

HOUSEHOLD SEWING MACHINE CO., INC., ET AL.

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

Docket 8761. Complaint, Aug. 30, 1968—Decision, Sept. 1, 1970

Order modifying an earlier consent order dated August 6, 1969, 76 F.T.C. 207, by adding a paragraph thereto which forbids respondents from failing to maintain adequate records upon which its prices and savings to customers are based.

ORDER MODIFYING ORDER TO CEASE AND DESIST

The Commission on August 6, 1969 [76 F.T.C. 207], having issued its order in this matter requiring respondents, in connection with the offering for sale, and sale and distribution of merchandise, in commerce, to cease and desist from:

1. Representing, directly or by implication, that any products or services are offered for sale when such offer is not a bona fide offer to sell said products or services.
2. Using any advertising, sales plan or promotional scheme involving the use of false, misleading or deceptive statements

or representations to obtain leads or prospects for the sale of any product.

3. Making representations purporting to offer merchandise for sale when the purpose of the representation is not to sell the offered merchandise but to obtain leads or prospects for the sale of other merchandise at higher prices.

4. Disparaging, in any manner, or discouraging the purchase of any product advertised.

5. Representing, directly or by implication, that any product has been manufactured or designed to be sold in any stated year, unless such product was in fact manufactured or designed to be sold in the year represented.

6. Misrepresenting in any manner the model year, the year of manufacture or design, or the age of any product.

7. Representing, directly or by implication, that any product was left in lay away, was repossessed, or that it is being offered for the balance of the purchase price which was unpaid by a previous purchaser, unless the specific product in each instance was left in lay away, was repossessed or is offered for the balance of the unpaid purchase price, as represented.

8. Misrepresenting in any manner the status, kind, quality of or price of the product being offered.

9. Representing, directly or by implication, that purchasers save the paid-in amount on repossessed or unclaimed lay away products, unless in each instance purchasers save the amount represented.

10. Misrepresenting in any manner the savings afforded to purchasers of respondents' products.

11. Using the names "Credit Dept." or "Household Credit Dept.," or other names of similar import or meaning; or otherwise representing directly or by implication, that respondents' principal business is that of lending money or settling or collecting accounts; or misrepresenting in any manner the nature or status of respondents' business.

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

13. Representing, directly or by implication, that names of winners are selected or obtained through "drawings" or by chance when all of the names selected are not chosen by lot; or

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misrepresenting in any manner the method by which names are selected in any drawing or contest.

14. Representing, directly or by implication, that certificates, 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 certificates, prizes or awards.

15. Representing, directly or by implication, that any savings, discount or allowance is given purchasers from respondents' selling price for specified products, unless said selling price is the amount at which such products have 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.

16. Failing to disclose, orally prior to the time of sale and in writing on any trade acceptance, conditional sales contract, promissory note, or other instrument of indebtedness executed by the purchaser, with such conspicuousness and clarity as is likely to be observed and read by such purchaser:

(a) The disclosures, if any, required by federal law or the law of the State in which the instrument is executed;

(b) Where negotiations of the instrument to any third party is prohibited or otherwise limited under the law of the State in which the instrument is executed, that the negotiation or assignment of the trade acceptance, conditional sales contract, promissory note or other instrument of indebtedness to a finance company or other third party will not rescind or diminish any rights or defenses the purchaser may have under the contract;

(c) Where negotiation of the instrument to a third party is not prohibited by the law of the State in which the instrument is executed, that the trade acceptance, conditional sales contract, promissory note or other instrument may, at the option of the seller and without notice to the purchaser, be negotiated or assigned to a finance company or other third party; and

(d) Where the law of the State in which the instrument is executed does not preserve as against any holder of the instrument all the legal and equitable defenses the purchaser may assert against the seller, that in the event the instrument is negotiated or assigned to a finance company or other

third party, the purchaser may have to pay such finance company or other third party the full amount due under his contract whether or not he has claims against the seller's merchandise as defective; the seller refuses to service the merchandise; or the seller is no longer in business, or other like claims.

II

It is further ordered, That the respondents herein shall, in connection with the offering for sale, the sale, or distribution of sewing machines or any other products, when the offer for sale or sale is made in the buyer's home, forthwith cease and desist from:

(1) Contracting for any sale whether in the form of trade acceptance, conditional sales contract, promissory note, or otherwise which shall become binding on the buyer prior to midnight of the third day, excluding Sundays and legal holidays, after date of execution.

(2) Failing to disclose, orally prior to the time of sale and in writing on any trade acceptance, conditional sales contract, promissory note or other instrument executed by the buyer with such conspicuousness and clarity as likely to be observed and read by such buyer, that the buyer may rescind or cancel the sale by directing or mailing a notice of cancellation to respondents' address prior to midnight of the third day, excluding Sundays and legal holidays, after the date of the sale. Upon such cancellation the burden shall be on respondents to collect any goods left in buyer's home and to return any payments received from the buyer. Nothing contained in this right-to-cancel provision shall relieve buyers of the responsibility for taking reasonable care of the goods prior to cancellation and during a reasonable period following cancellation.

(3) Failing to provide a separate and clearly understandable form which the buyer may use as a notice of cancellation.

(4) Negotiating any trade acceptance, conditional sales contract, promissory note, or other instrument of indebtedness to a finance company or other third party prior to midnight of the fifth day, excluding Sundays and legal holidays, after the date of execution by the buyer.

(5) *Provided, however*, That nothing contained in Part II of this order shall relieve respondents of any additional obliga-

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tions respecting contracts made in the home required by federal law or the law of the State in which the contract is made. When such obligations are inconsistent respondents can apply to the Commission for relief from this provision with respect to contracts executed in the State in which such different obligations are required. The Commission, upon proper showing, shall make such modifications as may be warranted in the premises.

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.

And the Commission on June 8, 1970, having issued its order to show cause why this proceeding should not be reopened and its order of August 6, 1969, modified by the addition of a new paragraph numbered 17 in Part I of this order which will read:

17. Failing to maintain adequate records which disclose the facts upon which representations as to former prices, comparative prices, and the usual and customary retail prices of merchandise, and as to savings afforded to purchasers, and similar representations of the type dealt with in Paragraphs 7 through 10, 14 and 15 of Part I of this order, are based, and from which the validity of any such claim can be established.

Respondents not having filed an answer in which the order to show cause is opposed; and more than thirty days having expired since service of the order to show cause upon the respondents; and

The Commission being of the opinion that the public interest will be served best by modifying its order of August 6, 1969:

It is ordered, That this proceeding be, and it hereby is reopened.

It is further ordered, That the Commission's order of August 6, 1969 [76 F.T.C. 207], be and it hereby is modified by adding thereto as Paragraph 17 of Part I the following:

17. Failing to maintain adequate records which disclose the facts upon which representations as to former prices, comparative prices, and the usual and customary retail prices of merchandise, and as to savings afforded to purchasers, and similar representations of the type dealt with in Paragraphs 7 through 10, 14 and 15 of Part I of this order, are based, and from which the validity of any such claim can be established.

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IN THE MATTER OF

SANITARY CARPET AND RUG CLEANING COMPANY,
INC., TRADING AS CARPETLAND, ET AL.

MODIFIED ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND THE
TEXTILE FIBER PRODUCTS IDENTIFICATION ACTS

Docket C-1490. Complaint, Feb. 3, 1969—Decision, Sept. 1, 1970

Order modifying an earlier consent order dated February 3, 1969, 75 F.T.C. 231, by adding a paragraph thereto which forbids respondents from failing to maintain adequate records upon which its prices and savings are based.

ORDER MODIFYING ORDER TO CEASE AND DESIST

The Commission on February 3, 1969 [75 F.T.C. 231], having issued its order in this matter requiring respondents, in connection with the offering for sale, and sale and distribution of merchandise, in commerce, to cease and desist from:

A. Misbranding textile fiber products by:

1. Falsely or deceptively stamping, tagging, labeling, invoicing, advertising, or otherwise identifying such products as to the name or amount of constituent fibers contained therein.

2. Failing to set forth that the required disclosure as to the fiber content of floor coverings relates only to the face, pile, or outer surface of such products and not to exempted backing, filling or padding, when such is the case.

B. Falsely and deceptively advertising textile fiber products by:

1. Making any representations by disclosure or by implication, as to fiber content of any textile fiber product in any written advertisement which is used to aid, promote or assist, directly or indirectly, in the sale of such textile fiber product unless the same information required to be shown on the stamp, tag, label or other means of identification under Section 4(b) (1) and (2) of the Textile Fiber Products Identification Act is contained in the said advertisement, except that the percentages of the fibers present in the textile fiber product need not be stated.

2. Failing to set forth in disclosing fiber content information as to floor coverings containing exempted backings, fill-