

FEDERAL TRADE COMMISSION DECISIONS

FINDINGS AND ORDERS, DECEMBER 24, 1931, TO JULY 17, 1932

IN THE MATTER OF

STANDARD EDUCATION SOCIETY ET AL.

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

Docket 1574. Complaint, Dec. 4, 1929¹—Decision, Dec. 24, 1931

- Where two corporations under common ownership and control, and three individuals, officers, and operators thereof, long engaged in the sale of an encyclopedia, "extension service" or supplement therefor, and so-called research service, selling through salesmen and on the subscription plan,
- (a) Falsely represented in letters sent solely to secure prospect's names, and to conceal their own occupation as booksellers, through use of letterhead and signature of one "Chas. E. Knapp, publicity manager," that addressee prospect had been selected as one of a "diversified list of well connected representative people" of his city to receive, with the compliments of the publisher, as a "legitimate advertising expense prior to general publicity," one of a few sets of the encyclopedia thus being placed with such representative people, to make a bona fide original owners' list of such "recently completed encyclopedia," setting forth, among other things, that "we find it a distinct advantage to have a few sets placed with representative people before starting our campaign," and requesting addressee to confirm and return inclosed post card as preliminary to receiving complete details, and to treat "foregoing as personal and confidential";
 - (b) Represented to prospects secured as aforesaid and otherwise that the encyclopedia, or encyclopedia and standard works of fiction at times included therewith, were free and given as an advertising plan, and to teachers or club and society women, that the prospect had been specially selected and the only return desired for the gift was permission to use their names for advertising and as references, and, generally, that the only charge was for the loose-leaf extension service, furnished at \$69.50 or \$89.50, facts being figures aforesaid constituted regular price for work, and services, depending upon whether or not sold with fiction, as aforesaid;
 - (c) Falsely represented the work to banker prospects as dealing with financial matters and kept up to date in said respects by the loose-leaf extension service, and to college or university professors as the latest encyclopedia, bringing all technical and scientific subjects to date, and a successor to the New International Encyclopedia, and the extension service as taking the place of Dun & Bradstreet, or such magazines as the Literary Digest and the Review of Reviews, as the case might be;
 - (d) Set forth in their advertising matter and on the back of their contracts alleged testimonials from men connected with institutions of learning in the United States, from physicians, club women, newspaper editors, and

¹ Supplemental complaint.

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others, facts being testimonials in question were garbled, unauthorized, and, when made at all, made in connection with a different work gotten out many years theretofore;

- (e) Made use of the corporate name of one of the two corporations aforesaid, recently organized to provide an instrumentality through which to carry on various practices herein involved, and of a new title, to sell said old work as and for a new one, and exploit, in connection therewith and under such captions as "something NEW under the sun," "ALWAYS UP TO DATE," "what others say," misleading, unauthorized, and inapplicable testimonials as above described, without disclosing to prospective purchasers publication in question was the identical, old one theretofore sold and distributed by them, and thereby brought about purchase of said old publication as and for a separate and distinct new one;
- (f) Set forth in the prospectus of the aforesaid encyclopedia and on the flyleaves of the volumes under the caption "contributors and reviewers" names of noted educators, facts being many of the people thus referred to had neither contributed nor reviewed articles for publication in question; and
- (g) Falsely represented regular price of \$69.50 for work and service as a reduced price, and regular price as \$150 or \$200, and, set forth "Special introductory enrollment. This is a life-time scholarship," in red ink upon the contract forms used in exploiting, under the name "Standard Extension University," a branch business represented as a correspondence school, and represented such pretended special price as given to ten students only and regular price as \$250, facts being the \$98 to \$135 charged during years concerned constituted the regular price to all;

With result that prospective customers were induced by aforesaid false and misleading representations and statements and in reliance thereon to purchase said books and services and (1) trade was thereby diverted from competitors not using such false and misleading methods, statements, and representations, (2) the public was prejudiced against the subscription book industry as a whole, and it was made difficult for competitors to obtain interviews for soliciting, and (3) loss of public confidence was brought about in representations of competitors who do not employ such methods or misrepresentations:

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

Mr. Robert H. Winn for the Commission.

Longworthy, Stevens, McKeag & McCornack, of Chicago, Ill., for respondents.

