

Syllabus.

IN THE MATTER OF

B. W. COOKE, C. E. WESCH, AND JOB-WAY HOME
STUDY, INC.

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

Docket 1512—September 21, 1925.

SYLLABUS.

Where an individual engaged in the business of teaching mechanical and other forms of drafting by mail, and also the trade of repairing automotive vehicles, a corporation organized and controlled by him, and a person associated with him; in advertising, promoting, and conducting the aforesaid business, and in describing their courses to pupils and to prospective pupils, and the results which might be expected therefrom by them;

- (a) Falsely represented that in a period of about ten months they could qualify any pupil, with common or ordinary school education, as an expert draftsman, and that there was a tremendous demand for expert draftsmen, and especially for those trained by them, and represented that they would obtain for pupils, upon the completion of their courses, responsible positions paying salaries ranging from \$200 to \$800 per month and from \$50 to \$150 a week, the fact being that pupils did not as a rule secure responsible positions, but obtained employment, if at all, at salaries ranging from \$75 to \$150 and never in excess of \$200 a month, and that they never placed pupils in positions in which said pupils received salaries amounting to \$250 a month or more;
- (b) Represented that should they fail to qualify the pupil as a drafting expert, or should he for any reason be dissatisfied, they would refund to him all money paid, the fact being that they did not legally guarantee any such refunds;
- (c) Used the name Associated Drafting Engineers in conducting their aforesaid business, falsely representing that there existed a great association of practical engineers engaged in offering and conducting the course of instruction above referred to, through the aforesaid individual, designated as "Chief of Staff" of such fictitious association, and that such association would give to the pupil the benefit of the ability and influence of its members in first qualifying him as an expert and in later securing for him a valuable position at a high salary as already set forth;
- (d) Used the trade name "Chicago Auto Shops" in conducting that part of their business having to do with the repair of automotive vehicles, and represented that their course of instruction relating thereto was offered by the aforesaid fictitious business enterprise as a branch, division or department thereof, representing that said pretended Chicago Auto Shops was an important business enterprise engaged in the repair and maintenance of automotive vehicles, and which operated in connection with its aforesaid business a research and experimental laboratory, and displaying, in connection with such representation, pictures of a large and thoroughly equipped repair shop, with numerous mechanics at work upon

Complaint.

9 F. T. C.

automotive vehicle, and also pictures of such a laboratory; together with statements that such pictures were those of the shop, place of business, and laboratories of the pretended Chicago Auto Shops;

- (e) Made false representations in reference to salaries to be secured by the pupils completing the aforesaid course, in reference to the demand for such persons as superintendents or other executive officers at large salaries, and in reference to their pretended guarantees, which various representations were substantially similar to those above set forth;
- (f) Named certain figures to prospective pupils as their usual and regular prices for their courses, and pretended to offer them the courses for a limited time at special reduced rates, urging such prospective pupils to take advantage of the substantial savings thereby offered, the fact being that the pretended special and reduced rates were their regular charges;
- (g) Represented to prospective pupils that they would give them free of charge valuable tools, appliances and supplies necessary to the prosecution of the courses, the fact being that charges for the aforesaid tools, etc. were included in the prices for the courses as a whole;

With the result that many of the public were thereby induced to take and pay for such courses;

- (h) Represented to pupils, whose signatures they had secured to contracts for their courses, that they were legally bound thereby to pay the stipulated sum in the stipulated installments, and threatened to report them to their employers or others in authority over them;
- (i) Threatened such persons with legal proceedings to recover amounts represented as due and owing and sent them letters demanding payment over the purported signature of a fictitious collection agency, upon stationery bearing a letterhead displaying the name of such an agency;
- (j) Sent to such persons pretended notices, summons, and other papers purporting to be legal documents, relating to contemplated or pending legal proceedings directed to the collection of amounts alleged to be due to them, but which various documents were not legal papers but were prepared by them;

With the result that pupils were thereby coerced into paying substantial sums claimed by them to be due under contracts procured as aforesaid; and

With the capacity and tendency to cause many of the public to take and pay for their courses in preference to those offered by competitors who did not falsely represent the character and nature of their businesses and organizations, and the business, professional, and other advantages to be derived from their courses of instruction:

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

Mr. Robert O. Brownell for the Commission.

Mr. Joseph F. Sarley, of Chicago, Ill., for respondents.

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 B. W. Cooke, C. E. Wesch, and Job-Way Home Study, Incorporated, 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. Respondent B. W. Cooke is an individual with his place of business in the city of Chicago, State of Illinois, and together with respondents Wesch and Job-Way Home Study, Incorporated, all as hereinafter set out, has been and now is engaged in the business of teaching the art of mechanical and other forms of drafting, and the trade of repairing automotive vehicles, to persons hereinafter referred to as pupils located at points in various States of the United States. Respondents conduct their said business through and by means of advertisements soliciting persons to take their said courses of instruction and by means of correspondence with said pupils and prospective pupils in the following manner: Respondents cause to be inserted in newspapers, magazines and other publications of general circulation throughout the United States and in certain sections thereof advertisements offering their said courses of instruction and soliciting pupils therefor. Upon receiving letters and other communications from prospective pupils sent by them to respondents in response to said advertisements, respondents send to such prospective pupils by mail letters, catalogues, leaflets and other like literature describing and explaining their said courses of study, and upon securing pupils for either or both of said courses respondents send by mail from their said place of business in the city of Chicago, Ill., to such pupils written lessons, instructions, charts, drawings, text books and various supplies, tools and appliances to be used by said pupils in and about the learning of said art and said trade, in consideration of which said pupils pay to respondents certain agreed sums of money. In the course and conduct of their said business respondents are in competition with other individuals, partnerships and corporations likewise engaged in the instruction of persons by correspondence through the mails in aforesaid art and aforesaid trade and in various other arts, sciences and branches of knowledge.

