

Complaint.

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## FEDERAL TRADE COMMISSION

v.

## SALT LAKE COOPERATIVE WOOLEN MILLS.

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

Docket 971—February 29, 1924.

## SYLLABUS.

Where a corporation engaged in the sale of knit underwear, sweaters, hosiery, woolen shirts, and similar merchandise direct to consumers, some of which articles it manufactured by a process of knitting woolen yarns on knitting machines, and others of which it did not manufacture, but weaving no cloth, and performing no operation in the conversion of wool into cloth, either in the way of spinning or weaving;

- (a) Used as its corporate name a name which included the words "woolen mills," and featured the same in its advertisements, letterheads, etc., together with a picture representing a two-story building carrying signs displaying in large letters said name;
- (b) Represented to its customers or prospective customers that it manufactured woolen goods to order and was organized for the purpose of manufacturing such goods and selling the same from the mills direct to the consumer:

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

*Mr. G. Ed. Rowland* for the Commission.

*Mr. Frank K. Nebeker* of Washington, D. C., 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 the Salt Lake Cooperative Woolen Mills, a corporation, 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 now and has been since April, 1919, a corporation duly organized and existing under and by virtue of the laws of the State of Utah with its office and principal place of business at Salt Lake City, in said State, and since its incorporation has been engaged and now is engaged in the business of selling direct to customers located in the State of Utah and various other States

of the United States, knit and woven underwear, hosiery, sweaters, woolen shirts, mackinaws, blankets and similar merchandise, and in shipping, or causing to be shipped, from the State of Utah, the said merchandise, when sold, to their customers at various points located in States other than the State of Utah. In the course and conduct of its said business respondent is and has been during all the times mentioned in this complaint, in competition with others similarly engaged.

PAR. 2. That respondent, in the course and conduct of its said business, uses its corporate name "Salt Lake Cooperative Woolen Mills," and has prominently displayed and does now prominently display its said name in its newspaper advertisements, letterheads, order blanks, package labels and other stationery and literature, and has represented and does now represent to its prospective customers by the means aforesaid and through its agents, that it manufactures woolen goods to order and was organized for the purpose of manufacturing and distributing woolen goods from the mill direct to the consumer. Respondent has also circulated and does now circulate among its prospective customers literature upon which appears the picture of a large two-story building bearing upon its two sides the sign in large letters "Salt Lake Cooperative Woolen Mills."

PAR. 3. Respondent has not, since its incorporation, and does not now, own, control, or operate any woolen mill or other kind of factory, and did not and does not now manufacture any of the articles sold or offered for sale by it, and has filled and now fills the orders received by it from its customers, from merchandise purchased by it from the stock of manufacturers and others.

PAR. 4. The use by respondent of the corporate name "Salt Lake Cooperative Woolen Mills" in the manner above alleged and the course of conduct set forth in paragraphs 2 and 3 of this complaint, severally, or taken together, have the tendency and capacity to mislead and deceive, and do mislead and deceive, the public into the mistaken belief that the respondent owns or operates mills or factories in which are manufactured the articles sold or offered for sale by it and that persons buying from respondent are buying directly from the manufacturer and are thereby saving the profits of the middleman.

PAR. 5. The above alleged acts and things done by respondent are all to the prejudice of the public and respondent's said competitors and constitute 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.

Findings.

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## 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, Salt Lake Cooperative Woolen Mills, charging it with the use of unfair methods of competition in commerce, in violation of the provisions of said act.

Respondent having entered its appearance and filed its answer herein, hearings were had and evidence and testimony was thereupon introduced in support of the allegations of said complaint before an examiner of the Federal Trade Commission, theretofore duly appointed.

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 findings as to the facts and conclusion:

## FINDINGS AS TO THE FACTS.

PARAGRAPH 1. The respondent, Salt Lake Cooperative Woolen Mills, is a corporation duly organized and existing under and by virtue of the laws of the State of Utah, with its office and principal place of business in Salt Lake City in said State, and since its incorporation has been engaged and now is engaged in the business of selling direct to customers located in the State of Utah, and various other States of the United States, knit underwear, sweaters, hosiery, woolen shirts, overcoats, blankets, and similar merchandise, and is shipping or causing to be shipped from the State of Utah, the said merchandise to their customers at various points located in States other than the State of Utah. In the course and conduct of its said business respondent is in competition with others similarly engaged.

