

IN THE MATTER OF
INTERSTATE HOME EQUIPMENT COMPANY, INC. 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 5173. Complaint, June 3, 1944—Decision, Mar. 23, 1945

Where a corporation and several individuals who controlled it, engaged in the interstate sale and distribution of silverware, mattresses, blankets, radios, towels and other household articles, through some 32 branch offices or distribution centers in 20 States, operated in accordance with their policies by the respective managers and under a program by which said managers' house-to-house canvassers, as a rule, displayed samples and obtained contracts and down payments, and the merchandise—contingent upon approval by the manager or home office of the prospect's credit standing—was delivered, and installments collected until the price was paid—

- (a) Represented that they were selling Rogers 1847 silverware at a price substantially less than the usual retail price; that they were putting on a special advertising campaign in an effort to acquaint the public with their merchandise, during which said merchandise was being sold at reduced prices or at substantially less than usual prices; and that they were selling merchandise at lower prices than others;
- The facts being that the silverware in question was not Rogers 1847, but an inferior grade which they regularly sold at a price substantially less than the customary retail price of Rogers 1847 silverware; they were not putting on any special advertising campaign, and the articles of merchandise which they claimed they were selling at reduced prices were regularly sold by them at the prices asked; and their prices were not less than those of others but were generally higher than were the prices charged by local stores for merchandise of equivalent value;
- (b) Represented falsely that they were representatives of local and well-known business house, that the silverware sold by them was carried in stock by all large department stores, that the patterns sold by them—mostly obsolete—could be supplemented from local department stores, and that their silverware was superior in quality to that offered by local stores at comparable prices;
 - (c) Represented that mattresses offered for sale and sold by them were equal in grade and quality to the well-known and established "Beauty Rest" mattress; and that certain health features thereof were endorsed by physicians;
- The facts being their said mattresses did not compare favorably with Beauty Rest mattresses, but were made of inferior materials and poorly constructed; and they were not endorsed by physicians;
- (d) Represented that blankets which they offered and sold were composed wholly or partly of wool when in fact some were entirely cotton, and none contained over 5% wool;
 - (e) After having agreed to do so, refused to return payments or deposits made by purchasers on merchandise which was unsatisfactory or not as represented by their salesmen;
 - (f) Refused to return payments or deposits on merchandise in cases where purchasers did not desire to complete the sale;
 - (g) Delivered to purchasers goods other than, and in some instances inferior in quality to, those ordered;
 - (h) Delivered goods in addition to those ordered by purchasers and then threatened to sue said purchasers if the unordered merchandise were not paid for;

- (i) Misrepresented certain china ware as to quality and pattern;
- (j) Failed to fulfil contracts with purchasers to repair or replace unsatisfactory or defective merchandise;
- (k) Failed to return merchandise taken up for repair according to agreement; and
- (l) Offered used or second-hand silverware for sale as new or unused;

With tendency and capacity to mislead and deceive, and effect of misleading and deceiving, a substantial portion of the purchasing public, whereby it purchased substantial quantities of their said products:

Held, That the aforesaid acts and practices were all to the prejudice and injury of the public, and constituted unfair and deceptive acts and practices in commerce.

Before *Mr. Miles J. Furnas*, trial examiner.

Mr. Joseph Calloway for the Commission.

Mr. Ira Lloyd Letts, of Providence, R. I., for respondents.

COMPLAINT

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 Interstate Home Equipment Company, Inc., a corporation, Benjamin N. Kane, Sidney A. Kane, Irwin E. Kane, Reuben Lipson, Samuel Leven and William G. Goldstein, individually, and as officers of Interstate Home Equipment Company, Inc., hereinafter referred to as respondents, have violated the provisions of 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. The respondent, Interstate Home Equipment Company, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Delaware and has its principal office and place of business at 60 Franklin Street, Providence, R. I.

PAR. 2. The individual respondents, Benjamin N. Kane, Sidney A. Kane, Irwin E. Kane, Reuben Lipson, Samuel Leven and William G. Goldstein, are now, or were during the time aforementioned, officers of the respondent Interstate Home Equipment Company, Inc., and as such formulate, direct and control the policies, practices and acts hereinafter described and referred to. Their address is 60 Franklin Street, Providence, R. I.

PAR. 3. The respondents, are now and for several years last past have been, engaged in the sale and distribution of silverware, mattresses, blankets, radios, towels and various other household articles.

