

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

CITY SEWING MACHINE COMPANY, INC., ET AL.

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

Docket C-1747. Complaint, June 1, 1970—Decision, June 1, 1970

Consent order requiring a Marysville, Kansas, retailer of sewing machines to cease using deceptive prices, failing to maintain adequate records to support its pricing practices, using contests and other promotional devices deceptively to obtain leads, misusing the term "automatic" to describe its sewing machine, falsely guaranteeing its products, and misrepresenting that it has posted bond in support of its guarantees.

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 City Sewing Machine Company, Inc., a corporation, and Lee R. Dam, individually and as an officer of said 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 City Sewing Machine Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kansas, with its principal office and place of business located at 818 Broadway, in the city of Marysville, State of Kansas.

Respondent Lee R. Dam is an individual and an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and prac-

tices 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 sewing machines and other products 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 place of business in the State of Kansas 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. Basically, respondents' sales plan has been, and currently is, to have puzzles published in magazines and newspapers, to mail puzzles to numerous persons and to request that such puzzles be solved and returned to them for entry in a drawing, awarding as prizes a free sewing machine, several other free prizes of less monetary value than the free sewing machine or a discount certificate. After the said free prizes have been awarded on the basis of a drawing of puzzle entries, respondents mail to persons, who failed to win one of the same, a letter notifying them that their puzzle entry has won for them an enclosed discount certificate, stating a specified monetary amount that may be used in reducing the represented price of one of respondents' sewing machines, as pictured and otherwise described in a likewise enclosed advertisement.

PAR. 5. In the course and conduct of their aforesaid business, and for the purpose of inducing the purchase of their products, the respondents have made and are now making numerous statements and representations in newspapers, magazines, promotional material and by other means with respect to the prices, contests, promotional programs, prizes, characteristics and guarantees of their merchandise.

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

Congratulations,

The judges have selected your entry as a second prize winner in our recent Smart Money contest.

The enclosed \$160.00 Discount Certificate is the prize you have won. This certificate is good toward the purchase of the \$229.95 Deluxe Dressmaker 24 cam, Zig Zag sewing machine.

* * * * *

Complaint

77 F.T.C.

For Example:

Deluxe 24 cam machine that makes Zig Zag and Fancy Stitches
Automatically:

Model SWA-2000 Regular Price-----	\$229.95
Less Discount Certificate-----	160.00
Your Total Cost Only-----	69.95

The Dressmaker sewing machines . . . have a 30 year guarantee bond.

PAR. 6. 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, the respondents have represented, and are now representing, directly or by implication, that:

1. Through the use of the word "Regular," the price of \$229.95 is the price at which they have made a bona fide offer to sell or have sold Model SWA-2000 sewing machines on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

2. With respect to winners of their discount certificate, they have conducted a bona fide contest.

3. Recipients of their discount certificate have won a valuable prize, entitling them to a discount in the amount of \$160 as a reduction from the price at which the Model SWA-2000 sewing machine is usually and customarily sold by respondents.

4. The Model SWA-2000 sewing machine makes zig zag and fancy stitches automatically, by self-operation and by self-regulation.

5. The Model SWA-2000 sewing machine is guaranteed for 30 years without condition or limitation.

6. They have posted a bond or have established a reserve fund, the benefits of which are available to the recipients of their guarantees.

PAR. 7. In the truth and in fact:

1. With the exception of rare instances, the respondents have not made a bona fide offer to sell nor have they sold Model SWA-2000 sewing machines at a price of \$229.95 on a regular basis for a reasonably substantial period of time in the recent, regular course of their business.

2. Respondents have not conducted a bona fide contest with respect to winners of their discount certificate. Such discount certificates are awarded to all contest participants, who did not win one of their limited number of merchandise prizes.

3. Recipients of respondents' discount certificate have not won a valuable prize, since the \$160 amount of the said discount certi-

cate is deducted not from respondents' usual and customary price for the Model SWA-2000 sewing machine but from a fictitious higher price, as herein alleged, and therefore, the value of the discount certificate is illusory.

4. The Model SWA-2000 sewing machine does not make zig zag or fancy stitches automatically, by self-operation or by self-regulation.

5. The 30 year guarantee of the Model SWA-2000 sewing machine is subject to numerous conditions and limitations, which are not disclosed in respondents' advertising.

6. Respondents have not posted a bond nor have they established a reserve fund, the benefits of which are available to recipients of their guarantees.

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

PAR. 8. 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 in the sale of sewing machines and other products 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 heretofore determined to issue its complaint charging the respondent Lee R. Dam, an individual, trading and doing business as City Sewing Machine Company, with violation of the Federal Trade Commission Act, and the said respondent 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

It subsequently appearing that the said Lee R. Dam had incorporated the said business under the name and style of City Sewing Machine Company, Inc., and said corporation having indicated a willingness to dispose of this matter by consent agreement; and

The said respondent Lee R. Dam and the said corporate respondent 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 thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record and having duly considered the comments filed thereafter pursuant to § 2.34(b) of its Rules, now, in further conformity with the procedure prescribed in such Rule, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent City Sewing Machine Company, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Kansas, with its principal office and place of business located at 818 Broadway, in the city of Marysville, State of Kansas.

Respondent Lee R. Dam is an officer of said corporation and his principal office and place of business are located at the above address.

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 City Sewing Machine Company, Inc., a corporation, and its officers, and Lee R. Dam, individually and as an officer of said corporation and respondents' agents, rep-

representatives and employees, directly or through any corporate or other device, in connection with the advertising, 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 the words "Regular," "Reg." or any other word or words of similar import or meaning, to refer to any price amount which is in excess of the price at which an article of merchandise or service has been sold or offered for sale in good faith by respondents for a reasonably substantial period of time in the recent, regular course of their business.

2. Representing, directly or by implication, that any amount is respondents' usual and customary retail price for an article of merchandise or service when such amount is in excess of the price or prices at which such article of merchandise or service has been sold or offered for sale in good faith by respondents at retail for a reasonably substantial period of time in the recent, regular course of their business.

3. Failing to maintain adequate records (a) which disclose the facts upon which any pricing claims and similar representations of the type described in Paragraphs 1 and 2 of this order are based, and (b) from which the validity of any pricing claims and similar representations of the type described in Paragraphs 1 and 2 of this order can be determined.

4. Representing, directly or by implication, that names of winners are obtained through drawings, contests or by chance, when all of the names selected are not chosen by lot; or misrepresenting, in any manner, the nature or purpose of a contest.

5. Using any advertising, promotional program or procedure involving the use of false, deceptive or misleading statements to obtain leads or prospects for the sale of their products.

6. Representing, directly or by implication, that awards or prizes are of a certain value or worth when recipients thereof are not in fact benefited by or do not save the amount of the represented value of such awards or prizes.

7. Representing, directly or by implication, that any savings, discount, credit or allowance is given purchasers as a reduction from respondents' selling price for a specified product unless such selling price is the amount at which said product has been sold or offered for sale in good faith by respondents at retail for

a reasonably substantial period of time in the recent, regular course of their business.

8. Using the word "automatic" or any other word or term of similar import or meaning to describe any sewing machine either in its entirety or as to its over-all function or operation, or using any illustration or depiction which represents that such a machine is automatic in its entirety or as to its over-all function or operation: *Provided, however*, That nothing herein shall be construed to prohibit the use of the word or term "automatic" in describing a sewing machine's specific attachment or component or function thereof, which after activation and by self-operation, will perform without human intervention the mechanical function indicated.

9. 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.

10. Representing, directly or by implication, that respondents have posted a bond or have established a reserve fund, the benefits of which are available to recipients of their guarantees, unless respondents do in fact have such a bond or fund available and unless the said bond or fund is available to all recipients of their guarantees.

It is further ordered, That the respondents herein shall forthwith 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 shall secure from each such salesman or other person a signed statement acknowledging receipt of said order.

It is further ordered, That the respondents shall notify the Commission at least thirty (30) days prior to any proposed change in their business organization such as dissolution, assignment, incorporation or sale resulting in the emergence of a successor corporation or partnership or any other change which may affect compliance obligations arising out of this 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

ARDEN-MAYFAIR, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
SEC. 2(c) OF THE CLAYTON ACT*Docket C-1748. Complaint, June 3, 1970—Decision, June 3, 1970*

Consent order requiring a Los Angeles, Calif., chain of supermarket grocery stores (Arden-Mayfair) and a Los Alamitos, Calif., brokerage firm (Chambossé) to cease violating Sec. 2(c) of the Clayton Act by engaging in such brokerage practices as Chambossé receiving brokerage or other payments from sellers of grocery products while under the direct or indirect control of Arden-Mayfair.

COMPLAINT

The Federal Trade Commission, having reason to believe that the parties respondent named in the caption hereof, and hereinafter more particularly described, have been and are violating the provisions of subsection (c) of Section 2 of the Clayton Act, as amended, (15 U.S.C. Section 13) hereby issues its complaint, stating its charges with respect thereto as follows:

PARAGRAPH 1. Respondent Arden-Mayfair, 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 2500 Garfield Avenue, Los Angeles, California.

PAR. 2. Respondent Arden-Mayfair, Inc., has been and is now engaged primarily in the retail distribution of grocery products through several operating divisions. The principal operating division of respondent Arden-Mayfair, Inc., is the Mayfair Market Division which operates a large number of retail supermarkets. As of July 24, 1969, the Mayfair Market Division of respondent Arden-Mayfair, Inc., operated a total of 211 supermarkets in the States of California, Arizona, Nevada, Oregon, and Washington. Respondent Arden-Mayfair, Inc.'s volume of business is substantial, totalling in excess of \$568 million annually with the Mayfair Market Division accounting for approximately 77 percent of total sales.

PAR. 3. Respondent Chambossé Brokerage Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of California with its office and principal place of business located at 11110 Los Alamitos Blvd., Los Alamitos, California.

Respondent Halsey K. Chambossé, an individual, is president of