

Complaint

117 F.T.C.

IN THE MATTER OF

SAMICK MUSIC CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3496. Complaint, May 27, 1994--Decision, May 27, 1994*

This consent order prohibits, among other things, a California subsidiary of a Korean piano manufacturer from misrepresenting the composition of any of its piano soundboards or any other piano parts in the future, and requires the respondent to pay, to the U.S. Treasury, \$266,000 in disgorgement.

Appearances

For the Commission: *Darren A. Bowie, Michael C. McCarey and Christian S. White.*

For the respondent: *Hugh Grambau, Steptoe & Johnson, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Samick Music 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 is a California corporation, with its office and principal place of business located at 18521 Railroad Street, City of Industry, California.

PAR. 2. Respondent has advertised, labeled, offered for sale, sold and distributed pianos.

PAR. 3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

PAR. 4. Respondent has disseminated or has caused the dissemination of promotional materials for its pianos to consumers and to distributors for use in promoting pianos to consumers.

PAR. 5. Since 1985, respondent's promotional materials have included statements alluding to the composition of the soundboards in respondent's pianos. Typical, and illustrative, are the following:

- A. "Solid Spruce Soundboards" (Exhibit A).
- B. "Soundboards made of the finest Sitka Spruce . . ." (Exhibit B).
- C. "Samick's 'Omni-Directional' soundboards are crafted from clear, quarter-sawn white spruce from Sitka, Alaska, which is the finest soundboard material available." (Exhibit C).
- D. "After two hundred years of experimentation, it has been conclusively determined that there is no material, man-made or natural, that can equal the musical properties of Alaskan Sitka spruce. That is why the ribs and soundboards of all Samick pianos are made from the costliest Alaskan spruce." (Exhibit D).

PAR. 6. By such statements and depictions contained in the materials referred to in paragraph five, above, including but not limited to the materials attached as Exhibits A-D, respondent has represented, directly or by implication, that the soundboards of its pianos are composed entirely of spruce.

PAR. 7. In truth and in fact, from 1985 until early 1990, many such soundboards were not composed entirely of spruce, but were composed of outer spruce layers with inner layers of another type or types of wood. Therefore, the representation set forth in paragraph six, above, was false and misleading.

PAR. 8. The dissemination by respondent of the aforesaid false and misleading representation as alleged in this complaint and the placement in the hands of others of the means and instrumentalities by and through which others may have disseminated said false and misleading representation constitute unfair and deceptive acts or practices in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

Complaint

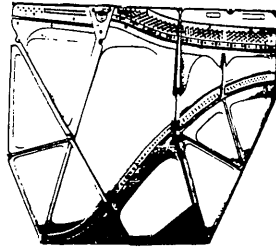
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EXHIBIT A

CUSTOM-CRAFTED ROYAL GEORGE FELT HAMMERS. All hammers used in Samick pianos are crafted from the finest quality 100% virgin "Royal George" high-density wool felt. All felt is tested for weight, thickness, and density to ensure proper resiliency for superior tone quality and long-lasting performance.

PERMA-GRIP AND PERMA-SEALED PINBLOCKS. Each Samick piano utilizes Delignit pinblocks from West Germany. Handcrafted from the finest quarter-sawn hard rock beech, these 21-ply densified beech pinblocks are superior to maple in age and wear properties. Samick pinblocks are seasoned for two years prior to final installation. The result is the ultimate in tuning stability because the pinblock is virtually impervious to atmospheric changes.

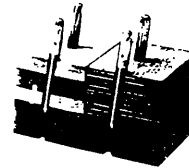
INDIVIDUALLY WEIGHTED, FULL LENGTH CONCERT KEYS. All Samick pianos feature full-length, concert-quality keys made of straight grain Sitka Spruce. Natural keys are



Vacuum Formed Plates

covered with a high-quality acrylic that will never yellow, and black sharp keys are covered with a phenolic material that is pleasing from both a tactile and visual standpoint. To provide evenness of touch and a consummate control throughout the playing range, all keys are individually balanced and properly weighted.

