

Syllabus

IN THE MATTER OF
TAYLOR WASHING MACHINE COMPANY

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

Docket 2733. Complaint, Feb. 29, 1936—Decision, June 9, 1938

Where a corporation engaged in offer, sale, and distribution of washing machines and other electrical appliances in Illinois and Indiana, from its stores, and through canvassers and salesmen by means of installment plan covered by conditional sales contracts signed by prospective purchaser or purchaser—

- (a) Represented, in extensive newspaper and radio broadcast advertising featuring a machine priced at \$49.50, that to interest purchasing public and sell its machines it offered a home demonstration and trial thereof, and that the same would be given "free" and "quickly, courteously, without the slightest red tape or delay," and at the convenience of those applying, through such statements as "Thousands praise the new Taylor. Phone Van Buren 4800 for a home demonstration * * *," "* * * Have a home demonstration * * * See and try this great new washer * * *," "Quickly, courteously, without the slightest red tape or delay, the Taylor people will arrange to send a Taylor washer to your home at a time most convenient to you * * *," "Why don't you too, arrange to see and try this great new washer in your own home—and remember, if you decide to keep it, that it pays for itself with the money it saves * * *," "* * * Yes. * * * The Taylor people will be glad to arrange a free demonstration in your own home * * *," and represented orally, through solicitors and salesmen, to prospects and members of purchasing public, that it offered free trial demonstration of its said machine and that any machine requested would be delivered for such trial and demonstration;

Facts being it had not been and was not its practice to give or provide such free home trial or demonstration or any home trial or demonstration prior to purchase, or without financial or contractual obligation, but its practice, on the contrary, upon such request from members of purchasing public, and pursuant to its aforesaid offer, was to involve requesting person with purported contractual and financial obligations, to induce or require payment of moneys by such persons, and to involve them in "red tape" and with "inconveniences" incident to its transactions with them;

- (b) Made it its practice, through its said salesmen, forthwith to procure names and signatures of persons interested by it through such pretended offers of trial or demonstration without contractual obligation to purchase, to an actual and outright form of contract, through falsely and misleadingly representing that such instrument or contract of purchase was either a receipt for machine being or to be delivered for such trial or demonstration, or was for purpose of showing such a delivery and needed by company to show that a machine had been left during term of trial or demonstration, or was a form of insurance or protection covering the machine while in the prospect's possession, and made it its practice, upon

receipt of each purported, but invalid, contract thus fraudulently and deceptively procured, to cause one of its machines to be delivered to residence of signer thereof and, in event of refusal, advised refusing party, through its deliveryman, acting under instructions of its president, that former could not take the machine back and that it was necessary to call up its, the corporation's, office and notify it of refusal, and thereby effected delivery in spite of refusals, after which, ordinarily, for the first time signers learned purported nature of instrument signed by them;

- (c) Made it its policy and practice to hold, use, and treat said instruments as valid and binding contracts of purchase and sale, and to state, represent, and insist to signers that such purported contracts were binding and enforceable and that signers were bound thereby to purchase of such machines, through medium of oral and written demands for payments pursuant to said pretended contracts, letters threatening suit for collection of accounts opened pursuant thereto, and through assignments, in form, of wages, and notices to employers and through garnishments and legal proceedings thereunder, force and effect of which was to procure performance of terms and provisions of such purported contracts by signers thereof and payments thereby to it;
- (d) Made it its practice to include among provisions and agreements in printed form of conditional sales contract used by it, terms and conditions under which, in form, signer authorized, irrevocably, any attorney, in event of default in payment of any installment—and in which event entire unpaid balance was to become at once due and payable, together with 6 cents on the dollar as liquidated damages—to appear for such signer in any court of record or court of justice of the peace, at term time or vacation, and confess judgment, without process, in favor of holder of instrument, for such full amount as might appear to be unpaid thereon, together with 6 percent interest, attorney fees and costs, and to waive and release any intervening error and consent to immediate execution upon such judgment; and
- (e) Made it its practice to include, as aforesaid provisions and agreements under which signer, further to secure payment of any principal amount or interest, etc., or any judgment entered thereon, sold, transferred, assigned, etc., to said corporation, its successors, etc., all wages and claims for wages, etc., earned or to be earned, or demands due such signer from his present employer or any other employer, or from any debtor whatsoever, and authorized and directed such party or parties to pay said demand or claim to its successors or assigns, and constituted, "irrevocably, John Connolly, his heirs," etc., or in some instances, said corporate vendor, his attorney, to take, in his name, all legal measures, etc., and
- (f) Proceeded, pursuant to aforesaid wage assignment provisions, both in Illinois and Indiana, to secure performance, as though such assignments were valid and enforceable, of said contracts by such persons, and the payment of moneys thereby to it, and made it its practice to represent, without qualifications, that such assignments and judgments, and said "without process" or cognovit provisions, were valid and enforceable, through oral and written demands under said contracts, directed to such signers and to their employers threatening suit and attachment of wages of the former, and through such formal assignments and notices thereof directed to such persons' employers and through legal proceedings to enforce same and

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payments of moneys thereunder to it, and through letters directed to such employers, notifying them of its claims against their employees and threatening garnishment proceedings and requesting the bringing of pressure by the employers upon their employees to pay the moneys demanded by it; and