PAR. 2. Respondent Cooke since about the month of January, 1920, has been continuously engaged in aforesaid business under sundry trade names and through and in connection with respondent Job-Way Home Study, Incorporated, and respondent C. E. Wesch, as follows, to wit: From about the month of January, 1920, to about the month of December, 1924, respondent Cooke conducted said course of instruction in the art of mechanical and other drafting

Complaint.

9 F. T. C.

under the name and style "Coyne School of Drafting." From about January 1, 1924, said respondent has also conducted and still conducts said course of instruction in said art under the trade name and style "Associated Drafting Engineers," and his said course of instruction in the trade of repairing automotive vehicles under the trade name and style "Chicago Auto Shops." Respondent C. E. Wesch has been associated with and employed by respondent Cooke since about September 1, 1923, and continually since said time has cooperated with and aided and abetted respondent Cooke in the acts and practices all hereinbefore set out. On or about the first day of May, 1924, respondent Cooke caused to be incorporated respondent Job-Way Home Study, Incorporated, a corporation organized under the laws of the State of Illinois, with its principal office and place of business in the city of Chicago, in said State, for the purpose of taking over the business management and administration of said business. Respondent Cooke was one of the incorporators of said corporation and became its sole stockholder except for certain qualifying shares of stock required under the laws of the State of Illinois to be held by the officers and directors of said corporation. Further, upon the incorporation of respondent corporation, respondent Cooke became and has ever since been its president and treasurer. Respondent C. E. Wesch upon the organization of said corporation became and ever since has been its secretary. Respondents severally and cooperating together and acting in common have engaged, and now engage in many unlawful, fraudulent and deceptive practices all as hereinafter set out.

PAR. 3. Respondents, and each of them, doing business under aforesaid trade name and style "Coyne School of Drafting" have in order to secure pupils for said course of instruction in the art of mechanical and other drafting offered and conducted by respondents under said trade name, and especially by respondent Cooke as hereinbefore set out, have engaged and still engage in the following acts and practices: Respondents cause advertisements offering said course of instruction to be inserted in various magazines, periodicals and newspapers of general circulation throughout the United States and in various portions thereof, and send and supply to pupils and prospective pupils by mail catalogues, leaflets, pamphlets and letters descriptive of and otherwise relating to said course of instruction, in which advertisements and trade literature and letters respondents cause to be set forth numerous false, deceptive and misleading statements and representations concerning said course of instruction, the results which may be by the pupils expected therefrom, and certain valuable services which respondent undertake to render to pupils in

connection therewith, among which statements and representations are statements and representations to the effect: That through said course of instruction respondents can in a period of about ten months qualify the pupil as an expert draftsman trained and qualified to perform the duties and fill the demands of the drafting department of any industry, business or profession; that there is a large and enormous demand for expert draftsmen, and especially for draftsmen trained by respondents' said course of instruction; that immediately upon the completion of said course of instruction the pupil will obtain, and that respondents will obtain for the pupil, a high and responsible position paying a large and lucrative salary, which salary respondents variously represent to be and to range from \$200 to \$800 per month and from \$50 to \$150 per week; that through said course of study respondents will qualify the pupil as a drafting expert or in the alternative will refund all monies paid by the pupil to respondents for said course of instruction; that if for any reason the pupil is not satisfied with said course of instruction and the results thereof, respondents will refund to the pupil all monies paid by him to the respondents for said course of instruction; and that all aforesaid things can be accomplished by persons of common or ordinary school education, and other false, misleading and fictitious statements of like tenor. Further, respondents represent that they guarantee all the foregoing matters and things to the pupil. In truth and in fact, there does not exist a great and unusual demand for services as draftsmen of the knowledge and ability procurable or procured by taking respondents' said course of instruction; that draftsmen so qualified secure positions or employment, if at all, at salaries ranging from \$75 to \$150 per month, and never in excess of \$200 per month; that practically none of respondents' pupils have ever obtained or do obtain within one year after completing said course of instruction salaries of \$250 per month or in excess thereof; that respondents have never placed and do not place either immediately upon the completion of said course of instruction or at any time thereafter, pupils in positions or employment paying to such pupils salaries to the amount of \$250 per month or in excess thereof; and respondents never have guaranteed and do not now legally guarantee to persons taking said course of instruction the matters and things hereinabove set out.

PAR. 4. Respondents and each of them doing business under aforesaid trade name and style, "Associated Drafting Engineers," in order to secure pupils for said course of instruction in the art of mechanical and other drafting, offered and conducted by respondents under said trade name, as hereinbefore set out, cause advertisements

Complaint.

