

Decision and Order

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IN THE MATTER OF

INTERNATIONAL CHINCHILLAS, INC., ET AL.

CONSENT ORDER ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND THE TRUTH IN LENDING ACTS*Docket C-1868. Complaint, Feb. 19, 1971—Decision, Feb. 19, 1971*

Consent order requiring Virginia Beach, Va., sellers and distributors of chinchilla breeding stock to cease making exaggerated earning claims, misrepresenting the quality of their stock, deceptively guaranteeing the fertility of their stock, and misrepresenting their services to purchasers; respondents are also required to refrain from making any sales contract or note in the buyer's home which shall become effective prior to the end of three days, to notify the buyer of his option to rescind the contract, and that a notice be printed on the sales contract that it may be sold to a third party who will not be obligated to perform the contract; respondents, if doing business on consumer credit, are required to conform to the provisions of Regulation Z of the Truth in Lending Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and of the Truth in Lending Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that International Chinchillas, Inc., a corporation, and Hal G. Ward, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts, 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 as follows:

PARAGRAPH 1. Respondent International Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Virginia with its sole office and place of business located at 203 26th Street, Virginia Beach, Virginia.

Respondent Hal G. Ward is an individual and an officer of International Chinchillas, Inc. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth.

The address of the individual respondent is 203 26th Street, Virginia Beach, Virginia.

The respondents cooperate and act together in carrying out the acts and practices hereinafter set forth.

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.

COUNT I

Alleging violations of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count I as if fully set forth verbatim.

PAR. 3. In the course and conduct of their business as aforesaid, respondents now cause and for some time last past have caused, said chinchillas to be shipped from their place of business in the commonwealth of Virginia to purchasers thereof located in various States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, and for the purpose of obtaining the names of prospective purchasers and inducing the purchase of said chinchillas and related products, the respondents have made and are now making numerous statements and representations in newspapers of general interstate circulation, by means of direct mail advertising, and through oral statements and display of promotional materials to prospective purchasers by their salesmen. Typical and illustrative of the foregoing, but not all inclusive thereof, are the following:

Do you like animals? Can you use extra income? If your answer is yes and you have a garage, basement, tobacco barn, storage room or spare bedroom that would be suitable for raising chinchillas, your net earnings could be from \$2,000 to \$20,000 per year.

Last year pelts sold for an average of \$30 on the New York Fur Auction.

Figuring the average [price per pelt] you would have taken in over \$13,000 while you were building up your herd to 500 females.

. . . a "cash crop" of chinchillas can increase your farm income \$2,000 to \$20,000 a year!

Confidently build a money-making herd of valuable chinchillas under the guidance of International Chinchillas, Inc. ICI offers *only* top rated, Extra Choice breeding stock. All animals are graded by the Blend-Trast Fur Grading System, the only system with worldwide, official recognition.

MORE VALUABLE THAN MINK, REMARKABLY EASY TO RAISE.

You can feed and care for quite a large herd in as little as 20 or 30 minutes a day, so that you have plenty of time left over for other pursuits. Your youngsters can be a great help, since chinchillas are completely safe for children to handle.

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The raising of chinchillas is a fascinating business and one that every member of the family will enjoy, and by following a few simple rules and instructions it is in no way difficult.

The gestation period of a chinchilla is 111 days and the litters range from one to five babies. . . . [T]he parents in most instances can and will breed back 18 to 24 hours after littering and females are known to have produced seven to eight and even nine continuous litters every 111 days.

LITTLE SPACE AND CASH NEEDED—EVEN AN ATTIC WILL DO.

PAR. 5. By and through the use of the above-quoted statements and representations and others of similar import and meaning not expressly set out herein, and through the oral representations of salesmen, respondents have represented, and are now representing directly or by implication, that:

1. It is commercially feasible to breed and raise chinchillas from breeding stock purchased from respondents in homes, basements, spare rooms, or garages, and large profits can be expected in this manner.

2. The breeding of chinchillas from breeding stock purchased from respondents, as a commercially profitable enterprise, requires no previous experience in the breeding, caring for and raising of such animals.

3. Each female chinchilla purchased from respondents and each female offspring will usually litter successively several times annually producing one to five offspring per litter, averaging four offspring annually.

4. The offspring referred to in Paragraph Five, subparagraph 3 above will sell for as much as \$1,000 each and will have pelts selling for an average price of \$30 per pelt, and that pelts from offspring of respondents' breeding stock generally sell for \$40 to \$60 each.

