

IN THE MATTER OF
INTERNATIONAL MASTERS PUBLISHERS INC.

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-3205. Complaint, Jan. 14, 1987—Decision, Jan. 14, 1987

This consent order requires, among other things, a Los Angeles mail-order seller of recipe cards to honor cancellation and return requests in a timely manner and prohibits respondent from misrepresenting its return and cancellation policies.

Appearances

For the Commission: *Jerome M. Steiner, Jr.*

For the respondents: *Anne B. Roberts, O'Donnell & Gordon, Los Angeles, Calif.*

COMPLAINT

The Federal Trade Commission, having reason to believe that International Masters Publishers Inc., a corporation ("respondent"), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent International Masters Publishers Inc., is a California corporation. It has its principal office or place of business at 4929 Wilshire Blvd., Los Angeles, California.

PAR. 2. Respondent has advertised, offered for sale, sold, and distributed recipe cards directly to the public through a continuity sales program entitled "My Great Recipes."

PAR. 3. The acts or practices of respondent alleged in this complaint were in or affecting commerce.

PAR. 4. In the course and conduct of its business, and in order to induce the sale of its recipe cards, respondent disseminated directly to consumers certain promotional materials and advertisements, an example of which is attached hereto as Exhibit A.

PAR. 5. Statements contained in said promotional materials included:

A. We'll also send you 72 additional cards for free examination. If you are not satisfied with these additional cards, simply return them. There is no obligation whatsoever.

B. [A]bout every 3 to 4 weeks, we'll send you an additional 3 packages of 24 recipe cards each, at \$2.25 per package, plus a small charge for postage and handling. You are never under any obligation to accept a package of recipe cards. *And*, you may discontinue receiving recipes at any time. The free gifts are yours to keep regardless.

I.

Alleging violations of Section 5(a) of the Federal Trade Commission Act, the allegations of Paragraphs One through Five are incorporated herein by reference.

PAR. 6. Through the use of the statements referred to in Paragraph Five, and others not specifically set forth therein, respondent represented, directly or by implication, that respondent would honor enrollment cancellation requests within a reasonable period of time.

PAR. 7. In truth and in fact, respondent did not honor enrollment cancellation requests within a reasonable period of time. In many instances, consumers who refused to pay for cancelled enrollments were billed and dunned by respondent for nonpayment, and had their accounts referred to collection agencies. Therefore, the representations set forth in Paragraph Six were, and are false and misleading, and the acts and practices described in this paragraph were, and are, unfair.

PAR. 8. The representations, acts, and practices set forth above were likely to induce consumers to order respondent's recipe cards and to receive and pay for recipe cards after cancellation. Respondent's representations, acts, and practices thus caused substantial consumer injury that was not outweighed by countervailing benefits to consumers or competition and was not reasonably avoidable by consumers. Therefore, dissemination of respondent's representations, and respondent's acts and practices constituted and constitute unfair and deceptive acts and practices in violation of Section 5(a) of the Federal Trade Commission Act.

II.

Alleging violations of Section 5(a) of the Federal Trade Commission Act, the allegations of Paragraphs One through Five are incorporated herein by reference.

PAR. 9. Through the use of the statements referred to in Paragraph Five, and others not specifically set forth therein, respondent represented, directly or by implication, that respondent would honor returns of recipe cards within a reasonable period of time.

PAR. 10. In truth and in fact, respondent did not honor returns of recipes cards within a reasonable period of time. In many instances, consumers who refused to pay for returned merchandise were billed

and dunned, and had their accounts referred to collection agencies. Therefore, the representations set forth in Paragraph Nine were, and are, false and misleading, and the acts and practices described in this paragraph were, and are, unfair.

PAR. 11. The representations, acts, and practices set forth above were likely to induce consumers to order respondent's recipe cards and to pay for recipe cards returned to respondent. Respondent's representations, acts, and practices thus caused substantial consumer injury that was not outweighed by countervailing benefits to consumers or competition and was not reasonably avoidable by consumers. Therefore, the dissemination of respondent's representations, and respondent's acts and practices constituted and constitute unfair and deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act.

III.

Alleging violations of Section 5(a) of the Federal Trade Commission Act, the allegations of Paragraphs One through Four are incorporated herein by reference.

PAR. 12. In the course and conduct of its business and for the purpose of collecting debts allegedly resulting from consumer purchases of recipe cards, respondent disseminated various collection and dunning notices to consumers. Examples of said notices are attached hereto as Exhibits B and C.

PAR. 13. Statements contained in such materials included:

A. Unless payment is received within ten days of this notice, your account will be forwarded to a national credit bureau which maintains a national delinquent account file. This alone may result in severe restrictions on your future credit transactions.

B. Moreover, I will be compelled to forward your name to a national credit bureau which maintains a national delinquent account file. This could seriously impair your valued credit rating and restrict future credit dealings of all kinds until this matter is settled.