9 F. T. C.

offering said course to be inserted in various magazines, periodicals and newspapers of general circulation throughout the United States and in various portions thereof, and send and supply to pupils and prospective pupils by mail—catalogues, leaflets, pamphlets and letters descriptive of and otherwise relating to said course of instruction, in which advertisements and trade literature and letters respondents cause to be set forth all the false and misleading statements set out in paragraph 3 hereof, and statements similar thereto under the conditions, circumstances and actual state of facts all in said paragraph set out; and in addition thereto make further false, deceptive and misleading statements to the effect that there exists a great and powerful association of practical engineers engaged in the practice of their professions, which said purported association is offering said course of instruction and conducting same through respondent Wesch, who is in said advertisements and other literature designated “Chief of Staff” of said purported association; that said association will give to the pupil the benefit of the learning and ability of its purported members in and about assisting and advising the pupil and in and about properly qualifying himself as a drafting expert under and through said course of instruction, and will use the power and influence of said purported association and its members to secure for the pupil an important and valuable position and employment at a high and lucrative salary within the range of the monthly and weekly stipends and salaries referred to in paragraph 3 hereof, and other false, misleading and fictitious statements of like tenor. In truth and in fact there never has existed and does not now exist any association of drafting engineers offering said course of instruction; and respondents are not, nor is any of them in anywise connected with such an association which collaborates with respondents or either of them in and about conducting said course of instruction, but on the contrary respondents are conducting said course of instruction wholly as an enterprise of their own and for profit to themselves.

PAR. 5. Respondents and each of them doing business under aforesaid trade name and style “Chicago Auto Shops,” in order to secure pupils for said course of instruction in the repair of automobile vehicles offered and conducted by respondents under said trade name and hereinbefore set out, cause advertisements offering said course of instruction to be inserted in various magazines, periodicals and newspapers of general circulation throughout the United States and in various portions thereof, and send and supply to pupils and prospective pupils by mail catalogues, leaflets, pamphlets and letters descriptive of and otherwise relating to said course of instruction,

in which advertisements, trade literature and letters respondents cause to be set forth numerous false, deceptive, misleading and fictitious statements concerning said course of instruction, the results which may be by the pupil expected therefrom, and certain valuable services which respondents undertake to render to the pupil in connection therewith, among which statements and representations are statements and representations to the effect: That the Chicago Auto Shops is a large and important business enterprise engaged in the business of repairing and maintaining automotive vehicles and conducting said business in a large and commodious repair shop, and that the operators of such shops maintain and conduct in connection with their said business and as an adjunct to said shops a research and experimental laboratory. In connection with this representation respondents cause to be set out in aforesaid advertisements and other publications and literature pictures of a large and thoroughly equipped repair shop in which a large number of mechanics are engaged in repair work upon a large number of automotive vehicles, and pictures of a portion of a large and well equipped laboratory, together with statements to the effect that said pictures are pictures of the shops and place of business and laboratory of said purported Chicago Auto Shops; that respondents' said course of instruction is offered by said purported business enterprise as a branch, department or division of said enterprise; that any person regardless of age and regardless of the amount of schooling or education he has received, can and will within a period of one year be qualified by respondents' said course of instruction as an expert in all matters pertaining to the repair of automotive vehicles and easily able to secure an important and lucrative position as a superintendent or other administrative and executive employee or officer at a salary represented by respondents to range in amount from \$75 to \$200 per week, and from \$3,000 to \$10,000 per year; that there is an enormous demand at such large and lucrative salaries for persons who have completed respondents' said course of instruction, and that respondents will aid and assist such persons in securing said lucrative positions, and that if for any reason the pupil is not satisfied with said course of instruction and the results thereof, respondents will refund to the pupil all monies paid by him to respondents for said course; and other false, misleading and fictitious statements of like tenor. Further, respondents represent that they guarantee all the foregoing matters and things to the pupil. The truth and fact is that there does not exist a substantial demand for the services of repairmen of automotive vehicles of the knowledge and ability procurable or procured by taking re-

Complaint.

9 F. T. C.

spondents' said course of study at salaries in excess of \$150 per week; that persons completing respondents' said course of study do not readily secure positions or employment at salaries to the amount of \$150 or more per week, either through their own efforts or through the assistance of respondents, but on the contrary are in practically all instances able to secure positions and employment, if at all, at salaries substantially less than the amount of \$150 per week; that there has never existed and does not now exist a going business enterprise named or known as the Chicago Auto Shops engaged in the business of the repair of automotive vehicles, offering said course of instruction, and that respondents are not, nor is any of them in anywise connected with any such business enterprise which collaborates with respondents or either of them in and about conducting said course of instruction, but on the contrary respondents are conducting said course of instruction wholly as an enterprise of their own and for profit to themselves.

PAR. 6. In all aforesaid advertising, trade publications and literature used by respondents in connection severally with their said courses of instruction under the trade names and styles, "Coyne School of Drafting," "Associated Drafting Engineers," and "Chicago Auto Shops," respectively, and in letters written by respondents to pupils and prospective pupils, respondents as a further and additional inducement to prospective pupils to take respondents' said courses of instruction, cause to be set forth certain amounts which respondents represent to be the regular and usual prices of said course of instruction habitually charged by respondents and paid by pupils for said courses of instruction, together with representations that respondents for a limited time will give said courses of instruction to pupils at special specified reduced prices and urging prospective pupils to take advantage of said special offer, thus making a substantial saving in money which said persons would not be able to make if they should fail to take advantage of such offer within said limited time. In truth and in fact, said purported regular prices are wholly fictitious, and said purported special and reduced prices are the regular and usual prices which respondents habitually charge and pupils pay for said courses of instruction.

