

Syllabus

IN THE MATTER OF

CONSOLIDATED BOOK PUBLISHERS, INC.

COMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 1538. Complaint, Oct. 11, 1928—Decision, May 6, 1930

Where a corporation engaged in the sale and distribution, throughout the United States, of a set of books at retail, under the name "New World Wide Cyclopedia", and under a plan involving sending of lead letters to prospects and solicitation by salesmen of those returning the enclosed postal cards,

- (a) Advised the prospect in said letters, under the name "World Wide Educational Service", that it was distributing a few sets as an advertisement to obtain an original owners list in certain communities, that because of his standing his name was considered of special value as a local reference, and that it had set aside "without cost" to him a complete 8-volume set, and requested his opinion of the work in response to future queries, and that he treat the communication "as personal and confidential"; the facts being that it did not give away any sets as above represented, but sold the encyclopedia, together with the loose-leaf supplement and research service therein mentioned, for the purchase price of \$33.20, and employed said letters solely to obtain names of prospects, and that the name "World Wide Educational Service" was only a trade name used to conceal its character as a book-selling organization;
- (b) Employed an order blank in which the purchaser over his signature called upon it to deliver a set, to enroll him as a subscriber for its quarterly loose-leaf extension service for a 10-year period, and to enroll him as a member of its "Research Bureau" for a like period, and obligated himself for a total payment of \$33.20; the fact being that on the ground of mailing expense, additional amounts, not mentioned in said contract, and aggregating \$8 over and above the aforesaid contract price, were exacted;
- (c) Represented to prospects that subscribers to said loose-leaf service for 10 years, at a price of \$33.20, to cover cost of sending same four times a year during said period, would be given a set free, and that a few persons, of whom prospective subscriber was one, had been selected in each community to receive a set as a gift, said subscriber being expected, however, as an additional consideration to give an opinion, at some later date, of the work, for use in some future sales campaign; the facts being that there was no such selection of persons nor request for opinions, no such sales campaign was contemplated, and the figure named constituted its regular price for books, service, and other items, as above set forth, and was further misleading in its failure to include the aforesaid \$8 additional exacted;

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- (d) Featured its said research bureau and the added value to be afforded thereby, to prospects, representing same as covering 121 subjects within the field of human knowledge, rendering a service of inestimable value, and supplying the subscriber, for 10 years, with "information and advice on any subject," and as consisting of a staff of competent editors, all expert in their particular field; the facts being that it consisted only of an elderly man whose duties included preparation of material for aforesaid supplements, answering of questions sent to said "bureau", and the rendering of assistance in revisions of the encyclopedia, and that at times answers were prepared and sent in response to simple questions, by a sales promoter located in its office; and
- (e) Sold its said encyclopedia under the name "New World Wide Cyclopedia" and falsely represented same as a new and up to date publication; the facts being that said work was published prior to 1917 under another name; it purchased the plates thereof in said year, and had made no general revision thereof since;

With the tendency and capacity to mislead and deceive and with the effect of misleading and deceiving the purchasing public and inducing purchase by it of said publications in the belief that said representations and statements were true; and

- (f) Sold over 30,000 sets of its said work under the name "Times Encyclopedia and Gazetteer", with different binder but identical text and content material, to another company, for resale by it to the public, under contract obligating it to supply said company with loose-leaf supplements, for latter's customers, and printed for and supplied said company with sales and advertising literature, identical, excepting change in names, with those employed by it in sale of said "New World Wide Cyclopedia", and with a "research service", held out by the latter to the public as a research bureau; with the capacity and tendency to mislead and deceive the purchasing public and to cause members thereof to purchase the two sets as and for separate and distinct works:

Held, That such practices, under the circumstances set forth, were to the prejudice of the public and competitors and constituted unfair methods of competition.

Mr. G. Ed. Rowland for the Commission.

Campbell & Fischer, of Chicago, Ill., for respondent.

