

Syllabus

IN THE MATTER OF

PERPETUAL ENCYCLOPEDIA CORPORATION, NORTH
AMERICAN PUBLISHING COMPANY, INC., SOURCE
RESEARCH COUNCIL, INC., WILLIAM H. GORHAM,
TRADING AS NORTH AMERICAN PUBLISHING COM-
PANY, AND VARIOUS INDIVIDUALS AS OFFICERS OF
SAID CORPORATIONS AND IN THEIR INDIVIDUAL
CAPACITIES

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

Docket 1371. Complaint, July 13, 1928¹—Decision, July 11, 1932

Where a corporation, which (1) had been formed to sell, on the subscription plan, an encyclopedia (together with a 10-year, loose-leaf semiannual supplement to keep same up to date, and a so-called "research bureau service"), to be published from plates theretofore purchased by two of its officers, stockholders, and organizers from the original compiler, together with the copyrights, organization, business, good will, etc., theretofore acquired and built up by said compiler, (2) had branch offices in Denver, New York, San Francisco, and Los Angeles, and a Canadian subsidiary operating under the name Home and School Education Society, Ltd., and (3) did a business of some \$2,000,000 or more a year; and various individuals, officers of said corporation, long engaged in sale of said work, closely connected in the prosecution thereof, fully aware of the nature of the sales methods and practices involved, which they sponsored, participated in, approved, and benefited by, and selling directly, and through sales or crew managers and the individual agents employed in various communities;

- (a) Simultaneously sold said publication under three different titles directly and at wholesale through other companies and individuals with knowledge it was to be thus resold, and falsely represented the same through their agents as different works with result that those already supplied were misled and deceived into purchasing anew under a different name, a compilation already owned, and with tendency and capacity to mislead and deceive the purchasing public, and cause members thereof to purchase the set under two or more titles as and for distinct and different publications;
- (b) Set forth in their said encyclopedia names of famous persons as contributors, reviewers or revisers and falsely advertised and represented that a staff of editors, writers, photographers, and illustrators was maintained in every part of the world for the preparation of the aforesaid loose-leaf supplements, facts being it had no such contributors, etc., or staff, "contributions" of the famous persons referred to consisted of such matters as secretarial or personal correction or revision of biological sketches or statis-

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tical material, the names of the persons were used without their consent, and cyclopedia was compiled by a single individual, with assistance of 4 or 5 persons connected with educational institutions or with experience in writing, and articles were based upon data solicited from chambers of commerce, school superintendents, and college and university heads respecting their cities, schools, and colleges and upon information gathered from other available sources, including encyclopedias, and loose-leaf supplement consisted largely of newspaper and periodical clippings, and pictures supplied by a service engaged in such work;

- (c) Published late copyright dates in its cyclopedia and left out previous copyright dates, in violation of the copyright laws, and in some cases published a copyright date for a year in which no copyright was obtained; with intent of misleading and deceiving subscribers into believing work in question, compiled some 15 years theretofore, as above set forth, was a new one, published as of the year given;
- (d) Falsely represented to prospective customers that the supplement would take the place of such famous financial services as Moody's, Poor's, etc., and that the work was connected with or published by well-known publications and sold on approval, facts being no such financial service was included, there was no such connection, and contract or order blank specifically provided contract was noncancelable and such provision was insisted upon;
- (e) Secured signatures to contracts or order blanks through falsely representing them as mere receipts or memoranda, or through other fraudulent devices and acts, and changed contracts or orders modified by customers before attaching their signatures, so as to restore the original terms, and declined to relieve customers thus victimized or imposed upon from their obligations, upon having the facts called to their attention, but systematically ignored or rejected such explanations and insisted upon the carrying out of the transactions in accordance with the regular terms of the order or contract;
- (f) Employed names of fictitious collection and credit agencies and papers simulating legal process and threatened publication of delinquents' names in their local papers, and other action, in seeking through threats and intimidations to coerce, and in coercing those whom it had entrapped and misled as aforesaid into carrying out the payments called for by the contracts or order blanks; and

Where (1) said corporation; (2) a company organized to take over the retail sale of said cyclopedia, supplement and service, with former employees of said corporation for its officers, with disbursements of its funds subject to audit and control of one of said corporation's general officers and stockholders, and subject to the control and advice of said corporation and its president; (3) a company engaged in sale of said cyclopedia, supplement, and service in certain sections or to certain classes; (4) an individual similarly engaged; and (5) an employee engaged as its representative in carrying on the sale of its said cyclopedia, etc., in certain far Western States; and officers of aforesaid corporation and concerns, variously engaged in sale of said cyclopedia, etc., directly and through sales or crew managers, etc., as above set forth:

- (g) Sold said cyclopedia contemporaneously under three different titles as aforesaid;
- (h) Represented to prospective purchasers that prospect was being offered the cyclopedia free by virtue of the prospect's position in the community, and

as a part of an advertising plan selected in preference, or as a sequel to expensive periodical advertising and that the prospect was only paying for the supplements or research service, facts being amounts exacted constituted its regular charges;

- (j) Falsely represented the prices and terms upon which the cyclopedia, etc., were regularly sold through naming figures far in excess of the usual and customary price of the three and exhibiting contract forms setting forth some excessive, pretended price for the encyclopedia alone, and representing supplements as sold separately to others at certain specified figures, or to be so sold, and stated that the price would be increased later or that usual selling price was higher than the amount demanded, and made use of contract forms or order blanks with canceled, higher prices than those demanded, or with such words as "Publicity Department—Special Contract", facts being figures at which cyclopedia, supplement, and service were sold constituted regular and usual prices therefor, words referred to were used to lead subscriber to believe he was given a special low price as a means of advertising, and supplements were not sold separately to others but only in conjunction with said cyclopedia and service;
 - (j) Made use of contract or order forms which did not adequately advise prospective purchaser that additional sums in excess of the figures mentioned might be demanded for said supplements under reference to provisions of certain coupons not furnished to or seen by the subscriber until after the signing of the contract and receipt of the books, and exacted such additional sums, notwithstanding fact contract or order blanks provided that price set forth covered "total cost" of all benefits described above, including volumes, supplement, and research service, and appeared to cover all charges, for the work, etc., and prospect was compelled to rely, as to complete nature of transaction, on salesmen, who failed to advise of such additional charges;
 - (k) Falsely represented that payments could be spread over a period of years, facts being completion of payments in not to exceed a year were called for by contract and insisted upon;
 - (l) Falsely represented that said cyclopedia included among its contributors, reviewers, or revisers and as members of its consulting staff to whom subscribers under their research bureau privilege might refer questions, numerous specified prominent persons, and that 200 teachers, eminent educators and scholars had taken part in the preparation of the work, facts being as hereinbefore set forth;
 - (m) Falsely represented said work as recently completed, new, and up to date, giving a complete record of "everything man has thought or done down to 1928", and as superior to British and other well-known publications, facts being it was still based on the compilation made many years theretofore, as above set forth, it had had practically no revision for a number of years, and no complete revision, so as to make it an up-to-date encyclopedia, and information supplied by it consisted of more or less superficial summaries upon subjects treated;
 - (n) Employed names and signatures of attorneys without their consent, upon letterheads and on letters sent out to intimidate and coerce payments, under contracts to purchase said cyclopedia, etc., brought about through the false and misleading representations and methods hereinbefore set forth; and
- Where aforesaid corporations; said company controlled as aforesaid; said individual engaged in sale of said cyclopedia, etc.; said far western employee

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and representative; and aforesaid officers thereof; in prosecuting sale of said cyclopedia, etc., as above set forth;

- (o) Made use of sheets falsely purporting to be and represented by the solicitors or agents as reproductions of advertisements which had appeared in Saturday Evening Post, offering said work, etc., at prices much in excess of the regular prices at which in fact usually and customarily sold, to aid in deceiving and misleading prospect as to books and services and their prices;
- (p) Falsely represented directly and through the sales talks supplied to their agents, that the prospect was being called on in connection with her child's school work at the request of the teacher, or in connection with the "school project", or at the suggestion of the woman's club president, etc., and falsely supplied names of persons known to the prospect, as purchasers, and displayed orders and checks falsely purporting to have such persons' signatures;
- (q) Falsely represented said work as having approval and recommendation of superintendent of schools, or 24 State bureaus of education, or the American Library Association, or as sponsored by the Parent Teachers Association;
- (r) Falsely represented said work, supplement, and service as of special benefit to the particular prospect solicited through falsely claiming features or specialization for it in fields of particular interest to the prospect by virtue of his profession or calling as doctor, chemist, engineer, or whatever the facts might be, and in general made such misrepresentations through their agents, regardless of their falsity or misleading character, as would enable them to make a sale to the person solicited; and

Where said corporation; its said officers; and aforesaid individual engaged in sale of said publication, etc.; in soliciting sale of said publication, etc., as above set forth;

- (s) Employed names of fictitious firms or agencies including such names as "Source Research Bureau", "The National Press Syndicate", "American Bureau of Research", "National Publicity Syndicate", "United Press Syndicate", "International News Service", "Home and School Education Society", and such misleading descriptions of the writers as "consulting specialists, * * * directors of publishers' publicity", "Manager, Eastern States", etc., in lead letters, sent to prospective customers in which the prospect was usually offered a complimentary set as a prominent member of his community, or as an advertising method or to secure his endorsement, facts being no free or complimentary sets were given and said fictitious names were used to conceal the business of the senders as book sellers, and to enlist and secure prospect's interest and reply and name on the card enclosed, with a view to his solicitation, as above set forth; and

Where (1) aforesaid company engaged in sale of said cyclopedia, etc., and (2) said individual, similarly engaged in carrying on the sale thereof;

- (t) Falsely advertised or represented said encyclopedias or books as bound in leather;

With effect of injuring competitors who do not use such methods of sale, through (1) diverting to said corporation, concerns and individuals sales of encyclopedias and other reference works to those believing aforesaid false representations to be true, and purchasing encyclopedias, etc., concerned in and by reason of such belief, (2) prejudicing the public against the subscription book industry as a whole and making it difficult for competitors

to obtain interviews to solicit sale of their encyclopedias, and (3) causing the public to lose confidence in representations of competing publishers who do not use such methods or make such representations; and with capacity and tendency so to divert, etc.:

Held, That such practices, under the conditions and 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.

Winston, Strawn & Shaw, of Chicago, Ill., and *Mr. Roger Shale*, of Washington, D.C., for Perpetual Encyclopedia Corporation and Source Research Council, Inc., and for various respondent individuals as officers thereof and in their individual capacities.

Mr. M. Jason Gould, of New York City, for North American Publishing Co., Inc., Russell O. Priebe and Emma L. Priebe.

COMPLAINT ²

Acting in the public interest pursuant to the provisions of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", the Federal Trade Commission charges that the corporations and individuals mentioned in the caption hereof, and more particularly hereinafter described and referred to as respondents, have been and now are using unfair methods of competition in interstate commerce in violation of the provisions of section 5 of said act, issues this amended complaint, and states its charges in that respect as follows:

PARAGRAPH 1. Respondent, Perpetual Encyclopedia Corporation, is a corporation organized under the laws of the State of Illinois, on or about December, 1922, having its offices and usual place of business in the Monroe Building at No. 104 South Michigan Avenue and 77 East Monroe Street, in the city of Chicago, State of Illinois.

The respondents Frank J. Mackey, Harold C. Sherman, and Robert T. Mackey were the incorporators of the respondent Perpetual Encyclopedia Corporation and are and have been respectively the president, secretary, and treasurer thereof since its organization. The respondents H. F. McGee and Edmund P. Rucker are and have been vice presidents of the respondent Perpetual Encyclopedia Corporation since its organization.

PAR. 2. Respondent North American Publishing Co., Inc., is a corporation organized on July 7, 1924, under the laws of the State of New York, having its principal office and place of business in New York City in said State.

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Respondents Russell O. Priebe and Emma L. Priebe were incorporators of the respondent North American Publishing Co., Inc., and are officers of said respondent company.

PAR. 3. Respondent Source Research Council, Inc., is a corporation organized on December 9, 1927, under the laws of the State of Illinois, having its principal office and place of business in the Monroe Building at No. 104 South Michigan Avenue, and 77 East Monroe Street, in the city of Chicago, State of Illinois.

The respondents, John J. Hennessy, Leonard C. Maier, and Turney T. Culp were the incorporators of the Source Research Council, and are and have been respectively the vice president, secretary, and treasurer, thereof since its organization. The respondent Warren T. Davis is and has been president of the respondent, Source Research Council, Inc., since its organization.

PAR. 4. Respondent William H. Gorham is and has been for several years immediately prior hereto in the business of selling books, trading under the name and style of North American Publishing Co., at No. 844 Rush Street, in the city of Chicago, Ill.

Respondent George A. Seiler is and has been, since on or about November, 1923, the manager of the Pacific Coast office of the respondent Perpetual Encyclopedia Corporation, with an office and place of business in Room 930, Hearst Building, in the city of San Francisco, Calif.

PAR. 5. Respondent, Source Research Council, Inc., was organized for the purpose of selling at retail the "Source Book", published by the respondent, Perpetual Encyclopedia Corporation, and formerly sold at retail by that respondent corporation under its own name, and also under the name, Source Research Bureau, a trade name used by said respondent, Perpetual Encyclopedia Corporation. Respondent Warren T. Davis, president of the Source Research Council, Inc., was formerly vice president of the Coeducational Society, a subsidiary company of the respondent, Perpetual Encyclopedia Corporation, engaged in selling the publications of said Perpetual Encyclopedia Corporation in the Dominion of Canada, located at Toronto, Canada. Respondent John J. Hennessy was for many years, and up to and until the formation of the Source Research Council, Inc., an employee and sales manager of respondent, Perpetual Encyclopedia Corporation. Respondent, Leonard C. Maier, was for many years and up to and until the formation of the Source Research Council, Inc., an employee of and credit manager of respondent, Perpetual Encyclopedia Corporation. Respondent Turney T. Culp, was for years, and up to and until the formation of the Source Research Council, Inc., an employee of respondent, Perpetual Encyclopedia Corporation.

PAR. 6. Respondent, Source Research Council, Inc., since the date of its organization, has been engaged in selling at retail throughout the United States, the publications of respondent, Perpetual Encyclopedia Corporation, under the name of the Source Book. Upon its organization it took over the office and sales personnel of said Perpetual Encyclopedia Corporation, and has at all times used the offices occupied by the Perpetual Encyclopedia Corporation. Some of the employees of said Source Research Council, Inc., are also employees of respondent Perpetual Encyclopedia Corporation. The Source Research Council in the sale of its books or publications employs the same methods as are and have been used by respondent, Perpetual Encyclopedia Corporation, set forth hereinafter, and used the same advertising and other literature as used by said respondent. Respondent Source Research Council, Inc., is affiliated with and operated and controlled by the same persons and interests as those controlling and operating respondent, Perpetual Encyclopedia Corporation.

PAR. 7. The respondents are and have been engaged in the sale of certain books or publications, including those hereinafter referred to, and have sold the same to individuals, firms, and corporations, located respectively in various States of the United States, during the period beginning on or before November 22, 1922, continuously down to the date hereof, and upon making such sales the respondents cause and have caused the books and publications so sold to be transported from their respective places of business to, into and through the District of Columbia and various States of the United States other than the State of origin of the shipment thereof to the purchasers of the same.

During the times above referred to other individuals, partnerships, and corporations are and have been engaged, respectively, in selling books and publications throughout the United States and have caused the books and publications when sold by them to be transported to the purchasers thereof from their respective places of business to, into, and through the District of Columbia and various States of the United States other than the State of origin of the shipment of their said books and publications, and including States into which the respondents are and have been causing the books and publications sold by them, respectively, hereinafter referred to, to be transported, and the respondents are and have been during the times herein referred to in competition in commerce with said other individuals, partnerships and corporations.

PAR. 8. In or about the year 1912 or 1915, and for a number of years thereafter, there was published and sold throughout the United

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States a publication called the "Home and School Reference Work" under copyright registered in the United States Patent Office in or about the year 1912 or 1915. The respondents, Frank J. Mackey and Harold C. Sherman, on or about November 22, 1922, purchased the plates used in printing or reproducing copies and editions of the said publication, and also purchased the rights of the previous owners of the said publication, to the copyright registrations thereof.

PAR. 9. The respondents, Frank J. Mackey, Harold C. Sherman, and Robert T. Mackey, unlawfully, knowingly, and with intent to confuse, deceive, and defraud the public in the sale of said Home and School Reference Work, engaged with and among themselves in a conspiracy, common understanding or agreement on or about November 22, 1922, to print or cause to be printed or reproduced from the plates of the said publication, the Home and School Reference Work, editions or copies thereof, and to publish and sell and to cause the same to be published and sold without any substantial change or revision thereof to members of the public as and for new and completely or substantially completely revised and up-to-date editions or copies of the said publication and also as and for entirely new or recent publications of a date of first or original publication in the year 1924, or of a date many years later than the said copyright dates of 1912 and 1915, and under separate and different names or titles which were intended to and would conceal from purchasers or prospective purchasers the identity thereof, one with the other, as being the same or substantially the same publications or books.

PAR. 10. In pursuance of their said conspiracy, common understanding or agreement, the respondents, Frank J. Mackey, Harold C. Sherman, and Robert T. Mackey caused the respondent Perpetual Encyclopedia Corporation to be incorporated and organized as a corporation; and joining in with the said respondents Mackey and Sherman, and with knowledge thereof and in pursuance of said conspiracy, common understanding or agreement, the respondents, Russell O. and Emma L. Priebe, caused the respondent North American Publishing Co., Inc., to be incorporated, and they and the respondent William H. Gorham, respectively, engaged in business under the form of a corporate organization, entitled North American Publishing Co., and under the trade name North American Publishing Co. for the purpose, on the part of all said respondents, among other things, of holding out the said corporation and trade names to the public as the name or names, respectively, of original publishers of the said Home and School Reference Work, under that or other names or titles, and to conceal from purchasers and prospective purchasers among the public the fact that the said publication, or the

same substantially, had already been copyrighted, published and sold by others during many years before to purchasers throughout the United States.

PAR. 11. All the respondents, acting in concert, respective in pursuance of the said conspiracy, common understanding or agreement, through themselves and through their agents, salesmen, solicitors, and employees, in seeking to sell and in selling the aforesaid books or publications and in seeking to collect and in collecting moneys claimed to be due under alleged orders or contracts in the course of or as a result of such negotiations and sales, have falsely and fraudulently with intent to deceive the purchasers and prospective purchasers, employed without right, wrongfully and unlawfully the names of attorneys at law, the names and forms of corporate organizations, some of which corporate and trade organizations were fictitious, the forms and indicia of corporate instrumentalities, and fictitious office addresses for the aforesaid corporate and trade organizations located throughout the world, with the intent to confuse, mislead, and deceive, and the said respondents have by the aforesaid means and acts confused, misled, and deceived and continue now to confuse, mislead, and deceive said purchasers into believing that communications received by said purchasers, purporting to be signed by an attorney at law, were actually, as to their contents, known to such attorney and that the same were actually in such instances written and signed with his name by him, and that said corporate and trade organizations were actually the publishers of the books or publications sold by them or under their names, respectively, and herein referred to, and that the said organizations were country-wide or internationally known organizations of standing, integrity and credit, with offices and places of business throughout the United States and in foreign countries, when such was contrary to the facts in relation thereto, for the purpose of gaining and enhancing the trust and confidence of purchasers and prospective purchasers that the respondents and their salesmen and representatives, and statements and representations made by them, were reliable and trustworthy, and for the purpose of assisting in coercing and blackmailing purchasers into the payment of money on the aforesaid orders or contracts.

Among the corporate and trade or organization names so employed by the respondents were the following: The Woodrow Wilson Institute, United Press Syndicate, North American Publicity Service, American Reference Library, American Bureau of Research, The Source Book, The Source Research Bureau, Business Extension Institute, International Collection and Adjustment Bureau, The Perpetual Research Bureau, Merchants' Credit Reporting Association, North

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American Publishing Co., Publisher's Clearing House, North American Publishing Co., Inc., Home and School Education Society, International News Service, and others.

PAR. 12. The respondents, in pursuance of their said conspiracy, common understanding or agreement, have made use of fictitious collection agencies with fictitious names which they have represented to purchasers and held out to be in fact independent organizations in the service of business institutions and merchants throughout the country and internationally, in the collection of credit information, and by means of the said collection agencies and the false impression as to their influence created by the said respondents they have attempted to coerce and blackmail, and they have coerced and blackmailed, purchasers of respondents' said books or publications into paying the whole or part of the money alleged to be due on contracts entered into by means of the confusing, misleading, deceitful, and fraudulent acts herein set forth and referred to on the part of respondents aforesaid, their agents, solicitors, and representatives, by threatening to make known the alleged delinquency of the said purchasers in the payments of said moneys by publishing or making known the same to third persons, including financial institutions or employers or to others within the social or business acquaintance of the said purchasers and in other ways, including the drawing of drafts on said purchasers maliciously and for the purpose of affecting the credit of said purchasers, unless the said drafts were paid.

PAR. 13. The respondents have employed salesmen, solicitors, and representatives whom they knew, or with reasonable diligence should have known, have previously used and continue to use, both verbally and written, alias or fictitious names and fictitious addresses, false and deceptive sales talks, and to make false representations in selling or soliciting for the sale of books, publications or other things, and the respondents with knowledge of the use of the same by them, of the aforesaid false and deceptive practices and sales talks on the part of their said salesmen and employees, have employed the said salesmen and representatives and encouraged the said salesmen, solicitors, and employees in the use of the same in the sale of respondents' said books and publications.

PAR. 14. The respondents, further, in pursuance of the said conspiracy, common understanding or agreement have printed only a late copyright date of registration, such as the year 1924, in some of the copies or editions of their said books and publications and have omitted to print the earlier copyright date to show the true fact that the later copyright date was simply issued to cover new matter added in the way of revision.

The respondents, through themselves, their agents, salesmen, solicitors, and employees, have employed, in the sale of their said books or publications, false and deceptive sales talks, and in the sales talks and otherwise, knowingly and falsely, they have among other things, represented that many well-known educators, public officials, writers, scientists and others were and are members of an editorial staff and contributors, revisers, and reviewers employed in the writing of said books or publications, or of articles contained therein, when such was not the fact.

Respondents and their employees have falsely and fraudulently represented that the usual and customary selling prices of said books and publications were certain fictitious and grossly exaggerated amounts of money, far exceeding the usual and customary prices at which they sold the same, or at which they expected to sell them, and greatly in excess of the real value of the same.