PAR. 7. As a further and additional inducement to prospective pupils to take respondents' said courses of instructions, referred to in paragraph 6 hereof, respondents in all aforesaid advertisements and trade literature, and in letters written by respondents to prospective pupils, cause to be set forth false and misleading representations to the effect that respondents will furnish and give free of charge to persons taking said courses certain valuable tools, appliances and supplies necessary for and to be used in and about the

prosecution of said courses of instruction respectively. In truth and in fact, said tools, appliances and supplies are not furnished free by respondents, but respondents furnish same at a certain charge and price which respondents include in the amounts of money which they charge and which pupils pay for said courses of instruction respectively.

PAR. 8. All aforesaid false, misleading, deceptive and fictitious statements and representations made by respondents in connection with and relating to their aforesaid courses of instruction, all as in this complaint before set out, have the capacity and tendency to cause many of the public to take and purchase respondents' said courses of instruction in the belief that said statements and representations are true, and that as such pupils they will derive and obtain all the various and sundry advantages in technical training and education, and all the financial, professional and other advantages which respondents hold out and represent that pupils will derive and obtain, all as in this complaint before set out, and to pay to respondents for said courses of instruction substantial sums of money.

PAR. 9. Through and by means of the false, misleading, deceptive and fictitious statements made by respondents, all heretofore set out in this complaint, respondents fraudulently procured many persons to enter into written contracts with respondents, by the terms of which contracts said persons undertake to purchase and take one or more of respondents' said courses of instruction and to pay therefor a certain stipulated sum of money in certain stipulated monthly installments, all set out and provided for in said contracts. In instances where pupils after having executed said contracts refuse or fail to pay said stipulated sum of money or one or more of said stipulated installments, respondents represent to such pupils that said contracts are legally binding upon said pupils and that said pupils are thereby legally bound to pay to respondents the said entire stipulated sum in said stipulated installments. Further, respondents threaten certain of said persons that respondents will report to the employers, superior officers and other persons in authority over said persons, the failure of said persons to meet said purported obligations. Further, respondents threaten certain of said persons that unless said persons meet said purported obligations respondents will institute appropriate legal proceedings to recover the amounts represented by respondents to be due and owing under said contracts. Further, respondents send to certain of said persons letters demanding payment of said amounts, said letters bearing the fictitious signature of a collection agency which does not in fact exist, and said letters

Findings.

9 F. T. C.

being written upon stationery bearing a fictitious letterhead displaying the purported name of said fictitious collection agency; and in addition thereto send to said persons certain notices, summons and other like documents purporting upon their face to be legal documents in and relating to contemplated and pending legal proceedings for the recovery of the said amounts of money, which said notices, summons and other like documents are wholly fictitious. By and through all aforesaid means respondents unlawfully coerce many said pupils to pay to respondents substantial sums of money claimed by respondents to be due and owing by said pupils under the terms of aforesaid fraudulently procured contracts.

PAR. 10. There are among the competitors of respondents referred to in paragraph 1 hereof, many who do not in like manner as respondents or otherwise, falsely and misleadingly represent the character and nature of their business and professional organizations, and the business, professional, financial and other advantages to be derived by the pupil upon completion of their courses of instruction, and respondents' acts and practices all in this complaint before set out, have the capacity and tendency to cause many of the public to take and pay for respondents' said courses of instruction in preference to the courses of instruction in mechanical and other draftsmanship, and in the trade of repairing and maintaining automotive vehicles offered by said competitors and in preference to courses of instruction in other arts, trades, sciences and departments of knowledge offered by said competitors. Respondents' aforesaid acts and practices thus tend to divert business from and otherwise to injure and prejudice said competitors.

PAR. 11. 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 its complaint upon the respondents, B. W. Cooke, C. E. Wesch, and Job-Way Home Study, Incorporated, on the 19th day of May, 1925, charging said respondents with the use of unfair methods of competition in interstate commerce in violation of Section 5 of the said Act.

Respondents entered their appearances by counsel on the 13th day of June, 1925, and thereafter an agreed statement of the facts was signed by respondents and by the chief counsel for the Federal Trade Commission, in which it was stipulated that the facts so stated should be taken in lieu of evidence and that the Commission should proceed thereon to make its report and issue its order disposing of the said proceeding without the filing of briefs or the making of oral argument by the respective parties.

Thereupon this proceeding came on for final decision, and the Commission, having considered the record and being now fully advised in the premises, makes this its report stating its findings as to the facts and its conclusions based thereon:

FINDINGS AS TO THE FACTS.

PARAGRAPH 1. Respondent B. W. Cooke is an individual with his place of business in the city of Chicago, State of Illinois, and together with the respondents Wesch and Job-Way Home Study, Inc., all as hereinafter set out, has been, and now is engaged in the business of teaching the art of mechanical and other forms of drafting, and the trade of repairing automotive vehicles, to persons hereinafter referred to as pupils located at points in various States of the United States.

Respondent C. E. Wesch is an individual with his place of business in the city of Chicago, State of Illinois, and together with the respondents Cooke and Job-way Home Study, Inc., all as hereinafter set out, has been and now is engaged in the same business.

Respondent Job-way Home Study, Inc., is a corporation under the laws of the State of Illinois, with its principal office and place of business in the city of Chicago in said State, and together with the respondents Cooke and Wesch, has been and is now engaged in the same business, all as hereinafter set out.