SYNOPSIS OF COMPLAINT

Reciting its action in the public interest, pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent, an Illinois corporation engaged in the sale and distribution of a set of books entitled "New World Wide Cyclopedia", in interstate commerce, and with principal office and place of business in Chicago, with offering deceptive inducements to purchase, through advertisements and agents, and with naming product misleadingly, in violation of the provision of section 5 of said act, prohibiting the use of unfair methods of competition in interstate commerce.

Respondent, as charged, engaged in the sale of said books through salesmen or representatives traveling through the United States and calling upon those theretofore solicited by mail, under the name "World Wide Education Service", to purchase its said "New World Wide Cyclopedia", and "Loose Leaf Extension Service", and replying to said request through use of the self-addressed card inclosed, makes false and misleading representations through agents, salesmen, representatives, and employees and, in some cases through advertisements, as follows:

That it will present free its said set of books to various individuals, upon the condition that they give prospective purchasers in their community their opinions concerning the merits thereof, provided, however, that they subscribe to the aforesaid loose-leaf extension service, published four times a year, for a period of 10 years, represented as costing only 83 cents an issue, but amounting to a total of \$33.20 for the entire transaction. Said figure is respondent's regular price for both the set and the service, is greatly in excess of the price at which respondent could furnish the latter alone to bona fide purchasers and misleads the purchaser into buying the two in the mistaken belief that he is receiving the set free of charge and paying only for the other.

That each purchaser of the set will be enrolled for a 10-year period as a member of its Research Bureau and that a limited number of its sets have been set aside for free distribution, as part of an advertising campaign to obtain an original owners' list in certain communities, to which prospective purchasers may be referred. Said Research Bureau is fictitious and no sets are given away, each subscriber being required to purchase the loose-leaf service, as above set forth.

Respondent, further, as charged, entitles editions printed from the plates used for its said "New World Wide Cyclopedia", the "Times Encyclopedia and Gazetteer" and sells said editions or copies under said title to The Times Sales Co., which resells the same to the public at retail, respondent concealing the fact that the two publications are printed from the same plates and are identical in contents, with the result that the public is thus confused and misled as to the identity of the two and induced to purchase the same as and for entirely different and distinct compilations and publications.

As a result, as alleged, of the use of such false, deceptive and misleading representations and statements said "New World Wide Cyclopedia" and the aforesaid extension and research services, have been and are sold to members of the public throughout the United States, thereby induced to purchase the same; and, as charged, the

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above alleged acts, things and practices of respondent are each and all to the prejudice of the public and respondent's competitors, and constitute unfair methods of competition in interstate commerce within the intent and meaning of section 5.

Upon the foregoing complaint, the Commission made the following

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 Consolidated Book Publishers, Inc., hereinafter referred to as respondent, charging it with unfair methods of competition in commerce in violation of the provisions of section 5 of said act.

The respondent having entered its appearance, and having filed its answer herein, hearings were had and evidence was thereupon introduced on behalf of the Commission (respondent waiving its right to introduce testimony) before an examiner of the Federal Trade Commission, theretofore appointed.

Thereupon this proceeding came on for final hearing on the briefs and oral argument of counsel, and the Commission having duly considered the record, and being fully advised in the premises, makes this its findings as to the facts and conclusion drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent, Consolidated Book Publishers, Inc., is a corporation organized in 1922, under laws of the State of Illinois, with its principal office and place of business at 537 South Dearborn Street, Chicago, Ill., where it has been engaged for more than one year last past in the sale and distribution throughout the United States of a set of books at retail under the name "New World Wide Encyclopedia" and of the same set of books at wholesale under the name of "The Times Encyclopedia and Gazetteer". Respondent is a subsidiary of John F. Cuneo Co., which company binds the encyclopedia sold by respondent, and the printing of said encyclopedia is done by the Cuneo Press of Wisconsin. All three of these companies are affiliated with Cuneo Press. The officers of respondent are Stanley H. Livingston, president; R. W. Smith, jr., vice president, and C. I. Ingve, secretary-treasurer. Mr. Smith is also connected with the John F. Cuneo Co. Mr. Stanley H. Livingston is manager and in active charge of everything in connection with respondent. In the course and conduct of its business respondent is in active

competition with other persons, partnerships and cooperations engaged in the sale of books throughout the United States.

