

IN THE MATTER OF
LINEN SUPPLY BOARD OF TRADE OF NEW JERSEY ET AL.

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

Docket 4588. Complaint, Sept. 10, 1941—Decision, Mar. 23, 1943

Where an Association or Board, organized—as was its predecessor “Mutual Club”—to aid in carrying out the agreements, understandings, etc., below set forth by numerous members engaged in the supplying, leasing, and renting of linen supplies such as coats, trousers, aprons, frocks, and tablecloths to concerns in New York City and Newark, N. J., and the metropolitan area; 8 officers and directors thereof; and some 30 member concerns doing about 90 percent of such business in the Newark area and a substantial proportion of that in the whole metropolitan area, in competition with one another except insofar as said competition had been hindered by practices below set forth, and similarly in competition with others—

Entered into, carried out, and maintained agreements, understandings, combinations, and conspiracies among themselves to suppress and lessen competition in the business concerned in aforesaid States and metropolitan area; and

Where said various members, with the active cooperation, as the case might be, of said Board and “Club,” and individuals aforesaid; in pursuance and in furtherance of aforesaid agreements, understandings, etc.—

- (a) Organized their so-called “Mutual Club” or association to assist them in carrying out the various agreements, understandings, etc., involved, and its successor Board to control and regulate the business of supplying linen supplies in area in question;
- (b) Adopted, fixed, and maintained schedules of uniform minimum prices and discounts, and other terms and conditions for the use of their said supplies;
- (c) Reported to said Club and Board names of all customers; refrained from soliciting linen supply business from customers of other members without the consent of said Club or Board; and adopted and maintained exclusive dealing contracts with their customers whereby members required customers to deal exclusively with the respective members concerned at all times;
- (d) Admitted independent linen supply houses to membership of said Club or Board only upon condition that they indemnify members for business they took from them prior to becoming members, and required members who bought out independents similarly to indemnify other members for business taken from them by said independents;
- (e) Set up and maintained an arbitration board or committee as a disciplinary and punitive agency with authority to impose fines and suspend members who failed or refused to comply with the rules and regulations;
- (f) Operated “bogus” independent linen supply houses or “whips” to take away business from the independent houses and to discipline members who violated rules and regulations, and through said Club or Board checked and policed

members' prices by various means, including the practice of renting vacant places with the pretense of opening them as barber or beauty shops to secure members' quotations; and

- (g) Coerced, or attempted to coerce, manufacturers of such supplies into refusing to sell or extend credit to nonmember linen supply houses;

Capacity, tendency, and effect of which agreements and policies, and the practices and acts done in pursuance thereof were—

1. To unreasonably lessen, suppress, and restrain competition in the leasing and licensing of said linen supplies in the said metropolitan area, and to deprive the using public of the advantages of prices, terms, and conditions which they would receive under conditions of normal, unobstructed, free, and fair competition, and to otherwise operate as a restraint upon fair and legitimate competition;

2. To suppress, discriminate against, and eliminate from business, all competitors;

3. To hamper and interfere with the normal and natural flow of trade and commerce in said linen supplies from, into, and through the said metropolitan area; and

4. To tend to monopolize in said members the business concerned in the said metropolitan area:

Held, That such acts and practices, under the circumstances set forth, were all to the prejudice of the public; hindered and prevented competition between and among said members in the leasing or renting of their said supplies in commerce; placed in members power to control and enhance prices and other terms and conditions in connection therewith; had a dangerous tendency to create in members a monopoly; unreasonably restrained commerce; and constituted unfair methods of competition and unfair and deceptive acts and practices in commerce.

Mr. George W. Williams for the Commission.

Kristeller & Zucker, of Newark, N. J., for Linen Supply Board of Trade of New Jersey, and various officers, directors, and members of said association.

Coudert Brothers, of New York City, for Albert P. Gresser, Lackawanna Linen Supply & Laundry Co. and Henderson Coat & Apron Supply Co.

Mr. Frederick W. Marquand, of New York City, for Banner Coat, Apron & Towel Supply Co.

Mr. Harry Gittleson, of Brooklyn, N. Y., for Belmont Coat, Apron & Towel Supply Co. and Commercial Coat & Apron Supply Co.

Meltzer & Nack, of New York City, for Central Linen Service, Inc.

Spalletta & Bernstein, of New York City, for Morgan Linen Service, Inc.

Complaint

36 F. T. C.

COMPLAINT¹

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said act, the Federal Trade Commission, having reason to believe that the parties named in the caption hereof, and hereinafter particularly described, designated, and referred to as respondents, have violated the provisions of the 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, Linen Supply Board of Trade of New Jersey, is an incorporated association, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey with its office and principal place of business at 1108 Broad Street, Newark, N. J., and hereinafter referred to as respondent "Board."

