

IN THE MATTER OF
THE AMERICAN SCHOOL OF CORRESPONDENCE

COMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED
VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 28, 1914

Docket 1486. Complaint, April 2, 1929¹—Decision, June 23, 1930

Where a corporation engaged in the business of giving courses of instructions in sundry arts, sciences, professions, and branches of learning by correspondence, through the mail; in advertising the same in magazines, periodicals, and other publications of general circulation throughout the United States, and in letters, booklets, pamphlets, leaflets, and other business literature, sent to prospective pupils, and employed by agents in soliciting the same,

- (a) Represented that it was organized and incorporated, and was required by law to operate without profit, that its courses and business were accordingly so conducted, and that its entire income was expended in the interest of the pupil in the preparation and giving of said courses, enabling it thereby to sell courses of a high degree of excellence at prices substantially lower than its competitors are enabled to charge for similar instruction; the facts being that under the law concerned the corporation was not forbidden so to carry on its operations as to derive therefrom a profit to its use and benefit as distinguished from that of the incorporators or organizers thereof, that 35 per cent of the revenue received from pupils was expended for soliciting enrollments and collecting tuition, and that starting with \$30,000 advanced by its organizers, it had accumulated more than \$350,000 worth of property; and
- (b) Held out to prospective pupils a "\$2,000,000 guarantee" of a job and raise, to induce enrollment and payment of tuition in advance, or of an installment thereof with unconditional obligation to pay the residue, in which it undertook to secure for any pupil completing its course and earning less than \$30 a week a satisfactory position paying at least 50 per cent more, or to refund the entire amount paid for its training, and similarly undertook to refund such amount to any such pupil, who earned \$30 a week or more and considered that training and employment service given by it had not been such as to help him secure promotion and increased salary, and made such false and misleading statements incident to aforesaid "guarantee", pupils and enrollment as that prospective pupil need not fear lack of previous education, guarantee insured him a job and pay increase "absolutely without risk of a penny", he was relieved of worry upon enrollment, as he had thereby "put the responsibility for his success up to it", a person enrolling for one of its complete courses could master the same in his spare time and thereby secure the job and salary increase without the risk of a penny, it guaranteed that pupil's choice of one of its 13 courses would lead to a fine position and increase in pay, it was selling him "a training and employment service guaranteed" to fit him for the

¹ Amended.

job wanted and then get him that job, he was hiring it, "a million dollar institution—with its tremendous facilities and high standing," to do just that, and if its training did not secure him a good job and raise in pay it would not cost him a penny; the fact being that less than seven per cent of its pupils (in accordance with general experience in correspondence schools giving substantial courses) completed courses for which enrolled, and more than 50 per cent abandoned their studies without half completing them;

With intent and effect of inducing prospective pupils to believe that everyone enrolling was assured of the guarantee of a job and pay increase, or repayment of all tuition, and of influencing many to enroll in such belief, and pay its tuition fee or portion thereof and obligate themselves for the remainder, and with the result that thereby more than 93 per cent of the money paid by pupils to it was paid for a consideration having no real existence, or wholly failing and known by it to wholly fail, and with tendency to divert business from and otherwise injure and prejudice competitive schools engaged in the sale of courses at fixed prices:

Held, That such acts and practices were all to the prejudice of the public and competitors and constituted unfair methods of competition.

Mr. Alfred M. Craven for the Commission.

Mayer, Meyer, Austrian & Platt, of Chicago, Ill., for respondent.

SYNOPSIS OF COMPLAINT¹

Reciting its action in the public interest, pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent, a Massachusetts corporation engaged in giving courses of instruction in various professions and branches of learning² by correspondence through the mails, and with place of business in Chicago, with advertising falsely or misleadingly as to guarantee offered and nature of product or service and with misrepresenting business status, in violation of the provisions of section 5 of said act, prohibiting the use of unfair methods of competition in interstate commerce.

Respondent, as charged, engaged as above set forth and selling its said courses under an arrangement by which the pupil who pays in installments, unconditionally obligates himself to pay the balance, features its so-called "2,000,000 guarantee of a job and raise"; so worded as to apply only to those completing the course,³ and stress the same, as well as the alleged ease and certainty of mastering the course in question in the pupil's spare time, in such a way

¹ As amended.

