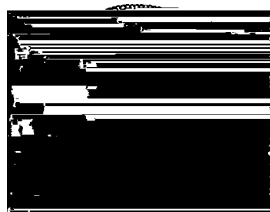


ANNUAL  
REPORT

of the Federal Trade  
Commission



**For the FISCAL YEAR  
ENDED JUNE 30, 1951**

# Federal Trade Commission

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## Letter of Transmittal

FEDERAL TRADE COMMISSION,  
Washington, D. C., January 8, 1952.

To the Congress of the United States:

I have the honor to transmit herewith the Thirty-seventh Annual Report of the Federal Trade Commission, for the fiscal year ended June 30, 1951. The Federal Trade Commission is having printed a limited number of copies of the report.

By direction of the Commission.

JAMES M. MEAD Chairman.

THE PRESIDENT OF THE SENATE.  
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

(III)

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THE FEDERAL TRADE COMMISSION

**1** Maintaining Free  
Competitive Enterprise

THE

In all these activities, emphasis is placed on fostering opportunities for the successful operation of small, independent business and on preserving for the consuming public, as well as for all business, the benefits of free and fair competition in industry and trade. Other statutes administered by the Commission are the Export Trade Act, the Wool Products Labeling Act, and certain sections of the Lanham Trade-Mark Act. And shortly after the close of the fiscal year, the Commission was given the duty of enforcing the newly-enacted Fur Products Labeling Act. The statute, which becomes effective August 7, 1952, expands and strengthens the Commission's jurisdiction over the misbranding and false advertising of furs and fur products.

Under the statutes it administers, the Commission's principal functions are:

i. To promote free and fair competition in interstate commerce in the interest of the public through prevention of price-fixing agreements, boycotts, combinations in restraint of trade, other unfair methods of competition, and unfair or deceptive acts or practices.

ii. To safeguard the consuming public by preventing the dissemination of false or deceptive advertisements of food, drugs, cosmetics, and therapeutic devices.

iii. To prevent discriminations in price,



The formal Litigation cases are conducted by proceedings similar to those used in courts. Cases are instituted by issuance of a formal complaint charging a person or corporation with violation of one or more of the statutes administered by the Commission. If the charges are not contested, or if in a contested case the charges are found, after hearings, to be true, an order may be issued requiring discontinuance of the unlawful practices.

In its legal casework during the year, the Commission issued 109 complaints alleging violation of the laws it administers and entered 121 orders to cease and desist

The basic principle underlying all the activities of the Commission is that effective functioning of the economy and the welfare of the individual citizen depend upon the existence of free and fair competition in an open market.

## THE YEAR IN REVIEW

From the standpoint of the national economy, the most significant development of the fiscal year was the initial impact of the Korean hostilities and the resulting drive to speed mobilization for defense. This over-shadowing factor required business to recast industrial production and distribution programs and to adjust to the controls necessary in the national emergency. It also necessitated governmental reassessment of the problems inevitably arising in such an emergency, with emphasis on providing safeguards to preserve the competitive system and to keep it functioning in the interest of all the people.

To meet these problems, the Commission realigned its work programs so as to contribute directly to the defense build-up and, at the same time, to protect competitive free enterprise from the deflecting tendencies inherent in defense mobilization. The situation demanded a major effort toward safeguarding small business and eliminating factors which may suppress competition, strengthen monopoly, or promote undue economic concentration. The problem of pushing defense mobilization and simultaneously guarding against these threats was pointed up in special instructions given to the defense agencies by the President on September 28, 1950. Calling on them to consult with the Attorney General and the Chairman of the Federal Trade Commission concerning these matters, the President said in part:

\* \* \* during the last war the long-standing tendency toward economic concentration was accelerated. Partial mobilization, in the absence of protective measures, may again expose our economy to this threat and thereby imperil the very system we are seeking to protect. In numerous provisions of the Defense Production Act of 1950, the Congress indicated its concern over this danger to free competitive enterprise.

In order that this danger may be minimized, it is requested that, in performing those functions delegated to or vested in you by Executive Order 10161, you consult with the Attorney General and the Chairman of the Federal Trade Commission for the purpose of determining and, to the extent consistent with the principal objectives of the act and without impairing the defense effort, of eliminating, any factors which may tend to suppress competition unduly, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power.

The Commission took action through various channels to respond to the needs of the emergency.

