
IN THE MATTER OF
TECHNICAL EDUCATION CORPORATION, ET AL.

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

Docket C-1569. Complaint, July 29, 1969—Decision, July 29, 1969

Consent order requiring a St. Louis, Mo., data processing school to cease using deceptive offers of employment, misrepresenting that it is connected with International Business Machines Corporation, that it is State licensed, that its aptitude test is adequate to measure the student's ability, that the opportunity to enroll is limited, and failing to disclose all of the terms and conditions at the time of enrollment.

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 Automation Training, Inc., a recently merged corporation absorbed by

Complaint

76 F.T.C.

Technical Education Corporation, which surviving corporation and C.R. Johnson, individually and as an officer thereof, are 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 Technical Education Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 5701 Waterman Boulevard, in the city of St. Louis, State of Missouri.

On February 1, 1969, Technical Education Corporation acquired all of the shares of Automation Training, Inc., issued and outstanding. On the same date, said corporations entered into a Joint Plan of Merger and Agreement of Merger, with Technical Education Corporation to be the surviving corporation. The certificate of merger was thereafter issued by the Secretary of State of Missouri on March 3, 1969. Technical Education Corporation has continued to advertise, offer for sale, sell and distribute courses of study and instruction represented to prepared students thereof for employment in the field of data processing, said courses being the same as or similar to those advertised, sold and distributed by Automation Training, Inc. Technical Education Corporation occupies the premises formerly occupied by Automation Training, Inc.

Respondent C.R. Johnson is an individual and officer of Technical Education Corporation and was an officer of Automation Training, Inc. He formulates, directs and controls the acts and practices of Technical Education Corporation and formulated, directed and controlled the acts and practices of Automation Training, Inc., including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent, Technical Education Corporation.

References hereinafter to the acts and practices of respondents shall be deemed to include the acts and practices of Automation Training, Inc., the merged corporation.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of courses of study and instruction represented to prepare students thereof for employment in the field of data processing. Said courses are pursued in part by correspondence through the

181

Complaint

United States mails and in part by in-residence training at respondents' place of business in St. Louis, Missouri.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause, and for some time last past have caused, the correspondence portion of their courses, when sold, to be shipped from their place of business in the State of Missouri to purchasers thereof located in various other States of the United States and in the District of Columbia, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said courses in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, as aforesaid, respondents have caused to be published in newspapers distributed through the United States mails and by other means to prospective purchasers in the States in which respondents do business, advertisements of which the following were typical and illustrative, but not all inclusive:

UNUSUAL OPPORTUNITY
MEN-WOMEN
TRAINEES URGENTLY NEEDED

IBM Machine Training
Persons selected can be trained
in a program which need not
interfere with present job. If
you qualify training can be financed. Write today, please
include home phone and age.
AUTOMATION TRAINING
Box—in care of this paper.

MEN-WOMEN

You Can
Qualify to
Push This
Button
IBM
Automation
TRAINEES
NEEDED!
For IBM Machine Operation
Computers
Programmers, etc.
Persons selected can be
trained in a program which
need not interfere with present
job. If you qualify
training can be financed.

Complaint

76 F.T.C.

Write today, please include
home phone and age.

For information Write
AUTOMATION TRAINING
Box — in care of this paper.

PAR. 5. By and through use of the statements and representations appearing in the advertisements set forth in Paragraph Four hereof and others similar thereto but not set forth therein, respondents have represented directly or by implication, that inquiries are solicited for the ultimate purpose of offering employment to qualified applicants who will be trained to operate various types of data processing equipment manufactured or distributed by the International Business Machines Corporation, or "IBM" as it is popularly known.

PAR. 6. In truth and in fact, inquiries are not solicited for the ultimate purpose of offering employment to qualified applicants, but are solicited for the sole purpose of obtaining leads to prospective purchasers of respondents' courses of instruction.

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

PAR. 7. In the course and conduct of their business, as aforesaid, respondents cause prospective purchasers of their courses to be visited by respondents' salesmen or representatives. In the course of their sales presentations to prospective purchasers, said salesmen or representatives have made many statements and representations, directly or by implication, concerning respondents, their school and their courses. Some of said representations have been made verbally by respondents' salesmen or representatives. Others have appeared in brochures and other printed material furnished by respondents to their salesmen or representatives and exhibited to prospective purchasers of respondents' courses. Respondents' salesmen or representatives have reiterated and reaffirmed the statements and representations appearing in the brochures and other printed material.