- (g) Procured thereby performance of terms and provisions of said instruments by said person and payments of moneys thereunder to it, by thus harassing such persons in their employment, tying up their wages, demanding the payment of moneys under threat of assignment and legal proceedings in the event of noncompliance, and through false pretense that such assignment provisions and purported contracts procured as aforesaid from persons employed and residing in Indiana, were legally enforceable;

Notwithstanding fact said assignment provisions were prohibited and illegal under laws of Indiana, and void and unenforceable thereunder, and the taking thereof a misdemeanor, and were not enforceable in Illinois as against signers resident in Indiana, though employed by Illinois corporation, and provisions authorizing it or its agents to appear and confess judgment in any State, without process, etc., as above set forth, made of said purported contract a cognovit instrument under laws of Indiana, under which such instruments are illegal, void, and unenforceable; and

- (h) Made it its practice, in some instances, through its salesmen, to sell and procure contracts for sale of its said washing machines by representing to purchasers that a machine of a particular make or model would be delivered by it to purchaser, when in truth and in fact machine delivered or to be delivered by it was a make or model materially different from that purchased;

With effect of misleading and deceiving members of the purchasing public into false and erroneous belief that said offers, statements, and representations were true, and with capacity and tendency so to do, and with result that a substantial number of purchasing public, as a result of such false and erroneous belief, engendered as above set forth, dealt with it, signed its form of contract of purchase and sale, and performed said contract and purported contract by payment of moneys thereunder to it, and with result that thereby substantial trade in commerce was diverted unfairly to it from competitors, who truthfully represent their products and who do not use such acts, practices and methods; to their injury and that of the public:

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

Before *Mr. John L. Hornor* and *Mr. William C. Reeves*, trial examiners.

Mr. Jay L. Jackson for the Commission.

Mr. Harold A. Fein and *Mr. Michael J. Sullivan*, of Chicago, Ill., 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

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Federal Trade Commission, having reason to believe that Taylor Washing Machine Co., a corporation, hereinafter referred to as respondent, has been and now is using unfair methods of competition in commerce as "commerce" is defined in said act, and it appearing to the 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. Respondent, Taylor Washing Machine Co., is a corporation organized and existing under and by virtue of the laws of Illinois, with its principal place of business located at 3931 West Madison Street, in the city of Chicago, in the State of Illinois. Said respondent is now and for more than 1 year last past has been engaged in the business of selling, offering for sale, and distributing washing machines and other electrical appliance merchandise in commerce among and between the various States of the United States, and said respondent has caused and now causes its said washing machines and merchandise, when sold or ordered, to be shipped and transported from the State of origin thereof to various States of the United States other than the State of origin of said shipment, in the course and conduct of which said respondent has been and is now in competition with other corporations, firms, partnerships, and individuals engaged in like commerce.

PAR. 2. Respondent has sold and now sells its said washing machines and merchandise in commerce, as set forth in paragraph 1 hereof, by use of the mails, interstate carriers, and other channels of commerce; by means of radio broadcasts, newspapers, pamphlets, periodicals, letters, and other forms of literature and printed matter, having a circulation in and through various States of the United States; by means of store and window displays, stores, salesrooms, sales agents, canvassers and employees, delivery and distribution agents and employees, contracts, credit instruments, collection agents, employees and attorneys, and by means of oral, printed, and written statements and representations, which have been and are circulated among and distributed to the public and to customers and prospective customers of respondent in and through various States of the United States, in the course and conduct of which said respondent has made and now makes false and misleading statements, representations, and implications, and otherwise has used and now uses unfair methods in the solicitation of and sale to prospective customers and purchasers of said washing machines and merchandise of respondent, all to the injury of the public and to the injury of competitors of said respondent.

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PAR. 3. In the course and conduct of the business of respondent, as aforesaid, and in the advertising, promotion, selling, and sale of respondent's said washing machines and merchandise, as aforesaid, respondent has authorized, published, and made, and now authorizes, publishes and makes, the following statements and representations, among others to wit:

(1) NEWSPAPERS:

Chicago Evening American, Thursday, June 5, 1930:

FOR 5 CENTS!

(Picture of Taylor Washing Machine Omitted.)

New 1930 Model.

Open every evening until 9.

THE TAYLOR will wash a tubful of clothes in six minutes. It will wash cuffs and collars absolutely clean without hand rubbing. It is equipped with the famous "NEVER CRUSH" wringer that will not break buttons or injure the hands.

(Picture of Box of Rinso Omitted.)

FREE Soap!

A full case (40 pkgs.) given with every reconditioned washer.

For five cents you can do a big family washing that would cost Five Dollars at the laundry—and you can do it in less than an hour's time in a Taylor washer—soiled cuffs and collars, children's clothes, in fact, everything "comes out" absolutely clean without hand rubbing. Come in and see for yourself, or phone for

Free Home Trial
Phone Van Buren 4800

\$1.00
DOWN
\$1 Weekly
on
Reconditioned
Washers

Certified Reconditioned Washers
(Model 57)

MAYTAG	\$79
(Model 25)	
THOR	\$55
(Model H)	
EASY	\$69
APEX	\$59
COFFIELD	\$62
CATARACT	\$64
ABC	\$67
MOLA	\$69
EDEN	\$49

Chicago's Largest Dealer in Electric Washers

TAYLOR

4051 W. Madison
2604 Milwaukee
4800 S. Ashland
6148 S. Halsted

WASHING MACHINE CO.
All Phones Van Buren 4800

3328 Lincoln Av.
Hammond
115 E. State

Chicago American, November 13, 1933:

THE NEW
1934 TAYLOR

Greater In Every Way

(Picture of Taylor Washing Machine Omitted.)

