

IN THE MATTER OF
INTERNATIONAL WEAVING INDUSTRIES,
INCORPORATED, ET AL.

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

Docket 6416. Complaint, Sept. 21, 1955—Decision, Mar. 9, 1956

Consent order requiring a seller in Newark, N. J., of a "Speedweaving" reweaving kit, together with a course of instructions to prepare students for work at home as commercial reweavers, to cease representing falsely through statements made by its salesmen and in sales literature furnished them, that personal instruction and supervision would be given to each purchaser; that reweaving could be learned easily and quickly by anyone through use of the kit and instructions; that there was a great demand for reweaving and services of Speedweavers; that upon completion of the course, earnings of \$3 to \$5 per hour, \$30 per week, and \$200 per month, spare time, could be expected; that Speedweaving was a new method of invisible repairing; that respondents would arrange with dry cleaners, tailors, and others to supply all reweaving work they could handle to persons completing the course; that only a limited number of the kits and courses of instruction would be sold in each area; and that they maintained offices in New York, Chicago, California, and New Orleans.

Before *Mr. Everett F. Haycraft*, hearing examiner.

Mr. Michael J. Vitale for the Commission.

Mr. Henry Ward Beer, of New York City, 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 International Weaving Industries, Incorporated, a corporation, and Wallace Katz, individually and as an officer 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 would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent International Weaving Industries, Incorporated, is a corporation, organized and existing under the laws of the State of New Jersey, with its principal office and place of business located at 45 Clinton Street, Newark, New Jersey. Respondent Wallace Katz is president of the corporate respondent. This individual formulates, directs and controls the acts, policies

and practices of corporate respondent. His address is the same as that of corporate respondent.

PAR. 2. Respondents are now, and have been for several years last past, engaged in the sale and distribution in commerce, among and between various States of the United States, of a reweaving kit designated as "Speedweaving," together with a course of instructions designed to prepare students thereof for work at home as commercial reweavers.

PAR. 3. Respondents sell their said reweaving kit and course of instruction by means of sales representatives obtained through newspaper and periodical advertisements and promotional literature. If persons are interested in selling said products, they make application on "salesman's application" form provided by respondents. If application is accepted, respondents supply a "Speedweaving Sales Outfit" and sales literature for the use of the salesmen in selling the kit and course of instructions. Respondents also furnish to salesmen "franchise application" forms to be used by them in taking orders for the kit and instructions. Said application provides that the purchaser shall pay to respondents a royalty of 10% of any income derived from engaging in the speedweaving business, providing such income is in excess of \$100.00 monthly.

PAR. 4. In the course and conduct of their business and for the purpose of inducing the sale of their reweaving kit and course of instruction in commerce, respondents have, through oral statements made by their salesmen and in various types of sales literature furnished to their salesmen for their use in selling said kit and course of instruction, made many statements with respect to said kit and course of instruction, the benefits that would accrue to the purchasers and other statements of varied nature. These statements and the implications arising therefrom were, in substance, as follows:

1. That personal instruction and supervision will be given to each purchaser in respondents' method of reweaving damaged garments.

2. That reweaving may be learned easily and quickly by anyone through the use and study of respondents' reweaving kit and course of instruction.

3. That there is a great demand for reweaving work and the services of Speedweavers.

4. That upon completion of respondents' course of instructions, earnings of \$3.00 to \$5.00 per hour; \$30.00 per week, and \$200.00 per month, sparetime, can reasonably be expected.

5. That Speedweaving is a new method of doing invisible repairing.

6. That respondents will make the necessary arrangements with dry cleaners, tailors and other concerns to supply all reweaving work they can handle to persons completing their course of reweaving.

7. That only a limited number of reweaving kits and courses of instruction will be sold in each area.

8. That respondents maintain offices in New York, New York; Chicago, Illinois; Hollywood, California; and New Orleans, Louisiana.