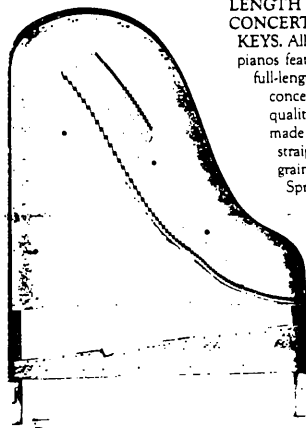
HAND RUBBED FINISHES. All Samick piano case components are carefully



Delignit Pin Blocks

machine sanded and then hand rubbed to produce the rich lustre found on both the high polish and satin finish cabinets. The high technology polyester finish on a Samick piano is impervious to climatic changes. Advanced materials technology and hours of meticulous hand work have yielded the most beautiful and durable finishes.

Each one of these features contributes materially to the musical performance and durability of the Samick piano and makes it possible for Samick to offer the industry's most comprehensive warranty. Samick's Lifetime Limited Warranty is your assurance of a lifetime of musical enjoyment.



Solid Spruce Soundboards

EXHIBIT A

EXHIBIT B

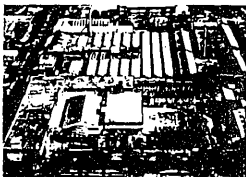
German Scale Superiority
and Samick Design
Engineering

The Samick Imperial Series is a masterful marriage between aesthetics and technology. They have created a brilliant collection whose tone, touch, and durability are destined to create a mystique among knowledgeable piano buyers.

IMPERIAL SERIES UNIQUE FEATURES:

- At the heart of the Imperial Series are the new scales fashioned by Mr. Klaus Fenner, unapiguably the world's preeminent scale designer. Several years were spent in developing scales for every model in the Imperial Series, each of them lending distinctive voice to each model.
- Soundboards made of the finest Sitka Spruce, with all ribs extended to the outer edge.
- Samick's exclusive new vacuum plate process, which in addition to bringing a new level of accuracy in plate casting, produces plates of flawless appearance, size and weight, all contributing to superior sound.
- The new Imperial Series incorporates the most vaunted virtues of artisans from around the world:
Roslau music strings and Delight Beech pinblocks from Germany—Royal George felts from England—Action woods from American Rock Maple.

QUALITY BY DESIGN



Quality Production by Design

Samick boasts a complex of seven factories, each dedicated to its own product from grand pianos, vertical pianos and stringed instruments in precision metal processing, vacuum plate factors, plywood and woodworking, and an especially large sawmill. This unique complex of modern factories is one of the world's largest in the area of musical instruments and affords Samick precise quality control from start to finish.

Exceptional Sound by Design

The true test of any piano is its sound, and because of the exclusive German scale designs, the sound of every Samick piano deserves

INTERNATIONAL
OLYMPIC DESIGN
AWARDGRAND PRIX
AWARD

Samick is proud to have recently received the coveted International Design Award commending the artisans' skills in fine piano making and the Grand Prix Award for quality.



Lifetime Warranty

Samick warrants its Imperial Series pianos for a lifetime against defects in materials and workmanship. This warranty is valid only if the piano is properly maintained and used in accordance with the instructions in the owner's manual.

Imperial German Duplex Scales



The Hamburg-Steinway, Bechstein and Blüthner, recognized as the greatest pianos in the world, achieved their purer, richer and more resonant concert quality sound by incorporating German scale designs. With Imperial Scales, which are German designed, Samick has now joined this renowned group. The Imperial Scales also make Samick the only Asian piano maker to move up to this world class of sound excellence.



special recognition. Its audible pleasure is the result of a complex, four-part interaction of hammer, string, sound board and precise over-all engineering. Mastercraftsmen create, produce, and fine tune each piano with care and pride.

Superior Performance by Design

The best techniques of age-old artisans combined with new technologies and materials make it possible for Samick to provide the world's most versatile, high-performance, state-of-the-art pianos.