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Phone NOW for your demonstration of this new Taylor, still offered at the same sensationally low price. This extraordinary washer, with its marvelous new water-action, will wash a whole tubful of clothes in six minutes, cuffs and collars absolutely clean without hand-rubbing.

\$49.50

\$1 DOWN

Weekly

Open Evenings till 8:30

Phone

Van Buren 4800

for home demonstration

Chicago's Largest Dealer in Electric Washers

TAYLOR

WASHING MACHINE CO.

3931 W. Madison

2604 Milwaukee

4800 S. Ashland

6148 S. Halsted

3328 Lincoln Av.

Hammond

405 E. State

(2) RADIO BROADCASTS:

Station WCFL, July 11, 1934 (Continuity):

ANNOUNCER: The program of the Taylor Washing Machine Company, Chicago's largest and oldest dealers in electric washers, with stores conveniently located throughout Chicago, and one in Hammond, Indiana. Here is good advice—don't send another bundle of clothes out to be washed or do another washing by hand—until you hear the important message in our next announcement—in the meantime you will be entertained by

RECORD:

ANNOUNCER: Have you a bundle of clothes ready to send out to be washed? Well—don't send it! Are you planning to wash the children's clothes, silk things and fancy pieces by hand? Well, don't wash them! Instead, go to your phone this very morning, and call Van Buren 4800 for your free demonstration of the Taylor Electric Washer! When you do that, you will be through forever with the burden of * * * You can have a demonstration in your own home, on your own clothes, without the slightest red tape or delay—just pick up your phone and call Van Buren 4800—do it now—and the Taylor can be in your home in time for your very next washday—remember that number—Van Buren 4800.

* * * * *

ANNOUNCER: Well, that lady finally went into action, when she realized that she could get rid of all her washing troubles with a Taylor in her home. And she's perfectly right when she says that the money she now wastes on washing bills will pay for a new Taylor, because the Taylor costs only \$49.50, and can be paid for on terms as low as \$1 down and \$1 a week. Why don't you too, phone for a free demonstration—it will be arranged quickly and courteously, without the slightest red tape or delay. All you have to do is call Van Buren 4800—remember that number, and make use of it this very morning—Van Buren 4800.

RECORD:

ANNOUNCER: The Taylor Washing Machine Company, who have presented this program, are Chicago's largest and oldest dealers in electric washers, with

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stores conveniently located throughout Chicago, and one in Hammond, Indiana. It is their sincere hope that the facts which they have presented to you this morning will help you in solving your washing problems. The new 1934 Taylor Electric Washer, has many exclusive and outstanding features and may be had in many beautiful and harmonizing colors. It is a sensational value at only \$49.50—and the low terms of \$1 down and \$1 a week make it easy for any housewife to own a Taylor Washer. Start right now to let the money you save on washing bills pay for a Taylor Washer—phone Van Buren 4800 for a free demonstration the first thing this morning—it will be arranged without red tape or delay. Remember—that number—it's Van Buren 4800.

Station WJJD, September 21, 1934 (Continuity):

ANNOUNCER: The Taylor Washing Machine Program, presented each morning by the Taylor Washing Machine Company, Chicago's largest and oldest dealers in electric washers, with stores conveniently located throughout Chicago, and one in Hammond, Indiana. In our next announcement, you will be told how you can have a free demonstration of the new 1935 Taylor Electric Washer;—be sure to listen. In the meantime, we hear

RECORD:

ANNOUNCER: If you have not yet seen and tried the new 1935 Taylor Electric Washer, by all means go to your phone the first thing this morning and call Van Buren 4800 for a free demonstration. Quickly, courteously, without the slightest red tape or delay, the Taylor people will arrange to send a washer to your home at a time most convenient to you—and then you can see for yourself, how beautifully white and clean the Taylor will wash your clothes in no time at all. You will be thrilled with the Taylor's many outstanding and exclusive features—floating power, which makes this great washer quiet and easy to operate, a balloon roll wringer that won't break buttons, and a marvelous new water action that washes a whole tubful of clothes in six minutes, cuffs and collars absolutely clean without hand rubbing. The new 1935 Taylor requires no oiling, because the motor and all the mechanism are sealed in with a life-time supply of lubricant. Everywhere, housewives are talking about and praising this wonderful new Taylor, which is offered at the same low price of \$49.50, and on the same easy terms of \$1 down and \$1 a week. You, too, should take advantage of this opportunity to see and try it in your own home, and on your own clothes. If you call right now, the first thing this morning, you can do your next washing in a Taylor—remember that number—make use of it now—VAN BUREN 4800.

RECORD:

OTHER: Mrs. Roberts—oh, Mrs. Roberts!

HEDRICK: What is it?

OTHER: Would you like to come down here for a minute?

HEDRICK: Yes—I'll be there right away—(SLIGHT PAUSE) Why—just look at that—a new electric washer!