Respondents' said articles when sold are shipped by respondents from their aforesaid place of business in Providence, R. I., or from the plants where said articles are manufactured or warehouses where they are stored to purchasers thereof located in various States of the United States and in the District of Columbia.

Respondents maintain and at all times mentioned herein have maintained a course of trade in commerce among and between the various States of the United States and in the District of Columbia.

PAR. 4. Respondents operate or have operated during part or all of the time aforementioned approximately 32 branch offices or distribution centers in approximately 20 States of the United States and in the District of Columbia. The various branch offices or distribution centers are under the

supervision of employees or agents of the respondents and are designated by respondents and are hereinafter referred to as managers. Said managers operate said branch offices in accordance with the policies formulated by the respondents.

PAR. 5. Respondents' said managers employ salesmen or house-to-house canvassers to sell respondents' said products. Respondents supply said salesmen with samples of their products, and customarily give them some instruction in the art of salesmanship. The salesmen then call at homes and offer respondents' products for sale. In some instances the salesmen carry products with them and make outright sales while in the home of the purchaser. The usual method of selling respondents' said products, however, is to show the prospective purchaser a sample of the product and obtain from the prospect a purchase contract and a deposit or down payment on the purchase, if possible. Said contract is submitted by the salesman to his manager who, after some investigation of the prospect's credit standing, either approves or disapproves said contract. In some instances, the contracts are submitted to the home office for consideration. If the contract is approved, the merchandise is then delivered to the purchaser and the down payment or first instalment is collected. Collectors thereafter call upon the purchasers periodically until the full purchase price of the merchandise is collected.

PAR. 6. In the course and conduct of their business as aforesaid the respondents directly or through their said salesmen have made many oral statements and representations in connection with the sale of their products. Among and typical of said statements and representations are the following:

1. That they were selling Rogers 1847 silverware at a price substantially less than the usual price at which said silverware customarily sold at retail.

2. That respondents were putting on a special advertising campaign in an effort to acquaint the public with respondents' merchandise, and during such campaign said merchandise was sold at reduced prices or at prices substantially less than the regular or usual prices at which said articles were customarily sold.

3. That they were selling articles of merchandise at prices which were less than the usual prices at which articles of equivalent value were customarily and regularly sold by others.

4. That respondents were representatives of local and well known business houses.

5. That the silverware sold by them was carried in stock by all large department stores, and that the patterns sold by respondents could be supplemented from local department stores.

6. That their silverware was superior in quality to the silverware offered by local stores at comparable prices.

7. That certain mattresses offered for sale and sold by them were equal in grade and quality to the well known and established Beauty Rest mattress.

8. That certain blankets which they offered for sale and sold were composed wholly or partly of wool.

9. That certain health features of their mattresses were endorsed by physicians.

PAR. 7. The representations set forth and referred to above and others of similar import and effect but not specifically set out herein were false

and misleading. In truth and in fact, the silverware which respondents represented as being Rogers 1847 silverware, at a reduced price, was not Rogers 1847 silverware but was an inferior grade of silverware which respondents regularly sold at a price which was substantially less than the regular and customary retail price of Rogers 1847 silverware. The respondents were not putting on any special advertising campaign to acquaint the public with their merchandise but the articles of merchandise which respondents claimed they were selling at reduced prices were regularly and customarily offered for sale and sold by respondents at the prices asked. The prices respondents charged for their merchandise were not less than the prices charged by others for articles of equivalent value. In fact, respondents prices were higher generally than were the prices charged by local stores for merchandise of equivalent value. Respondents did not represent local stores or other well known business houses. The patterns of silverware offered for sale and sold by respondents were not carried in stock by local department stores, as a rule. In fact, most of respondents' silverware was of obsolete patterns. Respondents' mattresses did not compare favorably with Beauty Rest mattresses in quality of material or workmanship but were, as a rule, made of inferior materials and were poorly constructed. Respondents' said mattresses were not endorsed by physicians. Most of respondents' blankets contained no wool whatever but were composed of cotton. None of said blankets contained over five percent wool.

PAR. 8. Among the further unfair and deceptive acts and practices engaged in by respondents are the following:

1. Refused to return payments or deposits made by purchasers on merchandise which was unsatisfactory or not as represented by respondents' salesmen, after having agreed to do so.

2. Refused to return payments or deposits made by purchasers on merchandise in cases where respondents did not desire to complete the sale.

3. Delivered to purchasers goods other than and in some instances inferior in quality to the goods ordered by the purchaser thereof.