5. A purchaser starting with six females and one male of respondents' chinchilla breeding stock will earn \$13,000 over a five year period from the sale of live animals or their pelts.

6. Chinchilla breeding stock purchased from respondents is guaranteed to live and litter.

7. The respondents will promptly fulfill all of their obligations and requirements set forth in or represented directly or by implication to be contained in the guarantee applicable to each and every chinchilla.

8. Purchasers of respondents' chinchilla breeding stock can expect a great demand for the offspring and for the pelts of the offspring of respondents' chinchillas.

9. Respondents will purchase any or all of the chinchilla offspring raised by purchasers of respondents' chinchillas.

10. Through the assistance and advice furnished to purchasers of respondents' chinchilla breeding stock by respondents, purchasers are able to successfully breed and raise chinchillas as a commercially profitable enterprise.

11. Respondents have an expert staff to assist purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals.

12. Respondents' chinchilla breeding stock is of top quality as rated by a worldwide fur grading system.

13. Chinchillas are hardy animals and are not susceptible to ailments.

14. More profit can be realized by breeding beige chinchillas as opposed to any other color and there is a large market demand for beige chinchillas and their pelts.

PAR. 6. In truth and in fact:

1. It is not commercially feasible to breed or raise chinchillas from breeding stock purchased from respondents in homes, basements, spare rooms and garages and large profits cannot be expected this way. Such quarters or buildings, unless they have adequate space and the requisite temperature, humidity, ventilation and necessary environmental conditions are not adaptable to or suitable for the breeding or raising of chinchillas.

2. The breeding of chinchillas from breeding stock purchased from respondents as a commercially feasible enterprise requires specialized knowledge in the breeding, caring for and raising 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 usually litter successively several times annually, producing one to five offspring per litter, averaging four offspring annually, but generally less than that number.

4. The offspring referred to in Paragraph Six, subparagraph 3 above will neither sell for as much as \$1,000 each nor will they produce pelts selling for an average price of \$30 per pelt but substantially less than that amount; and pelts from offspring of respondents' breeding stock will generally not sell for \$40 to \$60 each since some of the pelts are not marketable at all and others would not sell for \$30, but substantially less than that amount.

5. A purchaser starting with six females and one male of respondents' chinchilla breeding stock will not earn \$13,000 over a five year period from the sale of live animals or their pelts but substantially less than that amount.

6. Chinchilla breeding stock purchased from respondents is guaranteed to live, breed and litter, but such guarantee as is provided, is subject to numerous terms, limitations and conditions.

7. Respondents do not in fact promptly fulfill all of their obligations and requirements set forth in or represented directly or by implication to be contained in the guarantee applicable to each and every chinchilla.

8. Purchasers of respondents' breeding stock cannot expect a great demand for the offspring and pelts from respondents' chinchillas.

9. Respondents will seldom, if ever, purchase any or all chinchilla offspring raised by purchasers of respondents' breeding stock.

10. Purchasers of respondents' chinchilla breeding stock are not able to successfully breed and raise chinchillas as a commercially profitable enterprise through the assistance and advice furnished them by respondents.

11. Respondents do not have an expert staff to aid purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals.

12. Respondent's chinchilla breeding stock is not of top quality as rated by a worldwide fur grading system.

13. Chinchillas are not hardy and are susceptible to ailments.

14. More profit can be realized by breeding standard chinchillas, as opposed to beige and there is no, or very little, market demand for beige chinchillas, or their pelts.

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 conduct of their business at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of merchandise of the same general kind and nature as that sold by the respondents.

PAR. 8. The use by respondents of the aforesaid false, misleading and deceptive statements, representations, acts 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' chinchillas by reason of said erroneous and mistaken belief.

PAR. 9. The acts and practices of the respondents as set forth above, 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.

COUNT II

Alleging violation of the Truth in Lending Act and the implementing regulation promulgated thereunder, and of the Federal Trade Commission Act, the allegations of Paragraphs One and Two hereof are incorporated by reference in Count II as if fully set forth verbatim.

PAR. 10. In the ordinary course and conduct of their business, as aforesaid, respondents regularly extend, and for some time last past have regularly extended, consumer credit as "consumer credit" is defined in Regulation Z, the implementing Regulation of the Truth in Lending Act duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 11. Subsequent to July 1, 1969, respondents in the ordinary course and conduct of their business and in connection with credit sales as "credit sale" is defined in Regulation Z, have caused and induced, and are causing and inducing their customers to execute retail installment contracts, hereinafter referred to as the contracts.