PAR. 5. All of the statements, representations and implications hereinabove set forth were and are false, deceptive, misleading or exaggerated. In truth and in fact: ‘

1. Personal instruction and supervision are not given to purchasers in the method of reweaving damaged garments. In fact, the only assistance rendered by respondents is to send letters of encouragement when it is indicated by purchasers that they are having difficulty learning to reweave by respondents' method.

2. Only those persons having normal use of their hands, good eyesight with or without glasses, and who are temperamentally disposed to learn reweaving may learn respondents' method of reweaving easily or quickly by the use of their reweaving kit and course of instruction.

3. There is no great or general demand for reweaving work or for the services of persons who have completed respondents' course of reweaving.

4. \$3.00 to \$5.00 an hour or \$30.00 per week or \$200.00 per month, sparetime, is greatly in excess of the amounts which persons completing respondents' course of reweaving can reasonably expect to earn.

5. Speedweaving is not a new method of invisible reweaving but is a method of reweaving commonly known as "Patch Weaving" which has long been known and used by professional reweavers.

6. The only arrangements made by respondents to secure reweaving from dry cleaners, tailors and others for persons completing their course of reweaving, is to write to such concerns, upon request of such persons, notifying such concerns that such persons are available and qualified to do reweaving.

7. There is no limit to the number of persons sold respondents' reweaving kits in any particular area. In fact, respondent's representatives will sell the reweaving kits and course of instruction to any person who will purchase it.

8. Respondents do not maintain offices in New York, New York; Chicago, Illinois; Hollywood, California; or New Orleans, Louisiana. In fact the only office and place of business maintained by respondents is located in Newark, New Jersey.

PAR. 6. Respondents, in the course and conduct of their business as aforesaid, are and have been engaged in substantial competition in commerce with other corporations and firms and individuals in the sale of reweaving kits and courses of instruction.

PAR. 7. The use by respondents of the false, deceptive and misleading statements and representations set out in Paragraph Three hereof had the tendency and capacity to mislead a substantial portion of the purchasing public into the mistaken and erroneous 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' reweaving kit and course of instructions. As a result thereof trade in commerce has been unfairly diverted to respondents from their competitors and substantial injury has thereby been done to competition in commerce.

PAR. 8. The aforesaid acts and practices of respondents, as herein alleged, were all to the prejudice and injury of the public and of respondents' competitors and constituted unfair and deceptive acts and practices and unfair methods of competition in commerce, within the intent and meaning of the Federal Trade Commission Act.

INITIAL DECISION BY EVERETT F. HAYCRAFT, HEARING EXAMINER

The Federal Trade Commission issued its complaint against the above-named respondents on September 21, 1955, charging them with having violated the Federal Trade Commission Act through the making of certain misrepresentations regarding a reweaving kit designated as "Speedweaving," together with a course of instruction designed to prepare students thereof for work at home as commercial reweavers.

After the issuance of said complaint and the filing of their answer thereto, the respondents entered into an agreement with counsel supporting the complaint dated January 4, 1956, providing for the entry of a consent order disposing of all the issues in this proceeding as to all parties, which agreement was duly approved by the Director and the Assistant Director of the Bureau of Litigation.

Respondents, pursuant to the aforesaid agreement, have admitted all the jurisdictional facts alleged in the complaint and agreed that

the record may be taken as if findings of jurisdictional facts had been duly made in accordance with such allegations. Respondents in the agreement waived any further procedural steps before the hearing examiner and the Commission; the making of findings of fact or conclusions of law; and all of the rights they may have to challenge or contest the validity of the order to cease and desist entered in accordance with said agreement.

By said agreement respondents' answer to the complaint shall be considered as having been withdrawn and the record on which the initial decision and the decision of the Commission shall be based shall consist solely of the complaint and the said agreement. It was further agreed that the agreement shall not become a part of the official record unless and until it becomes a part of the decision of the Commission; that said agreement is for settlement purposes only and does not constitute an admission by respondents that they have violated the law as alleged in the complaint. The agreement also provided that the order to cease and desist issued in accordance with said agreement shall have the same force and effect as if entered after a full hearing; that it may be altered, modified, or set aside in the manner provided for other orders; and that the complaint may be used in construing the terms of the order.