The respondents, further, have obtained the signatures of persons to orders or contracts for the purchase of said books and publications by subterfuge, tricks, or artifices, such as inducing such persons, under pretense of obtaining their names and addresses for other purposes, to write their names and addresses on said order blanks or contracts, knowing that said persons had no knowledge that they were at the time signing any obligation or entering into a contractual relation.

The said respondents have further made false and fraudulent representations of fact to purchasers regarding the quality, nature, style, finish, description, and value of the paper material, and the binding, and the material composing it, used in the manufacture of said books and publications and regarding certain extension or research services in connection therewith, which they offered for sale and sold to said purchasers, who bought the said books and publications and services, relying on said statements of the respondents, their agents, representatives, and employees.

The respondents and their employees have further falsely and fraudulently represented that they had given and were giving to certain persons the said books and publications free of charge to such persons, purchasers, or prospective purchasers, or that they had given, or were giving to certain persons free of charge either the said books or certain extension or research services in consideration that the said persons or purchasers pay only for the other, when in fact, such books or services had not been, or were not being given, free of charge, to anyone, but the price of the one represented to be given free was included and was intended by respondents, their agents, salesmen, and employees to be included in the price of the one bought or contracted to be bought by said persons or purchasers.

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PAR. 15. The respondents, their agents, solicitors, salesmen, and employees, by means of the false and fraudulent representations, acts, and practices set forth above, and by means of many other such representations, acts, and practices of like nature and too numerous to be set forth herein, and in pursuance of the aforesaid conspiracy, common understanding or agreement on their part, have sold the said books or publications, including the said research and extension services, and are continuing to sell the same to members of the public throughout the United States, who have been and are, by means of such sales, being cheated, deceived, and defrauded.

PAR. 16. There are among the competitors of respondents referred to herein, many who in the sale of their books and publications do not commit the acts and things complained of herein, and who do not mislead, deceive, and defraud the public.

PAR. 17. The above alleged acts, things, and practices of the respondents are each and all to the prejudice of the public and respondents' competitors and constitute unfair methods of competition in interstate commerce within the intent and meaning of section 5 of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its power and duties, and for other purposes."

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of an act of Congress approved September 26, 1914 (38 Stat. 717), the Federal Trade Commission issued and served its amended complaint upon the respondents above named, charging them with the use of unfair methods of competition in commerce in violation of the provisions of said act.

The respondents having entered their appearances, and having filed their answers herein, hearings were had and evidence was thereupon introduced on behalf of the Commission and respondents before an examiner of the Federal Trade Commission theretofore duly appointed.

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

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent, Perpetual Encyclopedia Corporation, is a corporation organized under the laws of the State of Illinois on December 8, 1922, and existing and doing business under said laws,

with its principal office and place of business in a building having two addresses, viz, 104 South Michigan Avenue and 77 East Monroe Street, in the city of Chicago, in said State. The authorized capital stock of the company was originally \$50,000, consisting of 500 shares of \$100 par value each. The incorporators were Daniel G. Moore, Oak Park, Ill., Robert T. Mackey, and H. C. Sherman, Chicago, Ill., and said incorporators composed the first board of directors of the company. At a special meeting of the stockholders of the corporation held March 22, 1924, the articles of incorporation were amended, increasing the capitalization of the corporation to \$125,000, consisting of 1,250 shares of \$100 par value each. The amended certificate was filed in the office of the Secretary of State of Illinois on April 11, 1924. At a meeting of the stockholders of the corporation held November 18, 1924, the articles of incorporation were further amended so as to authorize the corporation "To maintain and operate for profit, Source Research Bureau, for the increase and diffusion of economic and scientific knowledge; and for the operation of business and trade forecasts and reviews, and such other matters as are pertinent thereto." The amended certificate was filed with the Secretary of State of Illinois, December 17, 1924. The stockholders of respondent as of March 22, 1924, were given as Frank J. Mackey, H. C. Sherman, E. P. Rucker, and R. T. Mackey. At the time of the hearings in this proceeding Frank J. Mackey owned 1 share of the capital stock; Robert T. Mackey, 120 shares; H. C. Sherman, 150 shares; and School Methods Publishing Co., 749 shares. These comprised all of the shares outstanding. School Methods Publishing Co. is a corporation engaged in publishing a set of books for school teachers, and respondent, Frank J. Mackey, is president of said corporation. The officers of respondent, Perpetual Encyclopedia Corporation, are Frank J. Mackey, president; Robert T. Mackey, treasurer; and H. C. Sherman, secretary.

Respondent, North American Publishing Co., Inc., is a corporation organized July 7, 1924, under the laws of the State of New York, having its principal office and place of business at 17 East Sixtieth Street, in the City of New York. It was incorporated by respondent William L. Priebe, now dead, who was president, and his wife, respondent Emma L. Priebe, who was and is secretary. A son, respondent Russell O. Priebe, was also connected with the company. The corporation was reported, in March, 1929, to be in liquidation, the claims of the company having been assigned to Emma L. Priebe for collection in settlement of William L. Priebe's estate. It was not engaged in the business of selling books, and had paid no taxes, but had not surrendered its charter. During the period of its activity

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the company was engaged in selling at retail the publication of respondent Perpetual Encyclopedia Corporation, under the title of "Home and School Reference Work."

Respondent Source Research Council, Inc., is a corporation organized December 9, 1927, and existing and doing business under the laws of the State of Illinois, having its principal office and place of business at No. 104 South Michigan Avenue and No. 77 East Monroe Street, in the city of Chicago, in said State. The incorporators are Leonard C. Maier, of LaGrange, Ill., Turney T. Culp, and John J. Hennessy, of Chicago, Ill. Respondent Source Research Council, Inc., was organized to manufacture, buy and sell books, and carry on business incidental thereto; "to maintain and operate for profit agencies and facilities for the preparation of business and trade forecasts", and for the establishment and maintenance of collection agencies. Such corporation was authorized to issue 2,000 shares of common stock of no par value. John J. Hennessy subscribed \$60,000 for 1,200 shares of the stock, and paid in \$30,000; Turney T. Culp subscribed \$20,000 for 400 shares of the stock, and paid in \$10,000; Leonard C. Maier subscribed \$20,000 for 400 shares of the stock, and paid in \$10,000. The entire amount of authorized capital stock was issued at once. Messrs. Turney T. Culp, Leonard C. Maier, and John J. Hennessy were the first board of directors. Articles of incorporation of respondent Source Research Council, Inc., were amended February 3, 1928, so as to authorize the corporation to maintain and operate for profit a bureau of research, said amended articles being filed with the Secretary of State of Illinois, May 10, 1928. The first officers of respondent Source Research Council were Warren T. Davis, president; John J. Hennessy, vice president; T. T. Culp, secretary, and E. C. Gibson, treasurer. Later, Leonard C. Maier was made secretary and Turney T. Culp, treasurer. Warren T. Davis became the first president and manager of respondent Source Research Council, Inc., and turned over to it a contract which he had made with respondent Perpetual Encyclopedia Corporation. The stock certificate book of the corporation shows the following stockholders as of December 5, 1928: Warren T. Davis, 800 shares; John J. Hennessy, 520 shares; Turney T. Culp, 380 shares; Leonard C. Maier, 300 shares. By resolution of December 12, 1927, Robert T. Mackey was made auditor and was given absolute control of the funds of respondent Source Research Council, Inc. Mr. Mackey was not a stockholder nor an officer of such corporation.

Respondent Frank J. Mackey is a cofounder and president of respondent Perpetual Encyclopedia Corporation, is its active directing head, and is in full control of the general policies of the corpora-

tion. Before establishing respondent Perpetual Encyclopedia Corporation Mr. Mackey had spent all of his business life in the sale of books by the subscription method. He sold several different encyclopedias as a salesman, including the Home and School Reference Work, published at that time by H. M. Dixon, its compiler and publisher. He then became associated with W. F. Quarrie as a minority stockholder in the School Methods Co., and sold the set of books published by that company. In January, 1922, Mr. Mackey acquired all the rights to the sale of this set of books, and organized and became president of School Methods Publishing Co., which company published and sold said set of books, and more recently has been publishing and selling a set of books under the name of Class Room Teacher. In November, 1922, respondent Frank J. Mackey and Respondent H. C. Sherman purchased the plates of the Home and School Reference Work from H. M. Dixon, who had been publishing and selling the set of books for many years. H. M. Dixon had been selling said set of books under the trade name of Home and School Education Society, the use of which name was continued by respondent Mackey for some time after acquiring the plates. The concern was in fact a corporation and not a society of any kind or character. About the time of the purchase of the plates from H. M. Dixon, as aforesaid, respondents Frank J. Mackey and H. C. Sherman organized respondent Perpetual Encyclopedia Corporation to handle the purchase and sale of the encyclopedia, as set forth hereinbefore. Respondent Frank J. Mackey is also president of the Woodrow Wilson Institute, a company engaged in selling books and services, and president of the Home and School Education Society, Ltd., of Toronto, Canada, which company is engaged in selling the publications of respondent Perpetual Encyclopedia Corporation in the Dominion of Canada.

Respondent H. F. McGee was a vice president of respondent Perpetual Encyclopedia Corporation until he left the company in 1927. He was an employee of respondent Perpetual Encyclopedia Corporation from February, 1924, to October 15, 1927, and during that period had charge of salesmen, and general control of sales methods for the company. Upon severing his connection with respondent Perpetual Encyclopedia Corporation, respondent McGee became connected with the Standard Historical Society of Cincinnati, where he is now engaged in publishing and selling a set of books under the title "Standard History of the World."

Respondent Harold C. Sherman is vice president of, a stockholder in, and an incorporator of respondent Perpetual Encyclopedia Corporation. Respondent Sherman was interested with respondent F. J.

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Mackey in the purchase of plates of the Home and School Reference Work from Mr. Dixon, and he was also interested as financial backer in the organization of respondent Source Research Council, Inc., having advanced the money to several of the stockholders of that company with which they bought their stock.

Respondent Robert T. Mackey, a brother of respondent Frank J. Mackey, is an incorporator of respondent Perpetual Encyclopedia Corporation, and a stockholder and treasurer of said respondent. He is also treasurer of School Methods Publishing Co., and is auditor of respondent Source Research Council, Inc., and in control of its funds.

Respondent Edmund P. Rucker was a vice president of, and a stockholder in, respondent Perpetual Encyclopedia Corporation, and was in charge of a retail sales department of that respondent. He also was active in obtaining and training salesmen to sell its publications at retail. At the time of the hearings in this proceeding respondent Rucker was in charge of the field sales force of respondent Source Research Council, Inc., as traveling sales manager. He was engaged also in obtaining and training salesmen and saleswomen to sell that respondent's set of books at retail.

Respondent Warren T. Davis was vice president and manager for 4 years of the Canadian business of respondent Perpetual Encyclopedia Corporation, which was conducted in the name of Home and School Education Society, Ltd., with headquarters at Toronto, Canada. He sold in Canada respondent Perpetual Encyclopedia Corporation's books, Home and School Reference Work and its Source Book. He had sold these books for said respondent previously in the United States, in 1923. He worked for School Methods Publishing Co., selling Public School Methods to school teachers, during 1924. He then became connected with Home and School Education Society, Ltd., as sales manager, later becoming vice president of the company. In 1927 respondent Davis came to Chicago to make a contract with respondent Perpetual Encyclopedia Corporation to sell its books at retail in the United States. Respondent Davis became president of respondent Source Research Council, Inc., which company he claims to have "instigated", and managed its activities.

Respondent John J. Hennessy was the sales manager of respondent Perpetual Encyclopedia Corporation in 1926 and 1927, and was an incorporator of, and stockholder in, respondent Source Research Council, Inc., as well as vice president and sales manager. Prior to 1926 respondent Hennessy was sales manager and vice president of School Methods Publishing Co. for about 3 years. He has been connected with the sale of books, with various companies since 1910.

Respondent Leonard C. Maier had been employed as collection manager for respondent Perpetual Encyclopedia Corporation before becoming one of the incorporators of, and a stockholder and officer in, respondent Source Research Council, Inc. He also is in charge of some of the salesmen for that respondent, and has charge of correspondence with field sales managers and salesmen.

Respondent Turney T. Culp was an accountant until becoming an incorporator of and stockholder and officer in respondent Source Research Council, Inc.

Respondent Russell O. Priebe is the son of respondents W. L. Priebe and Emma L. Priebe, and was an officer of respondent North American Publishing Co., Inc., prior to 1928 and engaged in the sale of the publication of respondent Perpetual Encyclopedia Corporation under the title "Home and School Reference Work." His whereabouts was unknown at the time of the hearings in this proceeding. Prior to the formation of respondent North American Publishing Co., Inc., respondent Russell O. Priebe was in California and associated with either H. M. Dixon or respondent Walter H. Gorham, both of whom were engaged in selling the Home and School Reference Work at retail.

Respondent Mrs. Emma L. Priebe was secretary and office manager of respondent North American Publishing Co., Inc., of New York City, prior to the death of her husband, W. L. Priebe in 1926. She is now living in St. Paul, Minn., and in a general way looks after collections for books sold prior to suspension of business by respondent North American Publishing Co., Inc., of New York City.

The Federal Trade Commission issued its amended complaint in this proceeding against Walter H. Gorham, trading under the name and style of North American Publishing Co., in which amended complaint said Walter H. Gorham was inadvertently named as William H. Gorham. Upon service upon him of the amended complaint said Walter H. Gorham entered his general appearance and filed his answer to the amended complaint as Walter H. Gorham by his attorneys; appeared by his said attorneys at hearings in this proceeding, and said attorneys cross-examined witnesses who testified in support of allegations of the amended complaint; and throughout the entire proceedings raised no objections that he had been misnamed in the amended complaint. By reason of all of which he submitted himself to the jurisdiction of the Commission under the aforesaid amended complaint. Respondent Walter H. Gorham under the trade name of North American Publishing Co., operated a business in Chicago, Ill., selling the publication of respondent Perpetual Encyclopedia Corporation under the name American Reference

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Library. His business address was first at 104 South Michigan Avenue, in the same building in which respondent Perpetual Encyclopedia Corporation had its offices. He later moved to 844 Rush Street, in said city. For some time respondent Gorham operated under the trade name above stated, but later a corporation was organized under the name North American Publishing Co., under the laws of the State of Illinois. Respondent Gorham was unable to furnish the date of incorporation or articles of incorporation of the corporation. Some time in 1928 respondent Gorham surrendered the charter of North American Publishing Co., and ceased selling the American Reference Library. There was no connection of any kind between respondent North American Publishing Co., Inc., of New York City, and respondent Gorham's North American Publishing Co. Respondent Walter H. Gorham has been in the subscription book business for many years. In 1921 he was engaged in California in selling the Home and School Reference Work, at that time published by H. M. Dixon, from whom he purchased the books. He moved to Chicago some time later and continued selling said publication after it had been acquired by respondent Frank J. Mackey and his associates. In 1924, for a short period, he was engaged in the sale of a business course under the name of Business Extension Institute. In the latter part of 1924, or early part of 1925, he again began the sale of the set of books published by respondent Perpetual Encyclopedia Corporation, under the name American Reference Library. At the time of the hearings in this proceeding respondent Gorham was operating a company under the name of Personal Analysis Bureau in the city of Chicago, selling a set of books and service on psychology, the plates of which he purchased from the Woodrow Wilson Institute, of which latter company respondent Frank J. Mackey was president.

Respondent George A. Seiler was for some time under contract as manager of the Pacific coast office of respondent Perpetual Encyclopedia Corporation, with his offices in the Hearst Building, in the city of San Francisco, State of California. Since prior to 1923 respondent Seiler has been engaged in selling the publication of respondent Perpetual Encyclopedia Corporation under the names Home and School Reference Work and Source Book. His territory consisted of the States of California, Oregon, Washington, Nevada, Arizona, Idaho, and Utah. Up until about May 1, 1928, all collections of his accounts were made by respondent Perpetual Encyclopedia Corporation, and later by respondent Source Research Council, Inc. Respondent Seiler, under the trade name National Bureau of Research, Western Division, sold the publication of respondent Per-

petual Encyclopedia Corporation, which he bought from that respondent. Since the organization of respondent Source Research Council, Inc., respondent Seiler has bought the Source Book from that respondent. At the time of the hearings herein respondent Seiler was operating under the name National Bureau of Research, and selling said publication at retail. Respondent Seiler has been in the subscription book industry practically all his business life, having worked for several different companies in that industry.

PAR. 2. Respondent Perpetual Encyclopedia Corporation, since November, 1922, has been engaged in the sale of its encyclopedia under the names hereinafter set forth, at wholesale and retail, throughout the several States of the United States, to purchasers thereof located at various points in said States, and has caused the said encyclopedias so sold to be transported from its place of business in the city of Chicago, State of Illinois, through and into the several States of the United States to the purchasers thereof at their respective points of location.

All other respondents herein, including the North American Publishing Co., Inc.; Source Research Council, Inc.; Frank J. Mackey, individually and as president of Perpetual Encyclopedia Corporation; H. F. McGee, individually and as vice president of Perpetual Encyclopedia Corporation; Harold C. Sherman, individually and as secretary of Perpetual Encyclopedia Corporation; Robert T. Mackey, individually and as treasurer of Perpetual Encyclopedia Corporation; Edmund P. Rucker, individually and as vice president of Perpetual Encyclopedia Corporation; Warren T. Davis, individually and as president of Source Research Council, Inc.; John J. Hennessy, individually and as vice president of Source Research Council, Inc.; Leonard C. Maier, individually and as secretary of Source Research Council, Inc.; Turney T. Culp, individually and as treasurer of Source Research Council, Inc.; Russell O. Priebe and Emma L. Priebe, individually and as officers of North American Publishing Co., Inc.; Walter H. Gorham, trading under the name and style of North American Publishing Co., and George A. Seiler, individually and as Pacific coast manager or agent of Perpetual Encyclopedia Corporation and sales manager or agent of Source Research Council, Inc., are now, or since 1924 have been at some time, engaged in the sale of respondent Perpetual Encyclopedia Corporation's encyclopedia, either independently or as officers or employees of respondent Perpetual Encyclopedia Corporation, or respondent Source Research Council, Inc., throughout the several States of the United States, and have caused said encyclopedias so sold to be transported from their respective places of business through and into

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the several States of the United States, to the purchasers thereof at their respective points of location.

In the course and conduct of their respective businesses, as aforesaid, respondents have been, and each of them has been, engaged in competition with other individuals, partnerships, and corporations engaged in the sale in interstate commerce of encyclopedias and other books.

PAR. 3. One H. M. Dixon has been in the subscription book business for many years, publishing and selling several different reference works and encyclopedias. In 1910 he began the compilation of an encyclopedia which he named Home and School Reference Work. To assist in its preparation he employed 4 or 5 persons who were connected with educational institutions, or who had experience in writing, to whom were assigned the duties of writing articles on various subjects for inclusion in the encyclopedia. Among those employed to assist in the preparation of the encyclopedia was respondent Edmund P. Rucker, who had formerly been engaged in newspaper work.

The method of securing the information to be included in the encyclopedia was to send inquiries requesting literature regarding their cities, schools or colleges to chambers of commerce, superintendents of schools, heads of colleges and universities, and by gathering information from all other available sources, including encyclopedias. Upon receipt of the requested information, articles would be prepared incorporating said information, and said articles would be submitted to those who had supplied the original information for their review. Upon return of the article it would be included in the encyclopedia. The work of compilation continued for about 3 years, and in the latter part of 1913 the completed encyclopedia was ready to be sold to the public.

Said encyclopedia was first sold to the public about the beginning of 1914, and its sale was continued under the title "Home and School Reference Work" by H. M. Dixon, doing business under the trade names of "Dixon-Rucker Company" and "Home and School Education Society," until 1922, throughout the United States.

PAR. 4. Under date of November 22, 1922, respondents Frank J. Mackey and H. C. Sherman, as parties of the second part, entered into a contract in writing with H. M. Dixon, as party of the first part, theretofore publisher of the Home and School Reference Work, by which the parties of the second part purchased for \$25,000 cash and additional deferred payments aggregating \$100,000 plus interest, the copyrights and plates for printing and publishing the Home and School Reference Work, illustrations, good will, field

organizations, selling contracts, stocks of paper, books and selling supplies, name lists and selling paraphernalia, and letters of recommendation. Deferred payments were extended over 48 months at \$2,000 a month, and at \$3,000 a month at times. Parties of the second part also agreed to pay the rent of Mr. Dixon's office at No. 431 South Dearborn Street, Chicago, Ill. Respondents Mackey and Sherman agreed not to use the plates or material for any other publication, nor to permit such use, nor to have duplicates made; they further agreed to meet Mr. Dixon's obligations to his subscribers as to Year Books and the answering of research questions, to continue the sale of the publication for a year under the name Home and School Reference Work; and not make radical changes in the work to interfere with sales. The contract was, in terms, binding upon the assigns of respondents Mackey and Sherman, and was carried out by respondent Perpetual Encyclopedia Corporation under their direction. For the year immediately following November 22, 1922, Clarence Dixon, nephew of H. M. Dixon, was manager of respondent Perpetual Encyclopedia Corporation. Immediately upon acquisition of the plates of the encyclopedia respondents Frank J. Mackey and H. C. Sherman caused respondent Perpetual Encyclopedia Corporation to be organized, as set forth in paragraph 1 herein, and said respondent corporation began the sale of said encyclopedia, both at wholesale and retail, throughout the United States.

In addition to selling its encyclopedia at retail to the general public, respondent Perpetual Encyclopedia Corporation also sold said publication at wholesale to jobbers, who resold the encyclopedia at retail to the public. Among the jobbers to whom respondent Perpetual Encyclopedia Corporation sold its encyclopedia were respondent North American Publishing Co., Inc., of New York, and respondent Walter H. Gorham trading under the name and style of North American Publishing Co., of Chicago, Ill.

PAR. 5. Respondent Perpetual Encyclopedia Corporation entered into a contract with William L. Priebe, formerly president of respondent North American Publishing Co., Inc., of New York, since deceased, under date of April 20, 1923, under which it agreed to sell Priebe 10 volumes of the Home and School Reference Work in three different bindings at specified prices; to furnish him with binders, loose-leaf service, prospectuses, supplies, and such circular matter as he cared to use; to furnish him membership bond certificates entitling his subscribers to the privilege of the extension service and research bureau, at an additional price per set; and to grant him the privilege (not exclusive) of selling said Home and School Reference Work to

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teachers, parents, and business men in the State of New York, and in the New England States. Priebe agreed, among other things, to devote all of his time to the sale of said publication in the territory assigned to him; not to sell any other set of books; to fulfill all contractual obligations entered into with subscribers relative to furnishing binders and loose-leaf service for a period of 10 years; to maintain the established retail selling prices of the set of books; and to keep the terms of the contract confidential. This term of contract was 1 year.