PAR. 12. By and through the use of these contracts, respondents:

(a) Fail to designate the amount of the cash price as "cash price" as required by Section 226.8(c)(1) of Regulation Z.

(b) Fail to designate the amount of the downpayment in money as "cash downpayment," as required by Section 226.8(c)(2) of Regulation Z.

(c) Fail to use the term "unpaid balance of cash price" in disclosing the difference between the cash price and the cash downpayment, as required by Section 226.8(c)(3) of Regulation Z.

(d) Fail to use the term "amount financed" in disclosing the amount of the amount financed, as required by Section 226.8(c)(7) of Regulation Z.

(e) Fail to disclose the date on which the finance charge begins to accrue when the date the finance charge begins to accrue is different from the date of the transaction, as required by Section 226.8(b)(1) of Regulation Z.

(f) Fail to use the term "finance charge" in disclosing the dollar amount of finance charge, as required by Section 226.8(c)(8) of Regulation Z, and thereby fails to print the term "finance charge" more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

(g) Fail to use the term "total of payments" in disclosing the

amount of the sum of the payments scheduled to repay the indebtedness, as required by Section 226.8(b)(3) of Regulation Z.

(h) Fail to disclose the amount of the deferred payment price, and to designate it as "deferred payment price," as required by Section 226.8(c)(8)(ii) of Regulation Z.

(i) Fail to disclose the annual percentage rate, accurate to the nearest quarter of one percent, in accordance with the provisions of Section 226.5 of Regulation Z as required by Section 226.8(b)(2) thereof.

(j) Fail to employ the term "annual percentage rate" and to print that term more conspicuously than other required terminology, as required by Section 226.6(a) of Regulation Z.

(k) Fail to make all the required disclosures in any one of the following three ways, as required by Section 226.8(a) and 226.801 of Regulation Z:

(1) Together on the contract evidencing the obligation on the same side of the page and above or adjacent to the place for the customer's signature;

(2) On one side of the separate statement which identifies the transaction; or

(3) On both sides of a single document containing on each side thereof the statement "NOTICE: See other side for important information," with the place for the customer's signature following the full content of the document.

(1) Fail to make all of the disclosures required by Section 226.8 of Regulation Z before consummation of the credit transaction, in violation of Section 226.8(a) of Regulation Z.

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The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued, by the Commission, would charge respondents with violation of the Federal Trade Commission Act and of the Truth in Lending Act and the regulations promulgated thereunder; 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 aforesaid draft of 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 alleged in such complaint, and waivers and other provisions are 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 Acts, 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 Section 2.34(b) of its Rules, now, in further conformity with the procedure prescribed in such Rule 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 International Chinchillas, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the Commonwealth of Virginia, with its sole office and place of business located at 203 26th Street, Virginia Beach, Virginia.

Respondent Hal G. Ward is an individual and 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 203 26th Street, Virginia Beach, Virginia.

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

I

It is ordered. That respondents International Chinchillas, Inc., a corporation, and its officers, and Hal G. Ward, 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 chinchilla breeding stock or any other articles of merchandise, 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, spare rooms, or garages, or other quar-

ters or buildings, unless in immediate conjunction therewith it is clearly and conspicuously disclosed that the represented 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 purchased from respondents 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 usually litter successively several times annually producing one to five offspring per litter, or an average of four offspring annually.

4. The number of litters or sizes thereof produced per female chinchilla is any number or range thereof; or representing, in any manner, the past number or range of numbers of litters or sizes produced per female chinchilla 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 litters or sizes thereof produced per female chinchilla of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

5. Offspring of respondents' chinchilla breeding stock sell for as much as \$1,000 each and will have pelts that sell for an average of \$30 per pelt; or that pelts from the offspring of the respondents' breeding stock generally sell for \$40 to \$60 each.

6. Chinchilla pelts and offspring from respondents' breeding stock 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 past price, average price or range of prices represented are those of a substantial number of purchasers and accurately reflect the price, average price or range of prices realized by these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

7. A purchaser starting with six females and one male of respondents' chinchilla breeding stock will earn \$13,000 over

a five year period from the sale of the offspring or their pelts.

8. Purchasers of respondents' chinchilla breeding stock earn \$13,000 over a five year period, or realize earnings, profits or income in any amount or range of amounts; or representing, in any manner the past earnings, profits or income of purchasers of respondents' breeding stock unless in fact the past earnings, profits or income represented are those of a substantial number of purchasers and accurately reflect the average earnings, profits or income of those purchasers under circumstances similar to those of the purchaser to whom the representation is made.

