

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

G.R.I. CORPORATION

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

Docket 8828. Complaint, Feb. 11, 1972—Decision, Feb. 11, 1972*

Consent order requiring a Chicago, Ill., marketer of vitamins, cosmetics and beauty kits to cease making "free" offers to enroll customers, falsely guaranteeing its products, misrepresenting the quality of its products in any way, misrepresenting that its prices are reduced or special, misrepresenting the potency of its vitamin compounds, shipping merchandise without the consent or request of the consignee, billing or dunning such person for the unordered merchandise, attempting to collect for merchandise which has been refused or returned, and using other unfair practices.

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 G.R.I. Corporation, 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 G.R.I. Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 623 South Wabash, Chicago, Illinois.

PAR. 2. Respondent is now, and has been for some time last past, engaged in the sale and distribution of vitamin-mineral "capsulets," which contain ingredients which come within the classification of food or drug as the terms "food" and "drug" are defined in the Federal Trade Commission Act.

The designation used by respondent for the said vitamin-mineral capsulets, the formula thereof and directions for use are as follows:

*By order issued December 14, 1971, the Commission, upon consideration of its acceptance on the same date of the consent order agreement in this matter, withdrew the complaint issued January 7, 1971, and in lieu thereof issued the complaint reported herein.

Complaint

80 F.T.C.

Designation: Over-Fifty Capsulets

Formula :

	% MDR
Vitamin A (Synthetic) 15,000 U.S.P. Units-----	375%
Vitamin B-1 (Thiamin HCL) 15 mg-----	1500%
Vitamin B-2 (Riboflavin) 5 mg-----	416%
Vitamin B-6 (Pyriodoxine HCL) 0.5 mg-----	*
Vitamin B-12 (Cobalamin Conc.) 5 mcg-----	*
Vitamin C (Ascorbic Acid) 100 mg-----	333%
Vitamin D (Calciferol) 1,000 U.S.P. Units-----	250%
Vitamin E (d-Alpha Tocopheryl Acetate) 10 I.U.-----	*
Niacinamide 50 mg-----	500%
Calcium Pantothenate 5 mg-----	*
Inositol 10 mg-----	**
L-Lysine Monohydrochloride 25 mg-----	**
Choline Bitartrate 10 mg-----	**
Methionine 10 mg-----	**
Rutin 25 mg-----	**
Biotin 25 mcg-----	**
Betaine Hydrochloride 10 mg-----	**
Iron (Dried Ferrous Sulfate) 20 mg-----	200%
Calcium 58.2 mg-----	7.7%
Phosphorus 45.0 mg-----	6%
(Note: Calcium and Phosphorus are obtained from 201 mg. Dicalcium Phosphate Andydr.)	
Sodium (Sodium Chloride) 1 mg-----	*
Iodine (Potassium iodide) 0.10 mg-----	100%
Sulphur (from Sulfates) 15 mg-----	**
Potassium (Potassium sulfate) 5 mg-----	*
Aluminum Hydroxide 30 mg-----	**
Magnesium (Magnesium Sulfate) 2 mg-----	*
Copper (Cupric Oxide) 0.50 mg-----	*
Manganese (Manganese Sulfate) 0.50 mg-----	**

Capsulets are capsule shaped tablets.

% MDR—Percentage minimum daily adult requirement.

*The daily adult requirement has not been established.

**The need in human nutrition has not been established.

Directions : One capsulet a day, during or after breakfast, not before.

Respondent also sells and distributes a skin cream preparation trade named "Bio-Rich Beauty Cream," and "Beauty Kits" containing several individual products, which come within the classification of cosmetics as the term "cosmetic" is defined in the Federal Trade Commission Act.

PAR. 3. In the course and conduct of its business as aforesaid, respondent now causes, and for some time last past has caused, its products, when sold, to be shipped from its place of business in the State of Illinois to purchasers thereof located in various other States of the United States, 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, respondent has disseminated, and has caused the dissemination of certain advertisements by the United States mails and by various other means in commerce as "commerce" is defined in the Federal Trade Commission Act, including advertisements in newspapers of general circulation, for the purpose of inducing and which are likely to induce directly or indirectly, the purchase of said products; and has disseminated, and caused the dissemination of advertisements by various means, including but not limited to the aforesaid media, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of its said products in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 5. Typical and illustrative of the statements and representations made in said advertising disseminated as aforesaid, but not all inclusive nor with intent to limit evidence thereof are the following:

The folks who formulate these great capsules have authorized me to make this special offer to all my old friends listening to this broadcast. Thus you can have these amazing capsules—a full \$3.00 supply absolutely free.

You will surely want to take advantage of this generous free vitamin offer.

Now you can begin to insure yourself against these vitamin deficiencies before they occur by sending for your FREE TRIAL SUPPLY of vitamin capsules *today*.

* * * My very special free offer to women who want to discover the miracle of skin beauty accept a 4-week supply of Bio-Rich beauty cream absolutely free * * *

The attached free trial certificate, if mailed promptly entitles you to receive absolutely free, a four week supply of one of the most wonderful discoveries I've ever known to help your skin stay as lovely and beautiful as can be! * * * It's called Bio-Rich Beauty Cream and is especially created for mature women like you and me.

I understand that I am only trying Bio-Rich and I am not obligated to buy any Bio-Rich in the future.

Just mail the certificate on the back together with \$1.00 in the enclosed envelope and you will receive a fabulous beauty kit of famous name cosmetics, toiletries, lotions and beauty aids with a guaranteed value of at least \$10.00 * * *

Hurry * * * trial offer may be withdrawn without notice.

Offer good for limited time only. Mail certificate today!

Use this superb formula regularly before trouble spots haunt you. If you are over thirty-five * * * it is more important to take care of your natural skin beauty looks now than in any time in your life. Why look old before your time?

IS YOUR SKIN BEAUTY FADING?

If you are over thirty-five * * * it is more important to take care of your natural skin beauty looks now than in any other period of your life.

Complaint

80 F.T.C.

HOW CAN BIO-RICH HELP YOU?

Recently cosmetic science has discovered precious substances to counteract the skin dryness of most normally healthy women * * * these ingredients plus many more, carefully blended, tested and measured go into Bio-Rich.

* * * Continue to receive automatic super-fresh monthly shipments of our high potency vitamin/mineral CAPSULETS as long as you want at special member's discount savings.

I understand that I will be entitled to receive a new Beauty Kit every three months—and to keep it for the special member's price of only \$4.98 * * *

You can cancel any time or you will continue to receive automatic, fresh shipments of Bio-Rich Beauty Cream every other month as long as you want at special member's discount savings.

You can take these Capsulets with complete confidence that all regulations and scientific controls have been strictly observed.

Guarantee of Complete Satisfaction—This iron-clad warantee is your assurance that the high-potency vitamin-mineral Capsulets you receive are super-fresh * * * And we will continue to do everything possible to keep our fine reputation by shipping only super-fresh, high-potency Capsulets.

These wonderful high potency capsulets may help *prevent* nutritional deficiencies of Vitamin B1, Vitamin B2, Vitamin C or Niacinamide which could result in a feeling of: *tiredness, nervousness, loss of vigor, worry, irritability and restlessness*. Now you can begin to insure yourself against these vitamin deficiencies before they occur * * *.

PAR. 6. By the use of the aforesaid advertisements and others of similar import and meaning, not specifically set out herein, respondent has represented, and is now representing directly and by implication that:

1. A thirty day supply of vitamin and mineral "capsulets" will be *sent free* to persons responding to the advertisements.
2. Persons answering the advertisements for "free" or "trial" product will not be treated as being under any obligation to respondent.
3. Respondent offers a bona fide guarantee of the value of its "beauty kit."
4. Respondent offers a valid guarantee for the freshness and potency of its vitamin-mineral preparations.
5. Respondent's "free" offers are of limited duration.
6. Thirty-five is a critical age among women which requires that special attention be given to their skin.
7. The ingredients contained in "Bio-Rich Beauty Cream" are recent and new discoveries of medical science.
8. Respondents' products are being offered for sale at special or reduced prices, and that savings are thereby afforded purchasers from respondent's regular selling price.
9. Respondent has made reasonable efforts to insure that all regulations and scientific controls have been strictly observed in the production and marketing of its vitamin-mineral capsulets.

10. The use of respondent's vitamin-mineral capsules and each ingredient therein will be of benefit in the prevention of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep and energy, loss of vigor and vitality, and lack of alertness.

PAR. 7. In truth and in fact at times pertinent hereto:

1. The thirty day supply of respondent's vitamin and mineral "capsules" is not "free" for the reason that such offer is an inseparable part of a plan under which respondents, after the receipt of the thirty day supply by those who accept the offer, ships additional monthly supplies of its product to said persons and attempts to collect the price thereof.

2. Respondent treats persons answering advertisements for "free" or "trial" products as being under an obligation to purchase additional supplies or to cancel further shipments of merchandise.

3. Respondent does not offer a bona fide guarantee of the value of its "beauty kits."

4. Respondent does not offer a valid guarantee for the freshness and potency of its vitamin-mineral preparations in that the freshness and potency of said preparations cannot reasonably be ascertained by the purchasers thereof, nor is the nature and extent of the guarantee and the manner in which the guarantor will perform thereunder disclosed.

5. Respondent's "free" offers of products are not of limited duration.

6. There is no critical age at which women need to give special attention to their skin.

7. The ingredients used in "Bio-Rich" preparations are not recent or new discoveries of medical science.

8. Respondent's products are not being offered for sale at special or reduced prices, and, savings are not thereby afforded respondent's customers because of a reduction from respondent's regular selling prices.

9. Respondent has not made reasonable efforts to insure that all regulations and scientific controls have been strictly observed in the production and marketing of its vitamin-mineral capsules.

10. Respondent's vitamin-mineral capsules will not be of benefit in the prevention of the symptoms of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or energy, loss of vigor or vitality, or lack of alertness, except in a small minority of persons whose tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or

Decision and Order

80 F.T.C.

energy, loss of vigor or vitality, or lack of alertness is due to a deficiency of Vitamin B-1 (Thiamin), Vitamin B-2 (Riboflavin), Vitamin C (Ascorbic Acid), or Niacinamide. All of the remaining ingredients in this preparation are of no benefit in the prevention of said symptoms.

Therefore, the advertisements referred to in Paragraph Five were and are misleading in material respects and constituted and now constitute "false advertisements" as that term is defined in the Federal Trade Commission Act.

PAR. 8. In the course and conduct of its business, respondent now causes, and for some time last past has caused, shipments of its said vitamin-mineral preparations, skin cream preparations, and "beauty kits" to be sent to persons located in various States of the United States who have not ordered such merchandise and to persons located in various States of the United States who have notified respondent not to ship such merchandise, and attempts, or causes to be attempted, the collection of the price thereof.

PAR. 9. The aforesaid acts and practices of respondent, as herein alleged, including the dissemination of the false advertisements as aforesaid were and are all to the prejudice and injury of the public and constituted and now constitute, unfair and deceptive acts and practices in commerce in violation of Sections 5 and 12 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having issued its complaint on January 7, 1971*, charging the respondent named in the caption hereof with violation of the Federal Trade Commission Act, and respondent having been served with a copy of that complaint; and

The Commission having duly determined upon motion duly certified to the Commission that, in the circumstances presented, the public interest would be served by waiver here of the provisions of Section 2.34(d) of its rules, that the consent order procedure shall not be available after issuance of complaint; and

Respondent and counsel for the complaint having thereafter executed an agreement containing a consent order, an admission by respondent of all jurisdictional facts set forth in the complaint, a statement that the signing of the agreement by respondent is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as set forth in such com-

*By order issued Dec. 14, 1971, the Commission, upon consideration of its acceptance on the same date of the consent order agreement in this matter, withdrew the complaint issued Jan. 7, 1971, and in lieu thereof issued the complaint reported herein.

plaint, and waivers and provisions as required by the Commission's rules; and

The Commission having considered the aforesaid agreement and having determined that it provides an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted, the following jurisdictional findings are made, and the following order is entered:

1. Respondent G.R.I. Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 623 South Wabash Avenue, Chicago, Illinois.

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

It is ordered, That respondent G.R.I. Corporation, a corporation, and its officers, representatives, agents and employees, directly or through any corporate or other device in connection with the offering for sale, sale or distribution of "Bio-Rich Beauty Cream," "Over Fifty Capsulets," and "Beauty Kits," or any food, drug or cosmetic, do forthwith cease and desist from directly or indirectly:

1. Disseminating or causing the dissemination of, by means of the United States mails or by means in commerce, as "commerce" is defined in the Federal Trade Commission Act, any advertisement which represents directly or by implication that:

(a) Any product is offered "free" or under any other terms where the offer is used as a means of enrolling those who accept the offer in a plan whereby additional supplies of the product are shipped at an additional charge unless all of the conditions of the plan are disclosed clearly and conspicuously and within close proximity to, the "free" or other offer.

(b) Persons who respond to advertisements incur no obligation when responding to such advertisements: *Provided, however*, This prohibition shall not apply to a representation that persons receiving merchandise are under no obligation to keep or to continue receiving such merchandise.

(c) Respondent's products are guaranteed in any manner unless the nature and extent of the guarantee, the identity of the guarantor and the manner in which said guarantor will perform thereunder are clearly and conspicuously disclosed in immediate conjunction therewith; and unless the respondent fully, satisfactorily and promptly performs all

Decision and Order

80 F.T.C.

of its obligations and requirements under the terms of the guarantee.

(d) The freshness or potency of any vitamin-mineral or cosmetic preparation is guaranteed.

(e) Any offer is limited in time or in any other manner unless any represented limitation or restriction is actually imposed and adhered to.

(f) Women of any special age require special care or attention for their skin or skin problems.

(g) Bio-Rich Beauty Cream or the ingredients thereof is new or is a recent discovery.

(h) Any price for respondent's products is a special or reduced price, unless such price constitutes a significant reduction from an established selling price at which such products have been sold in substantial quantities by respondent in the recent regular course of its business, and unless respondent has maintained business records that substantiate an established selling price at which such products have been sold in substantial quantities in the recent regular course of its business; or misrepresenting in any manner the savings available to purchasers. In the sale of the products of others, including assortments and/or kits containing the products of others, a representation of comparable value shall not violate the provisions of this paragraph when such comparable value is based on respondent's good faith reliance upon a manufacturer's assurance of value based on (1) substantial recent sales of an item at a given price, or (2) in the case of items that are packaged in a size not otherwise sold to the public, based on a pro rata adjustment from the prices obtained for those sizes of the items that have been sold recently and in substantial quantities. Written evidence of said manufacturer's assurance of value shall be maintained by respondent.

(i) That regulations and scientific controls relating to respondent's products have been strictly observed, or in any manner representing that respondent's products conform to any stricter regulations or controls than those required for any other similar products.

(j) That the use of respondent's vitamin-mineral "capsulets" will be of benefit in the prevention of the symptoms of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or energy, loss

of vigor or vitality, or lack of alertness, unless such advertisement expressly limits the effectiveness of the preparation to those persons whose symptoms are due to a deficiency of Vitamin B-1 (Thiamin), Vitamin B-2 (Riboflavin), Vitamin C (Ascorbic Acid), or Niacinamide, and further, unless such advertising clearly and conspicuously reveals the facts that in the great majority of persons, or of any age, sex, or other group or class thereof, who experience such symptoms, these symptoms are caused by conditions other than those which may respond to the use of respondent's vitamin-mineral preparation, and that in such persons the preparation will not be of benefit.

(k) That the ingredients in respondent's vitamin-mineral preparation other than Vitamin B-1 (Thiamin), Vitamin B-2 (Riboflavin), Vitamin C (Ascorbic Acid), or Niacinamide will be of benefit in the prevention of tiredness, nervousness, restlessness, listlessness, worry, irritability, tension, depression, lack of pep or energy, loss of vigor or vitality, or lack of alertness.

2. Dissemination, or causing to be disseminated, by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of respondent's products in commerce, as "commerce" is defined in the Federal Trade Commission Act, any advertisement which contains any of the representations or misrepresentations prohibited by Paragraph 1 hereof.

It is further ordered, That respondent G.R.I. Corporation, a corporation, and its officers, representatives, agents and employees, directly or through any corporate or other device in connection with the offering for sale, sale or distribution of "Bio-Rich Beauty Cream," "Over Fifty Capsulets," and "Beauty Kits," or any food, drug or cosmetic product in commerce, as "commerce" is defined by the Federal Trade Commission Act, do forthwith cease and desist from:

1. Shipping or sending any merchandise to any person without the prior expressed request or consent of the person to whom such merchandise is sent, unless such merchandise is a free sample and has attached to it a clear and conspicuous statement informing the recipient that he may treat the merchandise as a gift to him and has the right to retain, use, discard, or dispose of it in any manner he sees fit without any obligation whatsoever to the sender in regard to that merchandise.

Decision and Order

80 F.T.C.

2. Mailing any bill or any dunning communication for any merchandise shipped or sent without the prior expressed request or consent of the recipient, to such recipient.

3. Shipping or sending merchandise to any person and attempting, or causing to attempt, the collection of the price thereof when a notification of cancellation for any further shipments of merchandise has been sent by such person: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted under this prohibition for respondent to affirmatively establish that: (1) such merchandise had been shipped less than ten (10) working days after said notification of cancellation had been received by respondent in the regular course of business, and (2) no invoices, except for that one accompanying the shipment of said merchandise, or any notice requesting payment for or return of said merchandise had been sent or caused to be sent by respondent to such person concerning said shipment, except that respondent may send one notice to such person advising that the cancellation has been effected and requesting the return of such merchandise if respondent clearly discloses in said notice that such person is under no obligation to return said merchandise, and respondent promises to pay for the return of said merchandise and further, respondent, in fact, reimburses such person for any expenses incurred in its return.

4. Attempting, or causing to attempt, the collection of the price for merchandise when such merchandise has been refused and returned to respondent: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted under this prohibition for respondent to affirmatively establish that any collection notice sent in regard to said refused and returned merchandise could not reasonably be halted after the return of said merchandise, except that this defense shall be unavailable with respect to any collection notice sent more than twenty (20) days after the date on which such merchandise has been refused, returned, and received by respondent in the regular course of business.

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

It is further ordered, That 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 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 respondent shall, within sixty (60) days after service upon it of this order, file with the Commission