

Complaint.

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IN THE MATTER OF
FEDERAL BOND & MORTGAGE COMPANY.

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

Docket 1050—September 2, 1924.

SYLLABUS.

Where a corporation engaged in the sale of mortgage bonds, which were neither obligations of the United States Government nor issued under its guarantee, sponsorship or supervision, and neither connected with the Government nor under its supervision,

- (a) Prominently displayed its corporate name, "Federal Bond and Mortgage Company" in advertising and describing its business and the bonds offered by it, in newspapers, magazines, letters, pamphlets, etc.;
- (b) Used the slogan "Federal bonds are better bonds" in many instances in connection with statements concerning such bonds and business;
- (c) Referred to its bonds as "federal bonds" and made comments and assertions regarding the safety, popularity and desirability of "federal bonds" as investment securities and otherwise, all without disclosing the full and true facts regarding them; and
- (d) Prominently displayed on such bonds the words "United States of America" and "Federal";

With the capacity and tendency to mislead and deceive customers, prospective customers, and the public generally into believing that the Government either had some connection with, or supervised the business of, such corporation, was obligated for such mortgage bonds, supervised the making and issuance thereof and stood sponsor therefor, or guaranteed the payment of the principal and interest thereof; and with the effect of causing them to purchase said bonds, in such erroneous belief, in preference to similar securities of competitors;

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

Mr. Edward E. Reardon for the Commission.

Mr. Samuel R. Williams of Stevenson, Carpenter, Butzel & Backus of Detroit, Mich., 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 Federal Bond & Mortgage Company, hereinafter referred to as respondent, has been and is using unfair methods of competition

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in commerce in violation of the provisions of Section 5 of said Act, issues this complaint and states its charges in that respect as follows:

PARAGRAPH. 1. Respondent is a corporation organized under the laws of the State of Virginia with its principal office and place of business in the city of Detroit, Mich. It is engaged in the business of selling bonds, promissory notes, and similar obligations and securities, hereinafter collectively referred to as securities, to purchasers located at points in various States of the United States and in foreign countries. It causes said securities when so sold to be transported from its said place of business in the city of Detroit through and into other States of the United States and foreign countries to said purchasers at their respective points of location. In the course and conduct of its said business respondent is in competition with other individuals, partnerships and corporations similarly engaged in the sale of securities in interstate and/or foreign commerce.

PAR. 2. In the course of its aforesaid business respondent is principally engaged in the sale of mortgage bonds and notes executed by and being the obligations of individuals and corporations other than respondent. Respondent's method of marketing said obligations is as follows: It causes advertisements to be inserted in daily newspapers in general circulation in various cities and districts throughout the United States and in magazines and periodicals of general circulation in foreign countries, in which said advertisements respondent solicits business and offers to send information regarding its said business and the mortgage bonds which it has for sale, to persons requesting the same. Upon receiving inquiries and requests for such information obtained by means of said advertisements, respondent sends to the persons making such inquiries and requests, letters, pamphlets and other literature descriptive of respondent's business and the mortgage bonds which it has for sale and soliciting the purchase of said bonds by said persons. By aforesaid means respondent is enabled to and does sell said mortgage bonds in interstate and foreign commerce as set out in paragraph 1 hereof.

PAR. 3. In aforesaid advertisements and in the letters, pamphlets and other descriptive literature which respondent sends to customers and prospective customers, as set out in paragraph 2 hereof, respondent causes to be prominently displayed its corporate name "Federal Bond and Mortgage Company," and in many instances the slogan "Federal bonds are better bonds" in connection with statements concerning aforesaid mortgage bonds and respondent's said

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business. Said statements refer to said mortgage bonds as "Federal bonds" and contain comments and assertions regarding the safety, popularity and desirability of "federal bonds" as investment securities and otherwise, all without disclosing the full, real and true facts regarding said mortgage bonds and said business. Aforesaid statements are deceptive and misleading in that they are calculated and have the capacity and tendency to mislead and deceive aforesaid customers and prospective customers and the public generally into the erroneous belief that one or more of the following things are truth and fact:

- (a) That said mortgage bonds are obligations of the United States Government.
- (b) That respondent is connected with the United States Government in such wise that respondent's business is supervised by said Government.
- (c) That payment of the principal and interest of said mortgage bonds is guaranteed by the United States Government.
- (d) That the United States Government supervises the making and issue of and stands sponsor for said mortgage bonds.

The truth and facts are that respondent is in no wise connected with, nor its business supervised by the United States Government; that said mortgage bonds are not the obligations of said Government and that said Government in no wise guarantees, sponsors or supervises the making and issue of said mortgage bonds. Aforesaid deceptive and misleading statements and representations made by respondent in connection with the use of its corporate name and slogan all as above set out, have the capacity and tendency to, and do cause aforesaid customers and prospective customers and the public generally to purchase said mortgage bonds in the erroneous belief hereinbefore referred to.

