

poration which may affect compliance obligations arising out of this order.

It is further ordered, That the respondents shall, within sixty (60) days after the service upon it of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Chairman Kirkpatrick not participating.

IN THE MATTER OF

MEDI-HAIR INTERNATIONAL, ET AL.

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

*Docket 8830. Complaint, Jan. 12, 1971—Decision, Apr. 21, 1972 **

Consent order requiring a Beverly Hills, Calif., corporate franchisor of a Medi-Hair replacement system involving surgical procedures to cease misrepresenting that respondent's system will restore the customer's hair so well that there will be no need for further attention. Respondent is further required to disclose that its system involves the applying of wire sutures in the scalp which may cause pain and risk of infection; to notify prospective purchaser to consult his personal physician, and to devote at least 15 percent of its advertising to the disclosure that the system deals with surgical procedure and to advise to consult a physician. Respondent is further required to advise purchasers that contracts may be cancelled up until the third day; and respondent may not negotiate a customer's note to a finance company prior to midnight of the fifth day.

COMPLAINT

The Federal Trade Commission having reason to believe that Medi-Hair International, a corporation, and Jack I. Bauman, individually and as a director of said corporation, have violated Sections 5 and 12 of the Federal Trade Commission Act, and having determined that a proceeding with respect thereto would be in the public interest, hereby issues its complaint, and alleges as follows:

PARAGRAPH 1. Respondent Medi-Hair International (hereinafter sometimes referred to as "Medi-Hair") is a California corporation, with its headquarters at 2701 "K" Street, Sacramento, California. Respondent Jack I. Bauman is a medical doctor licensed to practice in the State of California, and is a director of Medi-Hair; his address is 3965 "J" Street, Sacramento, California.

* Reported as amended by Commission's Supplemental Order, July 21, 1972.

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PAR. 2. Respondents operate "Medi-Hair International" salons, grant franchises for the operation of "Medi-Hair International" salons, and promote on their own behalf and on the behalf of their franchisees the "Medi-Hair replacement system" (hereafter sometimes referred to as the "System"). The system involves a surgical procedure whereby a number of plastic-coated steel-wire "anchors" are inserted into the scalps of respondents' customers. A mesh-type "network" is then affixed to the anchors, and wefts of hair are tied to the network. The Medi-Hair International salons (sometimes also referred to by respondents as "studios" and hereinafter referred as "Salons") sell, install, and maintain the System, except that the surgical procedure itself is performed by a medical doctor. There are presently about twenty-two salons. Two of the salons are owned by Medi-Hair International, and are located at 2701 "K" Street, Sacramento, California, and at 8500 Wilshire Boulevard, Suite 926, Beverly Hills, California. The other salons are operated by franchisees of Medi-Hair and are identified below, according to available information:

Medi-Hair International, 2000 Crawford, Houston, Texas.

Medi-Hair International, 700 N. Michigan Avenue, Chicago, Illinois.

Medi-Hair International of St. Petersburg, 8085 38th Avenue, North St. Petersburg, Florida.

Medi-Hair International of Arizona, 222 W. Osborne, Phoenix, Arizona.

Medi-Hair International of Colorado, 2045 Franklin, Denver, Colorado.

Medi-Hair International, Inc., 15831 W. 12 Mile Drive, Southfield, Michigan.

Medi-Hair of New York City, 342 Madison Avenue, New York, New York.

Medi-Hair of Syracuse, Inc., 731 James Street, Syracuse, New York.

Medi-Hair International of Utah, 50 South 9th East, Salt Lake City, Utah.

Medi-Hair International, 500 South Main, Orange, California.

Medi-Hair of San Diego, 1333 Camino Del Rio South, San Diego, California.

Maestro Gerhard's Medi-Hair International, Suite 5 Medical Building, 101 N. El Camino Real, San Mateo, California.

Medi-Hair International, Mayer Building, Suite 318, 1130 S. W. Morrison, Portland, Oregon.

Medi-Hair International, 924 104th N. E., Suite 209, Bellevue, Washington.

