
IN THE MATTER OF

CARPET AND RUG MILLS, INC., ET AL.

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

Docket 8694. Complaint, July 18, 1966—Decision, Dec. 1, 1966

Consent order requiring a Marietta, Ga., corporate distributor of rugs and carpets to cease using the term "Mills" in its company name, and making false pricing, guarantee, savings and time limitation claims in selling its merchandise.

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 Carpet and Rug Mills, Inc., a corporation, and C. Edward Green, individually and as an officer of said corporation, hereinafter referred to

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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 Carpet and Rug Mills, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia, with its principal office and place of business located at 106 Fair Ground Street in the city of Marietta, State of Georgia.

Respondent C. Edward Green is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His 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 rugs and carpeting including installation.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of Georgia 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, and for the purpose of inducing the purchase of their products and services respondents make numerous statements and representations in advertisements respecting their business status, the price of their merchandise, the savings available to purchasers and the time limitation on products being offered for sale.

Among and typical, but not all inclusive, of the statements and representations appearing in said advertisements are the following:

CARPET
DIRECT FROM
DALTON MILLS
CARPET CENTER OF AMERICA

* * * * *

CARPET & RUG MILLS, INC.
DALTON, GA.
CARPET SALE

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For a LIMITED TIME Carpet & Rug Mills have agreed to present merchandise directly to you, the consumer. This unusual presentation is being made in order to promote one of Georgia's largest industries.

* * * * *

DUPONT NYLON
CUT PILE TWIST OR
HI-LO PATTERN

* * * * *

Reg.

\$12.95 (or 10.95 or 9.95) \$6.95 (or 6.49 or \$5.95) Sq. Yd.

Complete

TEN YEAR GUARANTEE ON CARPET

* * * * *

TEN YEAR WEAR GUARANTEE
OFFER LIMITED
ACT NOW

PAR. 5. Through the use of the above quoted statements, and others of similar import not specifically set out herein, respondents have represented, directly or by implication:

1. Through the use of the word "Mills" as part of respondents' trade name, separately or in conjunction with the foregoing statements and representations, that they are manufacturers and that they own, operate or control a mill or factory in which the carpets, rugs and other products sold by them are manufactured.

2. That the aforestated prices designated by the abbreviation "Reg.," for regular, are the actual, bona fide prices per square yard at which said carpets have been openly and actively offered for sale in good faith for a reasonably substantial period of time in the recent regular course of their business.

3. That purchasers save the difference between the respondents' advertised selling prices and the corresponding higher price amounts.

4. That said carpets are unconditionally guaranteed for a period of ten years by respondents.

5. That respondents' offer to sell said carpets on the terms and conditions therein stated is limited in point of time.

PAR. 6. In truth and in fact:

1. Respondents are not manufacturers nor do they own, operate or control a mill or factory in which the carpets, rugs and other products sold by them are manufactured but buy from manufacturers for resale to the purchasing public.

2. The aforestated prices designated by the abbreviation

"Reg.," for regular, are not the actual, bona fide prices per square yard at which said carpets have been openly and actively offered for sale in good faith for a reasonably substantial period of time in the recent regular course of respondents' business.

3. Purchasers do not have the difference between the respondents' advertised selling prices and the corresponding higher price amounts because, as stated in subparagraph 2 hereof, said higher price amounts are fictitious and the savings based thereon are likewise fictitious.

4. Said carpets are not unconditionally guaranteed for a period of ten years and they are not guaranteed by respondents. Such guarantee as is provided is a pro-rated wear guarantee of the manufacturer subject to numerous conditions and limitations.

5. Respondents offer to sell said carpets on the terms and conditions therein stated is not limited in point of time but constitutes respondents' usual and customary terms and conditions of sale.

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

PAR. 7. There is a preference on the part of many members of the purchasing public for dealing directly with manufacturers of products, rather than with outlets, distributors, jobbers or other intermediaries, such preference being due in part to a belief that by dealing directly with the manufacturer lower prices and other advantages may be obtained, a fact of which the Commission takes official notice.

PAR. 8. In the conduct of their business, at all times mentioned herein, respondents have been and are, engaged in substantial competition, in commerce, with corporations, firms and individuals in the sale of rugs and carpets and services of the same general kind and nature as those sold by respondents.

PAR. 9. 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. 10. 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 issued its complaint on July 18, 1966, charging the respondents named in the caption hereof with violation of Section 5 of the Federal Trade Commission Act, and the respondents having been served with a copy of that complaint; and

The Commission having duly determined upon a motion certified to the Commission that, in the circumstances presented, the public interest would be served by waiver here of the provision of §2.4(d) of its Rules that the consent order procedure shall not be available after issuance of complaint; and

The respondents and counsel for the Commission having executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the complaint, 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 aforesaid agreement and having determined that it provides an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted, the following jurisdictional findings are made, and the following order is entered:

1. Respondent Carpet and Rug Mills, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Georgia, with its principal office and place of business located at 106 Fairground Street, in the city of Marietta, State of Georgia.

Respondent C. Edward Green is an officer of the corporate respondent and his address is the same as that of said corporate respondent.

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

It is ordered, That respondents Carpet and Rug Mills, Inc., a corporation, and its officers and C. Edward Green, individually and as an officer 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 carpets, rugs, or any other product, in commerce, as "commerce" is defined in the Federal Trade Commission Act do forthwith cease and desist from:

1. Using the word "Mills" or any other word of similar import or meaning in or as a part of respondents' corporate or trade name, or representing in any other manner that respondents are the manufacturers of the carpets, rugs or other products sold by them unless and until respondents own and operate, or directly and absolutely control the manufacturing plant wherein such carpets, rugs or other products are made.

2. Misrepresenting, in any manner, the nature or character of respondents' business operations.

3. Using the expression "Reg." or the word "regular" or any other word, term or expression of similar import or meaning to refer to any amount which is in excess of the price at which such merchandise has been sold or offered for sale in good faith by the respondents for a reasonably substantial period of time in the recent, regular course of their business; or otherwise misrepresenting the price at which such merchandise has been sold or offered for sale by the respondents.

4. Representing in any manner that by purchasing any of said merchandise, customers are afforded savings amounting to the difference between respondents' stated price and any other price used for comparison with that price,

- (a) Unless respondents have offered such merchandise for sale at the compared price in good faith for a reasonably substantial period of time in the recent regular course of their business; or

- (b) Unless substantial sales of said merchandise are being made in the trade area at the compared price, or a higher price; or

- (c) Unless a substantial number of the principal retail outlets in the trade area regularly offered the merchandise for sale at the offered price or some higher price; or

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(d) When a value comparison representation with comparable merchandise is used, unless substantial sales of merchandise of like grade and quality are being made in the trade area at the compared price or a higher price and it is clearly and conspicuously disclosed that the comparison is with merchandise of like grade and quality.

5. Misrepresenting, in any manner, the savings available to purchasers or prospective purchasers of respondents' merchandise at retail.

6. Representing, directly or by implication, that respondents' products are guaranteed unless the nature and extent of the guarantee, the manner in which the guarantor will perform thereunder and the name and address of the guarantor are clearly and conspicuously disclosed.

7. Representing, directly or by implication, that any offer is limited in time or in any manner: *Provided, however*, That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that any represented limitation or restriction was actually imposed and in good faith adhered to.

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.