Among and typical, but not all inclusive of such statements and representations are the following:

1. Respondents or their school are sponsored by, approved by or affiliated with IBM.
2. Respondent Automation Training, Inc., has been licensed or registered, and thereby approved, in all States requiring licensing or registration and, therefore, has been found by all such states

181

Complaint

to possess the resources necessary to provide training of the quality needed to attain the objectives claimed for its courses.

3. Persons who complete respondents' courses are guaranteed or assured of employment in the positions for which they have been trained.

4. A student who passed respondents' qualification test was thereby determined to possess the aptitude and ability to successfully complete respondents' course and attain the advertised objectives of the course.

PAR. 8. In truth and in fact:

1. Neither respondents nor their school are sponsored by, approved by or have any connection with IBM other than to provide training in the operation of data processing equipment manufactured or distributed by IBM.

2. Respondent Automation Training, Inc., was not licensed or registered in every state requiring licensure or registration at the time the representations were made.

Further, in many of the States wherein respondent Automation Training, Inc., or respondents' salesmen or representatives may be licensed or registered, the licensing or registration procedures do not include approval of a school or the quality of the training it offers. The granting of a license or registration in those states does not constitute a finding by the state authorities that respondents possess the resources necessary to provide training of the quality needed to attain the objectives claimed for their courses.

3. Persons who complete respondents' courses are not guaranteed or assured of employment in the positions for which they have been trained, or in any position.

4. The test used by respondents was inadequate to measure the aptitude or ability of a prospective student to successfully complete respondents' course and attain the advertised objectives of the course. A student who passed such test was not, therefore, determined to possess the aforesaid aptitude or ability.

Therefore, the statements and representations as set forth in Paragraph Seven hereof were false, misleading and deceptive.

PAR. 9. In the further course and conduct of their aforesaid business, respondents have engaged in the following unfair and deceptive acts and practices:

1. For the purpose of obtaining leads to prospective purchasers of their courses, respondents send or cause to be sent, to high

school seniors and recent high school graduates in the States of the United States wherein respondents do business, double post cards which bear an invitation to the recipient to return the reply portion of the card to respondents to receive a free booklet on "your future in IBM" which will be furnished "without cost or obligation." Said booklets are delivered to persons requesting them by respondents' sales representatives who, upon delivering the booklets, immediately undertake to enroll said persons in one or more of respondents' courses. No disclosure is made in advance of the sales representative's visit that he will call.

During the course of their sales presentation and for the purpose of inducing an immediate decision to enroll in respondents' home study courses, respondents' sales representatives have represented to prospective students and their parents that if the student is not enrolled during the sales representative's visit the opportunity to enroll will be lost. In truth and in fact, respondents have not refused to enroll students who may choose to enroll in respondents' home study courses subsequent to a visit by respondents' sales representatives.

By failing to clearly inform prospective students and their parents in advance thereof, that a sales representative will call upon them and by misleading prospective students and their parents into believing that the students must enroll in respondents' home study courses at the time of the sales representative's visit or lose the chance to enroll, respondents deprive, and have deprived, prospective students and their parents of the opportunity to properly evaluate respondents' home study courses and to make a fully informed determination of the advisability of enrolling in such courses.

2. Respondents' data processing school is accredited by the National Home Study Council and the National Association of Trade and Technical Schools, both of which require accredited schools to permit enrolled students to discontinue training at any time up to 180 days after the enrollment is accepted. The aforesaid policies provide that a student, upon giving such notice as required, is entitled to discontinue training and receive a partial refund or adjustment in his obligation to the school. Respondents advise students of the existence of such policies only when a student insists upon discontinuing training despite repeated efforts by respondents to persuade and induce the student to continue his training and pay the tuition in full.

3. When students have agreed to pay their tuition in installments, respondents cause such accounts to be referred to a designated agency. The agency advises those students that it will handle the payments and that payments are to be made to the agency, not the school. Persons receiving notification of such referral are led to believe that their accounts have been assigned to a third party and are thereby induced to continue payments rather than to insist upon discontinuing their enrollments.

