

## Complaint.

IN THE MATTER OF  
LAPAT KNITTING MILLS AND SOBEL HOSIERY  
COMPANY, INC.

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

*Docket 1106—November 1, 1924.*

## SYLLABUS.

Where a corporation engaged in the manufacture and sale of hosiery, and its selling agent, sold hosiery, the tops, toes, and heels of which were made of cotton and the balance of silk, branded and labeled "Pure silk hosiery of quality," and "Pure thread silk," in competition with concerns which correctly branded and labeled their products; with the capacity and tendency thereby to mislead the trade and purchasing public into believing said hosiery to be composed entirely of silk, and to induce the purchase thereof in said belief:

*Held*, That the sale of goods branded and labeled as above set forth constituted an unfair method of competition.

*Mr. Robt. O. Brownell* for the Commission.

*Kirkpatrick & Maxwell* of Easton, Pa., for respondent Lapat Knitting Mills.

## 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 Lapat Knitting Mills, a corporation, and Sobel Hosiery Company, Inc., a corporation, hereinafter referred to as respondents, have been and are using unfair methods of competition in interstate 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, Lapat Knitting Mills, is a corporation organized; existing and doing business under and by virtue of the laws of the State of Pennsylvania, with its principal and executive offices and manufacturing plant located in the city of Easton, in the State of Pennsylvania, and is now and has been for more than six months last past engaged in the business of manufacturing and selling and distributing hosiery in interstate commerce in wholesale and/or retail quantities in various States of the United States through jobbers, commission merchants, agents or representatives. In receipt of orders from its jobbers, commission merchants, agents or

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representatives, said respondent causes its hosiery to be shipped or transported in interstate commerce from its manufacturing plant in the State of Pennsylvania to its said jobbers, commission merchants, agents or representatives located in other States of the United States. In the course of its said business respondent was at all times hereinafter mentioned and still is in competition with other individuals, firms, partnerships and corporations similarly engaged in interstate commerce.

PAR. 2. Respondent, Sobel Hosiery Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal and executive offices and stock rooms located in the city of New York, in the State of New York, and is now and has been for more than six months last past engaged in the business of selling and distributing hosiery in interstate commerce to purchasers in various States of the United States direct and/or through canvassers, solicitors, salesmen or representatives appointed by respondent as agents in its behalf, and for that purpose. In receipt of orders, direct or through its agents, said respondent causes its hosiery to be shipped or transported by or through the United States mails direct to its customers from its principal offices or stock rooms in the State of New York to purchasers located in other States of the United States. In the course of its said business respondent was at all times hereinafter mentioned and still is in competition with other individuals, firms, partnerships and corporations similarly engaged in interstate commerce.

PAR. 3. In the course and conduct of its business, as described in paragraph 1 hereof, for more than six months last past respondent, Lapat Knitting Mills, cooperating with respondent Sobel Hosiery Company, Inc., as a means of inducing the public to purchase its product has caused certain hosiery manufactured by it to be falsely denominated, represented and described on the boxes containing the same as "Pure Silk Hosiery of Quality," when in truth and in fact the said hosiery so denominated, represented and described on the said box labels is not made entirely of pure silk but the heel, toe and top of said hosiery is of a knit cotton fabric, and the use by the respondent, Lapat Knitting Mills, of the words "Pure Silk Hosiery of Quality," in describing or denominating its product has the capacity or tendency to and/or does mislead or deceive the purchasers and prospective purchasers of said hosiery into the belief that said product of respondent is made entirely of silk, and tends to and does cause such customers to purchase said hosiery in that belief.

PAR. 4. In the course and conduct of its business, as described in paragraph 2 hereof, respondent Sobel Hosiery Company, Inc., for

more than six months last past, as a means of inducing the public to purchase its product has caused advertisements or descriptive circulars to be issued in the form of private mailing cards and circulated through various States of the United States, and has distributed in interstate commerce catalogues, prospectuses, and other advertising matter, to its canvassers, solicitors, salesmen, representatives or agents for the use and purpose of inducing the public to purchase its product, and in which said advertising and descriptive matter, and on the letterhead used by it, respondent has represented itself as the manufacturer of its product, and has caused to be inserted in the catalogues and prospectuses furnished its agents for soliciting purposes pictures of the exterior and interior of a mill or factory purporting to be and described as pictures of a mill or factory owned or operated by the respondent. The aforesaid canvassers, solicitors, salesmen, representatives or agents of said respondent exhibit said catalogues and prospectuses, and other advertising and descriptive matter, to purchasers and prospective purchasers when soliciting orders from them for the purpose of inducing said purchasers or prospective purchasers to place orders for respondent's product.

