

they have complied with the order to cease and desist contained herein.

IN THE MATTER OF
INTERNATIONAL SALES CO., ET AL.

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

Docket' C-1995. Complaint, Aug. 2, 1971—Decision, Aug. 2, 1971

Consent order requiring a St. Louis, Mo., seller of automotive products, brushes and electrical accessories and franchises for sale of such products to cease misrepresenting that investors in respondents' franchises will receive any stated amount of money, profitable locations, training and other assistance, aid in resale of their dealerships, a return on their investment, exclusive sales territories, and that they need only service the locations chosen by the respondents. Respondents are also required to write into their contracts a provision that the contracts may be cancelled within three days and all monies be refunded to customers who cancel.

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 International Sales Co., a corporation, and Boyd Cohen, individually and as an officer of said corporation, and Automotive Marketing, Inc., a corporation, and Boyd Cohen, 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 International Sales Co., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 8600 Delmar Boulevard, the city of St. Louis, State of Missouri.

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Respondent Boyd Cohen is an individual and officer of International Sales Co. 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.

PAR. 2. Respondent Automotive Marketing, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 8600 Delmar Boulevard, in the city of St. Louis, State of Missouri.

Respondent Boyd Cohen is an individual and officer of Automotive Marketing, Inc. 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.

PAR. 3. Respondents are now, and for more than one year last past have been, engaged in advertising, offering for sale, selling, and distributing automotive accessories, glue products, brushes, electrical accessories, and franchises and dealerships for the sale of such products to the public.

PAR. 4. 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 Missouri 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. 5. Respondents' usual method of doing business is to insert advertisements in the classified advertisement section of newspapers and periodicals. Persons responding to said classified advertisements are then contacted by respondents or their employees, agents or representatives who display to the prospective purchaser a variety of promotional material and make various oral representations respecting the aforesaid devices and products, and the business opportunities afforded by franchises or dealerships using and selling such devices and products.

PAR. 6. In the course and conduct of their business as aforesaid, and for the purpose of inducing the purchase of their automotive accessories, glue products, brushes, electrical accessories, other products, and franchises and dealerships, respondents have made and are making numerous statements and representations concerning said articles

of merchandise and the business opportunities afforded through advertising and promotional material furnished by respondents to their employees, agents or representatives, and through advertisements inserted in newspapers and periodicals, and through letters and other advertising literature circulated generally among the purchasing public, and through oral representations made by respondents, their employees, agents, or representatives, with respect to earnings, locations of merchandise, business methods, training, security of investment, territory and qualifications.

Typical and illustrative of the newspaper advertisements used by respondents, but not all inclusive thereof, is the following:

DO YOU WANT TO EARN \$144 PER WEEK IN YOUR SPARE TIME?

Experience Not Necessary

RESTOCK "HOUSEHOLD BRUSH" DEPTS.

Grocery, Drug, Hdwr. and Dept. Stores

Nationally Known Brand

NO SELLING—COMPANY CONTRACTS ALL LOCATIONS

INCOME STARTS IMMEDIATELY

GUARANTEED MONEY BACK OPPORTUNITY

Your \$2,936 secured by Inventory, Can Earn \$144 Per Week or More in Your Spare Time

FOR FULL DETAILS . . . ENCLOSE NAME, ADDRESS, PHONE NUMBER

MR. KELLY

INSCO

8600 Delmar, Suite 1, St. Louis, Mo. 63124

(314) 993-3475

PAR. 7. Through the use of the statements and representations set forth above, and others similar thereto but not specifically set out herein, and through said statements orally made by respondents, their employees, agents and representatives, respondents have represented and do now represent, directly or by implication to the purchasing public, that:

1. Persons investing from \$1,522 up to \$2,948 can earn up to \$800 per month or more.
2. Respondents obtain top sales-producing locations for the placement of their merchandise.

3. Respondents set up the business completely and purchasers need only service the locations.

4. No selling or soliciting will be required, and no experience is necessary.

5. The purchasers of said merchandise, franchises, and dealerships will be trained by the respondents as to the operation of the dealerships and franchises, and respondents will furnish assistance to the purchasers of their products, franchises, and dealerships.

6. If the purchaser becomes dissatisfied, or for any reason wishes to go out of the business, the respondents will repurchase the merchandise or assist the purchaser in reselling it.

7. The purchaser's investment is secured and respondents guarantee the purchaser's investment will be refunded.

8. Persons purchasing respondents' franchises and merchandise will have an exclusive territory in which to operate.

9. The purchaser must decide whether to sign a contract at the time of respondents' first call or they will not have another opportunity to invest in respondents' merchandise, franchises, and dealerships.

PAR. 8. In truth and in fact:

1. Income in the foregoing amount will not be realized by persons investing the sums indicated. In fact, persons purchasing merchandise, franchises, and dealerships from respondents generally receive little or no net profit.

2. Respondents do not obtain top income-producing locations, but place most of their merchandise in retail establishments which have very little consumer traffic. The locations secured by respondents are usually undesirable, unsuitable, and unprofitable.

3. Respondents often do not set up the business completely, even initially. Purchasers must secure initial locations and frequently secure additional locations due to a lack of sales.

4. The purchasers of the franchises, dealerships, and merchandise are required to do selling and soliciting and to have experience since it is frequently necessary to place merchandise in other locations because of the unprofitable nature of the locations selected by the respondents, and like any other business venture, experience is required.

5. Respondents do not train the purchasers of their merchandise, franchises, and dealerships, and do not furnish assistance to their dealers.

6. Respondents do not repurchase the franchises, dealerships, and merchandise at a price comparable to the customer's investment and do not assist the purchaser in the resale of the franchises, dealerships and merchandise, regardless of the purchaser's reason for going out of business.