PAR. 14. Through the use of the statements set forth in Paragraph Thirteen, and others not specifically set forth therein, respondent represented, directly or by implication, that referral of a consumer's name to the credit reporting agency with which respondent deals may adversely affect the consumer's ability to obtain credit for typical consumer transactions.

PAR. 15. In truth and in fact, referral of a consumer's name to the credit reporting agency with which respondent deals would not adversely affect the consumer's ability to obtain credit for typical con-

sumer transactions. Therefore, the representation set forth in Paragraph Fourteen was, and is, false and misleading.

PAR. 16. The representations set forth above were likely to mislead consumers into the erroneous belief that the representations were true and to induce the payment of alleged debts by virtue of said erroneous belief. Therefore, respondent's representations constituted and constitute deceptive acts and practices in violation of Section 5(a) of the Federal Trade Commission Act.

PAR. 17. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

EXHIBIT A



**U.S. COURT ORDERS FREE RECIPES
SENT TO SUBSCRIBERS OF
GREAT RECIPES OF THE WORLD**

As a paid subscriber to Great Recipes of the World, you are entitled to all of the following by returning your enclosed rebate check:

72 Recipe Cards	- \$8.95 - FREE!
33 Divider Cards	- \$1.00 - FREE!
12 Blank Cards	- .85 - FREE!
1 Recipe File Box	- \$9.95 - FREE!
Total:	\$19.85 - FREE!

We'll also send you 72 additional cards for free examination. If you are not satisfied with these additional cards, simply return them. There is no obligation whatsoever. And the other free gifts are yours to keep regardless.

You must return the enclosed rebate check in order to receive your free gifts. The rebate check is not transferable — it is made out to you, and can only be used by you alone. We can ship only to the name on the check (address corrections are acceptable.)

These free gifts are offered in exchange for the balance of the "Great Recipes of the World" issues owed to you. "Great Recipes of the World" will no longer be publishing their magazine.

My Great Recipes®, a company well established in the recipe card business, is making this offer as a way of introducing our recipes to you. However, by sending in the rebate check, you are not obligated to buy anything whatsoever!

Once you send in your rebate check, we will send you all the items mentioned earlier. Then, about every 3 to 4 weeks, we'll send you an additional 3 packages of 24 recipe cards each, at \$2.25 per package, plus a small charge for postage and handling. You are never under any obligation to accept a package of recipe cards. And, you may discontinue receiving recipes at any time. The free gifts are yours to keep regardless.

Our recipes are quick and easy. Each recipe is beautifully photographed and protected with a special laminated coating. All recipes are stain-proof, waterproof, and chip-proof. If you should ever lose one, we'll replace it free of charge.

EXHIBIT A
P. 1 OF 4

(over please)

Complaint

109 F.T.C.

Send in your rebate check today. The free gifts are yours to keep, by order of the U.S. Court. But you must send in your rebate check to receive them!

Hurry, this offer expires May 31, 1985. Send in your rebate check today.

Sincerely,

Mary Masters

Mary Masters

P.S. — Remember, sending in your rebate check does not obligate you to buy anything. We can only ship you your free gifts after we've received your rebate check. The reply envelope enclosed requires no postage.

EXHIBIT A
P. 2 OF 4

Mary Masters, My Great Recipient

My Great Recipes

4829 Wilshire Blvd.
Los Angeles, CA 90010

The U.S. Court has given you the opportunity to exchange what is now basically a worthless subscription, for valuable products.

There's no obligation or hidden catch of any kind.

My Great Recipes® is doing this because we know you'll be so pleased with our quick and easy recipes, you'll want to buy more. By sending in your rebate check, you'll get a "taste" of our recipes. And we're so sure you'll hunger for more, we're willing to give you \$18.95 worth of free gifts.

Even though the balance of the issues owed you is less than \$18.95, our policy is to make sure you're satisfied. We do that by giving you quick and easy recipes, better quality, top-notch service, and value. Our thousands of satisfied customers know this to be true.

All you have to do to receive your free gift is to check "yes" on your enclosed rebate check, and return in the enclosed postage-paid envelope.

Do it now, while you have this in your hand. There's no obligation to buy anything.

Sincerely,

Eric A. Miller

Eric Miller
Vice President
My Great Recipes

P.S. - The time limit on this offer makes it important for you to send back the rebate check today.

Z136

EXHIBIT A
P. 3 OF 4

Complaint

109 F.T.C.

C149

NON - NEGOTIABLE

GREAT RECIPES OF THE WORLD

My Great Recipes®

P.O. Box 76928
4829 Wilshire Blvd.
Los Angeles, CA 90070

1876

☐ YES! I want to exchange the balance of the "Great Recipes of the World" issues owed to me for the offer outlined in this letter. I understand the free gifts are mine to keep with no obligation, by order of the U.S. Court.

