

IN THE MATTER OF
NORTH AMERICAN CHINCHILLA CORPORATION, ET
AL.*

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

Docket C-1691. Complaint, Feb. 17, 1970—Decision, Feb. 17, 1970

Consent order requiring a Salt Lake City, Utah, seller of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of its stock, deceptively guaranteeing the fertility of its stock, and misrepresenting its services to its customers.

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 North American Chinchilla Corporation, a corporation, and Kurt Wegner, individually and as an officer of said corporation, formerly doing business as North American Chinchilla Company, 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 North American Chinchilla Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Utah, with its principal office and place of business located at 2915 Brookburn Road, Salt Lake City, Utah.

Respondent Kurt Wegner is an officer of the corporate respondent.

* Formerly known as North American Chinchilla Company.

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. Prior to April 25, 1967, he did business as North American Chinchilla Company at the address above stated and on the date referred to he formed North American Chinchilla Corporation which has since carried on the business hereinafter described.

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

PAR. 3. In the course and conduct of their aforesaid business, respondents now cause, and for some time last past have caused, their said chinchillas, when sold, to be shipped from their place of business in the State of Utah 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 aforesaid business, for the purpose of obtaining names of prospective purchasers and inducing the purchase of said chinchillas, respondents make, and have made, numerous statements and representations in direct mail advertising and through the oral representations and display of promotional material to prospective purchasers by their salesmen with respect to breeding and raising of chinchillas for profit without previous experience, the rate of reproduction of said animals, guarantees, the price of their pelts and the income to be expected from propagating chinchillas.

Typical and illustrative of said advertising statements and representations, but not all inclusive thereof, are the following:

ARE YOU SATISFIED
WITH YOUR
PRESENT INCOME?

WE MAY HAVE FOUND
THE ANSWER TO FINANCIAL
SECURITY FOR CITY PEOPLE
AND FARMERS ALIKE.

CHINCHILLAS
COULD PULL YOU OUT
OF YOUR MONTHLY
PAYCHECK RUT!!!

Complaint

77 F.T.C.

CHINCHILLA RANCHERS
ARE INCREASING THEIR
ANNUAL INCOME BY
RAISING HIGH QUALITY
CHINCHILLAS FOR THE
FUR MARKET.

PROFIT IS HIGH!
... PELTS ARE SELLING
FOR ABOUT \$30.00...
AND THE DEMAND FOR
QUALITY PELTS IS INCREASING
EVERY YEAR!

BREEDING STOCK
WARRANTED TO LIVE
3 YEARS AND TO REPRODUCE.

TRAINING!
(Even Though You have
No Experience)

Membership in a National Service
Organization assures "On The Job
Training In Your Home", by our
qualified personnel.

TURN THAT EXTRA
ROOM INTO POTENTIAL
INCOME FOR EDUCATION,
TRAVEL OR RETIREMENT.

(on return card) :
FIND OUT WHAT AN INVESTMENT IN CHINCHILLA
RANCHING CAN DO FOR YOU!

* * * * *
I am interested in additional annual income of (ck. one) \$2,500—\$5,000—
\$7,500—\$10,000—\$15,000—.

PAR. 5. By and through the use of the above-quoted statements and representations, and others of similar import and meaning but not expressly set out herein, and through the oral statements and representations made in sales presentations to purchasers, respondents represent, and have represented, directly or by implication:

1. That it is commercially feasible to breed and raise chinchillas purchased from respondents in homes, basements, garages, barns or spare rooms and that an annual income of from \$2,500 to \$15,000 can be earned in this manner.

2. That the breeding of chinchillas purchased from respondents as a commercial enterprise with earnings from \$2,500 to \$15,000 requires no previous experience in breeding, raising or caring for said animals.

3. Each female chinchilla purchased from respondents and each female offspring will produce successive litters of one to four live offspring at 111-day intervals.

4. That chinchilla breeding stock purchased from respondents and the progeny of such chinchillas will double each year producing an equal number of female and male offspring.

5. That all of the offspring of chinchillas purchased from respondents and the successive progeny thereof will have pelts selling for an average price of \$30.

6. That a purchaser starting with six mated pairs of chinchillas purchased from respondents will have an annual net income of \$5,000 therefrom at the end of five years.

7. That chinchilla breeding stock purchased from respondents is unconditionally warranted to live three years and to reproduce.

8. That breeding by mated pairs rather than polygamous breeding is the conventional method used by successful commercial chinchilla breeders.

PAR. 6. In truth and in fact:

1. It is not commercially feasible to breed or raise chinchillas in homes, basements, garages, barns or spare rooms and an annual income of from \$2,500 to \$15,000 cannot be earned in this manner. Such quarters or buildings, unless they have adequate space and the requisite temperature, humidity, ventilation and other necessary environmental conditions conducive to breeding and raising chinchillas, are not adaptable to or suitable for propagating such animals on a commercial basis.

2. The breeding of chinchillas as a commercial enterprise requires specialized knowledge in respect to the feeding, care and breeding of said animals much of which must be acquired through actual experience.

3. Each female chinchilla purchased from respondents and each female offspring will not produce successive litters of one to four live offspring at 111-day intervals.

4. Chinchilla breeding stock purchased from respondents and the successive progeny of such chinchillas will not double each year nor will they produce an equal number of female and male offspring each year.

5. All of the offspring of chinchillas purchased from respondents

and the successive progeny thereof will not have pelts selling for an average price of \$30 but substantially less than that amount.

6. A purchaser starting with six mated pairs of chinchillas purchased from respondents will not have an annual net income of \$5,000 at the end of five years but substantially less than that amount, if any net income at all.

7. Respondents' warranty is not unconditional. The represented warranty is subject to terms, limitations and conditions not disclosed in the advertising.

8. Polygamous breeding rather than mated pair breeding is the conventional method used by successful commercial chinchilla breeders.

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

PAR. 7. In the course and conduct of their business, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of chinchilla breeding stock.

PAR. 8. The use by respondents of the aforementioned false, misleading and deceptive statements, representations and practices has had, and now has, the tendency and capacity 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' chinchillas by reason of said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of the 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 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 North American Chinchilla Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Utah, with its office and principal place of business located at 2915 Brookburn Road, Salt Lake City, Utah.

Respondent Kurt Wegner is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, and his address is the same as that of said corporation. Said respondent formerly did business as North American Chinchilla Company.

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 North American Chinchilla Corporation, a corporation, and its officers and Kurt Wegner, individually and as an officer of said corporation and formerly doing business as North American Chinchilla Company or under any other trade name or names, 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 chinchilla breeding stock or any other products, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Representing, directly or by implication, that:

1. It is commercially feasible to breed or raise chinchillas in homes, basements, garages, barns or spare rooms or other quarters or buildings unless in immediate conjunction therewith it is clearly and conspicuously disclosed that the repre-

sented quarters or buildings can only be adaptable to and suitable for the breeding and raising of chinchillas on a commercial basis if they have the requisite space, temperature, humidity, ventilation and other environmental conditions.

2. Breeding chinchillas as a commercially profitable enterprise can be achieved without previous knowledge or experience in the breeding, caring for and raising of such animals.

3. Each female chinchilla purchased from respondents and each female offspring will produce successive litters of one to four live offspring at 111-day intervals.

4. The number of live offspring produced per female chinchilla is any number or range thereof; or representing, in any manner, the past number or range of numbers produced per female of purchasers of respondents' breeding stock unless, in fact, the past number or range of numbers represented are those of a substantial number of purchasers and accurately reflect the number or range of numbers of live offspring produced per female chinchilla of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

5. Chinchilla breeding stock purchased from respondents and successive generations will double in number each year or produce an equal number of male and female offspring each year; or misrepresenting, in any manner, the number or the proportion of male and female chinchilla offspring produced in any given period of time.

6. Pelts from the offspring of chinchilla breeding stock purchased from respondents sell for an average price of \$30 per pelt.

7. Pelts of offspring from breeding stock purchased from respondents will sell for any price, average price or range of prices; or representing, in any manner, the past price, average price or range of prices of purchasers of respondents' breeding stock unless, in fact, the represented price or prices are those of a substantial number of purchasers and accurately reflect the price or prices realized by these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

8. A purchaser of six mated pairs of respondents' chin-

chilla breeding stock will have an annual net income of \$5,000 from the sale of pelts at the end of five years.

9. Purchasers of respondents' chinchilla breeding stock will realize gross or net income, earnings or profits in any amount or range of amounts unless, in fact, the income, earnings or profits represented are those of a substantial number of purchasers and accurately reflect the average net or gross income, earnings or profits of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

10. Chinchilla breeding stock or any other products are warranted or 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.

11. Breeding chinchillas by mated pairs rather than by polygamous breeding is the conventional method used by successful commercial chinchilla breeders; or misrepresenting, in any manner, the comparative merits of breeding chinchillas by mated pairs as against polygamous breeding or any other breeding method.

B. Misrepresenting, in any manner, the earnings or profits made or to be made in breeding and raising chinchillas.

C. 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' products or services, 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 respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

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.

Complaint

IN THE MATTER OF

COLGATE-PALMOLIVE COMPANY, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT*Docket C-1692. Complaint, Feb. 24, 1970—Decision, Feb. 24, 1970*

Consent order requiring a New York City corporation engaged in the manufacture and distribution of plastic bag wraps described as "Baggies" and its advertising agency to cease the deceptive use of any test, experiment or demonstration in advertising respondent's plastic bags.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Colgate-Palmolive Company, a corporation, and Masius, Wynne-Williams, Street & Finney, 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 Colgate-Palmolive Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its principal office and place of business located at 300 Park Avenue, in the city of New York, State of New York.

Respondent Masius, Wynne-Williams, Street & Finney, 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 535 Fifth Avenue, in the city of New York, State of New York.

PAR. 2. Respondent Colgate-Palmolive Company now, and for some time past, has been engaged in the sale and distribution of a plastic bag wrap described as "Baggies," which, when sold is shipped to purchasers located in various States of the United States. Thus respondent maintains and at all times mentioned herein has maintained, a substantial course of trade in bag wrap in commerce, as "commerce" is defined in the Federal Trade Commission Act.

Respondent Masius, Wynne-Williams, Street & Finney, Inc., is now and for some time last past has been, an advertising agency of