This proceeding having now come on for final consideration by the hearing examiner on the complaint and the aforesaid agreement for consent order, and it appearing that said agreement provides for an appropriate disposition of this proceeding, the aforesaid agreement is hereby accepted and is ordered filed upon becoming part of the Commission's decision in accordance with Sections 3.21 and 3.25 of the Rules of Practice, and in consonance with the terms of said agreement, the hearing examiner makes the following jurisdictional findings and order:

1. Respondent International Weaving Industries, Incorporated, is a corporation, existing and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business located at 45 Clinton Street, Newark, New Jersey. Respondent Wallace Katz is an individual and officer of said corporation. The office and principal place of business of the aforesaid individual is the same as that of the corporate respondent.

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

952.

Decision

ORDER

It is ordered, That respondents, International Weaving Industries, Incorporated, a corporation, and its officers, and Wallace Katz, individually and as an officer of said corporation, 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 a reweaving kit together with a course of instructions, designated as "Speedweaving," or by any other name or names, do forthwith cease and desist from representing, directly or by implication:

1. That personal instructions and supervision will be given to each purchaser in respondents' method of reweaving damaged garments, unless such is the case.

2. That persons can learn reweaving easily or quickly unless restricted to the patch or overlay method of reweaving and unless it is disclosed that this is possible only in the case of those persons having normal use of their hands, good eyesight with or without glasses and who are temperamentally disposed to learn reweaving.

3. That the demand for reweaving work or the services of persons completing respondents' course of instruction is greater than it is in fact.

4. That the typical or potential earnings for persons completing respondents' course of instruction are greater than they are in fact.

5. Speedweaving is a new method of doing invisible repairing.

6. That respondents make arrangements with dry cleaners, tailors and other concerns who will supply all the reweaving work that can be handled by those persons completing respondents' course of reweaving.

7. That only a limited number of reweaving kits, together with courses of instructions, will be sold in each area.

8. That respondents maintain offices in New York, N. Y., Chicago, Illinois, Hollywood, California, and New Orleans, Louisiana.

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 9th day of March, 1956, 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.

IN THE MATTER OF
CASKET MANUFACTURERS ASSOCIATION
OF AMERICA ET AL.

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

Docket 6183. Complaint, Feb. 19, 1954—Decision, Mar. 13, 1956

Order dismissing, for insufficiency of evidence, complaint charging an association of some 160 of the larger manufacturers of burial caskets in the United States and its members, with collectively pushing the sale of higher priced caskets and thereby diminishing production of the lower priced caskets.

Mr. Raymond L. Hays, Mr. Floyd O. Collins and Mr. Everette MacIntyre for the Commission.

Waite, Schindel & Bayless, of Cincinnati, Ohio, for respondents generally.

McKenzie, Hyde, Willson, French & Poor, of New York City, for National Casket Co., Inc.

INITIAL DECISION DISMISSING COMPLAINT

BY FRANK HIER, HEARING EXAMINER

Complaint in this case charges the Casket Manufacturers Association of America (hereinafter referred to as C.M.A.) with conspiracy, agreement and understanding, a planned common course of action and collective and concerted action among the Association, its officers and members, to enhance, stabilize, fix and maintain prices of caskets and control and limit the production of such caskets. Boiled down to lay language, in the light of proof offered, the alleged agreement is that the Association members collectively pushed the sale of higher priced caskets in derogation of the lower priced caskets and thereby diminished the production of the latter.

The record at this stage consists only of the evidence offered in support of these charges and its sufficiency to constitute a prima facie case of violation of the Federal Trade Commission Act as to unfair methods of competition or unfair acts and practices in commerce, and is challenged by respondents by their collective motions to dismiss and other motions. The question for decision, therefore, is whether or not the present record would, in the event no further evidence were offered, sustain a finding of violation and adequately support the order attached to the complaint.