PAR. 2. Respondents conduct their said business through and by means of advertisements soliciting persons to take their said course of instruction and by means of correspondence with said pupils and prospective pupils in the following manner: Respondents cause to be inserted in newspapers, magazines, and other publications of general circulation throughout the United States and in certain sections thereof advertisements offering their said course of instruction and soliciting pupils therefor. Upon receiving letters and other communications from prospective pupils sent by them to respondents in response to said advertisements, respondents send to such prospective pupils by mail letters, catalogues, pamphlets, and

Findings.

9 F. T. C.

other like literature describing and explaining their said courses of study, and upon securing pupils for either or both of said courses respondents send by mail from their said place of business in the city of Chicago, Ill., to such pupils written lessons, instructions, charts, drawings, text books, and various supplies, tools, and appliances to be used by the said pupils in and about the learning of said art and said trade, in consideration of which the said pupils pay to said respondents certain agreed sums of money. In the course and conduct of their said business, respondents are in competition with other individuals, partnerships, and corporations likewise engaged in the instruction of persons by correspondence through the mails in aforesaid art and aforesaid trade and in various other arts, science, and branches of knowledge.

PAR. 3. Respondent Cooke since about the month of January, 1920, has been continuously engaged in said business under sundry trade names and through and in connection with respondent Job-way Home Study, Inc., and respondent C. E. Wesch, as follows: From about the month of January, 1920, to about the month of December, 1924, respondent Cooke conducted said course of instruction in the art of mechanical and other drafting under the name and style of "Coyne School of Drafting." From about January 1, 1925, said respondent has conducted, and still conducts, said course of instruction in said art under the trade name and style of "Associated Drafting Engineers," and his said course of instruction in the trade of repairing automotive vehicles under the trade name and style of "Chicago Auto Shops." Respondent C. E. Wesch has been associated with and employed by the said Cooke since about September 1, 1923, and continually since said time has cooperated with and aided the said Cooke in the acts and practices hereinafter set forth. On or about the first day of May, 1924, respondent Cooke caused to be incorporated respondent Job-way Home Study, Inc., for the purpose of taking over and administering the said business. Respondent Cooke was one of the incorporators of the said respondent corporation and became its sole stockholder except for certain qualifying shares of stock required to be held by the officers and directors of the said corporation by the law of the State of Illinois. Respondent Cooke became the president and treasurer of the respondent corporation, which offices he now holds, Respondent Wesch, upon the incorporation of the said concern, became, and ever since has been, its secretary.

PAR. 4. In the regular course and conduct of their business as aforesaid, under the trade name and style of "Coyne School of Drafting," the respondents have caused advertisements offering said

course of instruction to be published in various newspapers, magazines, and other periodicals, having interstate circulation, and have sent and supplied to pupils and prospective pupils catalogues, letters, and pamphlets descriptive of and otherwise relating to said course and results which might be by the pupils expected therefrom, and certain services which respondents undertake to render to the said pupils in connection therewith, in which said literature the following statements and representations, amongst others, were made:

(a) That through said course of instruction respondents can in a period of about ten months qualify the pupil as an expert draftsman trained and qualified to perform the duties and fill the demands of the drafting department of any industry, business, or profession.

(b) That there is a tremendous demand for expert draftsmen, and especially for draftsmen trained by respondents said course of instruction.

(c) That immediately upon the completion of said course of instruction the pupil will obtain, and that respondents will obtain for the pupil, a high and responsible position paying a large salary, which salary respondents variously represent to be and to range from \$200 to \$800 per month and from \$50 to \$150 per week.

(d) That through said course of study respondents will qualify the pupil as a drafting expert or in the alternative will refund the money paid by the pupil to the respondents for said course of instruction.

(e) That if for any reason the pupil is not satisfied with said course of instruction and the results thereof, respondents will refund to the pupil all money paid respondents by him.

(f) That all the aforesaid things can be accomplished by persons of common or ordinary school education.

(g) That respondents guarantee all the foregoing things to the pupil.

The facts upon which the foregoing statements and representations were based are as follows:

(a) Pupils who take respondents' said course of instruction are not thereby qualified as expert draftsmen and are not thereby trained and qualified for the duties and demands of any business or profession.

(b) There is not a great demand for draftsmen trained by respondents, nor does the said training given by respondents qualify pupils as expert draftsmen.

Findings.

9 F. T. C.

(c) Pupils who have taken respondents course of instruction do not as a rule obtain high and responsible positions, and, if they do obtain employment, receive salaries of \$75 to \$150 a month, and never in excess of \$200 per month.

(d) Respondents have never placed pupils in positions after they have completed the said course of instruction where they received salaries to the amount of \$250 per month or in excess thereof.

(e) Respondents do not legally guarantee to the pupils that if they are not satisfied with the course for any reason that the respondents will refund their money.

(f) The results promised by the respondents to pupils completing respondents' said course of instruction cannot be accomplished by a person having only a common-school education.

