
IN THE MATTER OF
HOUSE OF GOOD FOODS, INC., ET AL.

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

Docket C-186. Complaint, July 18, 1962—Decision, July 18, 1962

Consent order requiring two affiliated sellers of freezers and foods by means of a "freezer food plan", located in Pennsauken, N.J. and Philadelphia, Pa., to cease making false claims in advertising in newspapers, circulars, by radio broadcasts, etc., to sell their products, as set out in the order below.

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 House of Good Foods, Inc., a corporation, House of Good Foods of Pennsylvania, Inc., a corporation, and Morris J. Salis, individually and as an officer

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of said corporations, 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 House of Good Foods, Inc., is a corporation organized, existing and doing business under and by the virtue of the laws of the State of New Jersey with its principal office and place of business located at Route 73 and Route 130, Pennsauken, N.J.

Respondent House of Good Foods of Pennsylvania, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Pennsylvania with its principal office and place of business located at 5210 Pennway Street, Philadelphia 24, Pa.

Respondent Morris J. Salis is an officer of said corporations. He participates in the formulation, direction, and control of the policies, acts and practices of the said corporate respondents. His address is the same as that of respondent House of Good Foods of Pennsylvania, Inc.

PAR. 2. Respondents are, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of freezers and food by means of a so-called freezer food plan.

PAR. 3. Respondents cause the said freezers and food, when sold, to be transported from warehouses in the State of Pennsylvania to purchasers located in the State of New Jersey. Respondents maintain, and at all times mentioned herein have maintained, a course of trade in said freezers and food in commerce, as "commerce" is defined in the Federal Trade Commission Act. Their volume of business in such commerce is, and has been, substantial.

PAR. 4. 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 freezers, food and freezer food plans.

PAR. 5. In the course and conduct of their business, respondents have disseminated and caused the dissemination of certain advertisements concerning the said food and freezer food plan, by the United States mails and by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to advertisements inserted in newspapers, brochures, circulars and letters and by radio broadcasts by stations having sufficient power to carry such broadcasts across state lines, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of food as the term "food" is defined in the Federal Trade Commission

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Act; and have disseminated and caused the dissemination of advertisements by various means, including those aforesaid, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of food and freezers in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 6. By means of advertisements disseminated as aforesaid and by the oral statements of sales representatives, respondents have represented, directly or by implication:

1. That "Home Economists" or trained food consultants will assist purchasers of the aforesaid freezer food plan in planning their food orders.

2. That purchasers receive a free "Breadwinner Life Insurance" policy for the duration of their contract.

3. That because purchasers of their freezer food plan can buy their food from respondents at wholesale or reduced prices, such purchasers can purchase their food requirements and a freezer for the same or less money than they have been paying for food alone.

4. That purchasers of respondents' freezer food plan will save enough money on the purchase of their food to pay for the freezer.

5. That the contracts of purchasers of the aforesaid freezer food plan will be financed through banks.

6. That purchasers of the aforesaid freezer food plan are required to pay only the price of the freezer, food, and the tax.

7. That the freezer and the food represent the total security required under the contract.

8. That purchasers of the aforesaid freezer food plan can purchase their note in advance at a substantial reduction in price.

9. That respondents will erect metal shelves for storing of food.

10. That the freezer and food are fully and unconditionally guaranteed or insured under the contract.

11. That the terms and conditions of the sale are as agreed upon and as disclosed at the time of the sale.

PAR. 7. In truth and in fact:

1. The individuals sent to help purchasers of the aforesaid freezer food plan in planning their food orders are not "Home Economists" or trained food consultants. They have not had sufficient or proper training to warrant calling them "Home Economists" or trained food consultants;

2. Purchasers of the aforesaid freezer food plan do not receive a free life insurance policy;

3. The prices charged for food by respondents are not wholesale prices, nor are respondents' prices reduced to such an extent that pur-

chasers of their freezer food plan can purchase their food requirements and a freezer for the same or less money than such purchasers have been paying for food alone;

4. Purchasers of respondents' freezer food plan do not save enough money on the purchase of their food to pay for the freezer;

5. In many instances the contracts of purchasers of the aforesaid freezer food plan are financed through financial institutions other than banks;

6. Purchasers of the aforementioned freezer food plan are required to pay interest or finance charges in addition to the price of the freezer, food and tax;

7. The freezer and the food do not represent the total security required under the contract. The purchasers of the aforesaid food plan are often required, unknown to them at the time, to subject their homes to mortgage liens;

8. Purchasers are not allowed to purchase their note in advance at a substantial reduction in price;

9. Respondents do not erect metal shelves for the storing of foods, but merely supply the shelves for erection by the purchasers of the aforesaid freezer food plan;

10. The freezer and the food are not fully or unconditionally guaranteed or insured under the contract;

11. All of the terms and conditions of the sale are not always disclosed at the time of the sale, and in many instances contracts are not completely filled in at the time of a sale and when later filled in the terms or conditions are not the same as previously agreed to by the purchaser.

Therefore, the advertisements referred to in paragraph 5 were, and are, misleading in material respects and constituted, and now constitute, "false advertisements" as that term is defined in the Federal Trade Commission Act, and the statements and representations referred to in paragraph 6 were, and now are, false, misleading and deceptive.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of freezers, food and freezer food plans from the respondents by reason of said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of respondents, as herein alleged, including the dissemination by respondents of false adver-

tisements as aforesaid, were, and are, all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices, in commerce, within the intent and meaning of the Federal Trade Commission Act, and in violation of Sections 5 and 12 of said Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as set forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having considered the agreement, hereby accepts same, issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent, House of Good Foods, Inc., is a corporation organized, 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 Route 73 and Route 130 in the city of Pennsauken, State of New Jersey.

