

READER'S DIGEST ASSOCIATION, INC.

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

Docket C-2075. Complaint, Nov. 2, 1971—Decision, Nov. 2, 1971

Consent order requiring the Reader's Digest Association with headquarters in New Castle, N.Y., to cease failing to disclose the number, nature, and value of the prizes in its circulation contests and all other pertinent information, failing to award all prizes advertised, using the word "lucky" on any ticket, failing to maintain adequate records for five years and furnish records to the Federal Trade Commission upon request, failing to obtain the consent of individuals before using their names in promotional material, and failing to disclose all essential details in advertising contests.

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 Reader's Digest Association, Inc., a corporation, hereinafter referred to as respondent, has 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 Reader's Digest Association, 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 New Castle, New York.

PAR. 2. Respondent is now and for some time past has been engaged in the publishing, advertising, offering for sale, sale and distribution of magazines including Reader's Digest magazine, books and other products to the public.

PAR. 3. In the course and conduct of its business as aforesaid, respondent causes and for some time past has caused its products to be sold, shipped, and distributed from its place of business in the State of New York or from the state of publication to purchasers thereof located in various States of the United States and in the District of Columbia; and maintains and at all times mentioned herein has maintained a substantial course of trade in said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of its aforesaid business, and for the purpose of inducing the purchase of its products, the respondent has engaged in the solicitation of prospective customers through the United States mails. These solicitations, which utilized promotional materials concerning respondent's products, were mailed to millions of prospective customers throughout the country. Many of the said solicitations utilized a promotional device commonly known as a "sweepstakes." These "sweepstakes," which respondent has employed since at least 1966 were all conducted in a similar manner.

Millions of copies of promotional materials were printed and distributed in envelopes. Each envelope contained a ticket on which a number was printed. Before distribution to the public, some of the numbers were designated as winning numbers and others were designated as losing numbers. Recipients were directed to return the ticket, usually to "Reader's Digest" or to the Reuben H. Donnelley Corporation where it would be checked against a list of winning numbers. If the number on the ticket returned to "Reader's Digest" or the Reuben H. Donnelley Corporation matched a number contained on its list of winning numbers, the recipient was entitled to a specified prize. If a recipient of a ticket which contained a winning number failed to return the ticket to the respondent, the prize to which he would have been entitled if he had done so was not awarded.

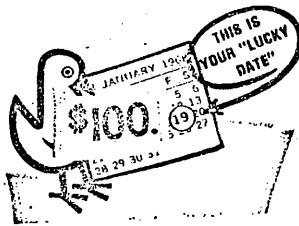
The above-described promotional device, in which winning numbers are designated before distribution, is commonly known as a "matching" or "pre-selected 'sweepstakes'."

Such "sweepstakes" were conducted by the respondent on numerous occasions between January 1966 and January 1969 as follows:

- (a) January 1966 Reader's Digest \$999,000 Sweepstakes
- (b) Spring 1966 Reader's Digest \$150,000 Sweepstakes
- (c) Fall 1966 Reader's Digest \$300,000 Sweepstakes
- (d) January 1967 Reader's Digest \$999,000 Sweepstakes
- (e) Spring 1967 Reader's Digest \$150,000 Sweepstakes
- (f) Summer 1967 Reader's Digest \$300,000 Sweepstakes
- (g) January 1968 Reader's Digest \$999,000 Sweepstakes
- (h) Spring 1968 Reader's Digest \$150,000 Sweepstakes
- (i) Summer 1968 Reader's Digest \$300,000 Sweepstakes
- (j) Holiday 1968 Reader's Digest \$299,000 Sweepstakes
- (k) January 1969 Reader's Digest \$999,000 Sweepstakes

PAR. 5. In the course and conduct of its business, the respondent engaged in the above-described "sweepstakes" and other promotions for the purpose of inducing the purchase of its products; and respondent has made and is now making in its advertising and promotional material statements and representations concerning its products and "sweepstakes."

Typical and illustrative of the statements and representations made in said advertising and promotional material but not all inclusive thereof are the following:



BE AN "EARLY BIRD" AND WIN

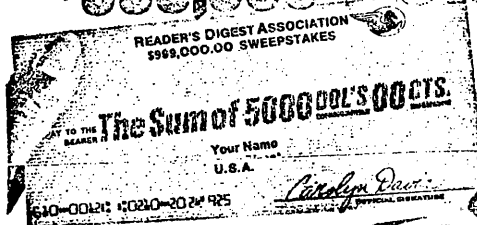
\$100.00 A MONTH FOR LIFE!

Mail your Lucky Number "Bills" with your Bonus Stamp before midnight, January 19, 1968, and you'll be eligible for this special bonus award...in addition to all the prizes described below. Imagine winning an income for life—just for sending back your Sweepstakes "Bills" early! Mail your "Bills" in the next few days, and you'll automatically have a chance to win \$100.00 a month for

life—in addition to the regular cash prizes, new cars, home entertainment centers, TV sets, blenders, etc., described on this page. So here's an extra opportunity to be a big winner—just for being prompt!

Remember: To be eligible for the "early bird" cash award of \$100.00 a month for life, your entry must be mailed with your Bonus Stamp before midnight, January 19,

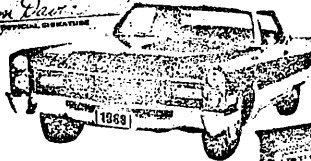
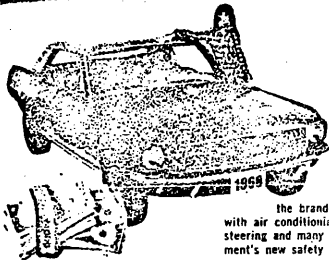
Reader's Digest Sixth Annual \$999,000.00 SWEEPSTAKES



50 \$5,000 CASH PRIZES

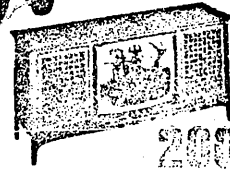
Fifty certified checks for \$5,000.00 are waiting for winners. And you may be one of these winners right now...because the winning numbers have already been drawn! If you prefer, you have the privilege of

1966 Cadillac, Lincoln Continental or Chrysler Imperial instead of cash. Each is equipped with such luxury features as air conditioning, power steering & brakes, automatic transmission, and much more.



100 NEW 1968 CARS

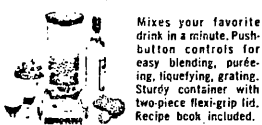
Your choice of a new 1968 Ford Mustang, Chevelle Malibu, Plymouth Barracuda or the brand-new Javelin. Each car is fully equipped with air conditioning, radio, automatic transmission, power steering and many other features—plus all of U.S. Government's new safety features. OR \$3,000 CASH if you prefer.



200 MAGNAVOX HOME ENTERTAINMENT CENTERS

Big 25" Color TV with Magnavox's famous "Chromatone Purifier" for vivid, richer colors—adds a new dimension to warmth and depth of color TV... Plus stereo hi fidelity... Plus AM-FM radio. All in a beautiful, fine-furniture walnut cabinet.

1,000 WARING BLENDERS



Mixes your favorite drink in a minute. Push-button controls for easy blending, pureeing, liquefying, grating. Sturdy container with two-piece flexi-grip lid. Recipe book included.

500 MAGNAVOX PORTABLE COLOR TV SETS



Versatile 19" color TV. Moves easily from room to room. Brilliant color tube with powerful chassis and selective stabilizer for outstanding reception in fringe areas.

104,816 READER'S DIGEST 1968 ALMANAC
A complete reference library in one volume. Thousands of facts, maps, etc. Completely indexed.



YOU MAY HAVE ALREADY WON ONE OF 106,666 PRIZES!



HOW THE SWEEPSTAKES WORKS

Reader's Digest has reserved the prizes described in this brochure for holders of lucky numbers, selected under the direction of the



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Win a lucky sweepstakes
 prize 4 of 100,000

Return the enclosed four Lucky Number "\$5,000.00 Bills" today to see if you have already won \$100.00 a month for life...\$5,000.00 in cash...a new 1968 car...or one of the 106,666 prizes in the Reader's Digest Sixth Annual \$999,000.00 Sweepstakes. You have nothing to lose because it doesn't cost you a penny to enter. We would like to send you a beautiful Book Club volume free—and let you decide if you want to receive more books. Unless you cancel, you will receive future quarterly volumes. We will also send you a free "surprise package of mystery gifts." (You can be a spoilsport and say, "No, I don't want a free book and free gifts" and still be eligible for all prizes—but maybe you'll be sorry afterwards.)

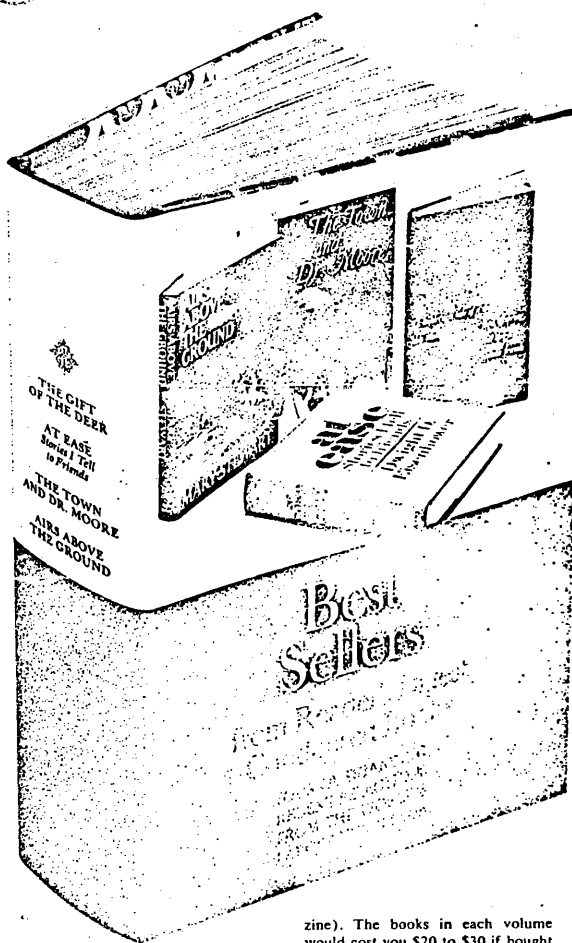
THE READER'S DIGEST is having a Sweepstakes to introduce our magazine to new readers. You are already a subscriber, so we want to be sure that you get a chance to win—four chances, as a matter of fact.

We have enclosed four Lucky Number "\$5,000.00 Bills" that may have already won you one of the prizes in our Sweepstakes. There are 106,666 prizes in all, and you may already be a winner because the numbers have already been drawn. In addition to giving you a chance to enter the Sweepstakes, we would also like to call your attention to our Book Club.

So to make this offer even more exciting, you can have a beautifully illustrated 504-page volume of "Best Sellers from Reader's Digest Condensed Books"—to enjoy and keep without cost—to introduce you to the wonderful reading values in Condensed Books.

Return your Lucky Number "Bills" in the enclosed envelope, and we will check them against the list of numbers already drawn to see if you have already won a prize. We will also send your free "mystery gifts" and the free Reader's Digest Book Club volume shown here.

When you receive your free



free gifts and you'll be depriving yourself of this beautifully illustrated volume.

It contains four outstanding books including the best-selling new book by Dwight D. Eisenhower, *At Ease: Stories I Tell to Friends*...*The Town and Dr. Moore*...*The Gift of the*

zine). The books in each volume would cost you \$20 to \$30 if bought in publishers' editions. But you get them all in condensed form for only \$3.19, plus shipping.

In addition to their reading value, Condensed Books are noted for their elegance and beauty. They decorate the bookshelves of some of the finest homes in the country. And now you can inexpensively build a home li-

READER'S DIGEST \$250,000.00 SWEEPSTAKES
 If you are an Early Bird Prize winner—Reader's Digest guarantees to deposit each month in your personal account the below-mentioned sum at your local Kingsport bank (or any other bank you may designate).

PB 308123

Pay the sum of **\$100.00 DOLLARS A MONTH FOR LIFE**

Mr. Windle:
 You have been
 Selected to receive
 20 30 40 50 60 70
 Lucky Numbers.
 See next page.

15 410 08124 88602 5

Mr. John B. Windle
 1409 Crescent Dr.
 Kingsport, Tenn. 37660

This check is not negotiable. But if you return it by March 24, 1969, and one of your Lucky Numbers is the early bird prize winner, you will receive the sum above each month for the rest of your life. Mail back this entire Sweepstakes Book today. SEND NO MONEY.

VALID ONLY IF RETURNED BEFORE MARCH 24 12

ON THIS DATE 26 30 1969

NON-TRANSFERABLE

CERTIFICATE
\$250,000.00 SWEEPSTAKES

This is to certify that
 Mr. John B. Windle
 along with
 Miss Wilson and
 Mr. Wilson,
 is among the lucky people in
 Kingsport, Tennessee
 to receive a Lucky Number
 MB 274823

Dear Mr. Windle:

Here is good news for you! You and Miss Wilson and Mr. Wilson, also of Kingsport, are among the lucky Digest family members, selected to receive a Lucky Sweepstakes "Check" plus five Lucky Certificates in our Sweepstakes. To be eligible, mail this Sweepstakes Book by March 24. It is registered in your name:

Mr. John B. Windle
 1409 Crescent Dr.
 Kingsport, Tenn. 37660

Important: If the above name and address are wrong, please correct them before you return (turn to next page, please)

CERTIFICATE
\$250,000.00 SWEEPSTAKES

This is to certify that
 Mr. John B. Windle
 along with
 Miss Wilson and
 Mr. Wilson,
 is among the lucky people in
 Kingsport, Tennessee
 to receive a Lucky Number
 QB 319223

your Sweepstakes Book to us...to find out whether you have already won \$100 A MONTH FOR LIFE...\$4,000.00 in cash (or a new Dodge Polara, Mercury Cougar, Pontiac Grand Prix, or American Motors Ambassador SST, if you prefer)...a Magnavox Color TV...or any of 32,175 fabulous prizes in our new Reader's Digest \$250,000.00 Spring Sweepstakes!

You may be a winner right now because the winning numbers have already been drawn and you have six chances to win any of these wonderful prizes.

And you can be a winner in another way. For besides being eligible to win thousands of Sweepstakes prizes, you can also receive a package of free gifts and examine the

(turn to next page, please)

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WINNER'S CERTIFICATE
\$250,000.00 SWEEPSTAKES

This is to certify that
 Mr. John B. Windle
along with
 Miss Wilson and
 Mr. Wilson,
is among the lucky people in
 Kingsport, Tennessee
to receive a Lucky Number

RB 330323

in one of the enclosed reply envelopes. We will check your six Lucky Numbers against the list of winners already drawn and tell you if you have won a Sweepstakes prize.

Return your Sweepstakes Book in the "YES" envelope and we will send your free gifts -- four beautiful 4-color prints of popular American birds from the world-famed Audubon Society, ideal for framing -- and the brand-new Reader's Digest book OUR AMAZING WORLD OF NATURE for 10 days free trial. If you wish to enter the Sweepstakes without examining this remarkable new volume and receiving your free gifts, you simply return your Sweepstakes Book in the "NO" envelope.

(turn to next page, please)

CERTIFICATE
\$250,000.00 SWEEPSTAKES

This is to certify that
 Mr. John B. Windle
along with
 Miss Wilson and
 Mr. Wilson,
is among the lucky people in
 Kingsport, Tennessee
to receive a Lucky Number

NB 285923

beautiful new book from Reader's Digest: OUR AMAZING WORLD OF NATURE -- a magnificently illustrated volume that tells over 100 tales about fantastic creatures and incredible wonders as far away as the stars or as close as your own backyard!

Previous Sweepstakes winners live in Memphis, Nashville, Chattanooga, Oak Ridge and many other cities and towns in Tennessee.

So -- who knows? -- A check for \$4,000.00 or a brand-new car may very shortly arrive at 1409 Crescent Dr., Mr. Windle.

Here's all you have to do to enter the Sweepstakes and become eligible to win all prizes: Return this entire Sweepstakes Book

(turn to next page, please)

CERTIFICATE
\$250,000.00 SWEEPSTAKES

This is to certify that
 Mr. John B. Windle
along with
 Miss Wilson and
 Mr. Wilson,
is among the lucky people in
 Kingsport, Tennessee
to receive a Lucky Number

OB 297023

You'll still be eligible to win any of the 32,175 prizes!

But remember, to be eligible for the thousands of exciting and valuable Sweepstakes prizes, you must return your Sweepstakes Book of Lucky Numbers before March 24, Mr. Windle.

The best way to be sure you don't miss the March 24 deadline is to mail back your entire Sweepstakes Book today.

Why not do it right now?

Sincerely,

Carolyn Davis

To be eligible for all prizes, mail back this entire Sweepstakes book to Reader's Digest, Pleasantville, New York 10570

READER'S DIGEST
NEW CAR CERTIFICATE

If person indicated is winner—(1) Confirm choice of car and color (2) Ship to address indicated

YR 555216

BQ 888516



YEAR 1970	MAKE FORD	MODEL MUSTANG	BODY TYPE 2DR HARDTOP	COLOR CANDY APPLE RED	VEHICLE IDENTIFICATION NO. 92 04 10 17 22E
ROOF STYLE "LANDAU" VINYL	WEIGHT 2,763 LBS	SOLD TO READER'S DIGEST PLEASANTVILLE, N.Y.		SHIP TO MR. J. PREER 324 S. CHESTER AVE. PASADENA, CAL. 91106	
SHIP FROM DETROIT, MICH.		METHOD OF TRANSPORTATION SHIP DIRECT			

MUSTANG GRANDE SPECIAL	*2,541.00	SELECT SHIFT CRUISE-O-MATIC	*200.85
COLUMN LOCKING STEERING WHEEL	NC	POWER FRONT DISC BRAKES	64.77
WIDE OVAL BELTED WSW TIRES	NC	HIGH-BACK BUCKET SEATS	NC
"LANDAU" STYLE VINYL ROOF	NC	POWER STEERING	94.95
ROCKER PANEL MOULDINGS	NC	RADIO	61.40
RIM BLOW-DELUXE STRG WHEEL	NC	HANDLING SUSPENSION	30.64
ELECTRIC CLOCK	NC	TINTED GLASS	28.17
INT WOODGRAIN HIGHLIGHTS	NC		
HOUNDSTOOTH TR.F.	NC	TOT.	*3,021.78

PAR. 6. By and through the use of the above-quoted statements and representations, and others of similar import and meaning not expressly set out herein, respondent represented, directly or by implication, that:

(a) 144,000 prizes worth \$999,000 in retail were to be awarded to individuals who held winning tickets in the January 1966 Reader's Digest \$999,000 Sweepstakes.

(b) 15,580 prizes worth \$150,000 at retail were to be awarded to individuals who held winning tickets in the Spring 1966 Reader's Digest \$150,000 Sweepstakes.

(c) 21,830 prizes worth \$300,000 at retail were to be awarded to individuals who held winning tickets in the Fall 1966 Reader's Digest \$300,000 Sweepstakes.

(d) 155,651 prizes worth \$999,000 at retail were to be awarded to individuals who held winning tickets in the January 1967 Reader's Digest \$999,000 Sweepstakes.

(e) 8,880 prizes worth \$150,000 at retail were to be awarded to individuals who held winning tickets in the Spring 1967 Reader's Digest \$150,000 Sweepstakes.

(f) 45,606 prizes worth \$300,000 at retail were to be awarded to individuals who held winning tickets in the Summer 1967 Reader's Digest \$300,000 Sweepstakes.

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(g) 106,667 prizes worth \$999,000 at retail were to be awarded to individuals who held winning tickets in the January 1968 Reader's Digest \$999,000 Sweepstakes.

(h) 31,611 prizes worth \$150,000 at retail were to be awarded to individuals who held winning tickets in the Spring 1968 Reader's Digest \$150,000 Sweepstakes.

(i) 31,526 prizes worth \$300,000 at retail were to be awarded to individuals who held winning tickets in the Summer 1968 Reader's Digest \$300,000 Sweepstakes.

(j) 36,191 prizes worth \$299,000 at retail were to be awarded to individuals who held winning tickets in the Holiday 1968 Reader's Digest \$299,000 Sweepstakes.

(k) 101,751 prizes worth \$999,000 at retail were to be awarded to individuals who held winning tickets in the January 1969 Reader's Digest \$999,000 Sweepstakes.

(l) Individuals who submitted tickets bearing winning numbers in accordance with the rules had only to mail the ticket to "Reader's Digest" or to the Reuben H. Donnelley Corporation in order to claim and obtain a prize.

(m) Individuals who participated in respondent's "sweepstakes" had a reasonable opportunity to win the represented prizes.

(n) All of the represented prizes in respondent's "sweepstakes" had been purchased before or during the time the "sweepstakes" were in progress for individuals who held winning tickets.

(o) Tickets received by individuals are "lucky" number tickets" and as such are winning tickets which will entitle the recipient to a prize.

(p) Individuals who receive respondent's promotional materials have been "selected," "chosen," or are "one of the few people * * * to be invited" to participate in the respondent's "sweepstakes;" and that such selection is restricted to a significantly limited number of individuals.

(q) Simulated checks, "money" and other negotiable instruments and simulated "New Car Certificates" received by individuals from the respondent are valuable and can be cashed, redeemed, or exchanged for United States currency or for a new car.

(r) Individuals who participate in respondent's "sweepstakes" and agree to its negative option plan, in addition to being eligible to win the represented prizes, will receive a gift having some retail value.

PAR. 7. In truth and in fact:

(a) 144,000 prizes worth \$999,000 were not awarded to individuals

who participated in the "sweepstakes". Approximately 58,696 prizes having an approximate retail value of \$387,590 were in fact awarded.

(b) 15,580 prizes worth \$150,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 5,571 prizes having an approximate retail value of \$56,339 were in fact awarded.

(c) 21,830 prizes worth \$300,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 5,947 prizes having an approximate retail value of \$96,202 were in fact awarded.

(d) 155,651 prizes worth \$999,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 63,432 prizes having an approximate retail value of \$494,881 were in fact awarded.

(e) 8,880 prizes worth \$150,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 3,826 prizes having an approximate retail value of \$70,545 were in fact awarded.

(f) 45,606 prizes worth \$300,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 14,903 prizes having an approximate retail value of \$119,433 were in fact awarded.

(g) 106,667 prizes worth \$999,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 45,863 prizes having an approximate retail value of \$488,572 were in fact awarded.

(h) 31,611 prizes worth \$150,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 12,138 prizes having an approximate retail value of \$90,618 were in fact awarded.

(i) 31,526 prizes worth \$300,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 11,352 prizes having an approximate retail value of \$164,722 were in fact awarded.

(j) 36,191 prizes worth \$299,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 12,037 prizes having an approximate retail value of \$120,009 were in fact awarded.

(k) 101,751 prizes worth \$999,000 were not awarded to individuals who participated in the "sweepstakes". Approximately 40,517 prizes having an approximate retail value of \$441,789 were in fact awarded.

(l) Individuals who submitted tickets bearing winning numbers in accordance with the rules were asked to or had to do more than mail the ticket to "Reader's Digest" or to the Reuben H. Donnelley Corporation in order to claim and obtain a prize. Such individuals were asked to or had to comply with previously undisclosed terms and conditions. Individuals who mailed tickets bearing winning numbers which entitle them to third and fourth prizes are informed that they are to submit an affidavit before they can obtain a prize. Individuals who receive winning tickets which entitle them to first and second prizes are subjected to interviews by private detectives before they can obtain a prize.

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(m) Individuals who participated in respondent's "sweepstakes" were not afforded a reasonable opportunity to win the represented prizes. For example, the January 1968 Reader's Digest \$999,000 Sweepstakes referred to in Paragraphs 6(g) and 7(g) hereof offered 106,667 prizes consisting in part of 50 first prizes, which were a choice of either luxury cars or \$5,000 cash; and 100 second prizes which were a choice of either sports cars or \$3,000 cash. Respondent distributed approximately 53,106,000 tickets to the public. Fifty-five tickets carried winning numbers which entitled the recipient to a first prize, and 110 carried winning numbers which entitled the recipient to a second prize. As a result, participants in the January 1968 Reader's Digest \$999,000 Sweepstakes had one chance in approximately 980,000 to win a first prize and one chance in approximately 480,000 to win a second prize.

(n) Most of the enumerated prizes were not purchased by the respondent either before or during the time its "sweepstakes" were in progress. Most of the prizes were purchased only after the termination of the "sweepstakes."

(o) Most of the tickets designated as "'lucky' number tickets" are not winning tickets and do not entitle the recipient to a prize.

(p) Individuals who receive respondent's promotional materials have not been "selected," "chosen" nor are "one of the few people * * * to be invited" to participate in the respondent's "sweepstakes" and such selection is not restricted to a significantly limited number of individuals. Respondent distributes such advertising and promotional material to millions of individuals whose names and addresses have been obtained from a list of purchasers of its products or from subscribers to its magazine and from purchased mailing lists.

(q) Simulated checks, "money" and other negotiable instruments and simulated "New Car Certificates" received by individuals from the respondent are not valuable and cannot be cashed, redeemed, or exchanged by recipients for United States currency or for a new car.

(r) Individuals who participate in respondent's "sweepstakes" and agree to its negative option plan do not receive a gift having some retail value. Such individuals often receive a 24 page booklet containing anecdotes or similar material from previously published editions of *Reader's Digest* magazines.

PAR. 8. In connection with the promotion of its products, in many instances, respondent provides the same form for the use of individuals who wish to purchase the advertised products and enter its "sweepstakes" as for persons who wish merely to enter the "sweepstakes;" instructions in this regard on the form are unclear and con-

fusing, and cause the inadvertent purchase of the advertised products by persons who intended only to enter respondent's "sweepstakes."

PAR. 9. In the course and conduct of respondent's "sweepstakes," the respondent often uses the names and addresses of individuals who on previous occasions have purchased its products or have subscribed to *Reader's Digest* for promotional purposes.

At the time such individuals purchased these products or subscribed to *Reader's Digest* magazine, they were not informed that their names and addresses would be used for such purposes. Further, respondent has never asked for nor obtained the consent of these individuals to use their names and addresses.

Therefore, the aforesaid acts and practices were and are unfair, false, misleading and deceptive.

PAR. 10. In the course and conduct of its business and at all times mentioned herein, respondent has been in substantial competition in commerce with corporations, firms and individuals in the sale of magazines, books and other products.

PAR. 11. The use by respondent 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 has induced many members of the public to participate in respondent's "sweepstakes" and into the purchase of substantial quantities of respondent's magazines, books and other products by reason of said erroneous and mistaken belief.

PAR. 12. The aforesaid acts and practices of the respondent as herein alleged were and are all to the prejudice and injury of the public and of respondent's 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 respondent named in the caption hereof, and the respondent 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 respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 respondent 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 respondent has 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 for a period of thirty (30) days, 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, makes the following jurisdictional findings, and enters the following order:

1. Respondent Reader's Digest Association, 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 New Castle, New York.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I

It is ordered, That Reader's Digest Association, Inc., a corporation, and its officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the preparation, advertising, sale, distribution or use of any "sweepstakes," "giveaways," contest, game, or any other similar promotional device in commerce, as "commerce" is defined in the Federal Trade Commission Act, cease and desist from:

A. (1) Failing to disclose clearly and conspicuously the total number of prizes which will be awarded, the nature of the prizes, the approximate value of each prize, and the approximate numerical odds of winning each such prize; *Provided, however*, That in a promotional device in which the odds cannot be determined with reasonable accuracy, respondent shall clearly and conspicuously disclose the approximate number of individuals to whom the

promotional device is being disseminated if such fact may be reasonably determined.

(2) Failing to award and distribute all prizes of the value and type represented.

(3) Representing directly or by implication that the number of participants has been significantly limited; or that any person has been especially selected to win a prize.

(4) Using the word "lucky" to describe any number, ticket, coupon, symbol, or other entry; or representing in any other manner directly or by implication that any number, ticket, coupon, symbol, or other entry confers or will confer an advantage upon the recipient that other recipients will not have or is more likely to win a prize than are others, or has some value that other entries do not have.

(5) Failing to disclose clearly and conspicuously all terms and conditions with which individuals who hold winning entries will be asked to or must comply in order to obtain a prize.

(6) Representing directly or by implication that prizes have been purchased or contracted for unless they have in fact been purchased or contracted for before the "sweepstakes," "give-aways," contest game or other promotional device begins.

(7) Failing to furnish to requesting individuals a complete list of the names of winners of all prizes having a retail value of \$15 or more, together with the city and state of and prize won by each.

(8) Failing to maintain for five years after the conclusion of the promotional device adequate records (a) which disclose the facts upon which any of the representations of the type described in Paragraphs 1-7 of this order are based, and (b) from which the validity of the representations of the type described in Paragraphs 1-7 of this order can be determined.

(9) Failing to furnish upon the request of the Federal Trade Commission:

(a) a complete list of the names and addresses of the winners of each prize, and an exact description of the prize, including its approximate value;

(b) a list of the winning numbers or symbols, if utilized, for each prize;

(c) the total number of coupons or other entries distributed;

(d) the total number of participants in the promotional device;

(e) the total number of prizes in each category or denomination which were made available; and

(f) the total number of prizes in each category or denomination which were awarded.

B. Engaging in the preparation, promotion, sale, distribution, or use of any "sweepstakes," "giveaways," contest, game, or other similar promotional device unless the following are disclosed clearly and conspicuously in the advertising and promotional material concerning such devices:

- (1) the total number of prizes to be awarded;
- (2) the exact nature of the prizes, their approximate value and the number of each;
- (3) all terms, conditions and obligations with which individuals will be asked to or must comply in order to obtain a prize;
- (4) the approximate numerical odds of winning each prize; *Provided, however,* That in a promotional device in which the odds cannot be determined with reasonable accuracy, respondent shall clearly and conspicuously disclose the approximate number of individuals to whom the promotional device is being disseminated if such fact may be reasonably determined.
- (5) the geographic area or states in which any such device is used.

II

It is ordered, That Reader's Digest Association, Inc., a corporation, and its officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the publication, advertising, offering for sale, sale, or distribution of magazines, books, or other products in commerce as "commerce" is defined in the Federal Trade Commission Act, cease and desist from:

- C. (1) Failing to obtain the express written or oral consent of individuals before their names are used for a promotional purpose in connection with a mailing to a third person.
- (2) Failing to disclose clearly and conspicuously the approximate value of any gift or other item furnished without charge, or at a nominal charge, or at a cost substantially below its retail value, to any purchaser or prospective purchaser of respondent's products.
- (3) Using or distributing simulated checks, currency, "new car certificates;" or using or distributing any confusingly simulated item of value.
- (4) Failing to disclose clearly and conspicuously on the order form, return reply coupon or similar material the way in which persons may participate in respondent's promotional devices without making or committing themselves to a purchase, or incurring

Complaint

any other obligation, or agreeing to any other act or condition; and offering any product for sale when all of the terms and conditions of the offer are not explained fully and clearly and set forth conspicuously on any order form furnished with the offer to be used to order the product.

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

It is further ordered, That the respondent 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 corporations which may affect compliance with this order.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing setting forth in detail the manner in which they have complied with this order: *Provided, however:* That with respect to those portions of Paragraphs I(A)(1) and (I)(B)(4) which cover the disclosure of odds, a second such report shall be filed within sixty (60) days after December 1, 1971, the date on which the portions of the aforesaid paragraphs which cover the disclosure of odds shall take effect.

IN THE MATTER OF

HELIX MARKETING CORPORATION, ET AL.

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