OTHER: Yes—it's the new 1935 Taylor. I called the Taylor people for a free demonstration, and they were so nice about it—the man brought it here and showed me how to use it—and now I'm trying it out on my own clothes.

HEDRICK: My, isn't it a nice looking washer—it's a beauty!

* * * * *

ANNOUNCER: Yes—the lady of our little story will be through with washing bills forever—and then, the Taylor will go right on paying her big dividends. The money she saves after her Taylor is paid for will buy many things

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for her children, her home, or herself. You too, can start right now to save the money you now waste on washing bills.—All you need to do is call VAN BUREN 4800 for your free demonstration—it will be arranged quickly and courteously, without red tape or delay. Then, you can see for yourself what a difference the many marvelous new features of the Taylor make in the washing of your clothes—call right now, and you can do your next washing in a Taylor. Remember that number—VAN BUREN 4800.

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PAR. 4. In the course and conduct of the business of respondent, as aforesaid, and in the advertising, promotion, selling, and sale of its said washing machines and merchandise, as aforesaid, respondent has falsely and misleadingly stated, represented, and implied, and now falsely and misleadingly states, represents, and implies, among other things, as follows, to wit:

1. That for 5 cents or at a cost of 5 cents one with a Taylor Washer can do a big family washing which would cost \$5 at laundry prices; whereas, in truth and in fact \$5 worth of laundry at laundry prices could not and cannot be done for 5 cents or at a cost of 5 cents by use of a Taylor Washer.

2. That respondent offers a free home trial and a free home demonstration of respondent's \$49.50 Taylor Washing Machine and that the same is offered, will be, and is given to any person and all persons and to purchasers and prospective purchasers responding to said offer, which trial and demonstration will be and are without contractual and financial obligation to those responding to said offer; whereas, in truth and in fact said offer is not made in good faith, said trial and demonstration have not been and are not given free, and it has not been and is not the general and usual practice of respondent to perform said offer-promise, but on the contrary, it is the practice of respondent to make a financial charge for said trial and demonstration, to impose contracts and obligations incident thereto, and otherwise to obligate those responding to said offer.

PAR. 5. Respondent has employed and now employs salespersons, agents, and canvassers to contact persons responding to respondent's advertising statements, representations, and offer, as aforesaid, and to solicit the public, housewives, and other prospective purchasers of washing machines and merchandise, in the course and conduct of which said respondent and respondent's salespersons, agents, and canvassers confirm and reiterate the said advertising statements, representations, and offer, and did, and now do, make further false and misleading statements and representations concerning respondent's washing machines and merchandise, and further did, and now do, use unfair methods in the solicitation, sale, and dis-

tribution of respondent's washing machines and merchandise, all in the course and conduct of respondent's business.

In the course and conduct of the business of respondent, as aforesaid, respondent and its salespersons, agents, and canvassers, as aforesaid, did, and now do, the following, among other things, to wit:

1. Lull the public and prospective purchasers of respondent's washing machines and merchandise into a false sense of security and trust in dealing with respondent;

2. Fraudulently, deceptively, unfairly, and by false pretenses, induce and procure contracts of purchase and sale for washing machines and other merchandise;

3. Induce and procure contracts of purchase and sale for washing machines by falsely stating and representing that the purchaser of a "Taylor Washing Machine" may exchange the same for a "Maytag" or other make of washing machine;

4. Induce and procure contracts of purchase and sale for washing machines by falsely stating and representing that if the purchaser is not satisfied with the quality and performance of the machine purchased at the end of a stipulated trial period, respondent will rescind said contract and take back said machine;

5. Induce and procure contracts of purchase and sale for washing machines by falsely stating and representing that the purchaser will receive a washing machine gratis or free in turn for acting as a "demonstrator," and by other and similar representations;

6. Induce and procure contracts of purchase and sale for washing machines and other merchandise, and induce and procure the names and signatures of prospective purchasers of washing machines and other merchandise to instruments in writing and in blank, by falsely representing said instruments to be "a receipt," or an "insurance policy," or evidence of the signer's "willingness to accept a demonstration," covering washing machines or other merchandise delivered or to be delivered and represented as being "on trial," or "merely on trial," or "on demonstration," and by other and similar false representations and pretenses; whereas, in truth and in fact it is the undisclosed intention of respondent to hold, use, and treat said instruments as and for, or otherwise convert the same into, contracts of purchase and sale for said washing machines or merchandise so delivered;

7. Threaten with lawsuits, sue, harass in employment, and otherwise by force and duress, impose upon prospective purchasers of washing machines and other merchandise the terms and provisions of

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contracts of purchase and sale therefor, which contracts have been and are fraudulently, deceptively, unfairly, or by false pretenses, induced and procured from prospective purchasers, or to which contracts said prospective purchasers have not been and are not legally bound;

8. Exercise powers of attorney to assign wages and salaries, under contracts of purchase and sale for washing machines and other merchandise, which powers of attorney and contracts have been and are fraudulently, deceptively, unfairly, and by false pretenses, induced and procured; and

9. Without the authority of State laws, and against and contrary to State laws, exercise powers of attorney, assign wages and salaries, garnish and attach wages, salaries, and property of purchasers and prospective purchasers of washing machines and other merchandise.

