

IN THE MATTER OF
CREATIVE REPLACEMENTS, INC., ET AL.

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

Docket 9020. Complaint, March 12, 1975 — Decision, Sept. 8, 1976

Consent order requiring a Brooklyn, N.Y., manufacturer and seller of hair replacement products, among other things, to cease misrepresenting guarantees, appearance, durability, care and safety of their hair replacement implant System; failing to disclose that the System involves surgical procedures which can result in pain, infection, scarring and skin disorders; and requires continuing special care. Additionally, order requires that prospective customers be advised to seek medical consultation prior to purchase of implant System; that 15 percent of all advertisements be devoted to warning disclosure statements; and provides for a "cooling-off" period during which customers may cancel their contracts without forfeiting their deposits.

Appearances

For the Commission: *Harold F. Moody and Rodney E. Gould.*

For the respondents: *Edward H. Weinberg, Simon, Wasserman & Weinberg, Great Neck, N.Y.*

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 the above-captioned corporations and individuals, more particularly described and referred to hereinafter as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Creative Replacements, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 2335 Coney Island Ave., Brooklyn, New York.

Respondent Nu-Hair Replacement Center, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 2335 Coney Island Ave., Brooklyn, New York.

Respondent United Hair Extension, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 2335 Coney Island Ave., Brooklyn, New York.

Respondent Nu-Hair International of Atlanta, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Georgia, with its principal office and place of business located at 3958 Peachtree Road, Atlanta, Georgia. This corporation functions as a branch office of corporate respondent Nu-Hair Replacement Center, Inc.

Respondent Jerome Schrank (also known as Jerry Jay) is an individual and an officer of corporate respondents Creative Replacements, Inc., Nu-Hair Replacement Center, Inc., United Hair Extension, Inc., and Nu-Hair International of Atlanta, Inc.

He formulates, directs and controls the acts and practices of said corporate respondents, including the acts and practices hereinafter set forth. His business address is 2335 Coney Island Ave., Brooklyn, New York.

Respondent Nu-Hair International of Boston, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the Commonwealth of Massachusetts with its principal office and place of business located at 120 Cambridge St., Burlington, Massachusetts. This corporation is a licensee of respondent Creative Replacements, Inc. Prior to August 9, 1973 respondent Nu-Hair International of Boston, Inc. functioned as a branch office of respondent Nu-Hair Replacement Center, Inc.

Respondent Arthur L. Mazur is an individual and officer of corporate respondent Nu-Hair International of Atlanta, Inc. and director of corporate respondent Nu-Hair International of Boston, Inc.

Individual respondent Arthur L. Mazur, together with individual respondent Jerome Schrank, formulates, directs and controls the acts and practices of corporate respondent Nu-Hair International of Atlanta, Inc., including the acts and practices hereinafter set forth. The business address of respondent Arthur L. Mazur is 120 Cambridge St., Burlington, Massachusetts.

Respondent Michael B. Kaufman is an individual and officer of corporate respondent Nu-Hair International of Boston, Inc. Together with individual respondent Arthur L. Mazur he formulates, directs and controls the acts and practices of corporate respondent Nu-Hair International of Boston, Inc., including the acts and practices hereinafter set forth. The business address of respondent Michael B. Kaufman is 120 Cambridge Street, Burlington, Massachusetts.

All of the aforementioned respondents cooperate and act together in the carrying out of the acts and practices hereinafter set forth.

PAR. 2. Respondent Creative Replacements, Inc. manufactures and distributes hair replacement products and allied items and grants licenses to licensees via a License-Distributor Agreement for the

promotion and sale of a medical implant hair replacement system, and promotes on its own behalf and on behalf of its licensees said hair replacement system. (Hereinafter sometimes referred to as the "Creative Implant Method".)

The Creative Implant Method, has been, and is, being marketed under the name "Medical Implant System" (hereinafter sometimes referred to as the "System") by respondent Creative Replacements, Inc. through a licensee, respondent Nu-Hair International of Boston, Inc. doing business as Headquarters. The System involves a surgical procedure whereby a teflon coated stainless steel thread is used to stitch five to nine hollow metal cylinders or clips into the scalp of respondents' customers. A polyethylene gridwork base, to which wefts of hair have been attached, is then affixed to the cylinders or clips.

The licensee sells, installs and maintains the system manufactured and distributed by Creative Replacements, Inc., except that the surgical procedure is performed by a medical doctor.

