

Complaint.

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FEDERAL TRADE COMMISSION

v.

HANCOCK KNITTING MILLS.

COMPLAINT IN THE MATTER OF THE ALLEGED VIOLATION OF SECTION 5
OF AN ACT OF CONGRESS APPROVED SEPTEMBER 26, 1914.

Docket 680—October 24, 1922.

SYLLABUS.

Where a corporation engaged in the manufacture and sale of hosiery in competition with concerns who either correctly branded, labeled and advertised their products with reference to composition or failed to brand, label and advertise the same at all in that respect; branded, labeled, advertised and sold hosiery composed entirely of mercerized cotton as "Silk Lisle," "Best Silk Lisle," and "Oriental Sylk"; thereby misleading a substantial part of the purchasing public with reference to the composition of said goods:

Held, That such branding, labeling, advertising and sales, under the circumstances set forth, constituted unfair methods of competition.

COMPLAINT.

The Federal Trade Commission, having reason to believe from a preliminary investigation made by it that the Hancock Knitting Mills, hereinafter referred to as the respondent, has been and is using unfair methods of competition in violation of the provisions of Section 5 of an Act of Congress approved September 26, 1914, entitled, "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," and it appearing that a proceeding by it in respect thereof would be to the interest of the public, issues this complaint, stating its charges in this respect on information and belief as follows:

PARAGRAPH 1. That the respondent is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal place of business in the City of Philadelphia in said State.

PAR. 2. That respondent is engaged in the business of manufacturing and selling hosiery at wholesale, and causes the commodities sold by it to be transported to the purchasers thereof, from the State of Pennsylvania, through and into other States of the United States, and in the conduct of such business is in direct, active competition with other persons, partnerships and corporations similarly engaged.

PAR. 3. That respondent, in the course of its business as described in paragraph 2 hereof, places on hosiery sold by it, made wholly of cotton, and upon the boxes in which such hosiery is eventually offered for sale by the retail dealers to the purchasing public, the

following, among other labels, viz.: "Silk Lisle," "Best Silk Lisle" and "Oriental Sylk," and upon hosiery made of cotton and wool in approximately equal parts, and upon the boxes in which such hosiery is eventually offered for sale by the retail dealers, to the purchasing public, the label "Men's Cashmere Half Hose," which labels are false and misleading and are calculated to and do mislead and deceive the purchasing public.

PAR. 4. That by reason of the facts recited, the respondent is using an unfair method of competition in commerce, within the intent and meaning of Section 5 of an Act of Congress entitled, "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER.

Pursuant to the provisions of an Act of Congress approved September 26, 1914, the Federal Trade Commission issued and served a complaint upon the respondent, Hancock Knitting Mills, charging it with the use of unfair methods of competition in commerce, in violation of the provisions of said Act.

The respondent having entered its appearance in its own proper person and filed its answer herein, admitting all the allegations of the complaint and each count and paragraph thereof, and having made, executed and filed an agreed statements of facts, in which it is stipulated and agreed by the respondent that the Federal Trade Commission shall take such agreed statement of facts as the facts in this case and in lieu of testimony, and proceed forthwith with such agreed statement of facts to make its findings as to the facts and such order as it may deem proper to enter therein without the introduction of testimony or the presentation of argument in support of same, and the Federal Trade Commission, having duly considered the record and being now fully advised in the premises, makes this its report stating its findings as to the facts and conclusion:

FINDINGS AS TO THE FACTS.

PARAGRAPH 1. That the respondent, Hancock Knitting Mills, is a corporation duly incorporated and doing business under and by virtue of the laws of the state of Pennsylvania, with its principal place of business in the City of Philadelphia, in said State.

PAR. 2. That the respondent is engaged in the business of manufacturing and selling at wholesale, in the state of Pennsylvania and in other states of the United States, hosiery, and in causing same to be shipped and transported from the state of Pennsylvania through

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and into other states of the United States pursuant to such sales, in competition with other corporations, copartnerships and individuals engaged in similar commerce between and among the states of the United States, and that there has been and is continuously a current of trade to and from the said respondent in said hosiery among and between the states of the United States.

PAR. 3. That prior to April 1, 1920, the respondent in the conduct of its business as described in paragraph two above, sold and shipped hosiery, made entirely of mercerized cotton, which it labeled, advertised and branded, and in packages or containers which it labeled, advertised and branded "Silk Lisle"; that dealers purchasing this hosiery from respondent or from respondent's customers, labeled, advertised and branded, or in packages or containers labeled, advertised and branded as aforesaid, offer and sell it so labeled, advertised and branded to the general purchasing public. That neither the said hosiery nor the packages containing it were labeled, advertised or branded with any other word or words to indicate the character, kind or grade of material entering into the manufacture of said hosiery.

