

Complaint.

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FEDERAL TRADE COMMISSION

v.

F. B. DUNN ET AL.

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

Docket 742—November 26, 1923.

SYLLABUS.

Where certain individuals engaged in the sale of shares in an oil company organized by some of them; in promoting the sale of said shares represented in pamphlets, circulars, letters, and other advertising matter that wells of the company were producing 1,400 barrels of oil daily, that the income therefrom was piling up a dividend account, and that the company was paying dividends quarterly at the rate of 24 per cent annually out of actual oil production; the fact being that production from said wells amounted to less than 50 barrels per day, and the company had no earnings sufficient for dividends, or income from any source other than from the sale of stock, out of which to pay dividends, and was actually insolvent; with the result that the public, or a substantial portion thereof, was misled and deceived into the purchase of a large portion of said oil company's shares:

Held, That such false and misleading advertising, under the circumstances set forth, constituted an unfair method of competition.

Mr. James M. Brinson for the Commission.

Mr. Horace P. Babson of Dallas, Texas, for respondents R. T. Harris, L. G. Wright, S. H. Miles and J. H. Darby.

Mr. O. F. Winkler of Dallas, Texas, for respondent T. E. Lester.

COMPLAINT.

The Federal Trade Commission, having reason to believe from a preliminary investigation made by it that F. B. Dunn, R. T. Harris, L. G. Wright, T. E. Lester, S. H. Miles, George F. Barton, F. L. McCoy, and J. H. Darby, hereinafter referred to as the respondents, have been and are 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 respondents, F. B. Dunn and R. T. Harris, on September 15, 1919, organized the Congressional Oil Company under a declaration of trust, which was recorded in deed records of Wichita County, Texas, which association had an authorized capital stock of \$2,000,000, divided into 20,000,000 shares of the par value of ten cents each; that the respondents, L. G. Wright and T. E. Lester and S. H. Miles, thereafter became trustees of such association; that immediately after the organization of the Congressional Oil Company it entered into a contract with the respondent, F. B. Dunn, who was operating under the name and style of the Congressional Sales Company, whereby said F. B. Dunn, operating as the Congressional Sales Company, was made the exclusive agent for the sale of 10,000,000 shares of the treasury stock of the Congressional Oil Company upon the basis of a commission of 50 per cent of the proceeds of the sale of such stock, and the balance of the stock of the company was issued to the respondent, R. T. Harris, in consideration of the transfer to the association of certain oil and gas leases, and the terms of this contract were subsequently changed so that said Harris received for said leases, so transferred to the company, 3,500,000 shares of the company's stock and its note for \$275,000, which note was subsequently paid out of the proceeds of the sale of treasury stock to the public; that also on September 15, 1919, the respondents, R. T. Harris, F. L. McCoy and J. H. Darby organized the Wichita Trust Company, under a declaration of trust recorded in the deed records of Wichita County, Texas, with authorized capital stock of \$10,000, which thereafter purported to act as the fiscal agent for the Congressional Oil Company, but had no assets and engaged in no other business; that the respondent, George F. Barton, individually and operating under the name and style of Oil Investors Syndicate, directed the sale of the stock of the Congressional Oil Company for the Congressional Sales Company and for the respondent, R. T. Harris, and his assignees, and prepared all the advertising matter used by brokers and sub-agents in the sale of the stock in various States of the United States.

PAR. 2. That from September 19, 1919, to May, 1920, the respondents, each acting in their respective capacities as set out in paragraph 1 hereof, caused the stock of the Congressional Oil Company to be sold to the general public in various States of the United States, upon mail orders or through agents upon commission, in direct, active competition with other corporations and joint stock associations similarly engaged, and respondents caused the certificates of such stock when sold, to be transported to purchasers thereof

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from the State of Texas through and into other States of the United States.

PAR. 3. That in the sale of the stock of the Congressional Oil Company, as described in paragraph 2 hereof, and as an inducement to purchasers and prospective purchasers to purchase such stock, respondents made use of pamphlets, circulars, circular letters, and other advertising matter which contained numerous false and misleading statements of and concerning the Congressional Oil Company and its properties and holdings, and caused such advertising matter to be transported from the State of Texas through and into other States of the United States to prospective purchasers and agents of respondents to be used by them in the sale of such stock; that among the false and misleading statements contained in such advertising matter, as aforesaid, were statements to the effect that the company's wells, Nos. 1 and 2, were each producing 1,400 barrels of oil per day, which was many times greater than their actual production; that three other wells were being drilled at depths ranging from 200 to 1,200 feet, and a sixth well would soon be started, whereas no such wells were being drilled or in contemplation; the acreage of oil leases controlled by the company was also misrepresented and overstated, and various other statements of equally false and misleading character were made of and concerning the property and affairs of the company; that such advertising matter was calculated to and did mislead and deceive those who were induced to purchase said stock.

PAR. 4. That in the advertising matter used by the respondents in the sale of stock, as hereinbefore set out, repeated references were made to the Wichita Trust Company in such a manner as to create the false impression that it was a going concern actively engaged in a banking and trust company business, and the fact that it was a dummy organization without financial responsibility and controlled by the promoters of the Congressional Oil Company was concealed by respondents; and statements were made in such advertising matter to the effect that the project and operating methods of the Congressional Oil Company had been "Investigated—approved—recommended," by said Wichita Trust Company; purchasers of stock were further deceived and defrauded by the failure of the respondents to disclose in such advertising matter the relations existing between the Congressional Oil Company and the Congressional Sales Company, and that the sales company was a mere device for the furtherance of the fraudulent schemes of promoters of the Congressional Oil Company.

PAR. 5. That as a means of enhancing the sale of stock of the Congressional Oil Company, respondents on January 1, 1920, had a dividend of six per cent declared upon the stock issued and outstanding, which dividend was paid in the main out of the capital of the association, for its earnings up to that time were not sufficient to warrant the payment of such dividend or any dividend, but immediately upon the payment of such dividend the advertising matter used by respondents in the further sale of the stock made mention of the fact that the company in its first 3 months of operation had paid a dividend of 6 per cent, or at the rate of two per cent per month, or twenty-four per cent per year, which statement materially aided respondents in the further sale of the stock.