9. Chinchilla breeding stock purchased from respondents is guaranteed or warranted without clearly and conspicuously disclosing the nature and extent of the guarantee, the manner in which the guarantor will perform thereunder and the identity of the guarantor.

10. Respondents' chinchillas are guaranteed unless respondents do in fact promptly fulfill all obligations and requirements set forth in or represented, directly or by implication, to be contained in any guarantee or warranty applicable to each and every chinchilla.

11. Chinchillas or chinchilla pelts are in great demand; or that purchasers of respondents' breeding stock can expect to be able to sell the offspring of respondents' chinchillas because said chinchillas or pelts are in great demand.

12. Respondents will purchase all or any offspring raised by purchasers of respondents' chinchilla breeding stock unless respondents do in fact purchase all of the offspring offered by said purchasers at the price and on the terms and conditions represented.

13. The assistance or advice furnished to purchasers of respondents' chinchilla breeding stock by respondents will enable purchasers to successfully breed or raise chinchillas as a commercially profitable enterprise.

14. Respondents have an expert staff to assist purchasers of respondents' chinchilla breeding stock in the care and maintenance of said animals unless they have such staff as represented.

15. Respondents' chinchilla breeding stock is of top quality as rated by a worldwide fur grading system, or misrepresented.

resenting in any manner the quality of respondents' chinchilla breeding stock.

16. More profit can be realized by breeding beige chinchillas, as opposed to any other color and there is a large market demand for beige chinchillas and their pelts.

17. Chinchillas are hardy animals or are not susceptible to ailments.

B. 1. Misrepresenting, in any manner, the assistance, training, services or advice supplied by respondents to purchasers of their chinchilla breeding stock.

2. Misrepresenting, in any manner, the earnings or profits to purchasers or reproduction capacity of any chinchilla breeding stock.

3. Misrepresenting, in any manner, the market demand for the pelts or offspring of respondents' chinchillas.

It is further ordered, That the respondents herein shall, in connection with the offering for sale, the sale or distribution of chinchilla breeding stock or any other products, when the offer for sale or sale is made in the buyers 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 by directing or mailing a notice of cancellation to respondents prior to midnight of the third day, excluding Sundays and legal holidays, after the date of sale. Upon such cancellation the burden shall be on respondents to collect any goods left in the buyers home and to return any payments received from the buyer. Nothing contained in this right-to-cancel provision shall relieve buyers of the responsibility of 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. *Provided, however*, That nothing contained in this part of the order shall relieve respondents of any additional obligations

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 will incorporate the following statement on the face of all contracts executed by respondents' customers with such conspicuousness and clarity as is likely to be observed, read and understood by the purchaser:

Important Notice

If you are obtaining credit in connection with this contract you will be required to sign a promissory note. This note may be purchased by a bank, finance company or any other third party. If it is purchased by another party, you will be required to make your payments to the purchaser of the note. You should be aware that if this happens you may be required to pay the note in full to the new owner of the note even if this contract is not fulfilled.

II

It is ordered, That respondents International Chinchillas, Inc., a corporation and its officers, and Hal G. Ward, 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 any extension of consumer credit or any advertisement to aid, assist directly or indirectly any extension of consumer credit as "consumer credit" and "advertisement" are defined in Regulation Z (12 CFR Part 226) of the Truth in Lending Act (Public Law 90-321, 15 U.S.C. 1601 *et seq.*), do forthwith cease and desist from:

1. Failing to designate the amount of the cash price as "cash price," in accordance with Section 226.8(c)(1) of Regulation Z.
2. Failing to designate the amount of the downpayment in money as "cash downpayment," in accordance with Section 226.8(c)(3) of Regulation Z.
3. Failing to disclose the amount of the difference between the cash price and the cash downpayment and to designate it as "unpaid balance of cash price," in accordance with Section 226.8(c)(3) of Regulation Z.
4. Failing to disclose the amount of the amount financed, and

to designate it as "amount financed," as required by Section 226.8(c)(7) of Regulation Z.

5. Failing to disclose the date on which the finance charge begins to accrue when the date the finance charge begins to accrue is different from the date of the transaction, as required by Section 226.8(b)(1) of Regulation Z.

6. Failing to disclose the dollar amount of the finance charge, and to designate it as "finance charge," in accordance with Section 226.8(c)(8)(i).