PAR. 5. In the regular course and conduct of their business as aforesaid, under the trade name and style of "Associated Drafting Engineers," the respondents have caused advertisements offering said course of instruction to be published in various newspapers, magazines and other periodicals having interstate circulation, and have sent and supplied to pupils and prospective pupils catalogues, letters, and pamphlets descriptive of and otherwise relating to the said course and the results which might by the pupils be expected therefrom, and certain services which respondents undertake to render to the said pupils in connection therewith, in which said literature the following statements and representations, amongst others, were made:

(a) All the statements set out in paragraph 4 herein in relation to the advertisements and representations under the trade name and style of "Coyne School of Drafting."

(b) That there exists a great and powerful association of practical engineers engaged in the practice of their profession, which said purported association is offering said course of instruction and conducting same through respondent Wesch, who is in said advertisements and other literature designated "Chief of Staff" of said purported association.

(c) That said association will give the pupil the benefit of the learning and ability of its purported members in and about assisting and advising the pupil and in and about properly qualifying him as an expert draftsman under and through said course of instruction, and will use the power and influence of said purported association and its members to secure for the pupil an important and valuable position at a high salary within the range of monthly or weekly stipends referred to in paragraph 4 hereof.

The facts upon which the foregoing statements and representations were based are as follows:

(a) These facts are as set out in paragraph 4 hereof.

(b) There never has existed and does not now exist any association of engineers offering said course of instruction either through respondents or any of them, nor is any of them connected with such an association which collaborates with the respondents or any of them in and about conducting said course of instruction, but on the contrary, respondents are conducting said course of instruction wholly as an enterprise of their own and for profit to themselves.

(c) The facts in reference to this representation are set forth under (b) next preceding.

PAR. 6. Respondents and each of them in the regular course and conduct of their business as set forth herein, under said trade name and style of "Chicago Auto Shops," in order to secure pupils for said course of instruction in the repair of automotive vehicles offered and conducted by the said respondent as hereinbefore set out, cause advertisements offering said course of instruction to be inserted in various magazines, periodicals, and newspapers of general circulation throughout the United States and in various portions thereof, and send and supply to pupils and prospective pupils by mail catalogues, leaflets, pamphlets, and letters descriptive of and otherwise relating to said course of instruction, in which said trade literature respondents cause to be inserted statements concerning the said course, the results to be expected therefrom, and services to be rendered by the respondents to the said pupils in connection therewith, among which statements were the following:

(a) That the "Chicago Auto Shops" is a large and important business enterprise engaged in the business of repairing and maintaining automotive vehicles and conducting said business in a large and commodious repair shop, and that the operators of said shops maintain and conduct in connection with their said business and as an adjunct to the said shops, a research and experimental laboratory. In connection with this representation, respondents cause to be set out in many of said advertisements and pamphlets pictures of a large and thoroughly equipped repair shop in which a large number of mechanics are engaged in repair work upon a large number of automotive vehicles, and pictures of a portion of a large and well-equipped laboratory, together with statements to the effect that said pictures are pictures of the shop and place of business and laboratory of said purported Chicago Auto Shops.

Findings.

9 F. T. C.

(b) That said course of instruction is offered by said business enterprise as a branch division, or department of said enterprise.

(c) That any person, regardless of age and regardless of the amount of schooling or education he has received can and will within a period of one year be qualified by said respondents' course of instruction as an expert in all matters pertaining to the repair of automotive vehicles and easily able to secure an important and lucrative position as a superintendent or other executive employee or officer at a salary represented by respondents to range in amount from \$75 to \$200 per week and from \$3,000 to \$10,000 per year.

(d) That there is a tremendous demand at such large salaries for persons who have completed respondents' said course of instruction, and that respondents will aid and assist such persons in securing said lucrative positions.

(e) That if for any reasons the pupil is not satisfied with the said course of instruction or the results obtained therefrom respondents will refund to the pupil all monies paid by him to respondents for the said course.

(f) That respondents guarantee all the foregoing things to the pupil.

The facts upon which the foregoing statements and representations were based are as follows:

(a) There is not now and never has been a concern named or known as the "Chicago Auto Shops" engaged in the business of repairing automotive vehicles and offering the said course of instruction, nor is there such a concern conducting a research laboratory in connection with said course of instruction, but on the contrary respondents are conducting the said course of instruction as an enterprise of their own and for profit to themselves.

(b) The said course of instruction is not a branch of the actual business of operating a repair shop and laboratories.

(c) Persons who complete the said course of instruction offered by respondents do not readily secure important and lucrative positions at the salaries stated by respondents in their said advertising literature, either through their own efforts or by the assistance of respondents, but on the contrary they are able to secure positions, if at all, at salaries substantially less than \$140 per week.

(d) There is no great demand for persons who have completed respondents' said course of instruction, and they are not gener-

ally able to secure employment as superintendents or other executive officers at high and lucrative salaries.

(e) (f) Respondents do not furnish to the pupil any legal and binding guarantee of the truth of the representations set out in the advertising literature as aforesaid.

PAR. 7. In all the foregoing advertising, trade publications and literature used by respondents severally with their said courses of instruction under the trade names and styles of "Coyne School of Drafting," "Associated Drafting Engineers," and "Chicago Auto Shops," respectively, and in letters written to pupils and prospective pupils, respondents as a further and additional inducement to prospective pupils to take respondents' said courses of instruction, cause to be set forth certain amounts which respondents represent to be the usual and regular prices of said courses of instruction habitually charged by respondents and paid by pupils for said courses, together with representations that for a certain limited time respondents will give said courses to pupils at special specified reduced rates and urging prospective pupils to take advantage of said special offer, thus making a substantial saving in money which said persons would not be able to make if they should fail to take advantage of such offer within the said limited time.