PAR. 6. That in the organization of the Congressional Oil Company, none of the respondents contributed any cash, or bought any stock in the company for cash, but said company was simply used as a device to enable the respondent, R. T. Harris, to unload on the company certain oil leases owned by him, at greatly excessive and fictitious prices and at prices greatly in excess of their fair value, if they had any value, and to receive in payment therefor the proceeds of the sale of the stock of the company, after certain of the other respondents had deducted 50 per cent of the proceeds of the sale of such stock as their commission on such sale; that the entire proceeds of the sale of the first 5,500,000 shares sold at par went to the respondent, Harris, in partial payment for the oil leases transferred by him to the company, which leases were of doubtful value, or of no value; that in addition to this payment in cash, said Harris also had issued to him 3,500,000 shares of the stock of the company, which he proceeded to sell to the public at par, through the respondents Dunn and Barton.

PAR. 7. That by reason of the facts recited, the respondents are 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 respondents, F. B. Dunn, R. T. Harris, L. G. Wright, T. E. Lester, S. H. Miles, Geo. F. Barton, F. L. McCoy and J. H. Darby, charging them with unfair methods of competition in commerce in violation of the provisions of said act. The respond-

ents, with the exception of T. E. Lester and S. H. Miles filed answers, after which, hearing was had and evidence introduced in support of the complaint, before an examiner of the Commission theretofore duly appointed, whereupon the case was closed and the testimony so taken was reduced to writing and filed in the office of the Federal Trade Commission.

And thereupon this proceeding came on for final hearing and counsel for the Commission having submitted brief, the respondents having failed to file briefs within the time prescribed or at all or to apply, for an extension of time for briefs, or for oral argument, and the Commission having duly considered the record and now being fully advised in the premises, and being of the opinion that the methods of competition in question are prohibited by said act, makes this its findings as to the facts and conclusions:

PARAGRAPH 1. The respondents, F. B. Dunn and R. T. Harris, on September 15, 1919, organized under a declaration of trust, the Congressional Oil Company, with an authorized capital stock of \$2,000,000 divided into 20,000,000 shares of the par value of 10 cents each. Immediately thereafter respondents, R. T. Harris, F. B. Dunn and George F. Barton, entered into an arrangement for the sale of 10,000,000 shares of the treasury stock of the Congressional Oil Company, and the said F. B. Dunn, operating under the name and style of the Congressional Sales Company and respondent George F. Barton operating under the name and style of the Oil Investor's Syndicate, and at all times with knowledge, consent and cooperation of respondent R. T. Harris, caused the stock of the said Congressional Oil Company to be sold in the various States of the United States, upon mail orders or through agents in direct and active competition with other persons, partnerships, and corporations, engaged in the sale and distribution of stocks and securities, and caused the certificates of such stock to be transported to purchasers thereof, from the State of Texas, through and into various other States of the United States.

PAR. 2. Respondents sold and offered for sale the stock of the Congressional Oil Company, by means of pamphlets, circulars, letters, and other advertising matter which were distributed among the agents of respondents and among purchasers and prospective purchasers of stock in the various States and Territories of the United States by mail and otherwise. These pamphlets, circulars and other advertising matter contained the following false and misleading representations: First, that the Congressional Oil Company had two wells that were daily producing 1,400 barrels of oil; Second, that an income from these two wells was piling up a divi-

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dend account and that the Congressional Oil Company was paying dividends quarterly at the rate of 24% annually out of an actual oil production, whereas, in truth and fact the production of the Congressional Oil Company during the period when such representations were made to the public as an inducement to purchase said stock, amounted to less than 50 barrels of oil per day, and the Congressional Oil Company had no earnings sufficient for dividends as advertised and otherwise, nor money from any source with which to pay them or any of them except that received from the sale of its stock. This company was actually insolvent during the entire period when the public was induced by respondents to buy its stock by means of the aforesaid false and misleading misrepresentations.

PAR. 3. The false representations mentioned and each of them in paragraph 2 that the Congressional Oil Company had two wells producing 1,400 barrels of oil daily and that the company was paying dividends quarterly at the rate of 24% annually, out of an actual oil production, had the capacity to mislead and deceive and did mislead and deceive the public or a substantial portion thereof into the purchase of approximately 19,000,000 shares of its stock.

PAR. 4. Respondents, L. G. Wright, T. E. Lester, S. H. Miles, F. L. McCoy and J. H. Darby had no connection with the advertisement or sale of the stock in the Congressional Oil Company or any of it and neither participated in nor were directly or indirectly connected with, or responsible for, any of the false and misleading representations heretofore mentioned.

CONCLUSION.

That the practices of the respondents, F. B. Dunn, R. T. Harris and George F. Barton, under the conditions and circumstances described in the foregoing findings of facts are unfair methods of competition in 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 and the answers of respondents, F. B. Dunn, R. T. Harris, L. G. Wright, Geo. F. Barton, F. L. McCoy and J. H. Darby; respondents T. E. Lester and S. H. Miles having failed to answer, although appearing by counsel, and brief of the attorney for the Commission, counsel for respondents

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having failed to submit brief, and the Commission having made its findings as to the facts, with its conclusion that the respondents have 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 respondents, F. B. Dunn, R. T. Harris and Geo. F. Barton and their agents do cease and desist from directly or indirectly—

Publishing, circulating, or distributing or causing to be published, circulated, or distributed, any magazine, newspaper, pamphlet, circular, letter, advertisement or any other printed or written matter whatsoever in connection with the sale or offering for sale in interstate commerce of stock or securities wherein is printed or set forth any false or misleading statements or representations to the effect that the property or operation of any corporation, association or partnership is in proven oil territory, or any other false or misleading statements or representations concerning the promotion, organization, character, history, resources, assets, oil production, earnings, income, dividends, progress or prospect of any corporation, association or partnership, and

That the proceeding be dismissed as to respondents L. G. Wright, T. E. Lester, S. H. Miles, F. L. McCoy and J. H. Darby, and

It is further ordered, That said respondents, F. B. Dunn, R. T. Harris and Geo. F. Barton, shall within forty (40) days from the date of service of this order, file with the Commission a report setting forth in detail the manner and form in which they have complied with the order of the Commission herein set forth.

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FEDERAL TRADE COMMISSION

v.

GEORGE F. BARTON ET AL.

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

Docket 856—November 26, 1923.

SYLLABUS.

Where an individual engaged in the sale of oil shares in a "syndicate" organized by him; in promoting the sale of said shares through the agency of a brokerage company, under an agreement entered into with the owner thereof whereby such owner was to receive a part of the profits from the sale of said shares, with the knowledge and consent of such owner represented in letters, pamphlets, and other advertising matter that one lease of the syndicate was a proven lease consisting of a 300 acre tract situated in a specified so-called oil field in Texas, and that the syndicate was a dividend-paying oil investment, paying dividends at the rate of 2% a month, or 24% annually; the fact being that said lease was not a proven lease and that the syndicate had never paid a dividend or earned a profit from which a dividend could legitimately be paid; with the effect of misleading and deceiving the purchasing public:

Held, That such practices on the part of said individuals, under the circumstances set forth, constituted an unfair method of competition.

Mr. James M. Brinson for the Commission.

Mr. H. P. Babson of Ft. Worth, Texas, for respondent George F. Barton.

Mr. Rockwood Brown in his own behalf.

COMPLAINT.

The Federal Trade Commission having reason to believe, from a preliminary investigation made by it, that George F. Barton, Rockwood Brown, Charles N. Edwards, Claude A. Hargis and R. W. Watts, hereinafter referred to as respondents, have been and are 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 of interest to the public, issues this complaint, stating its charges in that respect on information and belief as follows:

PARAGRAPH 1. That the respondents, George F. Barton, Claude A. Hargis and R. W. Watts are residents of the State of Texas, having their offices and places of business in the city of Fort Worth, in said State; that the respondent Rockwood Brown is a resident of the

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State of Montana, having his residence and place of business in the city of Billings, in said State; that the respondent Charles N. Edwards is a resident of the State of Missouri, having his office and place of business in the city of Kansas City, in said State.

That on or about February 26, 1919, the respondent George F. Barton, in the equal interest of himself and that of the respondent Rockwood Brown, promoted and caused to be organized a voluntary, unincorporated association, known and called by him Consolidated Royalty & Leasing Syndicate, under a so-called declaration of trust, in which the respondent Charles N. Edwards was named as trustee, which declaration of trust declared, among other things, that the business of said Consolidated Royalty & Leasing Syndicate was the buying, selling and holding of oil properties, leases, lands or royalties, and to make a profit for its shareholders from the increased values resulting from the drilling of wells by others, and provided for a capitalization of \$500,000, divided into 500,000 shares of the par value of \$1.00 each.

That the respondent Claude A. Hargis succeeded the respondent Charles N. Edwards as trustee, under said declaration of trust, and at or about the same time, became President of said Consolidated Royalty & Leasing Syndicate; that the respondent R. L. Watts was, at all times, the secretary of said Syndicate; and that said respondents, in the sale of stock in said Consolidated Royalty & Leasing Syndicate, and in inducing and procuring subscriptions for such stock, and in distributing the same to the purchasers thereof and to subscribers therefor, each acted for himself and in conjunction with each other.

PAR. 2. That the respondents, on behalf of said Consolidated Royalty & Leasing Syndicate, and each on behalf of himself, and in conjunction with each other, and under the direction of the respondent George F. Barton, in the conduct of the business of promoting and organizing said Consolidated Royalty & Leasing Syndicate, and in advertising the sale of shares of stock therein, have procured subscriptions for stock and purchases of stock from divers persons, copartnerships and corporations in various States of the United States; that numerous letters and circulars and much advertising matter have been transported through the mails, and by other means, by and on behalf of said respondents, into and through the various States of the United States and the District of Columbia, to purchasers and prospective purchasers of such stock; that much of such stock of said Consolidated Royalty & Leasing Syndicate has been sold by said respondents and their agents to divers persons, copartnerships and corporations in various States of the United

States and the District of Columbia, and that the respondents have caused the shares of stock in said Consolidated Royalty and Leasing Syndicate so sold, to be transported from the cities of Fort Worth and Wichita Falls, in the State of Texas, and from various other places, to the purchasers thereof in other States than the State from which they were sent, in competition with other persons, co-partnerships and corporations engaged in the sale and distribution of stocks and securities.

PAR. 3. That immediately upon the organization of said company, as aforesaid, the respondents, each for himself and in conjunction with each other, and under the direction of respondents George F. Barton and Rockwood Brown, in the course of selling stock therein deceived and defrauded the public and particularly that part of the public who bought or contracted to buy stock in said Consolidated Royalty & Leasing Syndicate by causing or inducing such purchasers of stock and contractors for the purchase of stock to buy or contract to buy the same by means of false, unfair and misleading information, statements, reports and representations concerning the plan of organization, assets, resources, business, progress and prospects of said company and more particularly deceived and defrauded the public and that portion thereof who bought or contracted to buy stock in said company, as many did, relying on the truth of said information, statements, reports and representations, by representing, through advertisements and various other means, to the public and customers and prospective and possible customers; that Burkley Oil Company's well on Block 72, came in producing 2,000 barrels of oil per day; that Consolidated Royalty & Leasing Syndicate owned practically one-fourth of this production; that Consolidated Royalty & Leasing Syndicate was organized under the laws of Texas; that it was a royalty and leaseholding company formed on banking principles, offering an equal partnership basis of fair and square cooperation, assuring positive large income, with absolute safety; that it was on a dividend-paying basis; that it owned 300 acres in Iowa Park—Electra Fields, with a well thereon then about 800 feet deep, and that a contract was being made on a fifty-fifty basis, for the drilling of other wells; that there were twenty-one (21) producing wells in the immediate vicinity of said 300-acre tract, the most distant of which was not over one and one-fourth miles away; that it had a tract of forty (40) acres with six (6) producing wells fully equipped, delivering oil to a pipe line; that it owned Burkburnett and Ranger royalties and lease-holdings; that it was paying dividends of 24% annually; that then was the time to become a stockholder in this really big Texas Giant, a fully paid, non-assessable, dividend-paying oil investment; that it had a