PAR. 2. Respondent sells its "New World Wide Cyclopedia" at retail to the public by salesmen, on the subscription plan. Its method of sale is as follows: Lists of names of prospects are obtained from addressing companies, and a letter, copy of which is set forth hereinafter, is sent to said prospects. Accompanying the letter is a postal card, addressed to respondent, confirming the name and address of the person to whom the letter is sent, which such person is asked to initial and return to respondent. The postal cards so returned are given to respondent's salesmen and representatives, with instructions to call upon and attempt to sell said persons a set of the "New World Wide Cyclopedia". If the salesman makes a sale he requires the prospect to sign a contract, or order, a copy of which is retained by the purchaser, and the original sent to respondent. The purchaser pays \$9 to the salesman as an initial payment, \$12.20 upon receipt of the set of books, which are sent C. O. D. by respondent and an additional \$12 thirty days after the date of the order, a total of \$33.20. If a purchaser pays cash at the time of signing the contract, he receives a bookshelf for the books as a premium. The respondent, pursuant to orders for said books, previously received, as hereinbefore stated, causes said books to be shipped from its place of business in the city of Chicago, State of Illinois, to the different purchasers thereof located throughout the different States of the United States.

The set of books called the "New World Wide Cyclopedia" consists of eight volumes, with content material arranged alphabetically, on unnumbered pages, bound in board covers, with certain designs on said covers, which are tinted with colors. Accompanying the 8-volume set when delivered to a purchaser are a loose-leaf binder and three supplements.

PAR. 3. At the time of the hearings in the case respondent had 8 salesmen engaged in selling its encyclopedia in the various States of the United States, and particularly in the States of Indiana, Illinois, Michigan, Nebraska, and New York, but at different times since it has been in business respondent has had as many as 30 salesmen engaged in this work, scattered throughout the country. Respondent equips its salesmen with a "sales kit" containing the following items: Contract forms in duplicate, bureau of research certificate, blue print showing scope of research bureau work, prospectus or sample pages from the books, "stretcher" showing backs of volumes and sample of binding, a "broadside" or advertising circular, and other advertising literature.

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Respondent does not give its salesmen definite sales talks to follow in soliciting sales. Its salesmen are persons who have had a numbers of years experience in the sale of subscription books with other companies, and respondent does not give them any instructions as to the manner of selling its encyclopedia, but allows them to use their own methods of making sales. Salesmen are instructed only to call upon and solicit the persons to whom lead letters have been sent by respondent, and who have initialed and returned the post card.

PAR. 4. The letter, heretofore referred to, which respondent sends to prospects, is as follows:

Without cost to you and without any obligation on your part, we are holding a complete 8-volume set of the World Wide Cyclopedia.

A few of these sets are being distributed as an advertising feature to obtain an original owners' list in certain communities. Because of the standing you enjoy in your community we feel your name would be of special value to us as a local reference.

Should your opinion be asked at some future time, we request only that you speak of the work as you find it and say what you conscientiously think of its merits. A most attractive feature is the Loose Leaf Extension Service, which keeps the work constantly up to date.

It is necessary for you to initial and return the inclosed card, confirming the correctness of address (or make corrections) and we will see to it that you are supplied with complete details without cost or obligation.

Please treat the foregoing as personal and confidential.

At the time of the hearing the above letter was being sent by respondent at the rate of 2,000 a month to persons residing in the various States of the United States, and respondent has used said letter, or one differing only slightly in wording, in furthering the sale of its encyclopedia for several years last past. The above letter is sent out on a letterhead bearing the name "World Wide Educational Service, 537 South Dearborn Street, Chicago, Ill.", which is respondent's address, and is signed by different employees of respondent, over the title "Director of Publicity" or "Advertising Manager".