The fact is that such purported regular prices are wholly fictitious, and said purported special and reduced rates are the regular and usual rates which respondents habitually charge and which pupils pay for the said course of instruction.

PAR. 8. As a further and additional inducement to take respondents' said courses of instruction referred to in paragraph 7 hereof, respondents, in the aforesaid advertisements and other literature and in letters written by respondents to prospective pupils, cause to be set forth representations to the effect that respondents will give free of charge to persons taking the said courses certain valuable tools, appliances, and supplies necessary for and to be used in and about the prosecution of said courses of instruction.

The fact is that said tools, appliances, and supplies, are not furnished free by respondents, but respondents furnish same at a certain charge and price which respondents include in the amounts of money which they charge and which pupils pay for said courses of instruction.

PAR. 9. The aforesaid representations and statements made by respondents in connection with and relating to their said courses of instruction, all as hereinabove set out, have the tendency and capacity, and do, cause many of the public to take and pay for respondents' said courses of instruction in the belief that said statements and

Findings.

9 F. T. C.

representations are true, and that as such pupils, they will derive and obtain all the advantages and technical training and all the financial benefits which respondents hold out and represent that they will obtain.

PAR. 10. Through and by means of the statements and representations hereinabove set out, respondents have secured the signatures of many pupils upon contracts with respondents, by the terms of which contracts said pupils undertake to purchase and take one of the said courses of instruction offered by respondents, and to pay therefore a certain stipulated sum of money in certain stipulated monthly installments, all set out and provided for in said contracts. In instances where pupils, after having so contracted, refuse or fail to pay said stipulated sum or one or more of said stipulated installments, respondents represent to said pupils that said contracts are legally binding upon said pupils and that they are thereby legally bound to pay to respondents said entire stipulated sum in said stipulated installments. Further, respondents threaten certain of said persons that unless they meet said purported obligation, respondents will report same to the employers, superior officers and other persons in authority over said persons. Further, respondents threaten certain of said persons that unless they meet said purported obligations, respondents will institute appropriate legal proceedings to recover the amounts represented by respondents to be due and owing under said contracts. Further, respondents send to certain of said persons letters demanding payment of said amount, said letters bearing the purported signature of a collection agency which does not in fact exist, and said letters being written upon stationery bearing a fictitious letter-head displaying the name of a collection agency which does not in fact exist. In addition thereto, respondents send to certain of said persons notices, summons, and other like documents, purporting on their face to be legal documents in and relating to contemplated or pending legal proceedings for the collection of said amounts alleged to be due respondents. In fact these documents are wholly fictitious and are not legal documents, but are prepared by respondents themselves.

By and through these means as aforesaid, respondents coerce some of said pupils to pay substantial sums to respondents claimed by respondents to be due under the contracts procured as aforesaid.

PAR. 11. Among the competitors of respondents referred to in paragraph 1 hereof, there are many who do not falsely represent the character and nature of their business and organization, and the business professional, and other advantages to be derived from their courses of instruction. Respondents' act and practices, all as here-

inbefore set out, have the tendency and capacity to cause many of the public to take and pay for respondents' said courses in preference to those offered by said competitors.

CONCLUSION.

The above practices of respondents under the conditions and circumstances set out in the foregoing findings are unfair methods of competition in interstate 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 and an agreed statement of facts filed herein, and the Commission having made its findings as to the facts and its conclusion that the respondents have violated 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."

It is now ordered, That the respondents B. W. Cooke, C. E. Wesch, and Job-Way Home Study, Incorporated, their officials, representatives, servants, and employees, do cease and desist from:

(a) Representing directly or indirectly, by advertisements, by circular letters, or otherwise—

1. That respondents can and will in a period of ten months or less, by a correspondence course qualify a pupil as an expert draftsman trained to fulfill the duties of an industry or profession;

2. That there is a demand for the services of persons trained by respondents' said course of instruction, at high salaries;

3. That immediately upon the completion of respondents' said course of instruction in drafting by correspondence the pupil will obtain, or respondents will obtain for the pupil, a high and responsible position paying a salary ranging from \$200 to \$800 per month or from \$50 to \$150 per week;

4. That respondents will place pupils in positions paying the rates of salary mentioned in (3) above, or in the alternative will return the pupil's money, unless and until respondent does in good faith so perform;

5. That respondents legally guarantee to their pupils either satisfaction of the said pupils in accordance with the said promises, or

Order.

9 F. T. C.

the return of the money paid by said pupils, unless and until respondents do furnish such legal guarantee;

6. That the pupil can become an expert draftsman in ten months or less by taking the respondents said course of correspondence lessons even though the said pupils have only common or ordinary school education;

7. That there exists a powerful association of drafting engineers engaged in the practice of their profession and that the said association is offering a course of instruction through the said respondents;

8. That respondent C. E. Wesch is "chief of staff" of any such purported association mentioned in (7) above;

9. That there is an association of drafting engineers engaged in the practice of their profession who offer pupils assistance and advice through the said respondents and which will, after the pupil has finished the said course, use its influence to secure for the pupil employment at a large and lucrative salary or at all;

10. That there is a large business enterprise called the "Chicago Auto Shops" or otherwise which is actively engaged in the repair of automotive vehicles, which conducts this business in a large and well-equipped repair shop, and which is offering a course of instruction by correspondence through the said respondent as a part of the said business enterprise;

11. That any person, regardless of age or the amount of schooling or education he has had can and will within the period of one year be qualified as an expert in all matters pertaining to the repair of automotive vehicles by taking the correspondence course therein offered by the said respondents;

12. That pupils who take respondents' said course of instruction in the repair of automotive vehicles are generally about to secure positions as superintendents or other executive offices at salaries ranging from \$75 to \$200 per week and from \$3,000 to \$10,000 per year.