On May 12, 1924, another contract was entered into between the same parties which differs in that the prices to be paid by Priebe for the set of books were increased; respondent Perpetual Encyclopedia Corporation excluded furnishing Priebe with membership certificates in the Research Bureau, and required him to pay 24 cents each for coupon bonds entitling subscribers to the loose-leaf supplements; and did not agree to furnish him with binders, prospectuses, supplies, and circular matter. The rest of the terms of the contract were the same as in the first contract. The term of the contract was for 12 months, and as long thereafter as is mutually satisfactory.

Under these two contracts respondent North American Publishing Co., Inc., of New York, obtained the encyclopedia published by respondent Perpetual Encyclopedia Corporation, which it resold to the public at retail under the title "Home and School Reference Work."

PAR. 6. Respondent Perpetual Encyclopedia Corporation entered into a contract with respondent Walter H. Gorham under date of January 1, 1923, under which it agreed to sell Gorham its set of books under the title "Home and School Reference Work" in three different bindings at specified prices; to sell him at actual wholesale manufacturing cost all supplies necessary to the sale of the books, such as selling material, prospectuses, stretchers, and advertising literature; to allow him to sell said set of books throughout the United States and Canada, except the States of New Jersey, Delaware, Maryland, Pennsylvania, and the District of Columbia, with the understanding that he is to specialize and concentrate his sales in the business men's field, and not to sell in other fields without the approval of respondent Perpetual Encyclopedia Corporation; and to provide him with office space at a rental proportionate to the space occupied. Respondent Gorham agreed, among other things, to devote all his time to the sale of Home and School Reference Work, and to sell no other encyclopedia during the life of the contract; to be responsible for the promises, agreements, and conduct of his subagents; to fulfill all contracts or agreements made with

subscribers relative to furnishing binders and loose-leaf service during the term of the contract, and for 10 years thereafter; and to keep the terms of the contract confidential. The term of the contract was for a period of 4 years. The contract was signed on behalf of respondent Perpetual Encyclopedia Corporation by respondents Frank J. Mackey and Edmund P. Rucker.

On November 19, 1926, respondent Perpetual Encyclopedia Corporation entered into another contract with respondent Walter H. Gorham under which it states that it is selling an encyclopedia under the name Home and School Reference Work, Source Book, and American Reference Library, and agrees that Gorham shall sell said encyclopedia under the title "American Reference Library", unless Perpetual Encyclopedia Corporation should decide to use only one name for its publication, in which event Gorham will sell under that name. It is further agreed that Gorham shall pay a specified price for 10 volumes of the encyclopedia and 1 loose-leaf binder; that Gorham will devote all his time and attention to the sale of the particular encyclopedia and will not directly or indirectly become interested or associated in any way in the promotion or sale of any other encyclopedia; that Perpetual Encyclopedia Corporation will furnish Gorham prospectuses and stretchers at cost price, and semi-annual loose-leaf extension service at a cost of 24 cents each; that neither party will hire any agent employed by the other party without written consent. The term of the contract is 3 years.

Under the above contracts respondent Walter H. Gorham obtained the encyclopedia published by respondent Perpetual Encyclopedia Corporation which he resold to the public at retail at different times under the titles "Home and School Reference Library" and "American Reference Library."

PAR. 7. The connection between respondent Perpetual Encyclopedia Corporation and respondent George A. Seiler was different from that with respondents North American Publishing Co., Inc., of New York, and Walter H. Gorham. Respondent Seiler was manager of the Pacific coast office of respondent Perpetual Encyclopedia Corporation, and while he employed a sales organization of his own, he was an employee of said Perpetual Encyclopedia Corporation. Respondent Perpetual Encyclopedia Corporation did all the collecting from subscribers sold by respondent Seiler until December 1, 1927, after which date collections from such subscribers were made by respondent Source Research Council, Inc., up to May 1, 1928. While there were previous contracts between the parties, the first one introduced in evidence was dated August 5, 1927, and was for a term

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of 1 year from December 1, 1927. By the provisions of said contract, respondent Perpetual Encyclopedia Corporation agreed, among other things, to pay a specified commission to respondent Seiler on all acceptable orders secured by him and his sales force under certain conditions set forth in the contract; to advance Seiler a certain percentage of the sale price on accepted orders, and to maintain a deposit in a San Francisco bank of a sufficient sum to cover said advance each week; to prepay the freight or express charges on all shipments in lots of books from Chicago to the Pacific coast, with certain provisos; to render statements of account monthly to Seiler and pay accrued commissions when due, and to list the names of sales people taking the orders and the name of the subscriber on said monthly statements; to furnish necessary selling supplies without cost; to assign Seiler exclusive selling rights, except to theological students, in the States of California, Oregon, Washington, Idaho, Nevada, Utah, and Arizona, under certain specified conditions; and to pay a specified sum weekly toward office expense of Seiler under certain conditions. Seiler agreed to various provisions regarding living of salesmen, payment to them of commissions, reports to be made to Perpetual Encyclopedia Corporation, and other like matters. He also agreed to hold all goods shipped to him in a judiciary capacity, ownership of books and supplies being vested in Perpetual Encyclopedia Corporation until paid for by bona fide subscribers. Mention is made in the contract of a previous contract between the same parties, dated December 1, 1925, copy of which was not available.

Under the above contract, and the contract dated December 1, 1925, respondent George A. Seiler sold to the public the encyclopedia published by respondent Perpetual Encyclopedia Corporation under the titles Home and School Reference Work and Source Book.

PAR. 8. At the time of the purchase of the plates of the encyclopedia from H. M. Dixon, respondents Frank J. Mackey and H. C. Sherman also acquired about 20,000 sets of the encyclopedia bound under the title Home and School Reference Work, which was the name under which said Dixon had been selling the publication from the time he first put it on the market. Respondent Perpetual Encyclopedia Corporation sold said sets of the encyclopedia under that title. Said respondent continued to sell said encyclopedia under the title Home and School Reference Work to retail purchasers throughout the United States during the years 1923 and 1924.

Upon the completion of the sale of the 20,000 sets of Home and School Reference Work, the name of the encyclopedia was changed in the spring of 1923 to Source Book, and respondent Perpetual

Encyclopedia Corporation continued the sale of said encyclopedia at retail to the general public under that title until December 1, 1927.

Respondent Perpetual Encyclopedia Corporation has sold its encyclopedia from the date of its organization and beginning of business at wholesale to jobbers throughout the United States, as set forth in paragraphs 4, 5, and 6 herein, which jobbers resell said encyclopedia to the public at retail. To and including December 1, 1927, said respondent sold its encyclopedia to jobbers bound under the title Home and School Reference Work, and to at least one jobber bound under the title American Reference Library. Since December 1, 1927, said respondent has been selling its encyclopedia at wholesale to jobbers under the title Source Book.

Respondent Perpetual Encyclopedia Corporation, from the date of its organization, to December 1, 1927, sold the encyclopedia published by it at retail to the public throughout the United States under the titles Source Book and Home and School Reference Work simultaneously, and during the same period sold said encyclopedia at wholesale to jobbers, with the knowledge that said jobbers were selling said encyclopedia at retail to the general public, under the titles Home and School Reference Work and American Reference Library. The text and content material included in said set of books sold by respondent Perpetual Encyclopedia Corporation under the titles Home and School Reference Work, Source Book, and American Reference Library, are identical, the only difference between said sets of books being the titles. Said respondent claimed that subsequent to December 1, 1927, its encyclopedia was sold by it at wholesale and retail under only one title, namely, Source Book, but evidence in the record shows that in at least one instance in February, 1928, 50 sets of the encyclopedia were sold by respondent Perpetual Encyclopedia Corporation to L. A. Belline, a jobber, bound under the title American Reference Library.

In August, 1925, a salesman representing respondent Perpetual Encyclopedia Corporation sold a set of the Source Book to a school teacher in Portland, Oreg., at a price of \$79.50. When the books were delivered she found that they were identical with a set of Home and School Reference Work which she had purchased in 1923 from respondent Walter H. Gorham's company. At the time of the solicitation by the salesman of respondent Perpetual Encyclopedia Corporation she showed him the set of Home and School Reference Work, and he assured her the Source Book was a better encyclopedia. Immediately after determining that the two sets of books were identical, she notified respondent Perpetual Encyclopedia Corporation of the fact and returned the encyclopedia to that respondent.

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Said respondent refused to accept them and insisted upon payment under the terms of the contract she had signed. Respondent also claimed that she was not entitled to the loose-leaf service and research bureau privilege with the Home and School Reference Work, which was not true, and suggested that she sell that encyclopedia for a "nominal sum" and apply the proceeds to paying for the Source Book. Continued efforts to collect the price of the encyclopedia were made by respondent Perpetual Encyclopedia Corporation, and it was not until the teacher had taken the matter up with the Better Business Bureau of Portland, Oreg., that the contract was canceled. She did not receive a refund of the initial payment of \$5 she made, nor was she reimbursed for the expense of returning the books on two occasions to respondent, amounting to approximately an additional \$5.

In November, 1927, a physician in a hospital at Worthington, Ohio, was solicited by a salesman of respondent Perpetual Encyclopedia Corporation on behalf of the Source Book. The salesman offered to give the physician a set of the encyclopedia free if it was kept in the hospital for reference in a later sales campaign. The physician's father (also a physician) had some time previously bought a set of encyclopedia and the salesman was asked if it might not be the same publication, but assured the physician that that was not possible, because the Source Book was an entirely new encyclopedia, never before on sale. The physician subscribed for the encyclopedia and upon receipt of the books compared them with the encyclopedia purchased by his father, with whom he lived. He found the Source Book to be identical with the American Reference Library purchased by his father from respondent Walter H. Gorham's company. He immediately wrote respondent Perpetual Encyclopedia Corporation advising said respondent of the misrepresentations of its agent, but respondent continued its efforts to collect from him the price of the encyclopedia, and wrote him numerous threatening letters.

The sale by respondent Perpetual Encyclopedia Corporation of a set of books under three different titles at the same time, the text and content material of which are identical, with the knowledge that said set of books is to be resold to the public under said different titles, is unfair and misleading to the public and to respondent's competitors, and has the tendency and capacity to mislead and deceive the purchasing public and causes members of the public to purchase the said set of books under two or more of said titles in the belief that they are separate, different, and distinct sets of books.

PAR. 9. The original Home and School Reference Work was prepared by Mr. H. M. Dixon especially for teachers, parents, and

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boys and girls in school. When first offered for sale to the public it consisted of 6 volumes, 5 of them containing material alphabetically arranged, and 1 containing material of miscellaneous character not so arranged. The 5 volumes of encyclopedic material contained 3,200 pages of text, and volume 6 contained 594 pages of miscellaneous material, together with 85 pages of topical index. The encyclopedia was later expanded to 10 volumes, 7 of them being alphabetically arranged, and 3 not so arranged, containing miscellaneous material in the nature of study guides. The text of the first 7 volumes of the enlarged edition, containing encyclopedic material alphabetically arranged, was basically identical with the text of the first 5 volumes of the original 1913 edition. These 7 volumes contained 3,200 pages of text, and volumes 8, 9, and 10 of miscellaneous material contained approximately 1,476 pages, together with the 85 pages of topical index in the original edition.

Before Mr. Dixon sold the plates of the encyclopedia to respondents Frank J. Mackey and H. C. Sherman he had made revisions in the work. There were in evidence a complete set of the original edition of Home and School Reference Work published in 1913, and volume 1 of the 1922 edition, both published by H. M. Dixon; volume 1 of the 1923 edition, the first one published by respondent Perpetual Encyclopedia Corporation, volume 1 of the 1924 edition, and a complete set of the 1929 edition, the two latter editions being published by respondent Perpetual Encyclopedia Corporation under the title Source Book.

A comparison of volume 1 of the 1922 edition with volume 1 of the original 1913 edition, both published by H. M. Dixon, shows about 28 substantial revisions in 488 pages of reading matter, covering about 1,380 topics; or, approximately 2 percent of the articles were revised. In addition, the 1920 census figures of population were substituted where necessary. Only one volume of the 1922 edition was in evidence, so no further comparison was possible.

Shortly after respondents Frank J. Mackey and H. C. Sherman purchased the plates of the encyclopedia an edition was published in 1923 under the title Home and School Reference Work by respondent Perpetual Encyclopedia Corporation. Comparison of volume 1 of the 1923 edition with volume 1 of the 1922 edition published by Dixon shows substantial changes in five articles of the 1,380 topics contained in the volume, amounting to a revision of about seven twentieths of 1 percent. The revised articles were long articles, dealing with Canadian topics, so that more than 1 percent of the material in the 488 pages contained in the volume, measured in inches, was rewritten. In addition, there were 25 sheets of maps,

color plates, and illustrations in the 1923 edition as against 11 sheets in the 1922 edition.

Comparing volume 1 of the 1924 edition published by respondent Perpetual Encyclopedia Corporation under the title Source Book with volume 1 of the 1923 edition published by said respondent under the title Home and School Reference Work, shows revisions of about one half of 1 percent in the 1,380 topics, together with 28 color plates, maps, and illustrations, an increase of 3. A comparison of volume 1 of the 1924 edition with volume 1 of the original 1913 edition shows a revision in 40 articles of the 1,380 contained in the volumes, or about 2.9 percent.

The only complete set of the encyclopedia as published by respondent Perpetual Encyclopedia Corporation introduced in evidence was the edition published in 1929. It comprises 10 volumes, the first 7 being encyclopedic material, alphabetically arranged, and consisting of 3,200 pages, as did the original 1913 edition published by Dixon. The last 3 volumes contain miscellaneous material consisting of 1,476 pages, together with the 85 pages of topical index included in the original 1913 edition and an alphabetical index of about 50 pages added by respondent Perpetual Encyclopedia Corporation. The number of volumes and the pagination in the 1929 edition is identical with that of the 1922 edition published by H. M. Dixon.

A comparison of volume 1 of the 1929 edition with volume 1 of the 1924 edition, both published by respondent Perpetual Encyclopedia Corporation, showed 21 revisions in the 1,380 topics, or about 1½ percent. The 1929 edition in addition had 33 sheets of maps, illustrations and color plates as compared with 28 in the 1924 edition. The revisions were in longer articles so the revised space in inches was greater in percentage than that of number of articles. As compared with the original 1913 edition, there was a revision of about 4.4 percent of the articles in the 1929 edition, as shown by a comparison of the first volumes of each set.

The above comparisons were all of the first volume of the various editions, containing 488 pages out of a total of 3,200 pages of encyclopedic material contained in the encyclopedia. Two complete sets of the work were introduced in evidence, the original 1913 edition, published by Dixon, and the 1929 edition published by respondent Perpetual Encyclopedia Corporation, and volumes 5 and 6 of these two editions, covering pages 1,897 to 2,824, a total of 928 pages, were compared. There were found to be about 80 revisions in approximately 2,470 topics included in the two volumes, or a revision of about 3 percent in number of articles. The revisions all

were made in the longer articles. There were about six new articles included in the 1929 edition, and 62 pages of color plates, maps, and illustrations, as compared with 14 in the two volumes of the 1913 edition. In addition, the 1920 census figures were inserted in place of the 1910 figures where required. The pagination of the encyclopedic material in the two sets is identical.

The nonencyclopedic material has been entirely rewritten as compared with the original 1913 edition. In that edition it was contained in volume 6, and comprised 678 pages, running from 3,201 to 3,879; in the 1924 and 1929 editions it appears in volumes 8, 9, and 10, and comprises 1,476 pages, from page 3,201 to 4,696B. The rewriting and enlargement of the nonencyclopedic material was done by H. M. Dixon, in the 1922 edition. This material appears in the identical words and illustrations in the 1924 edition as it does in the 1929 edition. The material includes a wide variety of topics, arranged in no particular order.

There was practically no revision of the encyclopedia in the editions published from 1924 to 1929. Respondent Perpetual Encyclopedia Corporation printed the encyclopedia in editions of 20,000 volumes, and there were a number of editions printed during that period, including one dated 1924, and one dated 1926. While the revisions in the 1922 edition, published by Mr. Dixon, and the 1929 edition, published by respondent Perpetual Encyclopedia Corporation, might be called substantial, inasmuch as they involved considerable work in bringing population figures up-to-date, and noted changes brought about by the war, they are far from a complete revision. Testimony of witnesses who owned sets issued subsequent to 1924 called attention to articles which obviously had not been changed since the 1913 edition, such as the article on automobiles.

The revisions made by respondent Perpetual Encyclopedia Corporation in the text and content material of the Home and School Reference Work subsequent to the acquisition of the plates of said encyclopedia in 1922 from H. M. Dixon, did not constitute a complete revision of the publication, and were not such revisions as to make it an up-to-date encyclopedia.

PAR. 10. Respondent Perpetual Encyclopedia Corporation was engaged in the sale of its encyclopedia at retail to subscribers throughout the United States from the date of its organization in 1922 to December 1, 1927, and has been, and is now, selling said encyclopedia at wholesale to jobbers who resell it to the public at retail. Sales at retail by respondent Perpetual Encyclopedia Corporation during the years 1924, 1925, and 1926 were approximately \$1,500,000 per year, a total of \$4,500,000 for the 3 years. Retail sales for the years

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1923 and 1927 were not available. Sales at wholesale to jobbers by respondent Perpetual Encyclopedia Corporation during the years 1924, 1925, and 1926 amounted to approximately 25,000 sets per year. While the prices charged the various jobbers for the encyclopedia differed during these years, the average wholesale price for the publication bound in buckram was \$11.44, amounting to \$286,000 per year, or \$858,000 for the 3 years for which figures are available. No figures were available for the years 1923 and 1927. Thus, during the years 1924, 1925, and 1926, total sales of respondent Perpetual Encyclopedia Corporation exceeded \$5,000,000, to which should be added the wholesale and retail sales for the years 1923 and 1927. During the years 1924 and 1925 the encyclopedia was being printed in editions of 20,000 sets each.

Branch offices for the sale of its encyclopedia were maintained by respondent Perpetual Encyclopedia Corporation in Denver, Colo.; New York, N.Y.; San Francisco and Los Angeles, Calif. Said respondent also had a subsidiary company operating in Canada under the name Home and School Education Society, Ltd., with headquarters in Toronto, Canada, of which company respondents Frank J. Mackey, Warren T. Davis, Robert T. Mackey, and Harold C. Sherman were president, vice president, treasurer and secretary, respectively. The Canadian company formerly sold the encyclopedia under the name Home and School Reference Work, and at the time of the hearings in this proceeding sold it under the name of Source Book. The stockholdings of respondent Perpetual Encyclopedia Corporation were sold to respondent Source Research Council, Inc., on December 21, 1927.

Under a contract with respondent Source Research Council, Inc., respondent Perpetual Encyclopedia Corporation is guaranteed the sale of not less than 10,000 sets of the Source Book per year, at a royalty of \$4 per set, or \$40,000 a year, in addition to its sales to jobbers.

Respondent Frank J. Mackey testified that on December 1, 1927, respondent Perpetual Encyclopedia Corporation ceased selling its encyclopedia at retail, and since that date had been selling only at wholesale to jobbers; that respondent Source Research Council, Inc., was organized for the purpose of selling the Source Book at retail; and that there was no connection of any kind, fiduciary or otherwise, between himself and respondent Source Research Council, Inc., or between respondent Perpetual Encyclopedia Corporation and respondent Source Research Council, Inc., other than that of vendor and vendee of the encyclopedia. The facts relative to the organization of respondent Source Research Council, Inc., are as follows:

Respondent Perpetual Encyclopedia Corporation on November 14, 1927, entered into a contract with respondent Warren T. Davis, by

which respondent Davis agreed "to organize a distributing company to carry on the sale of said publication (Source Book) and to assign the contract to the company when fully organized, * * * said distributing company to perform all the obligations set forth in this contract." The company was to be capitalized at \$100,000. The company to which the contract was assigned was respondent Source Research Council, Inc. The date of incorporation of respondent Source Research Council, Inc., was November 30, 1927. Mr. Davis and his assignee agreed to buy 10,000 sets of the Source Book each year from respondent Perpetual Encyclopedia Corporation, and to market them at retail outside the territory occupied by the wholesalers who may be then connected with respondent Perpetual Encyclopedia Corporation. These wholesalers had territory in Pennsylvania, New Jersey, Delaware, Maryland, and the District of Columbia. A royalty of \$4 a set was to be paid by the distributor to respondent Perpetual Encyclopedia Corporation on 10,000 sets a year. The distributor contracted to buy at cost respondent Perpetual Encyclopedia Corporation's sales equipment on hand November 30, 1927; to fill contracts of respondent Perpetual Encyclopedia Corporation with subscribers for binders, loose-leaf service and research service; to take over the office space leases as surrendered from time to time by respondent Perpetual Encyclopedia Corporation; to purchase extension service pages from respondent Perpetual Encyclopedia Corporation, exclusively. On its part respondent Perpetual Encyclopedia Corporation gave the distributor exclusive right to sell except as to territory occupied by wholesalers doing business with such respondent November 30, 1927; to sell to the distributors all Source Book sets ordered from time to time; to revise the publication from time to time as the distributor recommended; to maintain a research department, and to give such service to the distributor at cost; to edit and print, for more than 10 years beyond the life of the contract, a loose-leaf service of 96 pages or more, of merit equal to that of such service formerly maintained; to sell such loose-leaf service to distributor at 24 cents a copy; to let distributor pick all he cared to from the sales force and field force employees of the company and to verify their records; to give President and Manager Davis advice and counsel as to how best to conduct the business; to furnish sales samples at cost. Each party to the contract agreed to assist the other in carrying out the contract. The contract was made for five years. This contract was ratified and accepted by respondent Source Research Council, Inc., December 20, 1927.

Respondent Perpetual Encyclopedia Corporation's holdings in School Methods Publishing Co., Ltd., of Canada, have been sold to respondent Source Research Council, Inc.

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Respondent Perpetual Encyclopedia Corporation and respondent Source Research Council, Inc., are closely connected, in addition to the aforesaid contract. Respondent Source Research Council, Inc., buys its books and loose-leaf supplements from respondent Perpetual Encyclopedia Corporation; used the latter company's research bureau for the first year, and then took it over completely; took over all office employees necessary when it began business, and has taken over additional ones since; took over practically the entire sales force; agrees to answer any inquiries to research bureau by subscribers of Perpetual Encyclopedia Corporation and agrees to fulfill all contractual obligations of latter company with its subscribers; took over lease of office space occupied by Perpetual Encyclopedia Corporation; took over and used all sales equipment, including advertising material, booklets, and testimonial letters; and reprinted and used all "broadsides", contract forms and other similar material which bore the name of Perpetual Encyclopedia Corporation. The two companies consult together as to the content material of the loose-leaf service and revisions of the encyclopedia, and respondent Frank J. Mackey is an adviser of respondent Source Research Council, Inc., as to the best method of conducting the business.