² Respondent sells thirteen separate, complete courses, among which there may be mentioned architecture, business management, electrical engineering, high school, and law, prices ranging from \$112 for mechanical engineering (without shop practice) to \$189 for high school (for business purposes).

³ See "guarantee" set forth in full, in the findings, below, at page 84.

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as to mislead the prospective pupil, it appearing that due to inherent difficulties less than 7 per cent of all those who enroll for correspondence courses involving substantial courses of instruction, complete the same and that more than 50 per cent of respondent's pupils abandon their studies before half completing their courses, so that the guarantee in question is in fact addressed to less than 7 per cent of those who may enroll, though intended to influence and influencing many to select respondent's school in preference to those operated by competitors or to enroll as pupils in cases in which, but for the misleading statements and representations made, they would have kept their money.

Respondent, further, as charged, inserts advertisement in newspapers and other publications of general circulation falsely asserting or importing that it is an employer seeking employees for specified work and service at a lucrative remuneration, in many instances, in order to further such deception, causing its advertisements to be inserted in the classified sections under such headings as "Male help wanted", "Help wanted", with the capacity and tendency to cause many people to enter into negotiations with it, for the supposed employment, and thereby being afforded the opportunity to solicit and secure such persons as pupils.

The aforesaid false, misleading, and deceptive statements and representations, and each of them, as alleged, have the capacity and tendency to cause many of the public to subscribe for and purchase its said courses, in reliance on the truth of such statements, etc., and to pay the price of the course or obligate themselves therefor in such belief, and also to cause many to subscribe for and purchase said courses in preference to those of competitors, from whom business is thus diverted and who are thus and otherwise injured and prejudiced; and such alleged acts and practices are all to the prejudice of the public and respondent's competitors and constitute unfair methods of competition in 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

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 issued and served upon respondent, The American School of Correspondence, an amended complaint in the above-entitled proceeding, charging it with

the use of unfair methods of competition in commerce in violation of the provisions of said act.

The respondent having filed its answer to such amended complaint, hearings were had thereon and evidence was thereupon introduced on behalf of the Commission and by the respondent before an examiner of the Federal Trade Commission thereunto duly appointed.

Thereupon this proceeding came on for final hearing before the Commission on the briefs and oral argument of counsel for the Commission and for the respondent, and the Commission, having considered the entire case and being fully advised in the premises, now makes these its findings as to the facts and its conclusions drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent is a corporation organized under the laws of the State of Massachusetts, with its principal office and place of business in the city of Chicago, State of Illinois. It is engaged in the business of giving courses of instruction in sundry arts, sciences, professions, and branches of learning by correspondence through the mails to persons hereinafter referred to as pupils, residing at points in various States of the United States. In the course of its said business and in order to secure pupils therefor, respondent causes advertisements offering its said courses of instruction to be inserted in newspapers, magazines, periodicals, and other publications of general circulation throughout the United States and in various sections thereof, and sends to prospective pupils letters, booklets, pamphlets, leaflets, and other like business literature offering and describing its said courses of instruction and setting forth the prices for same and the conditions under which same are offered. Respondent also employs agents in various States of the United States to secure pupils for respondent by personal solicitation and supplies to said agents aforesaid business literature, which said agents use and display to prospective pupils in the course of soliciting them to take and subscribe for respondent's said courses of instruction. Upon securing pupils through said means for its said course of instruction respondent sends by mail from its said place of business in the city of Chicago, Ill., to such pupils at their respective places of residence in the various States of the United States, written lessons, instructions, textbooks, tools, and appliances to be used by said pupils in and about pursuing and studying said course of instruction, in consideration of which said pupils pay and remit to respondent certain agreed sums of money. In the course and conduct of its said business respondent is in competition with other individuals, partner-

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ships, and corporations also engaged in offering for sale and selling and delivering in interstate commerce after the manner of respondent's methods of offering for sale and selling and delivering its courses of instructions, the same or similar or competitive courses of instructions in various arts, sciences, professions, and branches of learning by correspondence through the mails.

PAR. 2. In the aforesaid advertisements and business literature described in paragraph 1 hereof, respondent causes to be set forth many misleading and deceptive statements and representations to the effect as follows:

First.—That respondent is organized and incorporated as an institution to to operate without profit, is required by law to so operate; that in accordance therewith respondent offers and sells its said courses of instruction and conducts its said business without securing or realizing any profit therefrom and that respondent is thus enabled to, and does, give and sell its said courses of instruction at prices substantially less than its competitors can and do give and sell similar courses of instruction.

