

ARNOTH W. GODDARD ET AL., TRADING AS QUAD-CITY
SEWING MACHINE COMPANY, ETC.

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

Docket C-789. Complaint, July 16, 1964—Decision, July 16, 1964

Consent order requiring Davenport, Iowa, retail sellers of sewing machines to cease representing falsely, in advertisements in newspapers and in advertising circulars and by their agents, that sewing machines offered at special prices were repossessed, that such machines were being sold at reduced prices for banks and finance companies by reason of default in payment by previous purchasers, and that they carried a lifetime guarantee.

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 Arnoth W. Goddard

150

Complaint

and Alice Maxine Goddard, individuals trading and doing business as Quad-City Sewing Machine Company, and as Q.C.S. Finance Dept., 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. Respondents Arnoth W. Goddard and Alice Maxine Goddard are individuals trading and doing business as Quad-City Sewing Machine Company and as Q.C.S. Finance Dept., with their principal office and place of business located at 308 West 2nd Street in the city of Davenport, State of Iowa.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of sewing machines to the public.

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

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their said sewing machines, respondents have made numerous statements in advertisements inserted in newspapers, and in advertising circulars distributed to the general public; and respondents' agents have made numerous oral statements to prospective purchasers. Among and typical, but not all inclusive, of such statements are the following:

REPOSSESSED

Singer slant needle sewing machine, take over 8 payments of \$5.10 per month. Write Credit Manager, Box 343 Davenport. Quad-City Sewing Machine.

Must be sold Singer Slant Needle, has automatic zig zag, button holes, etc., 10 payments of \$6.10 per month. Call 326-2443.

QUAD CITY SEWING MACHINE CO.

309 W. 2nd St., Davenport, Ia.

* * * * *

Q.C.S. FINANCE DEPT.

* * * * *

Complaint

66 F.T.C.

WE ARE SELLING THE FOLLOWING REPOSSESSED MERCHANDISE FOR SEVERAL BANKS AND FINANCE CO. IN YOUR VICINITY. PLEASE FEEL FREE TO WRITE FOR MORE INFORMATION OR ASK TO HAVE OUR TRUCK STOP AT YOUR HOME FOR YOU TO INSPECT ANY OF THE ARTICLES LISTED. YOU ARE UNDER NO OBLIGATION TO BUY.

(Followed by a list of sewing machines and other merchandise stated to be for sale by respondents.)

* * * * *

The actual value is \$300.00. Our price to you is \$140.00.

The machine originally cost \$249.00. Our price to you is \$154.91.

* * * * *

The sewing machine carries a lifetime guarantee.

PAR. 5. By and through the use of said statements, and others of similar import not specifically set out herein, respondents represented, directly or by implication:

(1) That they were making a bona fide offer to sell used electric sewing machines at the prices specified in the advertising.

(2) That the sewing machines being offered for sale by respondents had been repossessed by banks and finance companies or by respondents by reason of default in payment therefor by previous purchasers, and that the respondents were selling said sewing machines for such banks and finance companies.

(3) That the prices of the merchandise were reduced from respondents' former prices, and the amount of such purported reduction constituted savings to purchasers of the merchandise.

(4) That the respondents' merchandise was unconditionally guaranteed for lifetime.

PAR. 6. In truth and in fact:

(1) Respondents' offers were not bona fide offers to sell the said used sewing machines at the advertised prices but were made for the purpose of obtaining leads and information as to persons interested in the purchase of new sewing machines. After obtaining leads through response to said advertisements, respondents' salesmen called upon such persons but made no effort to sell said sewing machines at the advertised prices. Instead, they exhibited the advertised used sewing machines, or ones similar to them, in demonstrating that they were manifestly unsuitable for the purpose intended and disparaged the advertised products in such a manner as to discourage their purchase and attempted to and frequently did sell much higher priced products.

(2) The merchandise offered for sale by respondents had not been repossessed by banks or finance companies or any other person, firm or corporation, and respondents were not selling such merchandise for banks and finance companies.

(3) The alleged former prices were fictitious in that they were not actual, bona fide prices at which respondents offered the merchandise to the public on a regular basis for a reasonably substantial period of time in the recent, regular course of business and the said merchandise was not reduced in price as represented and savings were not afforded purchasers of said merchandise as represented.

(4) Respondents' guarantee is not unconditional but contains certain terms and limitations. The guarantor fails to set forth the nature and extent of the guarantee, and the manner in which the guarantor will perform.

Therefore, the statements and representations set forth in paragraphs Four and Five were and are false, misleading, and deceptive.

PAR. 7. 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 sewing machines of the same general kind and nature as those sold by respondents.

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 respondents' product by reason of said erroneous and mistaken belief.

PAR. 9. 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 Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Deceptive Practices proposed to present to the Commission for its consideration and

which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission, having reason to believe that the respondents have violated the Federal Trade Commission Act, and having determined that complaint should issue stating its charges in that respect, hereby issues its complaint, accepts said agreement, makes the following jurisdictional findings and enters the following order:

1. Respondents Arnoth W. Goddard and Alice Maxine Goddard, are individuals trading and doing business as Quad-City Sewing Machine Company and as Q.C.S. Finance Dept., with their office and principal place of business located at 308 West 2nd Street, in the city of Davenport, State of Iowa.

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 respondents Arnoth W. Goddard and Alice Maxine Goddard, individuals trading and doing business as Quad-City Sewing Machine Company and as Q.C.S. Finance Dept., or under any other name or names, and respondents' representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of sewing machines or other products in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using in any manner, a sales plan, scheme or device wherein false, misleading or deceptive statements or representations are made in order to obtain leads or prospects for the sale of merchandise or services.

2. Discouraging the purchase of or disparaging any merchandise or services which are advertised or offered for sale.

3. Representing, directly or by implication, that any merchandise or services are offered for sale, when such offer is not a bona fide offer to sell said merchandise or services.

4. Representing, directly or by implication, that merchandise offered for sale had been repossessed or that respondents are selling such merchandise for banks or finance companies: *Provided, however,* That it shall be a defense herein for respondent to establish that merchandise offered for sale by them actually had been repossessed, or that respondents are actually selling such merchandise for banks or finance companies.

5. Representing, directly or by implication, that any price, whether or not accompanied by descriptive terminology, is respondents' former price of merchandise when such amount is in excess of the actual, bona fide price at which respondents offered the merchandise to the public on a regular basis for a reasonably substantial period of time in the recent, regular course of business.

6. Misrepresenting, by means of comparative prices, or in any other manner, the savings available to purchasers of respondents' merchandise.

7. Representing, directly or by implication, that any of respondents' products are guaranteed unless the nature 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.

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.

IN THE MATTER OF
BATTELSTEIN'S, INC.