The following-named individuals are officers of said respondent, Board, and as such officers, and individually, are designated as respondents herein, Joseph Victor, president; Herman Maslow, vice president, Herbert N. Farrington, treasurer; Jack Orlinsky, secretary.

The following-named individuals, together with said officers, are members of the Board of Directors of respondent Board, and as such directors and individually, are designated as respondents herein, Albert P. Gresser, Bernard Richman, Max Sack, John M. O'Donaghue.

The membership of respondent Board is made up of numerous corporations, partnerships, firms, and individuals engaged in the supplying, leasing, and renting of linen supplies, such as coats, trousers, aprons, frocks, towels, tablecloths, and other like articles of merchandise.

Respondent Board is the successor of Mutual Club, a voluntary unincorporated association, commonly referred to as a trade association, organized, owned, controlled, and operated by members of said linen supply business, acting through the officers and directors thereof, for more than 5 years last past, the same having been organized to aid and assist them in carrying out the agreements, understandings, combinations, and conspiracies hereinafter referred to and set forth. Said respondent Board was organized in about 1937 for the purpose of tak-

¹ Motion to substitute a certain party respondent was granted by order of the Commission on December 11, 1942, as follows:

This matter coming on to be heard by the Commission upon the motion of respondent, Central Coat, Apron & Linen Supply Co., and Central Linen Service, Inc., a New Jersey corporation with its office and principal place of business at 275 Westside Avenue, Jersey City, N. J., by Manford Meltzer, Esq., attorney for said respondents, that the said Central Linen Service, Inc., be substituted as a respondent in this matter in the place and stead of respondent, Central Coat, Apron & Linen Supply Co., and the Commission having duly considered said motion and the record herein, and being now fully advised in the premises.

It is ordered, That the said Central Linen Service, Inc., be, and the same hereby is, substituted as a party respondent in the place and stead of respondent, Central Coat, Apron & Linen Supply Co., and that the necessary changes be made by interlineation.

ing over the property, effects, functions, and activities engaged in and conducted by said Mutual Club, but said Board did not actually take over the affairs and the property of Mutual Club and engage in the acts and practices engaged in and conducted by said Mutual Club until about April 1941, at which time it took over all of the property, assets, effects, records, and affairs of said Mutual Club and has since engaged in and conducted the business for which it was organized by said members, and theretofore engaged in and conducted by said Mutual Club, as aforesaid, as their representative, and in the place and stead of the said Mutual Club, and in the manner hereinafter set forth.

PAR. 2. Among the members of said Mutual Club and its successor, said respondent Board, are the following:

Reliable Linen Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 23 Branford Street, Newark, N. J.;

American Coat and Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey with its office and principal place of business at 148 Huntington Terrace, Newark, N. J.;

Economy Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey with its principal office and place of business at 92-94 Oakland Avenue, Jersey City, N. J.;

Economy Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey with its principal office and place of business at 40 Lane Street, Paterson, N. J.;

Falcon Ideal Coat & Apron Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 14 West Kinney Place, Newark, N. J.;

J & R Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 536 Thirty-fourth Street, Union City, N. J.;

Lackawanna Linen Supply & Laundry Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 35 High Street, Newark, N. J.;

New Jersey Toilet & Towel Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey with its principal office and place of business at 12 Clifton Street, Newark, N. J.;

Complaint

36 F. T. C.

Noxall Linen Supply & Laundry Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 95 Temple Avenue, Newark, N. J.;

Admiration Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 436 East Nineteenth Street, New York City;

Advance Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 436 East Nineteenth Street, New York City;

Banner Coat, Apron & Towel Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 155 Waverly Place, New York City;

Belmont Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 605 West Forty-second Street, New York City;

Brew Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 543 West Twenty-third Street, New York City;

Central Linen Service, Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 275 Westside Avenue, Jersey City, N. J.;

Commercial Coat & Apron Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 605 West Forty-second Street, New York, N. Y.;

Commercial Towel Supply, Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 123 Pitt Street, New York, N. Y.;

Eagle Barber Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 772 Myrtle Avenue, Brooklyn N. Y.;

Ellery Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 617-25 East Eighteenth Street, New York City;

Globe Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 520 West Forty-eighth Street, New York City;

Gotham Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 543 West Twenty-third Street, New York City;

Grammercy Linen Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 543 West Twenty-third Street, New York City;

Modern Silver Linen Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 540 West Twenty-fourth Street, New York City;

Morgan Linen Service, Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 484 Eleventh Avenue, New York City;

Pilgrim Coat, Apron & Linen Service, Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 555 West Forty-second Street, New York City;

Prudential Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing and doing business under and by verture of the laws of the State of New York, with its principal office and place of business at 454 West One Hundred Twenty-eight Street, New York, N. Y.;

Cosmopolitan Linen Supply Laundry Co., Inc., a corporation, organized, existing, and doing business under and by verture of the laws of the State of New York, with its principal office and place of business at 533 West Forty-second Street, New York, N. Y.;

Westchester Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 64-66 Warburton Avenue, Yonkers, N. Y.;

Henderson Coat & Apron Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 335 East Thirty-second Street, New York, N. Y.;

Long Island Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of

Complaint

36 F. T. C.

the State of New York, with its principal office and place of business at 42 Eagle Street, Brooklyn, N. Y.;

Gordon Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of Massachusetts, with its principal office and place of business at 8-10 Clifton Street, Newark, N. J., and their respective officers, and

Emil A. Creutzberg & Chester C. Creutzberg, copartners, trading under the firm name and style of Ideal Towel Supply Co., with their place of business at 138 Oakland Avenue, Jersey City, N. J.