For the first year of its existence respondent Perpetual Encyclopedia Corporation did all the collecting of accounts for respondent Source Research Council, Inc., the latter respondent not assuming the collections until December 1, 1928. No money can be withdrawn from the bank by respondent Source Research Council, Inc., unless authorized by respondent Robert T. Mackey, who is auditor of respondent Source Research Council, Inc., and treasurer of respondent Perpetual Encyclopedia Corporation. All the officers, directors, and incorporators of respondent Source Research Council, Inc., were employees of respondent Perpetual Encyclopedia Corporation at the time respondent Source Research Council, Inc., was organized, and respondent Harold C. Sherman, secretary and financial backer of respondent Perpetual Encyclopedia Corporation, loaned the money to respondent Warren T. Davis, president, and respondent John J. Hennessy, vice president, to enable them to buy the stock standing in their names on the books of respondent Source Research Council, Inc. Respondent Sherman held said stock as collateral for the loans. Other than an obligation to buy a minimum of 10,000 sets of encyclopedia each year, and pay a royalty of \$4 per set, a total of \$40,000 per year, there was no consideration of any kind paid by respondent Source Research Council, over to respondent Perpetual Encyclopedia Corporation for the retail business of the latter respondent, amounting to approximately \$1,500,000 per year, or for any of the other

benefits under the contract received by respondent Source Research Council, Inc.

Respondent Frank J. Mackey attended practically all of the hearings in this proceeding throughout the United States and showed a thorough familiarity with the business of respondent Source Research Council, Inc., answering any questions arising as to that respondent's activities, and on one occasion acting for said respondent in an attempt to appease a dissatisfied customer of said respondent who had testified.

From the above facts, the Commission finds that respondent Source Research Council, Inc., is controlled by respondents Perpetual Encyclopedia Corporation and Frank J. Mackey, and follows the policies dictated by said respondents.

PAR. 11. Respondent Perpetual Encyclopedia Corporation includes with its encyclopedia when sold to the public a loose-leaf extension service which is sent every 6 months to the subscribers under certain conditions, and a certificate of membership in a research bureau maintained by respondent.

The loose-leaf extension service is prepared by employees of the respondent and is dated January 1 and July 1 of each year. The purpose of the semiannual supplements is to keep the encyclopedia up to date. It contains approximately 125 pages per issue, and the material contained therein consists principally of clippings of current events taken from newspapers and magazines, and photographs which are purchased from companies which make a specialty of supplying photographs of events of current interest throughout the world. It is sold as part of the encyclopedia.

In order to receive the loose-leaf supplements it is necessary for a subscriber to send in a coupon twice a year, together with a sum of money. Formerly a charge of 50 cents or 24 cents was made for each supplement, and in many instances subscribers paying the same price for the encyclopedia were charged different prices for the supplements. Thus, one subscriber paying \$69.50 for the encyclopedia paid 50 cents each for the supplements, and another subscriber in the same year paying \$69.50 for the encyclopedia only paid 24 cents for the supplements; one subscriber paying \$49.50 for the encyclopedia paid 50 cents for the supplements, as did another subscriber in the same month who paid \$69.50 for the encyclopedia. In recent years the price of the supplements has been 24 cents per issue. In some instances, where subscribers objected that the supplements were represented as being free, respondent canceled the extra payments and sent the supplements without extra charge. In no instance was this done except after vigorous protest on the part of the subscriber.

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Books of 20 coupons, covering ten years, are supplied by respondent to subscribers for their use in sending for the loose-leaf supplements, and the subscriber has to write his name and address on the coupon and send it to respondent, together with the additional money, in order to receive the supplement. Respondent represented that the additional charge was to cover "wrapping and mailing." Officers of respondent were unable to tell how much it cost to prepare one issue of the supplements, and they were sent to subscribers through the mail, at a cost of 4 cents each. The coupon books are not received by the subscriber until he receives the set of encyclopedia, and sometimes even after that.

At the time of solicitation respondent's salesmen do not inform the subscriber that there will be an additional amount to be paid to receive the loose-leaf supplements, but represent said supplements to be part of the service rendered by respondent at the price paid in the contract. Said salesmen represent that the subscribers are paying only for the loose-leaf supplements, or research bureau privileges, and that the encyclopedia is free. In fact, the subscriber, in order to obtain the loose-leaf supplements, has to pay either \$1 a year, or 48 cents a year extra, making a total of \$10 or \$4.80 respectively, over the 10-year period, above the price set forth in the contract, which is represented as the total price for the said services. Said representations by respondent's salesmen and representatives are made with the knowledge and approval of respondent, and are false, deceptive, and misleading.

The certificate of membership in the research bureau given to subscribers to its encyclopedia by respondent entitles the subscriber to send in one question a week to a research bureau maintained by respondent, and have it answered. Many subscribers availed themselves of this privilege and received satisfactory replies. Some complaints of the service rendered by the research bureau were made, but it is found that the research bureau service is adequate.

Respondent Source Research Bureau, Inc., furnishes loose-leaf supplements, which it buys from respondent perpetual Encyclopedia Corporation, and research bureau service to its subscribers in the same way as does respondent Perpetual Encyclopedia Corporation, but charges only 24 cents for each supplement. Its salesmen and representatives make the same false, deceptive, and misleading statements to subscribers regarding the loose-leaf supplement service as do salesmen for respondent Perpetual Encyclopedia Corporation.

Respondent North American Publishing Co., Inc., sold loose-leaf supplements and research bureau privileges to its subscribers in the same way and manner as did respondent Perpetual Encyclopedia

Corporation. It purchased its loose-leaf supplements from respondent Perpetual Encyclopedia Corporation under contract, and charged its subscribers 24 cents for each supplement. The representations made by its salesmen to subscribers regarding the loose-leaf supplements were similar to those made by the salesmen of the two respondents referred to above, and were false, deceptive, and misleading.

Respondent Walter H. Gorham sold loose-leaf supplements and research bureau privileges to its subscribers with the encyclopedia. Said respondent purchased the loose-leaf supplements from respondent Perpetual Encyclopedia Corporation under contract. Up until a short time before respondent Walter H. Gorham ceased business he charged subscribers 24 cents apiece for the supplements, but at that time, and until he went out of business, he supplied the loose-leaf supplements to subscribers without charge, upon receipt of a coupon. Said respondent's salesmen made the same false, deceptive, and misleading statements to subscribers regarding the loose-leaf supplement service as did salesmen for respondent Perpetual Encyclopedia Corporation.

Respondent Source Research Council, Inc., has taken over and is operating the research bureau formerly operated by respondent Perpetual Encyclopedia Corporation, and the finding of the Commission as to said research bureau as maintained by respondent Perpetual Encyclopedia Corporation is made as to respondent Source Research Council, Inc. While respondent North American Publishing Co., Inc., sold research bureau privileges with the encyclopedia, as did the other corporation respondents herein, there is no evidence in the record that it actually maintained any research bureau. Respondent Walter H. Gorham sold research bureau privileges to his subscribers, with the encyclopedia. Said respondent testified that he bought his research bureau service from an editor in New York City, when necessary.

Making subscribers pay an additional sum of money to obtain copies of the loose-leaf supplements, as is done by respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and as was formerly done by respondent Walter H. Gorham, when said loose-leaf supplement service for a period of 10 years is included in the contract price paid by said subscribers, and is represented as one of the services to be received under the contract, is unfair to said subscribers, and to respondents' competitors who do not furnish such loose-leaf supplement service, or who do furnish such service without additional cost.

PAR. 12. Respondents Perpetual Encyclopedia Corporation (from November, 1922, to December 1, 1927), Source Research Council,

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Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., sell the encyclopedia published by respondent Perpetual Encyclopedia Corporation, at retail to the public by salesmen, on the subscription plan. Said salesmen traveled throughout the various States of the United States calling upon all classes of the public soliciting the sale of the encyclopedia. The salesmen were obtained through advertisements in the daily papers of various cities and towns, by employment from other subscription book companies, and by other means. Many of the said salesmen were men who had spent practically all their business lives in the sale of subscription books, and were not restricted by respondents in their sales methods. The latter class of salesmen were called "salesmanagers" or "crew managers", and were given authority by respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc., to employ other salesmen and reinstruct them in the method of selling the encyclopedia. Said salesmanagers also had authority to send out "lead letters" in their own names, or names of fictitious companies or organizations. Respondent Edmund P. Rucker was a salesmanager of this type, and when he worked for respondent Perpetual Encyclopedia Corporation hired and trained men and women to sell the encyclopedia, and at the time of the hearings in this proceeding was doing the same for respondent Source Research Council, Inc. Such salesmanagers and crew managers receive an extra commission on the sales made by the salesmen employed by them. Respondent Rucker advertised for salesmen or saleswomen in the Chicago Tribune and in newspapers of other cities, and those answering the advertisements would be given a printed or typewritten sales talk to learn, and a course of training in sales methods by respondent Rucker. They were also required to sign a contract with respondents Perpetual Encyclopedia Corporation or Source Research Council, Inc. All salesmen were supplied by respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., with a sales kit and instructed in the use of the various articles contained therein.

The sales kits supplied salesmen by respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., and Walter H. Gorham contained a prospectus, containing specimen pages and illustrations from the encyclopedia; a "stretcher", which is a folding board showing the backs of the 10 volumes of the set and a loose-leaf binder, and the bindings in which the encyclopedia is sold; forms of printed contracts at various prices for the different

bindings, including a form of contract in full leather at a price of \$130; a "broadside", which is a large 4-page advertising folder; other advertising literature about the encyclopedia, including copies of many testimonial letters, without dates, photographs of a billboard advertisement of the encyclopedia, and a blueprint describing the research bureau service; a binder containing copies of many letters sent to the research bureau and the replies thereto; a form of certificate in the research bureau; a copy of the monthly business forecast sent to subscribers; a copy of the monthly project bulletin sent to parents and teachers; and sample pages of the semiannual loose-leaf extension service.

The sales talks taught salesmen and representatives of the respondents instructed them in the use of the various articles in the sales kits, and said salesmen and representatives repeated said sales talks and exhibited the articles in the sales kits to prospective subscribers in soliciting the sale of respondents' encyclopedia. If a prospective customer became a subscriber, the salesman required him to sign a contract or order in duplicate and left a copy of the contract or order with the subscriber. The salesman collected a cash payment from the subscriber which he sent with the original contract to the particular respondent for whom the salesman was working. The respondent shipped the encyclopedia by parcel post or express from its place of business in Chicago, in the case of respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc., and Walter H. Gorham, or New York City, in the case of North American Publishing Co., Inc., to the subscriber, at the subscribers expense, and proceeded to collect the deferred payments provided for in the contract or order.

PAR. 13. During the time that respondent Perpetual Encyclopedia Corporation was selling its encyclopedia at retail it used several different forms of contracts, or order forms. Certain of these contracts, or order forms, were for use with teachers, and others for use with other classes of subscribers. The contract, or order form, used with teachers contained a proviso that in the event that the subscriber did not teach school during the year it would be cancelled. The form of the contract, or order form, generally used by said respondent up until it ceased selling at retail, was as follows:

GENTLEMEN: Please deliver to any common carrier, transportation charges collect, addressed to me:

1. One set of the Source Book, comprising ten (10) volumes in Cameo Binding, a replica of the Fine Arts Bindings of the Twelfth and Thirteenth Centuries.

2. Enroll my name as a subscriber of the Perpetual Pictured Semi-Annual Loose-Leaf Extension Service for Ten Years, as provided in the coupons.

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3. Enroll my name as a subscriber of the Source Bureau of Research Privilege for Ten Years in accordance with Registered Certificate of Membership.

4. It is also understood that I am to receive the 12 monthly Business Forecast Bulletins.

For which I promise to pay to your order as follows: ----- with order and ----- each thirty days thereafter until I have paid the full sum of \$69.50 which covers the total cost of all benefits described above.

It is agreed that this contract, when accepted by the publishers, is unconditional and becomes due and payable in full upon non-fulfillment of any of its conditions. Receipt of a copy of this agreement is hereby acknowledged.

This contract is not subject to cancellation and will not be affected by any agreement not endorsed hereon.

Name-----Residence address-----
Business position-----Town-----State-----
Firm name-----Business address-----

The Perpetual Pictured Semi-Annual Loose-Leaf Extension Service and Research Privileges may be obtained after the 10-year period at a cost of \$12 per year, payable in advance. Dated-----.

During the years 1923, 1924, and 1926 respondent Perpetual Encyclopedia Corporation used the above contract or order forms, with the name of its encyclopedia printed in some of the contracts, or order forms, as Source Book, and in others as Home and School Reference Work. Said respondent, during the years 1923 and 1924, also used contracts, or order forms printed in the name of Home and School Education Society for its encyclopedia under the title Home and School Reference Work. Another form of contract used by respondent during the year 1924 was in the name of Home and School Education Society, 104 South Michigan Avenue, Chicago, Illinois, and had printed in heavy black type at the top of the contract the words "Publicity Department—Special Account." The latter form of contract did not give the subscriber a membership in the Bureau of Research, as did the other forms of contract used that same year, and did not give the monthly bulletins. The price charged for the Cameo binding in this form of contract was also higher than for said binding in the form of contract set forth above.

The prices charged by respondent Perpetual Encyclopedia Corporation for its encyclopedia were not uniform to different subscribers in the same year for the same bindings. Thus, in the year 1924, some subscribers paid \$79.50 for the Source Book bound in "Full Artcraft Binding, a replica of the Fine Arts Bindings of the Twelfth and Thirteenth Centuries", while other subscribers paid only \$69.50 for the same binding; in the same year the "Cameo Binding, a replica of the Fine Arts Bindings of the Twelfth and Thirteenth Centuries" was sold to some subscribers at \$69.50 per set, to other subscribers at \$79, and to still others at \$79.50; in the year 1925, the same "Full

Arctcraft" binding was sold to subscribers at \$69.50 and \$79.50; in the year 1926, the "Full Arctcraft" binding was sold to different subscribers at \$79.50 and \$89.50 per set, and the "Medallion Binding, a replica of the Fine Bindings of the Middle Ages", was sold to some subscribers at \$69.50 per set, while others only had to pay \$59.50; in the year 1927, the "Full Arctcraft" binding was sold to some subscribers at \$79.50 per set, while others only had to pay \$69.50 for the same binding. The different prices for the same binding as set forth above were being charged different subscribers at the same time by said respondent.

The form of contract set forth above, and supplied to and used by salesmen and representatives of respondent Perpetual Encyclopedia Corporation, had printed thereon in red ink immediately after the price, the words "which covers the total cost of all benefits described above." This statement is false, deceptive, and misleading, because the price set forth in the contract is not the total cost, because in order to obtain the semiannual loose-leaf extension service the subscriber has to send in a coupon, together with either 50 cents or 24 cents for each issue, making this service cost him an additional \$10 or \$4.80 over the 10-year period. Respondent attempts to justify said additional charge by stating in the contract that the loose-leaf service will be supplied "as provided in the coupons", and that the coupons have printed on them the additional sum to be remitted. The fact is that salesmen of respondent do not advise subscribers of the additional sum, and the coupons are not shown to subscribers, but are received days after the contract is signed, sometimes with the encyclopedia and sometimes even after the books have been received by the subscriber.

The form of contract supplied to and used by salesmen of respondent Perpetual Encyclopedia Corporation bearing the words "Publicity Department—Special Contract" is false, deceptive, and misleading, because the purpose of the contract, as used by salesmen of respondent to prospective subscribers was to lead said subscribers to believe that they were being given a special, low price for the encyclopedia as a means of advertising, when in truth and in fact said subscribers paid \$79 for the encyclopedia under this form of contract, whereas other subscribers were paying only \$69.50 for the said encyclopedia in the same binding at the same time.

Respondent Perpetual Encyclopedia Corporation also had a form of contract in which the price of the encyclopedia in "Full Flexible Morocco Binding Full Gilt Edges" is \$130. Under this contract the loose-leaf extension service and the research bureau service is only given for one year, and the subscriber is given the "privilege of

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renewing" his membership for these services at "\$12 per year, payable in advance." Every salesman and representative of said respondent was given copies of this contract, or order form, in his sales kit, and instructed in the use thereof. The sales talk which all salesmen had to learn provided that this form of contract should be first shown the prospect, with the statement that \$130 was the regular price of the encyclopedia, and \$120 was the regular price of the two services, and that later on the encyclopedia and services would be sold for \$250. The use of this form of contract by respondent is false, deceptive, and misleading, because \$130 is not the regular price of said encyclopedia, and, in fact, respondent Frank J. Mackey, president of respondent Perpetual Encyclopedia Corporation, testified that his company had never made any sales of its encyclopedia at the price of \$130 per set; and said respondent has never sold the loose-leaf and research bureau services at \$12 per year, nor has it ever sold said services separately from the set of books to any subscribers or others.

In none of the forms of contracts, or order forms, used by respondent Perpetual Encyclopedia Corporation, is there any description given of what its encyclopedia consists of or contains, nor is there any description on the contract of what the loose-leaf extension service or research bureau privilege consists of, and a prospective subscriber has to rely on the statements and representations made to him by respondent's salesmen in order to be advised of what he is purchasing.

PAR. 14. The contracts, or order forms supplied to and used by salesmen of respondent Source Research Council, Inc., were the same as those generally used by respondent Perpetual Encyclopedia Corporation, copy of which is included in the preceding paragraph, with a change in wording referred to below. Said respondent also used a contract, or order form, especially for teachers, containing a provision cancelling the contract if the teacher did not obtain a teaching position during the year.

Under the contracts or order forms used by respondent Source Research Council, Inc., the prices charged for the encyclopedia are not uniform to different subscribers in the same year for the same binding. One of the contracts in the year 1928 provide for the Source Book in "Cameo binding, a replica of the Fine Arts Bindings of the Twelfth and Thirteenth Centuries" at a price of \$69.50. Another contract in the same year provides for the encyclopedia in "Arctcraft Binding, a replica of the Fine Arts Bindings of the Twelfth and Thirteenth Centuries" at a price of \$79.50. In the upper right-hand corner of each of these contracts is a description

of the binding, which said description is identical on both contracts. Another contract used in 1928 provides for the "Medallion binding, a replica of the Fine Arts Bindings of the French Kings", also at a price of \$69.50.

The forms of contract used by respondent Source Research Council, Inc., lists the four items which are included in the contract and underneath these items provides "For which I promise to pay to your order as follows: ——— with order and ——— every thirty days thereafter until I have paid the full sum of ———." This statement is false, deceptive and misleading, because the price set forth in the contract is not the total cost, because in order to obtain the semi-annual loose-leaf service a subscriber has to send in a coupon, together with 24 cents for each issue, making this service cost him an additional \$4.80 over the 10-year period. Respondent attempts to justify said additional charge by stating in the contract that the loose-leaf service will be supplied "as provided in the coupons", and that the coupons have printed on them the additional sum to be remitted. The fact is that salesmen of respondent do not advise subscribers of the additional sum, and the coupons are not shown to subscribers, but are received days after the contract is signed, sometimes with the encyclopedia and sometimes even after the books have been received by the subscriber.

Respondent Source Research Council, Inc., also uses a form of contract in which the price of the encyclopedia in "Full Flexible Morocco Binding Full Gilt Edges" is \$130. This form of contract is identical with the \$130 contract used by respondent Perpetual Encyclopedia Corporation. Every salesman and representative of respondent Source Research Council, Inc., was supplied with copies of this contract, or order form, and instructed in the use thereof. The sales talk which all salesmen had to learn provided that this form of contract should be first shown the prospect, with the statement that \$130 was the regular price of the encyclopedia, and \$120 was the regular price of the two services, and that later on the encyclopedia and services would be sold for \$250. The same finding is made by the Commission regarding the use of this form of contract by respondent Source Research Council, Inc., as is made in paragraph 13 with reference to the use by respondent Perpetual Encyclopedia Corporation of this same form of contract.

In none of the forms of contracts, or order forms, used by respondent Source Research Council, Inc., is there any description given of what the encyclopedia it sells consists of or contains, nor is there any description on the contract of what the loose-leaf extension service or research bureau privilege consists of, and a prospective subscriber

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has to rely on the statements and representations made to him by respondent's salesmen in order to be advised of what he is purchasing.

PAR. 15. Respondent Walter H. Gorham, trading under the name and style of North American Publishing Co., supplied to his salesmen several different contracts, or order forms, for their use in selling the encyclopedia published by respondent Perpetual Encyclopedia Corporation, both under the title "Home and School Reference Work" and "American Reference Library." One form of contract was similar to that generally used by respondent Perpetual Encyclopedia Corporation, and included in paragraph 13 herein.

Respondent Walter H. Gorham also supplied to his salesmen during the time he was in business contracts which were similar to the contract described above, but which included the following wording:

GENTLEMEN: Express charges collect, I will accept a complimentary set (10 volumes Art Keratol Binding, designs and lettering in gold) of The American Reference Library Encyclopedia, and agree that after delivery and examination, will give my unbiased opinion of the work.

Said contracts were used by said salesmen in securing orders for the said encyclopedia, in connection with the sales talk which promised the subscriber that the encyclopedia would be given to him free of charge in return for an opinion of the encyclopedia and the purchase of the loose-leaf supplement service. The use of such contracts is false, deceptive, and misleading, because respondent Gorham did not give the subscriber a set of the American Reference Library free, nor did he ever give any sets away free, but the encyclopedia is sold by said respondent in connection with the loose-leaf supplement service and research bureau service and the price set forth in the contract is for the books and services, but principally for the books, because said encyclopedia is, in fact, the only tangible article of value received by the subscriber, as the receipt of the services is entirely contingent upon some further action by the subscriber.

Said respondent Walter H. Gorham also supplied to his salesmen, for use by them in soliciting orders for said encyclopedia under the title "Home and School Reference Work", contracts, or order forms, with a price printed thereon of \$165, which said price was crossed out and the price of \$59 printed in red ink in its place. At the same time said respondent also supplied some of his salesmen with similar contracts, or order forms, with a price printed thereon of \$209, which said price was crossed out and the price of \$49 printed in red ink in its place. Both of these contracts had printed across the top margin the words "Advertising Department—Special Contract." In the former contract the binding of the encyclopedia is described as "Half Morocco Leather", and in the latter contract the binding is described as "Full Keratol Morocco Grain." The purpose of

said contracts, or order forms, was to lead the prospective subscriber to believe that the regular and usual price of the encyclopedia was the price printed on the contract, through which a line was drawn, and that the price substituted therefor was a special, reduced price. Salesmen of respondent used said contracts to procure orders for the encyclopedia sold by said respondent. The use of said order forms was false, deceptive, and misleading, because respondent Walter H. Gorham never sold the Home and School Reference Work for prices of \$165 or \$209, and never intended to sell said encyclopedia at those prices; said contracts were not special contracts used only for advertising purposes, but were the forms of contracts regularly supplied to and used by salesmen of said respondent; and said encyclopedia was not bound in Morocco leather.