PAR. 4. The mortgage bonds dealt in by respondent as set out in paragraph 3 hereof, are coupon bonds executed by aforesaid obligors thereof upon forms which respondent causes to be prepared and printed and which respondent furnishes to said obligors for such purpose. In order to aid and strengthen the deceptive and misleading statements referred to in paragraph 3 hereof, respondent causes said forms to be made and printed in size, design, color and other characteristics closely simulating bonds of the United States Government, with the words "United States of America" and "Federal" prominently displayed, and with the real and actual undertaking of said bonds printed in small and inconspicuous type. Because of their said form, color and other characteristics, said mort-

gage bonds have of themselves the capacity and tendency to mislead and deceive many of the purchasing public into the belief that said bonds are bonds of the United States Government, or are bonds made and issued under its supervision and sponsored by it.

PAR. 5. There is a great demand among the public throughout the United States and a substantial demand in foreign countries for bonds of the United States Government, and for securities guaranteed or sponsored by and issued under the supervision of said Government, and many of the public desire to and do invest money in such bonds in preference to bonds and securities which are not obligations of the United States Government nor obligations so guaranteed, sponsored or issued, by reason whereof, the acts and things done by respondent all hereinbefore set out, cause many of the public, both in the United States and in foreign countries, to buy and invest in the said mortgage bonds sold by respondent in preference to securities sold by respondent's aforesaid competitors.

PAR. 6. The above alleged acts and things done by respondent are all to the prejudice of the public, and of respondent's aforesaid 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.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER.

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, and the answer of the respondent, and testimony in support of the charges contained in the complaint having been taken before a trial examiner of the Commission, and the respondent having stipulated that the testimony so taken shall be all the testimony in the proceeding, and that the evidence supports the following order to cease and desist and it having been stipulated that the following order shall be entered, and it also appearing to the Commission that the respondent ceased January 1, 1924, the practices charged against it in the complaint and consents to the entry of this order, now, therefore, the Federal Trade Commission finds the facts alleged in paragraphs 1, 2, 3, 5, and 6 of its complaint, and so much of the allegations of paragraph 4 thereof as alleges that the words "United States of America," and the word "Federal" are prominently displayed upon the bonds dealt in by the respondent, to be true and proven and—

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It is ordered, in accordance with said stipulation, that the respondent, its officers, agents and employees cease and desist from:

- (1) The use of the phrase "Federal Bonds are Better Bonds."
- (2) The use of the word "Federal" alone, in connection with the word "bond" or "bonds" or with the word "interest."
- (3) The use of the word "Federal" alone, in designating or referring to any plan of issuing or marketing the securities dealt in by the respondent.
- (4) Stating, either orally or in writing, that the bonds or obligations dealt in by the respondent are free from Federal normal income tax or any other governmental tax, if they, or any of them, be subject to such tax, notwithstanding any agreement by the mortgagor or obligor in any such bonds or obligations to pay any such tax.
- (5) Marketing any bonds on which appears the phrase "United States of America" or the likeness of any person whose portrait has been or is engraved on the currency or postal issues of the United States.

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IN THE MATTER OF
BLUE VALLEY CREAMERY COMPANY.

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

Docket 1064—September 16, 1924.

SYLLABUS.

Where a corporation engaged in the manufacture and sale of butter and which purchased its cream under the so-called "Direct Shipment Plan," whereby producers shipped their cream or butter fat in their own containers directly to the creameries, using detachable shipping tags; permanently attached to all containers which came into its possession, a tag which, over the name of the owners but without their knowledge or consent, directed all transportation companies to ship the containers to said corporation, and removed from such cans all previous tags or shipping directions; with the result that many shipments were delivered to it contrary to the intent of the shippers, producers were put under a burden when they desired to make shipments to its competitors, and at times were defeated in such intent and deprived of more advantageous prices elsewhere, and it appropriated to its own advantage shipments intended for its competitors, to their disadvantage and loss:

Held, That such interference with competitors' sources of supply, under the circumstances set forth, constituted an unfair method of competition.

Mr. M. Markham Flannery for the Commission.

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 Blue Valley Creamery Company, hereinafter referred to as respondent, has been, and is using unfair methods of competition in commerce in violation of the provisions of Section 5 of said Act, and states its charges in that regard as follows:

PARAGRAPH 1. The respondent is a corporation organized under the laws of the State of Delaware, with its principal place of business in the city of Chicago, Ill., and with manufacturing plants, hereinafter referred to as "Creameries" located in the States of Nebraska, Iowa, Illinois, Indiana, Ohio, Wisconsin, Michigan, Kansas, Missouri, and Kentucky. The respondent at all times herein mentioned was and now is engaged in the business of manufacturing butter; and selling and shipping such butter in commerce among the several States of the United States in direct competition with other persons, firms, copartnerships, and corporations similarly engaged.

PAR. 2. The respondent and its said competitors, in the conduct of their business, severally purchase in competition with each other, in