In truth and in fact, respondent derives and realizes substantial profits from the operation of its said business and the giving and selling of its said courses of instruction and has accumulated and still has a substantial sum of money or amount of property resulting therefrom.

The organizers of respondent corporation advanced the sum of \$30,000 to enable respondent to begin operation as a correspondence school. No money has been received by respondent by way of gift, or as endowment, or otherwise than as current revenues from tuition and the operation of said school. Respondent has thus and thereby accumulated property of a total value of more than \$350,000. The exact present value of all respondent's assets does not appear by the evidence, but is represented by respondent variously at from \$350,000 to \$2,000,000.

No evidence was adduced to disprove respondent's representation that it was organized under a statute of the State of Massachusetts as an educational institution, as a corporation organized not for profit, or that the organizers thereof are not entitled by law to receive as dividends or otherwise the whole or any portion of the profits of said corporation, for their own use and benefit, as such incorporators or as owners of such corporation. There was no evidence that any incorporator or owner of respondent corporation has at any time received for his own use or benefit the profits, property or assets of respondent corporation, otherwise than as just compensation for services actually rendered to respondent.

Respondent corporation is not forbidden by law so to carry on its operations as to derive therefrom a profit to the use and benefit of such corporation, as distinguished from the persons who incorporated

the respondent or are the owners thereof. Respondent lawfully may, and actually does, so operate said school as to derive therefrom for the use of respondent total revenues greater than its total expenditures or outlay in the operation of said school.

Prior to the issuance of the complaint in this case, respondent discontinued the published statement or representation that respondent is forbidden by law to operate its school at a profit. In its answer to the amended complaint herein filed May 17, 1929, respondent asserted the truth of said statement or representation, in these words, to wit:

Respondent admits that it formerly caused to be set forth in its advertisements and business literature certain statements substantially as described in paragraph 2 (a) of said amended complaint, but denies that said statements were or are false, misleading or deceptive and states that, on the contrary, said statements so used by respondent were and are true in substance and in fact. Respondent denies that it derives or realizes substantial profits from the operation of its said school and from the giving and selling of its said courses of instruction, and further denies that it has accumulated, or still has, a substantial sum of money or amount of property resulting from such operations.

In its printed brief filed May 19, 1930, on the final hearing of this case before the Commission, at pages 16, 17, and 18, respondent asserts that respondent is "forbidden by law to make a profit", and "is pledged not to make a profit", and may, therefore, rightfully so represent its corporate status and practice.

Second.—That respondent's entire income is expended in the interest of the pupil in and about the preparation and giving of its said courses of instruction and that thereby respondent is enabled to and does furnish to pupils instruction of a high degree of excellence at prices substantially less than the reasonable value of such instruction and substantially less than respondent's competitors can offer and sell instruction of like quality.

In truth and in fact, respondent does not so expend its entire income or the prices which respondent demands and secures for its said courses of instruction, respectively, but expends for said purposes a substantially smaller sum, as is more fully set forth hereinabove under the first subdivision of this paragraph of the findings.

Respondent in its advertising copy represents that "every dollar received for instruction is used for instruction", notwithstanding the accumulation of property and assets by respondent, as found above, out of the excess of current revenues from tuition above the total expenses incident to the operation of said school. In addition to such fact, it is shown by the evidence that 35 per centum of the revenues received by respondent from pupils as tuition is expended by respondent as compensation for the work of soliciting enroll-

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ment by students and in collecting tuition from students. In its said printed brief filed in this case on May 19, 1930, respondent asserts at pages 19 and 20 thereof, that its said representation is true, and that "the cost of securing the pupil by advertising or otherwise is as much an expense of instructing the pupil as the outlay made for instructional material or instructors' salaries".

PAR. 3. Respondent, in the manner above alleged, offers for sale and sells, thirteen separate and several "complete courses", to wit: Architecture, automotive engineering, business management, civil engineering, contracting and building, drafting and design, electrical engineering, higher accounting (including C. P. A. work), high school (for business purposes), law, mechanical engineering (without shop practice), steam engineering, and structural engineering. For each of said complete courses a student who enrolls as such is required to pay, or obligates himself to pay, a fixed price or tuition, such price being fixed and uniform to all students for any one course, but the price of each course is separate, several and different, ranging from \$112 for mechanical engineering (without shop practice) to \$189 for high school (for business purposes). A pupil who pays such tuition fully in advance is given the benefit of a discount of 12 per centum from such uniform price or sum. A pupil who elects to pay such tuition in installments pays a designated sum in advance and obligates himself unconditionally to pay a like designated sum each calendar month, until he has paid the whole of said fixed or uniform tuition.