PAR. 6. The aforesaid false and misleading statements, representations, offer, conduct, and course of conduct, in the sale and distribution of respondent's washing machines and other merchandise have had and have the tendency and capacity to mislead and to deceive, and do mislead and deceive members of the public, purchasers and prospective purchasers of washing machines and other merchandise into the false and erroneous belief that the said statements, representations, and offer are true and made in good faith, thereby causing a substantial portion of prospective purchasers of washing machines and other merchandise to deal with respondent in lieu and instead of with competitors of respondent who do not make similar false representations with respect to their products or engage in similar unfair practices, in consequence of which trade has been and is diverted to respondent from its competitors, all thereby substantially injuring competitors of respondent in interstate commerce.

PAR. 7. The above and foregoing acts, practices, and representations of respondent have been, and are, all to the prejudice of the public and respondent's competitors, and have been, and are, unfair methods of competition within the meaning and intent of Section 5 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."

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of the Federal Trade Commission Act, the Federal Trade Commission on February 29, 1936, issued, and on March 4, 1936, served, its complaint in this proceeding upon respondent, Taylor Washing Machine Co., a corporation, charging said respondent with the use of unfair methods of competition in

commerce in violation of the provisions of said act. After the issuance of said complaint, and filing of respondent's answer thereto, testimony and other evidence in support of the allegations of the complaint were introduced by Jay L. Jackson, attorney for the Commission, before John L. Hornor, an examiner for the Commission theretofore duly designated by it, and in opposition to the allegations of the complaint by Harold A. Fein, attorney for the respondent, and said testimony and other evidence were duly recorded and filed in the office of the Commission. Thereafter, this proceeding regularly came on for final hearing before the Commission on the said complaint, and the answer thereto, testimony and other evidence, briefs in support of the complaint and in opposition thereto, and the oral arguments of counsel aforesaid; and the Commission, having duly considered the same and being now fully advised in the premises, finds that this proceeding is in the interest of the public, and makes this its findings as to the facts and its conclusion drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent, Taylor Washing Machine Co., is a corporation organized and existing under the laws of the State of Illinois, with its principal office and place of business located at 3931 West Madison Street, in the city of Chicago, State of Illinois. For more than 6 years continuously and immediately heretofore respondent has been, and now is, engaged in the business of offering for sale, selling, and distributing washing machines, and other electrical appliances, in the State of Illinois and Indiana, for which purposes respondent has maintained and maintains a sales organization and staff of salesmen, branch retail stores in the city of Chicago, Ill., and one such store in the city of Hammond, Ind., a credit and collection department, and a repair and delivery service.

PAR. 2. In the course and conduct of the business aforesaid it has been and is the practice of respondent, in part, to effect sales to purchasers through respondent's stores and, in part, through canvassers and salesmen employed by respondent. The number of canvassers and salesmen varies from time to time, and they work under the direct supervision of respondent's principal office in Chicago, Ill. Some of these canvassers and salesmen from time to time did and do solicit prospects and sales, and did and do procure contracts of purchase, for respondent's washing machines, from members of the purchasing public located in the State of Indiana, more particularly within the areas of the cities of East Chicago, Gary, Hammond, Indiana Harbor, and Whiting, of said State.

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Transactions involving the sale or delivery of respondent's washing machines upon an installment or time-saving plan are covered by a form of conditional sales contract signed by the prospective purchaser or purchaser, and the title to the machine covered thereby passes to the buyer upon completed performance of the provisions thereof. Such contracts procured by the aforesaid salesmen, both in the States of Illinois and Indiana, are sent to respondent's principal office in Chicago, Ill., where the accounts covering the same are set up, and collections, proceedings, and transactions incident to the enforcement and performance of such contracts are initiated and handled under the direction and management of officials of the respondent corporation. For the purpose of handling collections and the enforcement and procurement of the performance of such contracts so secured, respondent maintains its own collection department, employs other agencies or organizations devoted to such purposes, and employs attorneys in the States of Illinois and Indiana.

It has been the practice of respondent to make delivery of its washing machine products to purchasers, and prospective purchasers, by and through deliverymen under contract with respondent, in the course of which it has been and is the practice of respondent to cause its said products, when sold or ordered, to be carried and transported in and between the States of Illinois and Indiana, and from respondent's warehouse in the State of Illinois direct to purchasers and members of the purchasing public located in the State of Indiana.

PAR. 3. In the course and conduct of its business, as aforesaid, respondent has been and is in competition with partnerships, firms, individuals, and other corporations engaged in the business of offering for sale, selling, and distributing washing machines, in commerce among and between the various States of the United States, more particularly in and between the States of Illinois and Indiana, who truthfully represent their said products and do not use the acts, practices, and methods used by the respondent as hereinafter set out.

PAR. 4. In the course and conduct of the business, as aforesaid, it has been and is the practice of respondent to do an extensive amount of newspaper and radio broadcast advertising, directed to the purchasing public, and therein to feature and represent a washing machine priced at \$49.50, and to state and represent, among other things, as a means of interesting and selling washing machines to the purchasing public, that respondent offers a home demonstration and trial of its washing machines; that the same will be given "free" and "quickly, courteously, without the slightest red tape or

delay," and at the convenience of the persons responding to said offer. Demonstrative of the said statements and representations so made by the respondent are the following:

Newspapers:

Thousands praise the new Taylor. Phone Van Buren 4800 for a home demonstration. This extraordinary washer, with its marvelous new water-action, will wash a whole tubful of clothes in six minutes, cuffs and collars absolutely clean without hand rubbing.

