

'Biggest Loser' Resort Developer Says JV Partner Hid Info

By Vin Gurrieri

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Law360, New York (September 17, 2013, 3:26 PM ET) -- Fitness resort operator Transformative Sciences LLC on Friday sued its partner in a pair of health resorts branded after the hit television show "The Biggest Loser" in California state court, saying it misrepresented information to induce its participation in the joint venture.

Transformative Sciences, which does business as Transformative Wellness Institute, sued Fitness Ridge LLC in Los Angeles Superior Court for breach of contract for its alleged conduct in the run-up to an agreement to open a pair of "Biggest Loser"-themed wellness resorts. Among its transgressions, Fitness Ridge allegedly lied about the weight-loss results of its previous clients, flouted nutritional program guidelines and didn't adhere to customer call center regulations.

"After executing all agreements in connection with the joint venture and being given access to Fitness Ridge's documents, it became clear that Fitness Ridge fraudulently induced Transformative Sciences to enter the joint venture and that its representations ... were untrue," the complaint said.

The joint venture, called Fitness Ridge Worldwide LLC, is named as a co-plaintiff in the suit. According to an agreement signed in February 2011, Transformative Sciences owns 85 percent of the joint venture with Fitness Ridge holding the remaining 15 percent.

Utah-based Fitness Ridge obtained an exclusive license in July 2009 from an [NBCUniversal Media LLC](#) subsidiary to operate and promote "The Biggest Loser Resorts" in Malibu, Calif., and Ivins, Utah. The resorts were designed to provide clients with a weight loss regimen that is tailored to meet their needs and improve their nutritional and dietary habits, according to the complaint.

Around 2010, Fitness Ridge approached Transformative Sciences offering to form a joint venture to open additional resorts elsewhere in the U.S. and Canada. The joint venture ultimately opened two new locations in Niagara, N.Y., and Chicago.

In an effort to convince Transformative Sciences to participate, Fitness Ridge allegedly misrepresented numerous aspects of its business operations.

Among the alleged misrepresentations were Fitness Ridge's claims that it had in place a structured workout regimen and lecture series based on scientific research and conducted by licensed professionals, the suit said. Transformative Sciences claims the lecture series was conducted by people lacking proper degrees and that they often spoke about a program that did not meet NBC's preapproved curriculum, the suit said.

The company also allegedly misrepresented the weight-loss results of clients in its California and Utah resorts.

"Fitness Ridge was completely disregarding many of the recommended nutrition and dietary approaches and curriculum recommended by the professionals on 'The Biggest Loser' and consultant medical doctors for NBC," the suit said. "Transformative Sciences was forced to spend enormous amounts of money developing and implementing these procedures."

Fitness Ridge also allegedly claimed that the company operated a call center that converted between 33 and 75 percent of promotional calls into customers, according to the suit. The numbers — which actually ranged from 6 to 14 percent — were "grossly overstated" and contributed to millions in lost revenue, Transformative Sciences said.

The call centers were also misrepresented as being Payment Card Industry compliant — a legal requirement that ensures customers' credit card information is maintained in a secure environment, according to court documents. The discovery that the call centers did not adequately protect customers' privacy forced Transformative Sciences to spend tens of thousands of dollars to implement PCI-compliant software, the suit said.

Fitness Ridge was also allegedly training its call center employees to steer prospective clients into staying at the California and Utah resorts — in which the joint venture had no financial interest — and ran an unapproved discount promotion on rates for those facilities, according to the suit.

Additionally, Fitness Ridge falsely claimed that it had in place "brand standards" that governed all aspects of the resorts — including an NBC-approved nutrition and dietary curriculum — and stiffed Transformative Sciences for about \$300,000 in marketing expenses, according to the suit.

"Fitness Ridge refused to provide any evidence or documentation supporting these representations, claiming that their contents were proprietary and trade secrets," the complaint said.

The suit seeks damages, pre- and post-judgment interest, and attorneys' fees.

Transformative Wellness Institute is represented by Michael A. Taitelman and Jonathan M. Genish of Freedman + Taitelman LLC.

Counsel information for Fitness Ridge is not immediately available.

The case is Transformative Sciences LLC et al. v. Fitness Ridge LLC et al., case number BC521337, in the Superior Court for the State of California, County of Los Angeles.

--Editing by Jeremy Barker.