SYNOPSIS OF COMPLAINT

Reciting its action in the public interest, pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent Standard Education Society, a Minnesota corporation, engaged for more than five years last past in the compilation and/or production of sets of encyclopedias or reference works and/or so-called extension services in connection therewith, and in the sale thereof to purchasers in States other than Illinois, and with principal

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place of business in Chicago, respondent Standard Encyclopedia Corporation, an Illinois corporation organized to engage in the sale of the same encyclopedia, etc., theretofore sold by the first named corporation, except for certain revisions, respondent Stanford, president, general manager, director, and principal stock owner of respondent Standard Education Society, and president of respondent Standard Encyclopedia Corporation, and respondents W. H. Ward and A. J. Greener, stockholders and directors of respondent Standard Education Society, and, in the case of the former, secretary thereof, and, together with respondent Stanford, the directors and sole stockholders of respondent Standard Encyclopedia Corporation, with offering falsely as free products or services included in price charged, claiming and using official and other indorsements and testimonials, falsely and/or without authority, and misrepresenting nature, identity and prices of product and service, and advertising falsely or misleadingly in regard thereto, in violation of the provisions of section 5 of such act, prohibiting the use of unfair methods of competition in interstate commerce.

Respondents, as charged, distribute, among prospective customers circular letters and other literature in which they represent that complimentary sets of their "Standard Reference Work" or "New Standard Encyclopedia," will be distributed among a few representative people before respondents institute their sales campaign and that the cost in connection therewith is absorbed by their advertising appropriation, stating further that their loose-leaf extension service, which keeps said work, recently completed by some of the best known editors in the United States and splendidly indorsed by leading schools and colleges, constantly up-to-date, is a most attractive feature thereof, and will be supplied to recipients of the complimentary sets (bound in artcraft de luxe edition) on the same terms as regular subscribers, and requesting recipients of such circulars or literature to treat foregoing offer as personal and confidential. Respondents further represent, through salesmen and otherwise, that they will present a certain number of their aforesaid works to prospective customers, upon condition that they subscribe to and purchase loose-leaf extension service for a specified sum and period of time, said sum being represented as a special price, offered as an advertising matter, to a limited number of residents in a given community and/or as a price much lower than the price regularly charged for the books and/or service.

The facts are that respondents have not and do not set aside a number of their books, to be given free for advertising purposes, as above set forth, sum mentioned is their usual and customary price to all who can be induced to purchase, and it is not their prac-

tice to confine their offers to a certain number, designated to receive the sets, or any form of service, free, but their practice and intention was and is to dispose of their products to the general public in each community and at the same price or figure.

Respondents further, as charged, represent through their salesmen and through circulars and otherwise that they will give free, as a premium, certain books or sets of well-known authors to their subscribers, and make use of alleged testimonials of prominent educators, and of others known to the prospective customer, and represent that their publications have been authorized and indorsed by numerous State boards of education, facts being that cost of aforesaid premiums is included in subscription price, and the alleged testimonials "were not authorized or made by and/or used with the knowledge and approval of said educators, or approved by the various State boards of education as alleged."

Respondents further, as charged, falsely represent that their said reference works or sets were recently completed, and copyrighted in 1926, and advertise same and the loose-leaf and revision services as "Standard Reference Work," published by Standard Education Society, and "National Encyclopedia, published by National Encyclopedia Company," and head their contracts, in connection with their so-called "Standard Extension University," with words, in red ink, on top thereof, "Special Introductory Enrollment—this is a life-time scholarship," and represent customary prices of their aforesaid works and products to prospective purchasers as being certain specified prices, facts being that aforesaid "Standard Reference Work" and "National Encyclopedia," while advertised and sold under different titles were the same or substantially so, their so-called contract offer was in no sense special, but the same that was used by them in selling their courses, and pretended regular prices were fictitious and grossly exaggerated and far in excess of their usual prices, at which they "actually offered or offer or expect to sell the same, and greatly in excess of the real value of same."

Such acts and things "above alleged to have done by respondents are to the prejudice of the public and respondents' competitors, and constitute unfair methods of competition in commerce."

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, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," the Federal Trade Commission on February 25, 1929, issued and served

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its complaint upon respondents, Standard Education Society, a corporation, and H. M. Stanford, individually and as president of respondent, Standard Education Society, charging them with unfair methods of competition in interstate commerce in violation of the provisions of said act.