Its antimonopoly case work was marked by the negotiation of a settlement in a case involving the principal producers of steel. The



of voluntary industry agreements and programs proposed to be exempted from the antitrust laws and the Federal Trade Commission Act as contributing to the national defense. It set up machinery for consultation with the defense officials responsible for requesting industry and other groups to carry out such agreements and programs, and arranged for clearance of these matters. It coordinated its activities in this field with those of the Attorney General, whose approval is required before the proposed antitrust immunity becomes effective.

In a related field, the Commission supplied data for use by the Attorney General in reporting upon factors in industrial mobilization which threaten to adversely affect competition in general and small enterprises in particular.

During the last 4 months of the fiscal year, the Commission undertook the work of making compliance surveys for the National Production Authority, covering NPA orders and regulations for emergency production controls.

In its antideceptive practices work, the Commission gave special attention to proceedings against exploitation of the consumer business opportunists. The Commission was on guard against false or deceptive advertising or other unfair trade practices whereby the consumer is victimized through unwarranted claims concerning quality, content, and value of products which he needs to buy for himself and his family. Emphasis was placed on cases involving medicinal preparations, clothing and other textile products, household goods, and other items essential to the economic well-being of the people.

Through its industry cooperation work, the Commission was able to provide helpful guidance to businessmen in cooperative elimination of unfair trade practices and in establishing their industry operations on a firm basis of free and fair competition. In this way, their ability to serve the public more efficiently in the emergency was improved, and the defense effort was aided in many respects.

With the funds and personnel at its disposal already insufficient to deal with the ever-expanding work of safeguarding free enterprise, the Commission took immediate steps to utilize its limited facilities in such a way as to meet the new demands thrust upon it by the defense program. After careful study and consideration, it was able to advance in substantial measure the usefulness of its administrative and quasi-judicial procedures, as well as the internal processing of its work. It reorganized its bureaus and divisions to more effectively meet its responsibilities. It revised its rules of procedure to speed the disposition of current cases as well as to reduce its backlog of cases. It improved the scope and sampling of corporate returns forming the basis of its financial reports.



The glaring defect in the present law is that a Clayton Act order of the Commission has  
no

ing directorates among competing corporations other than common carriers. The Commission makes no recommendation for amendment of the part of Section 8 which applies to interlocking directorates of banking corporations, nor for amendment of Section 10 of the Clayton Act, which applies to interlocking directorates of common carriers.)

The defect of the present law, as applied to interlocking directorates in manufacture and commerce, is twofold: first, the offense is so narrowly defined that the law is easily evaded; and second, certain types of interlocking relationships which impair competition are not covered by the statute. Appropriate legislation to correct these defects in the law is recommended.

Evasion of the intent of the present law is possible by placing an officer, employee, agent or substantial stockholder of one corporation upon the board of directors of another corporation where it would be unlawful for the same person to be a member of the board of directors of both corporations. For practical purposes, there is little difference between an interlock of corporations through common directors and an interlock through a director of one corporation who is an official or substantial owner in another corporation. This point has been recognized in the present statute in the case of common carriers and banks. The proposed amendment would apply the same principle to manufacture and commerce.

The most common type of interlocking relationship which impairs competition but is not covered by the present statute is that in which competing corporations are indirectly interlocked through the fact that officers or directors of one corporation are also officers or directors of another corporation.

Amendments to cover these deficiencies are required if the Congressional intent to protect the competitive structure of industry and business is not to be frustrated.

### Minority Statement on Section 11 of the Clayton Act

Commissioner Lowell B. Mason submits the following statement of nonconcurrence with the Commission's legislative recommendation as to section 11 of the Clayton Act:

The past record of the Commission's efforts to enforce the Clayton Act shows that the impetus to secure finality of its orders in Clayton Act cases lies in the field embraced by the Robinson-Patman Act amendment to the Clayton Act.

Giving finality to such orders, in my opinion, puts the cart before the horse and makes a bad matter worse. The Robinson-Patman Act since the day of its birth has been the subject of bitter controversy at all levels of Government and business. Fifteen years ago when it was passed, Congressman Celler predicted: "The Courts will have the devil's own job to unravel the tangle."

His prediction has come true.

Most regulatory legislation lends itself to clarification by case law. Here, however, we have the paradox where fifteen years of litigation have only swelled the areas of confusion. The ambiguities and uncertainties in its application have been the despair of Government administrators and the Courts. Businessmen and their attorneys, economists and accountants cannot fathom its complexities. Referring to one section, Professor Oppenheim of George Washington University called it a legislative monstrosity and condemned it as working harm to small business. Other leading students of the law have challenged the inconsistencies and contradictions of the Act in relation to other Federal antitrust laws. Nor have the Courts been silent as to its frailties.