Respondent, House of Good Foods of Pennsylvania, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Pennsylvania with its office and principal place of business located at 5210 Pennway Street, in the city of Philadelphia, State of Pennsylvania.

Respondent Morris J. Salis is an officer of said corporations, and his address is the same as that of corporate respondent House of Good Foods of Pennsylvania, Inc.

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.

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ORDER

PART I

It is ordered, That respondents House of Good Foods, Inc., a corporation, House of Good Foods of Pennsylvania, Inc., a corporation, and their officers and Morris J. Salis, individually and as an officer of said corporations, and respondents' agents, representatives, and employees, directly or through any corporate or other device in connection with the offering for sale, sale or distribution of freezers, food or a freezer food plan in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing directly or by implication that:

(a) Such products or any parts thereof are guaranteed in any manner unless the nature and extent of the guarantee and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed in immediate conjunction with any such representation;

(b) "Home Economists", trained food consultants or other qualified individuals will assist purchasers of the aforesaid freezer food plan in planning their food orders;

(c) Purchasers receive a free life insurance policy;

(d) Purchasers of a freezer food plan will receive the same or any amount of food, and a freezer for the same or less money than they have been paying for the food alone;

(e) Purchasers of their freezer food plan can save enough money on the purchase of their food to pay for the freezer;

(f) Purchasers of a freezer food plan will have their contracts financed through banks unless such contracts are in fact financed through banks.

(g) Certain charges constitute the total amount purchasers are required to pay when such amount is not the total amount purchasers are required to pay;

(h) Certain items constitute the total security required under a contract when in fact other security is required;

(i) Purchasers of the aforesaid freezer food plan can purchase their note in advance at a reduction in price;

(j) Respondents will erect shelves or other facilities for storing food;

(k) The freezer or food are fully insured or fully or unconditionally guaranteed under the contract.

(l) Respondents sell food at wholesale prices.

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2. Obtaining purchasers' signatures on sales contracts, negotiable or non-negotiable notes or other instruments or mortgage agreements or any other type of agreements unless said contracts, notes or agreements contain at that time all of the terms and conditions of said contracts, notes or agreements and unless such purchasers are fully apprised of the nature and contents of the contracts, notes or agreements.

3. Misrepresenting in any manner the extent to which respondents' prices are reduced prices or the savings realized by purchasers of a freezer food plan.

PART II

It is further ordered, That respondents House of Good Foods, Inc., a corporation, House of Good Foods of Pennsylvania, Inc., a corporation, and their officers and Morris J. Salis, individually and as an officer of said corporations and respondents' agents, representatives and employees, directly or through any corporate or other device in connection with the offering for sale, sale, or distribution of any food or any purchasing plan involving food, do forthwith cease and desist from:

1. Disseminating or causing to be disseminated any advertisement by means of the United States mails or by any means in commerce, as "commerce" is defined in the Federal Trade Commission Act, which advertisement contains any of the representations or misrepresentations prohibited in paragraphs 1 and 3 of Part I of this Order.

2. Disseminating or causing the dissemination of any advertisement by any means for the purpose of inducing or which is likely to induce, directly or indirectly the purchase of any food, or any purchasing plan involving food in commerce, as "commerce" is defined in the Federal Trade Commission Act, which advertisement contains any of the representations or misrepresentations prohibited in paragraphs 1 and 3 of Part I of this Order.

It is further 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 this order.

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IN THE MATTER OF
PYRAMID PUBLICATIONS, INC.CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF SEC. 2(d)
OF THE CLAYTON ACT*Docket C-187. Complaint, July 18, 1962—Decision, July 18, 1962*

Consent order requiring a New York City publisher of magazines and paperback books, including "Man's Magazine", to cease discriminating in price in violation of Sec. 2(d) of the Clayton Act by paying promotional allowances to certain retail customers—some of whom operated chain retail outlets in railroad, airport, and bus terminals, and outlets in hotels and office buildings, and others of whom furnished services in connection with the handling of respondent's publications such as taking purchase orders and distributing, billing, and collecting—while not making such payments available on proportionally equal terms to their competitors, including drug chains, grocery chains, and other newsstands.

COMPLAINT

The Federal Trade Commission, having reason to believe that the party respondent named in the caption hereof and hereinafter more particularly designated and described, has violated and is now violating the provisions of subsection (d) of Section 2 of the Clayton Act (U.S.C. Title 15, Sec. 13), as amended by the Robinson-Patman Act, hereby issues its complaint stating its charges with respect thereto as follows:

PARAGRAPH 1. Respondent Pyramid Publications, Inc. (formerly known as Almat Publishing Corp.), is a corporation organized and doing business under the laws of the State of New York, with its office and principal place of business located at 444 Madison Avenue, New York, N.Y. Said respondent, among other things, has been engaged and is presently engaged in the business of publishing and distributing various publications including magazines and paperback books under copyrighted titles including "Man's Magazine". Respondent's sales of publications during the calendar year 1960 exceeded one million eight hundred thousand dollars.

PAR. 2. Publications published by respondent are distributed by said respondent to customers through its national distributors, Publishers Distributing Corporation, hereinafter referred to as PDC, and MacFadden Publications, Inc., hereinafter referred to as MacFadden.

PDC and MacFadden have acted and are now acting as national distributors for the publications of several independent publishers including respondent publisher. PDC and MacFadden, as national distributors of publications published by said respondent and other