The respondents having entered their appearance and filed their answers to the said complaint, hearings were had and evidence was introduced on behalf of the Commission before a trial examiner theretofore duly appointed.

The evidence introduced on behalf of the Commission developed the fact that in August, 1929, a new corporation, the Standard Encyclopedia Corporation had been formed by the shareholders of respondent, Standard Education Society. This new corporation was engaged in selling a revision of the encyclopedias or reference works theretofore sold by respondent, Standard Education Society. Respondent, Standard Education Society, ceased publishing and offering for sale its encyclopedias or reference works in August, 1929, except that it continued to offer for sale and sell the stock then on hand.

On December 4, 1929, the Federal Trade Commission issued and served its supplemental complaint upon the respondents, Standard Education Society, a corporation, Standard Encyclopedia Corporation, H. M. Stanford, individually and as president and director of Standard Education Society and as president and director of Standard Encyclopedia Corporation, W. H. Ward, individually and as director of Standard Encyclopedia Corporation and as secretary and director of Standard Education Society, and A. J. Greener, individually and as director of Standard Encyclopedia Corporation, and as director of Standard Education Society, charging them with unfair methods of competition in interstate commerce in violation of the provisions of said act.

The respondents having entered their appearance and filed their answers to the supplemental complaint, hearings were had and testimony was heard and evidence received in support of the charges stated in the supplemental complaint and in opposition thereto before a trial examiner theretofore duly appointed and said trial examiner having filed his findings of fact herein and counsel for the respondent having filed his exceptions thereto,

Thereupon this proceeding came on for final hearing before the Commission on the brief and oral argument of the counsel for the Commission and brief of counsel for the respondent, counsel for respondent not presenting himself for oral argument, although he was duly notified thereof, and the Commission having fully con-

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sidered the record and being fully advised in the premises makes this its findings as to the facts and its conclusion drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent Standard Education Society is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Minnesota with its principal place of business located in the city of Chicago, State of Illinois.

PAR. 2. Respondent Standard Encyclopedia Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Illinois with its principal place of business located in the city of Chicago, State of Illinois.

PAR. 3. Respondent H. M. Stanford is president and general manager, a director and owner of 250½ shares of the 536 shares of stock of the Standard Education Society outstanding, and was an incorporator of and is acting as and has held himself out as president of respondent, Standard Encyclopedia Corporation.

PAR. 4. Respondent W. H. Ward is secretary, a director, and the owner of 250½ shares of stock in the Standard Education Society. He is also a director and was one of the incorporators of respondent, Standard Encyclopedia Corporation.

PAR. 5. Respondent A. J. Greener is a stockholder in the Standard Education Society holding 35 shares of the outstanding stock of 536 shares of said corporation and is now and has been for many years in charge of the financial affairs of said corporation as comptroller, auditor, and manager, and the said A. J. Greener is one of the incorporators of respondent, Standard Encyclopedia Corporation. Respondents H. M. Stanford, W. H. Ward, and A. J. Greener are the managers and sole stockholders of respondent Standard Education Society, and the managers and sole incorporators of respondent Standard Encyclopedia Corporation.

PAR. 6. In 1909 there was incorporated under the name Welles Bros. Publishing Co. a corporation which published and distributed a work under the name and style of Aiton's Encyclopedia. About the year 1912 the name of the work was changed to Standard Reference Work. In the year 1917 the name of the corporation, Welles Bros. Publishing Co. was changed to Standard Education Society and, under this latter name and style, continued to publish, sell, and distribute in interstate commerce the books styled Standard Reference Work. The Standard Education Society shipped from the State of Illinois and from other States its encyclopedias or reference works and its so-called extension service, in connection

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therewith, into various States of the United States other than the State of Illinois. On or about August, 1929, the respondents, H. M. Stanford, W. H. Ward, and A. J. Greener caused to be incorporated as an eleemosynary institution a corporation under the name and style of Standard Encyclopedia Corporation, and having organized this corporation, the three individual respondents proceeded to change the name of the reference work or encyclopedia which they had theretofore caused to be published and sold as Standard Reference Work to New Standard Encyclopedia. From on or about August, 1929, respondent Standard Encyclopedia Corporation, acting through respondents Stanford, Ward, and Greener, has published or caused to be published, and has sold and caused to be transported from the State of Illinois into and through States of the United States other than Illinois its sets of encyclopedias or reference works and/or so-called extension services to purchasers thereof located in a State or States of the United States other than the State of Illinois.