Respondent Walter H. Gorham also supplied to his salesmen contracts, or order forms, in which the price of the encyclopedia, under the title "American Reference Library" was given as \$130, and other forms in which the price was given as \$110. Said contracts describe the bindings as being "Full Flexible Morocco Full Gilt Edges." The encyclopedia as sold by said respondent was not bound in Morocco leather, and it was never sold for \$130 and \$110, and was never intended to be sold at such prices by respondent. Said contracts, or order forms, were used by salesmen of said respondent in the same way and manner, and for the same purposes, as were similar contracts used by salesmen of respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc., described in the paragraphs immediately preceding, and the use of said contracts by respondent Walter H. Gorham was false, deceptive, and misleading for the reasons therein set forth.

PAR. 16. Respondent North American Publishing Co., Inc., supplied to its salesmen a contract, or order form, to be used in soliciting sales of the encyclopedia sold by it under the title "Home and School Reference Work", which included the encyclopedia, loose-leaf extension and research bureau services. The encyclopedia was described as being bound in "Full Artcraft Leather." A price of \$255 was printed on said contracts, which said price was crossed out and the price of \$74 printed in red ink in its place. Across the top margin of the contract was printed the words "Advertising Department—Special Advertising Contract." The encyclopedia as sold by said respondent was not bound in leather, and it was never sold for \$255, and was never intended to be sold for such a price. The price of \$74 was the regular and usual price at which said respondent always sold the encyclopedia. Salesmen of said respondent used said contracts to procure orders for the encyclopedia. Said contracts were used by salesmen of said respondent in the same way and manner, and for

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the same purposes, as were similar contracts used by salesmen of respondent Walter H. Gorham, described in the preceding paragraph, and the use of said contracts by respondent North American Publishing Co., Inc., was false, deceptive, and misleading for the reasons set forth therein.

Said contracts were also false, deceptive, and misleading because the price of \$74 set forth therein as the price of the books and services was not the total price to be paid by the subscriber, because it was necessary for a subscriber to remit additional sums of money every 6 months for a period of 10 years in order to receive the loose-leaf supplements, which are represented in the contract, and by respondent's salesmen, to be included in the contract price.

PAR. 17. Respondent Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., obtained names of prospective subscribers by means of "lead letters" which were, and are, sent by them to lists of names throughout the United States. Enclosed with said lead letters was a post card, to be initialed or signed by the addressee and returned to respondents. The post cards are then given to salesmen of said respondents who call upon such persons and solicit the sale of the encyclopedia. The purpose of the lead letters used by all the respondents was to make the recipient believe that he would be given the encyclopedia free. The language in the lead letters used by the various respondents differed slightly, but was the same in meaning conveyed. Respondent Perpetual Encyclopedia Corporation authorized its sales managers or crew managers to send out such letters themselves, in addition to the letters which it distributed. A lead letter used by a salesman of said respondent, and which is typical of the lead letters used by other salesmen of said respondents, and by respondents themselves, is as follows:

DEAR SIR: This organization has been engaged to make up diversified lists of well-connected business and professional men, as Original Owner's lists of a recently completed reference library that covers the entire range of human knowledge, giving full credit to things American in bold contrast to 95 percent of the encyclopedias being sold in the United States today which are of English origin.

Your interest considered, we are authorized to present you with a complete, fully bound set of this new work, full Artcraft Edition, a replica of the fine art bindings of the XII and XIII centuries, with the compliments of the publishers, and understand us, please, there are no strings attached to this presentation, such as trying to trade you a set of the work for a letter of endorsement or anything of that kind.

The above is an advertising procedure prior to general publicity and is known as "planting" in the subscription book publishing business.

Kindly initial and mail the enclosed 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.

The above letter is on a letterhead of Ralph S. Hill and associates, executive service, Monroe Building, Chicago. Ralph S. Hill was a salesman employed by respondent Perpetual Encyclopedia Corporation. Said Hill also used another form of lead letter, making an offer of a complimentary set of the encyclopedia, on a letterhead bearing the name United Press Syndicate—Publicity—Chicago office, Monroe Building—National Advertising and Publicity Campaigns Planned and Executed.

Another salesman of respondent Perpetual Encyclopedia Corporation used a lead letter similar in general wording to the one set forth above, and offering to present to the recipient a complete set of the encyclopedia "with the compliments of the publishers." This letter bore the heading "National Publicity Service, Expert Introductory Service in all Lines, St. Joseph, Mo." It was signed by J. A. Nixon, who was a salesman for said respondent, and later was employed as a salesman by respondent Source Research Council, Inc.

D. D. Dawes, another salesman for respondent Perpetual Encyclopedia Corporation, used a lead letter employing the same general language as those heretofore referred to, bearing the heading "The National Press Syndicate, Consulting Specialists, Chicago Office, 521 Monroe Building—D. D. Dawes, Director of Publishers' Publicity." This letter refers to the encyclopedia as having been edited, reviewed, and revised by America's most learned men—specialists and educators—The Syndicate Brains of America.

Respondent Perpetual Encyclopedia Corporation, under the name "Source Research Bureau", distributed many lead letters which offered to present a copy of the semiannual service without cost.

Respondent Source Research Council, Inc., distributed lead letters stating that the writer is making up an

original owners' list of a recently printed encyclopedia which, with the research facilities, covers the entire range of human knowledge, events, and achievements to date. * * * Our loose-leaf extension keeps the work constantly up to date, * * * For advertising purposes, I am authorized to present you with the latest edition with the compliments of the publishers for the privilege of placing your name on our local list. This is a plan which I am using prior to general publicity.

This offer is based on modern approved business exchange. Your opinion for local reference is valuable to us.

The addressee is asked to treat the letter as "personal and confidential", and it is signed by T. H. Ives, publicity director. Other

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similar letters are signed by R. L. Stice, publicity director, and F. G. Knight. Mr. Ives and Miss Stice are employees in the advertising department of respondent Source Research Council, Inc., and Miss F. G. Knight is director of the research bureau of respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc. A lead letter practically identical in wording with the one used by Ralph S. Hill, but offering to give a "complete section of this work with the compliments of the publishers" was distributed by respondent Source Research Council, Inc., and was signed E. Corbett, manager, advertising department. The address of respondent Source Research Council, Inc., is given as 220 Franklin Street, Buffalo, N.Y. These letters were printed at the direction of R. Wilson, sales manager of Home and School Education Society, Ltd., of Toronto, Canada, a subsidiary of respondent Perpetual Encyclopedia Corporation. The printer in Buffalo, N.Y., printed and mailed from 10,000 to 15,000 of these letters to names selected at the direction of Mr. Wilson. Wilson paid for the printing of said letters, and provided a signature cut bearing the name of E. Corbett to be used by the printer.

Respondent North American Publishing Co., Inc., distributed lead letters which were very similar in wording to those used by Ralph S. Hill and J. A. Nixon, salesmen for respondent Perpetual Encyclopedia Corporation, and offered to present the recipient with the complete set of the encyclopedia with the compliments of the publishers. In addition, the lead letter stated that the encyclopedia had been compiled by "over 200 of the foremost educators of the United States", and included the names of the presidents of Yale, Dartmouth, Johns Hopkins, Boston University, and Massachusetts Institute of Technology. Enclosed with said letters were return slips to be signed by the addressee, stating "I will accept one of your complimentary sets of Home and School Reference Work on your advertising offer" and give an unbiased opinion of the work. These lead letters were signed by W. L. Priebe, president of said respondent (now deceased), and respondent E. L. Priebe.

Respondent Walter H. Gorham, trading under the name and style of North American Publishing Co., used similar lead letters to those heretofore described, offering to present a complimentary set of the encyclopedia. These letters are on the letterhead of American Bureau of Research, 844 Rush Street, Chicago, and are signed H. J. Monroe, manager, advertising department. Another lead letter used by respondent Gorham is on the letterhead of N. N. Gorham, advertising representative, America Fore Building, Chicago, and offers to present a fully bound Keratol de luxe edition of the encyclopedia.

N. N. Gorham is the brother of respondent Walter H. Gorham. Other lead letters used by said respondent were on the letterhead of Bureau of Research Department, 844 Rush Street, Chicago, and signed by W. H. Gorham. Another form of lead letter used by respondent Walter H. Gorham was similar in language to those heretofore referred to, and on the letterhead of North American Publicity Service, 521 Monroe Building, 104 South Michigan Avenue, Chicago, Ill., and signed E. J. Nicholas. It stated that the encyclopedia was endorsed by the American Library Association, and had been "adopted, authorized, and approved by 24 State Bureaus of Education." Neither statement was true. The letter offered to present a copy of the encyclopedia with the compliments of the publishers. The name of E. J. Nicholas appears on the letterhead as manager, Eastern States. This letter was used at the time respondent Gorham had his offices with those of respondent Frank J. Mackey, in the Monroe Building in Chicago. Enclosed with all of these lead letters were cards to be initialed and returned. In some instances they were ordinary post cards, and in others were cards addressed to North American Publishing Co., stating "I will accept one of your complimentary sets of Home and School Reference Work on your advertising offer", and agreeing to give an unbiased opinion of the value of the encyclopedia.

Respondent Perpetual Encyclopedia Corporation also enclosed cards in some of its lead letters stating "I will accept one of your complimentary sets of the Source Book Encyclopedia", and agreeing to give an unbiased opinion of it.

Said lead letters described above are false, deceptive, and misleading in that the letters represent to those receiving them, and they are intended to convey the meaning, that the respondent distributing said letter will present the recipients with a set of the encyclopedia 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 enclosed card in that belief. In fact, respondents do not, and did not, give away any sets of said encyclopedia free as an advertising feature, and do not, and did not, give any sets of its encyclopedia free to anyone who received such letters, but said encyclopedia was, and is, sold by said respondents in the manner hereinbefore described. Said letters are used solely and intentionally by said respondents for the purpose of obtaining the names of prospects upon whom respondents' salesmen can call for the purpose of soliciting the sale of the encyclopedia. The various names used on the letterheads distributed by said respondents and respondents' salesmen, such as National Publicity Syndicate, United Press Syndicate, and

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others, are fictitious names adopted by said respondents and their salesmen to conceal the fact that they are selling books, and there is in fact no organization or service of any kind maintained or existing under such names.

PAR. 18. Respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., supplied to their salesmen as part of their sales kits, and for use in soliciting sales of the encyclopedia, advertising sheets describing the encyclopedia. These advertising sheets were furnished for the purpose of enabling the salesmen to represent to the prospective subscriber that the encyclopedia was to be sold at a greatly increased price at a later date. Salesmen represented the advertising sheets to be reproductions of advertisements which had appeared in the Saturday Evening Post. The sales talks which salesmen were required to learn indicated the point at which these advertising sheets were to be displayed, and instructed the salesmen as to what to say regarding them. To enable the salesmen to show that the encyclopedia was usually sold at a much higher price these advertising sheets had printed on them different prices at which it was claimed the encyclopedia was to be sold at a later date. Thus, one of the advertising sheets used by respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc., gave the price of the encyclopedia as \$130, and the price of the loose-leaf service and research bureau privilege at \$12 per year for 10 years, or a total for the books and service of \$250.

The advertising sheets used by respondent Walter H. Gorham described the publication as Home and School Reference Work, and as American Reference Library. In the latter advertising sheet the 10 volumes of the encyclopedia are priced at \$90, and the services at \$8 per year; one of the former advertising sheets gave the price of the encyclopedia as \$130, and the services at \$7.50 per year for 10 years, \$75, or a total of \$205 for the complete subscription; another one of the advertising sheets priced the encyclopedia at \$90, the loose-leaf service for 10 years at \$75, and the bureau of research service for 10 years at \$40, making the total cost \$205; and still another advertising sheet priced the encyclopedia at \$90 and the loose-leaf service and the bureau of research privilege at \$75 for the 10-year period, making a total of \$165.

These advertising sheets are false, misleading, and deceptive, because the said encyclopedia never sold for the prices printed in said advertising sheets, and it was never sold separately from the services; the services were never sold for the prices set forth in said advertis-

ing sheets, and were never sold separately from the encyclopedia. The statements and representations made by salesmen for the said respondents that said advertising sheets were reproductions of advertisements which had appeared in the Saturday Evening Post were deliberately false statements and representations, because none of said respondents ever advertised in the Saturday Evening Post. Said advertising sheets were supplied to salesmen by said respondents for the purpose of making false and misleading statements to prospective subscribers regarding the books and services, and the prices at which they were sold, and to be used as part of the sales talks supplied by said respondents to their said salesmen, and with the knowledge that the salesmen would use the said advertising sheets in the way and manner described.

PAR. 19. Respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., supplied to their salesmen, for use in selling their encyclopedia, large 4-page advertising folders, called broadsides. These broadsides were printed by respondent Perpetual Encyclopedia Corporation and sold by them to the other respondents. On the first page appears the name of Source Research Bureau, in the case of those used by respondent Perpetual Encyclopedia Corporation; Source Research Council, in the case of those used by respondent Source Research Council, Inc.; and The American Reference Library, in the case of those used by respondent Walter H. Gorham. Practically the whole of the first page is taken up with a list of about 125 names of prominent educators, public men and other prominent men. These names appear under the heading The Service Staff in the broadsides used by respondent Perpetual Encyclopedia Corporation; Editorial Staff in the ones used by respondent Source Research Council, Inc.; and Partial Staff List in the ones used by respondent Walter H. Gorham. The names appearing on the broadsides are taken from a list of names of prominent men and educators appearing in the front of the first volume of the encyclopedia. As different issues of the broadsides were printed many of the names were changed, some being eliminated and others added. These names are referred to by the salesmen as the names of men who contributed articles to the encyclopedia, and who were members of the research bureau staff. The said statements of salesmen are false, deceptive and misleading, because none of the men whose names appear on the broadsides contributed any articles to the encyclopedia, and none of them were members of any staff maintained by the research bureaus of said respondents to whom questions

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could be referred by subscribers for answer, and no questions were ever referred to them by respondents.

Another page of the broadsides makes the statement "Service by 200 specialists", followed by the representation that "the world's best-known scientists, men of letters, and other experts in specialized knowledge" had contributed directly to the work, or had been consulted in its preparation. The further statement is made "Authority: Every important article written by a specialist." All of these statements and representations are false, deceptive, and misleading, because in fact respondents do not maintain 200 specialists, or any specialists, to render service to their subscribers; the articles contained in the encyclopedia were not contributed by leading scientists, men of letters, and other experts; and the important articles were not written by specialists, as the encyclopedia was prepared by a few compilers who wrote all the articles, as described heretofore in paragraph 3, and the articles which were sent to authorities of cities, colleges, or other institutions, to be reviewed were prepared in advance by one of the said compilers, and in many instances were not read by the person to whom they were referred for revision.

The semiannual loose-leaf extension service is described in said broadsides as consisting of "papers prepared in answer to important economic and scientific questions sent in by the cooperative members", and as "an authoritative résumé of all important events." These statements are false, deceptive, and misleading, because the semiannual loose-leaf supplements consist practically entirely of articles clipped from daily newspapers and magazines, together with pictures, and they do not contain articles prepared by authorities, but are compiled by clerks in the offices of respondent Perpetual Encyclopedia Corporation. Said supplements do not contain papers prepared in answer to questions sent in by cooperative members pertaining to important economic and scientific questions.

Salesmen were instructed in the use of said broadsides by said respondents, and were supplied with copies of the broadsides to use in soliciting sales to prospective subscribers. At a certain point in the sales talk, which salesmen were required to learn, they were instructed to show the broadsides to the prospect, and call attention to the various statements and representations contained therein. Said broadsides were used in the way and manner indicated by said salesmen.

PAR. 20. Respondent Perpetual Encyclopedia Corporation printed in the front part of the first volume of its encyclopedia, which it sold at retail under the names Source Book and Home and School Reference Work, and which it sold at wholesale to respondents North

American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., under the titles Home and School Reference Work and American Reference Library a list of about 200 names of distinguished persons, comprising principally college and university presidents, State and city superintendents of schools, and prominent men and women in official and other walks of life. These names appeared under the heading "Contributors, Reviewers and Revisors." The salesmen for respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., were instructed to call the attention of subscribers and prospective subscribers to the names of said prominent men and women, and to state that said men and women had contributed articles to the encyclopedia, or had reviewed and revised articles included in said encyclopedia, and the sales talks prepared for and supplied to said salesmen included such references to said men and women.

Among the names appearing in said encyclopedia were those of Miss Jane Addams, social settlement worker, Hull House, Chicago, Ill.; David P. Barrows, president of the University of California, Berkeley, Calif.; Dr. W. W. Campbell, director of the Lick Observatory, University of California; Mr. Hamilton, California, also a former president of the University of California; Rev. John W. Cavanaugh, former president of University of Notre Dame, South Bend, Ind.; Lotus D. Coffman, president of the University of Minnesota, Minneapolis, Minn.; O. L. Elliott, registrar, Leland Stanford University, Palo Alto, Calif.; S. O. Hartwell, superintendent of schools, St. Paul, Minn.; Forrest R. Moulton, professor of astronomy, University of Chicago, Chicago, Ill.; Orville C. Pratt, superintendent of schools, Spokane, Wash.; H. M. Raymond, president Armour School of Technology, Chicago, Ill.; Walter Dill Scott, president Northwestern University, Evanston, Ill.; William Howard Taft, Chief Justice of the United States, Washington, D.C.; P. C. Tanning, deputy State commissioner of education, St. Paul, Minn.; William A. Wirt, superintendent of schools, Gary, Ind.; Rufus B. Von Kleinschmid, president University of Arizona, Tucson, Ariz.; Ernest H. Lindley, president University of Kansas, Lawrence, Kans.; Charles Evans Hughes, Chief Justice of the United States, Washington, D.C.; and P. C. Harris, Adjutant General of the United States, Washington, D.C. With the exception of the late Chief Justice Taft, Chief Justice Hughes, and Gen. Harris, the other individuals whose names are listed herein appeared as witnesses in this proceeding, and testified on behalf of the Commission.

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Each one of these men and women were specifically asked whether they had prepared any articles for inclusion in the encyclopedia under the names Source Book, Home and School Reference Work or American Reference Library; whether they had reviewed or revised any articles for said encyclopedia under any of the titles under which it was sold; whether they were on any editorial or other staff maintained by said respondents to answer questions sent in to them; and whether their names were being used in the said encyclopedia with their consent, or whether they objected to the use of their names. In every instance the persons who appeared and testified stated that they had not prepared any articles for the said encyclopedia under any name; that they were not, and never had been, members of any editorial or other staff maintained by respondent Perpetual Encyclopedia Corporation, and had not answered any questions referred to them by said respondent, and that no questions had ever been referred to them; that they had not authorized the use of their names by said respondent, and, in fact, did not know that their names were being used in this way, and most of said persons objected to the said use of their names by said respondent.

In some instances these witnesses testified that articles concerning the institution or city with which they were connected had been sent to them at some time in the past for revision, and that such articles had been referred to their secretaries or other persons for revision. In only four instances did the witness recall having received and checked any article submitted by respondent Perpetual Encyclopedia Corporation, and in each of these cases the witness did not consider that the correcting of statistical figures appearing in the articles made them contributors, reviewers and revisors of the encyclopedia, and they had not given permission to use their names in this way. Miss Jane Addams stated that she did O.K. a biographical sketch of herself which was sent to her already prepared; Rev. Mathew J. Walsh, C.S.C., afterward president of Notre Dame University, prepared some articles upon Catholic subjects by direction of Rev. John W. Cavanaugh, president of Notre Dame University, but did not authorize the use of his name and did not know it was being used until 1925. Prof. P. C. Tonning checked some figures in an article submitted by H. M. Dixon, but gave no authority to use his name, and Prof. O. C. Pratt checked and corrected some figures in an article relating to the city of Spokane, but gave no authorization to use his name, and did not know it was being so used.

As before stated, when the encyclopedia was being compiled by H. M. Dixon, articles were prepared and sent to various persons throughout the country connected with institutions or cities con-

taining information regarding said institutions or cities, with the request that the person to whom addressed look over the material and correct any inaccuracy in it. The articles submitted consisted entirely of biographical sketches and articles concerning the city, State, or institution with which the person was connected, and were not scientific or articles of similar character. Accompanying the prepared article was a letter making the request that the article be corrected, and in an obscure paragraph would be a request that the name of the person could be used by the publishers in their encyclopedia. This request, however, was only made of the more prominent persons addressed. Unless that specific request was answered and the person made an objection to the use of his name, the name was printed by respondent Perpetual Encyclopedia Corporation as a contributor, reviewer, and reviser. If no reply to such request was made, the name was used provided the individual was of sufficient prominence to appeal to the publisher as of advantage to his publication. At the time the encyclopedia was first prepared in 1912 to 1914, and again at the time of the revision made in 1922, such articles and letters were sent to various individuals whose names appeared in the encyclopedia. Clarence Dixon, who is a nephew of H. M. Dixon, the original compiler of the encyclopedia, and who was retained by respondent Frank J. Mackey for sometime in the employ of the respondent Perpetual Encyclopedia Corporation, testified to this method of preparing the encyclopedia.

With few exceptions the names of prominent educators and others used in the encyclopedia were those of men who were distinguished and well known as writers and teachers of particular subjects, such as Dr. Walter Dill Scott, who is well known as a writer and teacher of psychology; Dr. Forrest R. Moulton, who is known as a writer and teacher of astronomy; Dr. Ernest H. Lindley, well known for his work on psychology; Dr. Lotus D. Coffman, an expert on education; Dr. David P. Barrows, a distinguished writer and teacher of political science; Dr. Rufus B. Von Kleinschmid, a recognized writer and teacher on psychology, and many others. Many of the witnesses who testified for the Commission stated that they did not answer the request that their names be used, and did not know that such use was being made of their names until their attention was called to it. In a few instances they wrote to respondent Perpetual Encyclopedia Corporation specifically objecting to the use of their names, and usually in such cases said respondent removed the name of the person objecting from the list which appeared in the next issue of the encyclopedia. Unless such specific objection was made, however, the use of the names was continued. In the edition pub-

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lished by respondent Perpetual Encyclopedia Corporation in 1929, many changes were made in the list of names appearing in the front of volume 1 of the encyclopedia. This edition of the encyclopedia was issued after the beginning of the hearings in this proceeding.