PAR. 4. That prior to April 1, 1920, the respondent in the conduct of its business as described in paragraph two above, sold and shipped hosiery, made entirely of mercerized cotton, which it labeled, advertised and branded, and in packages or containers which it labeled, advertised and branded "Best Silk Lisle." That dealers purchasing this hosiery from respondent or from respondent's customers, labeled, advertised and branded, or in packages advertised and branded as aforesaid, offer and sell it so labeled, advertised and branded to the general purchasing public. That neither the said hosiery nor the packages containing it were labeled, advertised or branded with any other word or words descriptive of the character, kind or grade of material entering into the manufacture of said hosiery.

PAR. 5. That prior to April 1, 1920, the respondent in the conduct of its business as described in paragraph two above, sold and shipped hosiery, made entirely of mercerized cotton, which it labeled, advertised and branded, and in packages or containers which it labeled, advertised and branded "Oriental Sylk." That dealers purchasing this hosiery from respondent or from respondent's customers, labeled, advertised and branded, or in packages or containers labeled, advertised and branded as aforesaid, offer and sell it so labeled, advertised and branded to the general purchasing public. That neither the said hosiery nor the packages containing it were labeled, advertised or branded with any other word or words descriptive of the character, kind or grade of material entering into the manufacture of said hosiery.

PAR. 6. That the terms "Silk Lisle" and "Best Silk Lisle," when applied to hosiery without any other word or words descriptive of the kind or grade of materials, signify and are understood by a substantial part of the purchasing public to mean hosiery which contains some proportion of true silk. That the term "Oriental Sylk," when applied to hosiery without any other word or words descriptive of the kind or grade of materials, signifies and is understood by a substantial part of the purchasing public to mean hosiery which contains material derived from the cocoon of the silk worm.

PAR. 7. That many of respondent's competitors in the selling of hosiery are engaged in interstate commerce, selling and shipping their goods from one state into another. That many such competitors have sold and shipped and now sell and ship, in said commerce between states, hosiery which is made entirely of silk, which hosiery and the packages or containers of which are labeled, advertised and branded "Silk"; that a number of such competitors have sold and shipped and now sell and ship in commerce between the states, hosiery, which hosiery is made entirely of twisted cotton yarns, which hosiery and the packages or containers of which are labeled, advertised, and branded "Lisle."

PAR. 8. That a number of respondent's competitors, engaged in interstate commerce as aforesaid, have sold and shipped and now sell and ship, hosiery, which is made entirely of cotton or mercerized cotton and containing no silk, which hosiery and the packages or containers of which are labeled, advertised and branded with no other word or words descriptive of the material except "Cotton" or "Mercerized Cotton," or are labeled, advertised and branded with no word or words descriptive of the material. That a number of respondent's competitors in interstate commerce as aforesaid have sold and are now selling and shipping hosiery which is made of a mixture of silk and cotton, which hosiery and the packages or containers of which are labeled, advertised and branded with the words "Silk and Cotton," or with no word or words descriptive of the materials.

PAR. 9. The labels or brands under which respondent sells, advertises and ships hosiery, as set forth in the foregoing findings, tend to and do mislead and deceive a substantial part of the purchasing public as to the composition of materials of said hosiery; said labels or brands as so used by respondent cause said hosiery to compete unfairly with goods of its competitors in interstate commerce, who, as set forth in paragraphs 7 and 8 above, sell hosiery made entirely of silk or lisle; or hosiery made wholly or in part of other materials than those named, and labeled or branded so as to indicate the true

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composition thereof, or not labeled or branded by any words descriptive of the composition thereof.

CONCLUSION.

The practices of the said respondent, under the conditions and circumstances described in the foregoing findings, are unfair methods of competition in interstate commerce, and constitute a violation of the Act of Congress approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

ORDER TO CEASE AND DESIST.

This proceeding having been heard by the Federal Trade Commission, upon the complaint of the Commission, the answer of the respondent, and the statement of facts agreed upon by the respondent and counsel for the Commission, and the Commission having made its findings as to the facts with its conclusion, that the respondent has violated the provisions of the Act of Congress approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes,"

It is now ordered, That the Respondent, Hancock Knitting Mills, its officers, agents, representatives, servants and employees, cease and desist from directly or indirectly using as labels or brands on hosiery sold by it, or on the containers thereof, or in advertisements thereof, the words "Silk," or "Sylk," or any modification thereof, (1) unless the hosiery on which it is used is made entirely of the silk of the silk worm, or (2) unless where the hosiery is made partly of silk it is accompanied by a word or words aptly and truthfully describing the other material or materials of which such hosiery is in part composed.

Respondent is further ordered, To file a report in writing with the Commission sixty (60) days from notice hereof, stating in detail the manner in which this order has been complied with and conformed to.

The Commission also made similar findings and order as of October 24, 1922, in the case of Fidelity Knitting Mills (of Philadelphia, Pa., Docket 681), in which the facts involved appear to have been identical or substantially identical with those in the preceding case.

MOORE & FISHER.

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