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300-acre proven lease in Iowa Park Fields; that but a short time remained before the books closed for the coming dividend; that said Consolidated Royalty & Leasing Syndicate was paying dividends at the rate of 2% per month; that the Burkley Oil Company, at its annual meeting, had voted to drill up its whole lease; that the Burkley Oil Company's well, from which the Syndicate derived its income, had only succeeded in running a small amount of oil through the pipe line, and that as soon as their check was received from this run, it would be used in the payment of dividends; that the plan and policy of said Consolidated Royalty & Leasing Syndicate offered to its stockholders an equitable, undivided interest in several hundred leases scattered over the one hundred and nineteen (119) counties of Texas; that the Burkley well came in with an initial flow of 2,000 barrels, and that this well immediately put the Consolidated Royalty & Leasing Syndicate in the dividend-earning class; that a contract had been let to drill a well on the big Iowa lease, without cost to the Syndicate; that the office of the Consolidated Royalty & Leasing Syndicate was literally swamped with orders and telegraphic reservations for its stock; that said Syndicate had something like 300 salesmen and nearly 200 brokers working out of its office; that its royalties pay monthly incomes from pipeline companies direct; that there was no personal liability to stockholders; that the purchasers of stock in the Consolidated Royalty & Leasing Syndicate became the owners of a pro rata interest in real, tangible assets; that proceeds of the sale of stock all went to buy royalties and leaseholding interests; that it was a chartered provision in the organization of said Syndicate that 50% of all profits derived from incomes from royalties, production of oil, or sale of royalties or leases, must be paid to the stockholders; that the funds derived from the sale of stock, dollar for dollar, were invested and reinvested in additional leases and royalties, except for minor office expenses, printing and advertising; that the stock of Consolidated Royalty & Leasing Syndicate offered conservative investors an assured income from its positive plan of organization and guaranteed dividends; that said Syndicate owned royalty interests in the following oil districts of Texas: Beaumont, Sour Lake, San Padre, Joaquin, Caddo, Corsicana, Knowles, three in the Ranger district, two in Burkburnett, one in Bangs and one in Brownwood; and that it had the following holdings, viz., two holdings in Burkburnett and one hold each in Archer, Baylor and Comanche counties; that it was not a stock-selling company of the usual promotion type; that the 300-acre tract of the Consolidated Royalty & Leasing Syndicate was surrounded by production; that its funds were invested in royalty rights to producing, profit-paying

oil properties, and that these royalties were purchased on the known amount of production; that the Syndicate's profit income was assured.

Whereas, in truth and in fact, Burkley Oil Company's well on Block 72 did not come in producing 2,000 barrels of oil per day, or any other amount of oil daily in excess of about five barrels; that Consolidated Royalty & Leasing Syndicate was not organized under the laws of Texas, but was a voluntary, unincorporated association, organized as hereinbefore set forth; that it was not formed on banking principles, but was, in fact, purely a stock-selling scheme with no assets of any value; that it did not assure positive large incomes, nor any income whatever; that said Consolidated Royalty & Leasing Syndicate was never, at any time, on a dividend-paying basis, and never declared or paid a dividend, and never had an oil well on the 300-acre tract in Iowa Park—Electra Fields, or elsewhere; and that no contract for the drilling of other wells on a fifty-fifty basis, or any other basis, was ever made, or was ever in the process of being made; that there never were 21 producing wells, or any producing wells in the immediate vicinity of said 300-acre tract in Iowa Park; that it did not own a tract of forty acres, with six producing wells, or any producing wells, fully equipped, or otherwise, delivering oil to a pipe line; that it never, at any time, owned royalty interests or leaseholds in the Ranger oil field, and its only holding or interest in or near Burkburnett was its wholly worthless royalty interest in Burkley Oil Company's well No. 1; that it did not pay dividends of 24% annually, or any dividends at all; that it never was a big Texas Giant, or any other kind of a giant, in the sense that an investment in its stock was a dividend-paying oil investment; that its lease in Iowa Park was not a proven lease in the sense that it was an oil-producing territory; that it was not about to close its books for a coming dividend, and no dividend was ever declared or paid, and no income from which a dividend could be paid was ever received by said Consolidated Royalty & Leasing Syndicate; that said Syndicate was not paying dividends at the rate of 2% monthly, or at any other rate; that the Burkley Oil Company did not, at its annual meeting, or at any other time, vote to drill up its whole lease, or any portion thereof; that said Syndicate did not, at any time, derive an income from Burkley Oil Company's well, for the reason that said well did not produce sufficient oil to pay operating expenses; that in fact, all of the stock issued by said Consolidated Royalty & Leasing Syndicate, and sold by the respondents herein, was strictly promotion stock, issued to the respondents, George F. Barton and Rockwood Brown; that the plan and policy of said Consolidated Royalty & Leasing Syndicate

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did not offer to its stockholders an equitable, undivided interest, or any interest, in several hundred, or any other number of leases scattered over the 119 counties of Texas, or any counties of Texas, or elsewhere; that the Burkley Oil Well did not come in with an initial flow of 2,000 barrels, or any flow in excess of about five barrels per day, and it did not, either immediately, or at any time, put the Consolidated Royalty & Leasing Syndicate in the dividend-earning class; that the office of said Consolidated Royalty & Leasing Syndicate was never at any time literally swamped, or swamped in any sense, with orders and telegraphic reservations for stock, and never at any time received orders or telegraphic reservations for stock in excess of about \$8,000.00; that it never, at any time, had something like 300 salesmen, or any number of salesmen, nor nearly 200 brokers, nor any brokers, working out of its office, but, on the contrary, the sale of the stock in said Syndicate was conducted exclusively by the respondents herein; that its royalties did not pay a monthly, or any, income from pipe-line companies direct; that, in fact, it had no income from pipe-line companies, or from any other source; that its stockholders, under the laws of Texas, were and are copartners, and each stockholder was and is individually liable for the debts of said Syndicate; that said Consolidated Royalty & Leasing Syndicate had no real, tangible assets, and therefore, the purchasers of stock therein did not become owners of a pro rata, or any other, interest in such assets; that the proceeds of the sale of stock in said Syndicate did not go, and no part of such proceeds went, to buy royalties or leaseholding interests, but, on the contrary, the proceeds of the sale of the stock in said Syndicate which was in fact sold, were received and retained by the respondents, George F. Barton and Rockwood Brown to their own use; that it was not a chartered provision in the organization of said Consolidated Royalty & Leasing Syndicate that 50% of all profits derived from the income from royalties, production of oil or sales of royalties or leases, or any profit, derived from any source, must be paid to the stockholders; that said Syndicate was not incorporated, and never had a charter, but was a voluntary association, as hereinbefore set forth; that the funds derived from the sales of stock were not invested, or reinvested in additional leases and royalties, or any leases or royalties, but all such funds were retained by said respondents, George F. Barton and Rockwood Brown, as aforesaid, and that said Consolidated Royalty & Leasing Syndicate did not offer conservative investors, or any investors, an assured, or any income whatever; that it had no guaranteed or any dividends, and its stock was wholly worthless; that said Syndicate had no royalty or other interest in either or any of the following counties or oil districts of