7. The purchaser's investment is not secured and many purchasers of respondents' merchandise, franchises, and dealerships lose their entire investment.

8. Persons purchasing respondents' merchandise, franchises, and dealerships do not have an exclusive territory in which to operate their businesses, and respondents will sell their franchises, dealerships, and merchandise to any purchaser, in any location, with the necessary capital.

9. If a prospective customer will not sign a contract at the time of respondents initial contact, respondents will call on the prospect at a future date and attempt again to sell their merchandise, franchises, and dealerships.

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

PAR. 9. In the course and conduct of their aforesaid business, and at all times mentioned herein, respondents have been in substantial competition in commerce, with corporations, firms, and individuals in the sale of franchises and dealerships for automotive accessories, glue products, brushes, electrical accessories, and other products of the same general nature and kind as sold by respondent.

PAR. 10. 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' franchises, dealerships, and merchandise by reason of such mistaken and erroneous belief.

PAR. 11. 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 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

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 Section 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. Respondents International Sales Co., and Automotive Marketing, Inc., are corporations organized, existing, and doing business under and by virtue of the laws of the State of Missouri with their principal office and place of business formerly located at 8600 Delmar Boulevard, St. Louis, Missouri.

Respondent Boyd Cohen is an individual and officer of said corporations. He formulates, directs, and controls the acts and practices of said corporations, and his address is the same as that of the corporations.

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, International Sales Co., a corporation, and Boyd Cohen, individually and as an officer of said corporation; and Automotive Marketing, Inc., a corporation, and Boyd Cohen, 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 automotive accessories, glue products, brushes, electrical accessories, or of any other products or of any franchises or dealerships, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, that:
 - (a) Persons investing in respondents' products, franchises,

or dealerships will receive any stated amount of income or gross or net profits or other earnings.

(b) Any stated sums of money can be earned by investors or purchasers of respondents' products unless in fact the earnings represented are those of a substantial number of purchasers and accurately reflect the average earnings of these purchasers under circumstances similar to those of the purchaser to whom the representation is made.

(c) Persons investing in respondents' franchises, dealerships, or products are assured of profitable income from the franchises, dealerships, or products.

(d) Persons investing in respondents' franchises, dealerships, or products can expect an average sale of a certain specified amount of merchandise a day, or any other period of time, unless in fact the average number of sales represented is that of a substantial number of franchisees, dealers, or purchasers.

(e) Respondents, their agents, representatives, or employees will obtain profitable locations for their merchandise: *Provided, however*, That nothing herein shall be construed to prohibit respondents from truthfully representing the monetary returns realized by a substantial number of purchasers from locations obtained by respondents.

(f) Persons investing in respondents' franchises, dealerships, or products will receive training, or other advice and assistance in the operation of their dealerships or franchises unless in fact the respondents furnish the training, advice and assistance to each purchaser in conformity with the representations being made to that investor or purchaser.

(g) Selling, soliciting, or experience is not required in order to operate respondents' franchises or dealerships.

(h) Respondents or their representatives will repurchase their franchises, dealerships, and merchandise, or will assist in the resale of dealerships, franchises, or merchandise sold by them.

(i) Persons investing in respondents' franchises, dealerships, or merchandise will receive the return of their investments in any specified period of time.

(j) Persons investing in respondents' franchises, dealerships, or merchandise will be granted an exclusive territory in which to sell products purchased from respondents unless respondents actually give the exclusive territory to each customer as represented.

(k) A purchaser's or prospective purchaser's investment is secured.

(l) Purchasers or prospective purchasers need only service the locations secured by respondents in order to make a profit.

2. *It is further ordered*, That respondents:

(a) 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, franchises, or dealerships and secure from each such salesman or other person a signed statement acknowledging receipt of said order.

(b) After the acceptance by the Commission of respondents' initial report of compliance, submit to the Commission on June 1st of each of the succeeding three years a report: (1) describing every complaint involving the acts and practices prohibited by this order received by respondents from or on behalf of their customers during the twelve (12) months preceding the date of the report, and respondents' disposition of each such complaint.

(c) Provide in writing in all contracts that (1) the contract may be cancelled for any reason by notification to respondents in writing within three days from the date of execution and (2) that the contract is not final and binding until respondents have completely performed their obligations thereunder by placing the merchandise in locations satisfactory to the customer.

(d) Refund immediately all monies to customers who have requested contract cancellation in writing within three days from the execution thereof.

(e) 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 successor corporations, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

(f) File, within sixty (60) days after service upon them of this order, with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

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IN THE MATTER OF

PERLE-YOUDENE CO., INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND THE FLAMMABLE FABRICS ACTS

Docket C-1996. Complaint, Aug. 3, 1971—Decision, Aug. 3, 1971

Consent order requiring a Los Angeles, Calif., seller and distributor of various fabrics and materials, including sheer fabrics of approximately 80 percent acetate and 20 percent nylon, to cease violating the Flammable Fabrics Act by importing and selling any fabric which fails to conform to the standards of said Act.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Perle-Youdene Co., Inc., a corporation, and Arthur Cohen, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, 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 Perle-Youdene Co., 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 2414 South Broadway, Los Angeles, California.

Respondent Arthur Cohen is the principal officer of the aforesaid corporation. He formulates, directs and controls the acts, practices and policies of said corporation. His address is the same as that of the corporate respondent.

Respondents sell and distribute various fabrics and materials.

PAR. 2. Respondents are now and for some time last past have been engaged in the sale and offering for sale in commerce, and in the importation into the United States, and have introduced, delivered for introduction, transported and caused to be transported in commerce, and have sold or delivered after sale or shipment in commerce, fabrics as the terms "commerce" and "fabric" are defined in the Flammable Fabrics Act, as amended, which fabrics failed to conform to an applicable standard or regulation continued in effect, issued or