The membership of said respondent Board changes from time to time, as did that of the said Mutual Club during its existence, by the addition and withdrawal of members, so that all members of said respondent Board at any given time cannot be specifically named as respondents herein without inconvenience and delay, and also said respondent members constitute a class so numerous as to make it unduly burdensome to name them all individually as respondents herein; therefore, the above-named members of the respondent Board are also made respondents, as members of said Board, and individually and severally, and as representatives of all the members of said respondent association, as a class, including those members not herein specifically named who are thus made respondents herein.

PAR. 3. Respondent members at all times hereinafter mentioned have been engaged in the business of supplying, leasing, and renting, for a valuable consideration, to individual firms and corporations with places of business in the States of New Jersey and New York in and adjacent to Newark, N. J., and New York, N. Y., hereinafter referred to as the "metropolitan area" linen supplies, such as coats, trousers, aprons, frocks, towels, tablecloths, and other articles of merchandise, and at regular intervals, collecting the soiled linen supplies and substituting clean linen supplies therefor. Thereby said respondents created and maintained a constant and continuous current of commerce, as commerce is defined in the Federal Trade Commission Act, in said linen supplies and other like articles of merchandise between the respondent members and the lessees or renters of said supplies between the States of New Jersey and New York.

The volume of business done by respondent members constitutes approximately 90 percent of such business or trade in the Newark area and a substantial proportion of the whole metropolitan area above mentioned.

PAR. 4. Said respondent members are in competition with one another in the leasing or renting and distribution of said linen supplies and other like articles of merchandise in the area hereinbefore described, except insofar as their said competition has been hindered,

lessened, or restrained, or potential competition among them forestalled, by the practices and methods of said respondents hereinafter set forth.

There are other corporations, partnerships, firms, and individuals, not affiliated with respondent Board and which are engaged in the leasing or renting and distribution of such linen supplies and other like articles of merchandise in the area in which said respondents trade, in competition with one another, and with one or more of said member respondents, except insofar as such competition has been hindered, lessened, and restrained, or potential competition among them forestalled, by the use of said respondents' practices and policies hereinafter described.

PAR. 5. Respondents and said Mutual Club, during the past 5 years, have entered into, and carried out and maintained agreements, understandings, combinations, and conspiracies between and among themselves to suppress, hinder, and lessen competition in the supplying, leasing, renting, and distributing of said linen supplies in the course of their aforesaid business in commerce in the States of New Jersey and New York, particularly in the said metropolitan area.

Pursuant to and in furtherance of, and to make effective said agreements, understandings, combinations, and conspiracies, said respondent members with the active cooperation of the other respondents named herein, have done and performed and still do and perform, among others, the following acts and things:

1. Organized said Mutual Club and subsequently as aforesaid respondent Board to control and regulate the business of supplying the aforesaid linen supplies in the aforesaid area;

2. Adopted, fixed, and maintained schedules of uniform minimum prices and discounts and other terms and conditions for the use of their said linen supplies;

3. Reported to said Mutual Club and respondent Board the names of all customers to whom said linen supplies have been or are being supplied, leased, or rented;

4. Refrained from soliciting linen-supply business from customers of other respondent members without the consent or approval of said Mutual Club and respondent Board;

5. Adopted and maintained exclusive dealing contracts with their customers whereby respondent members require their customers to procure, rent, or lease linen supplies exclusively from the respective respondent members at all times;

6. Admitted independent competing linen supply houses to membership in said Mutual Club and respondent Board only upon condition that such independent supply houses indemnify respondent mem-

bers for business taken from them by said independent supply houses prior to the time they became members of said Mutual Club or respondent Board;

7. Required members of said club and respondent Board who bought out independent supply houses to indemnify respondent members for business taken from them by said independent supply houses prior to the time they became members of said Mutual Club or respondent Board;

8. Set up and maintained an arbitration board or committee as a disciplinary and punitive agency with authority to impose fines and suspend members who failed or refused to comply with the rules and regulations of said Mutual Club and respondent Board;

9. Operated "bogus" independent linen supply houses commonly known as "whips" to take business away from independent supply houses and to discipline respondent members who have violated the rules and regulations of said Mutual Club or respondent Board;

10. Through said Mutual Club and respondent Board checked and policed the prices at which respondent members supply, lease and rent said linen supplies and other like articles of merchandise to their customers by various means and methods, including the practice of renting vacant places of business with the pretense of opening up such business as a barber or beauty shop for the purpose of securing quotations on such supplies for respondent members;

11. Coerced or attempted to coerce manufacturers of linen supplies to refuse to sell or extend credit to linen supply houses not members of said Mutual Club or respondent Board.