In replying to a letter written by Prof. H. M. Raymond, president of the Armour Institute of Technology, relating to a controversy as to what Prof. Raymond had written for the encyclopedia, the secretary of respondent Frank J. Mackey wrote:

In our examination we have not to date been able to find where Mr. Dixon found the name of a single educator among the editors, contributors, and reviewers who has not actually contributed an article.

Respondent Frank J. Mackey was fully informed at the time he acquired the plates of said encyclopedia from H. M. Dixon as to the manner in which the lists of contributors, reviewers, and revisers had been obtained, and the letter above quoted was dated subsequent to the beginning of the investigation in this proceeding, and at a time that said respondent Mackey had been informed of the questioning by the Commission of the use of these names.

The names of the late Chief Justice William Howard Taft and of Chief Justice Charles Evans Hughes were used without asking the consent of either of said jurists, and such use was attempted to be justified because short biographical sketches were mailed to them by H. M. Dixon and returned after some corrections had been made by their secretaries. No permission has ever been received by said respondent for the use of the name of Adj. Gen. P. C. Harris, and such use was based on an article regarding the Army of the United States which had been sent to his office.

The correcting of a statistical or biographical article, or an article relating to an institution, city, or State, does not make the one doing it a contributor to the publication in which it is used, and in the opinion of the witnesses called by the Commission does not make such person a reviewer or reviser of said publication. Before including the names of any individuals in a publication, specific consent, therefore, should be obtained, and the lack of such consent renders the use of such names unauthorized. The witnesses called by the Commission were from widely separated parts of the country, and were chosen at random from the names published in the encyclopedia. Their testimony is considered representative of the parties whose names appear in said encyclopedia, and the Commission finds that the use of the names set forth in volume 1 of the encyclopedia published by respondent Perpetual Encyclopedia Corporation is false, deceptive, and misleading, because in fact said parties did not contribute any articles to the said encyclopedia, and were not reviewers

or revisors of said encyclopedia, and the use of their names by said respondent was for the purpose of misleading and deceiving the public into believing that such prominent persons were in fact persons who wrote articles relating to the special subjects which said prominent persons were identified with, which were included in said encyclopedia, or who revised and reviewed articles included in the encyclopedia.

Respondents Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., used the names of said persons in the same way and manner as did respondent Perpetual Encyclopedia Corporation, and salesmen for the said respondents made the same use of the said names as did salesmen for respondent Perpetual Encyclopedia Corporation.

PAR. 21. Respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc., prepared and supplied to their salesmen sales talks which said salesmen were required to memorize and repeat to the representative of the respondents who employed them. After learning the sales talks said salesmen were instructed to repeat it to prospective subscribers in soliciting sales of the encyclopedia sold by respondents. Said respondents employed many salesmen who had long experience in selling subscription books, and these salesmen were allowed in many instances to use sales talks which they had used in selling other subscription books. The sales talks supplied to salesmen by representatives of said respondents were in printed, mimeograph, or typewritten form, but were practically identical in wording. One of these sales talks, for use in sales to parents, is as follows:

Are you Mrs. A. D. Miller?

I am Miss Smith and I am calling on you at the suggestion of the teachers of the Longfellow School. I am informed that you are president of the P.T.A. of the Longfellow School, that you take an active interest in the school work, that you are well known in this community, and that your name would be helpful to us in a campaign (don't say sales campaign) to be put on here next fall.

I represent the Source Research Council; next November they will put on sale here a new encyclopedia, and I am in Zenith today in advance of the sales campaign to do a little preliminary advertising. My visit to you is not one of salesmanship, but of explanation.

I have been instructed to arrange for placing in Zenith 20 complimentary sets of this new work for advertising purposes, in order to get the work known. Naturally they expect me to place these advance sets with influential families. I don't know who's who in the community. I am in the city today only, and so we get the schools to select those who are to receive these complimentary sets. The teachers spoke very highly of you. They said you have two chil-

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dren in Longfellow School, one just entering high school, that you are an unusually intelligent and thoughtful mother, one who would appreciate and use an encyclopedia. (Adapt this, of course, to the actual data you have. Obviously in calling on another type of prospect, your approach must be modified. For example, in calling on a club woman without children, you say you are calling at the suggestion of the president of the club, or whoever did suggest the prospect).

I am here to explain just what you are to receive and just how we hope to profit by giving you an encyclopedia. (You probably have been invited in before this point has been reached. As soon as you enter the home, take a look at the books. If you observe any loose-leaf encyclopedia or any other encyclopedia that looks new, cut short your interview. Time is money. Don't waste it. Go on to another prospect). Of course it is not philanthropy; we ask that you grant us permission to use your name as an owner of the encyclopedia. I will show you just how we wish to use your name. (Produce reference sheet at this point—not one second sooner.)

(1) OWNERS REFERENCE SHEET

Up here (indicate) we will put the names of Zenith owners, and down here (indicate) we will publish their opinions. We will use this to circularize the city before the sale starts. Now we don't ask you to commit yourself in advance to an endorsement—all we ask is your unbiased opinion after you have used the set several months.

Over here (turn page) you see who is responsible for this big undertaking—such eminent scholars as (indicate four nationally known men). Over 200 educators of this standing have been working for 5 years and there has been invested \$2,000,000 in bringing out a new American-edited encyclopedia—one that would give full credit to things American, in contrast with most encyclopedias which, as you know, are of British origin.

In addition to the encyclopedia (turn page) these scholars maintain (point as you read) the Source Research Council (point as you read) “an economic and scientific consulting service” for (point to each word) “Business executives, business and professional men, parents, teachers, club women and children.” They answer questions, offer suggestions, help solve problems, prepare club papers, speeches and debates.

When this encyclopedia came on the market a few months ago, the publishers tried to market it by magazine and billboard advertising.

(2) PRODUCE AD SHEET

You may have noticed this ad in the Post recently. But they found this advertising very expensive. I wonder if you have any idea what a single page in the Post costs for one insertion? (Give prospect a chance to comment.) I think you will be surprised when I tell you it costs \$7,000. And then its not direct selling. All they got back was this coupon of inquiry (point). They had to send out a salesman to close the sale, and the salesman found himself up against this difficulty; everyone said, “we never heard of this encyclopedia; we know of the Britannica; we know of the New International, but we don't know of this one. Who's got it that we know and what do they think of it?” So they decided to discontinue this expensive magazine advertising after they had invested half a million dollars that way, and in place of it to appropriate a sum to place a few complimentary sets in each community for advertising purposes about 4 to 6 months before the regular sale starts.

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(You now have had ample opportunity to measure your prospect, to study her general attitude and comments. If her failure to react favorably leaves you in doubt you might at this point try a question "Mrs. Miller, do you have any recent encyclopedia?" If she is coming your way she will usually tell you that she has not. This commits her and settles one important fact for you. You might follow this question with: "Do you expect to continue to live in Zenith? You see we are required to place these complimentary sets only with those who will live here." Either or both of these questions can be omitted. Judgment must be used, but in four cases out of five they will be found helpful.)

Next January we are going to begin in Zenith a house-to-house campaign and—

(3) PRODUCE STRETCHER

this encyclopedia will go on sale at that time at \$130. It contains 100,000 subjects, 3,000 illustrations, a complete record of everything man has done or thought down to 1928. This is a Keratol binding. It is not leather. It is called the duco finish. It is a new method of bookbinding that has been treated by a recently discovered process that makes it impervious to moisture, insects or mice. The manufacturers claim it could be left on the floor of a damp basement for a year without injury.

One valid complaint against every encyclopedia hitherto published is that it gets out of date. It's not too much to say that, at the rate the world moves today, an encyclopedia depreciates in value at least 10 percent a year, so that at the end of 10 years, it's like an old city directory—obsolete and of no value. But this encyclopedia is not permitted to get out of date. Every 6 months owners receive additional loose-leaf pages, a pictured review of important events. These new pages are sent perforated so they fit into the extra binders. This is the way it works:

(4) PRODUCE PROSPECTUS

All you have to do is to give a turn of these thumb screws (place thumb nails in groove), remove the screws, pull back this flap (indicate), there are two posts underneath. The new, perforated pages are fitted over the posts, and the encyclopedia is right up to the minute.

I want to take just a minute to call you attention to one or two of the wonderful features of this great work. I simply must finish in Zenith today as I have to leave this afternoon for Kalamazoo. (Open prospectus to page of type opposite illustration, The Thinker.)

(5) PROSPECTUS TALK

For the first time in the history of encyclopedia making, consideration has been given the eyes of the reader. This type and the spacing have been scientifically adjusted by a group of eye specialists. They claim this could be read all day without eyestrain or fatigue. Mrs. Babbit with whom I placed a set yesterday, remarked that a monument should be erected to the man who sponsored this idea.

I placed one of these sets yesterday with Mrs. Gotrocks and she asked me to show her a complete article so that she might judge how much space is devoted to a given subject. I think that's a fair question. This article on Central America is complete beginning here (turn all the pages and indicate) and ending down here.

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Now in addition to the encyclopedia they maintain the Source Research Council. (Sit back relaxed with nothing in your hand). This is something new in the history of civilization. The idea originated 6 years ago with President Burton of Zenith University. He was seeking some method whereby the knowledge and inspiration of our great universities could be placed at the disposal of the general public. He invited over 200 of the leading scholars of the country to cooperate with him. For 5 years they have been helping people and I want to show you some of the ways they have been of service.

Next January this big new encyclopedia will be put on sale in Zenith at \$130 and there will be a crew of salesmen here making a house-to-house canvass.

(6) PRODUCE WHITE CONTRACT

I want you to know the terms under which the sale will then be conducted. In fact I want you to see the contract that our salesmen will use at that time. Now you have nothing whatever to do with this contract, but I think it only fair to you to show you exactly what we propose to do.

First (indicate), they will sell the encyclopedia, Second (indicate), they will agree to keep it up to date for 1 year, Third (indicate), they will furnish the research service for 1 year. Fourth (indicate), they will give the monthly forecast of business for 1 year. All of which will be offered at \$130 (indicate).

Then (pick up ad sheet and indicate at bottom) for the loose-leaf service a charge will be made of \$10 a year and for the research service (indicate) \$12 yearly. This makes a total of \$22 for all the services that go with the encyclopedia, and this is where the company hopes to make its profit, as there is no further selling expense after the books are once placed in a home.

But for you, Mrs. Miller, and for two others in this school district (pick up owners reference sheet showing names of owners) I am authorized to make this special confidential advertising proposition. If you are willing for us to list your name as an owner and be willing to give a 30 or 40 word letter of opinion, they will present you with this encyclopedia immediately—that is you will receive it within a week or 10 days—they mark your bill paid, and then they will offer you this special confidential inducement to keep it up to date by the loose leaf extension at the wholesale cost of production. Our auditors have figured this up to the penny and it is just five-ninety-five a year. In other words, they give you the books and give you the research service, and ask you to pay just the actual manufacturing cost of assembling, writing, editing, illustrating, printing, and binding the additional yearly pages to keep your work up to date.

(7) PRODUCE RESEARCH CERTIFICATE

Each subscriber receives a certificate for the research service. You are assigned a number (indicate) and when you write in for any information or advice, you simply give your name and number and the information comes back to you by return mail. This privilege is not transferable outside of your own family. Any member of your household may use it during the 10-year period. The only limit placed on you is 500 questions during the 10 years, an average of one question a week.

(8) PRODUCE COUPON BOOK

You also receive a coupon book for the loose-leaf extension. There are 20 coupons, one for each 6 months during the 10-year period. All you have to do every 6 months is to write your name and address here, tear off the coupon and

mail it to the Source Research Council. They will send you the new loose-leaf pages and the extra binders as needed. The reason they require you to send in a coupon each 6 months is because so many families move about in 10 years they can't afford, on these special terms, to keep a record of the changes.

(9) OPEN TO CURRENT EVENTS

I would like to show you a few of the up-to-date features of the work. (Thoroughly familiarize yourself with the current events pages and be prepared to point out at least 10 new articles.)

(10) PRODUCE TWO BLUE CONTRACTS

Here is the special advertising contract I am authorized to make with you and two other families in this community, in order to get the use of your name and to get our work known. If you are willing for us to use your name as an owner and agree to give a 30 or 40 word letter of opinion within 4 months, they will, first (indicate), give you the encyclopedia immediately—that is you will receive it within a week or 10 days—with your bill marked paid (point down to stretcher on the floor). Second (indicate), they bind themselves to furnish you the loose-leaf extension service for 10 years, keeping your encyclopedia up to date for 10 years, sending you a pictured review of current events every 6 months.

Third, they bind themselves to give you the research service—the consultation privilege—for 10 years.

Fourth, they send you the monthly business forecast for 1 year.

All of this figures up for the whole 10-year period at five ninety-five a year. Only fifty nine fifty for everything, the encyclopedia, the 10 years of loose leaf extension, the 10 years of research privilege and monthly business forecast.

In other words, Mrs. Miller, you pay nothing for the encyclopedia, nothing for the research or consultation service, nothing for the monthly business forecast, and only the actual, mechanical, wholesale cost of production of the extra loose-leaf extension pages, which has been found to be only fifty nine fifty for the entire 10 years.

This contract you see (indicate) covers the period from 1928 to 1938. We make it in duplicate. You keep a copy and I send a copy to the company. The contract shows just what you are to receive and just what you pay. (Hand contracts to prospect.)

Now you don't have to liquidate this little service charge in advance. You can take care of it in any way that suits your convenience—just name your own terms, just fill in the terms of the contract (indicate) any way you wish.

(11) PRODUCE DUPLICATES OF PREVIOUS SALES

I can show you how some of the others have been taking it. Rev. Gentry said he would pay it in six months (show contract with \$10 attached). He gave me \$10 and said he would pay \$10 a month. (Show 6 to 12 duplicates with money attached. None of the contracts should show monthly payments of less than \$5 a month. Except on rare instances don't take orders calling for less than \$5 initial payment and \$5 monthly. The company will accept payments of \$4 monthly occasionally—about 1 in 10. But if you are confining your work to the representative and most influential people, as we expect you to do, there will be no difficulty in keeping the monthly payments up to at least \$5.)

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(12) PRODUCE BLUE PRINT

This will serve to visualize for you the scope of this research service. This is such a big thing it is not always easy for one to fully grasp its size and importance. Every department of human knowledge from accounting (indicate) through (let pen indicate up and down the various columns) to travel. Why they even offer suggestions of an educational nature if you make a tour of Europe or this country. They will even plan the trip. (Point and read.) Special outline for club papers, speeches and debates. Any question or problem which you or any member of your family has for 10 years can be submitted to the foremost authority in the world in that field, and be answered promptly.

(Don't press your prospect for an order. Let the sale make itself. Of course, if the prospect is ready to sign, don't delay getting signature, but in most cases, the prospect wants to weigh the matter before signing. At such times, you should show some additional feature of the prospectus as the American History charts, the president's administration graphs, the silk feature, or astronomy. If there are young children in the home show the below-school-age features. You can also show additional research material and tell of some of the practical ways in which the research service has helped people. You can show the billboard photos, the letters of endorsement, the monthly business forecast. Don't repeat. Show something new each time. Tell something new.)

The above sales talk was used by salesmen of respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc., in soliciting sales of the encyclopedia sold by them. In one of the printed copies of sales talks used by salesmen of respondent Perpetual Encyclopedia Corporation the statement is made that the salesman represents the Source Research Bureau. This bureau was incorporated by respondent Perpetual Encyclopedia Corporation, and was a part of the organization of said respondent. Lead letters were sent out in that name, and many of the contract forms used by that respondent bore the name Source Research Bureau. In the typewritten and mimeographed sales talks used by respondent Source Research Council, Inc., the statement is made that the salesman represents Source Research Council.

Respondent Edmund P. Rucker, formerly vice president of respondent Perpetual Encyclopedia Corporation, and now and at the time of the hearings in this proceeding a traveling sales manager in charge of a field sales force for respondent Source Research Council, Inc., advertised for salesmen and saleswomen for said latter respondent in various cities in the United States, and supplied applicants who were accepted with copies of the above quoted sales talk, required them to memorize it and repeat it to him, and then directed them to use said sales talk in soliciting sales of the encyclopedia.

Another sales talk in evidence was for use in soliciting sales to business and professional men. A typewritten copy of this sales talk was given to a new salesman in Kansas City, Mo., by respondent Warren T. Davis, president of respondent Source Research Council,

Inc., who also supplied him with a sales kit, and instructed him in the use of the sales talk and sales kit. This sales talk, among other things, states that the encyclopedia is being given away free, that the regular price of it is \$130, and that it will "answer any question pertaining to any subject either for a business or professional man." Respondent Davis instructed the salesman to show the prospective subscriber the \$130 contract form, but to have him sign the \$69.50 which he stated was an advertising offer, and to state that the semi-annual loose-leaf extension service and research bureau privilege would cost \$12 a year after the first year, to "other people", and that the books were therefore worth \$238. Respondent Davis also supplied him with a number of post cards which had been sent in by persons who received the lead letters. The salesman spent several weeks calling on prospects and attempting to sell the Source Book, using said sales talk, and then left the employ of respondent Source Research Council, Inc.

Copies of a different printed sales talk used by respondent Perpetual Encyclopedia Corporation in soliciting sales to parents are in evidence. This sales talk gives the salesmen instructions as to how to present the encyclopedia. Included in the sales talk is the following:

AT THE DOOR

(Never call at a home without knowing the names and grades of the children, also the school the children attend and the school principal.)

Good morning, is this the home of Walter Jones who attends Longfellow School?

It is.

Are you Walter's mother?

Yes.

I am Miss Brown and I am calling on the mothers.

(If prospect insists on knowing something of the nature of your business, say: It is in regard to the school project work.)

Mrs. Smith, the mothers are being visited at this time in a movement to make the school work more effective under the new methods of teaching.

About 200 teachers were chosen to prepare lessons in all the grades from the kindergarten to the last year of high school. They have worked out a wonderful chart plan which is proving a blessing to mothers, teachers, and pupils. Under this new plan, the pupils get their research work quickly, effectively, and lastingly. It has proven such a splendid success that we want every mother to know about it.

YOUNG MOTHER TALK

Mothers of children below school age are being visited at this time in a movement to improve the school work by enlisting the mother's cooperation in laying the proper educational foundation before the child enters school.

First, the teachers have provided for the young mothers a discussion in plain language entitled (point) "Before School Life Begins."

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CURRENT EVENTS

A staff of editors, writers, photographers, and illustrators is maintained in every part of the world. Every 6 months they prepare a review of current events, highly picturized, and this review is sent to you on pages that are perforated to fit your loose-leaf binders.

PAR. 22. Respondent Walter H. Gorham, trading under the name and style of North American Publishing Co., supplied to his salesman sales talks similar to those described above, and instructed them to use such sales talks in soliciting sales of the encyclopedia under the titles "Home and School Reference Work" and "American Reference Library." Raymond Harbaugh, of St. Louis, Mo., worked for said respondent selling the encyclopedia throughout the Western States. He was told by respondent Walter H. Gorham, and by said respondent's brother Norton Gorham, to state to the prospective subscriber that sets of the encyclopedia were being given free to a few people in the city in exchange for a letter of recommendation; to show the \$130 contract to the prospect, but to have him sign an advertising contract for \$59.50; to show the broadsides and advertising sheets, and to make the same representations about them as were made in the sales talks used by respondents Perpetual Encyclopedia Corporation and Source Research Council, Inc.; and to make many other representations which are made in the sales talks hereinbefore described. Said Harbaugh made sales to subscribers by means of said sales talks in various States of the United States.

Prior to the time he worked for respondent Walter H. Gorham, said Harbaugh worked for respondent Perpetual Encyclopedia Corporation selling the encyclopedia under the title Home and School Reference Work, and made similar representations to prospective subscribers as those set forth above. Correspondence between Harbaugh and respondent H. F. McGee, at that time vice president of respondent Perpetual Encyclopedia Corporation is in the record.

PAR. 23. Respondent North American Publishing Co., Inc., instructed its salesmen and representatives in the use of similar sales talks as those hereinbefore described, and said salesmen and representatives made such statements and representations to prospective subscribers in soliciting and selling the encyclopedia under the title Home and School Reference Work. A number of witnesses who had purchased the encyclopedia believing in the truth of such statements and representations testified in this proceeding.

PAR. 24. The statements and representations made in the sales talks described in the three preceding paragraphs are false, deceptive, and misleading. The general method of sale of the encyclopedia followed by all of the respondents, as is shown in the above-described sales talks and in the lead letters heretofore referred to, is to make

subscribers and prospective subscribers believe that they are to be given a set of the encyclopedia free, in exchange for a letter of recommendation, and that it will only be necessary for them to pay for the loose-leaf supplements which keep the encyclopedia up to date. In truth and in fact, respondents do not give and never have given any set of the encyclopedia away free for advertising purposes, or in exchange for a letter of recommendation, or because the person solicited was prominent in the community; do not return and never have returned to the subscriber a bill for the books marked "paid" when the books are delivered; do not ask and never have asked for any opinions of the encyclopedia from such subscribers; do not intend to have and never have had a sales campaign in various communities at a later date to sell the encyclopedia to the general public other than the sales made by their salesmen and representatives at the time the sales talks are being given; and said price of \$59.50 is not intended to only cover the cost of the loose-leaf extension service, but is principally for the books, and also covers the additional items included in the contract or order form, as set forth in paragraph 13 herein. In another respect said statements and representations with reference to the cost are false, deceptive, and misleading, because the cost of \$59.50 is not the total cost the subscriber has to pay if he desires all of the items set forth in the contract, because he must pay \$4.80 additional in order to receive the loose-leaf supplements for ten years, as hereinbefore described.

The statements and representations with reference to the giving away free of the encyclopedia made by their salesmen and representatives, as set forth herein, are the regular method of sale by which respondents sell the encyclopedia under its several titles throughout the United States, and when subscribers call to respondents' attention the aforesaid false, deceptive, and misleading statements and representations made to them by their salesmen and representatives as a means of inducing them to subscribe and pay for said encyclopedia, respondents refuse to cancel said orders and return the purchase price to said subscribers.