4. Delivered goods in addition to those ordered by purchasers and then threatened to sue said purchasers if the unordered merchandise was not paid for.

5. Misrepresented certain chinaware as to quality and pattern.

6. Failed to comply with purchaser contracts to repair or replace unsatisfactory or defective merchandise.

7. Failed to return merchandise according to agreement, which had been taken up for repair.

8. Offered used or second-hand silverware for sale as new or unused silverware.

PAR. 9. The use by respondents of the false and misleading representations set forth and referred to above and other representations of similar import and effect but not specifically set out herein has had the tendency and capacity to mislead and deceive and has misled and deceived a substantial portion of the purchasing public and, as a result of the deception engendered by said false and misleading representations, substantial quantities of respondents' said products have been purchased by said public.

PAR. 10. The aforesaid acts and practices of respondents, as herein alleged, are all to the prejudice and injury of the public and constitute unfair and deceptive acts and practices in commerce within the intent and meaning 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 June 3, 1944, issued and subsequently served its complaint in this proceeding upon the respondents named in the caption hereof, charging them with the use of unfair and deceptive acts and practices in commerce in violation of the provisions of said act. After the issuance of said complaint and the filing of answers by the respondents, the Commission, by order entered herein, granted motion of the respondents, Interstate Home Equipment Company, Inc., Benjamin N. Kane, Irwin E. Kane, Reuben Lipson, Samuel Leven, and William G. Goldstein for permission to withdraw their said answers and to substitute therefor an answer admitting all the material allegations of fact set forth in said complaint and waiving all intervening procedure and further hearing as to said facts, which substitute answer was duly filed in the office of the Commission. The respondent Sidney A. Kane has been in the United States Navy since February 22, 1944, and did not join with the other respondents in the motion for permission to withdraw the original answer and his counsel moved for a stay of the proceedings as to this respondent.

Thereafter, this proceeding regularly came on for final hearing before the Commission on the said complaint and substitute answer; 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. (a) Respondent, Interstate Home Equipment Company, Inc., is a corporation, organized and existing under the laws of the State of Delaware, with its principal office and place of business at 60 Franklin Street, Providence, R. I.

(b) Respondents, Benjamin N. Kane, Irwin E. Kane, Reuben Lipson, Samuel Leven, and William G. Goldstein, are individuals, and officers of Interstate Home Equipment Company, Inc., with their principal place of business at 60 Franklin Street, Providence, R. I. As such officers, these respondents formulate, direct, and control the policies, practices, and acts of Interstate Home Equipment Company, Inc.

(c) Respondent, Sidney A. Kane, an individual, is an officer of Interstate Home Equipment Company, Inc., but in view of his absence in the military service and the motion for stay of this proceeding based upon such service, he is not hereafter referred to or included in these findings.

PAR. 2. The respondents are now, and for several years last past have been, engaged in the sale and distribution of silverware, mattresses, blankets, radios, towels, and various other household articles. When sold, such articles are shipped by respondents from their place of business in Providence, R. I., or from the plants where said articles are manufactured or warehouses where they are stored, to purchasers thereof at their points of location in various other States of the United States and in the District of Columbia. Respondents maintain, and at all times mentioned herein have maintained, a course of trade in said articles in commerce among and between the various States of the United States and in the District of Columbia.

PAR. 3. Respondents operate, or have operated during part or all of the several years last past, approximately 32 branch offices or distribution cen-

ters located in 20 States of the United States and in the District of Columbia. These offices are under the supervision of employees or agents of the respondents designated by them and hereinafter referred to as managers. These managers operate said branch offices in accordance with the policies formulated by the respondents. The managers employ salesmen or house-to-house canvassers to sell respondents' products. These salesmen are supplied with samples of said products and customarily given some instruction in the art of salesmanship. They call at homes and offer respondents' products for sale. In some instances outright sales are made from goods carried by the salesmen, but the usual method of sale is to show the prospective purchaser samples of the products and obtain from the prospect, if possible, a purchase contract and a deposit or down payment on the merchandise. Purchase contracts secured are submitted by the salesman to his manager, who, after some investigation of the prospect's credit standing, either approves or disapproves the contracts, except in some instances where the contracts are submitted to the home office for consideration. If the contract is approved, the merchandise is then delivered to the purchaser and the down payment or first installment is collected. Collectors thereafter call upon the purchasers periodically until the full purchase price of the merchandise is collected.

