

Complaint

IN THE MATTER OF

LILLI ANN CORP. ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND THE WOOL PRODUCTS LABELING ACTS*Docket 6336. Complaint, Apr. 26, 1955—Decision, Sept. 22, 1955*

Consent order requiring a manufacturer and its importing subsidiary in Los Angeles, Calif., to cease violating the Wool Products Labeling Act and the Federal Trade Commission Act through misbranding certain fabrics and ladies' coats as to their fiber content, using information on labels in French without an accompanying English translation, and falsely representing the content of piece goods in invoices, orders, and confirmations of orders.

Before *Mr. John Lewis*, hearing examiner.

Mr. George E. Steinmetz for the Commission.

Mr. Milton J. Levy, of New York City, for respondents.

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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 Lilli Ann Corp., a corporation, Soufflet-America, Inc., a corporation, and Adolph P. Schuman, individually and as an officer of each of said corporations, hereinafter referred to as the respondents, have violated the provisions of said Acts, 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 corporate respondent Lilli Ann Corp., is a corporation organized and existing under and by virtue of the laws of the State of California, being engaged in the manufacture, sale and distribution of women's coats and suits. The corporate respondent Soufflet-America, Inc., is a corporation organized and existing under and by virtue of the laws of the State of New York and constitutes a wholly-owned subsidiary of said Lilli Ann Corp.; said Soufflet-America, Inc., functioning primarily as an importing organization for and on behalf of said Lilli Ann Corp.

Respondent Adolph P. Schuman is president of each of said corporate respondents and this individual respondent formulates, directs and controls the acts, policies and practices of each of said corporate respondents. The principal offices and places of business of all said

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respondents are located at 2701 Sixteenth Street, San Francisco 3, California.

PAR. 2. Subsequent to the effective date of the Wool Products Labeling Act of 1939 and more especially since the commencement of the year 1954, respondents have imported into the United States and thereafter manufactured for introduction into commerce, introduced into commerce, sold, transported, distributed, delivered for shipment and offered for sale in commerce, as "commerce" is defined in said Act, wool products, as "wool products" are defined therein.

PAR. 3. Certain of said wool products were misbranded within the intent and meaning of Section 4 (a) (1) of said Wool Products Labeling Act of 1939 and the Rules and Regulations promulgated thereunder in that they were falsely and deceptively labeled or tagged with respect to the character and amount of the constituent fibers contained therein.

Among such misbranded wool products were ladies' coats labeled or tagged "Cashmere Of France—Woven In Paris For Lilli Ann," whereas in truth and in fact said products consisted largely of wool from the genus sheep with lesser quantities of Cashmere, being the hair or fleece of the Cashmere goat, together with minor quantities of rabbit hair.

Further, among such misbranded wool products imported into the United States and thereafter sold in commerce by the respondents were fabrics labeled or tagged as consisting of "50% Vicuna 50% Wool"; "50% Vigogne 38% Laine 12% Nankin", "45% Cashmeir 43% Laine—12% Poil Nankin;" and "100% Wool"; whereas in truth and in fact said fabrics were not composed respectively of 50% Vicuna, 50% Wool; 50% Vigogne, 38% Laine, 12% Nankin; 45% Cashmeir, 43% Laine, 12% Poil Nankin; or 100% Wool.

PAR. 4. Certain of said wool products were misbranded in that they were not stamped, tagged or labeled as required under the provisions of Section 4 (a) (2) of the Wool Products Labeling Act of 1939, and in the manner and form prescribed by the Rules and Regulations promulgated pursuant to said Act.

PAR. 5. Certain of said wool products described as fabrics were further misbranded in that statements of fiber content set forth on labels or tags attached thereto were confined to the French language without setting forth the same in English in addition thereto, as required under the provisions of Rule 7 of the Rules and Regulations promulgated pursuant to said Wool Products Labeling Act.

PAR. 6. Certain of said wool products consisting of fabrics were misbranded by the respondents in that labels or tags attached thereto describe a portion of the fiber content as "Nankin" instead of using the

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common generic name of said fiber in the English language as required under Rules 7 and 8 of the Rules and Regulations promulgated pursuant to said Wool Products Labeling Act.

PAR. 7. Respondents further misbranded certain of their wool products described as ladies' coats labeled or tagged "Cashmere Of France," by failing to set forth the actual percentage of Cashmere contained therein as required by Rule 19 of the Rules and Regulations made pursuant to said Wool Products Labeling Act.

PAR. 8. The acts and practices of said respondents as herein alleged in Paragraphs 2 through 7 were and are in violation of the Wool Products Labeling Act of 1939 and the Rules and Regulations promulgated thereunder, and constitute unfair and deceptive acts and practices in commerce within the meaning and intent of the Federal Trade Commission Act.