The franchisees' rights to use the "Medi-Hair" tradename and the Medi-Hair System are derived from a "License Agreement" between each of them and respondent Medi-Hair International. The License Agreement provides, *inter alia*, for royalties to be paid to respondent Medi-Hair International on the basis of sales volume achieved by a franchisee, and for the right of respondent Medi-Hair International to terminate the licensing agreement for any violation of the law with reference to the maintenance or operation of a licensee's facility, which is not cured or corrected by licensee within ten days' notice thereof.

PAR. 3. In the course and conduct of their business, advertising and public relations materials, contracts, letters, checks, instruction sheets, and other written instruments and communications, and oral communications, travel between respondents, at their place of business in the State of California, and the salons, located in other States of the United States; in addition, respondents at their place of business in the State of California, derive income, including but not limited to royalties on sales of the System made by the salons, from the salons located in other States of the United States; and in addition, respondents, directly and through the salons it owns and franchises, promote the System by advertising in newspapers and magazines of general circulation which are distributed across state lines, and by mailing promotional literature to prospective customers who respond to such advertising. As a result of such newspaper and magazine advertising and literature mailing, such income, and such written instruments and communications and oral communications, respondents have maintained a substantial course of trade in commerce, as "commerce" is used in Sections 5 and 12 of the Federal Trade Commission Act, and as a result of such newspaper and magazine advertising and mailing of promotional literature, have disseminated and caused to be disseminated false advertisements by United States mails, within the meaning of Section 12(a)(1) of the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, and for the purpose of inducing the purchase of the Medi-Hair hair replacement

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system, respondents, directly and through their franchisees, have made and are now making numerous statements and representations in advertisements inserted in newspapers and magazines of general circulation and in other promotional literature. Typical of the statements and representations contained in said advertisements and promotional literature, but not all inclusive, are the following:

* * * the method involves some minor and painless plastic surgery which can be compared to that of a woman having her ears pierced. The initial procedure, he adds, takes about 30 minutes.

For the entire process, Leoni continues, a person need only spend on the average from three to four hours. In that period, replacement hair is affixed to the scalp with the same strength and security as naturally grown hair.

* * * * *

A NEW VICTORY IN THE BATTLE AGAINST BALDNESS. The ultimate solution to baldness. Treat it like your own natural hair. Pull it—Tug it—Wash it—Wave it—Muss it—Swim and Water Ski.

* * * * *

HAIR! by Medi-Hair * * * The revolutionary new victory in the battle against baldness: [coupon] *Not a toupee. Not a Weaving. Not a Transplant.* Please send me further information on the scientific breakthrough that's conquered baldness.

* * * * *

MEDI-HAIR REPLACES THE HAIR YOU'VE LOST * * * with human hair that becomes just as much a part of your head as the hair you were born with—and just as natural looking! A perfect blend of your natural hair that you can comb, brush, part, shampoo, wave or shape!

NEW SCIENTIFIC SOLUTION TO BALDNESS

Medi-Hair is superior to toupes, hairpieces, hair weaving, or transplanting. It is a new scientific technique developed by a California physician and his clinical research team.

IT'S YOUR SECRET!

Even your most intimate friends won't be able to tell the difference between *Medi-Hair* and your natural hair. Today science has conquered baldness. Forget about hairpieces and hair weaving. *Medi-Hair* is the commercial name for the scientific, patent protected technique that replaces human hair. Removes all fear and embarrassment of dislodging and detection because it is completely natural looking—even under close-up examination.

Because it is human hair that is now a part of your anatomy *Medi-Hair* adds confidence and security to your personal relationships, your career * * * your life.

MEDI-HAIR IS A PROVEN FACT!

Medi-Hair is not an experiment, but an actual, proven, and highly sophisticated hair replacement technique. Following extensive research, its discoverer became one of the first men in America to replace his own baldness with *Medi-Hair*

* * * * *

Medi-Hair

THE ULTIMATE SOLUTION TO BALDNESS

becomes part of your anatomy

NOT A HAIRPIECE, HAIRWEAVING OR TRANSPLANT

Medi-Hair is human hair that becomes as much a part of your anatomy—like your own hair again—as your skin, teeth or fingernails. The entire process takes one appointment under professional supervision.