The licensees' right to use the "Creative" trade name and the Creative Implant Method are derived from a "License-Distributor Agreement" with respondent Creative Replacements, Inc. The License-Distributor Agreement provides, *inter alia* for an annual license fee to be paid to respondent Creative Replacements, Inc. by the licensee; for respondent Creative Replacements, Inc. to supply advertising, display materials and advertising mats to its licensees, and to provide information regarding the Creative Implant Method to any medical doctor selected by the licensees to act as medical practitioner for purposes of applying the Creative Implant Method to licensees' clients.

In the manner aforesaid, respondent Creative Replacements, Inc. furnishes the means, instrumentalities, services and facilities for, and condones, approves, and accepts the pecuniary and other benefits flowing from the acts and practices hereinafter set forth of respondent's licensees.

Respondent Nu-Hair Replacement Center, Inc. is engaged in the manufacture and advertising, offering for sale and sale of the Medical Implant Hair Replacement System to the general public in the metropolitan New York City area.

Respondent United Hair Extension, Inc. is engaged in the advertising, offering for sale and sale of the Medical Implant Hair Replacement System to the general public in the metropolitan New York City area.

Respondent Nu-Hair International of Atlanta, Inc. is engaged in the advertising, offering for sale and sale of the Medical Implant Hair Replacement System to the general public in Atlanta, Georgia.

PAR. 3. In the course and conduct of their business, respondent Creative Replacements, Inc. and individual respondent Jerome Schrank

transmit advertising and public relations materials, contracts, letters, instruction sheets, and other written instruments and communications, and oral communications, from respondents' place of business in the State of New York, to their licensee located in the Commonwealth of Massachusetts and to their branch office located in the State of Georgia; in addition, respondents at their place of business in the State of New York, derive income, including but not limited to license fees, from their licensee located in the Commonwealth of Massachusetts. As a result of such transmittal of advertising and public relations material, such written instruments and communications and oral communication, and such income, respondents Creative Replacements, Inc. and Jerome Schrank have maintained a substantial course of trade in or affecting commerce, as "commerce" is used in Sections 5 and 12 of the Federal Trade Commission Act.

And in addition, respondents Creative Replacements, Inc. and Jerome Schrank, directly and through their licensee and respondents Nu-Hair Replacement Center, Inc., United Hair Extension, Inc., Nu-Hair International of Atlanta, Inc., Nu-Hair International of Boston, Inc., Jerome Schrank, Arthur L. Mazur and Michael B. Kaufman directly, have disseminated and caused the dissemination of, advertisements concerning their said System by the United States mail and by various other means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to advertisements inserted in newspapers of general circulation, brochures and in oral sales presentations to prospective purchasers and purchasers, for the purpose of inducing, and which are likely to induce, directly or indirectly, the purchase of said System; and respondents have also disseminated, and caused the dissemination of, advertisements concerning their System by the aforesaid means for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of their said System in commerce, as "commerce" is defined in 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 System, respondents have made and are now making numerous statements and representations in advertisements inserted in newspapers and magazines of general circulation, brochures, other promotional literature and in oral presentations to prospective purchasers. Typical of the statements and representations contained in said advertisements, brochures, promotional literature and oral presentations, but not all inclusive thereof, are the following:

A. *Newspaper Advertisements*

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TESTED.PERFECTED.SAFE.PERMANENT!

* * * * *

SWIM.SHOWER.SHAMPOO.COMB IT!

* * * * *

With our ingenious invention you can have a full head of hair in just two hours that cannot come off. It offers economy because there are not return visits required.

* * * * *

GUARANTEE---You must be completely satisfied at time of delivery or there is absolutely no charge.

B. *Brochures*

The actual medical work performed is relatively a painless surgical procedure, thus becoming part of the client's anatomy—like your own hair again.

* * * * *

Nu-Hair is a revolutionary technique of hair addition and extension of existing hair for both men and women. It's called "IMPLANTING" hair where none exists, making it a part of you.

* * * * *

Through the years, the buying public always knew that a hairpiece was only a temporary way of having hair, and the embarrassment of a hairpiece was there. — Thanks to a new discovery hair restoration has been achieved to a new and exciting dimension, through a simple medical implant technique.