Said letters are false and misleading in that the letters represent to those receiving them that respondent will give them a set of the New World Wide Cyclopedia free of cost, as an advertising feature, in exchange for their opinion of said encyclopedia, and the addresses of said letters initial and return the inclosed post card in that belief. In fact, respondent does not give away any sets of said encyclopedia as an advertising feature, and does not give any sets of its encyclopedia to anyone who receives said letters, but said encyclopedia is sold by respondent in connection with a loose-leaf supplement and a research service, payment for all three items being included in the

purchase price of \$33.20. Said letters are used solely and intentionally by respondent for the purpose of obtaining the names and prospects upon whom respondent's salesmen can call for the purpose of soliciting them to purchase said New World Wide Cyclopedia. The name used on said letters—World Wide Educational Service—is a trade name adopted by respondent to conceal the fact that it is selling books, and there is no organization or service of any kind maintained or existing under said name.

PAR. 5. The contract, or order blank, which each purchaser has to sign provides as follows:

Gentlemen—Please enter my order and deliver by express (charges collect):

1. One set of the New World Wide Cyclopedia, 1929 Edition—8 volumes in De Luxe Art Craft binding (designs in colors and lettering in gold).

2. Enroll my name as a subscriber for your quarterly pictured Loose Leaf Extension Service for a period of Ten Years.

3. Supply me with a binder for Loose Leaf Extension Service.

4. Enroll my name as a member of the RESEARCH BUREAU for a period of TEN YEARS.

I have today paid your representative \$9 and agree to pay the balance of \$24.20 as follows:

\$12.20 to the expressman upon delivery of the set;

\$12 thirty days from the date of this order, to be remitted to your office at the above address.

The loose-leaf extension service referred to in above contract is prepared by respondent as a supplement in pamphlet form, comprising approximately 80 pages, and is issued quarterly on January 15, April 15, July 15, and October 15. The purpose of the supplements is to keep the encyclopedia up to date, and the material contained therein is arranged alphabetically and consists of material relating to current events, gathered from various sources, including the daily newspapers and magazines.

The loose-leaf supplements are a part of the set of New World Wide Encyclopedia, and salesmen and representatives of respondent emphasize the merits of said Loose Leaf Extension Service in soliciting sales of said encyclopedia. The price of \$33.20, as set forth in the contract is intended to, and does, include the four items therein set forth.

In truth and in fact, said price of \$33.20 is not the total price which a subscriber has to pay to receive the aforesaid four items, because after receiving the books subscribers receive from respondent a certificate of membership in the Bureau of Research, together with 40 coupons entitling them to receive the loose-leaf supplements. It is necessary for a subscriber to write his name and address on the coupons and send one in each quarter in order to receive the supplements. In addition, the subscriber must send with each coupon 20

cents, which the coupon states is "to cover the cost of postage and other mailing expense". If a subscriber fails to send in a coupon, together with 20 cents, respondent will not send him a copy of the supplement. Subscribers under their contract are entitled to receive the loose-leaf supplements for 10 years, and it is issued four times a year. It is necessary that the subscriber send 80 cents a year, or a total of \$8 in the 10-year period, in order to receive the Loose Leaf Extension Service which respondent represents is included in the price of \$33.20 named in the contract. The four items listed in the contract cost a subscriber a total of \$41.20, and not \$33.20, as stated by respondent.

Respondent's contract does not refer to this extra cost for the Loose Leaf Extension Service, and the prospective subscribers are not informed of it by respondent's salesmen and representatives, and the terms of said contract are false, deceptive, and misleading in that respect.

