

ing, setting forth in detail the manner and form in which they have complied with the order to cease and desist.

IN THE MATTER OF
CONTINENTAL SCHOOLS, INC., ET AL.

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

Docket 7873. Complaint, Apr. 20, 1960—Decision, July 19, 1960

Consent order requiring operators of a correspondence school in Vancouver, Wash., selling a course on jet engine mechanics, among others, to cease

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using misleading claims in newspaper advertising, form letters, salesmen's statements, etc., concerning employment and earning prospects in the airplane industry, opportunities therein for students completing their course, etc.

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 Continental Schools, Inc., a corporation, and Leroy White, Ralph J. Merris and Ralph D. Lingenfelter, as individuals and as officers of said corporation, and Max Moore, an individual, 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. Continental Schools, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Washington, with its offices and principal place of business located at 114 West Sixth Street in the City of Vancouver, State of Washington. Prior to January 12, 1959, or thereabouts, its corporate name was Continental Jet Training, Inc. The said change of corporate name was accomplished by amendment to the charter of Continental Jet Training, Inc., pursuant to the laws of the State of Washington.

Individual respondents Leroy White, Ralph J. Merris and Ralph D. Lingenfelter, are officers of the said corporate respondent. Their office addresses are the same as that of the corporate respondent.

Individual respondent Max Moore was President of the corporate respondent prior to the said amendment, and was for a time Secretary of the corporate respondent subsequent thereto. Individual respondent Max Moore also served for a time as Sales Manager of the corporate respondent and has a substantial interest in its ownership. His principal office and place of business is located at 1528 S.E. Holgate, Portland, Oreg.

The said individual respondents formulated and now formulate, direct, and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the business of advertising, offering for sale, selling and distributing various types of home study courses. Among said courses is a course on jet engine mechanics.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, their said course

of study, when sold, to be transported from their place of business located in Vancouver, Wash., to the purchasers thereof located in various other States of the United States. Respondents maintain, and at all times mentioned herein have maintained, a substantial course of trade in said courses in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, and for the purpose of inducing the sale of their said course on jet engine mechanics, respondents have made, published, and caused to be published, a variety of statements concerning said course in newspapers and other publications, in brochures displayed to prospective purchasers by respondents or their salesmen, and in post cards and form letters sent by means of the United States mails to prospective purchasers by the respondents.

Among and including, but not limited to, such statements are the following:

(a) Please hand this letter and the enclosed reference form to our representative when he calls, as he must return them with his report and reasons for acceptance or rejection (form letter)

I am here for one purpose only; to see if there is a student here that will qualify for our Jet Training Program. (Salesman's guide)

(b) We sincerely hope your qualifications are such that we may serve as your guide to success in this profitable, wide-open, new field. (form letter)

If you can qualify you can earn more! (brochure)

WE NEED MEN . . . who can qualify for training. (newspaper advertisement)

(c) We at the school want to help you make this change by offering you the opportunity to equip yourself with the necessary knowledge that will enable you to demand a good position and provide a secured income for you and your family. (form letter)

. . . Prepare yourself—train now. . . . (newspaper advertisement)

(d) Trained men by the thousands are needed to help keep these planes flying . . . service . . . overhaul. (form letter)

. . . train during spare time for jet aircraft mechanics, jet specialist, engine buildup, engine overhaul, inspectors, instructors, maintenance and service. (post card)

. . . Trouble shooters, maintenance, overhaul inspectors, instructors. . . . (newspaper advertisement)

(e) Look to an assured future. (brochure)

Jet (gas turbine) opens endless new positions (brochure)

Indicating The Unlimited Future of Jet Aviation. . . . Followed by a montage of newspaper articles and Help Wanted advertisements, including: Line inspectors wanted for expanding jet engine plant. We seek men with A & E experience . . . General Electric; Aircraft mechanics needed immediately. Airframe mechanics, . . . (name of prospective employer partially covered); Eastern Air to build plant in Miami to overhaul jets . . . ; Continental Airlines . . . to build 2½ million dollar overhaul and maintenance base for turbine engines . . . ; Journeymen. . . . (brochure)

PAR. 5. By means of the statements appearing in such advertisements, brochures, postcards and form letters, and others of the same import and meaning not set forth herein, and through the oral statements of their sales representatives, respondents represent, directly or by implication:

(a) That their sales representatives are primarily concerned with determining the qualifications of prospective purchasers of such courses.