Therefore, the statements, representations and practices as set forth in (1), (2) and (3) preceding have been unfair, false, misleading and deceptive.

PAR. 10. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been, and now are, in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of courses of study and instruction covering the same or similar subjects.

PAR. 11. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were true and into the purchase of substantial quantities of respondents' courses and into the payment therefor by reason of said erroneous and mistaken belief.

PAR. 12. The aforesaid acts and practices of respondents, as herein alleged, have been all to the prejudice and injury of the public and of respondents' competitors and have constituted 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 the 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 alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having considered the agreement and having accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Technical Education Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 5701 Waterman Boulevard, in the city of St. Louis, State of Missouri.

Respondent C.R. Johnson is an officer of said corporation and his 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

It is ordered, That respondents Technical Education Corporation, a corporation, and its officers, and C.R. Johnson, 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 advertising, offering for sale, sale or distribution of courses of study and instruction in the field of data processing or any other subject 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 employment is being offered when the real purpose of such offer is to obtain leads to prospective purchasers of respondents' course.

(2) Representing, directly or by implication, that respondents or their school are sponsored by, approved by or have any connection with the International Business Machines

Corporation (IBM) other than to provide training or instruction in the operation of equipment manufactured or distributed by IBM; or misrepresenting, in any manner, the status or affiliation of respondents, their school or their sales representatives.

(3) Representing, directly or by implication, that respondents' school is licensed or registered in any state unless it is so licensed or registered and unless in immediate connection with such representation respondents clearly and conspicuously disclose the meaning, if any, of such licensing or registration; or misrepresenting, in any manner, the import or effect of licensing, registration or any other action by a state or other jurisdiction.

(4) Representing, directly or by implication, that persons who complete respondents' courses are guaranteed or assured of employment in the positions for which they have been trained; or misrepresenting, in any manner, the ability, efforts or facilities of respondents or their placement service for assisting persons completing respondents' courses in obtaining employment.

(5) Representing, directly or by implication, that an aptitude or other test is adequate to measure the aptitude or ability of an enrollee to successfully complete respondents' course and attain the advertised objectives of the course unless such test is based upon established personnel testing practices in the data processing field; or misrepresenting, in any manner, the selectivity exercised by respondents in enrolling students in their courses or the qualifications which students must possess to be accepted for enrollment.

(6) Representing, directly or by implication, that a prospective student may enroll in respondents' home study courses only at the time of the visit by respondents' sales representative or that if the student is not enrolled at the time the opportunity to enroll will have been lost; or misrepresenting, in any manner, that the opportunity to enroll in respondents' courses is limited.

(7) Inviting or obtaining inquiries concerning respondents' courses from prospective students without clearly informing such persons reasonably in advance thereof that respondents' sales representatives will call upon them and seek to enroll them in one of respondents' courses.

(8) Failing to:

(a) Furnish to prospective students at time of enrollment a printed statement clearly and conspicuously disclosing (1) the exact terms and conditions under which a student may discontinue his or her enrollment prior to completion of the course in which enrolled and (2) such refund of money, if any, or other adjustment that respondents will make in the obligation of the student who requests withdrawal or discontinuance in accordance with respondents' terms and conditions therefor.

(b) Set forth the disclosures required by (a) preceding clearly and conspicuously in and as a part of the enrollment application or such documents as may be executed by prospective purchasers of respondents' courses.

(c) Require their sales representatives or other persons who visit prospective purchasers of respondents' courses and solicit their enrollments in respondents' courses to orally inform and advise prospective purchasers of the information required to be disclosed by (a) and (b) preceding.

(d) Clearly and conspicuously disclose to prospective purchasers of respondents' courses prior to enrollment that the collection of student accounts may be undertaken by a designated agency but that such action does not affect such rights to discontinuance or affirmative defenses as the student may have.

(9) Failing to deliver a copy of this order to cease and desist to all present and future salesmen or other persons engaged in the sale of respondents' courses; and failing to secure from each such salesman or other person a signed statement acknowledging receipt of said order.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

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.

NEW HOME SEWING CENTER, ET AL.

191

Complaint