PAR. 9. In the course and conduct of their business and for the purpose of inducing the purchase of their products described as fabrics or piece goods, respondents have circulated in commerce among their purchasers; invoices, orders, and confirmation of orders containing various statements and representations, among which the following are typical:

50% Vicuna
50% Wool
and
63% Cashmere
37% Wool

PAR. 10. Through the use of said terms and percentages to describe their several fabrics as aforesaid, respondents represented, directly and by implication, that said fabrics were composed of 50% vicuna and 50% wool, and 63% cashmere and 37% wool; whereas, in truth and in fact said fabrics did not consist of 50% vicuna and 50% wool, or 63% cashmere and 37% wool, as the terms vicuna and cashmere are generally understood by a substantial portion of the purchasing public, namely, the hair or fleece of the Vicuna, and of the Cashmere goat.

PAR. 11. The use by respondents of the foregoing false and deceptive statements and representations with respect to their several fabrics had the tendency and capacity to mislead and deceive a substantial number of their purchasers into the erroneous and mistaken belief that such statements and representations were true, and has caused numbers of their purchasers to purchase or acquire substantial quantities of respondents' fabrics because of such erroneous and mistaken belief.

PAR. 12. The acts and practices of the said respondents as hereinabove alleged in Paragraphs 9 to 11, inclusive, were all to the

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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.

INITIAL DECISION BY JOHN LEWIS, HEARING EXAMINER

The Federal Trade Commission issued its complaint against the above-named respondents on April 26, 1955, charging them with having violated the Wool Products Labeling Act of 1939 and the Rules and Regulations promulgated thereunder, and the Federal Trade Commission Act, through the misbranding of certain wool products. After being duly served with said complaint, respondents appeared by counsel and thereafter entered into a stipulation, with counsel supporting the complaint, dated July 18, 1955, providing for the entry of a consent order disposing of all the issues in this proceeding. Said stipulation for consent order, which has been signed by counsel supporting the complaint, counsel for respondents, and respondents, and approved by the Director of the Commission's Bureau of Litigation, was submitted to the undersigned hearing examiner, theretofore duly designated, at the hearing convened on July 22, 1955, in Washington, D. C. After the submission of said stipulation, counsel for respondents was permitted to make a statement for the record by way of explanation of the circumstances surrounding the particular violations charged in the complaint and in extenuation thereof. Counsel's remarks were received with the understanding that they did not constitute an admission by respondents concerning any of the substantive allegations of the complaint and that they did not impair the effectiveness of the stipulation submitted to the hearing examiner, including the order therein provided for. There being nothing further to come before the hearing examiner, the hearing was thereupon closed on the basis of the aforesaid stipulation for consent order.

Respondents, pursuant to the aforesaid stipulation, have admitted all the jurisdictional allegations of the complaint and agreed that the record herein may be taken as if the Commission had made findings of jurisdictional facts in accordance with such allegations. Said stipulation further provides that all parties expressly waive a hearing before the hearing examiner or the Commission, and all further and other procedure to which the respondents may be entitled under the Federal Trade Commission Act or the Rules of Practice of the Commission. Respondents have also agreed that the order to cease and desist issued in accordance with said stipulation shall have the same force and effect as if made after a full hearing, and specifically waive any and all right, power, or privilege to challenge or contest the

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validity of said order. It has been further stipulated and agreed that the complaint herein may be used in construing the terms of the order provided for in said stipulation, and that the signing of said stipulation is for settlement purposes only and does not constitute an admission by respondents that they have violated the law as alleged in the complaint.

This proceeding having now come on for final consideration on the complaint and the aforesaid stipulation for consent order; and it appearing that the order provided for in said stipulation conforms in all respects to the proposed order in the notice portion of the complaint and that said stipulation provides for an appropriate disposition of this proceeding, the same is hereby accepted and ordered filed upon becoming part of the Commission's decision in accordance with Sections 3.21 and 3.25 of the Commission's Rules of Practice, and the hearing examiner, accordingly, makes the following jurisdictional findings and order:

1. The corporate respondent, Lilli Ann Corp., is now, and during all of the times mentioned in the complaint has been, a corporation, organized and existing under and by virtue of the laws of the State of California. The corporate respondent Soufflet-America, Inc., is now, and during all of the times mentioned in said complaint has been, a corporation organized and existing under and by virtue of the laws of the State of New York, being a wholly owned subsidiary of said corporate respondent Lilli Ann Corp. The individual respondent Adolph P. Schuman is President of each of said corporate respondents and all said respondents maintained their principal offices and places of business at 2701 Sixteenth Street, San Francisco 3, California.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents hereinabove named. The complaint states a cause of action against said respondents under the Wool Products Labeling Act of 1939 and the Federal Trade Commission Act, and this proceeding is in the interest of the public.