PAR. 5. Respondent Sobel Hosiery Company, Inc., has not during the aforesaid time mentioned owned, controlled, or operated, and does not now own, control or operate any hosiery mill or factory whatsoever, and has not during said time and does not now manufacture hosiery offered for sale or sold by it, as heretofore described, and has filled and now fills its said orders for said hosiery from its stock consigned to or purchased by the said respondent from respondent, Lapat Knitting Mills, the manufacturers thereof.

PAR. 6. The above alleged acts and practices of respondent Sobel Hosiery Company, Inc., have the capacity and tendency to and/or do mislead or deceive the purchasers and prospective purchasers of the hosiery offered for sale and sold by respondent, as above set forth, into the erroneous belief that said hosiery is being sold by the manufacturer thereof through its said canvassers, solicitors, salesmen, representatives or agents direct to such purchasers, thus eliminating all middlemen's profits and at a saving to such purchasers of the amounts of such profits, and tend to and do cause such customers to purchase said hosiery in that belief.

PAR. 7. Further in the course and conduct of its said business respondent Sobel Hosiery Company, Inc., offers through its said canvassers, solicitors, salesmen, representatives or agents certain hosiery falsely denominated, represented and described in the aforesaid advertising literature and on the boxes containing the same as "Pure

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Silk Hosiery of Quality," when in truth and in fact the said hosiery so denominated, represented and described in both its advertising literature and box labels is not made entirely of pure silk but the heel, toe and top of said hosiery is of a knit cotton fabric, and the use by the respondent of the words "Pure Silk Hosiery of Quality" in describing or denominating its product has the capacity or tendency to and/or does mislead or deceive the purchasers and prospective purchasers of said hosiery into the belief that said product of respondent is made entirely of silk, and tends to and does cause such customers to purchase said hosiery in that belief.

PAR. 8. That the respondents, Lapat Knitting Mills and Sobel Hosiery Company, Inc., in the course and conduct of their business, cooperating each with the other as a means of inducing the public to purchase their product, falsely denominated, represented and described certain of the hosiery manufactured and sold, respectively, by said respondents, as "Pure Silk Hosiery of Quality," when in truth and in fact the said hosiery so denominated, represented and described on the box labels thereof is not made entirely of pure silk but the heel, toe and top of said hosiery is of a knit cotton fabric; that the use by the respondents of the words "Pure Silk Hosiery of Quality" in describing or denominating the product manufactured and sold by them, respectively, has the capacity to and/or does mislead or deceive the purchasers and prospective purchasers of said hosiery into the belief that said product of respondents is made entirely of silk, and tends to and does cause such customers to purchase said hosiery in the belief.

PAR. 9. The above alleged acts and practices of respondents are all to the prejudice of the public and of respondents' 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.

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, Lapat Knitting Mills, charging said respondent with the use of unfair methods of competition in violation of the provisions of said act.

The respondent having entered its appearance by its attorney, without filing its answer herein, an agreed statement of facts was thereupon executed by counsel for both parties, no testimony being

taken or other evidence offered herein, and the respondent waiving the presentation of argument.

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

#### FINDINGS AS TO THE FACTS.

PARAGRAPH 1. Respondent, Lapat Knitting Mills, is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal office and manufacturing plant located in the city of Easton in said State. It is now, and has been for several years last past, engaged in the business of manufacturing, selling and distributing hosiery to purchasers thereof in various States of the United States. It causes said hosiery, when so sold, to be transported from the city of Easton, State of Pennsylvania, into and through other States of the United States to the purchasers thereof which said purchasers resell said hosiery to the public. In the regular course and conduct of its said business, respondent was at all times mentioned herein, and still is, in competition with other individuals, partnerships and corporations similarly engaged in the manufacture and/or sale of hosiery in interstate commerce.

PAR. 2. During the year 1922 and the first part of the year 1923, in the regular course of its business as aforesaid, respondent, Lapat Knitting Mills, shipped to the Sobel Hosiery Co., Inc., located in the City of New York, State of New York, a quantity of hosiery manufactured by respondent, Lapat Knitting Mills, amounting in value to some \$6,000.00. The said hosiery was shipped on orders from the said Sobel Company at various times and in various amounts, on a consignment plan, the title to said hosiery remaining in the said Lapat Knitting Mills until resold by the said Sobel Company. The said Sobel Company employed traveling and resident representatives in various States, cities and towns of the United States who took orders direct from the users for said hosiery, such orders being sent to said Sobel Company in New York, which said company sent the hosiery to said purchasers by mail. After deducting its percentage of the selling price for commission, the Sobel Company remitted the balance to said Lapat Knitting Mills.