☐ NO. Do not exchange the balance of the "Great Recipes of the World" issues owed to me for the offer outlined in this letter. I understand that no additional issues of "Great Recipes of the World" magazine will be sent to me. I also am aware that the Court has made no provision for subscribers other than the free gifts as outlined in this letter.

Check one box only, and return in the enclosed postage paid envelope.

EIGHTEEN AND NINETY FIVE/100

DOLLARS

\$18.95

PAY TO THE
ORDER OFZELMA G MANKHEY
16720 191ST PL NE
WOODINVILLE, WA 98072

Memo: The rebate check, if received by May 31, 1989 may be used in exchange for the offer outlined in the enclosed letter.

PHYSICI

Non-transferable

190699

EXHIBIT TENB
File No. 80-1-3262

Eric A. Miller

EXHIBIT A
P. 4 of 4

Complaint

EXHIBIT B



4929 Wilshire Boulevard, Suite 800, Los Angeles, CA 90010 (213) 935-9122

Dear Member:

By now you have received several sets of my great tasting recipes, but I was surprised to see you have not paid for any of them yet.

Please take a moment to review the enclosed statement of your account, and if there are any problems let me know right away. The amount due reflects a total of all shipments sent to you thus far, however, you may not as of yet received the last shipment.

Unless payment is received within ten days of this notice, your account will be forwarded to a national credit bureau which maintains a national delinquent account file. This alone may result in severe restrictions on your future credit transactions.

In order to avoid such a drastic measure please mail your check today using the enclosed envelope.

Cordially,

Mary Masters

MAKE CHECK OR MONEY ORDER PAYABLE TO:

My Great Recipes®

4929 WILSHIRE BLVD., LOS ANGELES, CA 90010

KEEP THIS STUB

ACCOUNT NUMBER

23-15187297

PLEASE! Return this portion with your payment to insure proper credit to your account. ▶

AMOUNT
42.16

Write your account No.
on check and envelope

YOUR ACCOUNT NUMBER	DATE
23-15187297	59 04/24/84

SHIP DATE	SET NO.	AMOUNT
04/21/84	20, 21, 22	8.45
03/31/84	32, 33, 34	8.45
03/10/84	35, 36, 37	5.42
02/20/84	29, 30, 31	8.42
01/30/84	47, 48, 49	8.42

MISS LORI APGAR
200 LONE-TREE RD
MOLLISTER CA 95023

010323151872970004216015

RETURN THIS PORTION

PAYABLE UPON RECEIPT ▶	AMOUNT
	42.16

enclosed

EXHIBIT B

Complaint

109 F.T.C.

EXHIBIT C

My Great Recipes

4225 Wilshire Boulevard, Suite 620, Los Angeles, CA 90048 (213) 528-9127

Dear Member:

Your account is now seriously past due. You have failed to live up to the terms of your membership agreement.

And, you have failed to advise us of any problems as we patiently asked. So, we can only assume you are using and enjoying the recipes we have sent you thus far, in good faith.

I have been forced to halt any further shipments, a step we always take with greatest regrets. Your 10-day evaluation period has expired. You cannot return the recipes we sent under terms of our agreement. However, this in no way cancels your outstanding balance owed.

Moreover, I will be compelled to forward your name to a national credit bureau which maintains a national delinquent account file. This could seriously impair your valued credit rating and restrict future credit dealings of all kinds until this matter is settled.

This is a drastic measure. I would much rather receive your check within the next ten days and avoid such action.

Eric Gordon,



Credit and Collection Manager

EXHIBIT C

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 the respondent having been furnished thereafter with a copy of a draft of complaint which the San Francisco Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the 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 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent International Masters Publishers Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its offices and principal place of business located at 4929 Wilshire Blvd., Los Angeles, California.

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

ORDER

For purposes of this order, the following definitions shall apply:

A. *Continuity sales plan* means a sales plan requiring the consumer to receive periodic installments of merchandise or services on approval.

B. *Billing cycle* means that period of time between the sending of one scheduled invoice or billing document (whether accompanying a

shipment of goods or not) and the sending of the following scheduled invoice or billing document.

C. *Return* means any item returned under the provisions of a continuity sales plan, as defined above.

D. *Received by respondent* or *receipt by respondent* includes material received at any mail drop respondent has established.

I.

It is ordered, That respondent International Masters Publishers Inc. ("IMP"), its successors and assigns, and their 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 recipe cards or any other product or service by means of a continuity sales plan in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, as amended, do forthwith cease and desist from:

A. Misrepresenting in any manner, directly or by implication, any term or condition for cancellation of enrollment or return of merchandise, or misrepresenting, in any manner, directly or by implication, any right granted to, or any duty or obligation imposed on, any consumer.