PAR. 2. The respondent company was organized and received its certificate of incorporation bearing date April 12, 1919, capital stock, \$100,000, \$80,000 of which was preferred, and \$20,000 common, and was organized for the purpose among other things, of manufacturing and selling underwear, sweaters, knit vests, knit skirts, and similar merchandise to be made from woolen yarn. In the year 1919 on account of financial conditions the corporation attempted to do no business under its corporate name, and was unable to do any business under its corporate name in 1920, but during the latter part of 1919 and the year 1920 ran a small retail store in Salt Lake City, under the name of Salt Lake Woolen Sample Store. In January, 1921, the respondent leased one-half of the second floor of a building in Salt Lake City, and there installed their office and salesroom,

but at that time they had no machinery, being unable to arrange for the purchase of same on account of the financial conditions then prevalent, and during 1921 and 1922 the respondent bought the goods which they sold principally from the Knight Woolen Mills, Provo, Utah, and the Ogden Knitting Company, Ogden, Utah, under contracts whereby these mills made the goods for the respondent to conform to the special orders which the respondent took from its customers through its salesmen, and in December, 1921, the respondent leased the remaining half of the second floor of the building in order to install therein the machinery for the operation of the business they then were planning for, and in May, 1922, the respondent commenced the actual installation of machinery, and on January 20, 1923, began the actual manufacturing of a large proportion of the goods which they sell, and thereafter continued to install machinery as rapidly as possible until June 15, 1923, at which date the respondent had installed and in operation eight knitting machines, two looms, cutting machines, and twelve finishing machines.

PAR. 3. Respondent manufactures the underwear, sweaters, skirts and some blankets by a process of knitting woolen yarns on knitting machines. It does not weave any cloth, nor does it perform any operation in the conversion of wool into cloth, either in the way of spinning or weaving. In addition to the knitted articles which it manufactures and sells, respondent also sells certain other lines such as silk sweaters, leather goods, woolen shirts and overcoats which it does not manufacture. Woolen mills are generally understood to be mills in which the raw wool is converted into finished cloth, or some process leading up to the completion of the finished cloth is performed.

PAR. 4. The cooperative feature of the respondent's plan consisted in selling shares of its preferred stock to customers, and customers who held preferred stock were to receive the goods which they purchased of the respondent at a discount of approximately fifteen per cent from the regular prices as charged through agents. This plan would give customers holding stock part of the commission ordinarily allowed to salesmen.

PAR. 5. The respondent sells to the jobbing trade and also sells direct to the consumer through traveling salesmen who visit the individual customer and take orders from said customer for such goods as respondent sells, and the underwear it sells is made to individual measurements whenever it is necessary.

PAR. 6. The respondent in the course and conduct of its business used and now uses its corporate name "Salt Lake Cooperative Woolen Mills," and has and now prominently displays its said name

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in its advertisements, letterheads, order blanks and other stationery, and represents to its customers or prospective customers that it manufactures woolen goods to order, and was organized for the purpose of manufacturing and selling woolen goods from the mill direct to the consumer, and the respondent has upon its letterhead a picture representing a two-story building, which building carries two signs in large letters upon which is set out the name of the respondent corporation.

## CONCLUSION.

That the acts, practices and activities of respondent as hereinabove set forth and under the conditions and in the circumstances set forth in the foregoing findings as to the facts are unfair methods of competition in commerce and constitute a violation 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, answer of the respondent and a stipulation as to the facts filed herein, and the Commission having made its findings as to the facts and 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,"

*Now, therefore, it is ordered,* That the respondent, Salt Lake Cooperative Woolen Mills, Inc., its successors, officers, directors, agents, servants and employees, cease and desist from:

1. Doing business under the corporate name and style of Salt Lake Cooperative Woolen Mills, or any other corporate name which includes the words "Woolen Mills," unless and until such respondent actually owns or operates a mill or mills in which raw wool is converted into yarn or cloth by the process of spinning or weaving.

2. Using any words, phrases, sentences or order blanks, letterheads or any other literature distributed by it in the course of its business, which indicates or creates the impression that said respondent is a manufacturer of the articles which it sells, unless and until such respondent does actually manufacture said articles.

*It is further ordered,* That respondent shall within sixty (60) days after the date of the service upon it of this Order file with the Commission a report in writing setting forth in detail the manner and form in which this order has been complied with and conformed to.

**MORRIS ERRERA.**

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