To induce prospective pupils to enroll as such for one or more of said complete courses, and to pay said tuition in advance or to pay an installment thereof and obligate themselves unconditionally to pay the residue thereof, respondent advertises that it will issue, and issues, to each pupil who so enrolls a certain written instrument which respondent denominates a "\$2,000,000 guarantee of a job and raise", said instrument being in these words, or words in substance the same, to wit:

HERE IS YOUR JOB AND RAISE GUARANTEE—KEEP IT!
CHARTERED AS AN EDUCATIONAL INSTITUTION IN 1897

AMERICAN SCHOOL

CHICAGO, U. S. A.

GUARANTEE

OF POSITION AND INCREASED PAY

TO JOHN DOE

1 If you are earning LESS than \$30 a week now, we guarantee to find you a satisfactory position within 60 days after you finish our home-study train-

ing in any one of the thirteen complete courses listed on the back of this Guarantee; and, further,

We guarantee that said position will pay you a salary of at least 50 per cent more than you are earning today;

Or, failing to do so, we guarantee to refund to you immediately the entire amount that you paid for this training.

2. If you are earning \$30 or MORE a week now, we guarantee to refund to you the entire amount that you paid for your course if, when submitting your final examination, you notify us that, in your judgment, we have not given you the training and employment service that will help you secure promotion and increased salary.

(SEAL) This guarantee may be withdrawn without notice unless your enrollment application for our home-study training is sent to the AMERICAN SCHOOL promptly.

Given under the seal of the school by order of the board of trustees of the AMERICAN SCHOOL, this 15th day of October, A. D. 1928.

(Sgd.) R. T. MILLER, Jr., *President*.

To induce prospective pupils to enroll as such because of such guaranty and in order to obtain the job and pay increase so guaranteed therein, respondent makes many false and misleading statements relative to said courses of study, the ease and certainty with which they may be mastered, and the small portion of the time of a pupil that is required to complete such courses and be entitled to such guaranteed job and pay increase and the manner in which respondent construes and administers its said job and increased pay guaranty, as follows, to wit:

In its aforesaid advertisements and business literature described in paragraph 1 hereof, respondent causes to be set forth many misleading and deceptive statements and representations to the effect:

(a) That a prospective pupil has no need to fear that his lack of previous education will prevent his success, and that no prospective pupil needs to hesitate to take the risk that he may not actually land in the better position and salary increase.

(b) That, under the terms of respondent's said contract of guaranty, each prospective pupil is insured a job and pay increase, "absolutely without risk of a penny on his part".

(c) That when a pupil enrolls with respondent as a pupil, he is thereby relieved of any worry about his future employment or compensation, because such pupil has thereby "put the responsibility for his success up to the American School"—respondent herein.

(d) That the assurances of a job and pay increase given by such guaranty is a real reason for a student to enroll as such with respondent and pay or obligate himself to pay such fixed price or tuition.

(e) That a pupil who enrolls as such with respondent for one of said complete courses may master the same in his spare time, and thereby procure a job and increase of salary without the risk of a penny on his part.

(f) That "We (respondent) *guarantee* that your choice of the thirteen courses will lead to a fine position and an increase in pay.

"This is a startling offer, different from any ever made you by a corre-

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spendence school. We are not selling you a set of books, or a certain amount of 'education'. In fact, we are selling you a training and employment service, guaranteed to fit you for the job you want and then get that job for you.

"In short, you 'hire' this million-dollar institution—with its tremendous facilities and its high standing—to get you just the kind of a job you want.

"If this training does not take you all the way into a good job at a raise in pay, it will not cost you a penny."

(g) That respondent guarantees to its pupil a job and pay increase or reimbursement for all tuition paid by a pupil to respondent, so that a pupil takes no risk of loss.

Prospective pupils have no means of knowledge as to the certainty and ease with which they may master such course of instruction, and secure the benefit of such guaranteed job and pay increase, except such statements and representations so made to them by respondent.