PAR. 7. Respondents offer for sale and sell works of fiction by well-known authors, in connection and combination with the encyclopedia, reference works, and extension service published, offered for sale, and sold by them.

PAR. 8. The individual respondents herein, acting by and through the corporate respondents which they control and direct and the corporate respondents herein, in the course and conduct of their business as heretofore set out, are and at all times herein referred to have been in competition with other corporations, individuals, firms, and partnerships engaged in the sale and distribution in interstate commerce of sets of encyclopedias or general reference works.

PAR. 9. Respondents Standard Education Society and Standard Encyclopedia Corporation and respondents H. M. Stanford, W. H. Ward, and A. J. Greener, acting by and through the corporate respondents herein are in competition with other corporations, individuals, and partnerships engaged in publishing and offering for sale, selling and distributing in interstate commerce in the United States various encyclopedias or reference works, among others the S. L. Weedon Co., of Cleveland, Ohio, publisher of the New Students Reference Work, which is offered for sale and sold as a subscription book direct to the consuming public by sales agents. The S. L. Weedon Co. employs on an average one hundred agents who cover the entire United States, offering for sale and selling the New Students Reference Work published by the S. L. Weedon Co. These agents do not misrepresent the New Students Reference Work which has been planned by school people for school children. The said

agents do not misrepresent the contents or the price or the terms of payment of the New Students Reference Work.

PAR. 10. Respondents herein sell their publications at retail to the public by salesmen on the subscription plan. Respondent Standard Education Society publishes and sells in this manner a work known as the Standard Reference Work. Respondent Standard Encyclopedia Corporation publishes and sells in this manner a work known as the New Standard Encyclopedia. Both the Standard Reference Work and the New Standard Encyclopedia consist of ten volumes with content material arranged alphabetically on unnumbered pages. Accompanying the ten-volume set when delivered to a purchaser are a loose-leaf binder and, in some instances, loose-leaf material for insertion therein. In some instances respondents include in their offer and sell to purchasers a number of works of fiction. The usual price for either the Standard Reference Work or the New Standard Encyclopedia is \$69.50. The usual price for the Standard Reference Work or the New Standard Encyclopedia when the fiction works are included in the offer is \$89. The usual terms of sale are \$6.95 cash with the order and \$6.95 monthly when the price of the offer is \$69.50. The usual terms of sale when the price of the offer is \$89 is \$8.90 cash with the order and \$8.90 a month.

PAR. 11. Lists of names of prospects are obtained by respondents and a letter, a copy of which is set forth hereinafter, is sent to said prospects. Accompanying the letter is a postal card addressed to one of respondents' agents confirming the name and address to whom the letter is sent, which card such person is asked to initial and return. The postal cards so returned are given to respondents' salesmen and representatives, whereupon such salesmen and representatives call upon and attempt to sell said persons respondents' publication. If the salesman makes the sale he requires the purchaser to sign a contract or order. In some instances a copy of the order is furnished the purchaser and in some instances no copy of the order is given to the purchaser. 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, or from its place of business in other States of the United States to the different purchasers thereof located throughout the various States of the United States and in different States from the State of origin of such shipment.

PAR. 12. The letter heretofore referred to, which respondents send to prospects, is as follows:

I am preparing a diversified list of well connected representative people of your city as a bona fide Original Owner's list of a recently completed encyclo-

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pedia which covers the entire range of human knowledge, giving full credit to things which are American in contrast to 95 per cent of the encyclopedias being sold in the United States to-day which are of foreign origin.

I am authorized to present you with a complete, full bound set of this new work, artcraft de luxe edition, with the compliments of the publishers. We find it a distinct advantage to have a few sets placed with representative people before starting our sales campaign. The great merchant, Mr. John Wanamaker once said: "A favorable comment from a pleased user is more valuable to a business than a page of newspaper advertising."

The above procedure is a legitimate advertising expense prior to general publicity.

Kindly initial and return the inclosed card, confirming the correctness of address (or make corrections) and the writer will see that you are supplied with the complete details without cost or obligation.

Please treat the foregoing as personal and confidential.

These letters are sent out under the letterhead of

CHARLES E. KNAPP

189 W. Madison Street, Chicago

and are signed "Chas. E. Knapp, Publicity Manager."