PAR. 6. In offering for sale and selling its New World Wide Cyclo-pedia respondent through its salesmen and representatives, states to the prospective subscribers that they will be given a set of said encyclopedia free of charge if they will subscribe to the aforesaid Loose Leaf Extension Service. Said salesmen and representatives tell prospective subscribers that a few persons have been selected in each community who will receive a set of said encyclopedia as a gift and that the prospective purchaser then being solicited is one of these privileged persons, and that he will receive one of these free sets if he will pay \$33.20 which is to cover the cost of the loose leaf supplements which will be sent to him four times a year during the succeeding 10 years. As an additional consideration for the gift of the encyclopedia, the privileged subscriber will be expected, at some later date when a sales campaign in his city to sell the books generally to the public is being conducted, to give an opinion of the encyclopedia which can be used in said sales campaign. The cost of \$33.20 is specifically stated to be for the Loose Leaf Extension Service and the total cost which said subscriber has to pay.

Said statements and representations are false, deceptive, and misleading because in truth and in fact respondent does not select any persons in each community to receive said encyclopedia free of cost; does not give and has not given, any sets of the New World Wide Cyclo-pedia to such persons free; does not ask, and has never asked, for any opinions of said encyclopedia from such subscribers; does not intend to have, nor has it ever had, a sales campaign in the various communities to sell the encyclopedia to the general public, other than the sales made as aforesaid by its salesmen and representatives; and

said price of \$33.20 is not intended only to cover the cost of the Loose Leaf Extension Service, but is principally for the books, but also covers the additional items included in the contract, or order blank, as set forth in paragraph 5 herein. Said statements and representations are further false, deceptive, and misleading because the cost of \$33.20 is not the total cost the subscriber has to pay if he desires all the items set forth in the contract, but he must pay \$8 additional in order to receive the loose-leaf supplements for 10 years, as described in paragraph 5 hereinabove.

The statements and representations made by its salesmen and representatives, as set forth herein, are part of the regular method of sale by which respondent sells its publication, New World Wide Cyclopedia, throughout the United States, and when subscribers call to respondent's attention the aforesaid false, deceptive, and misleading statements and representations made to them by its salesmen and representatives as a means of inducing them to subscribe and pay for said encyclopedia, respondent refuses to cancel said order and return the purchase price to said subscribers.

PAR. 7. Subscribers to the New World Wide Cyclopedia are made members of the Bureau of Research for a period of 10 years, as set forth in the contract, or order blank. After receiving the books, subscribers are sent by respondent a certificate enrolling them as members of the Research Bureau, and setting forth the conditions under which they are entitled to use said Research Bureau. Under its terms a subscriber is entitled to ask of, and receive from, said Research Bureau, special information on all subjects coming within the scope of an encyclopedia, during the 10-year period.

Salesmen and representatives of respondent, in soliciting sales of the encyclopedia from prospects, make many representations regarding the Research Bureau as to the value and aid it can be to subscribers, and show said prospects a blue print, which is part of the sales kit furnished salesmen by respondent, which said blue print lists 121 subjects, beginning with "accounting" and ending with "zoology," and including practically every subject within the realm of knowledge as being subjects upon which answers will be furnished by the bureau upon written request. Respondent also furnishes salesmen and representatives with a large 4-page circular known as a "Broadside", describing its New World Wide Cyclopedia, Loose Leaf Extension Service and Research Bureau, which is also shown to prospective purchasers by salesmen and representatives. In de-

scribing its Research Bureau in said Broadside, respondent makes the following statement:

RESEARCH BUREAU

RENDERING A SERVICE OF INESTIMABLE VALUE

Information and advice on any subject for a period of 10 years will be furnished by the Research Bureau, a staff of competent editors, all expert in their particular field.

Said statement is false, deceptive, and misleading because, in truth and in fact, respondent does not maintain any Research Bureau employing a staff of competent editors, all expert in their particular field.

