

Complaint

IN THE MATTER OF
ALLIED WEAVERS OF AMERICA ET AL.COMPLAINT, FINDINGS, AND ORDERS IN REGARD TO THE ALLEGED VIOLATION
OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914*Docket 5953. Complaint, Feb. 12, 1952—Decision, June 19, 1952*

Where a corporation and its two officers, engaged in the interstate sale and distribution by mail of a study course designed to prepare students for work as commercial weavers; through advertisements in newspapers and other printed matter, and in radio broadcasts, directly and by implication—

(a) Represented falsely that weaving is easy to learn and to do, and that after taking their course of instruction persons would become expert weavers; the facts being that a considerable amount of manual dexterity, which many people do not possess and cannot acquire, along with a substantial amount of practical experience are prerequisites to so qualifying;

(b) Represented falsely that such persons would be able to earn \$10.00 a day in their spare time and \$15.00 and up a day for full time, and that from \$10.00 to \$12.00 was the usual charge for the type of weaving taught by them; The facts being the usual charge for their type of weaving was considerably less than aforesaid amount, and there was no particular demand for persons so trained; and

(c) Falsely represented that their course was available only for a limited time; and

(d) Represented falsely through their sales agents that they would assist their graduates in obtaining weaving work from dry cleaners in their neighborhood and would grant only a limited number of franchises in each neighborhood; when in fact they issued their so-called franchise to as many people in the same neighborhood as would buy and complete the course;

With tendency and capacity to mislead a substantial portion of the purchasing public into the mistaken belief that such representations were true and thereby induce purchase of their said course:

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.

Before *Mr. John Lewis*, hearing examiner.

Mr. B. L. Williams and *Mr. B. G. Wilson* for the Commission.

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 Allied Weavers of America, a corporation, and Walter E. Powell and George Wallace, individually and as officers of said corporation, 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

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would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Allied Weavers of America is a corporation organized, existing and doing business under the laws of the State of California with its principal office and place of business located at 389 Valencia Street, San Francisco, California. Respondents Walter E. Powell and George Wallace are president, vice-president and secretary, respectively of said corporation. Said individual respondents as such officers formulate, control, and execute all of the business policies and practices of said corporation.

PAR. 2. Respondents are now and have been for more than one year last past, engaged in the sale and distribution in commerce, among and between the various States of the United States, of a course of study and instruction designed to prepare students for work as commercial weavers. Said course is pursued through the medium of the United States mails. Respondents, in the course and conduct of said business, cause their said course of study and instruction to be transported from their said place of business in the State of California, to the purchasers thereof located in other States of the United States. Respondents maintain and at all times mentioned herein have maintained, a substantial course of trade in said correspondence courses, in commerce, among and between the various States of the United States.

PAR. 3. Respondents, in soliciting the sale of and in selling their said course of study and instruction, in commerce, have made certain statements, representations, and claims respecting said course and the results which will be obtained by taking such course, in newspapers and other printed matter circulated or caused to be circulated by said respondents and in radio broadcasts. Typical of such statements, representations, and claims made by or through one or more of the said methods are the following:

. . . fascinating easy to do job.

With a few short, easy lessons at home, you can rapidly become an expert . . .

. . . by working in your spare time, you may be able to earn ten to twelve dollars or more every day.

Ten and twelve dollars is a common charge for this work.

RIGHT NOW there is a tremendous demand for persons skilled in invisible weaving.

LIMITED OFFER

LADIES

MAKE BIG MONEY AT HOME

Earn \$15.00 per day and up

WEAVERS WANTED

between ages of 21 and 60

FULL OR PART TIME

Complete low cost home study course including
all equipment of this trade . . .

THIS OFFER GOOD FOR A LIMITED TIME ONLY.

By means of oral statements and representations made by respondent's sales agents engaged in inducing the purchase of said course of study, the respondents have represented that they will assist graduates in obtaining work from dry cleaners in their neighborhoods and will grant only a limited number of franchises in each neighborhood.

PAR. 4. By means of the aforesaid statements respondents represented, directly and by implication, that weaving is easy to learn and do; that after taking their course of instruction, persons will become expert weavers and be able to earn from \$10 to \$12 a day in their spare time and \$15 and up a day for full time; that \$10 to \$12 is the usual and customary charge made for the type of weaving taught by them; that there is a great demand for persons trained through respondents' course of instruction; that said course of instruction will be available only for a limited time; that they will assist their graduates in obtaining weaving work from dry cleaners located in their neighborhoods and only a limited number of franchises will be granted in each neighborhood.