7. Failing to disclose the amount of the sum of the payments scheduled to repay the indebtedness, and to designate it as "total of payments," in accordance with Section 226.8(b)(3) of Regulation Z.

8. Failing to disclose the amount of the deferred payment price, and to designate it as "deferred payment price," in accordance with Section 226.8(c)(8)(ii) of Regulation Z.

9. Failing to disclose the annual percentage rate, accurate to the nearest quarter of one percent, in accordance with the provisions of Section 226.5 of Regulation Z as required by Section 226.8(b)(2) thereof.

10. Failing to employ the term "annual percentage rate" and to print the term more conspicuously than other terminology as required by Section 226.6(a) of Regulation Z.

11. Failing to make all the required disclosures in one of the following three ways, in accordance with Section 226.8(a) or 226.801 of Regulation Z.

(a) Together on the contract evidencing the obligation on the same side of the page and above or adjacent to the place for the customer's signature; or

(b) On one side of a separate statement which identifies the transaction; or

(c) On both sides of a single document containing on each side thereof the statement "NOTICE: See other side for important information," with the place for the customer's signature following the full content of the document.

12. Failing, in any consumer credit transaction or advertisement, to make all disclosures, determined in accordance with Section 226.4 and Section 226.5 of Regulation Z, in the manner, form and amount required by Section 226.6, Section 226.7, Section 226.8, Section 226.9 and Section 226.10 of Regulation Z.

It is further ordered. That respondents deliver a copy of this order to cease and desist to all present and future personnel of re-

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spondents engaged in the offering for sale, or sale of any products or in the consummation of any extension of consumer credit or in any aspect of preparation, creation, or placing of advertising, and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That the respondents shall forthwith distribute a copy of this order to each of their 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.

IN THE MATTER OF

A.B.C. CARPET CO., INC., ET AL.

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

Docket C-1869. Complaint, Feb. 22, 1971—Decision, Feb. 22, 1971

Consent order requiring New York City sellers and installers of carpeting and floor coverings to cease and desist from misbranding their textile fiber products.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Textile Fiber Products Identification Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that A.B.C. Carpet Co., Inc., Marcey Carpet Corp., Cameron Carpet Corp., and Krayton Carpet Corp., corporations and Jerome Weinrib, individually and as an officer of said corporations, Abraham Renko, individually and as general manager of A.B.C. Carpet Co., Inc., Marcey H. Shore, individually and as an officer of Marcey Carpet Corp., Herbert Mack Greenberg,

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individually and as an officer of Cameron Carpet Corp., and Julius Fish and Solomon Fisher, individually and as officers of Krayton Carpet Corp., hereinafter referred to as respondents, have violated the provisions of said Acts and the Rules and Regulations promulgated under the Textile Fiber Products Identification 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. Respondents A.B.C. Carpet Co., Inc., Marcey Carpet Corp., Cameron Carpet Corp., and Krayton Carpet Corp. are corporations organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondent Jerome Weinrib is an officer of the said corporations. Respondent Abraham Renko is the general manager of A.B.C. Carpet Co., Inc. Respondent Marcey H. Shore is an officer of Marcey Carpet Corp. Respondent Herbert Mack Greenberg is an officer of Cameron Carpet Corp. Respondents Julius Fish and Solomon Fisher are officers of Krayton Carpet Corp. They formulate, direct and control the acts, practices and policies of their respective corporations.

Respondents are engaged in the sale and installation of carpeting and floor coverings, and their address and principal place of business is 881 Broadway, New York, New York.

PAR. 2. Respondents are now and for some time last past have been engaged in the introduction, delivery for introduction, sale, advertising, and offering for sale, in commerce, and in the transportation or causing to be transported in commerce, and in the importation into the United States, of textile fiber products; and have sold, offered for sale, advertised, delivered, transported and caused to be transported, textile fiber products, which have been advertised or offered for sale in commerce; and have sold, offered for sale, advertised, delivered, transported and caused to be transported, after shipment in commerce, textile fiber products, either in their original state or contained in other textile fiber products; as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act.

PAR 3. Certain of said textile fiber products were misbranded by respondents within the intent and meaning of Section 4(a) of the Textile Fiber Products Identification Act and the Rules and Regulations promulgated thereunder, in that they were falsely and deceptively stamped, tagged, labeled, invoiced, advertised, or otherwise identified as to the name or amount of constituent fibers contained therein.