Said letters are false and misleading in that the letters represent to those receiving them that respondents will give them a set of either the New Standard Encyclopedia or the Standard Reference Work free of cost as an advertising feature and the addressees of said letters initial and return the inclosed postal card in that belief. In fact respondents do not give away any sets of encyclopedias as an advertising feature and do not give any sets of their encyclopedias to anyone who receives said letters, but said encyclopedias are sold by respondents in connection with loose-leaf supplements and a research service, payment for all three items being included in the purchase price of \$69.50 (when fiction books are included as aforesaid the price is \$89). Said letters are used solely and intentionally by respondents for the purpose of obtaining the names of prospects upon whom respondents' salesmen can call for the purpose of soliciting them to purchase the said Standard Reference Work or the said New Standard Encyclopedia. The letterhead used on said letters has been adopted by respondents to conceal the fact that they are selling books.

PAR. 13. The respondents having caused the above letter to be mailed to prospects in many localities, thereafter directed and instructed their agents to call upon the prospects to whom the letters had been sent, and upon other prospects, and to said prospects the said agents made the following representations:

1. That they represent the Standard Education Society of Chicago, or the Standard Encyclopedia Corporation.

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2. That they are giving away a set of books; that they are not selling anything; that the books are free; that the books are being given free as an advertising plan.

3. Should the prospect be a banker, the agent represents that the work deals in financial matters. That the loose-leaf extension service keeps all financial matters up to date; that both take the place of Dun and Bradstreet. Should the prospect be a professor in some college or university, the agent represents that the work is the very latest encyclopedia; that it brings all technical and scientific subjects up to date, and, in some instances, that the work is a successor to the New International Encyclopedia. Should the prospect be a teacher or club and society woman, the agents represent that such prospect has been specially selected, and that the only return desired for the gift is permission to use the name of the prospect for advertising purposes and as reference.

4. To all classes of prospects, the agents of the respondents represent that the Standard Reference Work or the New Standard Encyclopedia is being given free and that said prospects are paying only for the loose-leaf extension service.

5. The agents of respondents represent to some prospects that the price of \$69.50 is a reduced price, and that the regular price of the books and the extension service is \$150, sometimes even as high as \$200.

6. The agents of respondents represent to prospects that the loose-leaf extension service will take the place of such magazines as the Literary Digest and the Review of Reviews.

7. The agents of the respondents represent to prospects that certain sets of books by well-known authors such as Rinehart, Kipling, O. Henry, Stevenson, or various combinations of these and other books will be given together with the Standard Reference Work or the New Standard Encyclopedia absolutely free and that the loose-leaf extension service will be furnished at a cost of \$89.

The statements made by respondents in circular letters and through their agents that the Standard Reference Work would be given away free are false, deceptive, and misleading; the books were never given away free. The statement of agents of respondents that the Reference Work was being given as part of an advertising plan is false, deceptive, and misleading.

The statement of the agents of respondents that the Standard Reference Work deals in financial matters, that the loose-leaf extension service keeps all financial matters up to date, that both of these take the place of Dun and Bradstreet; that the work is the very latest encyclopedia; that it brings all technical and scientific subjects

up to date; that the work is a successor to the New International Encyclopedia; that the prospect had been specially selected; that the only return desired for the gift is permission to use the name of the prospect, are each and every one of them false, deceptive, and misleading statements.

The statement of the agents of respondents that the Standard Reference Work or the New Standard Encyclopedia is being given free and that the prospects are paying only for the loose-leaf extension service are false, misleading, and deceptive statements.

The statements made by agents of the respondents that the price of \$69.50 is a reduced price; that the regular price of the books and extension service is \$150 or sometimes even as high as \$200 are false, deceptive, and misleading statements as \$69.50 is the regular standard price for the Standard Reference Work or the New Standard Encyclopedia, the loose-leaf service and the ten years' research privileges.

The statements of agents of respondents that the loose-leaf extension service will take the place of magazines such as the Literary Digest and Review of Reviews are false, deceptive, and misleading statements. The so-called loose-leaf extension service can not in any way take the place of these or other similar magazines.

