

IN THE MATTER OF

J. STRICKLAND AND COMPANY, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket 9051. Complaint, Aug. 19, 1975—Decision, May 18, 1976*

Consent order requiring a Memphis, Tenn., manufacturer of depilatory products and their Nashville, Tenn., advertising agency, among other things to cease failing to disclose cautionary statements in advertising and on product labels; and to provide complete directions on labels and packaging for use of depilatory products.

Appearances

For the Commission: *Barry E. Barnes.*

For the respondents: *Edward G. Thompson, Pope & Thompson,* Memphis, Tenn., *William W. Royal, Sloane & Royal,* Washington, D.C., for J. Strickland and Company, Inc., and *Mildred B. Long, Charles L. Carnelius,* Nashville, Tenn., for Noble-Dury & Associates, Inc.

COMPLAINT

The Federal Trade Commission, having reason to believe that J. Strickland and Company, Inc., a corporation, Mildred B. Long, individually and as an officer of said corporation, and Noble-Dury and Associates, Inc., a corporation, hereinafter sometimes referred to as respondents, have violated Sections 5 and 12 of the Federal Trade Commission Act, as amended, and that a proceeding in respect thereof would be in the public interest, hereby issues this complaint, stating its charges as follows:

PARAGRAPH 1. Unless otherwise required by context, the following definition shall apply for purposes of this complaint and the accompanying order:

"Material facts" means facts material in light of representations made or material with respect to consequences which may result from the use of the commodity to which the advertisement or representations relate under such conditions as are customary or usual or under the conditions prescribed in the advertisement or representations.

All allegations in this complaint stated in the present tense include the past tense.

PAR. 2. Respondent J. Strickland and Company, Inc., hereinafter J. Strickland, is a Tennessee corporation with its office and principal place of business located at 1400 Ragan St., Memphis, Tennessee.

Respondent Mildred B. Long is an officer of J. Strickland. She

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formulates, directs and controls the policies, acts and practices of J. Strickland, including those hereinafter set forth. Her address is the same as that of said corporation.

Respondent Noble-Dury and Associates, Inc., hereinafter Noble-Dury, is a Tennessee corporation with its office and principal place of business located at 3814 Cleghorn Ave., Box 15363, Nashville, Tennessee.

PAR. 3. Respondents J. Strickland and Mildred B. Long engage in the manufacturing, advertising, offering for sale, sale and distribution of Royal Crown Depilatory Shaving Powder, hereinafter "Royal Crown," a facial depilatory or beard removal product, which is a "drug" or "cosmetic," or both, as those terms are defined in Section 15 of the Federal Trade Commission Act. When applied to the skin, said product removes facial hair through chemical action. It is used frequently by men who suffer from pseudofolliculitis, or "razor bumps," a painful skin condition caused by shaving with a razor.

PAR. 4. Respondent Noble-Dury is the advertising agency for J. Strickland and prepares, places for publication, and causes the dissemination of advertising material, including but not limited to advertising referred to herein, to promote the sale of Royal Crown.

PAR. 5. In the course and conduct of its business respondents J. Strickland and Mildred B. Long cause Royal Crown, when sold, to be shipped and distributed from its place of business to retail stores and other purchasers located in various other States of the United States. Respondents J. Strickland, Mildred B. Long and Noble-Dury disseminate or cause to be disseminated certain advertisements concerning Royal Crown (1) by United States mail, newspapers and magazines of interstate circulation, radio broadcasts of interstate transmission, and by other means in or having an effect upon commerce, for the purpose of inducing, or which are likely to induce, directly or indirectly, the purchase of Royal Crown; or (2) by various means, for the purpose of inducing, or which are likely to induce, the purchase in or having an effect upon commerce of Royal Crown. Thus, respondents maintain a substantial course of trade in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 6. Typical and illustrative of the statements and representations made in respondents' advertisements, but not all inclusive thereof, are the following:

Made for men with tough beards, tender skins, ingrown hair problems — any man who needs to shave without a razor.

* * * * *

Even big, strong men sometimes have tender skin. And that's what men like about

Royal Crown . . . The easy-going depilatory that creams beard away so never worry about razor pull or irritation.

PAR. 7. Through the use of the above statements and representations, and others not specifically set forth herein, respondents represent, directly or by implication, that Royal Crown is a safe means of removing facial hair without a razor for virtually everyone, including men with tender skin.