In truth and in fact, as a general rule, pupils who enroll as such with respondent, like pupils who enroll in other correspondence schools, are seeking primarily a means of securing a more desirable employment and higher wages, are engaged in gainful pursuits that occupy a considerable part of their time, have not maintained habits of study, and are not in circumstances favorable to systematic and prolonged mental activity. The successful taking of substantial courses of study in correspondence schools required prolonged and systematic mental labor, without the benefit or inspiration of personal instruction. Such work is difficult, uninteresting and tends to discouragement of a pupil and the abandonment of his undertaking. Among pupils enrolled in correspondence schools that give substantial courses of instruction, less than 7 per centum of all those who enroll as such complete the respective courses for which they enroll. Among all pupils who enroll with respondent for any of its said thirteen complete courses, less than 7 per centum continue their studies until they have completed the respective course for which they severally enroll. More than 50 per centum of such total number of pupils who so enroll with respondent as such, discontinue and abandon their studies before they have completed as much as one-half of their respective courses. This tendency among, and history of, pupils in correspondence schools is constant, and has been over a period of many years, in correspondence schools of the respondent and of its competitors.

The terms of respondent's said guaranty, as the same is written, applies to less than 7 per centum of the pupils to whom it is issued, in its practical application in the progress of their studies; whereas, in the light of all statements so currently made, published and distributed by respondent to prospective pupils as to its intent, purpose, and effect, as actually construed and administered by respondent,

prospective pupils tend to believe, are intended by respondent to be induced to believe, and are induced to believe, that, under such guaranty, every pupil who does enroll as such is assured of the guaranteed job and pay increase, or the repayment of all tuition paid by him to respondent.

Said guaranty so issued by respondent, although of negligible value to pupils, and of no value whatever to more than 93 per centum of the pupils who so enroll as such with respondent, has the tendency and capacity to, is intended to, and does, influence many prospective pupils to select respondent's school in preference to correspondence schools operated by competitors of respondent, or to elect to enroll as pupils in a correspondence school, and to pay to respondent its said tuition fee or to pay a portion thereof and obligate themselves to pay the residue; who, but for the false and misleading statements and representations so made by respondent, would retain said tuition money for their own use or enroll as pupils in the schools of competitors of respondent. Of the sums of money so paid by pupils to respondent because of, and to secure the benefit of, said contract of guaranty, more than 93 per centum is paid for a consideration that has no real existence or wholly fails, and the respondent well knows will wholly fail. Respondent well knows at all times that less than 7 per centum of all pupils who enroll as such with respondent for its said various courses of instruction will become entitled to the benefit of its said guaranty of a job and pay increase, or will get the full benefit of such courses of instruction for which they have fully paid in advance or for which they have in advance paid in part and obligated themselves unconditionally to pay the residue of such total fixed fee or tuition.

PAR. 4. No evidence was adduced to sustain paragraph 4 of the complaint.

PAR. 5. The aforesaid misleading and deceptive statements and representations and each of them as in this amended complaint before set out, have the capacity and tendency to cause many of the public to subscribe for and purchase respondent's said courses in the belief that said statements and representations are true, and to pay the fixed price of respondent's said courses of instruction, or to obligate themselves to pay the same in and because of such belief.

PAR. 6. There are correspondence schools engaged in offering for sale and selling and delivering the same or similar and competitive courses of instruction to the public and to pupils and prospective pupils, at certain fixed prices of tuition, in interstate commerce, in the manner in which respondent so offers for sale and sells and delivers its said courses of instruction. The aforesaid acts, practices,

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and methods of respondent as hereinabove alleged have the capacity and tendency to cause many of the public to subscribe for and purchase respondent's said courses of instruction in preference to the courses offered by said competitors. Respondent's said acts and practices thus tend to divert business from and otherwise to injure and prejudice said competitors.

CONCLUSION

The above-alleged acts and practices of respondent are all to the prejudice of the public and of respondent's 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.

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the amended complaint of the Commission and the answer of the respondent thereto, and the Commission having made its findings as to the facts and its conclusion that the respondent has violated the provisions of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes",

It is now ordered, That the above-named respondent, the American School of Correspondence, its officers, representatives, agents, and employees, do cease and desist from the use of the following designated methods of competition, and each of them, in aid of offering for sale and selling in commerce, among the several States or with foreign nations, or in any Territory of the United States or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation, any courses of instruction as alleged in said amended complaint or any other courses of instruction, to wit:

1. From making the statement or representation in its advertising copy, order blanks, or other literature, or otherwise, that respondent corporation is forbidden by law so to transact the business of carrying on a correspondence school as to derive a profit therefrom; or that respondent corporation is pledged not to make a profit from the operation of such school; or that respondent corporation has heretofore derived no profit from the operation of such school; or that the respondent corporation is at any future time operating such

school without deriving a profit therefrom, unless such statement shall at any such future time be true.