EXHIBIT C

SOUNDBOARDS AND RIBS

SAMICK'S "Omni-Directional" soundboards are crafted from clear, quarter-sawn white spruce from Sitka, Alaska, which is the finest soundboard material available. Each soundboard has no less than 8 annual growth rings per square inch. This provides better tone direction and distribution of sound. The soundboards are tapered in thickness in accordance with scientific acoustical principals to give maximum tonal response. The spruce ribs and soundboard are correctly positioned in a book press where the ribs are "heat crowned," perpendicular to the soundboard grain to insure free vibration of the soundboard unit, and a balanced response between the bass and treble registers. The entire surface is then coated with a clear varnish for positive protection. All ribs are feathered at their ends and notched to the outer edge of the soundboard and back-frame of the piano so as to deliver beautiful sounds, a smooth and equal response, and to help preserve the stability and "crown" of the soundboard.

ACOUSTA CROSS BARS

SAMICK engineers have designed special "Acousta Cross Bars" which are placed at very specific points on the soundboard, perpendicular to the ribs, to eliminate all undesirable overtones. The results are a brighter tone throughout the entire scale and longer sustain.

BACK POSTS -- BEAMS

Back posts, (or beams) the "backbone" of the piano, are a primary factor in determining how long the piano will stay in tune. The construction and placement of each are more important than the number of posts or beams. The SAMICK multi-laminated posts have been engineered to maintain the structural integrity of the piano and to help offset the enormous pressure, (over

20 tons), exerted by the string tension. They also contribute to tuning stability.

VACUUM PROCESS IRON PLATE (FRAME)

The iron plate is the metal super structure of the piano. SAMICK research and engineering has produced an exciting technological breakthrough in plate foundry techniques. An exclusive SAMICK design, the SAMICK vacuum plate is engineered to withstand the 20-plus tons of pressure exerted by the tension of the strings.

SAMICK recently completed the installation of the world's largest and fastest vacuum processing plate machine. The machine brings a new standard to the fabrication of piano plates. At optimum efficiency the machine is capable of producing a completed perfect piano plate in 77 seconds, or the equivalent of 145,000 per year! This foundry is staffed by a workforce of only 12 people. This is again proof of SAMICK'S state-of-the-art manufacturing techniques and facilities.

The SAMICK vacuum process brings a new level of accuracy and cost efficiency to plate casting. The secret lies within the method's capability of producing a clean, stable mold through the use of a plastic liner which holds the dry sand mold rigidly in place by means of a vacuum.

The accuracy, with reference to thickness ...

EXHIBIT D

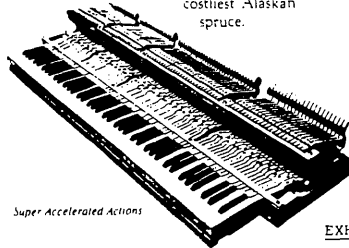
Attention To Detail Yields Musical Perfection

As far as the research and development team at Samick is concerned, there is no such thing as an "insignificant" element in the design and manufacture of a great musical instrument. Years of experience have taught them that the difference between a good piano and a truly superior piano can be found in a host of small, easily overlooked details. That's why even the most minute facet of the Samick piano is subjected to intense scrutiny by a team of demanding technicians.

All design and construction elements of the Samick piano are judged by two basic criteria: durability and musical performance. To achieve these two goals, Samick designers have utilized materials and design techniques from three continents. As a result, Samick pianos embody critical design and construction features found on instruments costing far more.

Listed below are some of the unique features that illustrate Samick's fanatic attention to detail. These features explain why the Samick Piano represents a long lasting investment in musical excellence.

SPRUCE SOUNDBOARDS & RIBS. After two hundred years of experimentation, it has been conclusively determined that there is no material, man-made or natural, that can equal the musical properties of Alaskan Sitka spruce. That is why the ribs and soundboards of all Samick pianos are made from the costliest Alaskan spruce.



Super Accelerated Actions



Solid Spruce Rib Construction

Spruce ribs and soundboards are correctly positioned in a book press and then the ribs are "heat crowned" perpendicular to the soundboard grain to ensure free and unencumbered vibration of the soundboard for rich, resonant tone.