PAR. 6. The capacity, tendency, and effect of the aforesaid agreements, understandings, combinations, and conspiracies and the policies, practices, and acts and things done and performed by respondents in pursuance thereof are and have been:

1. To unreasonably lessen, suppress, and restrain competition in the leasing and licensing of said linen supplies in the said metropolitan area, and to deprive the using public of the advantages of prices, terms, and conditions in connection with the leasing or renting and other considerations which they would receive and enjoy under conditions of normal and unobstructed and free and fair competition in said trade and industry and to otherwise operate as a restraint upon, obstruction, and detriment to, the freedom of fair and legitimate competition in such trade and industry.

2. To suppress, discriminate against and eliminate from business all competitors who are, or have been engaged in, or who desire to engage in, the leasing or renting of said linen supplies.

3. To burden, hamper, and interfere with the normal and natural flow of trade and commerce in said linen supplies from, into and through the said metropolitan area.

4. To tend to monopolize in respondent members the business of leasing or renting the said linen supplies in the said metropolitan area.

PAR. 7. The acts and practices of said respondents, as herein alleged, are all to the prejudice of the public; have a dangerous tendency to hinder and prevent, and have actually hindered and prevented competition between and among said member respondents in the leasing or renting of their said supplies in commerce, within the intent and meaning of the Federal Trade Commission Act; and placed in member respondents power to control and enhance prices and other terms and conditions in connection with the leasing or renting of their said products; have a dangerous tendency to create in member respondents a monopoly in said products in said commerce; have unreasonably restrained such commerce in their said products, and constitute unfair methods of competition and unfair and deceptive acts and practices in commerce within the intent and meaning of section 5 of the Federal Trade Commission Act.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of the Federal Trade Commission Act, the Federal Trade Commission, on September 10, 1941, issued and thereafter served its complaint in this proceeding upon the respondents named in the caption hereof, charging them with the use of unfair methods of competition and unfair and deceptive acts and practices in commerce in violation of the provisions of said act. The following respondents, namely, Linen Supply Board of Trade of New Jersey, Joseph Victor, Herman Maslow, Jack Orlinsky, Albert P. Gresser, Bernard Richman, Max Sack, John M. O'Donaghue, American Coat & Apron Supply Co., Inc., Clean Coat, Apron & Towel Supply Co., Inc., Economy Coat, Apron & Towel Supply Co., Inc., Falcon Ideal Coat & Apron Supply Co., J & R Coat, Apron & Towel Supply Co., Inc., Lackawanna Linen Supply & Laundry Co., New Jersey Toilet & Towel Supply Co., Noxall Linen Supply & Laundry Co., Admiration Coat, Apron & Towel Supply Co., Inc., Advance Coat, Apron & Towel Supply Co., Inc., Belmont Coat, Apron & Towel Supply Co., Inc., Central Linen Service, Inc., Commercial Coat & Apron Supply Co., Commercial Towel Service, Inc., Eagle Barber Towel Supply Co., Inc., Ellery Coat & Apron Supply Co., Inc., Globe Coat & Apron Supply Co., Inc., Gotham Towel Supply Co., Inc., Morgan Linen Service, Inc., Pilgrim Coat, Apron & Linen Service, Incorporated,

Findings

36 F. T. C.

Westchester Coat, Apron & Towel Supply Co., Inc., Henderson Coat & Apron Supply Co., Long Island Coat & Apron Supply Co., Inc., The Gordon Supply Co., and Emil A. Creutzberg and Chester C. Creutzberg, copartners trading under the firm name and style of Ideal Towel Supply Co., have filed their answers, in which answers they respectively admit all the material allegations of fact set forth in said complaint and waive all intervening procedure and further hearing as to said facts. Thereafter, the proceeding regularly came on for final hearing before the Commission on the said complaint and the answers thereto; and the Commission, having duly considered the matter 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, Linen Supply Board of Trade of New Jersey, is an incorporated association, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business at 1108 Broad Street, Newark, N. J., and is hereinafter referred to as respondent "Board."

The following individuals are, or were at some time during the time hereinafter mentioned, officers of said respondent Board and are designated as respondents in the complaint herein, namely, Joseph Victor, president; Herman Maslow, vice president; Herbert N. Farrington, treasurer, who has died since the issuance of the complaint without filing an answer; and Jack Orlinsky, secretary.