Before giving finality to orders under such a statute, Congress should first take stock of the Act. Certainly an attempt to increase its penalties before knowing what is being penalized only adds fat to the fires of confusion.

Congress should look at the record of the past fifteen years.

Have the objectives of the Act proved sound?

Have the interpretations of the Commission and the Act been

Certainly increased Congress should

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## 2 The Commission and Its Staff

THE FEDERAL TRADE COMMISSION was organized as an independent administrative agency March 16, 1915, under the provisions of the Federal Trade Commission Act, which was approved September 26, 1914. It consists of five members, appointed by the President with the advice and consent of the Senate. Not more than three of the Commissioners may

the distribution of appropriated funds according to major programs and purposes, and the appointment of the heads of major operating and administrative units.

## STAFF ORGANIZATION

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duties are as follows: (1) Assistant General Counsel in Charge of Appeals—representing the Commission in appellate proceedings in the Federal courts; (2) Assistant General Counsel in Charge of Special Legal Assistants—furnishing legal assistance to the Commission or its individual members in connection with formal proceedings before the Commission; (3) Assistant General Counsel in Charge of Compliance— representing the Commission in matters involving compliance with or enforcement of orders to cease and desist; (4) Assistant General Counsel in Charge of Industry Cooperation— advising the Commission on legal and other problems involved in its program of industry cooperation; and (5) Assistant General Counsel in Charge of Trade-Marks and Insurance—representing the Commission before the Patent Office and United States courts in the prosecution of petitions in trade-mark cancellation proceedings, and advising the Commission on jurisdictional and other problems in applying the Federal Trade Commission Act and the Clayton Act to the interstate insurance business.

**Bureau of Antimonopoly.**— This Bureau is responsible for the investigation and trial of all antimonopoly cases and the administration of the Export Trade Act. Headed by a Director and Assistant Director, the Bureau consists of the Division of Investigation and Litigation, which makes field investigations of monopolistic practices and handles the trial of antimonopoly cases before trial examiners and the Commission; and the Division of Export Trade, which is charged with the duty of supervising the organization and operation of export trade associations organized under the Export Trade Act.

**Bureau of Antideceptive Practices.**— Centered in this Bureau are the functions of investigating and trying cases involving unfair and deceptive practices in violation of the Federal Trade Commission Act and misbranding of wool products in violation of the Wool Products Labeling Act. Headed by a Director and an Assistant Director, it comprises the Divisions of Litigation, Investigation, Wool Act Administration, and Medical and Chemical Opinions.

**Bureau of Industry Cooperation.**— This Bureau comprises the Division of Trade Practice Conferences and the Division of Stipulations. It is headed by a Director and an Assistant Director.

The Division of Trade Practice Conferences consists of a rulemaking unit, which is responsible for the initiation and conduct of trade practice conferences and the development of rules to the point of final promulgation; and a rule-administration unit, which handles matters concerning interpretation of and compliance with promulgated rules. The Assistant Director of the Bureau is chief of this Division.

The Division of Stipulations consists of a chief, assistant chief, and a staff of attorney-conferees. All matters considered appropriate





# 3

## Economic Reports

FOR ALMOST A HALF CENTURY, the fact-finding and economic reporting functions of the Federal Trade Commission and its predecessor agency have constituted one of the Nation's most important instruments of antimonopoly action. This is indicated by the range and quality of reports issued under the enabling legislation, and by the influence of these investigations upon legislation and business practices.

Use of the Commission's reporting powers is of growing importance. As noted by a Hoover Commission task force, in reporting that the need for an administrative agency such as the antimonopoly Trade Commission D 0 T t e p o s p D e . 0 0 i 2 T c 8 y in under most

In January 1914, President Wilson delivered a message on antitrust legislation in which he proposed the establishment of a trade commission with fact-finding powers. He said:

The opinion of the country \* \* \* demands such a commission \* \* \* as an indispensable instrument of information and publicity, as a clearinghouse for the facts by which the public mind and the managers of great business undertakings should be guided \* \* \*.

