

It is further ordered, That 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.

Commissioner Elman concurring in the result.

IN THE MATTER OF

ALBERT J. MADURI DOING BUSINESS AS CAM
COMPANY, ETC.

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

Docket C-323. Complaint, Apr. 5, 1963—Decision, Apr. 5, 1963

Consent order requiring a Verona, N.J., individual engaged in the sale of merchandise and catalogs, order blanks, and other supplies and equipment used in the operation of a mail order business, to cease making various misrepresentations concerning the size of his business, earnings, and profits to be made, opportunities, etc., as below indicated, to induce persons to enter into "distributorship" or "partnership arrangements with his companies and to purchase his said products.

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 Albert J. Maduri, an individual trading as Cam Company and Debb Company, 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 Albert J. Maduri is an individual trading and doing business as a sole proprietorship under the names of Cam Company and Debb Company, with his office and principal place of business located at 436 Bloomfield Avenue, Verona, New Jersey.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale, sale and distribution of merchandise and various kinds of catalogs, order blanks, and other supplies and equipment used in and necessary for the operation of a mail order merchandising business.

PAR. 3. In the course and conduct of his business, respondent now causes and for some time last past has caused, said merchandise and said supplies and equipment, when sold, to be shipped from his place of business in the State of New Jersey 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 merchandise, supplies and equipment in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of his business as aforesaid, and for the purpose of inducing persons to enter into "distributorship" or "partnership" arrangements with his aforesaid companies, and to purchase his merchandise, catalogs and supplies, respondent has made many representations respecting the kind and nature of his business or organization, the merchandise available for sale and the profits which may be earned in the conduct of a mail order business of the kind offered by the respondent. Said representations have been made by and through the use of various trade names, in advertisements in magazines of national circulation, and in circulars, form letters and other advertising material mailed and distributed in commerce by the respondent directly to proposed purchasers and from which orders for said merchandise and said supplies and equipment were and are ordered by such purchasers. Typical but not all inclusive of said statements or representations were the following:

1. How would you like to get into a Billion Dollar business.
2. * * * I am still the sole owner of a mail order business that employs as many as 21 men and women.
3. I have come up with a mail order plan that, I believe, can easily pay you up to \$100 a week in your spare time.
4. All you have to do to make \$5,000 a year and more is to distribute our catalogs.
5. There are an estimated 80,000,000 mail order customers in the U.S.A.
6. * * * We are sending this guarantee through the U.S. Mail. Using the mails to Defraud is a very serious crime.
7. The cost of a Distributorship is \$10.00 a year. This small fee helps cover part of our clerical cost.
8. Customers of distributors may buy catalogs only from us. As an example, if one of your customers bought 1,000 catalogs from us, you, as distributors, would receive 20% commission on each and every order that your customer sent to us that he received from these 1,000 catalogs.
9. * * * We will pay you a lifetime commission * * *.

Complaint

62 F.T.C.

10. Our best all time distributor is David K. Pope of Flint, Michigan. Mr. Pope received over \$20,000 in commission checks from us over a three year period. His Christmas check alone for three straight Christmas seasons added to over \$3,000 each check on a total of over \$9,000 for just 3 Holiday seasons.

11. There is absolutely no reason why you, too, cannot receive \$20,000 in commission checks from us during the next three years * * *.

12. We urge you to become a distributor immediately. We are limited as to how many distributors we can handle. Once we reach our quota we will not be able to mail you this offer again.

13. I am certain that you have never tried to make money with the best money making plan of all time. How can I be sure? Very simple. Everyone who has tried the best money making plan has made money. Some people, of course, have made more money than others but they all have made money.

14. There are over 5,000 men and women currently working full-time at this plan and they are making as much as \$300 a week. 2,000 part-timers working this plan are making up to \$100 a week. These figures prove that this plan is the most successful home operated plan of all time.

15. (This plan) it has more repeat business than any other plan. The other good point is that the plan works during both prosperous and depressed times.

16. This plan is so profitable that even an invalid or physically disabled person can operate this business by hiring a man or woman to work for him. The profits from the plan are so tremendous that there will still be a nice income for the disabled or invalid after paying his worker a full salary.