B. Failing, by the end of the first billing cycle following the billing cycle in which a consumer's request for cancellation of enrollment is received by respondent, to cancel that consumer's enrollment, and, if thereafter the consumer is contacted in connection with any obligation arising out of the enrollment, to notify that consumer in writing that the enrollment has been cancelled.

C. Sending a consumer more than one additional installment of merchandise following receipt by respondent of an enrollment cancellation request.

D. Failing, by the end of the first billing cycle following the billing cycle in which a consumer's return of merchandise or goods is received by respondent, to credit that consumer's account for the return, and, if thereafter the consumer is contacted in connection with any obligation arising out of the enrollment, to notify the consumer in writing that the account has been credited for the return; *provided, however*, that such written notification may be made in a scheduled billing document or in a separately mailed document.

E. Failing to include in the first communication from respondent to each consumer following enrollment in any of respondent's continuity sales programs the statement attached hereto as Attachment A, or a statement similar thereto, explaining return and cancellation poli-

cies; *provided, however*, that should respondent represent to consumers that cancellations of enrollment, credits for returns of merchandise, or the sending of written confirmations thereof will be accomplished in a shorter time than required under Paragraphs I. B or I. D of this order, respondent, its successors and assigns, shall amend Attachment A to conform with such representation.

II.

It is further ordered, That respondent International Masters Publishers Inc., its successors and assigns, and their 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 any recipe card or other product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, in any manner, directly or by implication, that any consumer's credit rating will or may be adversely affected, or representing, in any manner, directly or by implication, that there will or may be any adverse consequence to failing to pay any amount claimed to be delinquent, unless there is a reasonable likelihood such rating will be so affected or such consequence will occur.

III.

It is further ordered, That for five (5) years after the date of service of this order respondent, its successors and assigns shall maintain, and upon written request make available to the Federal Trade Commission for inspection and copying the following records:

A. For a period of two (2) years from the date of receipt, all documents containing, reflecting, or referring to each consumer complaint relating to cancellation of enrollment in a continuity sales plans, return of merchandise, alleged billing error, or collection effort, as well as such documents or records as will disclose any response thereto.

B. For a period of one year from the date of receipt, copies of each written request for cancellation of enrollment received during the week starting with the third Monday of each month.

C. For a period of one year from the date of preparation, records sufficient to show the date on which each return of merchandise and request for cancellation was made effective.

D. For a period of two years from the date of their last use, specimen copies of all form communications, promotional materials, and adver-

tisements as well as documents sufficient to show the period of time when such documents or materials were in use.

IV.

It is further ordered, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the 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 that may affect compliance obligations arising out of the order.

V.

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

ATTACHMENT A

IMPORTANT INFORMATION: PLEASE RETAIN FOR YOUR RECORDS

RETURNING MERCHANDISE

To return merchandise to us at no cost to you, simply place the goods in the original package, reseal it, and deposit it in a mailbox. Please allow up to two billing cycles [number of days in two billing cycles] for us to process the return. If you receive an invoice or other request for payment for the merchandise returned, you do not need to pay it.

CANCELLATION INFORMATION

You may cancel your enrollment in our program by calling, [number] or by writing to us at [address]. Please allow up to two billing cycles [number of days in two billing cycles] for us to process the cancellation.

In some circumstances, because of unforeseen delays, you may receive one additional shipment from us. If so, merely return the merchandise and any enclosed invoice to us. You will not be charged for that shipment.

IN THE MATTER OF
SOLAR AGE INDUSTRIES, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-3206. Complaint, Jan. 28, 1987—Decision, Jan. 28, 1987

This consent order prohibits, among other things, an Albuquerque, N.M. manufacturer and seller of solar energy heaters from misrepresenting the efficacy and performance of its solar space heaters or any other kind of solar energy equipment, unless it can substantiate its claims. Additionally, respondent is prohibited from using the phrase "up to" in energy-related claims, unless the upper limit of potential savings indicated in the claim can be achieved by an appreciable number of consumers.

Appearances

For the Commission: *Michael Dershowitz.*

For the respondent: *Robert N. Singer, Singer, Smith & Powell, Albuquerque N.M.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Solar Age Industries, Inc. ("Solar Age"), a corporation, has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Solar Age Industries, Inc. is a Nevada corporation with its principal office or place of business at 6400 Uptown Boulevard, Northeast, Albuquerque, New Mexico.

PAR. 2. Respondent manufactures, advertises, offers for sale, sells and distributes solar energy equipment including, *inter alia*, a "solar space heater" which consists of one or more rooftop collectors, one hot and one cold air duct and one small inlet fan, and which is designed to collect, but not store, the sun's rays for supplemental heating of individual residences or other small buildings.

PAR. 3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce.

PAR. 4. In advertisements and through the use of consumer testimonials contained therein, and through promotional materials disseminated to respondent's distributors, respondent has made various statements about the energy savings capability and area heating