The following individuals, together with said officers, are members of the Board of Directors of respondent Board and are designated as respondents in the complaint herein filed, namely, Albert P. Gresser, Bernard Richman, Max Sack, and John M. O'Donaghue.

The membership of respondent Board is made up of numerous corporations, partnerships, firms, and individuals engaged in the supplying, leasing, and renting of linen supplies, such as coats, trousers, aprons, frocks, towels, tablecloths, and other like articles of merchandise.

Respondent Board is the successor of Mutual Club, a voluntary, unincorporated association, commonly referred to as a trade association, organized, owned, controlled, and operated by members of the said linen supply business, acting through the officers and directors thereof, for more than 5 years prior to the issuing of the complaint herein, the same having been organized to aid and assist them in carrying out the agreements, understanding, combinations, and conspiracies hereinafter referred to and set forth. Said respondent

Board was organized about 1937 for the purpose of taking over the property, effects, functions, and activities engaged in and conducted by said Mutual Club, but said Board did not actually take over the affairs and the property of Mutual Club and engage in the acts and practices engaged in and conducted by said Mutual Club until about April 1941, at which time it took over all the property, assets, effects, records, and affairs of said Mutual Club, and has since engaged in and conducted the business for which it was organized by said members and theretofore engaged in and conducted by said Mutual Club, as aforesaid, as their representative, and in the place and stead of the said Mutual Club and in the manner hereinafter set forth.

PAR. 2. Among the members of said Mutual Club and its successor are, or were during the time hereinabove mentioned, the following:

Reliable Linen Supply Co., a corporation, organized and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 23 Branford Street, Newark, N. J. This respondent has ceased doing business since the issuance of the complaint herein and no answer has been filed on its behalf.

American Coat & Apron Supply Co., Inc. (referred to in the complaint as American Coat and Apron Supply Co., Inc.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business at 148 Huntington Terrace, Newark, N. J.

Clean Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 92-94 Oakland Avenue, Jersey City, N. J.

Economy Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 40 Lane Street, Paterson, N. J.

Falcon Ideal Coat & Apron Supply Co. (referred to in the complaint as Falcon Ideal Coat & Apron Supply Co.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 14 West Kinney Place, Newark, N. J.

J & R Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 536 Thirty-fourth Street, Union City, N. J.

Lackawanna Linen Supply & Laundry Co., a corporation organized, existing, and doing business under and by virtue of the

Findings

36 F. T. C.

laws of the State of New Jersey, with its principal office and place of business at 35 High Street, Newark, N. J.

New Jersey Toilet & Towel Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 12 Clifton Street, Newark, N. J.

Noxall Linen Supply & Laundry Co. (referred to in the complaint as Noxall Linen Supply and Laundry Co.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business at 95 Temple Avenue, Newark, N. J.

Admiration Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 436 East Nineteenth Street, New York City.

Advance Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 436 East Nineteenth Street, New York City.

Banner Coat, Apron & Towel Supply Co., a corporation, organized and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 155 Waverly Place, New York City. This respondent has been dissolved and no answer has been filed by it.

Belmont Coat, Apron & Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 605 West Forty-second Street, New York City.

Brew Coat & Apron Supply Co., Inc., a corporation, organized and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 543 West Twenty-third Street, New York City. This respondent has been dissolved and no answer has been filed by it.

Central Linen Service, Inc. (referred to in the complaint as Central Coat, Apron & Linen Supply Co.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 275 Westside Avenue, Jersey City, N. J.

Commercial Coat & Apron Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 605 West Forty-second Street, New York City.

Commercial Towel Service, Inc. (referred to in the complaint as Commercial Towel Supply, Inc.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 123 Pitt Street, New York City.

Eagle Barber Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 772 Myrtle Avenue, Brooklyn, N. Y.

Ellery Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 617-25 East Eighteenth Street, New York City.

Globe Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 520 West Forty-eighth Street, New York City.

Gotham Towel Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 543 West Twenty-third Street, New York City.

Grammercy Linen Supply Co., Inc., a corporation, organized and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 543 West Twenty-third Street, New York City. This respondent has been dissolved and no answer has been filed by it.

Modern Silver Linen Supply Co., Inc., a corporation, organized and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 540 West Twenty-fourth Street, New York City. This respondent has been dissolved and no answer has been filed by it.

Morgan Linen Service, Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 484 Eleventh Avenue, New York City.

Pilgrim Coat, Apron & Linen Service, Incorporated (referred to in the complaint as Pilgrim Coat, Apron & Linen Service, Inc.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 555 West Forty-second Street, New York City.

Prudential Coat, Apron & Towel Supply Co., Inc., a corporation, organized and doing business under and by virtue of the laws of the

Findings

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State of New York, with its principal office and place of business at 454 West One Hundred Twenty-eighth Street, New York City. This respondent has been dissolved and no answer has been filed by it.