17. Now many of you may think there is a "catch" to this offer. You may think that it all is too good to be true. There is only one "catch" to our offer and we mention it before you join our factory buying service. We have our regular wholesale customers who buy from us at wholesale prices which are 20% to 40% above our factory prices. We have found that from January 1 to November 15, we can double our volume of business without paying our workers overtime. It is during this period of ten and a half months that we can use a certain amount of factory buying members who will help move our tremendous inventory and keep our many workers busy eight hours a day.

The "catch" then is that factory buying members may buy as often and as much as they want but only from January 1 to November 15. All factory priced orders that we receive postmarked after November 15 will be returned unfilled. We, frankly, are entirely too busy with our regular wholesale business after November 15 right till Christmas. Because of this overtime factor, we would lose money on Each and Every factory priced order filled during this 45 day rush period.

18. Advertised in Life Magazine

19. Advertised in Look Magazine

PAGODA PERFUME

Pagoda perfume by Ravel. Nationally advertised in Harper's Bazaar, Town & Country, Mademoiselle and Vogue.

20. Guaranteed by Good Housekeeping

21. Factory Price List No. 4

All prices with the exception of three items are FACTORY PRICES.

Wholesale Price List No. 317-H

22. All our items are * * * fully guaranteed

PAR. 5. By and through the use of the aforementioned statements and representations, and others of similar import and meaning not

1086

Complaint

specifically set out herein, respondent represents directly or by implication:

- A. 1. That he is engaged in a billion dollar business.
2. That he employs as many as 21 men and women.
3. That through his plan one can easily make up to \$100 a week in his spare time.
4. That all one has to do to make \$5,000 or more a year is to distribute respondent's catalogs.
5. That there are approximately 80,000,000 mail-order customers in the U.S.A.
6. That persons interested in respondent's plan can be assured that all respondent's claims are true because otherwise he would be subject to a penalty action under the postal laws.
7. That the purpose of the \$10 distributorship fee is to cover part of respondent's clerical cost.
8. That if a customer of a distributor purchased 1,000 catalogs from respondent then said distributor would receive 20 percent commission on all sales resulting from sales to customers of the distributor's customer.
9. That a distributor will receive a lifetime commission on all purchases by his customers.
10. That respondent's best all time distributor had a net profit of \$20,000 in a 3-year period.
11. That anyone can make a net profit of \$20,000 in a 3-year period by becoming a distributor.
12. That respondent is limited as to how many "distributors" he can handle.
13. That everyone who has tried the plan has made money.
14. That there are over 5,000 men and women currently working full-time at respondent's plan and they are making as much as \$300 a week. And that there are 2,000 working part-time at said plan and they are making up to \$100 a week.
15. That his plan has more repeat business than any other plan and that it works well in both prosperous and depressed times.
16. That profits are so tremendous that invalids or physically disabled persons can afford to hire persons to work the plan for them.
17. That factory buying members can only buy respondent's products from January 1 to November 15.
18. That all the items in the catalog represented as having been advertised in Life Magazine were in fact so advertised in that magazine.
19. That Pagoda perfume is being advertised in Look, Harper's Bazaar, Town & Country, Mademoiselle and Vogue.

Complaint

62 F.T.C.

20. That all items that are represented as having the Good Housekeeping Seal are in fact guaranteed by Good Housekeeping.

21. That persons purchasing products from Factory Price List No. 317-H are paying factory or wholesale prices.

22. That all merchandise is unconditionally guaranteed.

PAR. 6. In truth and in fact:

1. Respondent is not engaged in or conducting a billion dollar business.

2. Respondent at no time employs as many as 21 men and women.

3. "Distributors" of respondent's products cannot reasonably expect to make up to \$100 a week in their spare time.

4. "Distributors" of respondent's catalogs cannot reasonably expect to make \$5,000 a year.

5. There are not 80,000,000 mail-order customers in the U.S.A.

6. Persons interested in respondent's plan are not in all instances protected from misrepresentations by respondent under the postal laws.

7. The \$10 "distributorship" fee is not for the purpose of defraying part of respondent's clerical cost but is, in fact, a source of profit to respondent.

8. "Distributors" receive commissions only on merchandise purchased by their customers. If a customer later becomes a "distributor" and in turn sells merchandise to other customers, the original "distributor" receives no commission on such sales.

9. "Distributors", in order to continue receiving their commissions, must pay an additional \$10 "distributorship" fee each year.