PAR. 25. The sales talks described in paragraphs 21, 22, and 23 herein are false, deceptive, and misleading in many other respects, as follows:

The salesmen do not call on the prospective subscriber at the suggestion of the teacher of the school which her child attends, and as a rule do not secure the names of parents of school children from the schools;

The salesmen are not making a preliminary advertising campaign in advance of a sales campaign to be put on later, and are not calling only on two or three prominent persons in the community, but are in-

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structed to call upon and sell as many persons as they can, and there are not any sales campaigns put on at a later date in these cities;

The encyclopedia is not a "brand new encyclopedia", but, as has been heretofore shown in these findings, was prepared in about 1911, and has had only one thorough revision since that time;

The salesman is not calling for the purpose of explaining the encyclopedia, but is there for the purpose of making a sale;

There were not 200 prominent scholars and authorities "responsible for this great work" who have been working five years preparing it at the expense of more than \$2,000,000, because the encyclopedia was prepared, as shown hereinbefore, by H. M. Dixon and a few educators in his employ, and it did not take five years for the compiling of the said work;

There is no "economic and scientific consulting service" maintained by the 200 prominent scholars and authorities whose names are printed in the encyclopedia, the fact being that none of these persons whose names are used answer any questions of subscribers to the encyclopedia, as heretofore pointed out, and the research bureau is composed of a director and one or two assistants who answer as many questions as they can, and where the information is not readily available refer the question to certain other parties who are, however, not those whose names are referred to by the salesmen;

The encyclopedia has never been advertised in the Post (intended to mean the Saturday Evening Post) at a cost of \$7,000 per page, because none of these respondents has ever advertised the encyclopedia in the Saturday Evening Post, and such magazine advertising as has been used was in a few school magazines; and no billboard advertising has generally been indulged in by said respondents, although at one time for an indefinite period a billboard advertisement was maintained in Chicago by respondent Perpetual Encyclopedia Corporation. The company never spent \$500,000 for magazine and billboard advertising;

No house-to-house canvass was intended to be made in the city, and the encyclopedia was never intended to be, and in fact never was, sold for \$130;

The encyclopedia is not a complete record of "everything man has done or thought down to 1928", but is in fact out of date in many of its articles;

The type and spacing of the reading matter was not scientifically adjusted by a group of eye specialists;

The idea of a research bureau did not originate with Dr. Dewitt Burton, formerly president of Chicago University, nor did Dr. Burton have anything to do with the preparation of the encyclopedia;

nor did he invite any distinguished editors to assist him in organizing the Source Research Bureau;

The price of \$59.50 is not the cost of production of the loose-leaf extension pages, but in fact is the price for the encyclopedia, and in order to obtain the loose-leaf supplements it is necessary to send additional money to respondents;

The \$59.50 cannot be paid \$5.95 per year for 10 years, but must be paid within a period of 1 year. In order to obtain loose-leaf supplements subscribers must not only send in the coupon, but an additional 24 cents for each issue. The article on Central America is not typical of the length of articles in the encyclopedia, but, in fact, is probably the longest article in the set, being 10 pages, whereas the average length of articles is one-half page;

The salesman does not intend to leave the city the same day, but stays there until all sets possible have been sold.

The sales talk, part of which is set forth in paragraph 21, where the salesman states he is calling with reference to school work, is false, deceptive and misleading, because the salesman is not interested in the school work of the children, but is endeavoring to sell the encyclopedia. The statements in said sales talk with reference to a staff of editors, writers, photographers, and illustrators, as being maintained in every part of the world, is false, because in fact no staff of any kind is maintained for the purpose of compiling and publishing the loose-leaf supplements, the work being done by a few employees in the office of respondent Perpetual Encyclopedia Corporation, as hereinbefore set forth.

PAR. 26. Respondent Edmund P. Rucker employed salesmen to sell the Source Book for respondent Source Research Council, Inc. His general method of obtaining salesmen was to insert an advertisement in the local newspapers a few days in advance of his visit, stating that men or women were wanted for a traveling position, paying \$50 a week, and giving a local hotel address. The applicants would go to the room indicated in the hotel where respondent Rucker would address them, and explain the work to them. Those who desired to take the position would be required to return the next day, at which time respondent Rucker would supply them with a copy of the sales talk and require them to memorize it and repeat it to him, and also supply them with, and instruct them in the use of, a sales kit.

Six women testified in this proceeding that they had answered such advertisements in their local newspapers, and had met respondent Rucker, been supplied with copies of the sales talk quoted in paragraph 21, and instructed in the method of selling the encyclo-

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pedia, and some of them entered the employ of respondent Source Research Council, Inc., and sold the encyclopedia. One of these women was from Indianapolis, Ind., one from Muncie, Ind., two from Toledo, Ohio, and two from Buffalo, N.Y. They were instructed by respondent Rucker to follow the sales talk as written, and to make all of the false, deceptive and misleading statements and representations contained therein. They all testified that they believed the representations made in the sales talk, and also the representations made to them by respondent Rucker, and one of his assistants, Mrs. Thornburgh, regarding the encyclopedia. One woman testified that she was instructed by respondent Rucker to make the representations in the sales talk, and to state to prospective subscribers that she represented the Source Research Bureau, and that the encyclopedia was published by respondent Perpetual Encyclopedia Corporation.

Respondent Warren T. Davis, president of respondent Source Research Council, Inc., advertised for salesmen in the newspapers in Kansas City, Mo., and supplied those who answered with a sales talk intended for use with business and professional men, and told them to memorize it. One man testified that he was given a sales kit, together with two contract forms, one for \$130 and the other for \$69.50, and that respondent Davis told him to sell the encyclopedia for \$69.50, but to show the \$130 contract and represent that that was the regular price of the set. In the sales kit supplied to him was the advertising sheet to be represented as from the *Saturday Evening Post*, a photograph of a billboard advertisement of respondent Perpetual Encyclopedia Corporation, and other material. Respondent Davis instructed him to represent to prospective subscribers that they were being given the encyclopedia free of charge and paying only for the loose-leaf extension service.

In securing prospects upon whom to call in soliciting the sale of the Source Book, respondent Edmund P. Rucker in some instances visited the public library of a city and secured the names of club women and presidents of parent-teachers associations from the city directory. He also visited the several banks in the city and secured blank checks from them, which he filled out in the name of respondent Source Research Council, Inc., and signed the names of the women which he had secured from the city directory to said checks, and filled in the names of said women to blank contract forms, then gave the contracts and checks to his saleswomen with instructions that the contracts and checks were to be shown prospective subscribers upon whom they called, and represented as being contracts signed by, and checks given by, said women for subscriptions to the encyclopedia.

Said saleswomen to whom these contracts and checks were given were further instructed that if the prospective subscribers became suspicious, they were to get out of the house as soon as possible.

Respondent Edmund P. Rucker had been vice president and sales manager of respondent Perpetual Encyclopedia Corporation, and was in the employ of that company for a number of years, and was well known to respondent Frank J. Mackey. His methods of selling the encyclopedia were known to respondent Mackey and to respondent Warren T. Davis, vice president of respondent Source Research Council, Inc., and they permitted him to use such methods as he saw fit in the sale of the encyclopedia, and approved his said methods by accepting and trying to enforce collection of contracts secured by such means.

PAR. 27. Salesmen employed by respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., with the knowledge and approval of said respondents, in soliciting the sale of and selling the encyclopedia published by respondent Perpetual Encyclopedia Corporation under the titles Home and School Reference Work, Source Book, and American Reference Library, made the false, deceptive, and misleading statements and representations contained in the sales talk set forth in paragraph 21 and in the other sales talks described in paragraphs 21 and 22 to subscribers and prospective subscribers of said encyclopedia, and said subscribers purchased the said encyclopedia in the belief that the said statements and representations were true.

Salesmen and representatives of respondent North American Publishing Co., Inc., with the knowledge and approval of said respondent, in soliciting the sale of and selling the encyclopedia under the title Home and School Reference Work, made similar statements to those contained in the aforesaid sales talks, especially the statements and representations to the effect that the said encyclopedia was being given away free in return for a letter of recommendation of the work, and the statements and representations with reference to the prominent men who are contributors to the encyclopedia and members of the research bureau, to subscribers and prospective subscribers of said encyclopedia, and said subscribers purchased the said encyclopedia in the belief that the said statements and representations were true.

Respondent George A. Seiler employed salesmen under his direction on the Pacific coast and in the Western States to sell the encyclopedia under the titles Home and School Reference Work and Source Book, and said salesmen made the false, deceptive, and mis-

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leading statements and representations contained in the aforesaid sales talks to subscribers and prospective subscribers of said encyclopedia and said subscribers and prospective subscribers purchased the said encyclopedia in the belief that the said statements and representations were true.

PAR. 28. Salesmen employed by respondent Perpetual Encyclopedia Corporation procured the signatures of subscribers to the encyclopedia published by that respondent by means of various subterfuges, tricks, and artifices, in addition to the ones heretofore referred to, by means of which subterfuges, tricks, and artifices the subscriber signed a contract or other obligation to purchase the encyclopedia without knowing that the paper which he or she signed was such an obligation.

In one instance a salesman of respondent Perpetual Encyclopedia Corporation called at the home of a school teacher in Idaho and solicited the sale of the encyclopedia. He obtained her signature to a small slip of paper which he stated was not a contract for the encyclopedia, but which was merely to get her name in order that material concerning the books could be sent to her. She never received any material concerning the books, but did later receive a set of the encyclopedia which she immediately returned to the respondent, with a letter advising said respondent of the circumstances under which she signed the contract. Respondent continued to endeavor to collect the contract price of the encyclopedia.

A school teacher in the State of Washington was called upon by a salesman of respondent Perpetual Encyclopedia Corporation at her school, and said salesman made a sales talk endeavoring to sell her the encyclopedia, and asked her to sign a slip of paper which she did not have an opportunity of reading because of lack of time, but which she found upon a more careful reading to be a contract. The salesman represented that it was a memorandum which he could send to the Los Angeles office of said respondent. The teacher immediately wrote to the company stating she would not accept the books because of the misrepresentation made by the agent, but respondent sent the books and endeavored to collect the contract price. In addition, said respondent wrote two letters to the superintendent of schools of the city in which the teacher was employed, advising him that she had broken her contract with the company.

A salesman of respondent Perpetual Encyclopedia Corporation called upon a business man in Kansas City, Mo., and advised him that he was to be given a set of the encyclopedia free. After signing the order blank the salesman informed him that he would have to pay something for the 10-year service, whereupon the prospective sub-

scriber wrote the word "canceled" across the face of the contract and returned it to the salesman, who stated it would have to be sent in to the company. A short time later a set of the encyclopedia was received by the business man who refused to accept them. Respondent Perpetual Encyclopedia Corporation continued efforts to collect the amount of the contract.

A salesman of respondent Perpetual Encyclopedia Corporation named Freeson, called upon a high-school teacher in Tacoma, Wash., and made many misrepresentations regarding the encyclopedia, and induced her to sign a contract with the understanding it was to insure her getting the encyclopedia free of charge. She made no initial payment, but the agent stated he would send a check for her. The same night she wrote to the company and explained the matter, stating that the proposition had been misrepresented to her, and that she would not accept the books. After receiving her letter said respondent sent the books to her, which she refused to accept, and endeavored to collect the contract.

The same salesman Freeson called upon a school teacher in Tacoma, Wash., soliciting the sale of the encyclopedia. He advised the teacher that if she would sign a card saying she would take the books and use them for a certain length of time, and write a letter of recommendation, he would have the books sent to her. He endeavored to have her sign a contract for the books which she refused to do, and upon her requesting a return of the card she had signed he refused to give it to her. A few days later he called at her home while she was away and persuaded her mother to sign the teacher's name on a contract. The teacher refused to pay for the books, and explained the matter fully to respondent Perpetual Encyclopedia Corporation, but said respondent continued to endeavor to collect the contract.

A salesman named Green called upon a business man of Toledo, Ohio, and solicited a subscription to the encyclopedia, and offered to give it to him free. He asked the prospective subscriber to sign his name on a card giving his name and address, stating that it was not a contract. Later the books arrived and the business man wrote a letter to the company advising them of the circumstances, and refused to pay for the books. Respondent Perpetual Encyclopedia Corporation made continued efforts to collect the contract.

A salesman named R. E. Hodges, representing respondent Perpetual Encyclopedia Corporation, called upon an old lady of 83 years, in Long Beach, Calif., who had been an invalid for many years. He represented that he was selling the New International Encyclopedia, published by Dodd-Mead & Co. The lady had previ-

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ously written to Dodd-Mead & Co. making inquiries regarding the New International Encyclopedia. Salesman Hodges was at the time selling both the Source book for respondent Perpetual Encyclopedia Corporation, and New International Encyclopedia for Dodd-Mead & Co. After finding out that she had purchased the encyclopedia published by respondent herein she wrote a letter to said respondent advising it of the circumstances, and also took the matter up with Dodd-Mead & Co. The salesman for the said respondent sold its encyclopedia to this subscriber by representing that he was selling the New International Encyclopedia.

In many instances representatives of respondent Perpetual Encyclopedia Corporation and respondent Source Research Council, Inc., secured the signature of subscribers to contracts by representing that the books would be sent on approval and could be returned if not satisfactory; by representing that the encyclopedia was particularly fitted for use in the profession to which the prospective subscriber belonged, whether engineering, banking, medical or legal; and by changing the terms of the contract after it had been signed by the subscriber, and by other devices.

In the sale to the secretary of a Young Women's Christian Association in the State of Washington, she wrote across the face of the contract the word "approval" in accordance with an understanding with the salesman that it would be necessary to secure the approval of the chairman of the education committee of the association before the books could be purchased. In spite of said understanding the books were delivered by respondent Perpetual Encyclopedia Corporation, which respondent made strenuous efforts to collect the account after being advised of the circumstances under which the contract was signed.

Salesman for respondent Perpetual Encyclopedia Corporation represented to a physician in Minneapolis, Minn., that the encyclopedia was particularly valuable in the medical profession; to certain professors connected with the University of California that the encyclopedia was a medical encyclopedia, published by Thomas Nelson & Sons, who were publishers of a loose-leaf medical encyclopedia; to a chemist that the books would be particularly helpful to him in laboratory work; to a landscape artist that they were especially adapted to that profession; to an engineer that the encyclopedia contained technical information in structural steel work; to the principal of a junior high school that it was the best encyclopedia that could be had for junior and senior high-school work; to a constructor of airplanes, that it covered aeronautical engineering, with special data on liberty motors; to a number of investment brokers in

Portland, Oreg., that the services accompanying the books were financial services, including Brookmire's, Poor's, Moody's, Babson's, and other nationally known services; to a radio engineer that the encyclopedia contained detailed scientific data in connection with radio; and other similar statements to other subscribers in various occupations.

The use of false, deceptive, and misleading sales talks and lead letters, and the use of contracts in which an exaggerated price is printed, which said price is crossed out and a much lower price inserted, together with the use of advertising sheets showing exaggerated prices for the encyclopedia and services, as was done by salesmen for respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., constitute subterfuges, tricks and artifices in the sale of the encyclopedia, as do also these specific misrepresentations referred to heretofore in this paragraph, and respondents knew that their salesmen were using such methods and authorized and approved the use of such subterfuges, tricks and artifices in selling the encyclopedia published by respondent Perpetual Encyclopedia Corporation.

PAR. 29. Many other false, deceptive, and misleading statements and representations were made by salesmen for the said respondents to induce the sale of the encyclopedia sold by them, among them being representations that the encyclopedia was approved and recommended by the superintendent of schools, when in fact it was not so approved or recommended; that friends of the prospective subscriber had bought the encyclopedia when in fact such statements were not true; and that the encyclopedia was sponsored by the parent-teachers association, when in fact it was not so sponsored. Salesmen for the said respondents made such representations, no matter how false and misleading they might have been, which would enable them to make a sale to the person being solicited, and after attention of the said respondents was called to the misrepresentations of their said salesmen by the subscriber, said respondents refused to cancel the contracts and return the initial payment, but made continued efforts to collect the account, and threatened to bring legal proceedings against said subscribers.

PAR. 30. In many instances salesmen for respondent Perpetual Encyclopedia Corporation changed the terms of the contract or order form after it had been signed by the subscriber, or wrote the name of a person on the contract or order form who had not in fact signed said contract. In the case of the wife of a dentist in Indian-

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apolis, Ind., a salesman for said respondent stated that the encyclopedia could be paid for annually, but when his attention was called to the contract stating it must be paid every 30 days, he stated that he would cross out these words and insert the word "annually". He did cross out the said printed words and added other words, but after he had left, the subscriber found that he had written in pencil on the contract "30 days" over the same printed words, so that the contract required payment every 30 days. In this case also the subscriber did not sign the contract, but the agent wrote her husband's name on the face of the contract and sent it in. Immediately upon receipt of the books full explanation was written to respondent, but efforts were made to collect the account.

In the case of a physician in Toledo, Ohio, the salesman agreed that the payment should be made for the services \$6 annually, but the amount to be paid was left blank on the contract when signed by the subscriber. The salesman filled it out so that the payments were monthly, instead of annually. Respondent was advised of the facts, but made efforts to collect the account.

In a case in Lansing, Mich., respondent Perpetual Encyclopedia Corporation delivered a set of the encyclopedia to a dead man. The books were refused. Respondent thereupon addressed a letter to the dead man, enclosing a copy of a contract filled out in the name of the deceased, and claimed that the contract had been signed by him. As a matter of fact, the date of the contract was two days after the death of the man, the occupation given had never been his occupation, and the name given as the name of his employer was that of a company which did not exist. When advised by the family of these facts respondent Perpetual Encyclopedia Corporation and respondent Source Research Council, Inc., which had taken over the business of the former respondent after December 1, 1927, wrote many letters endeavoring to collect the amount claimed to be due, drew a draft in the name of the deceased through a bank in the city, and wrote letters in the name of an attorney threatening to bring suit.

PAR. 31. Respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., represented in the lead letters sent out by them, in the advertising material supplied to salesmen, in the sales talks supplied to salesmen, and by statements and representations made by their salesmen and authorized and approved by them, that the encyclopedia sold by said respondents was a new, completely revised, and up-to-date encyclopedia, giving a complete record of "everything man has done or thought down to 1928".

The encyclopedia published by respondent Perpetual Encyclopedia Corporation, and sold by that respondent and respondents Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., under the titles "Home and School Reference Work", "Source Book", and "American Reference Library", is not a new and up-to-date encyclopedia, and is not a completely revised encyclopedia. The facts with reference to the original compiling of the encyclopedia and the revisions which it has had have been heretofore fully set forth in these findings. The encyclopedia, in fact, is a publication giving more or less superficial summaries as to information upon the topics treated. To represent said encyclopedia as a new and completely revised, up-to-date publication giving a complete record of man's thoughts and actions down to 1928, is false, deceptive, and misleading, and causes the public to subscribe to said encyclopedia in the mistaken belief that such representations are true.

PAR. 32. In endeavoring to collect the sums of money claimed to be owing to it from subscribers who have purchased its encyclopedia in the belief that the statements and representations made by salesmen, and set forth hereinbefore, are true, respondent Perpetual Encyclopedia Corporation has employed the names of attorneys, and the names of fictitious collection agencies purporting to be independent organizations for collection of credit information and the collection of accounts, and through these names, and by other means, has threatened and coerced said subscribers into paying part or all of the money due on contracts secured by fraudulent, misleading, and deceitful statements and representations of said respondent and its salesmen, and has threatened to make known to third parties the claimed indebtedness by advertising in the local newspapers of the city in which the subscriber lives, and by drawing drafts on said subscribers through the banks of their cities.

Said respondent used the name H. M. Madden, attorney at law, 521 Monroe Building, Chicago, Ill., and had many form letters printed in said name, and also wrote original letters on letterheads bearing said name, which letters were sent to delinquent subscribers. The signature of the letter was in the name of the attorney, and was put on the letters by an employee in the collection department of said respondent. There is, or was, an attorney by the name of H. M. Madden, but he was not engaged in the practice of law in the city of Chicago at the time of the hearings in this proceeding, and no information regarding him could be had. Respondent Frank J. Mackey claimed to have authority from H. M. Madden to use his name in collecting his accounts, and to print letters and legal forms in his

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name, but was unable to produce any such authority, written or oral. The address used on the letters was that of the offices occupied by respondent Perpetual Encyclopedia Corporation, but was given as a room in the building instead of the address of said building as printed on the stationery of said respondent. The purpose was to conceal the fact that the subscriber was in fact writing to respondent's offices, and to make him believe he was corresponding with an attorney at law.

More recently said respondent has been using in a similar way the name S. M. Smith, attorney at law, 521 Monroe Building. Said S. M. Smith is a woman employee in the collection department of said respondent, who is a member of the bar, but not engaged in the practice of law.

Respondent Perpetual Encyclopedia Corporation used the names of two collection agencies in collecting its accounts. One was Merchants Credit Reporting Association, and the other was International Collection and Adjustment Bureau. Both organizations were fictitious, and did not exist in fact. The letters were all sent out by the collection department of respondent, and all replies to letters were received by said respondent. The letterhead of the Merchants Credit Reporting Association bears the statement that it has offices in the principal cities of the world, that it is not a collection agency, and that its purpose is to gather and report credit information regarding individuals which was to be published in a credit rating book to be distributed to merchants and business organizations. A letter on the letterhead of this fictitious organization would be sent to delinquent subscribers inquiring why the subscriber did not pay the account of respondent. No matter what statements were sent in by the subscribers regarding misrepresentations of salesmen of respondent, no consideration was ever given them by respondent. The purpose of the use of such fictitious name was to coerce the subscriber into paying the account to avoid being listed in a credit rating book as a delinquent creditor, and to make the subscriber believe he was corresponding with an independent collection agency.

The name International Collection and Adjustment Bureau was used by respondent in collecting its delinquent accounts, and the said fictitious collection agency was represented as being a wholly independent and reputable agency engaged in the business of collecting accounts. Correspondence was carried on with all delinquent subscribers in the name, and on the letterheads, of said fictitious organization. In many instances when a subscriber failed to make payments, a letter would be sent to him on the letterhead of respondent Perpetual Encyclopedia Corporation, advising that the original

of the enclosed carbon copy of a letter had been sent to the said International Collection and Adjustment Bureau or to S. M. Smith, attorney. The purported letter, of which copy was enclosed, was as follows:

We are anxious to know his holdings of real estate and personal property, including household effects and all items of attachable value. Also report on his bank account and general credit rating.

We are particularly interested in getting a complete report as this has been an especially aggravated case and we are determined to press it to the limit. Enclosed is a copy of a letter we are sending to the debtor today.

The purpose of said letters was to coerce, threaten, and frighten a subscriber into paying his account.