* * * * *

PERMANENT HAIR IN JUST 2 HOURS!
WITHOUT WEAVING OR TRANSPLANTS
NO FUSS.NO MUSS.NO GLUE OR TAPE

* * * * *

No return visits for tightening, taping, knotting

* * * * *

SWIM IN IT.SHOWER IN IT. EXERCISE IN IT. DANCE IN IT

C. *Oral Representations*

The Nu-Hair System will look like your own hair, can be cared for like your own hair and can be treated like your own hair.

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The process is permanent, and after you get the System you will be able to swim, shower and carry on activities just like it was your own hair.

* * * * *

The hair applied will look just like your own hair, can be cared for just like your own hair and you can engage in physical activities as if its your own hair.

PAR. 5. Through the use of the above statements and representations, and others of similar import and meaning, but not expressly set out herein, respondents have represented, directly or by implication, that:

1. The System does not involve wearing a hairpiece or toupee.
2. The hair applied becomes a permanent part of the anatomy like natural hair 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 washing, combing, brushing, and shampooing may be performed on it in the same manner as might a person with natural hair.
 - c. The wearer may engage in physical activities with as much disregard for his applied hair as might a person with natural hair.
3. After the System has been applied it is safe for all wearers.
4. 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 it, and that the customer will not incur charges over and above the charge for installing the System.
5. The customer receives an unconditional guarantee if he is not satisfied with the System at the time of delivery.

PAR. 6. In truth and in fact,

1. The System does not involve the wearing of a hairpiece or toupee, inasmuch as the affixing of the wefts of hair to the polyethylene gridwork base creates what is essentially a hairpiece or toupee.
2. The hair applied does not become a permanent part of the anatomy like natural hair. The System involves teflon coated stainless steel sutures which are stitched into the scalp by a surgical procedure and which may be rejected by the body. The hair applied differs from natural hair in many respects, including the following:
 - a. It does not have same appearance as natural hair in a substantial number of instances. It is often discernible as a hair piece or toupee upon normal observation, and upon extreme closeup examination.
 - b. It cannot be cared for like natural hair, but requires special care and handling. Strong pulling on the applied hair, such as may be expected to occur in washing, combing, brushing, and shampooing, 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 applied hair and scalp requires extra care. Unless extra care is taken while washing the hair and scalp, foreign particles and dead skin tissue tend to accumulate beneath the base and become a significant source of irritation. The hair styles into which the applied hair 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 applied hair as might a person with natural hair. The wearer must at all times be careful that the applied 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 System applied is not safe for all wearers. Wearers may experience discomfort and pain from the teflon coated stainless steel sutures and from pulling normally incident to wearing the hairpiece. There is a risk of infection, irritation and skin disease as a result of the surgical procedure and as a result of the sutures remaining in the scalp.

4. The wearer cannot in most instances care for the applied hair himself; he must seek professional or skilled assistance on many occasions. Medical problems associated with the surgical procedure or the continuing presence of teflon coated stainless steel thread in the scalp may require subsequent visits to a medical doctor. Wearers having some natural hair under the hair applied by respondents would have to have a haircut at regular intervals and such hair would be difficult to cut without skilled assistance and a substantial additional charge for such service would be incurred. 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.

5. The customer does not receive an unconditional guarantee if he is not satisfied with the System at the time of delivery, in that such guarantee is subject to conditions and limitations.

Therefore, respondents' statements, representations, acts and practices, as set forth in Paragraphs Four and Five, were and are false, misleading, unfair or deceptive acts or practices.

PAR. 7. In the course and conduct of their business, respondents have represented in advertisements, brochures and by oral representations the asserted advantages of their System, as hereinbefore described.

Respondents have represented their System to be relatively painless, and in no case have respondents in their advertisements, brochures and oral representations disclosed:

A. That clients may experience discomfort and pain as a result of the surgical procedure, from the teflon coated stainless steel sutures themselves, and from pulling normally incident to wearing the hairpiece.

B. That clients will be subject to the risk of irritation, infection, and skin diseases as a result of the surgical procedure and as a result of the teflon coated stainless steel thread remaining in the scalp; and

C. That permanent scarring to the scalp may result from the required surgical procedures, and as a result of the teflon coated stainless steel thread remaining in the scalp.

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 had reason to know, that they could be expected to occur.

Therefore, the respondents' non-disclosure of material facts, as set forth in Paragraph Seven, was and is false, misleading, unfair and deceptive.