(b) That respondents will accept as students only those who can learn the principles and practical aspects of jet engine mechanics, including the repair, maintenance and overhauling of jet engines, by means of a course of home study without personal instruction or supervision.

(c) That such course of study is so prepared and presented that the prospect who qualifies and is accepted for enrollment will be able to complete it without personal instruction or supervision.

(d) That if the prospect is accepted and completes such course with passing grades he will become a trained jet engine mechanic or technician qualified to repair, maintain and overhaul jet engines.

(e) That those completing such course with passing grades are assured employment as jet mechanics or technicians in the repair, maintenance, and overhauling of jet engines.

PAR. 6. The said statements and representations of respondents are false, misleading and deceptive. In truth and in fact:

(a) Respondents' sales representatives depend upon commissions earned from selling such course as a means of livelihood. Their sales presentation is primarily concerned with effectuating sales. They give little or no consideration to determining the qualifications of prospective purchasers of the said course.

(b) Respondents accept virtually all students who are willing to enroll and make the down payment. Respondents have accepted and enrolled a great number of purchasers who could not learn the principles and practical aspects of jet engine mechanics by means of such written home study course without personal instruction or supervision.

(c) Few, if any, of respondents' customers have continued on with the course after having received several lessons. The overwhelming majority of such customers have been unwilling or unable to complete the said course. A major portion of the income of respondents and of their sales representatives in the usual course of business is derived from payments for cancelled or uncompleted courses.

(d) Upon the completion of such course with passing grades the prospect could in no sense be considered a trained jet engine

mechanic or technician nor will he be qualified to repair, maintain, or overhaul jet engines.

(e) Few, if any, of those who enrolled for respondents' said course have completed it. Even were they to complete the said course with passing grades there is little if any prospect of their employment as jet engine mechanics or technicians by industry.

PAR. 7. In the course and conduct of their business, respondents have made further statements through newspaper advertisements, brochures, form letters, and through oral statements of the respondents or their sales representatives. Among and including, but not limited to, such statements are the following:

... flight line trouble shooting, engine buildup ... instructor ... test operations. ... (brochure)

With its critical shortage of maintenance men, SAC is obliged to hire technical representatives from industry to help out ... the civilians are earning up to \$1,200 a month. (brochure)

If you are not making better than \$125 a week [depiction of silhouette of airplane] ... Turbojet offers ground floor opportunities for better jobs, future, more pay and security. Train now and be a top man in the multimillion dollar jet industry. (post card)

PAR. 8. By means of the statements set forth in paragraph 7 above, in conjunction with those set forth in paragraph 4 above, and through others of the same import and meaning not set forth herein including the oral statements of respondents and their sales representatives, respondents represent directly or by implication, that there is no bar or impediment which would operate to prevent those who successfully complete such course in jet engine mechanics from earning the prevalent wage scales of highly skilled mechanics or technicians on airplane engines.

PAR. 9. Ordinarily mechanical work on jet aircraft engines is performed by skilled personnel who are capable of working on all types of power plants, which includes reciprocating as well as jet engines. Much of this work, particularly above the repetitive and routine levels in the repair, overhaul and maintenance of aircraft engines, can only be performed by personnel who have been examined and certified by the Federal Aviation Agency. Examination for certification by said agency will only be given upon the successful completion of a course of study including supervised practical shop and bench work, at either a duly authorized school or under an approved apprenticeship training program, in lieu of specified practical experience requirements. Certification for airframe and power plant work is known in the trade as an "A & P Ticket" (and was formerly designated "A & E Ticket" for airframe and engine work).