The statements made by agents of respondents that sets of fiction together with the Standard Reference Work or the New Standard Encyclopedia would be given absolutely free and that they are selling only the loose-leaf service for \$89, are false, deceptive, and misleading; \$89 being the regular price to anyone for the Standard Reference Work or the New Standard Encyclopedia, the loose-leaf service and various assortments of fiction by various authors. The representations and statements made by the agents of respondents as aforesaid are made by said agents within the scope of respondents' business. The respondents know that such representations and statements were being made by their agents and consented thereto.

PAR. 14. The respondents, Standard Education Society, H. M. Stanford, W. H. Ward, and A. J. Greener, in their advertising matter and on the backs of their contracts make use of certain alleged testimonials from men connected with institutions of learning in the United States, from physicians, club women, newspaper editors, and others. Many of these alleged testimonials are garbled, unauthorized, and have been made, when made at all, to cover a previous work, Aiton's Encyclopedia, which was a work quite different in form, in material and in purpose from the Standard Reference Work. These same testimonials have been used year after year from 1912 to 1930 as expressions of opinion of eminent men as to the Standard Reference Work.

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PAR. 15. Respondents, Stanford, Ward, and Greener, have had their attention called to these practices by men whose names had been so used but notwithstanding such notice these respondents continued said practices in exaggerated form and made use of their creature, respondent Standard Encyclopedia Corporation and its publication the so-called New Standard Encyclopedia as the vehicle for continuing this method of misrepresentation. In the advertising matter for the New Standard Encyclopedia the following statements appear:

AT LAST!—THERE IS SOMETHING NEW UNDER THE SUN
THE NEW STANDARD ENCYCLOPEDIA IS ALIVE
ALWAYS UP-TO-DATE

and under a heading, "What others say!" respondents purport to give statements made of and concerning the New Standard Encyclopedia.

Below in parallel columns are set forth some of the statements made by the respondents of and concerning the Standard Reference Work and circulated at least as early as 1925 and some of the statements made by the respondents of and concerning the New Standard Encyclopedia in 1930.

Alleged testimonials in favor of Standard Reference Work circulated at least as far back as 1925.

UNIVERSITY OF NOTRE DAME,
PAUL R. BYRNE,
Reference Librarian:

For answering questions in a hurry the Standard Reference Work is most helpful. The matter is given in such concise form that it takes little time for the user to get right to the point wanted. This set of books is used continually by the students, as well as the reference staff.

UNIVERSITY OF MICHIGAN MEDICAL
SCHOOL,
O. M. COPE, *Assistant Professor
of Physiology:*

I am enjoying very much my Standard Reference Work, particularly in its use for my daughters in high school. The feature that appeals most to me is the method of keeping the work up to date without becoming either too cumbersome or too complicated for practical use.

Alleged testimonials in favor of the New Standard Encyclopedia circulated in 1930.

UNIVERSITY OF NOTRE DAME,
PAUL R. BYRNE,
Reference Librarian:

For answering questions in a hurry the New Standard Encyclopedia is most helpful. The matter is given in such concise form that it takes little time for the user to get right to the point wanted. This set of books is used continually by the students, as well as the reference staff.

UNIVERSITY OF MICHIGAN MEDICAL
SCHOOL,
O. M. COPE, *Assistant Professor
of Physiology:*

I am enjoying very much my New Standard Encyclopedia, particularly in its use for my daughters in high school. The feature that appeals most to me is the method of keeping the work up to date without becoming either too cumbersome or too complicated for practical use.

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In addition to the two instances above, the respondents make use in the same advertisement of the names Stanley L. Clark, city editor, Observer-Dispatch, Utica, N. Y., J. F. Montague, M. D., secretary and treasurer American Proctologic Society, Charles J. Higgs, M. D., Wilkes-Barre, Pa., Elizabeth Kenney, president, Business and Professional Women's Club, Waterloo, Iowa.

None of these men or this woman ever wrote any testimonial or recommendation of or concerning the New Standard Encyclopedia. The representations that these men and this woman wrote the recommendations for the so-called New Standard Encyclopedia are false, deceptive, and misleading.

The statement in the above advertisement, "At last! There is something NEW under the sun" is false and misleading in its application to the so-called New Standard Encyclopedia. This work is not new except for the name and the covers. It is the old Standard Reference Work revised.