ROLL IT, TUG IT, WASH IT, COMB IT, CURL IT, BRUSH IT, WAVE IT.

and Medi-Hair combs back in place like your own hair. Medi-Hair is the commercial-tradename for this scientifically developed, patent protected technique that replaces human hair.

ACTORS APPROVE... PROFESSIONAL MEN IMPROVE THEIR CAREERS

Because Medi-Hair is completely undetectable even under extreme close-ups with television and motion picture cameras, actors gain self-confidence and security. Business and professional men find their more youthful appearance improves their chances for promotion and success.

COMPLETELY NATURAL LOOK

Even people who were without a single hair on their heads now appear completely natural—even to sideburns and the back of their necks. Medi-Hair looks natural because it becomes a part of your anatomy.

NO RETURN VISITS

One short visit is all it takes. Not a transplant. No monthly visits for knotting and tightening as with hairweaving—no daily tape applications or possible irritation as with hairpieces. Medi-Hair requires no more care than your own hair.

COMPARE AND DECIDE

Process	Cost	Upkeep	Maintenance	Appearance
Medi-Hair	moderate	none	none	natural undetectable
Transplants	very exp.	none	none	natural
Weaving	moderate	\$35/mo. approx.	re-knot tighten, monthly	"floats" detectable
Hairpiece	low to exp.	annual replace	taping	detectable

PAR. 5. Through the use of the above advertisements, and others of similar import and meaning but not expressly set out herein, and by oral statements and representations made by employees and agents of the respondents, and by their franchisees, respondents, directly and through their franchisees, have represented and are now representing directly or by implication that:

1. The Medi-Hair System does not involve wearing a hairpiece, or toupee.

2. The hairpiece applied becomes part of the anatomy like natural hair, teeth, or fingernails, and has characteristics of natural hair, including the following:

- a. The same appearance as natural hair upon normal observation and upon extreme close up examination.

- b. It may be cared for like natural hair, particularly in that actions such as pulling, tugging, washing, combing, curling, brushing, and waving may be performed upon it in the same manner as upon natural hair.

- c. The wearer may engage in physical activities with as much disregard for his hairpiece as might a person with natural hair.

3. After the system has been applied, the wearer can care for it himself, and will not have to seek professional, or skilled assistance in maintaining the system, and that the customer will not incur charges over and above the charge for installing the System.

PAR. 6. In truth and in fact:

1. The system does involve the wearing of a hairpiece, or toupee, inasmuch as the tying of the wefts of hair to a network creates what is essentially a hairpiece, or toupee; sometimes a preassembled hairpiece is actually tied to the network, instead of the wefts of hair.

2. The hairpiece applied does not become part of the anatomy like natural hair, teeth, and fingernails. The system involves a mesh network which is anchored to the scalp by wire "anchors" which have been surgically inserted into the scalp. The hairpiece differs from natural hair in many respects, including the following:

- a. It does not have the same appearance as natural hair in a substantial number of instances. It is often discernible as a hairpiece or toupee upon normal observation, and upon extreme close examination.

- b. It cannot be cared for like regular hair, but requires special care and handling. Strong pulling on the hair, such as may be expected to occur in washing, combing, curling, brushing, and waving, can cause pain because of the pressure exerted on the sutures in the scalp, may cause bleeding, and may cause the sutures to pull out. As a consequence, washing the hair and scalp is difficult. Because washing is difficult, foreign particles and dead skin tissue tend to ac-

cumulate beneath the Medi-Hair application and become a significant source of irritation. The hair styles into which the hairpiece may be combed or brushed without professional treatments are limited.

c. The wearer may not engage in physical activities with as much disregard for his hair piece as might a person with natural hair. The wearer must at all times be careful that the hair does not pull or get pulled, or become tangled, or strained. Discomfort and pain may be caused by common actions, such as rolling the head on a pillow during sleep.