VACUUM PROCESS IRON PLATES. Samick's vacuum process iron frame is the metal superstructure of the piano. Unlike conventional cast iron frames used in most lesser instruments, Samick's vacuum process plate has superior dimensional accuracy, which results in better tone quality, superior tuning stability, and longer instrument life.

SUPER ACCELERATED ACTIONS. Samick vertical pianos feature an improved version of the famous European "Schwander" direct blow action. Samick grand pianos feature an improved version of the world-famous German-made Renner action. Dubbed the "Super-Accelerated-Action," the Samick action features computer bored action and hammer rest rails to provide perfect key spacing and hammer alignment. All action parts are made of select hard rock maple, not plastic. The actions used in Samick pianos exemplify the company's meticulous attention to detail and provide the pianist with superlative control and evenness of touch.

Every action is seasoned in a climate-controlled room for six months before installation and final regulation to prevent any sticking or squeaking.



Royal George Felt Hammers

EXHIBIT D

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 the complaint which the Bureau of Consumer Protection 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 consent order to cease and desist, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft 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 the 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 is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its office and principal place of business located in City of Industry, 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

I.

It is ordered, That respondent Samick Music Corporation, its successors and assigns, and its 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 piano in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from misrepresenting, directly or by implication, the composition of piano soundboards or any other piano parts.

II.

It is further ordered, That, pursuant to 15 U.S.C. 57(b), respondent, its successors and assigns, shall pay a refund of Two Hundred Sixty-Six Thousand Dollars (\$266,000), which, in view of the impracticality of distributing the refund to consumers, shall be paid to the United States Treasury. Such payment shall be by two cashier's checks or certified checks made payable to the Treasurer of the United States, the first such check, in the amount of One Hundred Thirty-Two Thousand Dollars (\$132,000), to be tendered to the Commission within six months of the date of service of this order, and the second such check, in the amount of One Hundred Thirty-Four Thousand Dollars (\$134,000), to be tendered to the Commission within twelve months of the date of service of this order.

III.

It is further ordered, That respondent shall maintain for a period of three (3) years, and upon request make available to the Commission for inspection and copying, all promotional, advertising or other materials disseminated by respondent which make any representation concerning the composition of soundboards in pianos advertised, sold, distributed or offered for sale or distribution by respondent; all consumer complaints concerning the composition of soundboards in pianos advertised, sold, distributed or offered for sale or distribution by respondent; and accurate records of all materials relied upon by

respondent to substantiate any representation concerning the composition of soundboards in pianos advertised, sold, distributed or offered for sale or distribution by respondent.

IV.

It is further ordered, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in respondent, including but not limited to dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries, that may affect compliance obligations arising out of the order.

V.

It is further ordered, That respondent shall within thirty (30) days after service of this order, distribute this order to each of its officers, directors, managers and all personnel responsible for the preparation or review of promotional material.

VI.

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

IN THE MATTER OF

ARIZONA AUTOMOBILE DEALERS ASSOCIATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3497. Complaint, May 31, 1994--Decision, May 31, 1994*

This consent order prohibits, among other things, an Arizona association consisting of approximately 199 dealers from restricting, regulating, or interfering with truthful, non-deceptive comparative or price advertising or advertising concerning financing by its members in the future. In addition, the order requires the respondent to remove from its "Standards for Advertising Motor Vehicles" any provision, policy statement or guideline that is inconsistent with the terms of the settlement, to distribute copies to each member, and to publish the revised standards in the AADA member magazine.

Appearances

For the Commission: *Ralph E. Stone, Jeffrey Klurfeld and Mary Lou Steptoe.*

For the respondent: *Richard Norling, Norling, Perry, Pierson & Kolsrud, Phoenix, AZ.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. 41 *et seq.*, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that the Arizona Automobile Dealers Association, a corporation, hereinafter sometimes referred to as "AADA" or "respondent," has 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 AADA, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its principal office and place of business at 4701 North 24th Street, Suite B-3, Phoenix, Arizona.