

Complaint

90 F.T.C.

IN THE MATTER OF
PUBLIC RELATIONS SOCIETY OF AMERICA, INC.

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

Docket C-2907. Complaint, Oct. 27, 1977—Decision, Oct. 27, 1977

This consent order, among other things, requires a New York City trade association to cease promulgating rules that affect fee arrangements or business solicitations between members of the association and their clients and prospective clients.

Appearances

For the Commission: *Michele F. Crown.*

For the respondent: *Francis K. Decker, Forsyth, Decker, Murray & Hubbard, New York City.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Public Relations Society of America, Inc., a corporation subject to the jurisdiction of the Commission, has violated and is now violating the provisions of Section 5 of the Federal Trade Commission Act, as amended (15 U.S.C. 45), and it appearing that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint stating its charges as follows:

1. Respondent, Public Relations Society of America, Inc. ("PRSA"), is a not-for-profit membership corporation organized and existing under the laws of the State of New York, with its principal office located at 845 Third Ave., New York, New York.

2. PRSA is a trade association formed for the purposes, *inter alia*, of providing a forum for the interchange of ideas and information between members, to require adherence by members to certain standards of conduct, and to promote the business of public relations and those who practice it to business, professional and other groups, and to the public.

3. Respondent is a membership organization composed of approximately 8,400 persons. Many PRSA members are engaged in the business of providing public relations services for a fee. PRSA members may, and often do, upon successful completion of an examination given by respondent, receive accreditation and may, and often do, use the acronym "APR" after their name to indicate such accreditation.

4. The acts and practices of PRSA and its members are in or affect

commerce as "commerce" is defined in the Federal Trade Commission Act.

5. For many years up to and including the present, PRSA and its members have engaged in a combination, conspiracy and common course of action to restrain the aforesaid interstate commerce. This combination has consisted of a continuing agreement and understanding among PRSA and its members, the substantial terms of which have been and are:

(a) That PRSA adopt, publish and disseminate a code of professional standards containing a provision that restricts the manner in which members of PRSA may set their fees, including a prohibition against proposing or entering into contingent fee arrangements with clients for the payment of services.

(b) That PRSA adopt, publish and disseminate a code of professional standards containing a provision that restricts the solicitation of clients by PRSA members including restrictions on the solicitation of clients of other members.

(c) That the members of PRSA abide by said provisions of the code of professional standards.

(d) That PRSA and its members police said provisions of the code of professional standards.

6. PRSA and its members have done those things which, as alleged in Paragraph 5(a) - (d), they agreed to do, for the purpose of effectuating the aforesaid combination, conspiracy and common course of action.

7. As a result of the acts and practices alleged in Paragraphs 5 and 6:

(a) Prices of members' services have been or have a dangerous tendency to be tampered, stabilized, fixed or otherwise interfered with;

(b) Price competition among the members of PRSA in the sale of their services has been or has a dangerous tendency to be suppressed or eliminated;

(c) Competition between public relations practitioners in the provision of such services has been or has a dangerous tendency to be hindered, restrained, foreclosed or frustrated;

(d) Barriers have been or have a dangerous tendency to be raised with respect to the entry of new public relations practitioners;

(e) Clients requiring the services offered by members of PRSA have been deprived of the benefits of free and open competition in the sale of such services.

8. The combination, conspiracy, and common course of action described above are unfair methods of competition and unfair acts or

practices that constitute violations of Section 5(a) of the Federal Trade Commission Act, as amended.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Competition proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of Section 5 of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent, Public Relations Society of America, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 845 Third Ave., New York, New York.

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

ORDER

I

It is ordered, That respondent, respondent's officers, directors, agents, employees, successors and assigns, cease and desist from adopting, disseminating, continuing or otherwise having in effect any

code of ethics, rule, bylaw, resolution, policy statement, or interpretation thereof, which prohibits or limits in any way the manner in which members may arrange their fees with clients or prospective clients for payment of services; or which prohibits or restricts any communication to clients or prospective clients with respect to the arrangement of fees.

II

It is further ordered, That respondent, respondent's officers, directors, agents, employees, successors and assigns, cease and desist from adopting, disseminating, continuing, or otherwise having in effect any code of ethics, rule, bylaw, resolution, policy statement, or interpretation thereof, which prohibits or restricts a member from soliciting, negotiating, or entering into a business relationship with a prospective client.

III

It is further ordered, That the respondent corporation shall within 60 days from the date of service of this order, send a copy of this order to each chapter of the society in the United States, and cause the publication of this order in the *PRSA National Newsletter* and send a copy thereof to each current member of respondent.

IV

It is further ordered, That respondent notify the Commission at least 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.

V

It is further ordered, That Public Relations Society of America, Inc. shall, within sixty (60) days after the effective date of this order, file with the Commission a written report showing in detail the manner and form of its compliance with each of the provisions of the order.

Complaint

90 F.T.C.

IN THE MATTER OF

ZAYRE CORP.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT*Docket C-2908. Complaint, Oct. 27, 1977 — Decision, Oct. 27, 1977*

This consent order, among other things, requires a Framingham, Mass. operator of a discount department store chain to cease failing to have, in each store covered by advertisements, all advertised items available for sale at or below advertised price, in reasonably sufficient quantities to meet anticipated demands; to conspicuously post advertisements and prescribed notices at store entrances and checkout counters; maintain business records for a three-year period; and institute a surveillance program to ensure that its stores' business practices conform to the terms of this order.

Appearances

For the Commission: *Harold F. Moody.*

For the respondent: *Newton A. Lane, Nathanson & Rudofsky,*
Boston, Mass.

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 Zayre Corp., a corporation, hereinafter sometimes referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereto would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Zayre Corp. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with an office and principal place of business located at 770 Cochituate Road, Framingham, Massachusetts.

PAR. 2. Respondent and its subsidiary corporations are now, and for some time last past have been engaged in the operation of a chain of retail discount department stores. There are presently approximately 250 department stores in respondent's chain, located throughout most states east of the Mississippi River. Its volume of business has