3. The wearer cannot in most instances care for the hairpiece himself; he must seek professional or skilled assistance on many occasions. Medical problems associated with the surgery or the continuing presence of the anchors in the scalp may require subsequent visits to a medical doctor. Respondents' sales manual suggests that wearers be encouraged to return at regular intervals for a haircut (if the wearer has some natural hair under the hair applied by respondents, it is difficult to cut without skilled assistance); respondents make a substantial additional charge for this service. Respondents' applied hair is subject to bleaching in sunlight and other discoloration normally associated with hairpieces, and where the hairpiece has been color-dyed, loss of dye through washing and normal wear; thus, replacement wefts of hair or hairpieces are required at intervals in order to maintain a color match with any natural hair the wearer may have. Because of the difficulty in washing the hair and scalp described previously in Paragraph Six, assistance is often required to wash the hair.

The statements and representations set forth in Paragraphs Four and Five were and are false, misleading, and deceptive.

PAR. 7. In the course and conduct of their business, respondents, directly and through their franchisees, have represented in advertisements the asserted advantages of their system, as hereinbefore described. In many cases, respondents, directly and through their franchisees, have not disclosed in such advertisements that a surgical procedure is a required step in the system. In no case have respondents' or their franchisees' advertisements disclosed:

a. that clients may experience discomfort and pain as a result of the surgical procedure, from the anchors and sutures themselves, and from pulling normally incident to wearing the hairpiece;

b. that clients will be subject to the risk of irritation, infections, and skin diseases as a result of the surgical procedure and as a result of the anchors remaining in the scalp;

c. that permanent scarring to the scalp may result from the required surgical procedures, and as a result of the anchors remaining in the scalp.

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The consequences described in this paragraph have in fact occurred, and to a reasonable medical certainty can be expected to occur, and respondents knew, and have had reason to know, that they could be expected to occur. Furthermore, the surgical procedure has not been used in conjunction with respondents' system for a sufficient experimental period to determine the extent or seriousness of the above side effects, and whether there are any other side effects, including but not limited to rejection of the "anchors" through the human body's natural rejection process.

Therefore, the advertisements referred to in Paragraph Seven are false and misleading, and the acts and practices referred to in said Paragraph are unfair and deceptive.

PAR. 8. For the purpose of inducing the purchase of their Medi-Hair hair replacement system, respondents directly and through their franchisees entice members of the purchasing public to their salons with advertisements of "the ultimate solution to baldness" and like advertisements designed to attract members of the purchasing public concerned about their hair loss, and with offers of free, no obligation consultations. In most cases respondents directly or through their franchisees do not disclose details of their system unless and until a prospect visits a salon. When members of the purchasing public have visited a salon, they have been subjected to intense emotional sales pressure, for the purpose of persuading them to sign a contract for the application of the Medi-Hair System (hereinafter sometimes referred to as "contract(s)"), and to make a substantial downpayment, without being afforded a reasonable opportunity to consider and comprehend the scope and extent of the contractual obligations involved, the seriousness of the surgical procedure and the possibilities of discomfort, pain, disease or disfigurement related thereto, or the possibilities of discomfort, pain, disease, or disfigurement related to the continued presence of the anchors in the scalp. Persons are insistently urged, cajoled, and coerced to sign such contracts and make such downpayments, through the use of persistent and emotionally forceful sales presentations, employing the following tactics, among others:

1. Representing that an increase in the price for application of the system is imminent, and that a prospect can obtain the current lower price if and only if he will sign a contract and/or make a downpayment on the initial visit.

2. Representing that the salon pays fees to customers for use of "before" and/or "after" photographs, that only one or a few more such photographs are needed, and that a prospect can earn such a

fee only by signing a contract and/or making a downpayment immediately.

3. Representing that the consumer demand for application of the system is overwhelming, that appointment schedules for application of the system will soon be filled for some time into the future, and that a prospect can only be assured of a Medi-Hair application in the near future by signing a contract and/or making a downpayment immediately.

4. Inducing prospects to sign contracts and/or make downpayments, and to sign medical releases before they have consulted a medical doctor and freely and openly discussed with such doctor the medical risks and consequences of the surgical procedure, and of the anchors being embedded in their scalp. Such consultations typically occur immediately before the commencement of surgery, by which time the client is likely to feel pressured to go through with the application.

