

Complaint

IN THE MATTER OF
LINCOLN EXTENSION UNIVERSITY, INC.COMPLAINT AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5
OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914*Docket 2185. Complaint, May 22, 1934—Order, July 20, 1934*

Consent order requiring respondent, its officers, etc., in connection with the sale, offer and advertisement of its course in factory management and salesmanship in interstate commerce and the District of Columbia, to cease and desist from—

- (a) Using or causing to be used, directly or indirectly, the word or words "University" or "Extension University" as part of its corporate name, or in connection with any other corporate or trade name;
- (b) Representing, directly or by implication, that prospective student purchasers, after completion of its course, would be college or university graduates, and that it was equivalent to what was commonly known and understood by the public as a university, or an extension thereof;
- (c) Representing, directly or by implication, to prospective student purchasers that their names had been given to it by the management of a factory or other place of employment, or that if they would purchase its said course and make sufficiently good grades, they would be promoted at an increase in compensation, or, failing so to do, would not be considered in this connection; and
- (d) Representing the financial value of its course in words or figures which are fictitious, or grossly exaggerate the true worth thereof, directly or by implication, to prospective student purchasers.

Mr. Morton Nesmith for the Commission.

Mr. Sylvan E. Hess, of St. Paul, Minn., for respondent.

COMPLAINT

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, having reason to believe that Lincoln Extension University, Inc., a corporation, has been and is using unfair methods of competition in commerce, as "commerce" is defined in said act, and it appearing to said Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Lincoln Extension University, Inc., is a corporation formerly organized, existing, and doing business under and by virtue of the laws of the State of Delaware, but later reincorporated, existing and doing business under the laws of the State of Ohio, with its offices and principal place of business in the city of Cleveland, State

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of Ohio. It is now, and for more than two years last past has been engaged in the sale and distribution of books, pamphlets, and other printed and written matter by it alleged to comprise courses of instruction in factory management and salesmanship, causing the same when sold to be shipped from its principal place of business aforesaid through and into various other States of the United States to purchasers thereof. In the course and conduct of its business as aforesaid, respondent is and has been in competition with other individuals, partnerships, and corporations engaged in the sale and distribution in interstate commerce of other books, pamphlets, and other written and printed matter comprising kindred courses of instruction, by the general public commonly known as correspondence schools.

PAR. 2. In the course and conduct of its business as aforesaid, respondent, through its salesmen, by direct mail advertising, and by newspaper advertising solicits prospective student purchasers to buy its said books, pamphlets, and other printed and written matter, distributed and sold to them either over a period of five years for a cash price of \$78—for a price of \$93.60 if paid within one year and for a price of \$104 if paid for otherwise; or over a period of two years (by respondent described as its short course) for a price of \$45 if paid within 90 days—\$55 if paid within one year and \$60 if paid in \$2 monthly installments. During the course of such solicitations respondent, through the use of the words "university" and "university extension" falsely represents and has falsely represented to the prospective student purchasers that after completing the alleged course of instruction they would become and be college or university graduates; and that said respondent corporation is the equivalent of what is commonly known and by the public generally understood to be a university or an extension thereof—an educational institution organized for teaching and study in the higher branches of learning, conferring degrees in such departments as theology, law, medicine, and the arts and sciences; and that the particular books, pamphlets, and other written and printed data comprising the course of instruction offered for sale to the prospective student purchasers constitute an extension or home-study department of such an institution in the subjects of factory management and salesmanship; for example, respondent includes in its inducements held out to such prospective student purchasers the following specific false representation:

An ordinary common school education is absolutely all one needs to tackle this training service, but at the end of it (referring to the aforesaid course of instruction) a Lincoln Man can rub shoulders with college graduates and be accepted as one of them.

As a matter of fact respondent corporation is not the equivalent of what is known as a university nor do the books, pamphlets, and other printed and written data offered by it for sale and sold, comprise an extension of any university; and it is not and has not been the equivalent of an educational institution organized for teaching and study in the higher branches of learning. It does not and has not conferred degrees in such departments as theology, law, medicine, the arts and sciences or any of them, and the books, pamphlets and other written and printed data aforesaid do not constitute an extension or home-study department of any such an institution in the subjects of factory management and salesmanship; and student purchasers upon completion of the said courses of instruction do not become nor have ever been generally accepted as college or university graduates.

Upon completion of the course a student purchaser receives a "certificate of graduation" reading as follows:

Lincoln Extension University, Inc.,
Cleveland, Ohio, U. S. A.

This certifies that _____ has satisfactorily
completed the subjects taught in our course of _____
_____ and in evidence thereof is awarded this

CERTIFICATE OF GRADUATION

Given under the seal of the University in the city of
Cleveland, Ohio, this 25th day April, A. D., 1929.

_____Secretary

[SEAL]

_____President
_____Director of Instruction

PAR. 3. In the course and conduct of its business as aforesaid, respondent by its agents and salesmen has falsely represented to prospective student purchasers that the names of such prospective student purchasers had been given it by the management of a factory or other place of employment, thereby causing the said prospective student purchaser to believe that if he were to purchase the books, pamphlets, and other written and printed data comprising the alleged courses of instruction as aforesaid, his prospects for either employment or promotion would be bettered; that the respondent had communicated with companies by whom the prospective student purchasers were employed and that if they would make said purchase and make sufficiently good grades, they would be promoted and

receive increased pay; and that if they did not do so, their employers would not consider them for promotion and as a result of such statements and representations many prospects were enrolled as students, when in truth and in fact no such statements and representations had been made by such companies to the respondent or its salesmen.