Respondent's Bureau of Research consists of only one man, Mr. C. W. Coumbe, located in New York City, to whom it pays \$40 a week for all his services, which include preparing all the material for the loose-leaf supplements, answering questions sent to the Research Bureau, and assisting in revising the encyclopedia when any revisions are made. T. H. Flood, a sales promoter, and who signs the letters sent to prospects as "Advertising Manager", is located in respondent's Chicago office and at times answers some of the simple questions sent to the Research Bureau by subscribers, and assists in mailing to subscribers the answers prepared by Mr. Coumbe. Mr. Coumbe is an elderly man who has had considerable experience writing articles for several encyclopedias and trade papers, and in preparing his answers to questions sent in by subscribers, consults the files of the public library in New York City, and other sources of information he may have access to. All questions are referred by respondent to Mr. Coumbe, irrespective of subject matter, and he has no assistants to help him in the work.

On July 26, 1929, Stanley H. Livingston, president of respondent, terminated the services of Mr. Coumbe by letter, and at the time of the hearings on the case respondent had no Research Bureau. Three days before the hearing at which Mr. Coumbe testified, a Mr. Simon P. Magee, connected with the Times Sales Co., which company sells said New World Wide Cyclopedia at retail under the name of Times Encyclopedia and Gazetteer, called on Mr. Coumbe and reengaged him to continue his work on said encyclopedia. The record does not show that Mr. Magee was representing, or was connected with, respondent in this matter.

PAR. 8. Respondent sells its encyclopedia under the name New World Wide Cyclopedia and represents that it is a new and up-to-date publication. Said encyclopedia is not a new publication and was not prepared and edited by, or under the direction of, respondent, but

was first published by Frank E. Wright, of New York, N. Y., under the name of Peoples Encyclopedia, prior to 1917. In 1917 respondent purchased the plates of said Peoples Encyclopedia from said Wright and renamed it New World Wide Cyclopedia. Respondent has made no general revision of the encyclopedia, but has made minor changes in it from time to time such as revising dates and other figures, and inserting new plates in portions of the work where it was necessary to amplify or rewrite an article.

PAR. 9. The various statements and representations hereinbefore set forth are false, deceptive, and misleading, and each of them had and has the tendency and capacity to mislead and deceive, and has so misled and deceived, the purchasing public, and induced said purchasing public to purchase respondent's publications in the belief that such representations and statements are true.

PAR. 10. Respondent, under contracts dated October 29, 1927, and May 28, 1929, sold to the Times Sales Co., a corporation, and Simon P. Magee, a total of 30,000 sets of a publication known as Times Encyclopedia and Gazetteer, which said Times Sales Co. resells to the public at retail. The contracts provide that respondent will furnish loose-leaf supplements to the Times Sales Co. to be supplied its customers, and that the Times Sales Co. and Simon P. Magee will pay one-half the expense of the production and printing of said loose-leaf supplements. Respondent also prints for, and supplies said Times Sales Co. with all sales and advertising literature in the name of the Times Encyclopedia and Gazetteer and Times Sales Co., which literature is the same in every particular as that used by respondent for the New World Wide Cyclopedia, and also supplies said Times Sales Co. with research service which said company holds out to the public as a Research Bureau.

The publication sold by respondent under the name New World Wide Cyclopedia and the publication sold by respondent to the Times Sales Co. and Simon P. Magee under the name Times Encyclopedia and Gazetteer, and which that company resells at retail to the public, are identical in text and content material. The only difference of any kind between the two sets of books is the binding.

The sale by respondent of a set of books under two different names, the text and content material of which are identical, with the knowledge that they are to be resold to the public under said different names, is unfair and misleading to the public, and has the capacity and tendency to mislead and deceive the purchasing public, and cause members of the public to purchase both sets of books in the belief that they are separate, different, and distinct works.