Cosmopolitan Linen Supply Laundry Co., Inc., a corporation, organized and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 533 West Forty-second Street, New York City. This respondent appears to have been merged with another corporation some years ago, and apparently has not been a member of respondent Board for a considerable length of time, and therefore no answer has been filed on its behalf.

Westchester Coat, Apron & Towel Supply Co., Inc. (referred to in the complaint as Westchester Coat & Apron Supply Co., Inc.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 64-66 Warburton Avenue, Yonkers, N. Y.

Henderson Coat & Apron Supply Co., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 335 East Thirty-second Street, New York City.

Long Island Coat & Apron Supply Co., Inc., a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business at 42 Eagle Street, Brooklyn, N. Y.

The Gordon Supply Co. (referred to in the complaint as Gordon Supply Co.), a corporation, organized, existing, and doing business under and by virtue of the laws of the State of Massachusetts, with its principal office and place of business at 8-10 Clifton Street, Newark, N. J.

Emil A. Creutzberg and Chester C. Creutzberg, copartners, trading under the firm name and style of Ideal Towel Supply Co., with their place of business at 138 Oakland Avenue, Jersey City, N. J.

PAR. 3. Respondent members during the time hereinafter mentioned have been engaged in the business of supplying, leasing, and renting, for a valuable consideration, to individuals, firms, and corporations with places of business in the States of New Jersey and New York in and adjacent to Newark, N. J., and New York, N. Y. (hereinafter referred to as the "metropolitan area"), linen supplies such as coats, trousers, aprons, frocks, towels, tablecloths, and other articles of merchandise, and at regular intervals collecting the soiled linen supplies and substituting clean linen supplies therefor. Thereby said respondents created and maintained a constant and continuous current of commerce, as "commerce" is defined in the Federal Trade Commission Act, in said linen supplies and other like articles of merchan-

dise between the respondent members and the lessees or renters of said supplies, between the States of New Jersey and New York.

The volume of business done by respondent members constitutes approximately 90 percent of such business or trade in the Newark area, and a substantial proportion of that in the whole metropolitan area above mentioned.

PAR. 4. Said respondent members are, or were during the time hereinafter mentioned, in competition with one another in the leasing or renting and distribution of said linen supplies and other like articles of merchandise in the area hereinbefore described, except insofar as their said competition has been hindered, lessened, or restrained, or potential competition among them forestalled, by the practices and methods of said respondents hereinafter set forth.

There are other corporations, partnerships, firms, and individuals not affiliated with respondent Board, and which are engaged in the leasing or renting and distribution of such linen supplies and other like articles of merchandise in the area in which said respondents trade, in competition with one another and with one or more of said member respondents, except insofar as such competition has been hindered, lessened, and restrained, or potential competition among them forestalled, by the use of said respondents' practices and policies hereinafter described.

PAR. 5. Respondents and said Mutual Club, during the time mentioned in the complaint herein, have entered into and carried out and maintained agreements, understandings, combinations, and conspiracies between and among themselves to suppress, hinder, and lessen competition in the supplying, leasing, renting, and distribution of said linen supplies in the course of their aforesaid business in commerce in the States of New Jersey and New York, particularly in the said metropolitan area.

Pursuant to and in furtherance of, and to make effective said agreements, understandings, combinations, and conspiracies, said respondent members, with the active cooperation of the other respondents named herein, during the time mentioned in the complaint herein, have done and performed, among others, the following acts and things:

1. Organized said Mutual Club and, subsequently, as aforesaid, respondent Board to control and regulate the business of supplying the aforesaid linen supplies in the aforesaid area.

2. Adopted, fixed, and maintained schedules of uniform minimum prices and discounts and other terms and conditions for the use of their said linen supplies.

3. Reported to said Mutual Club and respondent Board the names of all customers to whom said linen supplies have been or are being supplied, leased, or rented.

4. Refrained from soliciting linen supply business from customers of other respondent members without the consent or approval of said Mutual Club and respondent Board.

5. Adopted and maintained exclusive dealing contracts with their customers whereby respondent members require their customers to procure, rent, or lease linen supplies exclusively from the respective respondent members at all times.

6. Admitted independent competing linen supply houses to membership in said Mutual Club and respondent Board only upon condition that such independent supply houses indemnify respondent members for business taken from them by said independent supply houses prior to the time they became members of said Mutual Club or respondent Board.

7. Required members of said club and respondent Board who bought out independent supply houses to indemnify respondent members for business taken from them by said independent supply houses prior to the time they became members of said Mutual Club or respondent Board.

8. Set up and maintained an arbitration board or committee as a disciplinary and punitive agency, with authority to impose fines and suspend members who failed or refused to comply with the rules and regulations of said Mutual Club and respondent Board.

