

Complaint

48 F. T. C.

IN THE MATTER OF

ARLUCK BLANKET CORP. AND ELMER M. ARLUCK

COMPLAINT, FINDINGS, AND ORDERS IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914, AND OF AN ACT OF CONGRESS APPROVED OCT. 14, 1940

Docket 5847. Complaint, Feb. 5, 1951—Decision, Aug. 7, 1951

Where a corporation and its president, who controlled its operations, engaged in the introduction into commerce and in the offer, sale, and distribution therein of blankets which were made for them on a contract basis, from materials which they supplied to the manufacturer; and were wool products as defined in the Wool Products Labeling Act—

Misbranded said blankets in that, (1) labeled "100% Wool exclusive of ornamentation," they were not composed entirely of "wool" as defined in said act, but contained substantial amounts of "reused wool" and "reprocessed wool"; and (2) they did not have affixed thereto tags or labels showing their constituent fibers and the percentages thereof:

Held, That such acts and practices, under the circumstances set forth, were in violation of sections 3 and 4 of the Wool Products Labeling Act of 1939, and the rules and regulations promulgated thereunder, and constituted unfair and deceptive acts and practices in commerce.

Before *Mr. James A. Purcell*, trial examiner.

Mr. Jesse D. Kash for the Commission.

Mr. Milton Lerner, 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 Elmer M. Arluck, an individual, and Arluck Blanket Corp., a corporation, hereinafter referred to as respondents, have violated the provisions of said acts and 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. Respondent Elmer M. Arluck is an individual and Arluck Blanket Corp. is a corporation organized and existing under and by virtue of the laws of the State of New York with its office and principal place of business located at 257 Fourth Avenue, New York, N. Y. Respondent Elmer M. Arluck is president of Arluck Blanket Corp. and in control of its operations, and said respondent corporation is in fact an instrumentality through which the said Elmer M. Arluck conducts his business.

PAR. 2. Subsequent to January 1, 1949, respondents have introduced into commerce, offered for sale in commerce, and sold and distributed in commerce, as "commerce" is defined in the Wool Products Labeling Act of 1939, wool products, as "wool products" are defined therein. The said wool products consisted of blankets, which were manufactured for respondents by Clarence Littlefield, doing business as Plymouth Woolen Mill, located at Plymouth, Maine, on a contract basis from materials supplied by respondents.

PAR. 3. Upon the labels affixed to the said blankets appeared the following:

Medical blanket
100% wool exclusive of ornamentation
MFR 7088

PAR. 4. The said blankets were misbranded within the intent and meaning of the said Act, and the rules and regulations promulgated thereunder in that they were falsely and deceptively labeled with respect to the character and amount of their constituent fibers. In truth and in fact, the said blankets were not composed entirely of wool, as "wool" is defined in said act, but contained substantial amounts of "reused wool" and "reprocessed wool," as those terms are defined in said act. The said articles were further misbranded in that the labels affixed thereto did not show the percentage of the total fiber weight thereof, exclusive of ornamentation not exceeding 5 per centum of said total fiber weight, of: "wool," "reused wool," and "reprocessed wool," as those terms are defined in said act; each fiber, other than wool, constituting 5 per centum or more of such total fiber weight; and the aggregate of all other fibers, each of which constituted less than 5 per centum of such total fiber weight.

PAR. 5. The aforesaid acts and practices of respondents as herein alleged were in violation of the Wool Products Labeling Act of 1939 and the rules and regulations promulgated thereunder, and constituted unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

DECISION OF THE COMMISSION

Pursuant to Rule XXII of the Commission's rules of practice, and as set forth in the Commission's "Decision of the Commission and Order to File Report of Compliance," dated August 7, 1951, the initial decision in the instant matter of trial examiner James A. Purcell, as set out as follows, became on that date the decision of the Commission.