PAR. 8. For the purpose of inducing the purchase of their hair replacement system, respondents entice members of the purchasing public to their Centers with advertisements such as, "* * * you can have a full head of hair in just two hours that cannot come off," and like advertisements designed to attract members of the purchasing public concerned about their hair loss, and with offers of free information without any obligations.

In most cases respondents do not disclose details of their System unless and until a prospect visits a Center. When members of the purchasing public have visited a Center, they have been subjected to sales pressure, for the purpose of persuading them to sign a contract for the application of the System, and to make a substantial down payment, 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 to the continued presence of the teflon coated stainless steel thread in the scalp. Persons are urged to sign such contracts and make such down payments through the use of sales presentations employing the following practice, among others:

A. Inducing prospects to sign contracts and/or make down payments 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 teflon coated stainless steel thread 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, respondents' statements, representations, acts and practices as set forth in Paragraph Eight, were and are false, misleading, unfair or deceptive acts or practices.

PAR. 9. In the course and conduct of their business, and at all times mentioned herein, respondents have been and are in substantial competition in or affecting 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 of the above false, misleading, unfair or deceptive statements, representations, acts and practices and their failure to disclose material facts has had, and now has, the capacity and tendency to mislead consumers, and to unfairly induce consumers to hurriedly and precipitately sign contracts for the application of the Medical Implant 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 and disfigurement related thereto, and related to the continual presence of the teflon coated stainless steel thread 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 or affecting commerce, and unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act, and false advertisements disseminated by United States mail, and in commerce, in violation of Section 12 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having issued its complaint on March 12, 1975, charging the respondents named in the caption hereto with violation of the Federal Trade Commission Act, and respondents having been served with a copy of that complaint; and

Respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by

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 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

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 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:

1. Respondent Creative Replacements, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 2335 Coney Island Ave., Brooklyn, New York.

Respondent Nu-Hair Replacement Center, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 2335 Coney Island Ave., Brooklyn, New York.

Respondent United Hair Extension, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 2335 Coney Island Ave., Brooklyn, New York.

Respondent Nu-Hair International of Atlanta, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Georgia, with its principal office and place of business located at 3958 Peachtree Road, Atlanta, Georgia. This corporation functions as a branch office of corporate respondent Nu-Hair Replacement Center, Inc.

Respondent Jerome Schrank (AKA Jerry Jay) is an individual and an officer of corporate respondents Creative Replacements, Inc., Nu-Hair Replacement Center, Inc., United Hair Extension, Inc., and Nu-Hair International of Atlanta, Inc.

He formulates, directs and controls the acts and practices of said corporate respondents, including the acts and practices hereinafter set forth. His business address is 2335 Coney Island Ave., Brooklyn, New York.

Respondent Nu-Hair International of Boston, Inc. is a corporation, organized, existing and doing business under and by virtue of the laws of the Commonwealth of Massachusetts with its principal office and

place of business located at 120 Boylston St., Boston, Massachusetts. This corporation is a licensee of respondent Creative Replacements, Inc. Prior to August 9, 1973 respondent Nu-Hair International of Boston, Inc. functioned as a branch office of respondent Nu-Hair Replacement Center, Inc.

Respondent Arthur L. Mazur is an individual and officer of corporate respondent Nu-Hair International of Atlanta, Inc. and director of corporate respondent Nu-Hair International of Boston, Inc.

Individual respondent Arthur L. Mazur, together with individual respondent Jerome Schrank, formulates, directs and controls the acts and practices of corporate respondent Nu-Hair International of Atlanta, Inc., including the acts and practices hereinafter set forth. The business address of respondent Arthur L. Mazur is 120 Boylston St., Boston, Massachusetts.

Respondent Michael B. Kaufman is an individual and officer of corporate respondent Nu-Hair International of Boston, Inc. Together with individual respondent Arthur L. Mazur he formulates, directs and controls the acts and practices of corporate respondent Nu-Hair International of Boston, Inc., including the acts and practices hereinafter set forth. The business address of respondent Michael B. Kaufman is 120 Boylston St., Boston, Massachusetts.