Phone Van Buren 4800. See and try the new Taylor in your own home, on your own clothes. This extraordinary washer, with its marvelous new water-action, will wash a whole tubful of clothes in six minutes, cuffs and collars absolutely clean without hand rubbing.

Modern 1934 features brought to you in the great new Taylor. Phone Van Buren 4800. Have a home demonstration of the new 1934 Taylor. See and try this great new washer, with its many exclusive and outstanding features. The Taylor soon pays for itself with the money it saves on laundry bills.

Radio Broadcasts:

If you have not yet seen and tried the new 1935 Taylor electric washer, by all means go to your phone this very morning and call Van Buren 4800 for free demonstration. Quickly, courteously, without the slightest red tape or delay, the Taylor people will arrange to send a Taylor washer to your home at a time most convenient to you—and then you can see for yourself how beautifully white and clean the Taylor will wash your clothes in no time at all * * * you too, should take advantage of this opportunity to see and try it in your own home, and on your own clothes. If you will call right now, this very morning, you can do your next washing in a Taylor.

* * * * *

ANNOUNCER: And that is just what he did—he phoned Van Buren 4800 for a free demonstration of Taylor washer—and when it arrived, he was soon convinced that his wife had been right in wanting one. Why don't you too, arrange to see and try this great new washer in your own home—and remember, if you decide to keep it, that it pays for itself with the money it saves on washing bills—remember that number—call right now—Van Buren 4800.

ANNOUNCER: Yes. * * * The Taylor people will be glad to arrange a free demonstration in your own home and on your own clothes—simply call Van Buren 4800.

It has also been and is the further practice of respondent to employ solicitors to canvass for prospects from door-to-door, and salesmen to follow up said solicitations and to sell respondent's washing machine products to members of the purchasing public, in the course of which said solicitors and salesmen orally state and represent to said prospects and members of the purchasing public that respondent offers a free trial and demonstration of its washing machines, and any machine requested will be delivered for a free trial and demonstration.

PAR. 5. Contrary to the offer, statements, and representations which respondent has made and makes, as above set forth, it has not been and is not the practice of respondent to give or provide a free home

trial or free home demonstration of its washing machines, or any home trial or home demonstration thereof, prior to purchase, or without financial or contractual obligation. Further to the contrary, it has been and is respondent's practice, upon request for trial or demonstration from members of the purchasing public, pursuant to said offer of such trial or demonstration, to involve said persons with purported contractual and financial obligations, to induce or require the payment of moneys by such persons, and to involve such persons in "red tape" and with "inconveniences" incident to transactions with said persons.

PAR. 6. Having pursued the aforesaid methods in securing and soliciting prospects and members of the purchasing public, and by these methods having interested said persons in respondent's washing machines, and having thus induced the belief and impression in such persons that respondent offers a trial or demonstration of its machines without contractual obligation to purchase, respondent further has made and makes it a practice, through its said salesmen, forthwith to procure the names and signatures of said persons to an actual and outright form of contract of purchase, in the course of which it has been and is respondent's practice not to disclose the true nature and purposes of the said instrument at or before the time of signing, but on the contrary to induce and procure the execution of said instruments by, and the signatures thereto from, said persons through and by means of one or more of the following false and misleading oral statements and representations:

- (a) That the instrument is a receipt for the machine being, or to be, delivered for trial and demonstration;
- (b) That the instrument is for the purpose of showing that a machine is being delivered for trial and demonstration and a necessary instrument for the company to have to show that a machine has been left during the term of trial or demonstration; and
- (c) That the instrument is a form of insurance or protection covering the machine while in the prospect's possession.

The procurement of purported contracts, and of signatures thereto, by means of the statements and representations set forth in the foregoing paragraph is fraudulent and deceptive, and a procurement thereof under false pretenses. Purported contracts so procured are not binding or valid and cannot be fairly or justly enforced or used to the end of securing the purchase and sale of, or the payment of moneys for, washing machines.

Upon receipt of each purported contract procured as aforesaid, it has been and is the practice of respondent immediately thereupon to

cause one of its washing machines to be delivered to the residence of the signer of said instrument. Said machine is not sent for any trial or demonstration. In this connection, also, acting upon instructions from respondent's president, its deliverymen disconnect machines so that they cannot be operated after delivery where it appears that delivery may be or is refused, and tell the refusing party that deliverymen cannot take machines back as they are only to deliver machines, and that it is necessary to call up respondent's office and notify it of refusal, whereupon respondent will send out a man with a pick-up slip and take the machine back. Delivery is thus effected in spite of refusal. It is usually only after delivery of the machines that the said signers to said instruments learn that the instrument signed is a purported contract of purchase, to the written terms and provisions of which respondent intends to hold them as purchasers.