PAR. 4. In the course and conduct of its business as aforesaid, respondent falsely represented and grossly exaggerated to prospective student purchasers the value of the course in the words and figures following:

Could not you too manage to spare just a few dollars for just a few weeks with that same certainty that it will add \$10, then \$25, then \$50, eventually \$100 a month and more to your regular earning power? The knowledge and power you will get from this training service should certainly add at least an average of \$100 a month to your earnings for the rest of your working life. In only twenty years this will amount to \$24,000 which you would not have earned without the training service.

when in truth and in fact there was no such certainty, and all this respondent well knows.

PAR. 5. Each and all of the representations set forth in paragraphs 2, 3, and 4 hereof are false and misleading, have the tendency and capacity to deceive prospective student purchasers and to induce them to buy respondent's said books, pamphlets, and other written and printed matter comprising the so-called courses of instruction in and on account of a belief that said representations are true; and in that manner tends to divert trade from and otherwise injure competitors of respondent.

PAR. 6. The acts and practices of the respondent are all to the prejudice of the public and of competitors of respondent, and constitute unfair methods of competition in commerce within the intent and meaning of Section 5 of an Act of Congress entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes".

ORDER TO CEASE AND DESIST

This proceeding coming on for final hearing by the Federal Trade Commission upon the record including the complaint of the Commission and respondent's answer thereto, that it waives hearing on the charges set forth in the complaint, refrains from contesting the proceeding and pursuant to Rule III of the Commission's Rules of Practice, as amended and revised to June 1, 1932, consents that the Commission may make, enter, and serve upon respondent, without evidence and without findings as to the facts or other intervening procedure, an order to cease and desist from the method or methods

of competition alleged in the complaint; and the Commission having duly considered the matter and being fully advised in the premises—

It is now ordered, That respondent, Lincoln Extension University, Inc., its officers, directors, agents, representatives, servants and employees, in connection with the sale, offering for sale, and advertisement of its course of instruction in factory management and salesmanship, in interstate commerce and in the District of Columbia, cease and desist from:

(1) Directly or indirectly using or causing to be used the word or words "University" or "Extension University" as a part of its corporate name, or in connection with any other corporate or trade name.

(2) Directly or by implication representing that prospective student purchasers, after the completion of its course of instruction, would become or be college or university graduates, and that respondent is the equivalent of what is commonly known, and by the public generally understood, to be a university, or extension thereof.

(3) (a)—Directly or by implication representing to prospective student purchasers that their names had been given respondent by the management of a factory or other place of employment, leading said prospective student purchasers to believe that if they purchased respondent's course of instruction their prospect of promotion or employment would be better.

(b)—Directly or by implication representing to prospective student purchasers that if they would purchase respondent's said course of instruction and make sufficiently good grades, they would be promoted and receive increased pay, and, in the event they did not do so, their employers would not consider them for promotion.

(4) Directly or by implication representing to prospective student purchasers the monetary or financial value of its course of instruction in words or figures which are fictitious or which grossly exaggerate its true worth.

It is further ordered, That the respondent, Lincoln Extension University, Inc., shall, within 30 days after the service upon it of a copy of this order, file with the Federal Trade Commission a report in writing, setting forth in detail the manner and form in which it has complied with the order to cease and desist, hereinabove set forth.

IN THE MATTER OF
JEAN JORDEAU, INCORPORATED, AND BERTHA
E. LEFRIE

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

Docket 2012. Complaint, July 13, 1932¹—Decision, July 23, 1934

Where a corporation, and the vice president thereof, engaged in the manufacture and/or sale of two preparations for the removal of hair, including (1) a waxlike preparation which it designated as "Zip Epilator" and which was composed partly of rosin and partly of wax, together with a little coloring matter and a small amount of calcium carbonate, and (2) a creamlike product, which it named "Zip Depilatory Cream", and which contained, among other things, a large amount of barium sulphate and a small amount of calcium hydro-sulphide,

- (a) Represented in advertisements in newspapers and magazines of large circulation, among the general public, that through use of "Zip Epilator" superfluous or unwanted hair growth would be permanently removed and the cause of such growth, and that hair would not regrow where applied, and preparation was pleasant to use, acted immediately, and brought lasting results, facts being that use thereof would not destroy cause of hair growth, nor bring lasting results in prevention of growth, and use caused pain to some; and
- (b) Represented in newspapers and magazines of large circulation among the general public that through use of said cream, superfluous or unwanted hair would be removed and would not regrow, and that use thereof was safe and harmless and left no irritation, facts being said cream would not remove hair so there would be no regrowth and was not safe or harmless in all cases, but resulted in irritation of the skin, and in dermatitis in some;

With effect of deceiving and misleading public, and purchasers of depilatories and similar waxlike products, designed for removal of unwanted hair, into believing said statements and representations to be true, and into purchasing their said products in reliance upon such erroneous beliefs, and of diverting trade in articles and preparations for removal of hair, to said corporation and individual, from competitors, many of whom sell depilatories and similar products without representing that through the use thereof hair will not regrow where applied, or that application thereof destroys cause of growth of hair or brings lasting results through preventing its growth where applied, or that use of such a waxlike product is pleasant, or the depilatory is safe or harmless or leaves no irritation and with capacity and tendency so to do:

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

¹ Amended.