INITIAL DECISION BY JAMES A. PURCELL, TRIAL EXAMINER

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 on February 5, 1951, issued and subsequently served its complaint in this proceeding upon the respondents, Arluck Blanket Corp. and Elmer M. Arluck, charging the respondents with the use of unfair and deceptive acts and practices in commerce in violation of those acts. After issuance of said complaint and the filing of respondents' answer thereto, hearing was held at which testimony and other evidence in support of and in opposition to the allegations of said complaint were introduced before the above-named trial examiner therefore duly designated by the Commission, and said testimony and other evidence were duly recorded and filed in the office of the Commission. Thereafter, the proceeding regularly came on for final consideration by said trial examiner on the complaint, the answer thereto, testimony and other evidence, proposed findings as to the facts and conclusions presented by counsel in support of the complaint (none such having been filed by respondents), oral argument not having been requested; and said trial examiner, having duly considered the record herein, finds that this proceeding is in the interest of the public and makes the following findings as to the facts, conclusions drawn therefrom, and order:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent Arluck Blanket Corp. is a corporation organized and existing under and by virtue of the laws of the State of New York with its office and principal place of business located at 257 Fourth Avenue, New York, N. Y. Respondent Elmer Arluck is president of Arluck Blanket Corp. and in control of its operations, said respondent corporation being in fact an instrumentality through and by which Elmer M. Arluck conducted his business. Said corporation is now in a state of liquidation and although having been inactive in the sale of its products since April or May of the year 1950, yet remains *in esse*.

PAR. 2. Subsequent to January 1, 1949, respondents have introduced into commerce, offered for sale in commerce, and sold and distributed in commerce, as "commerce" is defined in the Wool Products Labeling Act of 1939, wool products, as "wool products" are defined therein. Said wool products consisted of blankets which were manufactured upon the order, and at the instance, of the respondents by one Clarence Littlefield, doing business as Plymouth Woolen Mill, located at Plym-

108

Order

outh, Maine, on a contract basis from materials supplied by respondents to said Littlefield.

PAR. 3. Upon the labels affixed to said blankets appeared the following words and figures:

Medical blanket
100% wool exclusive of ornamentation
MFR 7088

PAR. 4. Said blankets were misbranded within the intent and meaning of said Wool Products Labeling Act of 1939, and of the rules and regulations promulgated thereunder, in that they were falsely and deceptively labeled with respect to the character and amount of their constituent fibers, said products being labeled "100% wool, exclusive of ornamentation." In truth and in fact, the said blankets were not composed entirely of wool, as "wool" is defined in said act, but contained substantial amounts of "reused wool" and "reprocessed wool," as those terms are defined in said act. The said articles were further misbranded in that the labels affixed thereto did not show the percentage of the total fiber weight thereof, exclusive of ornamentation not exceeding 5 per centum of said total fiber weight of: "wool," "reused wool," and "reprocessed wool," as those terms are defined in said act; each fiber, other than wool, constituting 5 per centum or more of such total fiber weight; and the aggregate of all other fibers, each of which constituted less than 5 per centum of such total fiber weight.

CONCLUSION

The aforesaid acts and practices of respondents as herein found were and are in violation of sections 3 and 4 of the Wool Products Labeling Act of 1939, and of the rules and regulations promulgated thereunder, and constitute unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

ORDER

It is ordered, That respondents, Arluck Blanket Corp., a corporation, its officers, and Elmer M. Arluck, individually and as an officer of said corporation, their agents, representatives, and employees, directly or through any corporate or other device, or any other name, in connection with the introduction into commerce, or the sale, transportation, or distribution of wool products in commerce, as "commerce" is defined in the Wool Products Labeling Act of 1939, and the Federal Trade Commission Act, do forthwith cease and desist from misbranding such wool products as defined and subject to the Wool Products Labeling Act of 1939, which contain or purport to contain,

Order

48 F. T. C.

or in any way are represented as containing wool, reprocessed wool, or reused wool, as those terms are defined in said act,

(1) by falsely or deceptively stamping, tagging, labeling, or otherwise identifying such products;

(2) by failing to securely affix to or place on such products a stamp, tag, label or other means of identification showing in a clear and conspicuous manner:

(a) The percentage of the total fiber weight of such wool products exclusive of ornamentation, not exceeding 5 per centum of said weight of: (1) wool, (2) reprocessed wool, (3) reused wool, (4) each fiber other than wool where said percentage of weight of such fiber is 5 per centum or more, and (5) the aggregate of all other fibers;

(b) The maximum percentage of the total weight of the wool product of any nonfibrous loading, filling, or adulterating matter;

(c) The percentage in words and figures plainly legible by weight of the wool contents of such wool product where said wool product contains a fiber other than wool.

Provided, That the foregoing provisions concerning misbranding shall not be construed to prohibit acts permitted by paragraphs (a) and (b) of section 3 of the Wool Products Labeling Act of 1939; and

Provided further, That nothing contained in this order shall be construed as limiting any applicable provisions of said act or of the rules and regulations promulgated thereunder.

ORDER TO FILE REPORT OF COMPLIANCE

It is ordered, That the respondents herein 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 the order to cease and desist [as required by said declaratory decision and order of August 7, 1951].

Complaint

IN THE MATTER OF

W. H. BRADY & CO., 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 5298. Complaint, Mar. 27, 1945—Decision, Aug. 8, 1951

Where a corporation and a number of its officers and directors, engaged in the manufacture and interstate sale and distribution of push cards which, bearing appropriate explanatory legends (or spaces therefor), were designed for use in the sale and distribution of merchandise at retail to the public by means of a game of chance, under a plan whereby the purchaser of a push, who, by chance, selected a concealed winning number, secured an article of merchandise, without additional cost at much less than its normal retail price, others receiving an article of less value than the price of the push or nothing for their money—

Sold and distributed such devices to manufacturers of and dealers in candy, cigarettes, clocks, razors, cosmetics, clothing, and other merchandise, assortments of which, along with said devices, were made up by said dealers and exposed and sold by the retailer purchasers to the purchasing public in accordance with the aforesaid sales plan, involving sale of a chance to procure articles at much less than their normal retail price; and

Thereby supplied to and placed in the hands of others the means of conducting lotteries in the sale and distribution of their merchandise, contrary to an established public policy of the United States Government and in violation of criminal laws;

With the result that many members of the public were thereby induced to deal with retailers who thus sold or distributed such merchandise; many retailers were induced to deal with suppliers of the same; and substantial trade was unfairly diverted from certain competitors of such suppliers, who, because of said lottery features and the public policy concerned, did not thus sell or distribute such products and refrained from supplying such devices to others:

Held, That such acts and practices, under the circumstances set forth, were all to the prejudice and injury of the public, and constituted unfair acts and practices in commerce.

Mr. J. W. Brookfield, Jr., for the Commission.

Mr. John C. Kelley, of Chicago, Ill., and *Mr. George R. Perrine*, of Aurora, Ill., for respondents.

Taylor, Miller, Busch & Magner, of Chicago, Ill., also represented Richard H. Brady and M. Moliter.

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 W. H. Brady & Co.,

Complaint

48 F. T. C.

a corporation, Frederick W. Brady, Elizabeth A. Brady, Mildred J. Brady, Richard H. Brady, William H. Brady, Jr., and Max M. Molitor, individuals and officers of the W. H. Brady & Co., a corporation, all hereinafter 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 W. H. Brady & Co., hereinafter referred to as corporate respondent, is a corporation organized and doing business under and by virtue of the laws of the State of Wisconsin, having its office and principal place of business located at 510 Water Street, in the city of Eau Claire, Wis.; and respondents Frederick W. Brady, Elizabeth A. Brady, Mildred J. Brady, Richard H. Brady, William H. Brady, Jr., and Max M. Molitor, are officers and directors of said corporate respondent, and they formulate, direct, dictate, and control the acts, practices, and policies of said corporate respondent.

Respondents are now, and for more than 4 years last past have been, engaged in the manufacture of devices commonly known as push cards, and in the sale and distribution in commerce between and among the various States of the United States and in the District of Columbia, of said devices to manufacturers of, and dealers in, various other articles of merchandise.

Respondents cause and have caused said devices, when sold, to be transported from their aforesaid place of business in Eau Claire, Wis., to purchasers thereof at their respective points of location in various States of the United States, other than the State of Wisconsin and in the District of Columbia. There is now, and for more than 4 years last past has been, a course of trade in such push-card devices by said respondents in commerce between and among the various States of the United States and in the District of Columbia.

PAR. 2. In the course and conduct of their business as described in paragraph 1 hereof, respondents sell and distribute and have sold and distributed to said manufacturers and dealers push cards so prepared and arranged as to involve games of chance, gift enterprises or lottery schemes when used in making sales of merchandise to the consuming public. One of said push cards has 60 small partially perforated disks on the face of which is printed the word "Push." concealed within each disk is a number which is disclosed when the disk is pushed or separated from the card. The push card bears the legend as follows:

113

Complaint

5¢

CANDY SALE

5¢

Each

Each

No Blanks

20 Big Prizes

EVERYBODY WINS

Numbers 2-4-6-8-10-12-14-16-18-20-22-24-26-28-30-32

RECEIVE * ONE LARGE NOUGAT LOAF

Number 25

RECEIVES * ONE EXTRA LARGE NOUGAT LOAF

The Last Number in Each Section

RECEIVES * ONE EXTRA LARGE NOUGAT LOAF

All Other Numbers Receive a Regular Bar

NOTE: Only One Bar, Loaf or Package with Each 5¢ Purchase.

Many others of said push cards have printed on the faces thereof other labels or instructions that express the manner in which said devices are to be used or may be used in the sale or distribution of various other specified articles of merchandise. The prices of the sales on said push cards vary in accordance with the individual devices. Each purchaser pays a specified price, usually from 1 to 5 cents a push and is entitled to one push from the push card and when a push is made a disk is separated from the push card and a number is disclosed. The numbers are effectively concealed from the purchasers and prospective purchasers until the selection has been made and the push completed. Certain specified numbers entitle purchasers to designated articles of merchandise. Persons securing, by their push, lucky or winning numbers receive articles of merchandise without additional cost at prices which are much less than the normal retail price of said articles of merchandise. Persons who do not secure such winning numbers receive in some cases a small piece of candy of less value than the price paid for the push, or in other cases receive nothing for their money. The articles of merchandise are thus distributed to the consuming or purchasing public wholly by lot or chance.

Other of said push card devices have no instructions or legends thereon but have blank spaces provided therefor. On those push cards the purchasers thereof place instructions or labels which have the same or similar import or meaning as the instructions or labels placed by the respondents on said push card devices first hereinabove described.

Respondents sell and distribute and have sold and distributed many kinds of push cards, but all of said devices involve the same chance or lottery features when used in connection with the sale or distribution of candy or other merchandise and vary only in detail. The only use to be made of said push card devices and the only manner in which

they are used by the ultimate purchasers thereof is in combination with other merchandise so as to enable said ultimate purchasers to sell and distribute said other merchandise by means of lot or chance as hereinabove alleged.

PAR. 3. Many persons, firms, and corporations who sell and distribute, and have sold and distributed, candy, cigarettes, clocks, razors, cosmetics, clothing, and other articles of merchandise in commerce between and among the various States of the United States and in the District of Columbia, purchase and have purchased respondents' said push card devices, and pack and assemble, and have packed and assembled, assortments comprised of various articles of merchandise together with said push card devices. Retail dealers who have purchased said assortments, either directly or indirectly, and retail dealers who have purchased said devices direct from respondents and made up their own assortments, have exposed the same to the purchasing public and have sold or distributed said articles of merchandise by means of said push cards in accordance with the sales plan as described in paragraph 2 hereof. Because of the element of chance involved in connection with the sale and distribution of said merchandise by means of said push cards, many members of the purchasing public have been induced to trade or deal with retail dealers selling or distributing said merchandise by means thereof. As a result thereof many retail dealers have been induced to deal with or trade with manufacturers, wholesale dealers and jobbers who sell and distribute said merchandise together with said devices and who have many competitors who sell or distribute like or similar articles of merchandise in commerce between and among the various States of the United States and in the District of Columbia. Said competitors are faced with the alternative of descending to the use of said push card devices or other similar devices which they are under a powerful moral compulsion not to use in connection with the sale or distribution of their merchandise, or to suffer the loss of substantial trade. Said competitors do not sell or distribute their merchandise by means of push cards or punchboard devices or similar devices because of the element of chance or lottery features involved therein, and because such practices are contrary to the public policy of the Government of the United States and such competitors refrain from supplying to, or placing in the hands of, others push card or punchboard devices, which are to be used or which may be used in connection with the sale or distribution of the merchandise of such competitors to the general public by means of a lottery, game of chance or gift enterprise. As a result thereof substantial trade in commerce among and between the various States of the United States and in the District of Columbia has been unfairly diverted

from said competitors who do not sell or use said devices to persons, firms, and corporations who purchase and use said devices of the respondents.

PAR. 4. The sale of merchandise to the purchasing public in the manner above alleged involves a game of chance or the sale of a chance to procure articles of merchandise at prices much less than the normal retail price thereof and teaches and encourages gambling among members of the public, all to the injury of the public. The use of said sales plan or method in the sale of merchandise and the sale of merchandise by and through the use thereof and by the aid of said sales plan or method is a practice which is contrary to an established public policy of the Government of the United States and constitutes unfair methods of competition in commerce and unfair acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

The sale or distribution of said push card devices by respondents as hereinabove alleged supplies to and places in the hands of others the means of conducting lotteries, games of chance or gift enterprises in the sale or distribution of their merchandise. The respondents thus supply to, and place in the hands of, said persons, firms and corporations the means of, and instrumentalities for, engaging in unfair methods of competition in commerce and unfair acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

PAR. 5. The aforesaid acts and practices of respondents as hereinabove alleged are all to the prejudice and injury of the public, and constitute unfair 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 March 27, 1945, issued and subsequently served its complaint in this proceeding upon the respondents named in the caption hereof, charging said respondents with the use of unfair acts and practices in commerce in violation of the provisions of that act. After the issuance of said complaint and the filing of respondents' answer thereto, respondents filed a motion with the Commission requesting permission to withdraw their said answer and to substitute therefor their answer admitting all of the material allegations of the complaint and waiving all intervening procedure and further hearings as to said facts but reserving the right to file briefs, present oral argument, and appeal from any order entered herein by

Findings

48 F. T. C.

the Commission, said motion being made upon the condition that the Commission would enter no order herein until after orders were entered by the Commission in the matters of Leo Lichtenstein, et al., trading as Harlich Manufacturing Co., Docket No. 4879, Hamilton Manufacturing Co., Docket No. 3944, and Everett J. Granger, et al., trading as Gardner & Co., Docket No. 4278. The Commission granted said motion and, on April 18, 1947, respondents filed their answer admitting all of the material allegations of the complaint and waiving all intervening procedure upon the conditions and with the reservations stated in their motion. Thereafter, this proceeding regularly came on for final hearing before the Commission upon the aforesaid complaint, the respondents' answer admitting all of the material allegations thereof, briefs in support of and in opposition to the said complaint, and oral argument thereon (the Commission in the meantime having disposed of each of the above-entitled matters); 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 W. H. Brady & Co., hereinafter referred to as the corporate respondent, is a corporation organized and doing business under and by virtue of the laws of the State of Wisconsin with its office and principal place of business located at 510 Water Street, in the city of Eau Claire, State of Wisconsin. Respondents Frederick W. Brady, Elizabeth A. Brady, Mildred J. Brady, and Richard H. Brady are now and for many years last past have been officers and directors of said corporate respondent, and respondents William H. Brady, Jr., and M. Molitor (erroneously named in the complaint as Max M. Molitor) for several years prior to and including 1947 have been officers and directors of said corporate respondent. Said respondents formulated, directed, dictated and controlled the acts, practices, and policies of said corporate respondent.

The respondents (with the exception of William H. Brady, Jr., and M. Molitor during the year 1948 and thereafter) are now and for many years last past have been engaged in the manufacture of devices commonly known as push cards and in the sale and distribution in commerce between and among the various States of the United States and in the District of Columbia of said devices to manufacturers of and dealers in various other articles of merchandise.

Respondents have caused said devices, when sold, to be transported from their aforesaid place of business in Eau Claire, Wis., to purchasers thereof at their respective points of location in various States of the United States other than the State of Wisconsin and in the District of Columbia. There is now and for many years last past there has been a course of trade in such push card devices by said respondents in commerce between and among the various States of the United States and in the District of Columbia.

PAR. 2. In the course and conduct of their said business, respondents have sold and distributed to said manufacturers and dealers push cards so prepared and arranged as to involve games of chance, gift enterprises or lottery schemes when used in making sales of merchandise to the consuming public. One of said push cards has 60 small partially perforated disks on the face of each of which is printed the word "Push." Concealed within each disk is a number which is disclosed when the disk is pushed or separated from the card. The push card bears the following legend:

CANDY SALE

5¢
Each
No Blanks

5¢
Each
20 Big Prizes

EVERYBODY WINS

Numbers 2-4-6-8-10-12-14-16-18-20-22-24-26-28-30-32

RECEIVE * ONE LARGE NOUGAT LOAF

Number 25

RECEIVES * ONE EXTRA LARGE NOUGAT LOAF

The Last Number in Each Section

RECEIVES * ONE EXTRA LARGE NOUGAT LOAF

All Other Numbers Receive a Regular Bar

NOTE: Only One Bar, Loaf or Package with Each

5¢ Purchase.

Many others of said push cards have printed on the faces thereof other labels or instructions that express the manner in which said devices are to be used or may be used in the sale or distribution of various other specified articles of merchandise. The prices of the sales on said push cards vary in accordance with the individual devices. Each purchaser pays a specified price, usually from 1 to 5 cents a push, and is entitled to one push from the push card. When a push is made a disk is separated from the push card and a number is disclosed. The numbers are effectively concealed from the purchasers and prospective purchasers until the selection has been made and the push completed. Certain specified numbers entitle purchasers to designated articles of merchandise. Persons securing, by their push, lucky or winning numbers receive articles of merchandise without additional

Findings

48 F. T. C.

cost at prices which are much less than the normal retail price of said articles of merchandise. Persons who do not secure such winning numbers receive in some cases a small piece of candy of less value than the price paid for the push, and in other cases receive nothing for their money. The articles of merchandise are thus distributed to the consuming or purchasing public wholly by lot or chance.

Other of said push card devices have no instructions or legends thereon but have blank spaces provided therefor. On those push cards the purchasers thereof place instructions or labels which have the same or similar import or meaning as the instructions or labels placed by the respondents on said push card devices first hereinabove described.

Respondents have sold and distributed many kinds of push cards, but all of said devices involve the same chance or lottery features when used in connection with the sale or distribution of candy or other merchandise and vary only in detail. The only use to be made of said push card devices and the only manner in which they are used by the ultimate purchasers thereof is in combination with other merchandise so as to enable said ultimate purchasers to sell and distribute said other merchandise by means of lot or chance as hereinabove described.

PAR. 3. Many persons, firms, and corporations who sell and distribute candy, cigarettes, clocks, razors, cosmetics, clothing, and other articles of merchandise in commerce between and among the various States of the United States and in the District of Columbia have purchased respondents' said push card devices, and have packed and assembled assortments comprised of various articles of merchandise together with said push card devices. Retail dealers who have purchased said assortments, either directly or indirectly, and retail dealers who have purchased said devices directly from respondents and made up their own assortments, have exposed the same to the purchasing public and have sold or distributed said articles of merchandise by means of said push cards in accordance with the sales plan as described hereinabove. Because of the element of chance involved in the sale and distribution of said merchandise by means of said push cards, many members of the purchasing public have been induced to trade or deal with retail dealers selling or distributing said merchandise by means thereof. As a result thereof, many retail dealers have been induced to deal with or trade with manufacturers, wholesale dealers, and jobbers who sell and distribute said merchandise together with said devices and who have many competitors who sell or distribute like or similar articles of merchandise in commerce between and among the various States of the United States and in the District of Columbia. Said competitors are faced with the alternative of using said push

113

Order

card devices or other similar devices in connection with the sale or distribution of their merchandise, or of suffering the loss of substantial trade. Certain of these said competitors do not sell or distribute their merchandise by means of push cards or punchboard devices or similar devices because of the element of chance or lottery features involved therein and because such practices are contrary to the public policy of the Government of the United States. Such competitors also refrain from supplying to others push card or punchboard devices which are to be used or which may be used in connection with the sale or distribution of the merchandise of such competitors to the general public by means of a lottery, game of chance or gift enterprise. As a result thereof, substantial trade in commerce among and between the various States of the United States and in the District of Columbia has been unfairly diverted from said competitors who do not sell or use said devices, to persons, firms and corporations who purchase and use said devices of the respondents.

PAR. 4. The sale of merchandise to the purchasing public in the manner above described involves a game of chance or the sale of a chance to procure articles of merchandise at prices much less than the normal retail price thereof. The use of said sales plan or method in the sale of merchandise, and the sale of merchandise by and through the use thereof and by the aid of said sales plan or method, is a practice which is contrary to an established public policy of the Government of the United States.

The sale or distribution of said push card devices by respondents, as hereinabove described, supplies to and places in the hands of others the means of conducting lotteries, games of chance, or gift enterprises in the sale or distribution of their merchandise.

CONCLUSION

The acts and practices of the respondents as herein found are all to the prejudice and injury of the public and constitute unfair 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, the respondents' answer admitting all of the material allegations thereof, briefs and oral argument of counsel, and the Commission having made its findings as to the facts and its conclusion that the respondents have violated the provisions of the Federal Trade Commission act:

Order

48 F. T. C.

It is ordered, That the respondent W. H. Brady & Co., a corporation, and its officers, agents, representatives, and employees, and the respondents Frederick W. Brady, Elizabeth A. Brady, Mildred J. Brady, Richard H. Brady, William H. Brady, Jr., and M. Molitor, individually, and their respective agents, representatives and employees, directly or through any corporate or other device, do forthwith cease and desist from:

Selling or distributing in commerce, as "commerce" is defined in the Federal Trade Commission Act, push cards, punchboards, or other lottery devices, which are to be used or may be used in the sale or distribution of merchandise to the public by means of a game of chance, gift enterprise or lottery scheme.

It is further ordered, That the 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.

Commissioner Mason concurring in the findings as to the facts and conclusion, but not concurring in the form of order to cease and desist, for the reasons stated in his opinion concurring in part and dissenting in part in Docket 5203—Worthmore Sales Co.¹

¹ March 10, 1950. See 46 F. T. C. 606 at 622.

Syllabus

IN THE MATTER OF

AMERICAN IRON & STEEL INSTITUTE, 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 5508. Complaint, Nov. 13, 1947¹—Decision, Aug. 10, 1951

Where the Iron & Steel Institute; and a large number of member corporations, which produced more than 85 percent of the steel products produced and sold in the United States—including products regularly used in the production of automobiles, agricultural implements, tools and machinery, hardware, plumbing supplies, metal cans and containers, railroad equipment, homes, buildings, public buildings, bridges, dams and others, and products purchased in large quantities by the Federal, State, and municipal governments—and each of which directly or through an affiliate, and in cooperation with one another, actively participated in or supported said Institute and its activities; and which, engaged in the interstate sale and production of their products, were in competition with one another except as it was thereby restrained, lessened or destroyed;

Following the close of NRA in May 1935 (or date of organization, if later) and the adoption, on June 6, 1935, by the members of the Iron and Steel Industry, of a formal resolution ratifying a similar resolution adopted by the Board of Directors of respondent Institute on June 3, 1935, to the effect that each of said members declared its intention of maintaining "the standards of fair competition", which had been described in the N. R. A. Steel Code—

- (a) Defined and described, through Committees of the Institute and otherwise, the limits of steel product groups, and the ranges of products within said groups, and classified ranges of products, quantities, and services; and made use of the said definitions, descriptions, and classifications in the pricing of their products, and in determining what products would be sold at base prices, and for which products and services extra charges or deductions would be made; and, in the case of any particular concern, announced "base prices," "extras," and "deductions" applicable to a particular product at a particular place and time (as distinguished from the actual selling prices which were nearly always the same as those announced as applicable under similar conditions by other respondent concerns;
- (b) Prior to 1940 jointly compiled averaged industry-wide costs of producing products, performing services, and handling quantities different from those sold at base prices; actual costs of which different functions varied, depending upon efficiency, size of the particular product run, and other factors;
- (c) Made use of said averaged industry-wide cost factors as a basis for determining and announcing the additional amounts (which were nearly always the same during any given period for any service, characteristic, or quantity), to be added to or deducted from their "base" or "based prices";
- (d) Specified in the case of each, in announcing its base prices, not only an amount of dollars and cents for a specified steel product but also that such amount was applicable to such product at a specified geographical point or "basing point," and either announced prices at each of said points, or a willingness to equalize its prices with prices announced;

¹ Amended.