It has not been and is not the policy or practice of respondent to cancel said purported contracts procured through or by means of the aforesaid statements, representations, and methods, or to release signers thereto whose signatures have been and are secured as aforesaid; but on the contrary, it has been and is respondent's policy and practice to hold, use, and treat said instruments as and for valid and binding contracts of purchase and sale, and to state, represent, and insist to the signers thereto that said purported contracts are binding and enforceable and that said signers are bound thereby to the purchase of a washing machine. The said representations have been and are made in the form of oral and written demands for payments of moneys pursuant to said purported contracts, letters threatening suit for the collection of accounts opened pursuant to said purported contracts, and in the form of assignments of wages and notices thereof to employers, and by garnishments and legal proceedings under said purported contracts, the force and effect of which has been and is to procure the performance of the terms and provisions of said purported contracts by the said signers thereto, and the payments of moneys thereby to respondent.

PAR. 7. In the course and conduct of respondent's business, as aforesaid, both in the States of Illinois and Indiana, it has been and is respondent's practice to employ and use, and to procure signatures to, a printed form of conditional sales contract, containing, among others, the following terms and provisions:

"If default be made in the payment of any one of the aforesaid installments when the same becomes due, then the entire amount remaining unpaid at the time of such default, shall become at once due and payable, or I/we hereby agree to pay as liquidated damages, the

sum of six cents on each dollar so delinquent at the time payment is made.

"And to secure payment of said amount, I hereby authorize irrevocably any attorney to appear for me in any court of record or in any court of Justice of the Peace, in term time or vacation, at any time hereafter and confess judgment without process in favor of the holder of this instrument for such full amount, as may appear to be unpaid thereon, together with interest at the rate of six per cent per annum, also reasonable attorney fees and costs and to waive and release all errors which may intervene in any such proceedings and to consent to an immediate execution upon such judgment hereby ratifying and confirming all that my said attorney may do by virtue hereof.

"And to secure the payment of said principal amounts, interest, and attorney's fees and costs hereon, or any judgment that may be entered thereon, I do hereby sell, transfer, assign and set over to Taylor Washing Machine Co., its successors or assigns, all wages and claims for wages and commissions earned or to be earned and all claims or demands due me from my present employer or from any other person, firm or corporation by whom I may be employed, or who may owe me money for any consideration whatsoever. I hereby authorize and direct said party or parties named above or any of them to pay the said demand or claim and all thereof to the said Taylor Washing Machine Co., its successors or assigns.

"I do hereby constitute irrevocably John Connolly, his heirs, executors, administrators, or assigns my attorney in my name, to take all legal measures which may be proper or necessary for the complete recovery and employment of the claim hereby assigned."

In some instances, in the form of contract above described, the name "John Connolly" does not appear, but in place and stead thereof appears the name "Taylor Washing Machine Co."

The wage assignment provisions of respondent's said form of contract, set forth above, amount to an assignment of future wages, and at all times material to this proceeding, under the statutory laws of the State of Indiana, the same has been and is prohibited and made illegal, and the taking thereof made a misdemeanor, and under the laws of said State, such assignment is void and unenforceable. The said wage assignment provisions are not enforceable in the State of Illinois as against signers to said contracts who are employed by Illinois corporations, but employed and residing in the State of Indiana. Nevertheless, it has been and is the practice of respondent to procure contracts containing said provisions from persons employed and residing in the State of Indiana, and to proceed thereunder pur-

suant to said wage assignment provisions, both in the States of Illinois and Indiana, the same as if such assignment was valid and enforceable, and by this means and method, to secure the performance of said contracts by such persons and the payment of moneys thereby to respondent.

The provisions of respondent's form of contract, incorporating authority to respondent, or respondent's agent, to appear and confess judgment in any State, without process, against the signers of its contracts and in favor of respondent, as above set forth, make of said provisions a cognovit instrument under the laws of the State of Indiana, and at all times material to this proceeding, under the laws of said State, such instruments have been and are illegal, void, and unenforceable.

In connection with its contracts, or purported contracts, containing the aforesaid wage assignment and cognovit provisions, procured from and signed by persons employed and residing in the State of Indiana, it has been and is the practice of respondent to represent, without qualifications, that said contracts are valid and enforceable, and that the said signers thereto are bound by the terms and provisions thereof. Said representations have been and are made by respondent in the form of oral and written demands for the payment of moneys under said contracts, directed to said persons and to their employers, threatening suit and the attachment of the wages of said persons; in the form of assignments and notices of assignments of the wages of said persons, directed to their employers, and by legal proceedings to enforce such assignments and the payments of moneys thereunder to respondent, and further in the form of letters directed to the employers of such persons, notifying said employers of respondent's claim of indebtedness against employees, threatening garnishment proceedings, and requesting that said employers bring pressure to bear upon said employees to pay the moneys demanded by respondent. By thus harassing such persons in their employment, tying up their wages, demanding the payment of moneys under threat of assignment of wages and legal proceedings, in the event said demands are not complied with, and under the false pretense that the wage assignment provisions of said contracts and purported contracts, procured as aforesaid from persons employed and residing in the State of Indiana, are legally enforceable, respondent has procured and procures the performance of the terms and provisions of said instruments by said persons, and the payments of money thereby to respondent.

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PAR. 8. It has been and is respondent's practice, through its said salesmen, in some instances to sell, and procure contracts for the sale of, its said washing machines by representing to such purchasers that a washing machine of a particular make or model will be delivered by respondent to such purchaser when, in truth and in fact, the machine delivered, or to be delivered, by respondent is of a make or model materially different from the make or model purchased.