PAR. 16. The respondent Standard Education Society in conjunction with the respondents H. M. Stanford, W. H. Ward, and A. J. Greener, in addition to publishing, selling, and transporting or causing to be transported in interstate commerce a work entitled Standard Reference Work, have also caused to be printed, sold and distributed in interstate commerce a work which they have entitled National Encyclopedia and in the sale of this publication under the name National Encyclopedia used the same methods above described and do not disclose to the prospective purchasers the fact that the said National Encyclopedia is the identical publication sold and distributed by these respondents under the name Standard Reference Work, thus causing some purchasers to buy the said National Encyclopedia in the belief that the same is a separate and distinct publication.

PAR. 17. The respondents for the purpose of selling their publications, Standard Reference Work and New Standard Encyclopedia, show in the prospectus and on the fly-leaves of their volumes a list headed "Contributors and Reviewers," and under this heading place the names of educators who are known to be men of repute. In such lists they include many who have not been either contributors or reviewers to either the Standard Reference Work or to the New Standard Encyclopedia. Albert W. Rankin of the University of Minnesota, William H. Sheppard, instructor in the public schools, Minneapolis, W. M. West, professor of history, University of Minnesota for 20 years prior to 1912, Monsignor Edward A. Pace, vice rector 38 years, Catholic University, Washington, D. C., and general secretary of the Catholic University of America, Dr. Frank W.

Ballou, superintendent of schools of the District of Columbia, are included in these lists. None of these men either contributed articles or reviewed articles for publication in respondent's works.

PAR. 18. The respondents in the course and conduct of their business and in addition to their distributing in commerce the Standard Reference Work, the National Encyclopedia, and the New Standard Encyclopedia have also a branch business which they exploit under the name Standard Extension University, represented as a correspondence school. For the purpose of selling this course of instruction they prepared a form of contract upon which appears in red ink the words "Special introductory enrollment. This is a life-time scholarship." The Standard Extension University was started in 1924 and the original price to anyone for its course was during 1924, \$98. In 1925 the price for its course to anyone was \$120, and in 1927 it was \$135. The agents of the respondents, however, represented to the various prospects upon whom they called that these prices were special introductory prices and that the usual price of the course was \$250. The agents of respondents further represented that the special price was given to ten students only and advised the prospect that the introductory offer would not be continued after the agent had secured the ten students.

The representations made by respondents' agents that the course in the Standard Extension University is being sold at a special price, that the said price is limited to a certain number of students, and that the price represents a "special introductory enrollment" are false, misleading, and deceptive. The course was offered to everyone at the same price.

PAR. 19. The foregoing representations, sales methods, and statements were used and made by agents of respondents in the course and conduct of respondents' business. Many representations and statements made by such agents while so employed were false as heretofore set out. Prospective customers to whom respondents' agents made said false representations and false statements and on whom said sales methods were used, relied upon the representations and statements made by said agents as aforesaid, and purchased books and the extension service and the home study courses offered for sale and sold by respondents in the belief that the said representations and statements made by respondents' agents were true. In many instances persons purchased respondents' books and the extension service in reliance upon the said false representations and false statements, when such persons would not have purchased the said books or extension service but for the false statements and false representations made by respondents' agents in the course and conduct of their

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business as aforesaid, all of which is to the damage and injury of the said purchasing public, and tends to and does divert trade from competitors of respondents not using said false and misleading sales methods, statements, and representations.

PAR. 20. Respondent Standard Encyclopedia Corporation was organized by the individual respondents herein in August, 1929, approximately six months after the issuance of the original complaint herein by the Federal Trade Commission. The Commission concludes and infers from the record in this case and so finds that this corporation was organized by the individual respondents for the purpose of evading any order that might be issued by the Federal Trade Commission against the respondent Standard Education Society. The Commission also concludes and infers from the entire record and so finds that the individual respondents herein, H. M. Stanford, W. H. Ward, and A. J. Greener, have been using and are using the corporate respondents herein to carry on their business in the manner and form hereinbefore set out.

CONCLUSION

The practices of said respondents, under the conditions and circumstances described in the foregoing findings are unfair methods of competition in interstate commerce. The use by respondents of the methods of sale as hereinbefore found by the Commission has the capacity and tendency to and does in fact injure competitors who do not use such methods of sale because (1) it diverts to respondents from their competitors sales of encyclopedias to persons who believe said false representations as made by respondents to be true and who purchase respondents' encyclopedias in and because of such belief, (2) it prejudices the public against the subscription book industry as a whole and makes it difficult for respondents' competitors to obtain interviews for the purpose of soliciting the sale of their encyclopedias and (3) it causes the public to lose confidence in the representations of competing publishers who do not use such methods or make such representations. The practices of said respondents under the conditions and circumstances described in the foregoing findings constitute a violation 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."