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PAR. 10. Respondents, their school, and their unsupervised home study course in jet engine mechanics have not been approved by the Federal Aviation Agency. Students who successfully complete such course with passing grades would not meet the prerequisites for taking an examination for certification for aircraft or power plant work on airplane engines, and as a consequence, would not earn the prevailing wages earned by skilled aircraft mechanics or technicians.

PAR. 11. The failure of respondents to affirmatively disclose to prospective purchasers of such course of home study for jet engine mechanics, in connection with statements and representations concerning employment and earning prospects in the aircraft industry, that such prospective purchasers cannot, on the strength of such study alone, qualify for such certification as is necessary for performing skilled work and for earning the prevalent wages of skilled jet engine mechanics or technicians, is false, misleading and deceptive.

PAR. 12. In the course and conduct of their business, at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms, and individuals in the sale of correspondence courses of the same general kind and nature as those sold by respondents.

PAR. 13. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices, and their failure to affirmatively disclose the existing limitations as to the employment and earning prospects of their prospective purchasers, has had, and now has, a capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were true and complete, and into the purchase of substantial quantities of respondents' said correspondence course by reason of such erroneous and mistaken beliefs. As a consequence thereof, substantial trade in commerce has been, and is being, unfairly diverted to respondents from their competitors and substantial injury has thereby been and is being done to competition in commerce.

PAR. 14. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now 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.

Mr. John J. McNally for the Commission.
Respondents, for themselves.

INITIAL DECISION BY LOREN H. LAUGHLIN, HEARING EXAMINER

The Federal Trade Commission (sometimes also hereinafter referred to as the Commission) on April 20, 1960, issued its complaint herein, charging the respondents Continental Schools, Inc., a corporation; Leroy White, Ralph J. Merris and Ralph D. Lingfelter, as individuals and as officers of said corporation; and Max Moore, as an individual, with having violated the provisions of the Federal Trade Commission Act, and respondents were duly served with process.

On June 1, 1960, there was submitted to the undersigned hearing examiner of the Commission for his consideration and approval an "Agreement Containing Consent Order To Cease And Desist; which had been entered into by and between respondents and the attorney supporting the complaint, under date of May 27, 1960, subject to the approval of the Bureau of Litigation of the Commission, which had subsequently duly approved the same.

On due consideration of such agreement, the hearing examiner finds that said agreement, both in form and in content, is in accord with § 3.25 of the Commission's Rules of Practice for Adjudicative Proceedings, and that by said agreement the parties have specifically agreed to the following matters:

1. Respondent Continental Schools, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Washington, with its offices and principal place of business located at 514 Ford Building in the City of Vancouver, State of Washington. Prior to January 12, 1959, or thereabouts, its corporate name was Continental Jet Training, Inc. The said change of corporate name was accomplished by amendment to the charter of Continental Jet Training, Inc., pursuant to the laws of the State of Washington. Individual respondents Leroy White, Ralph J. Merris and Ralph D. Lingfelter are officers of the said corporate respondent, their office addresses being the same as that of the corporate respondent. Individual respondent Max Moore was President of the corporate respondent prior to the said amendment, and was for a time Secretary of the corporate respondent subsequent thereto. He also served for a time as Sales Manager of the corporate respondent and has a substantial interest in its ownership. His principal office and place of business is located at 1528 S.E. Holgate, Portland, Oreg.

2. Respondents admit all of the jurisdictional facts alleged in the complaint and agree that the record may be taken as if findings of jurisdictional facts had been duly made in accordance with such allegations.

3. This agreement disposes of all of this proceeding as to all parties.

4. Respondents waive:

(a) Any further procedural steps before the hearing examiner and the Commission;

(b) The making of findings of fact or conclusions of law; and

(c) All of the rights they may have to challenge or contest the validity of the order to cease and desist entered in accordance with this agreement.