In some instances letters were sent to delinquent subscribers on the letterhead of the said fictitious collection agency stating that the claim of said respondent had been sold, assigned, and transferred to said fictitious collection agency, and that if payment was not immediately made the claim would be advertised for sale in the local newspaper of the city or town in which the subscriber lived, as follows:

FOR SALE AT A BARGAIN

Promissory note dated December 8, 1924, in the sum of \$79 given in payment of a set of Home and School Reference Work, 10 years' membership in the Bureau of Research, 10 years' Loose Leaf Extension Service and 12 monthly Service Bulletins. There is a balance of \$72 unpaid on this account. This note signed by (the subscriber's name was inserted here). His business address is _____. For further particulars write the International Collection and Adjustment Bureau, 614 Monroe Building, Chicago, Ill.

The use of such letters to collect money due on contracts obtained by false, deceptive and misleading statements and representations, is highly improper, and constitutes coercion and threats amounting practically to blackmail.

Another method used by said respondent to collect its delinquent accounts was to prepare communications in the form of a legal summons, entitled "Final Notice Before Suit." Said documents were phrased in legal language, and bore the name of the State of Illinois, County of Cook, at the top, with a space for docket number, the names of creditor and debtor, with the name of H. M. Madden, attorney, at the bottom. Many of said documents were sent to delinquent subscribers by respondent. The purpose of the use of such documents was to make the subscriber believe that he was receiving a summons to court and to frighten him into paying the account and said documents did have such effect. Under the laws of the State of Illinois, in which State respondent corporation was organized and is doing business, the use of documents simulating or intended to simulate a summons, writ, or other process, is a misde-

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meanor, and punishable by a fine of not less than \$10, or more than \$300, or imprisonment for not more than 6 months, or both.

Another method of collection customarily used by respondent Perpetual Encyclopedia Corporation was to draw a draft on delinquent subscribers through one or more of the banks in the city in which he resides.

When subscribers who purchased the encyclopedia from respondent Perpetual Encyclopedia Corporation found that the statements and representations made to them by salesmen of said respondent were false and misleading, and that the encyclopedia and services had been misrepresented to them, they would write letters to said respondent, advising it of the misrepresentations of its salesmen, and canceling their orders. Respondent in no instance would cancel the order and return the initial payment, but would write to the subscriber calling attention to the clause on the contract that it was uncancellable, and insist on payment. In many instances respondent would deny that the salesmen had made the representations claimed by the subscriber, without consulting the said salesmen, and would claim that it had been put to great expense in paying the salesmen's commissions and enrolling the name of the subscriber in the research bureau. In no instance was it shown that respondent returned the initial deposit paid by the subscriber. Several hundred letters passing between respondent and its subscribers are included in this record as exhibits. The policy of respondent Perpetual Encyclopedia Corporation in all controversies with its subscribers was that the salesman was right and the subscriber was wrong.

The use by respondent Perpetual Encyclopedia Corporation of methods of collection of its delinquent accounts from subscribers who purchased its encyclopedia believing that statements and representations made to them by salesmen of said respondent were true, and who advised respondent of such false, misleading and deceptive statements and representations, which said methods of collection do and are intended to threaten, coerce and frighten said respondents into paying accounts obtained under such circumstances, is reprehensible and improper, and is unfair to said subscribers.

PAR. 33. Respondents Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, doing business under the name and style of North American Publishing Co., used the names of attorneys at law to collect their accounts, and had form letters printed in said names, and also wrote original letters on letterheads bearing said names, which letters were sent to delinquent subscribers. Said letters were signed by employees in the collection departments of the said respondents, and no authority to use such names was shown, and there was nothing in the record to indicate

that such authority was given said respondents. Respondent Source Research Council, Inc., used the name of S. M. Smith, attorney at law; respondent North American Publishing Co., Inc., used the name of Claudius A. Hand, counsellor at law, and respondent Walter H. Gorham used the name William A. Peterson, 42 Pearson Street, Chicago, Ill. The names of said attorneys were used by said respondents in the same way and manner and for the same purposes as were the names of the attorneys used by respondent Perpetual Encyclopedia Corporation.

PAR. 34. Respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., used various fictitious trade names for the purpose of securing subscriptions to the encyclopedia sold by them, and some of the experienced salesmen employed by said respondents also used certain fictitious trade names with the approval of said respondent. Among such names were United Press Syndicate, North American Publicity Service, American Bureau of Research, Source Research Bureau, Business Extension Institute, The Perpetual Research Bureau, International News Service, Home and School Education Society, Woodrow Wilson Institute, and National Press Syndicate. The purpose in using said fictitious trade names was to conceal the fact from the prospective subscriber that he was being solicited by a book salesman to purchase an encyclopedia.

PAR. 35. Respondent Perpetual Encyclopedia Corporation used late copyright dates in the encyclopedia published by it, and left out the dates of previous copyrights which had been obtained by said respondent. In some instances said respondent published a copyright date in its encyclopedia when in fact no copyright had been obtained during said year. The purpose of publishing only the latest copyright date, and neglecting to print previous copyright dates in said encyclopedia, was to lead the subscribers to believe that said encyclopedia was a new publication which had been published as of the year the date of which was printed in said encyclopedia. The copyright laws of the United States require that a publication shall bear the dates of all copyrights of the material contained in it. The use of such late copyright dates by said respondent was false, deceptive, and misleading to subscribers and the public.

PAR. 36. Respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., employed salesmen to sell the encyclopedia being distributed by them, which salesmen said respondents knew used false and misleading sales talks, and continued to employ

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said salesmen after their use of said false, misleading, and deceptive sales talks had been brought to the attention of said respondents. Many of the salesmen employed by said respondents were men long experienced in the sale of subscription books, and had worked for competitors of respondents, and in some instances had worked for said respondents in previous years, and their methods of sale were well known to said respondents.

Respondents authorized and approved the use by their salesmen of false, misleading and deceptive statements and representations to prospective subscribers with reference to the encyclopedia, and authorized and approved the use by salesmen of false, deceptive, and misleading lead letters sent out by said salesmen to obtain names of prospective subscribers to said encyclopedia.

PAR. 37. Respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., and respondents Frank J. Mackey, H. F. McGee, Harold C. Sherman, Robert T. Mackey, Edmund P. Rucker, Warren T. Davis, John J. Hennessy, Leonard C. Maier, Turney T. Culp, Russell O. Priebe, Emma L. Priebe, Walter H. Gorham, and George A. Seiler, individually, and as officers or agents of the corporation respondents herein, had knowledge of, and participated in, the false, deceptive, and misleading sales methods employed by said corporation respondents in the sale of the encyclopedia published by respondent Perpetual Encyclopedia Corporation, and re-sold by them to the public at retail, as hereinbefore set out in detail.

There was a close connection between the individual respondents and the corporation respondents in this proceeding. Respondent Perpetual Encyclopedia Corporation published the encyclopedia and sold it to respondents North American Publishing Co., Inc., and respondent Russell O. Priebe and Emma L. Priebe, officers of said respondent corporation; respondent Source Research Council, Inc., and the individual respondents named herein as officers of said respondent corporation; and respondent Walter H. Gorham, trading under the name and style of North American Publishing Co. Respondent Perpetual Encyclopedia Corporation also printed and sold to said above named respondents the broadsides, advertising sheets and other selling supplies necessary to the sale of said encyclopedia. Respondents Frank J. Mackey and Edmund P. Rucker had been engaged in the sale of encyclopedias by the subscription plan for years before the formation of respondent Perpetual Encyclopedia Corporation, and had both been associated with H. M. Dixon in the sale of the encyclopedia under the name Home and

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School Reference Work. Respondent Walter H. Gorham had also sold the encyclopedia when it was published by H. M. Dixon, and in January, 1923, began buying the encyclopedia from respondent Perpetual Encyclopedia Corporation, and for more than a year thereafter occupied space in the offices of said respondent. Respondents Frank J. Mackey, Harold C. Sherman, Robert T. Mackey, and Edmund P. Rucker knew the sales methods previously used by respondent Walter H. Gorham when selling said encyclopedia, and sold said respondent Gorham the encyclopedia in the knowledge that said Gorham would use the same methods in reselling it to the public at retail. Respondents Frank J. Mackey, Harold C. Sherman, Robert T. Mackey, and Edmund P. Rucker sold the encyclopedia published by them to respondents North American Publishing Co., Inc., and Russell O. Priebe and Emma L. Priebe, with the knowledge that said respondents were using the methods set forth in these findings in reselling said encyclopedia to the public at retail. Respondent Warren T. Davis had been associated with respondent Frank J. Mackey in the latter's Canadian company for several years prior to his coming to Chicago, to become one of the organizers of respondent Source Research Council, Inc., and was brought to Chicago by said respondent Mackey for the purpose of forming said corporation and taking over the retail business of respondent Perpetual Encyclopedia Corporation. Respondents John J. Hennessy, Leonard C. Maier, and Turney T. Culp had all been employees of respondent Perpetual Encyclopedia Corporation for a number of years prior to the formation of respondent Source Research Council, Inc. Respondent George A. Seiler had been connected with respondent Perpetual Encyclopedia Corporation for a number of years as manager of said respondent's Pacific coast office, and respondent Frank J. Mackey authorized and approved of his methods of sale.

All of the individual respondents named herein were aware of, participated in, and approved of, as individuals and as officers of the respective respondents with which they were connected, the sales methods used by said corporation respondents in the sale of the encyclopedia published by respondent Perpetual Encyclopedia Corporation. All of said respondents are now, or since 1924 have been at some time engaged in the sale of said encyclopedia, either individually or as officers or employees of respondents Perpetual Encyclopedia Corporation, Source Research Council, Inc., or North American Publishing Co., Inc.

PAR. 38. There are competitors of respondents engaged in the sale and distribution of encyclopedias, and other books of reference, by the subscription method in interstate commerce who do not use the

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same or similar methods of sale of said encyclopedias or books of reference, as used by the respondents named herein and set forth hereinabove. The use by these respondents of the false, deceptive, and misleading methods of sale set forth in the preceding paragraphs did, and does, injuriously affect the business of competitors who do not use such methods.

CONCLUSION

The practices of respondents Perpetual Encyclopedia Corporation, and the other corporation and individual respondents named herein, 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. The use by respondents of the methods of sale hereinabove described in these findings 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 and other reference works to persons who believe said false representations as made by respondents to be true, and who purchase respondents' encyclopedia 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 encyclopedia; and

(3) It causes the public to lose confidence in 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 amended complaint of the Commission, the answers of the several respondents, and the testimony taken and briefs filed herein, 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 Perpetual Encyclopedia Corporation, North American Publishing Co., Inc., Source Research Council, Inc., Frank J. Mackey, individually and as president of Perpetual Encyclopedia Corporation, H. F. McGee, individually and as vice president of Perpetual Encyclopedia Corporation, Harold C. Sherman, individually and as secretary of Perpetual Encyclopedia Corporation, Robert T. Mackey, individually and as treasurer of Perpetual Encyclopedia Corporation, Edmund P. Rucker, individually and as vice president of respondent Perpetual Encyclopedia Corporation, Warren T. Davis, individually and as president of Source Research Council, Inc., John J. Hennessy, individually and as vice president of Source Research Council, Inc., Leonard C. Maier, individually and as secretary of Source Research Council, Inc., Turney T. Culp, individually and as treasurer of Source Research Council, Inc., Russell O. Priebe and Emma L. Priebe, individually and as officers of North American Publishing Co., Inc., Walter H. Gorham, trading under the name and style of North American Publishing Co., and George A. Seiler, individually and as Pacific coast manager of Perpetual Encyclopedia Corporation and Source Research Council, Inc., 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, selling or offering for sale the set of books heretofore advertised, sold and offered for sale under the name or titles Home and School Reference Work, American Reference Library, and Source Book, under any other name or title than Source Book.

(2) Advertising or representing in any manner to purchasers or prospective purchasers that any books or sets of books offered for sale and sold by them 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 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.

(4) Advertising or representing in any manner that purchasers or prospective purchasers of the encyclopedia sold by them are only buying or paying for loose-leaf supplements intended to keep the set of books up to date, or that 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.

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(5) Requiring purchasers of the encyclopedia sold by them to pay additional sums of money in order to receive semiannual loose-leaf supplements intended to keep the encyclopedia up to date, when such supplements were sold to said purchasers as part of the contract of purchase of said encyclopedia.

(6) Advertising or representing in any manner that the semi-annual loose-leaf extension service and the bureau of research privilege are sold separately to others than purchasers of the encyclopedia sold by them at a price of \$12 per year, or at any other price, when such is not the fact.

(7) Advertising or representing in any manner that the encyclopedia is regularly sold at a price of \$130, and that at a later date all purchasers of it will be required to pay said price.

(8) Advertising or representing in any manner to purchasers and prospective purchasers that the encyclopedia sold by them is to be put on sale at a later date at a price greatly in excess of the price at which said encyclopedia is then being sold or offered for sale.

(9) Using contract forms, or order blanks, which have printed thereon prices for the encyclopedia and additional services which are greatly in excess of the prices at which said encyclopedia and services are intended to be, and are customarily sold.

(10) Using contract forms, or order blanks, which do not fully and plainly inform purchasers and prospective purchasers of all charges to be paid for the encyclopedia and services sold in connection with it.

(11) Representing in any manner that the semiannual loose-leaf extension service, or the bureau of research privilege, or both, can be paid for at a rate of \$6.95 a year, or any other annual sum, when such is not the fact.

(12) Advertising or representing in any manner that any person is a contributor, reviewer or revisor of any encyclopedia, or other set of books, unless and until such person has actually contributed an article or articles to said publication, or has actually reviewed or revised an article or articles submitted to him, and shall have given permission to respondents to use his name as a contributor, reviewer or revisor.

(13) Advertising or representing in any manner that any persons are members of a consulting staff or any research or other bureau connected with any encyclopedia, or other set of books, sold by respondents, and that questions sent in by subscribers are referred to said persons for answer, unless and until said persons are actually retained by said research or other bureau for the purpose of answering questions of subscribers, or such questions are actually referred

to said persons, and said persons have consented that their names can be used for that purpose.

(14) Advertising or representing in any manner that their encyclopedia was edited and prepared by a society of 200 teachers, when such is not the fact.

(15) Advertising or representing in any manner that 200 or more eminent educators and scholars prepared and edited the encyclopedia sold by them when such is not the fact.

(16) Advertising or representing in any manner that the encyclopedia sold by them is a recently completed, new and up-to-date encyclopedia, when such is not the fact.

(17) Using the names of, or preparing letters or other communications in the names of attorneys at law, and sending out such letters or communications to delinquent purchasers, in order to collect its accounts, unless and until permission has been obtained from such attorneys to use their names in such a manner.

(18) Advertising or representing in any manner that the encyclopedia sold by them is superior to the Encyclopedia Britannica, and other well-known encyclopedias, when such is not the fact.

(19) Advertising or representing in any manner that the usual and customary selling price of the encyclopedia sold by them is higher than the price at which it is being offered to the particular purchaser or prospective purchaser, when such is not the fact.

(20) Using any false, deceptive, and misleading statements and representations in the sale of or offering for sale of, the encyclopedia sold by them.

It is further ordered, That respondents Perpetual Encyclopedia Corporation, North American Publishing Co., Inc., Source Research Council, Inc., Frank J. Mackey, individually and as president of Perpetual Encyclopedia Corporation, H. F. McGee, individually and as vice president of Perpetual Encyclopedia Corporation, Harold C. Sherman, individually and as secretary of Perpetual Encyclopedia Corporation, Robert T. Mackey, individually and as treasurer of Perpetual Encyclopedia Corporation, Edmund P. Rucker, individually and as vice president of Perpetual Encyclopedia Corporation, Warren T. Davis, individually and as president of Source Research Council, Inc., John J. Hennessy, individually and as vice president of Source Research Council, Inc., Leonard C. Maier, individually and as secretary of Source Research Council, Inc., Turney T. Culp, individually and as treasurer of Source Research Council, Inc., Walter H. Gorham, trading under the name and style of North American Publishing Co., and George A. Seiler, individually and as Pacific coast manager of Perpetual Encyclopedia Corporation and Source Research Council, Inc., and each of them, their

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officers, agents, representatives, and employees, in connection with the offering for sale of any books, or 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) Using advertising sheets upon which are printed prices for the encyclopedia and additional services which are greatly in excess of the prices at which said encyclopedia and additional services are intended to be, and are customarily sold.

(2) Representing in any manner that the advertising sheets carried by their salesmen are reproductions of advertisements in the Saturday Evening Post, or any other magazine or periodical, when such is not the fact.

(3) Advertising or representing in any manner that the encyclopedia sold by them was specially prepared for the use of teachers and pupils, when such is not the fact.

(4) Representing to purchasers or prospective purchasers that they are being called upon in connection with the school work of said purchasers' or prospective purchasers' children, or at the request of the teachers of the school which the said children attend, when such is not the fact.

(5) Using the names of, or representing that the encyclopedia or other set of books, sold by them has been purchased by any person or persons who have not actually bought said encyclopedia, or other set of books.

(6) Representing in any manner that the encyclopedia sold by them is prepared for and is of especial benefit to a person who is engaged in the profession or trade of the purchaser or prospective purchaser being solicited.

It is further ordered, That respondent Perpetual Encyclopedia Corporation, Frank J. Mackey, individually and as president of Perpetual Encyclopedia Corporation, H. F. McGee, individually and as vice president of Perpetual Encyclopedia Corporation, Harold C. Sherman, individually and as secretary of Perpetual Encyclopedia Corporation, Robert T. Mackey, individually and as treasurer of Perpetual Encyclopedia Corporation, Edmund P. Rucker, individually and as vice president of Perpetual Encyclopedia Corporation, and Walter H. Gorham, trading under the name and style of North American Publishing Co., 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) Using the names of fictitious firms or agencies on letters and other communications in order to obtain names of prospective pur-

chasers, and to conceal the fact that said communications are from companies or individuals engaged in selling books.

It is further ordered, That respondents Perpetual Encyclopedia Corporation, Frank J. Mackey, individually and as president of Perpetual Encyclopedia Corporation, H. F. McGee, individually and as vice president of Perpetual Encyclopedia Corporation, Harold C. Sherman, individually and as secretary of Perpetual Encyclopedia Corporation, Robert T. Mackey, individually and as treasurer of Perpetual Encyclopedia Corporation, and Edmund P. Rucker, individually and as vice president of Perpetual Encyclopedia Corporation, 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) Selling or offering for sale, either at wholesale or retail, any encyclopedia or set of books of the same text and material under more than one name or title at the same time.

(2) Selling the text and content material of any encyclopedia or other set of books, in such a way or manner 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 respondents for said text and content material.

(3) Including in any encyclopedia, or other set of books, the name of any person as a contributor, reviewer or revisor to said encyclopedia, or other set of books, unless and until such person has actually contributed an article or articles to said publication, or has actually reviewed or revised an article or articles submitted to him, and shall have given permission to respondents to use his name as a contributor, reviewer or revisor.

(4) Advertising or representing in any manner that a staff of editors, writers, photographers and illustrators, is maintained in every part of the world for the purpose of preparing the semi-annual loose-leaf supplements, when such is not the fact.

(5) Representing in any manner that the encyclopedia is sold on approval, and that the purchaser can cancel his subscription after an examination of the encyclopedia if not satisfied, when such is not the fact.

(6) Changing the terms of a contract, or order form, in any manner after it has been signed by the purchaser.

(7) Representing to the prospective purchaser that he or she is signing a memorandum, receipt, or other informal paper when in fact the paper being signed is a contract, or order form, for the encyclopedia.

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(8) Sending letters or other communications in their own names or in the names of fictitious collection agencies, threatening to publish the names of delinquent purchasers in the newspapers of the respective cities in which such purchasers live, or otherwise threatening action against said delinquent purchasers, when said purchasers have been induced and persuaded to sign a contract, or order form, for the encyclopedia, or other set of books, by false, deceptive and misleading statements and representations, and have informed respondents of said false, misleading, and deceptive statements and representations made to them.

(9) Using letters or other documents prepared in a manner to simulate, or intended to simulate summonses, writs or other legal processes, to collect their delinquent accounts.

(10) Representing in any manner that the encyclopedia sold by them is published by, or that its publisher is connected with, other publishers of recognized reference books, when such is not the fact.

(11) Representing in any manner that the purchaser of the encyclopedia sold by them will be furnished with well-known financial services, when such is not the fact.

(12) Printing in any encyclopedia or other set of books, published by them as copyright dates, years in which no copyrights were obtained; or printing in said publications any copyright dates unless all dates of years in which copyrights were obtained are also printed.

It is further ordered, That respondents North American Publishing Co., Inc., Russell O. Priebe and Emma L. Priebe, individually and as officers of North American Publishing Co., Inc., and Walter H. Gorham, trading under the name and style of North American Publishing Co., 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) Using a contract, or order form, on which is printed a fictitious price, said price being crossed out and the price at which the encyclopedia is intended to be and is customarily sold printed in its place.

(2) Advertising or representing in any manner that the encyclopedia or other set of books, sold by them is bound in leather, 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

IN THE MATTER OF
BULOVA WATCH COMPANYCOMPLAINT AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5
OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914*Docket 2043. Complaint, June 4, 1932—Order, July 15, 1932*

Consent order requiring respondent, its agents, etc., in connection with sale in interstate commerce of its watches, to cease and desist from representing same as (1) containing a designated number of jewels, unless actually containing stated number of jewels, each and every one of which serves "a mechanical purpose as a frictional bearing"; or (2) as "adjusted" or "adj.", unless actually adjusted by it "to heat, cold, isochronism and position", as generally understood from the term in the industry and by the purchasing public.

Mr. Richard P. Whiteley for the Commission.

Mr. Richard H. Wilmer, of Washington, D.C., for respondent.

COMPLAINT

Acting in the public interest, pursuant to the provisions of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", the Federal Trade Commission charges that Bulova Watch Co., a corporation, hereinafter referred to as respondent, has been and is now using unfair methods of competition in interstate commerce in violation of the provisions of section 5 of said act, and states its charges in that respect as follows:

PARAGRAPH 1. That the respondent, Bulova Watch Co., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal place of business located in the City of New York, State of New York, and having factories and assembling plants located at Woodside, Long Island, N.Y., at Providence, R.I., and at Bienne, Switzerland. Respondent is now and for more than two years last past has been engaged in the business of manufacturing watches and watch parts and in the sale and distribution of watches in commerce between and among various States of the United States, and has caused said products, when sold, to be shipped from its place of business in the State of New York or from its factories in the States of New York and Rhode Island to purchasers thereof located in a State or States of the United States other than the States wherein said shipments originated. In the course and conduct of its business, respondent was at all times herein referred to in competition with other corporations, firms, individuals and partnerships likewise engaged in the sale and distribution in interstate commerce of similar products.