13. That there is a great demand for persons who have completed respondents' said correspondence course in automotive repair;

14. That respondents will place those who have completed their courses as aforesaid in positions which will pay the rate of salaries mentioned in (12) above;

15. That if for any reason the pupil is not satisfied with respondent's said course in automotive repair, respondents will refund to the pupil all money paid by him, unless and until respondents do so in good faith perform;

(b) Representing directly or indirectly, by advertising, by circular letter, or otherwise, that the said courses of instruction offered by respondent usually and regularly are given for a certain amount,

but that by special rate pupils will be allowed to take the courses for a smaller amount, thus making a substantial saving, when in fact the said smaller amount is the regular and usual rate paid for the said course by pupils;

(c) Representing directly or indirectly, by advertisements, circular letters, or otherwise, that respondents will give free to pupils taking the said courses offered by respondents certain valuable tools, appliances and supplies necessary to the prosecution of the said courses of study, when in fact the said tools, appliances, and supplies are not given free, but are charged for and the amount is included in the price paid by the said pupils for the said courses of instruction;

(d) Using for the purpose of collecting payment for the said courses letters purporting to be sent from a collection agency, but which are actually sent from respondents' own offices;

(e) Sending to pupils who have failed to pay the sum alleged by respondent to be due for the said courses of instruction, notices, summons, and other like documents, purporting on their faces to be legal documents having to do with the collection of the said sums but which are in fact fictitious and not legal documents, and are prepared by respondents themselves;

(f) Using or employing any other false and fictitious forms, documents or letter heads, or making threats of suit, for the purpose of collecting alleged delinquent accounts, except that respondents may in good faith take such steps as may be necessary to collect amounts which they consider to be legally due to them for services rendered;

(g) Using and employing the name "Associated Drafting Engineers" as a trade name for the business of conducting a correspondence course in drafting; or using and employing any similar name likewise suggesting that the course is offered by an association of drafting engineers;

(h) Using and employing the name "Chicago Auto Shops" as a trade name for the business of conducting a correspondence course in the repair of automotive vehicles; or using and employing any similar name likewise suggesting that the course is being offered as part of a business of repairing automotive vehicles.

And it is further ordered, That the respondents shall within a period of thirty days after the date of service upon them of the order contained herein, file a report in writing with the secretary of the Federal Trade Commission setting out the manner and form in which they have conformed to the said order herein contained.

IN THE MATTER OF

JACQUES E. GREENBERGER, ERNST GREENBERGER,
AND NORMAN J. GREENBERGER, PARTNERS DOING
BUSINESS UNDER THE TRADE NAME AND STYLE
GRAND RAPIDS FURNITURE MANUFACTURERS
WAREHOUSE ASSOCIATION, AND GRAND RAPIDS
FURNITURE MANUFACTURERS ASSOCIATION, INC.

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

Docket 1243—September 26, 1925.

SYLLABUS.

Where the City of Grand Rapids, Mich., had long been known as a large and important center of the furniture industry in the United States, manufacturers thereof through their organization, generally known and referred to by the trade and public as the Grand Rapids Furniture Manufacturers Association, expended large sums annually in advertising "Grand Rapids" and "Grand Rapids furniture" and in creating good will and demand therefor, the name "Grand Rapids" as associated with furniture had come to mean, and to be understood by the public as meaning, furniture made in said city, and Grand Rapids furniture had come to enjoy a wide spread popularity and demand and to be preferred by many to furniture made elsewhere; and thereafter a firm and its corporate successor, organized, operated and controlled by the former members thereof, engaged in the sale at retail in and from New York City of furniture which they bought from the manufacturers and resold at regular, full retail prices, and of which only a negligible proportion, not bought from Grand Rapids manufacturers, was made in said city; and neither representing, nor connected with, Grand Rapids manufacturers in any way, nor owning, interested in, controlling, nor operating any furniture factory; with full knowledge of the facts above set forth in reference to the Grand Rapids furniture industry;

- (a) Used and featured as their trade and corporate names the names "Grand Rapids Furniture Manufacturers Warehouse Association" and "Grand Rapids Furniture Manufacturers Association, Inc.";
- (b) Made numerous such statements in advertising their furniture under their aforesaid names as "Buy Grand Rapids Furniture—The Best in the World—Direct from the New York Branch Warehouse * * *," "The First time in New York's history Grand Rapids, the world's best furniture can now be bought at this New York branch warehouse. Shipments are coming regularly from our FACTORIES," "You can now buy from this New York branch, Grand Rapids, the world's finest and most durable furniture * * *," and conspicuously labeled such furniture as Grand Rapids furniture, and represented and sold the same as such;
- (c) Mailed post cards from Grand Rapids, Mich., to customers in eastern states, at the top of which cards they had printed the words "Grand Rapids, Mich.," together with an advertisement, over their aforesaid cor-