PAR. 4. In the course and conduct of their business as aforesaid, the respondents, directly or through their said salesmen, have made many oral statements and representations in connection with the sale of their products, among and typical of which were the following:

1. That respondents were selling Rogers 1847 silverware at a price substantially less than the usual price at which said silverware customarily sold at retail.

2. That respondents were putting on a special advertising campaign in an effort to acquaint the public with their merchandise, and during such campaign said merchandise was being sold at reduced prices or at prices substantially less than the regular or usual prices at which said articles were customarily sold.

3. That they were selling articles of merchandise at prices which were less than the usual prices at which articles of equivalent value were customarily and regularly sold by others.

4. That respondents were representatives of local and well-known business houses.

5. That the silverware sold by respondents was carried in stock by all large department stores, and that the patterns sold by respondents could be supplemented from local department stores.

6. That respondents' silverware was superior in quality to the silverware offered by local stores at comparable prices.

7. That certain mattresses offered for sale and sold by respondents were equal in grade and quality to the well-known and established Beauty Rest mattress.

8. That certain health features of mattresses offered for sale and sold by respondents were endorsed by physicians.

9. That certain blankets which respondents offered for sale and sold were composed wholly or partly of wool.

PAR. 5. The aforesaid representations were false and misleading. In truth and in fact, the silverware which respondents represented as being Rogers 1847 silverware, at a reduced price, was not Rogers 1847 silverware but was an inferior grade of silverware which respondents regularly sold

at a price substantially less than the regular and customary retail price of Rogers 1847 silverware. The respondents were not putting on any special advertising campaign to acquaint the public with their merchandise and the articles of merchandise which respondents claimed they were selling at reduced prices were regularly and customarily offered for sale and sold by respondents at the prices asked. The prices respondents charged for their merchandise were not less than the prices charged by others for articles of equivalent value; in fact, respondents' prices were higher generally than were the prices charged by local stores for merchandise of equivalent value. Respondents did not represent local stores or other well-known business houses. The patterns of silverware offered for sale and sold by respondents were not, as a rule, carried in stock by local department stores, and most of respondents' silverware was of obsolete patterns. Respondents' mattresses did not compare favorably with Beauty Rest mattresses in quality of material or workmanship, but were, as a rule, made of inferior materials and were poorly constructed. Respondents' said mattresses were not endorsed by physicians. Most of respondents' blankets contained no wool whatever, but were composed of cotton and none of said blankets contained over five percent wool.

PAR. 6. Among the further unfair and deceptive acts and practices engaged in by respondents were the following:

1. After having agreed to do so, refusing to return payments or deposits made by purchasers on merchandise which was unsatisfactory or not as represented by respondents' salesmen.

2. Refusing to return payments or deposits made by purchasers on merchandise in cases where respondents did not desire to complete the sale.

3. Delivering to purchasers goods other than, and in some instances inferior in quality to, the goods ordered by the purchaser.

4. Delivering goods in addition to those ordered by purchasers and then threatening to sue said purchasers if the unordered merchandise were not paid for.

5. Misrepresenting certain china ware as to quality and pattern.

6. Failing to fulfil contracts with purchasers to repair or replace unsatisfactory or defective merchandise.

7. Failing to return merchandise taken up for repair according to agreement.

8. Offering used or second-hand silverware for sale as new or unused silverware.

PAR. 7. The use by respondents of the false and misleading representations and unfair and deceptive acts and practices set forth and referred to above has had the tendency and capacity to mislead and deceive, and has misled and deceived, a substantial portion of the purchasing public; and, as a result of such deception, substantial quantities of respondents' said products have been purchased by said public.

CONCLUSION

The aforesaid acts and practices of the respondents are all to the prejudice and injury of the public, and constitute unfair and deceptive acts and practices in commerce 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 and the substitute answer of all respondents, except Sidney A. Kane, in which answer said respondents admitted all the material allegations of fact set forth in the complaint and waived all intervening procedure and further hearing as to the said facts, and the Commission having made its findings as to the facts and its conclusion that said respondents have violated the provisions of the Federal Trade Commission Act.