PAR. 8. In truth and in fact Royal Crown contains chemicals which can cause burns, rashes, and other skin irritations for a substantial number of users. The product should be used with caution at all times, especially by those whose skin is tender or severely irritated. Label directions should be followed carefully.

Therefore, the advertisements, statements and representations referred to in Paragraphs Six and Seven are false, misleading and deceptive, and also constitute "false advertisements" as that term is defined in the Federal Trade Commission Act.

PAR. 9. Respondents advertise Royal Crown without disclosing that (1) the product may cause skin irritations; (2) the product should not be used by persons whose skin is tender or severely irritated; and (3) label directions should be followed carefully.

These are material facts which, if known to consumers, would be likely to affect their decision to purchase Royal Crown. Therefore, failure to disclose such facts is misleading, deceptive, and unfair and such advertisements also constitute "false advertisements" as that term is defined in the Federal Trade Commission Act.

PAR. 10. In the further course and conduct of its business respondents J. Strickland and Mildred B. Long market Royal Crown without disclosing on the product label that:

A. The product may cause skin irritations. Label directions should be followed carefully.

B. Use of the product should be discontinued if irritation, burning, or allergic reactions occur.

C. The product should not be used in conjunction with an alcoholic shaving lotion.

D. The product should not be used if perspiring heavily.

E. One should not wash face before using the product.

F. To avoid excessive irritation the amount of time the product is left on the skin is crucial.

G. The product should not be used within 36 hours after shaving with a razor or a depilatory.

These are material facts which, if known to consumers, would be likely to affect their decision as to whether or not to purchase Royal

Crown. Therefore, failure to disclose such facts on the product label is unfair and deceptive.

PAR. 11. Respondents' aforesaid use of false, misleading and deceptive advertisements and unfair and deceptive labeling has the tendency and capacity to mislead and deceive consumers into erroneous and mistaken beliefs about the safety of Royal Crown and into the purchase of substantial quantities of the product.

PAR. 12. In the course and conduct of their business, and at all times mentioned herein, respondents have been and are now in substantial competition in or affecting commerce with corporations, firms and individuals engaged in the sale of products of the same general kind and nature as sold by respondents.

PAR. 13. The aforesaid acts and practices of respondents are all to the prejudice and injury of the public and respondents' competitors and constitute unfair or deceptive acts or practices and unfair methods of competition in or affecting commerce in violation of Sections 5 and 12 of the Federal Trade Commission Act, as amended.

DECISION AND ORDER

The Commission having heretofore issued its complaint charging the respondents named in the caption hereto with violation of Sections 5 and 12 of the Federal Trade Commission Act, and the respondents having been served with a copy of the complaint; and

The respondents J. Strickland and Company, Inc. and Noble-Dury and Associates, Inc. and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the complaint, 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 other provisions as required by the Commission's Rules; and

The Commission having withdrawn the matter from adjudication for the purpose of considering the agreement containing consent order; and

Mildred B. Long, an officer of J. Strickland and Company, Inc., having been dropped as a named party respondent in the matter; and

The Commission having considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of sixty (60) days, now in further conformity with the procedure

prescribed in Section 3.25(d) of its Rules, the Commission hereby makes the following jurisdictional findings, and enters the following order:

A. Respondent J. Strickland and Company, Inc. is a Tennessee corporation with its office and principal place of business located at 1400 Ragan St., Memphis, Tennessee.

Respondent Noble-Dury and Associates, Inc. is a Tennessee corporation with its office and principal place of business located at 3814 Cleghorn Ave., Box 15363, Nashville, Tennessee.

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

ORDER

I.

It is ordered, That respondents J. Strickland and Company, Inc., and Noble-Dury and Associates, Inc., corporations, their successors and assigns, officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with the advertising, offering for sale, sale or distribution of Royal Crown Depilatory Shaving Powder or any depilatory product, do forthwith cease and desist from:

A. Disseminating or causing to be disseminated by United States mail or by any means in or having an effect upon commerce, as "commerce" is defined in the Federal Trade Commission Act, any advertisement which fails to clearly and conspicuously disclose the following statement in boldface capital letters exactly as it appears below, with nothing in contradiction thereof:

CAUTION: THIS PRODUCT MAY CAUSE SKIN IRRITATIONS. DO NOT
USE IF SKIN IS TENDER OR SEVERELY IRRITATED. FOLLOW
DIRECTIONS CAREFULLY.