Therefore, the advertisements referred to in Paragraph Eight were and are false and misleading, and the facts and practices set forth in such Paragraph were and are unfair and deceptive.

PAR. 9. In the course and conduct of their business, and at all times mentioned herein, respondents and their franchisees have been and are in substantial competition in commerce with corporations, firms, and individuals, in the sale of cosmetics, devices and treatments for the concealment of baldness.

PAR. 10. The use by respondents, directly and through their franchisees, of the above unfair and deceptive representations and practices has had, and now has, the capacity and tendency to mislead consumers, and to unfairly influence consumers to hurriedly and precipitately sign contracts for the application of the Medi-Hair hair replacement system, and to make partial or full payment therefor, without affording them reasonable opportunity to consider and comprehend the scope and extent of the contractual obligations involved, or the seriousness of the surgical procedure, and the possibilities of discomfort, pain, disease or disfigurement related thereto, and related to the continual presence of the anchors in the scalp, or to compare prices, techniques, and devices available from competing corporations, firms, and individuals selling baldness concealment cosmetics, devices, and treatments to the purchasing public.

PAR. 11. The respondents' acts and practices alleged herein are to the prejudice and injury of the purchasing public, and to respondents' competitors, and constitute unfair methods of competition in commerce, and unfair and deceptive acts and practices in commerce

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in violation of Section 5 of the Federal Trade Commission Act, and false advertisements disseminated by United States mails, and in commerce, in violation of Section 12 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore issued its complaint charging respondents named in the caption hereof with violation of Section 5 of the Federal Trade Commission Act; and

The Commission having withdrawn the matter from adjudication for the purpose of negotiating a settlement by the entry of a consent order; and

The respondents and counsel for the Commission having executed an agreement containing a consent order, an admission by 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 set forth in such complaint, and waivers and 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 makes the following jurisdictional findings, and enters the following order:

1. Respondent Medi-Hair International is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business presently located at Suite 926, 8500 Wilshire Boulevard, Beverly Hills, California.

2. Respondent Jack I. Bauman was formerly an officer and director of Medi-Hair, has lent his name and reputation as a medical doctor to the promotion of Medi-Hair, and in representative and individual capacities has engaged in the promotion and sale of Medi-Hair; he is presently not active in the affairs of the corporation. His address is 3965 "J" Street, Sacramento, California.

3. 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 Medi-Hair International, a corporation, and Jack I. Bauman, individually, and as an officer and di-

rector of said corporation if he should again become an officer and/or a director of said corporation, (hereinafter sometimes referred to as "respondents"), and respondents' agents, representatives, employees, successors and assigns, directly or through any corporate or other device or through its franchisees or licensees, in connection with the advertising, offering for sale, sale, or distribution of the Medi-Hair hair replacement system or other hair replacement product or process involving surgery (hereinafter sometimes referred to as the "System"), in commerce, as "commerce" is defined in the Federal Trade Commission Act, or by the United States mails within the meaning of Section 12(a)(1) of the Federal Trade Commission Act do forthwith cease and desist from representing, directly or by implication:

1. That the system does not involve wearing a device or cosmetic which is like a hairpiece or toupee;
2. That after the system has been applied, the hair applied becomes part of the anatomy like natural hair, teeth, and fingernails and has the following characteristics of natural hair.
 - a. the same appearance in all applications as natural hair, upon normal observation, and upon extreme close-up examination;
 - b. it may be cared for like natural hair where care involves possible pulling on the hair;
 - c. the wearer may engage in physical activity and movement with the same disregard for his hair as he would if he had natural hair.
3. That after the system has been applied, the wearer can care for it himself, and will not have to seek professional or skilled assistance in maintaining the system, and that the customer will not incur maintenance costs over and above the cost of applying the system.