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

ORDER

It is ordered, That respondents Creative Replacements, Inc., a corporation, Nu-Hair Replacement Center, Inc., a corporation, doing business as Nu-Hair Replacement Centres International, Ltd., United Hair Extension, Inc., a corporation, doing business as Permanent International, Nu-Hair International of Atlanta, Inc., a corporation, doing business as Nu-Hair International of Atlanta, Nu-Hair International of Boston, Inc., a corporation, their successors and assigns, and their officers, and Jerome Schrank (AKA Jerry Jay), Michael B. Kaufman, and Arthur L. Mazur, individually and as officers and/or directors of said corporations, or any of them, and respondents' 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 an implant hair replacement system (hereinafter sometimes referred to as the "System"), or other hair replacement product or process involving surgery, (hereinafter sometimes referred to as the "System") do forthwith cease and desist from:

1. Disseminating or causing to be disseminated any advertisement by means of the United States mails, or by any means in or affecting commerce as "commerce" is defined in the Federal Trade Commission Act, which advertisement represents, directly or indirectly:

(a) That the System does not involve wearing a device or cosmetic which is like a hairpiece or toupee;

(b) That after the System has been applied, the hair applied will become a permanent part of the anatomy like natural hair, or will have the following characteristics of natural hair:

(i) The same appearance in all applications as natural hair, upon normal observation, and upon extreme closeup examination;

(ii) It may be cared for like natural hair, particularly in that actions such as washing, combing, brushing and mussing might be performed on it in the same manner as might a person with natural hair;

(iii) The wearer may engage in physical activity and movement with the same disregard for his applied hair as he would if he had natural hair.

(c) That after the System has been applied it is safe for all wearers.

(d) That after the System has been applied, the customer can care for it himself, and will not have to seek professional or skilled assistance in maintaining the System, or that the customer will not incur maintenance costs over and above the cost of applying the System.

(e) That such products and the System are guaranteed unless the nature and extent of the guarantee, the identity of the guarantor and the manner in which the guarantor will perform thereunder are clearly and conspicuously disclosed; and unless respondents promptly and fully perform all of their obligations and requirements, directly or impliedly represented, under the terms of each such guarantee.

2. Communicating orally or in writing, or in any other manner, directly or by implication, any of the representations prohibited in Paragraph 1 hereof.

3. Failing to disclose, clearly and conspicuously, in all advertising, brochures and promotional materials, and in all oral sales presentations, in offering for sale, selling or distributing the System, that:

(a) The System involves a surgical procedure resulting in the implantation of sutures in the scalp, to which hair is affixed.

(b) By virtue of the surgical procedure involving implantation of sutures in the scalp, and by virtue of the sutures remaining in the scalp, there is a risk of discomfort and pain, and some risk of infection, scarring and other skin disorders.

(c) Continuing special care of the System is necessary to minimize the risks referred to in subparagraph (b) of this paragraph, and such care may involve additional costs for medications and assistance.

(d) 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 or periodicals, and in radio or 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 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 ten point type.

4. Disseminating, or causing the dissemination of any advertisement, by any means, for the purpose of inducing or which is likely to induce, directly or indirectly, the purchase in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, of said System, or any other product, which advertisements contain any of the representations prohibited in Paragraph 1 hereof, or which fail to make any of the disclosures required by Paragraph 3 herein.

It is further ordered, That respondents provide prospective purchasers with a separate disclosure sheet containing the information required in Paragraph 3 of this order, subparagraphs (a) through (d), thereof, and that respondents advise such prospective purchasers, subsequent to receipt of such disclosure sheet, to consult with a duly licensed physician who is not associated, directly or indirectly, financially or otherwise, with the respondents regarding the nature of the surgery to be done, the risks of discomfort and pain, and possible risks of infection, scarring, and other skin disorders.

It is further ordered, That no contract for application of respondents’ system shall become binding on the purchaser prior to midnight of the seventh day, excluding Sundays and legal holidays, after the day on which said contract for application of the system was executed, and that:

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 seventh day, excluding Sundays and legal holidays, after the day on which said contract for application of the system was executed.

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

3. Respondents shall not fail or refuse to honor any valid notice of cancellation by a purchaser and within 10 business days after receipt of such notice, to refund all payments made under the contract or sale and to cancel and return any negotiable instrument executed by the purchaser in connection with the contract or sale and take any action necessary or appropriate to terminate promptly any security interest created in the transaction.

4. 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 tenth day, excluding Sundays and legal holidays, after the day on which said contract for application of the system was executed.

It is further ordered, That whenever respondents perform the application of the system on a customer within 48 hours from the time of that customer's initial contact with respondents, said customer may rescind or cancel any contract or agreement executed and 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 on which the system was applied.