B. Disseminating 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 any such product in or having an effect upon commerce, as "commerce" is defined in the Federal Trade Commission Act, any advertisement which fails to meet the requirement of Part I.A. of this order.

II.

It is further ordered, That respondent J. Strickland and Company, Inc., a corporation, its successors and assigns, officers, agents, representatives and employees, directly or through any corporation,

subsidiary, division or other device, in connection with the offering for sale, sale or distribution of Royal Crown Depilatory Shaving Powder or any depilatory product in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from failing to clearly and conspicuously disclose on the outer package box, if such is used, and on the product label:

A. The following statement in boldface capital letters exactly as it appears below with nothing in contradiction thereof:

CAUTION: THIS PRODUCT MAY CAUSE SKIN IRRITATIONS. DO NOT
USE IF SKIN IS TENDER OR SEVERELY IRRITATED. FOLLOW
LABEL DIRECTIONS CAREFULLY.

The above statement shall appear as the first item on the information panel of the product label and package box, if such is used.

B. A statement that use of the product should be discontinued if irritation, burning or allergic reactions occur.

C. Complete directions for use of the product, including but not limited to the following:

1. The product should not be used in conjunction with an alcoholic shaving lotion;
2. The product should not be used if perspiring heavily;
3. One should not wash before using the product;
4. To avoid excessive irritation, the amount of time the product is left on the skin is crucial; and
5. If hairs remain after the first application, do not immediately reuse the product. The product should not be used in any event within 36 hours after shaving with a razor or a depilatory.

III.

It is further ordered, That respondents forthwith deliver a copy of this order to their present and future officers, directors, and operating divisions, and that respondents secure from each such person and division a signed statement acknowledging receipt of this order.

IV.

It is further ordered, That respondents maintain complete business records relative to the manner and form of their continuing compliance with the terms and provisions of this order. Each record shall be retained by respondents for three years after such record is made.

V.

It is further ordered, That corporate respondents notify the

Commission at least thirty (30) days prior to any proposed change in the respondents 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 this order.

VI.

It is further ordered, That respondents shall, within sixty (60) days after service upon them of this order, file with the Commission a written report setting forth in detail the manner and form of their compliance with this order.

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IN THE MATTER OF

WEAVER AIRLINE PERSONNEL SCHOOL, INC., ET AL.

Docket C-2638. Decision, Feb. 13, 1976—Order, May 18, 1976*

Order requiring respondents to show cause why order to cease and desist should not be altered and modified; reopening the proceeding; and staying and suspending until further order of the Commission the enforcement of and respondents' duty to comply with Paragraph 12 of the order.

Appearances

For the Commission: *Keith Q. Hayes* and *Charles B. Wesonig*.

For the respondents: *Cahill, Gordon and Reindel*, New York City.

ORDER TO SHOW CAUSE AND ORDER MODIFYING ORDER

On February 24, 1976, the Commission issued an order to show cause why the Order to Cease and Desist, issued February 13, 1975 [85 F.T.C. 237], in this proceeding, should not be reopened and Paragraph 12 of said order modified and altered. Paragraph 12 requires the creation of an escrow account from which partial restitution to certain students is to be made. Complaint counsel represented to the Commission, and respondents do not deny, that Federal tax liens in the amount of \$564,611 may attach to such escrow account, just as they have attached to the accounts receivable of respondent Weaver Airline Personnel School, Inc.

Paragraph 12 further requires respondent Weaver to notify former students who had made partial payments towards tuition on the date the order became final of their right to partial restitution if they make affirmations as set out in the order. Since one of the affirmations is that a student has paid his tuition in full, the notifying letter would encourage former students to pay their outstanding accounts in the expectation of receiving partial restitution. The satisfaction of the Federal tax liens out of the escrow account could eliminate or substantially diminish the funds in the escrow account. Therefore, to avoid the possibility that respondents' compliance with Paragraph 12 would encourage student funding of an escrow account that would not benefit the students, our Order to Show Cause proposed to modify Paragraph 12 by staying and suspending respondents' duty to comply with Paragraph 12 until further order of the Commission.

It is now clear, however, that the necessity for a permanent stay is obviated by Paragraph 13 of the order, which provides that respondent General Educational Services Corporation (GESC) will guarantee the

* See 85 F.T.C. 237.