PAR. 9. The offers, statements, and representations which respondent has made and makes in connection with said business in said commerce, as above set forth in paragraphs 4, 6, 7, and 8, are false and misleading, and the same have had and have the tendency and capacity to mislead and deceive, and do mislead and deceive, members of the purchasing public into the false and erroneous belief that the said offers, statements, and representations are true. As a result of the false and erroneous belief engendered by the respondent as above set forth a substantial number of the purchasing public deal with the respondent, sign its form of contracts of purchase and sale, and perform said contracts and purported contracts by the payment of moneys thereunder to the respondent, and thereby substantial trade in said commerce is diverted unfairly to respondent from its competitors who truthfully represent their products, and do not use the acts, practices, and methods used by the respondent, as hereinabove set out, to their injury and to the injury of the public.

CONCLUSION

The aforesaid acts and practices of the respondent, Taylor Washing Machine Co., are to the prejudice of the public and of respondent's competitors, and constitute unfair methods of competition within the intent and meaning of the Federal Trade Commission Act.

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answer of respondent, testimony and other evidence taken before John L. Hornor, an examiner of the Commission theretofore duly designated by it, in support of the allegations of said complaint, and in opposition thereto, briefs filed herein, and oral arguments, by Jay L. Jackson, counsel for the Commission, and by Harold A. Fein, counsel for respondent, and the Commission having made its findings as to the facts and its conclusion that said respondent has violated the provisions of the Federal Trade Commission Act.

It is ordered, That respondent, Taylor Washing Machine Co., its agents, employees, and representatives, in connection with the offering for sale, sale and distribution of its washing machine products, in interstate commerce, do forthwith cease and desist, directly or indirectly from representing:

1. That a free home trial or a free home demonstration, or any home trial or home demonstration, or any trial or demonstration without contractual or financial obligation, red tape, or inconvenience, is offered or provided by respondent to members of the buying public, when such is not the fact;

2. That any instrument in printed form or in writing, to which the name and signature of any member of the buying public is being, or to be, procured or signed thereto, which instrument constitutes, or is intended for, or is to be used as, a contract of purchase and sale of a washing machine, or the terms and provisions of which purport to bind the person signing the same to the purchase of a washing machine, is not such an instrument or contract; or that the said instrument is a receipt for a washing machine being, or to be, delivered for trial and demonstration, or for the purpose of showing that a machine is being delivered for trial and demonstration, or a necessary instrument for the company to have to show that a machine has been left during the term of trial and demonstration, or a form of insurance or protection covering the washing machine while in the prospective purchaser's possession, when in fact the said instrument constitutes, or is intended for, or is to be used as, a contract of purchase and sale for a washing machine;

3. That any purported contract of purchase and sale procured, or the signature to which has been procured, through or by means of any representation prohibited by paragraphs 1 and 2 of this order, is valid or enforceable, or that the signer thereto, or anyone, is in any way bound or obligated for or to the purchase of a washing machine;

4. That assignment of future wages, or powers of attorney to assign future wages, or powers of attorney to appear in any court of record or in any court of Justice of the Peace, at any time and confess judgment, to release errors or the right of appeal from any so taken, or to consent to the issue of execution upon such judgment, in favor of the holder of a contract or instrument containing such assignments, or powers of attorney, upon default of the payment of moneys payable thereunder when the same becomes due, are valid or enforceable, when such is not a fact, or when the same have been, or are being, procured within the State of Indiana, or from persons employed and residing in the State of Indiana; or

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5. That the washing machine to be delivered to the purchaser of a washing machine is, or will be, the particular washing machine represented and sold to the purchaser at the time of sale and purchase, when such is not the fact, or when in fact the machine delivered, or to be delivered, is materially different from the particular washing machine purchased by said purchaser.

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

Complaint

IN THE MATTER
BELVEDERE SILKS, INC.

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

Docket 3280. Complaint, Dec. 7, 1937—Decision, June 9, 1938

Where a corporation engaged as converter of fabrics and in sale thereof to garment manufacturers and other customers in the various States and in the District of Columbia—

Included word "Silks" in its corporate name, under, over, and in connection with which it offered, advertised, sold, and distributed fabrics made wholly or in part of products other than, but which simulated and had appearance of, silk, without using in connection and conjunction therewith any word or words accurately describing or designating fiber or materials of which said fabrics were composed, and caused fabrics made, sold, and distributed by it to be advertised, designated, and represented as "Silk" and as "Belvedere Silks," and as having been tested by certain specified testing company;

Notwithstanding fact said fabrics were not silk, as long definitely and specifically understood from word in minds of garment manufacturing and general trade and of consuming public as meaning made from cocoon of silkworm, products of which have long been held in great esteem and confidence for their preeminent qualities, but were composed wholly or in part of rayon;

With capacity and tendency to mislead and deceive purchasers into erroneous belief that said fabrics were made wholly or in part of silk, and with effect of aiding and enabling dealers, garment manufacturers, and other purchasers to resell such fabrics without disclosure of their true content and deceive purchasers and consuming public, and with capacity and tendency further to divert trade unfairly to it from competitors, including those engaged in manufacture and sale of such fabrics who do not misrepresent material of which they are made:

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

Mr. George W. Williams for the Commission.

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 Belvedere Silks, Inc., a corporation, hereinafter referred to as respondent, has been and is using unfair methods of competition in commerce, as "commerce" is defined in said act of Congress, 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: