

Complaint

IN THE MATTER OF
INTERNATIONAL MOTELS, INC., ET AL.

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

Docket 6457. Complaint, Nov. 21, 1955—Decision, Apr. 27, 1956

Consent order requiring sellers in Millbrae, Calif., to cease making a variety of false claims in advertising and through statements of sales persons concerning their correspondence course designed to prepare students for work as motel managers.

Before *Mr. William L. Pack*, hearing examiner.

Mr. George E. Steinmetz for the Commission.

Mr. E. C. Mahoney, of Burlingame, Calif., 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 Motels, Inc., a corporation, Lewis I. Heater, Reedy O. Bouldin, Frank E. Weeks and Albert I. Mayberry, 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 would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent International Motels, Inc., is a corporation organized and existing under and by virtue of the laws of the State of California, with offices and principal place of business maintained at 273 Broadway, Millbrae, California. Respondent Lewis I. Heater is President, Reedy O. Bouldin First Vice-President, Frank E. Weeks Second Vice-President, and Albert I. Mayberry Secretary-Treasurer of said corporation. These individuals, acting in cooperation with each other, formulate, direct and control the acts, policies and practices of said corporate respondent. Their addresses are the same as that of the corporate respondent.

PAR. 2. Respondent International Motels, Inc. is now, and for more than two years last past has been, engaged in the solicitation, sale and distribution in commerce of a course of study and instruction designed to prepare students for work in the capacity of Motel Managers. Said course is pursued through the medium of the

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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 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 course in commerce, among and between the various states of the United States.

PAR. 3. Respondents, in soliciting the sale and selling of their said course of study and instruction in commerce, have made certain statements, representations and claims respecting said course and the results which may thereafter be obtained thereby in newspapers, folders, brochures, and other printed matter circulated by said respondents, as well as by means of oral representations made by salesmen and saleswomen in their employ, acting within the scope of their employment. Among and typical of such statements, representations and claims made by or through one or more of said methods, but not limited thereto are the following:

1. That it is easy for anyone to take and complete the course of instruction.
2. That tuition will be refunded if the purchaser becomes dissatisfied and decides to discontinue the course.
3. That married couples finishing the course will receive a minimum salary as Motel Managers of from \$500 to \$600 per month or more, jointly.
4. That the practical training included in their course of instruction will be provided at specific locations and that rooms will be furnished free of charge or at reduced rates for the duration of said training.
5. That purchasers are guaranteed or assured of employment as motel managers following completion of said course.
6. That the corporation owns, controls or operates, or is affiliated with from 300 to 350 member Motels, located from Mexico through the United States and into the Dominion of Canada.
7. That the respondents maintain a placement service through which students who complete the course may obtain employment.
8. That the respondents maintain branch offices in the cities of Seattle, Washington; San Francisco, California and Portland, Oregon.
9. That respondents provide home consultation for students and purchasers of said course of study while taking said course.
10. That only those purchaser-students who are especially and adequately qualified, through background, age, experience and personality are accepted for enrollment and study.

11. That graduate student-purchasers and persons who have employed such graduates endorse, and have endorsed the course of study offered by the respondents.

12. That leading and well known motels throughout the United States have acclaimed said school or course of study, including the quality and capability of its graduates.

13. That prominent and well known motels, hotels and resort centers are owned, operated, controlled, or affiliated with said corporation.

PAR. 4. All of said statements, representations and claims are false, misleading, and grossly exaggerated. In truth and in fact, it is not easy to take or complete respondents' course of instruction. A large percentage of purchasers never complete the course. Tuition is not refunded for any reason, save in isolated cases where third parties have intervened on behalf of the purchaser, and then only when legal action has been taken or about to be taken to enforce such action. Married couples completing the said course of instruction, including the concluding practical training period, do not and have not together or separately received salaries of as much as from \$500.00 to \$600.00 monthly when they have in fact been able to secure employment as Motel Managers. The practical training course was, in many instances, not given at the locations specified and, in many instances, rooms were not provided, free or at reduced rates. The respondents do not maintain a placement service, and do not secure employment for persons who have completed their course of instruction, except in isolated instances. The corporation has never owned, controlled or operated any motels. While it is affiliated with a number of motels such affiliation extends only to referral service. Respondents do not maintain branches in Seattle, Washington; San Francisco, California; Portland, Oregon, or elsewhere within the United States. Respondents do not provide home consultation to students. Respondents do not especially select applicants for said course of training and instruction or discriminate between those qualified by background, education and personality to ultimately become Motel Managers, as distinguished from those not obviously qualified, but sell their course to all applicants possessing the ability to make the required initial payment whether otherwise qualified or not. Endorsements of the course by persons completing the same and by third persons thereafter employing such graduates have been exaggerated by the respondents in tone and manner. Leading and well known motels throughout the United States neither endorse nor acclaim the course of instruction owned and operated by the respondents, nor the quality of those completing the course.

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PAR. 5. Respondents, including their authorized sales representatives, in soliciting the sale and the selling of their said course of study and instruction in Motel management have made further statements, representations and claims in newspapers disseminated and distributed in commerce, in classified sections thereof under headings described as "Help Wanted—Men"; "Instructions Leading to Jobs—Schools"; "Schools & Instruction"; "Instruction—Schools"; "Schools—Instruction" and "Schools." Typical of such statements, representations and claims are the following:

Are you looking for a profession with security? This is your answer. Motels need trained managers. International Motels, Incorporated, wants men, women and couples to start immediate training for motel management. * * * Terms can be arranged for tuition. Length of time required to complete course from 2 to 5 months. Good starting salary plus living quarters after graduation. * * *

Mature men and women wanted to train for motel and resort management. Placement service available upon completion of training. * * *

Men and women wanted to start immediate training for positions in the motel industry. Placement service for those who qualify for training. * * *

Mature men and women wanted to train for motel and resort management. Placement service. * * *

Couples and women wanted to start immediate home training for managerial positions. Excellent opportunity if qualified. * * *

PAR. 6. The aforesaid statements, representations and claims are false, misleading and deceptive, since in truth and in fact said respondents do not discriminate between qualified and unqualified persons who apply for said course of instruction; do not maintain any placement service for persons completing the said course of instruction, or provide any starting salaries; nor is there a demand in the motel operating industry for managers trained by the respondents.

PAR. 7. Through the use of the corporate name, "International Motels, Inc.," respondents represent and imply that corporate respondent owns or operates motels upon an international basis.

In truth and in fact, said respondent corporation does not now and never has, owned or operated motels upon an international basis.

PAR. 8. In the course and conduct of their business respondents are in direct competition, in commerce, with other corporations, firms and individuals engaged in the sale of correspondence courses in motel management.

PAR. 9. The use by the respondents of the above and foregoing false, misleading and deceptive statements, claims and representations has, and has had, the tendency and capacity to mislead a substantial portion of the purchasing public into the erroneous and

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mistaken belief that such statements, claims and representations were and are true, and to induce a substantial portion of the purchasing public, because of such erroneous and mistaken belief, to purchase respondents' course of instruction. As a consequence thereof, trade in commerce has been unfairly diverted to respondents from their competitors and injury has thereby been done to competition in commerce.

PAR. 10. 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 and unfair methods of competition in commerce, within the intent and meaning of the Federal Trade Commission Act.

INITIAL DECISION BY WILLIAM L. PACK, HEARING EXAMINER

The complaint in this matter charges the respondents with violation of the Federal Trade Commission Act through misrepresentation of a course of study sold by them, the course being designed to prepare students for work as motel managers. An agreement has now been entered into by respondents and counsel supporting the complaint which provides, among other things, that respondents admit all of the jurisdictional allegations in the complaint; that respondents' answer to the complaint shall be considered as having been withdrawn, and that the record on which the initial decision and the decision of the Commission shall be based shall consist solely of the complaint and agreement; that the inclusion of findings of fact and conclusions of law in the decision disposing of this matter is waived, together with any further procedural steps before the hearing examiner and the Commission; that the order hereinafter set forth may be entered in disposition of the proceeding, such order to have the same force and effect as if entered after a full hearing, respondents specifically waiving any and all rights to challenge or contest the validity of such order; that the order may be altered, modified, or set aside in the manner provided for other orders of the Commission; and that the 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 hearing examiner having considered the agreement and proposed order and being of the opinion that they provide an adequate basis for an appropriate disposition of the proceeding, the agreement is hereby accepted, the following jurisdictional findings made, and the following order issued:

Order

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1. Respondent International Motels, Inc., is a corporation 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 273 Broadway, Millbrae, California. Respondents Lewis I. Heater, Reedy O. Bouldin, Frank E. Weeks, and Albert I. Mayberry are the officers of respondent corporation and their addresses are the same as that of the corporation.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents International Motels, Inc., a corporation, and its officers, and Lewis I. Heater, Reedy O. Bouldin, Frank E. Weeks, and Albert I. Mayberry, individually and as officers of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution in commerce, as "commerce" is defined in the Federal Trade Commission Act, of a course of study and instruction intended for preparing purchasers thereof for employment as motel managers or any similar course or courses of instruction and study, do forthwith cease and desist from:

1. Representing, directly or by implication:

(a) That it is easy for anyone to take or complete respondents' course of instruction.

(b) That respondents will refund tuition paid on contracts, unless such refunds are in fact made upon demand of the purchaser.

(c) That typical earnings of persons finishing respondents' course of instruction are greater than is the fact.

(d) That the practical training included in respondents' course of instruction will be provided at specific places or without extra cost or at reduced rates, unless the place, cost and facilities to be provided are clearly and definitely set forth in advance by the respondents.

(e) That persons completing respondents' course of instruction are assured or guaranteed specific salaries, or that opportunities for employment are greater than is the fact.

(f) That respondents own, control, operate or are affiliated with other motels.

(g) That respondents maintain a placement or employment service, unless respondents in fact provide such service to assist persons completing their course of instruction.

(h) That there is a demand in the motel business for managers trained through respondents' course of instruction.

(i) That respondents maintain branch offices in other cities.

(j) That home consultation service is available to purchasers of respondents' course of instruction.

(k) That only selected persons are qualified and accepted for enrollment in respondents' course of instruction.

(l) That persons completing respondents' course of instruction or those who have employed them endorse respondents' course of instruction.

(m) That leading motels acclaim respondents' course of instruction, or the quality and capability of their graduates.

2. Using the word "International," or any other word of similar import or meaning as a part of the corporate respondent's name; or otherwise representing, directly or by implication, that said respondent corporation constitutes an international organization or business.

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 27th day of April 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.

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IN THE MATTER OF

FORREST A. JONES DOING BUSINESS AS
OREGON HEARING CENTER, ETC., ET AL.CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION
OF THE FEDERAL TRADE COMMISSION ACT*Docket 6414. Complaint, Sept. 19, 1955—Decision, Apr. 28, 1956*

Consent order requiring two individuals, one doing business in Portland, Oreg., and San Francisco, Calif., and both operating as partners in Seattle, Wash., to cease using "bait" advertising to sell their several types of hearing aids and making various false claims in advertising in newspapers and circulars and by radio broadcasts concerning them.

Before *Mr. William L. Pack*, hearing examiner.

Mr. John J. McNally for the Commission.

Mr. Theodore D. Lachman, of Portland, Oreg., 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 Forrest A. Jones, an individual doing business as Oregon Hearing Center, California Hearing Center and Western Hearing Center, and Forrest A. Jones and John A. Holm, individuals and copartners doing business as Washington Hearing Center, 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 Forrest A. Jones is an individual doing business as Oregon Hearing Center, with his principal place of business located at 421 S. W. Sixth Avenue, Portland, Oregon; said respondent is also doing business as California Hearing Center and as Western Hearing Center at 17 Grant Avenue, San Francisco, California. Respondents Forrest A. Jones and John A. Holm are individuals trading as copartners and doing business as Washington Hearing Center, with their principal place of business at 1520 Westlake Avenue, Seattle, Washington.

PAR. 2. Respondents are now, and for more than one year last past have been, engaged in the advertising and sale of hearing aids and accessories, and in the advertising and sale of other products represented to be hearing aids, to members of the general public.