It is ordered, That respondent, Interstate Home Equipment Company, Inc., a corporation, its officers, representatives, agents, and employees, and respondents Benjamin N. Kane, Irwin E. Kane, Reuben Lipson, Samuel Leven, and William G. Goldstein, individuals, their respective representatives, agents, and employees, directly or through any corporate or other device, in connection with the offering for sale, sale, and distribution of silverware, mattresses, blankets, radios, towels, or any other articles of merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing any silverware as Rogers 1847 silverware which in fact is not Rogers 1847 silverware; or representing, directly or comparatively, that any silverware is of a brand, grade, or quality different from the fact.
2. Representing that any merchandise is being offered at a reduced or special price, when in fact such price is not lower than respondents' usual or customary price for such merchandise.
3. Representing that respondents' prices for merchandise are lower than the usual or customary prices of others for like articles of equivalent value, when respondents' prices are not in fact lower.
4. Representing that respondents represent well-known business concerns, or others, that they do not in fact represent.
5. Representing that silverware sold by respondents can be duplicated or supplemented at local stores when such stores do not stock or sell the patterns offered by respondents.
6. Representing that inferior quality mattresses offered by respondents are equal to superior quality mattresses of well-known brands; or that respondents' mattresses are endorsed or approved by physicians.
7. Representing that blankets not composed of wool are wool blankets or that any blanket contains more wool than it in fact contains.
8. Refusing to accept the return of, and to refund payments or deposits made by purchasers on, merchandise after having agreed to do so.
9. Refusing to return deposits or payments made by purchasers on merchandise in cases where respondents declined or refused to complete the sale.
10. Delivering to purchasers goods other than, or inferior in quality to, the goods ordered.
11. Delivering goods in addition to those ordered by a purchaser and threatening to sue such purchaser for failure to pay for unordered merchandise.
12. Misrepresenting the quality or pattern of china ware.
13. Failing or refusing to fulfil contracts with purchasers to repair or replace unsatisfactory or defective merchandise.
14. Failing or refusing to deliver merchandise which has been returned by purchasers for repair.

15. Representing that used silverware is new or unused.

It is further ordered, That respondents, Interstate Home Equipment Company, Inc., Benjamin N. Kane, Irwin E. Kane, Reuben Lipson, Samuel Leven, and William G. Goldstein, and each of them, 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, for the reasons appearing in the findings as to the facts herein, this proceeding be, and the same hereby is, closed as to the respondent, Sidney A. Kane, without prejudice to the right of the Commission, should the facts so warrant, to reopen the proceeding and resume trial thereof in accordance with its regular procedure.

Complaint

IN THE MATTER OF

SAMUEL RUDOVSKY AND MAX BRAUNSTEIN, TRADING
AS RUDD MANUFACTURING COMPANY

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF
AN ACT OF CONGRESS APPROVED SEPT. 26, 1914, AND THE WOOL PRODUCTS
LABELING ACT OF 1939, APPROVED OCT. 14, 1940

Docket 5047. Complaint, Sept. 13, 1943—Decision, Mar. 24, 1945

Where two partners engaged in designing and cutting of fabrics, made into men's and boys' pants and various other articles of wearing apparel by others, and in the interstate sale and distribution of said pants and other articles, including many which were wool products within the intent and meaning of the Wool Products Labeling Act of 1939—

Sold substantial numbers of aforesaid wool products, misbranded in violation of said act and the rules and regulations promulgated thereunder in that, when introduced into commerce, they did not have affixed thereto a stamp, tag, etc., showing the percentage of the total fiber weight of wool, reprocessed wool, and reused wool and non-wool fiber, and maximum percentage of adulterating matter; and proper identification of the manufacturer, seller, etc., as required by the Act, and, in plainly legible words and figures, the percentages by weight of wool where such wool product contained other fibers:

Held, That such acts and practices, under the circumstances set forth, were in violation of the Wool Products Labeling Act, and the rules and regulations promulgated thereunder, and were all to the prejudice of the public, and constituted unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

Before *Mr. Miles J. Furnas*, trial examiner.

Mr. DeWitt T. Puckett for the Commission.

Mr. Samuel Sutro, of New York City, for respondents.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and the Wool Products Labeling Act of 1939, and by virtue of the authority vested in it by said acts, the Federal Trade Commission, having reason to believe that Samuel Rudovsky and Max Braunstein, copartners, trading and doing business as Rudd Manufacturing Company, hereinafter referred to as respondents, have violated the provisions of the said acts and the rules and regulations promulgated under the Wool Products Labeling Act of 1939, 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. The respondents, Samuel Rudovsky and Max Braunstein, are copartners, trading and doing business as Rudd Manufacturing Company and have their principal office and place of business at 17 West 17th Street, New York, N. Y.

PAR. 2. Respondents are now, and for more than one year last past have been, engaged in designing and cutting fabrics which are manufactured into men's and boys' pants, and various other articles of wearing apparel.