

Complaint

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IN THE MATTER OF

PARENTS' MAGAZINE ENTERPRISES, INC., ET AL.

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

Docket C-617. Complaint, Nov. 5, 1963—Decision, Nov. 5, 1963

Consent order requiring New York City sellers of encyclopedia sets, research services, other books and magazines, to cease representing falsely, through their salesmen making house-to-house calls on prospective purchasers and using printed questionnaires, that such salesmen were teachers making educational surveys; that they offered encyclopedia sets at a special introductory price for a limited time; that the encyclopedia was offered to selected persons for a testimonial and a small introductory price and that if the customer bought now he would receive additional items free; and, through use of demonstration books with soft pliable backs, that books purchased would be bound accordingly.

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 Parents' Magazine Enterprises, Inc., a corporation, and Parents' Magazine's Cultural Institute, Inc., a 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 Parents' Magazine Enterprises, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York with its principal office and place of business located at 52 Vanderbilt Avenue in the City of New York, State of New York. Prior to July 1962, when its name was changed, said respondent was known as The Parents' Institute, Inc.

Respondent Parents' Magazine's Cultural Institute, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 52 Vanderbilt Avenue in the city of New York, State of New York. It is a wholly owned subsidiary of respondent Parents' Magazine Enterprises, Inc., and, since its organization in August 1962, has carried on and is still

carrying on the agency for sales formerly conducted by a previously existing division of Parents' Magazine Enterprises, Inc., namely, The New Wonder World, and conducted still prior thereto by The New Wonder World, Inc., a previously existing and wholly owned corporate subsidiary of the corporation then known as The Parents' Institute, Inc., and now known as Parents' Enterprises, Inc.

PAR. 2. In the course and conduct of their business, as aforesaid, respondents are now, and for some time last past have been, engaged in the offering for sale, sale and distribution of encyclopedia sets, research services, other books and various magazines through the medium of house-to-house salesmen to the public.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents now cause, and for some time last past have caused, their said products, when sold to be shipped from their said place of business in the State of New York or from their plant in the State of New Jersey, 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 said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, as aforesaid, and for the purpose of inducing the purchase of their said products and services, respondents, through their salesmen and/or representatives, have made many statements and representations and employed various tactics concerning respondents' business methods and other matters. Among and typical of the tactics employed and the statements and representations made are the following:

1. That respondents' encyclopedia salesmen were engaged in conducting surveys for educational and other purposes;
2. Respondents used a printed questionnaire, purportedly in connection with their "surveys," in such a manner as to gain entrance into the prospective customer's home;
3. That the aforesaid salesmen or representatives were teachers or had some connection with a school or educational system and that his or her visit was being made in that capacity;
4. That the price at which certain encyclopedia sets were being offered was an introductory or reduced price and that in the near future the set could be purchased only at a greatly increased price;
5. That the New Wonder World encyclopedia set of books could be had by prospective customers in exchange for a testimonial and a small introductory price of the set;

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6. That special offers were being made to certain selected persons;
7. That if the prospective customer would buy the encyclopedia set *now*, such purchaser would receive certain additional items free;
8. Used books with soft pliable backs for demonstration and sales purposes, implying thereby that the books received by the purchaser would be bound accordingly.

PAR. 5. In truth and in fact:

1. Respondents' encyclopedia salesmen are not now nor have they ever been engaged in making surveys of any kind.
2. The aforementioned printed questionnaire was not used in making a survey of any kind but was used solely for the purpose of gaining entrance into prospects' homes with the ultimate objective of making a sale of respondents' publications and services.
3. The aforesaid salesmen and/or representatives were not necessarily teachers or representatives of a school or educational system but were essentially and primarily salesmen whose sole objective was to sell respondents' publications and services.
4. The price of said encyclopedia sets, quoted to prospective purchasers was not an introductory or reduced price but was the price at which such sets had been regularly and customarily sold;
5. The New Wonder World encyclopedia sets of books were not obtainable in exchange for a testimonial in regard thereto, plus a small introductory price of the set, but were in fact obtainable only for the regular price thereof;
6. Special offers were not made to selected persons. On the contrary, the offers were made to all prospects indiscriminately;
7. The "free" items offered to prospective purchasers who would "buy *now*" were not free but were included in the purchase price of the publications and services offered.
8. The books purchased and received from respondents were not bound with soft pliable backs as were the samples used in making sales but were bound with rigid covers.

Therefore the statements, representations and tactics employed by respondents, as set forth in Paragraph Four hereof, were and are false, misleading and deceptive.

PAR. 6. In the 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 publications and services of the same general kind and nature as that sold by respondents.

PAR. 7. 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 respondents' products by reason of said erroneous and mistaken belief.

PAR. 8. 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 methods of competition in commerce and unfair and deceptive acts and practices 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 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, Parents' Magazine Enterprises, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York with its principal office and place of business located at 52 Vanderbilt Avenue in the city of New York, State of New York.

Respondent, Parents' Magazine's Cultural Institute, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 52 Vanderbilt Avenue in the city of New York, State of New York. It is a wholly owned subsidiary of respondent Parents' Magazine Enterprises, Inc.

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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 respondent Parents' Magazine Enterprises, Inc., a corporation, and its officers, and respondent Parents' Magazine's Cultural Institute, Inc., a corporation, and its officers, 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 publications and services, or any other merchandise, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication;

(a) That respondents' encyclopedia sales representatives are engaged in making surveys for any purpose or that the purpose of the call or interview by respondents' encyclopedia sales representatives relates to other than the sale of books, other merchandise or services; or that any other of respondents' sales representatives are engaged in making a survey for any purpose unless respondents establish that such is the fact;

(b) That respondents' salesmen or representatives are teachers or have any connection with a school or educational institution or system, when such is not the fact;

(c) That the price at which any of their merchandise or services is offered for sale or sold is an introductory price or offer;

(d) That the price at which respondents' merchandise or services are offered for sale is a reduced price unless such price is based on and is less than the price at which such books, merchandise or services are regularly and usually sold by respondents;

(e) That any of their merchandise or services are available in exchange for an endorsement, or for an endorsement plus some other consideration, unless such merchandise or service is in every instance furnished or made available as represented;

(f) That prospective purchasers of any merchandise or service sold by respondents are especially selected;

(g) That any item of merchandise or service is awarded or given free to purchasers.

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2. Using fictitious questionnaires in connection with the sale of their publications and services.

3. Using book samples for demonstration purposes, the covers of which are unlike and superior to the books actually sold without clearly disclosing such fact to the purchasers of the publications and services.

It is further ordered That the respondents herein shall within