9. Operated "bogus" independent linen supply houses, commonly known as "whips," to take business away from independent supply houses and to discipline respondent members who violated the rules and regulations of said Mutual Club or respondent Board.

10. Through said Mutual Club and respondent Board, checked and policed the prices at which respondent members supply, lease, and rent said linen supplies and other like articles of merchandise to their customers by various means and methods, including the practice of renting vacant places of business with the pretense of opening up such places as barber or beauty shops for the purpose of securing quotations on such supplies for respondent members.

11. Coerced, or attempted to coerce, manufacturers of linen supplies into refusing to sell or extend credit to linen supply houses not members of said Mutual Club or respondent Board.

PAR. 6. The capacity, tendency, and effect of the aforesaid agreements, understanding, combinations, and conspiracies, and the policies, practices, acts, and things done and performed by respondents in pursuance thereof, are and have been:

1. To unreasonably lessen, suppress, and restrain competition in the leasing and licensing of said linen supplies in the said metropolitan area, and to deprive the using public of the advantages of prices,

terms, and conditions in connection with the leasing or renting and other considerations which they would receive and enjoy under conditions of normal and unobstructed and free and fair competition in said trade and industry, and to otherwise operate as a restraint upon and obstruction and detriment to the freedom of fair and legitimate competition in such trade and industry.

2. To suppress, discriminate against, and eliminate from business all competitors who are or have been engaged in, or who desire to engage in, the leasing or renting of said linen supplies.

3. To burden, hamper, and interfere with the normal and natural flow of trade and commerce in said linen supplies from, into, and through the said metropolitan area.

4. To tend to monopolize in respondent members the business of leasing or renting the said linen supplies in the said metropolitan area.

CONCLUSION

The acts and practices of said respondents, as herein found, are all to the prejudice of the public; have a dangerous tendency to hinder and prevent, and have actually hindered and prevented, competition between and among said member respondents in the leasing or renting of their said supplies in commerce, within the intent and meaning of the Federal Trade Commission Act; have placed in member respondents power to control and enhance prices and other terms and conditions in connection with the leasing or renting of their said products; have a dangerous tendency to create in member respondents a monopoly in said products in said commerce; have unreasonably restrained such commerce in their said products; and constitute unfair methods of competition and unfair and deceptive acts and practices in commerce within the intent and meaning of section 5 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 and the answers of all the respondents now in existence, in which answers the said respondents admit all the material allegations of fact set forth in said complaint and waive all intervening procedure and further hearing as to the facts; and the Commission having made its findings as to the facts and its conclusion that said respondents have violated the provisions of section 5 of the Federal Trade Commission Act.

It is ordered, That the respondents, Linen Supply Board of Trade of New Jersey, an incorporated association; Joseph Victor, Herman Maslow, Jack Orlinsky, Albert P. Gresser, Bernard Richman, Max

Sack, and John M. O'Donaghue, both individually and as officers and members of the board of directors of respondent Board, respectively; American Coat & Apron Supply Co., Inc., a corporation; Clean Coat, Apron & Towel Supply Co., Inc., a corporation; Economy Coat, Apron & Towel Supply Co., Inc., a corporation; Falcon Ideal Coat & Apron Supply Co., a corporation; J & R Coat, Apron & Towel Supply Co., Inc., a corporation; Lackawanna Linen Supply & Laundry Co., a corporation; New Jersey Toilet & Towel Supply Co., a corporation; Noxall Linen Supply & Laundry Co., a corporation; Admiration Coat, Apron & Towel Supply Co., Inc., a corporation; Advance Coat, Apron & Towel Supply Co., Inc., a corporation; Belmont Coat, Apron & Towel Supply Co., Inc., a corporation; Central Linen Service, Inc., a corporation; Commercial Coat & Apron Supply Co., a corporation; Commercial Towel Service, Inc., a corporation; Eagle Barber Towel Supply Co., Inc., a corporation; Ellery Coat & Apron Supply Co., Inc., a corporation; Globe Coat & Apron Supply Co., Inc., a corporation; Gotham Towel Supply Co., Inc., a corporation; Morgan Linen Service, Inc., a corporation; Pilgrim Coat, Apron & Linen Service, Inc., a corporation; Westchester Coat, Apron & Towel Supply Co., Inc., a corporation; Henderson Coat & Apron Supply Co., a corporation; Long Island Coat & Apron Supply Co., Inc., a corporation; The Gordon Supply Co., a corporation; and Emil A. Creutzberg and Chester C. Creutzberg, copartners trading under the firm name and style of Ideal Towel Supply Co.; and their officers, representatives, agents, and employees, directly or through any corporate or other device, in connection with the leasing or renting and distribution of linen supplies and other like articles of merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from entering into, continuing, cooperating in, or carrying out any common course of action, agreement, understanding, combination, or conspiracy between or among any two or more of said respondents, or between any one or more of said respondents and others not parties hereto, to do or perform any of the following acts or things:

1. Adopting, fixing, or maintaining schedules of uniform minimum prices and discounts or other terms and conditions for the use of their said linen supplies.