Texas: Beaumont, Sour Lake, San Padre, Joaquin, Caddo, Corsicana, Knowles, Bangs, Ranger and Brownwood, and had but one royalty interest in or near the Burkburnett field, viz., Burkley Oil Company's well No. 1, which royalty interest was wholly valueless; that it had no leaseholdings in the Burkburnett oil field, and its holdings in Baylor, Archer and Comanche Counties, and each of them, were of no value as oil producing properties; that the 300 acre tract referred to in said advertisement and circulars was not surrounded by oil production, and no wells producing oil were at any time located in its immediate vicinity; that it did not have, and never had any funds for such investments or any investment; that said Syndicate never had any assured profit income, or any income.

PAR. 4. That in the course of the organization of said Consolidated Royalty & Leasing Syndicate as aforesaid, the respondents George F. Barton and Rockwood Brown, with the consent of the respondents Charles N. Edwards and Claude A. Hargis, as trustees under said declaration of trust, and as individuals, received and retained to their own use, of the authorized capital stock of said Consolidated Royalty & Leasing Syndicate, 315,000 shares of the par value of \$315,000.00, in consideration of the transfer to said Syndicate, by said respondents, George F. Barton and Rockwood Brown, of certain royalty rights and leases of property, which stock so received and retained by said respondents, George F. Barton and Rockwood Brown, it was understood and agreed by the respondents should be sold in preference to any treasury stock unissued by said Syndicate; that with the effect of deceiving and misleading the public into the belief that the shares of stock offered for sale and sold by said respondents and their agents and associates were shares of treasury stock of said Consolidated Royalty & Leasing Syndicate, and that the moneys arising from such sales belonged to said Syndicate, and would be used solely for the purpose of purchasing royalty rights and oil leases, and for the purpose of enabling the respondents, George F. Barton and Rockwood Brown, to unload upon the public the said 315,000 shares of said stock so retained by them, said respondents, each for himself, and in conjunction with each other, and under the control and direction of said respondents, George F. Barton and Rockwood Brown, advertised and circulated false statements, false information and false advertisements, to the effect that there was no promotion or bonus stock issued by said Syndicate; that not one dollar of promotion stock would be issued to any one; that the stock of said Syndicate would be sold for cash or in payment of leases, royalties or oil lands at cash prices; that \$500,000.00 annually was a conservative estimate of the Burkley royalty; that the combined proceeds of stock sales or exchanges of the Syndicate

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were being used for but one purpose—the purchase of royalty rights and oil lands or leases for Syndicate members; that said Consolidated Royalty & Leasing Syndicate was not a stock-selling company of the usual promotion type; that every stockholder came into the Syndicate on an equal footing, each paying cash—and paying par—for his or her stock; that the funds of said Syndicate were invested in royalty rights to producing, profit-paying oil properties; that not a cent of money received for stock would go for promotion; that money invested in the stock of said Consolidated Royalty & Leasing Syndicate all went to buy royalties and leaseholding interests; that every dollar invested in the stock of said Syndicate shares alike; that the entire capitalization of said Syndicate was intact, and would remain so.

Whereas, in truth and in fact, the only stock issued by said Consolidated Royalty & Leasing Syndicate was promotion stock; that the stock in said Syndicate was not sold for cash or issued in payment of leases, royalties or oil lands at cash prices, but in fact, all of the stock of said Syndicate was issued to the promoters thereof for the transfer to it of certain royalty rights and oil leases which were, in fact, worthless and of no cash, or other, value as oil producing or income producing properties; that \$500,000.00 annually was not a conservative estimate, or any honest estimate of the value of the Burkley royalty, but such estimate was grossly exaggerated and untrue, and said Burkley royalty was, in fact, worthless; that the Burkley Oil Company's oil well in which said Syndicate owned said royalty interest, never produced sufficient oil to pay operating expenses, and was wrecked and abandoned by its owners; that the combined proceeds of sales of stock or exchanges to said Syndicate, were not, and neither such proceeds of sales, nor exchanges were used for the purpose of purchasing royalty rights and oil lands or leases for Syndicate members, or any of such rights or interests, but, on the contrary, the proceeds of sale of all such stock was retained by said respondents, George F. Barton and Rockwood Brown, for their own use; that said Syndicate was purely a stock-selling company of the usual promotion type; that the shareholders did not come into the Syndicate on an equal footing, and that each such shareholder did not pay cash, and pay par, for his or her stock, but, on the contrary, the entire issued stock of said company was acquired by the respondents, George F. Barton and Rockwood Brown, in exchange for worthless royalty rights and oil leases; that the funds of said Syndicate were not invested in royalty rights to producing, profit-paying oil properties, but, on the contrary, the only royalty rights ever owned or acquired, or in which said Syndicate ever had any interest, were wholly valueless; that none of the money invested

in the stock of said Consolidated Royalty & Leasing Syndicate was used to buy royalties and leasehold interests, or either or any such interests, but all of such money was retained by said respondents, George F. Barton and Rockwood Brown, as hereinbefore set forth; that the entire capitalization of said Syndicate was not intact, and did not remain so, but all of the issued stock of said Syndicate was, in fact, exchanged for worthless royalties and leaseholds—all of which statements, advertisements and representations the respondents knew to be false and misleading; and in addition to such false reports, false information, false advertising and false representations the said respondents concealed, and failed to disclose to the public the fact that said respondents, George F. Barton and Rockwood Brown, had received and retained to their own use said 315,000 shares of the stock of said Consolidated Royalty & Leasing Syndicate, and were selling the same to the public as treasury stock of said Syndicate; that as a result of the false and misleading statements, false representations, false advertisements and false information hereinbefore set forth, numerous persons, copartnerships and corporations, relying upon the same, bought stock and subscribed for stock in said Consolidated Royalty & Leasing Syndicate, to the injury of themselves and of respondents' competitors.

PAR. 5. That the respondents and each of them on behalf of himself and in conjunction with each other, and under the direction of the respondents, George F. Barton and Rockwood Brown, and in their behalf as well as in behalf of themselves, in the course of the promotion and organization of said Consolidated Royalty & Leasing Syndicate, and in the course of the sale of stock therein, in interstate commerce as aforesaid, made the false and misleading statements, false representations and false advertisements hereinbefore set forth, and made numerous other false and misleading statements and false representations concerning the plan of organization, assets, progress and prospects of said Consolidated Royalty & Leasing Syndicate, and caused the same to be published in various magazines and other publications, and to be transported through the mails and by other means to prospective purchasers of stock in said Syndicate, and by personal efforts and by the efforts of their agents, committed numerous other acts of like character, knowing their falsity and tendency to deceive the public.

PAR. 6. That by reason of the facts recited, the respondents are using unfair methods 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 respondents, George F. Barton, Rockwood Brown, Charles N. Edwards and R. W. Watts, charging them with the use of unfair methods of competition in commerce in violation of the provisions of said act. There was no service of a complaint on respondent Claude A. Hargis nor appearance by him in person or by counsel.

The respondents George F. Barton and Rockwood Brown, having entered appearance by their attorneys and respondents Charles N. Edwards, Claude A. Hargis and R. W. Watts, having failed to answer or appear either in person or by attorney and Rockwood Brown having filed his answer, hearing was had and evidence as to certain facts thereupon introduced in support of the complaint before an examiner of the Federal Trade Commission theretofore duly appointed, and a stipulation as to other facts having been made by and between the attorney for the Commission and the attorneys for Respondents George F. Barton and Rockwood Brown, subject to the approval of the Commission, the taking of testimony was closed, and the evidence including said stipulation reduced to writing and filed in the office of the Federal Trade Commission.

And thereupon this proceeding came on for final hearing and the 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. Respondent George F. Barton is a resident of the city of Los Angeles and State of California. Respondent Rockwood Brown is a resident of Billings and State of Montana. Respondent Charles N. Edwards is a resident of Kansas City and State of Missouri. Respondent R. W. Watts is a resident of Honolulu, in the Hawaiian Islands. The residence of respondent Claude A. Hargis is unknown.

PAR. 2. On or about February 26, 1919, respondent Charles N. Edwards caused to be organized, under a so-called declaration of trust, with himself as trustee, a voluntary, unincorporated association, called the Consolidated Royalty & Leasing Syndicate, having a capitalization of five hundred thousand shares of the par value of one dollar each with its principal office and place of business at Fort Worth, in the State of Texas. Thereafter, on or about July 10, 1919, respondent Rockwood Brown, sold and duly transferred to respondent George F. Barton certain so-called oil leases, for a

stipulated price of one hundred thousand dollars, who immediately thereupon transferred and assigned the same to the said Consolidated Royalty & Leasing Syndicate, and delivered to respondent Rockwood Brown 315,000 shares of the stock of said company as collateral security for payment of the said sum of one hundred thousand dollars. The instruments of transfer from respondent Rockwood Brown to respondent George F. Barton were duly filed for record while those by which the said respondent Barton conveyed said interests to the said Consolidated Royalty & Leasing Syndicate were never recorded.

PAR. 3. At the time of the transactions mentioned in paragraph 2, respondent George F. Barton was engaged in business in the city of Fort Worth, in the State of Texas, under the name and style of Barton Brokerage Company. When he transferred, as aforesaid, the certain leases acquired from respondent Rockwood Brown, to the said Consolidated Royalty & Leasing Syndicate, he entered into an agreement with respondent Charles N. Edwards, the trustee of said company, under and by virtue of which said respondent Edwards undertook to advertise and sell the stock of said company, using as the agency therefor said Barton Brokerage Company, direction of which was relinquished to him for such purpose, with the understanding that respondent George F. Barton should receive one-third of the profits derived from the sale of such stock, without any obligation to bear, or liability for, any expense connected therewith. Thereupon respondent, Charles N. Edwards and respondent Claude A. Hargis using the name and style, "Barton Brokerage Company" proceeded to procure subscriptions for and sell the stock of the said Consolidated Royalty & Leasing Syndicate, and did sell eight thousand shares thereof, to numerous persons, partnerships and corporations, residing in the various States and Territories of the United States, in direct competition with other persons, partnerships and corporations engaged in the sale/or distribution of stocks and securities, by circulating and distributing through the mail and otherwise among customers and prospective customers in such States and Territories, with the knowledge and consent of respondent George F. Barton, letters, pamphlets, and other advertising matter containing the following false and misleading statements and representations, to wit: That one lease of said Syndicate consisted of a 300-acre tract situated in the so-called Iowa Park Oil Field in Texas, which was a proven lease and that the Consolidated Royalty & Leasing Syndicate was a dividend paying oil investment, then paying dividends at the rate of 2 per cent per month, 24 per cent annually.

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In truth and fact the said lease was not a proven lease within the meaning of that term as employed by oil operators or understood by the public or at all and the Consolidated Royalty & Leasing Syndicate was not then paying, had never theretofore, and has never since, paid, a dividend in any sum whatever, or earned a profit from or out of which any dividend could be legitimately paid.

Respondent Rockwood Brown had no connection with the organization or promotion of the Consolidated Royalty & Leasing Syndicate, or the advertisement or sale of its stock or any of it and neither participated in, nor was directly or indirectly connected with or responsible for any of the representations hereinbefore mentioned.

PAR. 4. The representations mentioned in paragraph 3, that the Consolidated Royalty & Leasing Syndicate owned a proven lease in Iowa Park Oil Fields, and was a dividend paying oil investment, then paying dividends at the rate of two per cent per month, twenty-four per cent annually, were false as aforesaid, had the capacity to mislead and deceive, and the natural and probable tendency and effect of them and each of them was to mislead and deceive the purchasing public.

CONCLUSION.

That the practices of the respondents George F. Barton and Charles N. Edwards under the conditions and circumstances described in the foregoing findings of fact are unfair methods of competition in interstate commerce and constitute a violation of the provisions of Section 5 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 respondent Rockwood Brown, the testimony, together with a certain agreed statement of facts and brief of counsel for the Commission, respondents having failed to file briefs, and the Commission having made its findings as to the facts with its conclusion that the respondents George F. Barton and Charles N. Edwards have 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 respondents George F. Barton and Charles N. Edwards, individually and as officers, shareholders, agents or trustees of the Consolidated Royalty & Leasing Syndicate or as officers, agents or shareholders of any other corporation, asso-

ciation or partnership and their agents and representatives, do cease and desist from directly or indirectly—

1. Publishing, circulating or distributing, or causing to be published, circulated or distributed, any newspaper, pamphlet, circular letter, advertisement or any other printed or written matter whatsoever in connection with the sale or offering for sale in interstate commerce of stock or securities wherein is printed or set forth, any false or misleading statements or representations to the effect that the property or operation of any corporation, association or partnership is in proven oil territory, or any false or misleading statements or representations concerning the promotion, organization, character, history, resources, assets, oil production, earnings, income, dividends, progress or prospect of any corporation, association or partnership, and

2. *It is ordered*, That this proceeding against Rockwood Brown, R. W. Watts and Claude A. Hargis be dismissed.

3. *It is further ordered*, That the respondents George F. Barton and Charles N. Edwards shall within forty (40) days from the date of service of this order, file with the Commission a report setting forth in detail the manner and form in which they have complied with the order of the Commission herein set forth.

FEDERAL TRADE COMMISSION

v.

TURNER & PORTER, INC.

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

Docket 965—December 7, 1923.

SYLLABUS.

Where a corporation engaged in the manufacture of business and social stationery through the use of a process which involved the application to type printing while still wet, of a chemical, and heat, and resulted in a raised letter effect closely resembling the more durable results produced by engraving, and in the sale of such stationery,

- (a) Designated the same in its advertisements and in its business generally as "Relief-Engraving," with the capacity and tendency to deceive the public and with the effect of causing a portion thereof to purchase its products as and for genuine engraved stationery; and
- (b) Falsely claimed that the aforesaid term had been registered in United States and Canada as its trade-mark:

Held, That such practices, under the circumstances set forth, constituted unfair methods of competition.

Mr. William C. Reeves for the Commission.

Mr. Willard H. Ticknor, of Buffalo, N. Y., for respondent.

COMPLAINT.

Acting in the public interest, pursuant to the provisions 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," the Federal Trade Commission charges that Turner & Porter, Inc., hereinafter referred to as respondent, has been and is using unfair methods of competition in interstate commerce, in violation of the provisions of Section 5 of said Act, and states its charges in that respect as follows:

PARAGRAPH 1. Respondent is a corporation organized under the laws of the State of New York, with principal place of business at Buffalo, in said State. Respondent is engaged in the business of manufacturing and selling business and social stationery, including business cards, letter heads, invitations, announcements, calling cards, etc., and causes stationery produced and sold by it to be transported to the purchasers thereof, from the State of New York, through and into other States of the United States. In the course and conduct of its said business respondent continuously has been,

and is now, in competition with other persons, partnerships and corporations similarly engaged in commerce among the States of the United States.

PAR. 2. Respondent, in the course of its business as described in paragraph 1 hereof, produces stationery by a process which it designates as "Relief-Engraving," although such process is not engraving, and in no way includes the process of producing an impression on such stationery from engraved plates: That the stationery sold by respondent is produced upon a type press from ordinary type face, and, while the ink is still wet, a chemical in powder form is applied, so that it will adhere to the wet ink, and the stationery is then passed through a baking process in which the heat causes the chemical to fuse and present a raised letter effect, which causes stationery so produced to resemble, in appearance, to some extent, stationery upon which impressions have been made from engraved plates.

PAR. 3. That the word "engraving," particularly when applied to stationery, has been well known and understood by the public for a long period of years to include only stationery upon which there has been made an impression from an engraving, usually a copper plate, which has been cut with a graving instrument in order to form an inscription or pictorial representation: That the cost of producing engraved stationery greatly exceeds the cost of producing stationery of like stock, grade and quality produced by the process employed by the respondent, as set out in paragraph 2 hereof, and the purchasing public has indicated, and has, a decided preference for engraved stationery over stationery produced by the said process employed by the respondent, or similar processes, for the reason, among others, that the fused lettering on stationery produced by respondent's said process is easily broken and will peel, and will not retain its original attractive appearance, as will impressions from engraved plates.

PAR. 4. That respondent, as a means of inducing the public to purchase stationery from it, causes advertisements to be inserted in trade publications having general circulation through the several States of the United States, and distributes circulars, catalogues and other advertising matter to customers and prospective customers in various States of the United States, in which advertisements and advertising matter respondent makes the statement that the words "Relief-Engraving" have been registered in the United States Patent Office as the trade mark of the respondent, although no such registration has ever been had. The stationery offered for sale by

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respondent is described in such advertisements and advertising matter as "Relief-Engraving," and the claim is made that respondent is the originator and sole producer of "Relief-Engraving."

PAR. 5. That respondent, through and by reason of the designation of stationery produced and sold by it as "Relief-Engraving," thereby represents to the public that such stationery is produced by having impressions made thereon from engraved plates, and such designation, and the advertisements and advertising matter of the respondents described in paragraph 4 hereof, has the capacity and tendency to mislead and deceive the purchasing public, and to induce the public to purchase such stationery upon the mistaken belief that the impressions upon such stationery were made from engraved plates.

PAR. 6. The above alleged acts and things done by respondent are all to the prejudice of the public and respondent's competitors who are engaged in producing and selling genuine engraving, and transporting into the different States of the Union and into States other than the States where such engraving is produced, and constitute unfair methods of competition in commerce within the intent 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, entitled "An Act To create a Federal Trade Commission, to define its powers and duties, and for other purposes," the Federal Trade Commission issued and served a complaint upon the respondent, Turner & Porter, Inc., charging it with the use of unfair methods of competition in commerce in violation of the provisions of said act.

The respondent having filed its answer, the testimony of witnesses was taken and evidence was received, both in support of the charges stated in the complaint and on behalf of respondent, before an examiner of the Federal Trade Commission theretofore duly appointed, whereupon the trial examiner made his report upon the facts with proposed findings as to the facts, to which counsel for respondent filed exceptions.