It is further ordered, That respondents, in advertising, offering for sale, selling or distributing the system, disclose clearly and conspicuously that:

1. The system involves a surgical procedure resulting in the implantation of wire sutures in the scalp, to which hair is affixed.
2. By virtue of the surgical procedure involving implantation of wire sutures in the scalp, and by virtue of the wire suture remaining in the scalp, there is a high probability of discomfort and pain, and a risk of infection, skin disease and scarring.
3. The system has been in use for too short a period of time to determine to a reasonable medical certainty the extent or seriousness

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of the above-described side-effects, or whether there are other side-effects.

4. Continuing special care of the system is necessary to minimize the probabilities and risks referred to in subparagraph Two of this paragraph, and such care may involve additional costs for medications and assistance.

5. The purchaser is advised to consult with his personal physician about the system before deciding whether to purchase it.

Respondents shall set forth the above disclosures separately and conspicuously from the balance of each advertisement or presentation used in connection with the advertising, offering for sale, sale, or distribution of the system, and shall devote no less than 15 percent of each advertisement or presentation to such disclosures. *Provided however*, That in advertisements which consist of less than ten column inches in newspapers and periodicals, and in radio and television advertisements with a running time of one minute or less, respondents may substitute the following statement, in lieu of the above requirements:

Warning: This application involves surgery whereby wire sutures are placed in the scalp. Discomfort, pain, and medical problems may occur. Continuing care is necessary. Consult your own physician.

No less than 15 percent of such advertisements shall be devoted to this disclosure, such disclosure shall be set forth clearly and conspicuously from the balance of each of such advertisements, and if such disclosure is in a newspaper or periodical, it shall be in at least eleven point type.

It is further ordered, That respondents, in connection with the sale of the system, provide prospective purchasers with a separate disclosure sheet containing the information required in the immediately preceding paragraph of this order, subparagraphs one through five, thereof, and that respondents require that such prospective purchasers, subsequent to receipt of such disclosure sheet, consult with a duly licensed physician regarding the nature of the surgery to be done, the probabilities of discomfort and pain, and risk of infection, skin disease, and scarring.

It is further ordered, That, in connection with the sale of the system, no contract for application of the system shall become binding on the purchaser prior to midnight of the third day, excluding Sundays and legal holidays, after the day of the purchaser's above-described consultation with a duly licensed physician, or after the day on which said contract for application of the system was executed, whichever day is later, and that:

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1. Respondents shall clearly and conspicuously disclose, orally prior to the time of sale, and in writing on any contract, promissory note or other instrument executed by the purchaser in connection with the sale of the system, that the purchaser may rescind or cancel any obligation incurred by mailing or delivering a notice of cancellation to the office responsible for the sale prior to midnight of the third day, excluding Sundays and legal holidays, after the day of the purchaser's above-described consultation with a duly licensed physician, or after the day on which said contract for application of the system was executed, whichever day is later.

2. Respondents shall provide a separate and clearly understandable form which the purchaser may use as a notice of cancellation.

3. Respondents shall not negotiate any contract, promissory note, or other instrument of indebtedness to a finance company or other third party prior to midnight of the fifth day, excluding Sundays and legal holidays, after the day of the purchaser's above-described consultation with a duly licensed physician, or after the day on which said contract for application of the system was executed, whichever day is later.

4. Respondents shall obtain for each purchaser a certificate signed by the physician who was consulted as required by this order, such certificate specifying that the said physician has explained to the purchaser the nature of the surgery to be done, and has advised him of the probabilities of discomfort and pain, and risk of infection, skin disease and scarring, and specifying the date and approximate time of the consultation, and respondents shall retain all such certificates for three years.

It is further ordered, That respondents, in connection with the advertising, offering for sale, sale, or distribution of the system, serve a copy of this order upon each present and every future licensee or franchisee, and upon each physician participating in application of respondents' system, and obtain written acknowledgment of the receipt thereof; and that respondents obtain from each present and future licensee or franchisee an agreement in writing (1) to abide by the terms of this order, and (2) to cancellation of their license or franchise for failure to do so; and that respondents cancel the license or franchise of any licensee or franchisee that fails to abide by the terms of this order. Respondents shall retain such acknowledgements and agreements for so long as such persons or firms continue to participate in the application or sale of respondents' system.