Among such misbranded textile fiber products, but not limited thereto, was a floor covering which was falsely and deceptively invoiced as containing "Wool" whereas, in truth and in fact said floor covering contained substantially different fibers and amounts of fibers than represented.

PAR. 4. Certain of said textile fiber products were further misbranded by respondents in that they were not stamped, tagged, labeled or otherwise identified as required under the provisions of Section 4(b) of the Textile Fiber Products Identification Act and in the manner and form as prescribed by the Rules and Regulations promulgated under said Act.

Among such misbranded textile fiber products, but not limited thereto, were floor coverings without labels and floor coverings on display in the respondents' showroom with labels which failed:

- (a) To disclose the generic names of all fibers present;
- (b) To disclose the true percentage of the fibers present by weight.

PAR. 5. Certain of said textile fiber products were misbranded in violation of the Textile Fiber Products Identification Act in that they were not labeled in accordance with the Rules and Regulations promulgated thereunder in that samples, swatches, or specimens of textile fiber products subject to the Act and used to promote or effect sales of such textile fiber products, were not labeled to show their respective fiber content and other required information in violation of Rule 21(a) of the aforesaid Rules and Regulations.

PAR. 6. The acts and practices of the respondents as set forth above were, and are, in violation of the Textile Fiber Products Identification Act and the Rules and Regulations promulgated thereunder, and constituted, and now constitute unfair methods of competition and unfair and deceptive acts or practices, in commerce, under the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Division of Textiles and Furs, Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act and the Textile Fiber Products Identification Act; 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 aforesaid draft of 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 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 Acts, 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 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, makes the following jurisdictional findings, and enters the following order:

1 Respondents A.B.C. Carpet Co., Inc., Marcey Carpet Corp., Cameron Carpet Corp., and Krayton Carpet Corp. are corporations organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondent Jerome Weinrib is an officer of the said corporations. Respondent Abraham Renko is the general manager of A.B.C. Carpet Co., Inc. Respondent Marcey H. Shore is an officer of Marcey Carpet Corp. Respondent Herbert Mack Greenberg is an officer of Cameron Carpet Corp. Respondents Julius Fish and Solomon Fisher are officers of Krayton Carpet Corp. They formulate, direct and control the acts, practices and policies of their respective corporations.

Respondents are engaged in the sale and installation of carpeting and floor coverings, and their address and principal place of business is 881 Broadway, New York, New York.

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 A.B.C. Carpet Co., Inc., Marcey Carpet Corp., Cameron Carpet Corp., and Krayton Carpet Corp., corporations, and their officers, and Jerome Weinrib, individually and as an officer of said corporations, Abraham Renko, individually and as general manager of A.B.C. Carpet Co., Inc., Marcey H. Shore, individually and as an officer of Marcey Carpet Corp., Her-

bert Mack Greenberg, individually and as an officer of Cameron Carpet Corp., and Julius Fish and Solomon Fisher, individually and as officers of Krayton Carpet Corp., and respondents' representatives, agents and employees, directly or through any corporate or other device, in connection with the introduction, delivery for introduction, sale, advertising, or offering for sale, in commerce, or the transportation or causing to be transported in commerce, or the importation into the United States, of any textile fiber product; or in connection with the sale, offering for sale, advertising, delivery, transportation, or causing to be transported, of any textile fiber product, which has been advertised or offered for sale in commerce; or in connection with the sale, offering for sale, advertising, delivery, transportation, or causing to be transported, after shipment in commerce, of any textile fiber product, whether in its original state or contained in other textile fiber products, as the terms "commerce" and "textile fiber product" are defined in the Textile Fiber Products Identification Act, do forthwith cease and desist from misbranding textile fiber products by:

1. Falsely or deceptively stamping, tagging, labeling, invoicing, advertising or otherwise identifying any textile fiber product as to the name or amount of constituent fibers contained therein.
2. Failing to affix labels to each such product showing in a clear, legible and conspicuous manner each element of information required to be disclosed by Section 4(b) of the Textile Fiber Products Identification Act.
3. Failing to label samples, swatches, or specimens of textile fiber products subject to the Act which are used to promote or effect sales of such textile fiber products, in such a manner as to show their respective fiber contents and other required information.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate respondents such as dissolution, assignment or sale resulting in the emergence of successor corporations, the creation or dissolution of subsidiaries or any other change in the corporations which may effect compliance obligations arising out of the order.

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

It is further ordered, That respondents herein shall, within sixty (60) days after service upon them of this order, file with the Com-