10. Respondent's best all time "distributor" never had a net profit of \$20,000 in any 3-year period.

11. No one can reasonably expect to earn \$20,000 over a period of 3 years by becoming a "distributor".

12. Respondent is in no way limited as to how many "distributors" he can handle and has never ceased to advertise for "distributors" for his plan.

13. Not every one has made money at respondent's plan. In fact, very few of respondent's "distributors" or "partners" have ever made money.

14. There are not now and never have been 5,000 men and women working full-time at respondent's plan nor have those who have worked full-time made up to \$300 a week. Similarly, there are not now and never have been 2,000 men and women working part-time at respondent's plan nor have those who have worked part-time made up to \$100 a week.

15. Respondent's plan does not have more repeat business than

any other plan. Furthermore, the plan is no better or safer than any other business during depressed times.

16. Invalids and physically disabled persons cannot reasonably expect to hire persons to work the plan for them, pay a full salary to such persons, and still have a nice income from the remaining profits.

17. Factory buying members who purchase from the factory price list are not limited to buying from January 1 to November 15, but may, in fact, buy at any time during the year.

18. Not all items represented as having been advertised in Life Magazine were in fact advertised in that magazine.

19. Pagoda perfume has not been advertised in Look Magazine since 1956, nor in Town & Country since 1945, and was never advertised in Harper's Bazaar, Vogue or Mademoiselle.

20. Many of the items so advertised are not guaranteed by Good Housekeeping.

21. Persons purchasing from Factory Price List No. 4 or Wholesale Price List 317-H are not purchasing at factory or wholesale prices but at prices in excess of factory and wholesale prices.

22. Respondent's guarantee is not unconditional. The advertised guarantee fails to set forth the nature, conditions, and extent of the guarantee, the manner in which the guarantor will perform and the identity of the guarantor.

Therefore, the statements and representations referred to in Paragraphs 4 and 5 were and are false, misleading and deceptive.

PAR. 7. Respondent, for the purpose of inducing the purchase of his merchandise, has engaged in the practice of using fictitious prices by indicating certain prices for each item listed in his catalog which are greatly in excess of the prices listed for such items in his "factory" and "wholesale" price lists and thereby representing directly or by implication that the catalog prices are the prices at which the said merchandise is usually and customarily sold at retail in the trade areas where the representation is made; and that the difference between respondent's "factory" and "wholesale" prices and his catalog prices represents savings from the usual and customary retail prices of the merchandise offered for sale.

In truth and in fact, said prices, as set forth in respondent's catalog, are not the usual and regular retail prices of such items, and the difference between respondent's said "factory" and "wholesale" prices and his catalog prices does not represent savings from the usual and customary retail prices in the trade area where the representation is made.

PAR. 8. In the conduct of his business, at all times mentioned herein, respondent has been in substantial competition in commerce, with corporations, firms and individuals, in the sale of said merchandise

Decision and Order

62 F.T.C.

and said supplies and equipment used in and necessary for the operation of a mail order merchandising business.

PAR. 9. The use by respondent 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 respondent's said articles of merchandise and said catalogs, order blanks and other supplies and equipment by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of respondent as herein alleged, were and are all to the prejudice and injury of the public and of respondent's competitors and constituted, and now constitute, unfair methods of competition in commerce, and unfair and deceptive acts in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondent named in the caption hereof with violation of the Federal Trade Commission Act, and the respondent 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 respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent 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 respondent 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 Albert J. Maduri is an individual trading and doing business as a sole proprietorship under the names of Cam Company and Debb Company, with his office and principal place of business located at 436 Bloomfield Avenue, in the city of Verona, State of New Jersey.

2. The Federal Trade Commission has jurisdiction of the subject

matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

It is ordered, That respondent Albert J. Maduri trading as Cam Company and Debb Company, or under any other name, or names, and respondent's representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of merchandise and various kinds of catalogs, order blanks, and other supplies and equipment used in and necessary for the operation of a mail order merchandising business, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing directly or by implication:

1. That respondent's said "distributors" have net earnings of up to \$300 a week or any other amount in excess of the net earnings usually and customarily received by respondent's said "distributors"; or that prospective "distributors" will realize net earnings in excess of amounts usually and customarily earned by respondent's said "distributors"; or misrepresenting in any other manner the net earnings of respondent's "distributors" or the potential net earnings of prospective "distributors".
2. That any specified prices for said merchandise are available during a specified period of time, or any other limited period of time, when such restrictions on times of purchase at such prices are not imposed by respondent.
3. That respondent is conducting a billion dollar business, or employing as many as 21 men and women, or misrepresenting in any manner or by any means the size of respondent's business or the number of people in his employ.
4. That there are an estimated 80,000,000 mail-order customers in the U.S.A. or misrepresenting in any manner or by any means the number of mail-order customers in the U.S.A.
5. That the existence of postal laws insures the accuracy or truthfulness of respondent's statements respecting his merchandising program or plan.
6. That the "distributorship" fee is for the purpose of defraying part of respondent's clerical cost or in any manner or by any means misrepresenting the prospective "distributors" the conditions, terms or fees applicable to respondent's plan.
7. That respondent is limited as to the number of "distributors" he can handle or that his offer for prospective "distributors" is for a limited duration.

8. That respondent's plan has more repeat business than any other plan or that the plan is profitable in both prosperous and depressed times.

9. That physically disabled persons who become "distributors" can afford to hire persons to work the plan for them.

10. That respondent has 5,000 persons working full-time or 2,000 persons working part-time at his plan, or misrepresenting in any other manner the number of persons working full-time or part-time at his plan.

11. That everyone who has tried respondent's plan has made money.

12. That any article of merchandise is being or has recently been advertised in any magazine or through any other medium unless such article is being or has recently been so advertised.

13. That any article of merchandise has been guaranteed or approved by any organization or company unless such article is, in fact, guaranteed or approved by said organization or company.

14. That any amounts in excess of actual bona fide factory prices for the said articles of merchandise are the "factory" prices.

15. That any amounts in excess of prices generally paid by dealers in the trade areas in which the representations are made are the "wholesale" prices.

16. That any of respondent's products are guaranteed unless the nature, conditions and extent of the guarantee, the identity of the guarantor, and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed.

17. That by purchasing any of respondent's articles of merchandise, customers are afforded savings amounting to the difference between respondent's stated "factory" or "wholesale" selling prices and the catalog prices used for comparison with the said "factory" or "wholesale" selling prices, unless the comparative prices used represent the prices at which the merchandise is usually and customarily sold at retail in the trade area involved, or are the prices at which such merchandise has been usually and regularly sold by respondent at retail in the recent, regular course of his business; or misrepresenting in any manner the amount of savings available to purchasers of respondent's merchandise.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon him of this order, file with the Commission a report in writing setting forth in detail the manner and form in which he has complied with this order.

IN THE MATTER OF

SEAL PLAC, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION, THE FLAMMABLE FABRICS, AND THE
TEXTILE FIBER PRODUCTS IDENTIFICATION ACTS

Docket C-324. Complaint, Apr. 5, 1963—Decision, Apr. 5, 1963

Consent order requiring New York City importers to cease selling in commerce fabric which was so highly flammable as to be dangerous when worn, and to cease distributing scarfs and fabric squares which were not labeled with any of the information required by the Textile Fiber Products Identification Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, the Flammable Fabrics Act, and the Textile Fiber Products Identification Act, the Federal Trade Commission, having reason to believe that Seal Plac, Inc., a corporation, and Murray Rudolph, individually and as officer of said corporation, and doing business as Atomic Trimming Company, hereinafter referred to as respondents, have violated the provisions of said Acts and the Rules and Regulations promulgated under the Flammable Fabrics Act and the Textile Fiber Products Identification 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 charge in that respect as follows:

PARAGRAPH 1. Respondent Seal Plac, Inc., is a corporation duly organized, existing and doing business under and by virtue of the laws of the State of New York. Individual respondent Murray Rudolph is president of the corporate respondent, and formulates, directs and controls the acts, practices and policies of the corporate respondent. The business address of both respondents is 315 West 36th Street, New York, New York.

In addition thereto, individual respondent Murray Rudolph, as an individual, does business as Atomic Trimming Company, the address of which is also 315 West 36th Street, New York, New York.

PAR. 2. Respondents subsequent to July 1, 1954, the effective date of the Flammable Fabrics Act, have sold and offered for sale in commerce; have imported into the United States; and have introduced, delivered for introduction, transported, and caused to be transported, in commerce; and have transported and caused to be transported for the purpose of sale or delivery after sale in commerce; as "commerce"