2. From making in its advertising copy, order blanks or other literature, or otherwise, as bearing upon or explanatory of or as indicating the effect or value of the certain so-called "job and raise" guaranty alleged in said amended complaint and set forth in the Commission's findings as to the facts in this case, any of the following statements or representations or statements and representations equivalent thereto, to wit:

(a) That a prospective pupil has no need to fear that his lack of previous education will prevent his success, and that no prospective pupil needs to hesitate to take the risk that he may not actually land in the better position and salary increase.

(b) That, under the terms of respondent's said contract of guaranty, each prospective pupil is insured a job and pay increase, "absolutely without risk of a penny on his part".

(c) That when a pupil enrolls with respondent as a pupil, he is thereby relieved of any worry about his future employment or compensation, because such pupil has thereby "put the responsibility for his success up to the American School"—respondent herein.

(d) That the assurances of a job and pay increase given by such guaranty is a real reason for a student to enroll as such with respondent and pay or obligate himself to pay such fixed price or tuition.

(e) That a pupil who enrolls as such with respondent for one of said complete courses may master the same in his spare time, and thereby procure a job and increase of salary without the risk of a penny on his part.

(f) That "We (respondent) *guarantee* that your choice of the thirteen courses will lead to a fine position and an increase in pay.

"This is a startling offer, different from any ever made you by a correspondence school. We are not selling you a set of books, or a certain amount of 'education'. In fact, we are selling you a training and employment service, guaranteed to fit you for the job you want and then get that job for you.

"In short, you 'hire' this million-dollar institution—with its tremendous facilities and its high standing—to get you just the kind of a job you want.

"If this training does not take you all the way into a good job at a raise in pay, it will not cost you a penny."

(g) That respondent guarantees to its pupil a job and pay increase or reimbursement for all tuition paid by a pupil to respondent, so that a pupil takes no risk of loss.

It is further ordered, That the respondent, the American School of Correspondence, shall, within 60 days after the service on it of this order, file with the Federal Trade Commission a report in writing, setting forth in detail the manner and form in which it has complied with the above order to cease and desist.

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IN THE MATTER OF
DAVID V. BUSHCOMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED
VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914*Docket, 1596. Complaint, April 19, 1929—Decision, June 23, 1930*

Where an individual engaged in the sale of instructions for reducing which consisted in sum and substance of prescribing a diet limited to fruit juices, and the drinking of water, for a number of days, and were sold for \$2.98 plus postage, under a money back promise; falsely and misleadingly and with intent to deceive, represented and stated, in advertising and describing the method involved, that it was amazing, new and nature's method, furnishing all needed nutrition, involving no fasting or starving, external agencies, exercises or appliances, and absolutely yielding satisfactory results, regardless of the particular individual's excess flesh, within a few days, that customers would find their fat melting away like magic, weigh what they should, and become slim, buoyant and energetic, and that many persons had formerly gladly paid \$25 for said instructions; with effect of misleading those desiring to reduce into believing that he had a new, marvelous and unfailing remedy for excess weight, and with capacity and tendency to mislead and deceive persons who might otherwise have sought and obtained services, products, means, and methods of competitors, offered without such false and misleading assertions and representations in regard thereto; all to the prejudice of the public and competitors:

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

Mr. Eugene W. Burr 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 sale of courses of instruction for reducing weight, and with offices in Chicago, with advertising falsely or misleadingly as to nature of product, in violation of the provisions of section 5 of such act, prohibiting the use of unfair methods of competition in interstate commerce.

Respondent, as charged, engaged as above set forth, for about two years last past, in advertising his aforesaid course, which consisted, broadly, in the drinking of water and fruit juices, and otherwise abstaining from food,¹ made such statements as "NATURE'S METHOD

¹ Respondent's instructions, captioned "INSTRUCTIONS ON HOW TO REDUCE" sent to the customer after payment by him of respondent's charge, as set forth in the complaint, are reproduced in the findings at p. 93.