mitigated by, or inconsistent with, anything else in the communication.
- i. When the representation or sales practice targets a specific audience, such as children, the elderly, or the terminally ill, “ordinary consumers” includes reasonable members of that group.

*See* Commission Order, Definition A.

### **DEFENDANTS’ CONDUCT**

15. At all times relevant to this Complaint, Defendants engaged in the promotion or offering for sale of water filtration systems and parts as iSpring Water Filtration Systems, LLC.

16. At all times relevant to this Complaint, Chen and Cai served as officers of the Corporate Defendant and formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Corporate Defendant.



**Defendants’ Notice of the Commission Order**

17. On December 15, 2016, Cai signed the Commission Order on behalf of iSpring as iSpring’s Vice President. On April 25, 2017, Cai acknowledged receipt of the final Commission Order on iSpring’s behalf.

18. Prior to signing the Commission Order, Cai confirmed the terms of the Commission Order with iSpring’s owner, Chen. During the course of the FTC’s compliance investigation, Chen was copied on the majority of emails discussing iSpring’s sales and alleged Commission Order violations.

**Defendants’ False and Deceptive “Made in USA” Claims**

19. On or about March 10, 2018, Defendants began to disseminate or cause to be disseminated advertisements and promotional materials for its water filtration products, including, but not necessarily limited to, the attached Exhibits B-D. These materials contain the following statements and images, among others:

A. “Designed and crafted in USA” (Exhibit B);

B.  (Exhibit C);

C.  (Exhibit D).

20. Defendants' representations, as depicted in Exhibits B-D, are "Made in USA" claims under the terms of the Commission Order because they are "express or implied [representations] that a product or service, or a specified component thereof, is of U.S.-origin." *See* Commission Order, Definition B.

21. In numerous instances, the water filtration systems advertised in the promotional materials shown in Exhibits B-D were wholly imported, and Defendants did not rely upon a reasonable basis for their "Made in USA" claims.

### **VIOLATION OF COMMISSION ORDER**

22. In numerous instances, in connection with the promotion or offering for sale of their products, Defendants, directly or indirectly, made "Made in USA" claims for its products, as that term is defined in Definition B of the Commission Order.

23. Part I of the Commission Order states that the Corporate Defendant and its officers and employees with actual notice of the Commission Order should not make "Made in USA" claims unless: "[t]he final assembly or processing of the product occurs in the United States, all significant processing that goes into the product occurs in the United States, and all or virtually all ingredients or components of the product are made and sourced in the United States; or [a] Clear and Conspicuous qualification appears immediately adjacent to the representation

that accurately conveys the extent to which the product contains foreign parts, ingredients, and/or processing.” Commission Order Part I.

24. In truth and in fact, in numerous instances, Defendants made “Made in USA” claims for wholly imported products.

25. Therefore, the representations described in Paragraph 19 constitute misrepresentations in violation of Part I of the Commission Order.

### **COURT’S POWER TO GRANT RELIEF**

26. Each representation Defendants have made in violation of the Commission Order constitutes a separate violation for which Plaintiff may seek a civil penalty pursuant to Section 5(*l*) of the FTC Act, 15 U.S.C. § 45(*l*).

27. Section 5(*l*) of the FTC Act, 15 U.S.C. § 45(*l*), as modified by Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, 28 U.S.C. § 2461, and Section 1.98(c) of the FTC’s Rules of Practice, 16 C.F.R. § 1.98(c) (Feb. 14, 2019), directs that a defendant who violates an order of the Commission after it has become final, and while such order is in effect, “shall forfeit and pay to the United States a civil penalty of not more than [\$42,530] for each violation.”

28. Section 5(*l*) of the FTC Act, 15 U.S.C. § 45(*l*), also authorizes this Court to grant an “injunction and such other and further equitable relief” as it may deem appropriate in the enforcement of the Commission Order.

**PRAYER FOR RELIEF**

29. WHEREFORE, Plaintiff requests this Court, pursuant to 15 U.S.C. §45(l), and pursuant to the Court's own equitable powers:
- A. Enter judgment against Defendants and in favor of Plaintiff for violating the Commission Order as alleged in this Complaint;
  - B. Award Plaintiff monetary civil penalties from Defendants for each violation of the Commission Order;
  - C. Enter an injunction to prevent future violations by Defendants of the current Commission Order, or as it is subsequently modified by operation of law;
  - D. Award Plaintiff the costs of bringing the action, as well as such other and further relief as the Court may determine to be just and proper.

DATED: April 10, 2019

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