ORDER

It is ordered, That the respondents Lilli Ann Corp., a corporation; Soufflet-America, Inc., a corporation; and the officers of each of said corporations, and Adolph P. Schuman, individually and as an officer of each of said corporations; and respondents' representatives, agents, and employees, directly or through any corporate or other device, in connection with the importation into the United States or the introduction or manufacture for introduction into commerce, or the offering for sale, sale, transportation, or distribution in commerce, as "com-

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merce" is defined in the Federal Trade Commission Act and the Wool Products Labeling Act of 1939, of fabrics or ladies' coats or other "wool products," as such products are defined in and subject to the Wool Products Labeling Act of 1939, which products contain, purport to contain or in any way are represented as containing "wool," "reprocessed wool," or "reused wool," as those terms are defined in said Act, do forthwith cease and desist from misbranding or misrepresenting such products by:

1. Falsely or deceptively stamping, tagging, labeling or otherwise identifying such products as to the character or amount of the constituent fibers included therein;

2. Failing to securely affix to or place on each such product 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 product, exclusive of ornamentation not exceeding five percentum of said total fiber weight, of (1) wool, (2) reprocessed wool, (3) reused wool, (4) each fiber other than wool where said percentage by weight of such fiber is five percentum or more, and (5) the aggregate of all other fibers;

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

- (c) The name or the registered identification number of the manufacturer of such wool product or of one or more persons engaged in introducing such wool product into commerce, or in the offering for sale, sale, transportation, distribution or delivery for shipment thereof in commerce, as "commerce" is defined in the Wool Products Labeling Act of 1939.

3. Failing to set forth on fiber content labels or tags the common generic names of the fiber contents in their wool products;

4. Stamping, tagging, labeling, or otherwise identifying such products as containing the hair or fleece of the Cashmere goat without setting out in a clear and conspicuous manner on each such stamp, tag, label, or other means of identification, the percentage of such Cashmere content therein;

5. Failing to stamp, tag, label or otherwise identify such products in terms of the English language; provided that in the event such stamps, tags, labels, or other means of identification contain any of the required information in a language other than English, all of the required information shall appear both in such other language and in the English language.

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 the Rules and Regulations promulgated thereunder.

It is further ordered, That the respondents Lilli Ann Corp., a corporation, Soufflet-America, Inc., a corporation, and the officers of each of said corporations, and Adolph P. Schuman, individually and as an officer of each of said corporations, and respondents' representatives, agents, and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution in commerce, as "commerce" is defined in the Federal Trade Commission Act, of fabrics, ladies' coats, or other products, do forthwith cease and desist from directly or indirectly:

1. Using the word "Cashmere" or any simulation thereof, either alone or in conjunction with other words, to designate, describe, or refer to any product which is not composed entirely of the hair of the Cashmere goat; *Provided, however*, That in the case of any product composed in part of the hair of the Cashmere goat and in part of other fibers or materials, such term may be used as descriptive of the Cashmere content if there are used in immediate connection or conjunction therewith, in letters of at least equal size and conspicuousness, words truthfully designating such other constituent fibers or materials.

2. Representing in any manner that said products contain a greater percentage of Cashmere than is the fact.

DECISION OF THE COMMISSION AND ORDER TO FILE REPORT OF COMPLIANCE

Pursuant to Section 3.21 of the Commission's Rules of Practice, the initial decision of the hearing examiner shall, on the 22nd day of September, 1955, become the decision of the Commission; and, accordingly:

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.

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IN THE MATTER OF
BENEFICIAL STANDARD LIFE INSURANCE COMPANY

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket 6309. Complaint, Mar. 11, 1955—Decision, Sept. 29, 1955

Consent order requiring a Los Angeles insurance company to cease misrepresenting the benefits and duration of its health and accident insurance policies.

Before *Mr. J. Earl Cox*, hearing examiner.

Mr. J. W. Brookfield, Jr. and *Mr. Donald K. King* for the Commission.

Hill & Attias, of Beverly Hills, Calif., for respondent.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as that Act is applicable to the business of insurance under the provisions of Public Law 15, 79th Congress (Title 15, U. S. Code, Sections 1011 to 1015, inclusive), and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that the Beneficial Standard Life Insurance Company, a corporation, hereinafter referred to as respondent, has 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. Respondent, Beneficial Standard Life Insurance Company, is a corporation duly organized, existing and doing business under and by virtue of the laws of the State of California with its office and principal place of business located at 756 South Spring Street, Los Angeles 14, California.

PAR. 2. Respondent is now, and for more than two years last past has been, engaged as an insurer in the business of insurance in commerce, as "commerce" is defined in the Federal Trade Commission Act, by entering into insurance contracts with insureds located in various States of the United States other than the State of California, in which States the business of insurance is not regulated by State law to the extent of regulating the practices of respondent alleged in this complaint to be illegal. Respondent maintains, and at all times men-