2. Reporting to respondent Board the names of customers to whom said linen supplies have been or are being supplied, leased, or rented.

3. Refraining from soliciting linen supply business from customers of other respondent members except with the consent or approval of said Board.

4. Adopting or maintaining exclusive dealing contracts with their customers whereby respondent members, respectively, require their customers to procure, rent, or lease linen supplies exclusively from the respondent members at all times.

5. Requiring as a condition precedent to the admission of independent competing linen supply houses to membership in respondent Board that such independent supply houses indemnify respondent members for business taken from them by said independent supply houses prior to the time they become members of respondent Board.

6. Requiring members of respondent Board who buy out independent supply houses to indemnify respondent members for business taken from them by said independent supply houses prior to the time they become members of respondent Board.

7. Setting up or maintaining an arbitration board or committee as a disciplinary or punitive agency with authority to impose fines or suspend members who fail or refuse to comply with the rules and regulations of respondent Board.

8. Establishing or operating "bogus" independent linen supply houses, commonly known as "whips," to take business away from independent supply houses, or to discipline respondent members who violate the rules and regulations of respondent Board.

9. Checking and policing, by any means or methods, the prices at which respondent members supply, lease, or rent said linen supplies and other like articles of merchandise to their customers.

10. Coercing or attempting to coerce manufacturers of linen supplies into refusing to sell or extend credit to linen supply houses not members of respondent Board.

11. Employing or utilizing respondent Board or any arbitration board, committee, or other central agency as a punitive or disciplinary agency to enforce rules or regulations pertaining to costs and prices, or as an instrument, vehicle, or aid in performing or doing any of the acts or things prohibited by this order.

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

It is further ordered, That the complaint herein be, and it hereby is, dismissed as to the respondents, Herbert N. Farrington, Reliable Linen Supply Co., Banner Coat, Apron & Towel Supply Co., Brew Coat & Apron Supply Co., Inc., Grammercy Linen Supply Co., Inc., Modern Silver Linen Supply Co., Inc., Prudential Coat, Apron & Towel Supply Co., Inc., and Cosmopolitan Linen Supply Laundry Co., Inc.

IN THE MATTER OF
WESTVILLE REFINERY, INC.

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

Docket 4370. Complaint, Nov. 7, 1940—Decision, Mar. 27, 1943

Where a corporation, engaged in reclaiming and processing used motor oil, and in interstate sale and distribution of said product in competition with others dealing in reclaimed motor oils and in new motor oils refined from virgin crude oils—

- (a) Represented that it operated an oil refinery, through use of word "Refinery" in its corporate name which it displayed as such or in its abbreviated form on letterheads, invoices, and other printed material, and on labels attached to the containers in which its products were displayed and sold;

The facts being it was engaged solely in reclaiming and processing used motor oil obtained from the draining of motor crankcases; did not handle virgin crude oil at all, or have the equipment required for the refining of such oil;

- (b) Represented that its products were "Pennsylvania" oil, were made entirely from paraffin base stock, and were new and unused oils made from virgin crude oil, through display on containers thereof of legends "Para-Penn Motor Oil"; "Superlube—100% pure Pennsylvania base dewaxed Motor Oil"; "This oil is Refined from 100% Pure Pennsylvania and Other High Grade Paraffin Base Motor Oils"; "* * * refined from our choicest paraffin base stocks"; "Packed at the refinery * * *"; and "America's Finest Motor Oil";

The facts being products in question were not "Pennsylvania oil," or made from crude oil produced in the Pennsylvania oil fields or western portion of Pennsylvania and contiguous portions of Ohio, New York, and West Virginia, well and favorably known to the purchasing public and preferred by a substantial portion thereof over oils originating in other localities; nor were said oils made entirely from paraffin base stock, similarly preferred; nor, as implied, new unused oil refined from the virgin crude oil, but, obtained principally from Chicago and Detroit dealers, they were mixed indiscriminately before receipt by it, and it was without knowledge as to what part, if any, of its oil had its origin in the Pennsylvania oil fields or other fields producing oil with paraffin base; and

- (c) Failed to disclose the true nature of its products, which had the appearance of new and unused oil and were sold in containers such as are used for new oil, with resulting deception of the public;

With tendency and capacity to mislead and deceive a substantial number of dealers and members of the purchasing public in aforesaid respects, thereby inducing purchase of substantial quantities of such products; whereby trade was diverted unfairly to said corporation from its competitors, among whom are those who do not misrepresent their business status or nature of their products:

Held, That such acts and practices, under the circumstances set forth, were all to the prejudice of the public and competitors; and constituted unfair methods of competition in commerce and unfair and deceptive acts and practices therein.