5. The record on which the initial decision and the decision of the Commission shall be based shall consist solely of the complaint and this agreement.

6. This agreement shall not become a part of the official record unless and until it becomes a part of the decision of the Commission.

7. This 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.

8. The following order to cease and desist may be entered in this proceeding by the Commission without further notice to respondents. When so entered it shall have the same force and effect as if entered after a full hearing. It may be altered, modified or set aside in the manner provided for other orders. The complaint may be used in construing the terms of the order.

Upon due consideration of the complaint filed herein and the said "Agreement Containing Consent Order To Cease And Desist", this agreement is hereby approved, accepted and ordered filed. The hearing examiner finds from the complaint and the aforesaid "Agreement Containing Consent Order To Cease And Desist" that the Commission has jurisdiction of the subject-matter of this proceeding and of the respondents herein; that the complaint states a legal cause for complaint under the Federal Trade Commission Act against the respondents, both generally and in each of the particulars alleged therein; that this proceeding is in the interest of the public; that the following order as proposed in said agreement is appropriate for the just disposition of all of the issues in this proceeding as to all of the parties hereto; and that said order therefore should be, and hereby is, entered as follows:

It is ordered, That respondents Continental Schools, Inc., a corporation, and its officers; and Leroy White, Ralph J. Merris and Ralph D. Lingenfelter individually and as officers of said corporation; and Max Moore, individually, and respondents' representa-

tives, 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 courses of study or instruction, do forthwith cease and desist from:

1. Representing, directly or by implication:

(a) That their sales representatives are primarily concerned with determining the qualifications of prospective purchasers of courses when their purpose is to sell courses of instruction;

(b) That they are selective to the extent of enrolling only those who possess the aptitude for successful completion of such courses of study, or that they are selective to any other extent that is contrary to the facts;

(c) That the jet engine mechanic course is so prepared and presented that the prospect can successfully complete it without personal instruction or supervision;

(d) That a person upon completion of such jet engine mechanic course will be a trained jet mechanic or technician or will be qualified to repair, maintain or overhaul jet engines;

(e) That a person upon completion of such jet engine mechanic course will be able to get employment as a jet mechanic or technician, or in the repair, maintenance or overhaul of jet engines;

2. Making any representations concerning employment or earning prospects in the aircraft industry, without affirmatively and conspicuously disclosing:

(a) That certification by the Federal Aviation Agency is required for employment as a skilled jet mechanic or technician in the repair, maintenance or overhauling of aircraft engines;

(b) That completion of such course of study does not meet the prerequisites for certification by such agency.

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 19th day of July 1960, become the decision of the Commission; and, accordingly:

It is ordered, That the above-named respondents 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

NASHBORO RECORD COMPANY, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION
OF THE FEDERAL TRADE COMMISSION ACT*Docket 7875. Complaint, May 3, 1960—Decision, July 19, 1960*

Consent order requiring manufacturers of phonograph records in Nashville, Tenn., to cease giving concealed "payola"—money or other material consideration—to disc jockeys of television and radio programs or others to induce broadcasting of their records.

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 Nashboro Record Company, Inc., a corporation, and Ernest L. Young, 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 Nashboro Record Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Tennessee with its principal office and place of business located at 177 Third Avenue, North, Nashville, Tenn.

Respondent Ernest L. Young is President and Treasurer of said corporate respondent and formulates, directs and controls the acts and practices of said respondent corporation, including the acts and practices herein set out. The address of the individual respondent is the same as that of said corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the manufacture, distribution and sale of phonograph records to independent distributors for resale to retail outlets and jukebox operators in various States of the United States.

In the course and conduct of their business, respondents now cause, and for some time last past have caused, the records they manufacture, sell and distribute, when sold, to be shipped from their place of business in the State of Tennessee, to purchasers thereof located in various other States of the United States and maintain, and at all times mentioned herein have maintained a substantial course of trade in phonograph records in commerce, as "commerce" is defined in the Federal Trade Commission Act.