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CONCLUSION

The practices of respondent, Consolidated Book Publishers, Inc., under the conditions and circumstances described in the foregoing findings, are to the prejudice of the public and respondent's competitors, and are unfair methods of competition in commerce, and constitute a violation of the act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answer of the respondent, and the testimony taken and briefs filed herein, and the Commission having made its findings as to the facts, with 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, Consolidated Book Publishers, Inc., its officers, agents, representatives, and employees, in connection with the offering for sale of any books, set of books, or publications in commerce among the several States of the United States or in the District of Columbia, cease and desist from:

(1) Selling or offering for sale, either at wholesale or retail, any set of books of the same text and content material under more than one name or title at the same time.

(2) Advertising or representing in any manner to purchasers or prospective purchasers that any book or set of books offered for sale and sold by it will be given free of cost to said purchaser or prospective purchaser when such is not the fact.

(3) Advertising or representing in any manner that a certain number of sets or any set of books offered for sale or sold by it has been reserved to be given away free of cost to selected persons as a means of advertising, or for any other purpose, when such is not the fact.

(4) Advertising or representing in any manner that purchasers or prospective purchasers of its encyclopedia are only buying or paying for loose-leaf supplements intended to keep the set of books up to date, or that purchasers or prospective purchasers are only buying or paying for services to be rendered by a research, or other bureau, for a period of 10 years, when such is not the fact.

(5) Selling the text and content material of any set of books in such a way or manner, and with the purpose and intent, that said text and content material may be resold by any other person, firm or corporation under any other name or title than that being used by respondent for said text and content material.

(6) Advertising or representing in any manner that it maintains a Research Bureau employing a staff of competent editors and experts for the purpose of answering inquiries from subscribers, when such is not the fact.

(7) Advertising or representing in any manner that inquiries addressed to its Research Bureau are referred to and answered by experts and specialists in the particular subject inquired about, unless such inquiries are actually referred to and answered by said experts and specialists.

(8) Advertising or representing in any manner that its set of books is a new and up-to-date encyclopedia, when such is not the fact.

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

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IN THE MATTER OF

J. A. POWELL, TRADING AS J. A. POWELL CO.

COMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 1762. Complaint, Feb. 17, 1930—Decision, May 6, 1930

Where an individual engaged in the sale of jewelry at wholesale; through catalogues, price lists, coupons, guarantees, and other advertising matter,

- (a) Falsely represented himself as an importer of synthetic and semi-precious stones;
- (b) Falsely represented certain stones as carbons in their crystalline state, through such words and phrases as "diamonds," "will stand the diamond test of beauty, fire, and acid," and "they can not be told from a genuine diamond," the facts being that the stones in question could not fairly and truthfully be described as diamonds;
- (c) Falsely represented certain imitation stones not commonly regarded by the public or trade as genuine jade, topaz, amethyst, sapphire, rubby, and emerald, as jade, topaz, etc., and certain ring cases not made in whole or in predominant part of the hide of an animal, as leather;
- (d) Falsely represented certain articles containing neither platinum nor gold and not engraved, as "platinum finish," "gold finish," and "engraved rings"; and
- (e) Supplied customers with coupons stating that for a limited time an "Egyptian diamond ring" of a value of \$5 would be sold for \$1, with a limit of two rings to a customer and that said coupon was worth \$1 to the ultimate purchaser and represented savings effected by not spending "fabulous sums in national publications," the facts being that the sale of said rings was not limited, the rings were not diamonds, wholesale cost thereof, was approximately 8½ cents, no savings in advertising costs were passed on to the ultimate purchaser, and the coupons had no substantial value to such purchaser;

With the capacity and tendency to mislead and deceive purchasers and prospective purchasers throughout the several States as to the quality, substance, source of origin, and value of the products in question;

Held, That such practices, under the circumstances set forth, were to the prejudice of the public and competitors and constituted unfair methods of competition.

Mr. P. B. Morehouse for the Commission.

SYNOPSIS OF COMPLAINT

Reciting its action in the public interest, pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent individual, engaged in the wholesale jewelry business, and with principal office and place of business in Chicago, with mis-