PAR. 5. The aforesaid statements are false, misleading and deceptive. In truth and in fact, weaving is neither easy to learn or to do. Many persons will not become expert weavers by completing respondents' course of instruction for the reason that to become an expert weaver, a considerable amount of manual dexterity is required which many people do not possess and cannot acquire. In addition a substantial amount of practical experience is required before one can qualify as an expert. The amount represented as probable earnings for both spare and full time is greatly exaggerated. The amount of \$10 to \$12 is considerably in excess of the usual and customary charge made for the type of weaving taught in respondents' course. There is no particular or great demand for persons trained through respondents' course. Respondents' offer of their course of instruction has never been limited in time but said course is available for purchase at any time. Respondents do not assist their graduates in obtaining weaving work from dry cleaners or any other persons and they issue their so-called franchises to as many people in the same neighborhood as will buy and complete their course.

PAR. 6. The use by the respondents of the aforesaid false, misleading and deceptive statements and representations had the tendency and capacity to mislead a substantial portion of the purchasing public into the erroneous and mistaken belief that such statements and representations were true and to induce a substantial portion of the purchasing public, because of such erroneous and mistaken belief to purchase respondents' course of instruction.

PAR. 7. The aforesaid acts and practices of the 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.

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 June 19, 1952, the initial decision in the instant matter of hearing examiner John Lewis, as set out as follows, became on that date the decision of the Commission.

INITIAL DECISION BY JOHN LEWIS, HEARING EXAMINER

Pursuant to the provisions of the Federal Trade Commission Act, the Federal Trade Commission on February 12, 1952, served its complaint in this proceeding upon respondents Allied Weavers of America, a corporation, and Walter E. Powell and George Wallace, individually and as officers of said corporation, charging them with unfair and deceptive acts and practices in commerce in violation of the provisions of said Act. The "Notice" portion of said complaint provided that the failure of said respondents to file their answer within the time therein provided and the failure to appear at the time and place therein fixed for hearing would be deemed to authorize the Commission and the above-named hearing examiner, without further notice, to find the facts to be as alleged in the complaint and to issue an order to cease and desist in the form set forth in said notice. The said respondents failed to file an answer to the complaint herein and failed to appear at the time and place of hearing fixed in the aforesaid notice. At said hearing before the above-named hearing examiner, duly designated by the Commission, the attorney in support of the complaint moved that the respondents be found in default, and for the entry of an order to cease and desist in the form set forth in the "Notice" portion of the complaint. Said motion was granted and the hearing was thereupon closed. Thereafter, the proceeding regularly came on for final consideration by the said hearing examiner upon the complaint and said motion of the attorney in support of the complaint; and said hearing examiner having duly considered the record herein, finds that this proceeding is in the interest of the public and, pursuant to Rules V and VIII of the Rules of Practice of the Commission, makes the following findings as to the facts, conclusion drawn therefrom, and order:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent Allied Weavers of America is a corporation organized, existing and doing business under the laws of the State of California with its principal office and place of business located at 389 Valencia Street, San Francisco, California. Respondents Walter E. Powell and George Wallace are president, vice-president and secretary, respectively, of said corporation, and as such officers formulate, control, and execute all of the business policies and practices of said corporation.

PAR. 2. Respondents are now and have been for more than one year last past, engaged in the sale and distribution in commerce, among and between the various States of the United States, of a course of study and instruction designed to prepare students for work as commercial weavers. Said course is pursued through the medium of the United States mails. Respondents, in the course and conduct of said business, cause their said course of study and instruction to be transported from their place of business in the State of California, to the purchasers thereof located in other States of the United States. Respondents maintain and at all times mentioned herein have maintained, a substantial course of trade in said correspondence courses, in commerce, among and between the various States of the United States.

PAR. 3. Respondents, in soliciting the sale of, and in selling, their said course of study and instruction, in commerce, have made certain statements, representations, and claims respecting said course and the results which will be obtained by taking such course, in newspapers and other printed matter circulated or caused to be circulated by said respondents and in radio broadcasts. Typical of such statements, representations, and claims made by or through one or more of the said media are the following:

. . . fascinating easy to do job.

With a few short, easy lessons at home, you can rapidly become an expert . . .

. . . by working in your spare time, you may be able to earn ten to twelve dollars or more every day.

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WEAVERS WANTED

between ages of 21 and 60

FULL OR PART TIME

Complete low cost home study course including
all equipment of this trade . . .

THIS OFFER GOOD FOR A LIMITED TIME ONLY.

Findings

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Respondents' sales agents, engaged in inducing the purchase of said course of study, have also made oral statements and representations that they will assist graduates in obtaining work from dry cleaners in their neighborhoods and will grant only a limited number of franchises in each neighborhood.