PAR. 3. Respondent, Lapat Knitting Mills, packed the hosiery, manufactured and sold as described in paragraph 2 herein, in boxes and labeled such boxes with the words "pure silk hosiery of quality." Respondent also stamped on the feet of each pair of said hose "pure thread silk." The hosiery so labeled and stamped was not composed entirely of silk but the tops, toes and heels were made of cotton.

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PAR. 4. The terms "pure silk" and "pure thread silk" are understood both by the skilled buyers in the trade and by the uninformed and unskilled purchasing public to mean the unadulterated product of the cocoon of the silk worm. As applied to hosiery these terms or either of them are understood by both classes of buyers to represent that the hosiery is composed throughout of pure silk. The hosiery manufactured and sold by respondent is in competition with hosiery manufactured entirely of pure silk and properly so labeled, and as well with hosiery the leg or boot of which is composed of pure silk, but the top, toe and heel, and sometimes the sole, are made of cotton and which are labeled, branded and described in such manner that this type of hosiery is clearly distinguishable by the purchasing public from hosiery the whole of which is entirely composed of pure silk.

PAR. 5. The use by respondent, Lapat Knitting Mills, of the label "pure silk hosiery of quality" and the brand "pure thread silk" to describe hosiery part of which is made of silk and a part of cotton as set out above has the tendency and capacity to mislead and deceive the trade and the purchasing public into the belief that the hosiery so labeled and branded is composed entirely of silk, and to cause said trade and purchasing public to purchase same in that belief.

PAR. 6. Respondent, Sobel Hosiery Company, Inc., has ceased doing business and its officers can not be located.

## CONCLUSION.

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

## ORDER TO CEASE AND DESIST.

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, and an agreed statement of facts whereby it was duly stipulated that such statement of facts should be taken as the facts in this case, and the Commission having made its findings as to the facts and its conclusion that the respondent has violated 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,"

*It is now ordered*, That the respondent, Lapat Knitting Mills, its officers, agents, representatives and employees, cease and desist from directly or indirectly:

1. Representing by labels, brands, advertisements or descriptions that hosiery manufactured and sold by it, a part of which is made of silk and other parts are made of cotton, are "pure silk" or "pure thread silk," unless the difference between this type of hosiery and that which is wholly made of pure silk is clearly and definitely stated in the label, brand, advertisement, or description.

2. Using the words "pure silk" or "pure thread silk" without equally distinct and permanent qualifications in labels, brands, or description of hosiery, a part of which such as the leg or boot is made of silk and other parts such as the top, toe, heel and/or sole are made of cotton.

*It is further ordered*, That the complaint against Sobel Hosiery Company, Inc., be dismissed because the said company has ceased doing business.

*It is further ordered*, That the respondent, Lapat Knitting Mills, shall within thirty days after the service of this order file with the Commission a report in writing setting forth in detail the manner and form in which they have complied with the order to cease and desist hereinbefore set forth.

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## IN THE MATTER OF

W. H. MAY, AND B. V. MAY, DOING BUSINESS UNDER  
THE NAME AND STYLE OF MAY HOSIERY MILLS.COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION  
OF SECTION 5 OF AN ACT OF CONGRESS APPROVED SEPTEMBER 26, 1914.*Docket 1202—November 3, 1924.*

## SYLLABUS.

Where a firm engaged in the manufacture and sale at wholesale of hosiery, in competition with concerns which either correctly branded, labeled, and advertised their products in respect of composition, or failed to brand and label the same at all in that respect; sold hosiery composed of cotton and of an animal or vegetable fiber, but containing no genuine silk, branded and labeled "Made of cotton and art silk in the U. S. A."; with the effect of misleading the trade and consuming public into believing said hosiery to be composed in part of silk, and with the capacity and tendency to induce the purchase thereof in said belief:

*Held*, That the sale of goods branded and labeled as above set forth constituted an unfair method of competition.

*Mr. G. Ed. Rowland* 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 W. H. May and B. V. May, partners, doing business under the trade name and style May Hosiery Mills, hereinafter referred to as respondents, have been and are 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. Respondents are partners doing business under the trade name and style May Hosiery Mills, with their principal place of business in the city of Burlington, State of North Carolina. They are engaged in the manufacture of hosiery and the sale thereof to wholesale dealers located at points in various States of the United States. They cause said hosiery when so sold to be transported from their said place of business in the city of Burlington, N. C., into and through other States of the United States to said purchasers at their respective points of location. In the course and conduct of their said business respondents are in competition with other individuals, partnerships and corporations also engaged in the manufacture and/or sale and transportation of hosiery between