Thereupon the matter came on for final hearing before the Commission, upon the complaint, the answer thereto, the evidence adduced, the report of the trial examiner and exceptions thereto by respondent, briefs by counsel for the Commission and counsel for respondent, and was orally argued by counsel, and the Commission

having duly considered the record and being now fully advised in the premises, makes this its findings as to the facts and conclusion:

FINDINGS AS TO THE FACTS.

PARAGRAPH 1. That the respondent, Turner & Porter, Inc., is a corporation organized in 1915 under the laws of the State of New York, with its principal office and place of business at 49 West Swan St., Buffalo, N. Y., and is now and for several years past has been engaged in the business of manufacturing and selling wedding invitations, announcements, business cards, Christmas cards, letterheads and other business and social stationery to department stores, jewelers, stationers and dealers who sell direct to the public; that respondent causes such articles of stationery so sold by it to be transported to the purchasers thereof, from the State of New York, through and into other States of the United States, and in the conduct of its business has been and is now in competition with numerous persons, partnerships and corporations similarly engaged in commerce among the several States of the United States.

PAR. 2. That the stationery produced by the respondent is known and advertised to the trade under the term "Relief-Engraving," and is produced upon a type press from ordinary type faces, and while the ink is still wet a chemical in powder form is applied and by the application of heat the chemical so applied is made to fuse with the wet ink and present a raised-letter effect; that the process so described is in no way similar to the process of "Engraving" which is well known and generally understood by the public to be impressions from engraved copperplates or steel dies, which have been cut into with graving instruments in order to form an inscription or name of a person or place, is inked in by hand and hand wiped and printed on a plate press or die stamp on the card of invitation or letterhead, which process takes all of the ink out of the lines and indentations cut into the plate or die and gives the raised-letter effect so well-known in the engraving trade; that the process used by respondent and described above, is known to the dealers in said product as raised printing or imitation engraving or process work, and stationery produced by that process resembles in appearance stationery produced by the art of the real engraver which contains impressions made from engraved copperplates or steel dies; that the resemblance between the stationery produced by the two processes above described is so marked as to often confuse the trade and is often a question for expert knowledge to distinguish the raised printing or imitation engraving work from the real engraving; that the art of engraving

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upon steel and copperplates has been known for centuries, while the process of the raised printing or imitation engraving is a modern process of recent development; that there is a considerable demand for the raised printing or imitation engraved stationery, but the demand for stationery so produced by the modern process is much less in volume than for the product of the real engraver; that the cost of producing engraved stationery is much greater than the cost of producing stationery by the raised letter or imitation engraving process and the real engraving is more substantial and durable as the raised printing or imitation engraving letter can be easily scraped off with the finger nail, hence more easily loses its new and attractive appearance; that the public has come to test stationery by passing a finger over the surface of the writing on a card or invitation, and if the "feel" is that of a raised surface they have come to believe that indicative of a real engraving made from a copperplate or steel die.

PAR. 3. That respondent, in the course of its business, has caused advertisements to be printed in magazines and trade publications having general circulation throughout the several States of the United States, and has published circulars, catalogues, and other advertising matter, and caused same to be distributed to customers and prospective customers in the several States of the United States, in which advertisements and advertising matter respondent made the claim that the words "Relief-Engraving" has been registered in the United States and Canada as a trade-mark of respondent, when as a matter of fact no such registration had been had; that it appears from respondent's answer to the complaint in this case that when respondent learned that its application for registration for the words "Relief-Engraving" as a trade-mark, had not been perfected and allowed, that said respondent ceased to claim in its advertisements, and advertising matter, that such words had been so registered.

PAR. 4. That the use by respondent of the word "Engraving" as a part of the compound word "Relief-Engraving" in its advertisements, in trade periodicals, and in its business generally is confusing and misleading, and has a capacity and tendency to deceive the public, who have come to believe that the word "Engraving," as applied to stationery, means an impression made upon stationery from engraved copper plates or steel dies; that this causes portions of the public to purchase said raised printing or imitation engraving believing they are purchasing work of the real engraving made from copper plates or steel dies.

PAR. 5. That respondent has pursued the policy of informing the dealers through whom it distributes stationery produced by it,

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that such stationery is not engraved stationery, but that same is produced by the process described in paragraph 2 hereof; but the mere use of the word "Engraving" as a part of the compound word "Relief-Engraving" to designate the product of respondent, which is not engraving, is confusing, misleading, and capable of deceiving large numbers of the purchasing public.

CONCLUSION.

That the practice of the respondent as set forth in the foregoing findings as to the facts are in the circumstances therein set forth, unfair methods of competition in interstate commerce in violation of the provisions 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."

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, the testimony and the evidence, the trial examiner's report upon the facts and the exceptions thereto, and upon the briefs and argument of counsel, and the Commission having made its findings as to the facts and its conclusion that the respondent has violated 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,"

Now, therefore, it is ordered, That the respondent, Turner & Porter, Inc., its officers, directors, representatives, agents and employees cease and desist:

(1) From causing advertisements to be published in magazines, trade papers, or other publications of general circulation among the States of the United States, and from causing circulars, catalogues, and other forms of advertising matter, to be distributed in the several States, in which advertisements and advertising matter the claim is made that the word "Relief-Engraving" has been registered in the United States and Canada as the trade-mark of respondent, or for any similar purpose.

(2) From using "Relief-Engraving" or the word "Engraving," either alone or in combination with any other word or words, in its advertisements and advertising matter, to designate or describe stationery sold by it, the lettering, inscription or designs on which have been printed from inked type faces, electrotypes, or similar devices, and which stationery does not have thereon impressions

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from engraved plates or dies, and which lettering, inscription or designs, have been given a raised letter effect by the application of a chemical in powder form to the ink while it was still wet, then subjecting same to heat thereby causing the chemical so applied to fuse with the wet ink.

It is further ordered, That the respondent shall file with the Federal Trade Commission, within ninety days from the date of this order, its report in writing, stating the manner and form in which this order has been conformed to and shall attach to such report two copies of all circulars, advertisements, devices or labels distributed or displayed to the public by the respondent in connection with the sale of its product, in interstate commerce, subsequent to the date of this order.

DR. HERMAN HEUSER,

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