PAR. 4. By means of the aforesaid statements respondents represented, directly and by implication, that weaving is easy to learn and do; that after taking their course of instruction, persons will become expert weavers and be able to earn from \$10 to \$12 a day in their spare time and \$15 and up a day for full time; that \$10 to \$12 is the usual and customary charge made for the type of weaving taught by them; that there is a great demand for persons trained through respondents' course of instruction; that said course of instruction will be available only for a limited time; that they will assist their graduates in obtaining weaving work from dry cleaners located in their neighborhoods and will grant only a limited number of franchises in each neighborhood.

PAR. 5. The aforesaid statements are false, misleading and deceptive. In truth and in fact, weaving is neither easy to learn or to do. Many persons will not become expert weavers by completing respondents' course of instruction for the reason that to become an expert weaver, a considerable amount of manual dexterity is required which many people do not possess and cannot acquire. In addition a substantial amount of practical experience is required before one can qualify as an expert. The amount represented as probable earnings for both spare and full time is greatly exaggerated. The amount of \$10 to \$12 is considerably in excess of the usual and customary charge made for the type of weaving taught in respondents' course. There is no particular or great demand for persons trained through respondents' course. Respondents' offer of their course of instruction has never been limited in time but said course is available for purchase at any time. Respondents do not assist their graduates in obtaining weaving work from dry cleaners or any other persons and they issue their so-called franchises to as many people in the same neighborhood as will buy and complete their course.

PAR. 6. The use by the respondents of the aforesaid false, misleading and deceptive statements and representations had the tendency and capacity to mislead a substantial portion of the purchasing public into the erroneous and mistaken belief that such statements and representations were true and to induce a substantial portion of the purchasing public, because of such erroneous and mistaken belief, to purchase respondents' course of instruction.

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Order

CONCLUSION

The aforesaid acts and practices of the respondents, as hereinabove set out, 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

It is ordered, That the respondents Allied Weavers of America, a corporation, and its officers, and Walter E. Powell and George Wallace, individually and as officers of said corporation, and said respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of courses of instruction in weaving in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing that weaving is either easy to learn or to do;
2. Representing directly or by implication that persons, irrespective of manual dexterity, general aptitude or practical experience, will become expert weavers upon completion of respondents' course.
3. Representing directly or by implication that the earning potential of persons completing respondents' course is greater than said earning potential is in fact.
4. Representing directly or by implication that any specified amount is charged for performing the type of weaving services taught by respondents when said amount is in excess of the charges usually and customarily made for said type of weaving.
5. Representing directly or by implication that there is a great demand for persons who have completed respondents' course of instruction or representing in any manner that the opportunities for employment on the part of persons trained through respondents' course of instruction are greater than they are in fact.
6. Representing directly or by implication that any of respondents' offers are limited or restricted in point of time when such offers are in fact not so limited or restricted.
7. Representing directly or by implication that respondents assist persons who have completed their course in obtaining weaving work.
8. Representing directly or by implication that the number of persons to whom any franchise or other similar instrument of authority or recognition will be conferred by respondents is a limited number when such franchise or other instrument is given to all persons buying and completing such course.

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ORDER TO FILE REPORT OF COMPLIANCE

It is ordered, That the respondents herein shall, within sixty (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 June 19, 1952].

Complaint

IN THE MATTER OF

JAMES BERMAN AND BENJAMIN KRANE DOING BUSINESS AS KRANE-BERMAN CLOTHING COMPANY

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 5955. Complaint, Feb. 13, 1952—Decision, June 21, 1952

Where two partners engaged in New York in the manufacture and interstate sale and distribution of wool products as defined in the Wool Products Labeling Act—

- (a) Misbranded certain wool products in that they were not stamped, tagged or labeled as required by said Act, and in the manner and form prescribed by the Rules and Regulations promulgated thereunder;
- (b) Misbranded certain men's trousers in that, labeled as 100% wool, they contained substantial quantities of other fibers; and
- (c) Misbranded certain other trousers in that, labeled 40% wool and 60% rayon, they contained substantially less wool and substantially more rayon than so represented:

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 constituted unfair acts and practices in commerce.

Before *Mr. John Lewis*, hearing examiner.

Mr. Carlo J. Aimone for the Commission.

Mr. Meyer Schwartz, of New York City, for James Berman.

Mr. Paul M. Klein, of New York City, for Benjamin Krane.

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 James Berman and Benjamin Krane, individually and as partners, doing business as Krane-Berman Clothing Company, hereinafter referred to as respondents, have violated the provisions of 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, James Berman and Benjamin Krane, are partners doing business as Krane-Berman Clothing Com-