In the event of such cancellation, respondents shall refund all payments made within 10 business days after receipt of notice of such cancellation, provided that said customer shall assume any cost incurred for the removal of the system.

It is further ordered, That respondents serve a copy of this order upon each physician participating in application of respondents' system, and obtain written acknowledgement of the receipt thereof. Respondents shall retain such acknowledgements for so long as such persons continue to participate in the application of respondents' system.

It is further ordered, That respondents notify the Commission at least thirty (30) days prior to any proposed change in any corporate respondent, such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, licensees, or franchisees, or any other change in the

corporation which may affect compliance obligations arising out of the order.

It is further ordered, That in the event that any corporate respondent merges with another corporation or transfers all or a substantial part of its business or assets to any other corporation or to any other person, said respondent shall require such successor or transferee to file promptly with the Commission a written agreement to be bound by the terms of this order; *provided* that if said respondent wishes to present to the Commission any reasons why said order should not apply in its present form to said successor or transferee, it shall submit to the Commission a written statement setting forth said reasons prior to the consummation of said succession or transfer.

It is further ordered, That respondents forthwith distribute a copy of this order to each of their operating divisions, offices, departments or affiliated corporations.

It is further ordered, That respondent Creative Replacements, Inc. serve a copy of this order upon each present and every future licensee or distributor, and obtain written acknowledgement of the receipt thereof; and that respondent obtain from each present and future licensee or distributor an agreement in writing (1) to abide by the terms of this order, and (2) to cancellation of their license for failure to do so; and that respondent cancel the license of any licensee or distributor that fails to abide by the terms of this order.

It is further ordered, That respondents shall forthwith deliver a copy of this order to cease and desist to all present and future personnel of respondents engaged in the offering for sale, sale or distribution of respondents' System or in any aspect of preparation, creation or placing of advertising, and that respondents secure a signed statement acknowledging the receipt of said order from each such person.

It is further ordered, That the individual respondents named herein promptly notify the Commission of the discontinuance of their present business or employment and of their affiliation with a new business or employment. Such notice shall include respondents' current business address and a statement as to the nature of the business or employment in which they are engaged as well as a description of their duties and responsibilities.

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

Commissioner Dole did not participate by reason of absence.

Complaint

88 F.T.C.

IN THE MATTER OF

KRAFTCO CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT AND SEC. 8 OF THE CLAYTON
ACT

Docket 9035. Complaint, June 17, 1975 — Decision, Sept. 9, 1976*

Consent order requiring a Glenview, Ill., manufacturer and seller of margarine, edible oils, and barbecue sauce, among other things to cease permitting individuals to simultaneously serve on its Board of Directors and that of its competitor, SCM Corporation and, for a period of four years, to annually obtain from current and prospective board members written certification that they are not serving on the boards of competitive companies. Additionally, the order prohibits respondent from seating on its Board of Directors, any individual who fails to furnish such written certification.

Appearances

For the Commission: *Ronald A. Bloch, Clinton R. Batterton, and Joseph Tasker, Jr.*

For the respondent: *Chadwell, Keyser, Ruggles, McGee & Hastings, Chicago, Ill.; Hoosin & Taffe, Glenview, Ill.; Sullivan & Cromwell, New York City; Ballard, Spahr, Andrews & Ingersoll, Philadelphia, Pa.*

COMPLAINT

The Federal Trade Commission, having reason to believe that the above-named respondents have been and are in violation of the provisions of Section 8 of the Clayton Act, as amended, and Section 5(a)(1) of the Federal Trade Commission Act, and that a proceeding in respect thereof would be in the public interest, issues its complaint, stating its charges as follows:

PARAGRAPH 1. Respondent Kraftco, Inc. (hereinafter "Kraftco") is a Delaware corporation, and maintains its principal office at Kraftco Court, Glenview, Illinois. Kraftco has capital, surplus, and undivided profits aggregating more than one million dollars, and is engaged in whole or in part in commerce as "commerce" is defined in Section 1 of the Clayton Act and Section 4 of the Federal Trade Commission Act.

PAR. 2. Respondent SCM Corporation (hereinafter "SCM") is a New York corporation, and maintains its principal office at 299 Park Ave., New York, New York. SCM has capital, surplus, and undivided profits aggregating more than one million dollars, and is engaged in whole or

* For decision concerning Richard C. Bond, see, 87 F.T.C. 809, and decision concerning SCM Corporation is pending.