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answers of the respondents, and the testimony taken and briefs filed herein, and oral

argument by the attorney for the Commission, and the Commission having made its findings as to the facts, with its conclusion that the respondents have 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 respondents, Standard Education Society, a corporation, Standard Encyclopedia Corporation, H. M. Stanford, W. H. Ward, and A. J. Greener, and each of them, their 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) Advertising or representing in any manner to purchasers or prospective purchasers that any books or set of books offered for sale and sold by them will be given free of cost to said purchasers or prospective purchasers, when such is not the fact.

(2) Advertising or representing in any manner that a certain number of sets or any set of books offered for sale or sold by them 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.

(3) Advertising or representing in any manner that purchasers or prospective purchasers of respondents' publications are only buying or paying for loose-leaf supplements intended to keep the set of books up-to-date for a period of ten years, when such is not the fact.

(4) Advertising or representing in any manner that respondents' publication is a recently completed, new, and up-to-date encyclopedia, when such is not the fact.

(5) Selling or offering for sale any set of books of the same text and content material under more than one name or title.

(6) Advertising or representing in any manner that the usual price at which respondents' publications are sold is higher than the price at which they are offered in such advertisements or representations, when such is not the fact.

(7) Advertising or representing any person as a contributor to or editor of any set of books or publication who has not performed services in making or preparing contributions to or who has not performed services in the editing of such books or publication and consented that he may be held out to the public as a contributor or as an editor or assistant editor.

(8) Advertising or representing that any person has given testimonials or recommendations for and concerning respondents' publications, when such is not the fact.

Order

(9) Publishing or causing to be published and circulated testimonials or recommendations of and concerning respondents' publications alleged to have been made by any person when such testimonials or recommendations have not been made by such person.

It is further ordered, That the respondents, Standard Education Society, a corporation, H. M. Stanford, W. H. Ward, and A. J. Greener and each of them, their officers, agents, representatives, and employees in connection with the offering for sale of any home study course of instruction in commerce among the several States of the United States or in the District of Columbia do cease and desist from:

Advertising or representing in any manner to purchasers or prospective purchasers that the course of instruction is offered for sale and sold to the purchasers or prospective purchasers as a "Special introductory enrollment," and at a specially reduced price, when such is not the fact.

It is further ordered, That respondents shall within 60 days from the date of the service upon them 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.

Complaint

16 F. T. C.

IN THE MATTER OF
JOSEPH SCULLER

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

Docket 1890. Complaint, Jan. 5, 1931—Decision, Jan. 29, 1932

Where an individual engaged in sale of watches, rings, diamonds, and a variety of jewelry and similar articles at wholesale and retail, set forth upon the letterheads employed by him in carrying on his aforesaid business, the words "Manufacturing and Wholesale Jeweler Importer of Diamonds and Swiss Watches," notwithstanding fact said individual neither owned, operated, nor controlled a plant or machinery for manufacture of jewelry dealt in by him and was not an importer of diamonds or Swiss watches; with result of misleading and deceiving retailers of jewelry and of aforesaid articles into believing said individual to be a manufacturer and importer as above set forth and of thereby diverting sales of articles concerned from competitors who as manufacturers, or dealers only, or as importers, or nonimporting dealers, truthfully represent their operations and status, and with further effect of misleading and deceiving purchasing public into buying from retailers, said individual's watches, jewelry, and diamonds in the mistaken belief that in so doing they were saving the profit of a wholesaler, and of thereby injuring competition of a substantial character and to a substantial extent; all to the prejudice and injury of competitors and the public:

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

Mr. Edward L. Smith for the Commission.

Mr. Waymon B. McLesky, of Columbus, Ohio, 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 individual, engaged in sale at wholesale and at retail of watches, rings, diamonds, and a variety of jewelry and gift articles and with principal place of business in Columbus, Ohio, with misrepresenting business status and advertising falsely or misleadingly in said respect; in that for more than one year last past, neither owning, operating, nor controlling any plant, factory, or machinery for manufacture of articles dealt in by him as above set forth and by him obtained from sources within the United States, he has displayed the legend, "Manufacturing and Wholesale Jeweler,