

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

Docket C-263. Complaint, Oct. 31, 1962—Decision, Oct. 31, 1962

Consent order requiring Fort Wayne, Ind., sellers of freezers and food along with a freezer food plan through three subsidiary corporations in different states, to cease representing falsely—in advertisements in newspapers and periodicals, etc., and by radio and television broadcasts—that purchasers

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of their food plan could buy food from them at wholesale prices and save enough to pay for the freezer, and that the initial food order would last the purchaser for four months; and to cease inducing purchasers to sign blank contracts that failed to disclose all the terms and conditions of sale.

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 Town and Country Food Company, Inc., a corporation, and Robert O. Locke, Laurel J. Short, and Carl H. Bruns, 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:

PAR. 1. Respondent Town and Country Food Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Indiana with its principal office and place of business located at 422 West California Road, Fort Wayne, Ind.

Respondents Robert O. Locke, Laurel J. Short and Carl H. Bruns are officers of said corporate respondent. They formulate, direct and control the policies, acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are now and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of freezers, food, and a freezer food plan through the following wholly owned subsidiary corporations:

Town and Country Food Company of Ohio, Incorporated.

Town and Country Food Company, Detroit, Michigan.

Town and Country Food Company, Knoxville, Tennessee.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, the freezers and food, when sold to be shipped from their warehouses located in Michigan, Ohio, Tennessee and Indiana to purchasers, many of whom are located in States of the United States other than the State of origin of said shipment.

Respondents maintain, and at all times mentioned herein have maintained, a substantial course of trade, as aforesaid, in commerce, as "commerce" is defined in the Federal Trade Commission Act.

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PAR. 4. In the course and conduct of their business and 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 and television 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 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 oral statements of sales representatives, respondents have represented, directly or by implication:

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

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

3. That purchasers of the aforesaid freezer food plan can sign blank contracts with the assurance that when such contracts are filled in the terms and conditions of sale as set forth therein will be the same as agreed upon and disclosed at the time of the sale.

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

5. That the initial food order supplied by the respondents will last the purchaser for 4 months.

PAR. 7. In truth and in fact:

1. Prices charged for food by respondents are not always wholesale prices, nor are respondents' prices so low that purchasers 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.

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

3. All the terms and conditions of sale are not always disclosed at the time of the sale. In many instances when contracts which have been signed in blank are filled in, the terms and conditions of sale as set forth therein are not the same as agreed upon and disclosed at the time of the sale.

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

5. The initial food order supplied by respondents is not sufficient to last purchasers 4 months.

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 the respondents, as here-in alleged, including the dissemination by respondents of false advertisements as aforesaid, were, and are, all to the prejudice and injury of the public and the 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, Town and Country Food Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Indiana with its office and principal place of business located at 422 West California Road, in the city of Fort Wayne, State of Indiana.

Respondents Robert O. Locke, Laurel J. Short and Carl H. Bruns are officers of said corporation and their address is the same as that of said 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

PART I

It is ordered, That respondent Town and Country Food Company, Inc., a corporation, and its officers and Robert O. Locke, Laurel J. Short and Carl H. Bruns, 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 or distribution of freezers, food or freezer food plans 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. Purchasers of their food plan will receive the same amount of food and a freezer for the same or less money than they have been paying for food alone.

b. Purchasers of their freezer food plan will save enough money on the purchase of their food to pay for the freezer;

c. Food ordered by the purchasers will be sufficient to last such purchaser any stated or specified period of time;

d. Certain charges constitute the total amount purchasers are required to pay when such amount is less than the total amount such purchasers are required to pay.

2. Representing that purchasers of their freezer food plan can buy their food from respondents at wholesale prices unless all of respondents' food items are in fact sold at wholesale prices.

3. Representing that any food item is sold at a wholesale price unless the price at which such item is sold by respondents is in fact a wholesale price.

4. Misrepresenting in any manner the savings realized by purchasers of respondents' freezers, food or freezer food plan.

5. Inducing purchasers of their freezer food plan or purchasers of their food or freezers to sign any contract to purchase which does not at the time of signing contain all of the terms and conditions of sale.

PART II

It is further ordered, That respondents Town and Country Food Company, Inc., a corporation, and its officers and Robert O. Locke, Laurel J. Short and Carl H. Bruns, 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 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 through 4 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 through 4 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

CHEMSTRAND CORPORATION

ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL
TRADE COMMISSION ACT*Docket 8477. Complaint, Apr. 5, 1962—Decision, Nov. 1, 1962*

Order dismissing—following dissolution of the offending corporation, and because of the short duration of the challenged advertising and the affidavits of responsible officers that it would not appear again—complaint charging the manufacturer of "Acrilan" acrylic fiber with disparaging reprocessed acrylic fiber and its producers, and representing falsely that its product was superior to all reprocessed acrylic fiber available for use in the manufacture of blankets.

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 Chemstrand Corporation, 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 Chemstrand Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 350 Fifth Avenue in the city of New York, State of New York.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the manufacture, advertising, offering for sale, sale and distribution of acrylic fiber under the trademark of "Acrilan" to mills and manufacturers.

PAR. 3. In the course and conduct of its business, respondent now causes, and for some time last past has caused, its said product, when sold, to be shipped from its place of business in the State of Alabama to purchasers thereof located in various other States of the United States, and maintains, and at all times mentioned herein has maintained, a substantial course of trade in said product in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of its business, and for the purpose of inducing the sale of its acrylic fiber, respondent has made certain