The bill subsequently introduced in the House was described by the chairman of the House Judiciary Committee as involving "the fundamental idea that a trade commission shall be created \* \* \* with full inquisitorial powers into the operation and organization of all corporations engaged in interstate commerce, other than co





The effectiveness of the "spotlight of publicity" was demonstrated by the Commission early in its history. In the period immediately following World War I, the rapid rise in the cost of living was a serious problem. At Congressional request, the Commission undertook to collect and publish current figures showing the costs and the wholesale and retail prices in basic industries. Prices in one of the first industries covered in the survey promptly dropped, but the project was not carried to completion largely because of court decisions limiting the Commission's power to obtain data for economic investigations. Many of the restrictive effects of these early court decisions appear to have been overcome, however, by later decisions. During the

III. Other Reports: .....	Year Issued
1. Resale Price Maintenance .....	1945
2. Wholesale Baking Industry, Part I, Waste in the Distribution of Bread; and Part II, Costs, Prices, and Profits .....	1946-47
3. Manufacture and Distribution of Farm Implements .....	1948
4. Rates of Return in Selected Industries .....	<sup>8</sup> 1948-51

## ECONOMIC REPORTING IN 1951

During the fiscal year 1961, the Commission published two economic reports, and work on two others was near completion.

The report on Rates of Return for 520 Identical Companies in 25 Selected Manufacturing Industries, 1940, 1947-50 is the fourth in a series transmitted to Congress by the Commission, each comparing prewar and postwar rates of return on stockholders' investment, after taxes, for identical companies in 25 narrowly defined and





FIGURE 1

ANNUAL RATES OF PROFIT FOR MANUFACTURING CORPORATIONS  
BY TOTAL ASSET SIZE GROUPS, 1947-1950

GRAPHIC—SEE IMAGE

FIGURE 2

RATES OF PROFIT\*  
MANUFACTURING CORPORATIONS  
TOTAL ASSET SIZE GROUPS, BY QUARTERS, 1947-1951

GRAPHIC—SEE IMAGE

\* Ratio of income before and after taxes to stockholders' equity on an annual rate basis, based on quarterly rates, table 4, multiplied by four.

Source: Federal Trade Commission - Securities and Exchange Commission

FIGURE 3

RATES OF PROFIT\*  
MANUFACTURING CORPORATIONS  
INDUSTRY GROUPS, BY QUARTERS, 1947-1951

GRAPHIC—SEE IMAGE

Ratio of income to stockholders' equity

FIGURE 3 (Continued)  
RATES OF PROFIT\*  
MANUFACTURING CORPORATIONS  
INDUSTRY GROUPS, BY QUARTERS, 1947-1951

GRAPHIC—SEE IMAGE

Ratio of income to stockholders' equity on an annual rate basis (based on quarterly rates, multiplied by four) before and after provisions for Federal income and excess profits taxes.

Source: Federal Trade Commission - Securities and Exchange Commission



FIGURE 3 (Continued)  
RATES OF PROFIT\*  
MANUFACTURING CORPORATIONS  
INDUSTRY GROUPS, BY QUARTERS, 1947-1951

GRAPHIC - SEE IMAGE

\* Ratio of income to stockholders' equity on an annual rate basis (based on quarterly rates, multiplied by four) before and after provisions for Federal income and excess profits taxes.

Source: Federal Trade Commission - Securities and Exchange Commission

The graph in figure 1 shows the significant change which has taken place since 1947 in the rates of profit (ratio of income to stockholders' equity) of different size classes of manufacturing corporations, both before and after provisions for Federal income and excess profits taxes. In the calendar year 1947, the highest rate of profit was attained by those manufacturing corporations with assets of \$1,000,000 and over, but less than \$5,000,000. Second in percentage of profit was the group with assets of \$250,000 and over, but less than \$500,000; third was the group with assets of \$5,000,000 and over, but less than \$100,000,000; fourth was the group with assets of less than \$250,000; and last was the group with assets of \$100,000,000 and over. In the years 1948, 1949, and 1950, however, the rates of profit for these groups of manufacturing corporations were directly related to their size: the group of largest corporations had the largest rate of profit; the group of smallest corporations had the smallest rate of profit; the three middle groups similarly had rates of profit directly related to their size. This was true both before and after taxes in 1948, 1949, and 1950 with the sole exception that, in 1948, the next to largest group had the highest rate of profit before taxes.

Figure 2 shows, on a quarterly basis, the data given in figure 1 on an annual basis.

Figure 3 shows the varying rates of profits for manufacturing corporations in 22 different industry groups for each 3-month period from the first quarter of the calendar year 1947 to 1951. It reflects the varying rates of profit on an annual basis (quarterly rates multiplied by 4) both before and after provisions for Federal income and excess profits taxes. Also shown is the varying proportion of profits accounted for by provision for Federal income and excess rate

in the third quarter of the calendar year 1951. The sample of retail trade corporations and of corporations classified as merchant wholesalers was used beginning with the first quarter of the calendar year 1951. The financial reporting program has not yet been extended, however, to include wholesale trade corporations other than merchant wholesalers, mining corporations, and certain holding companies which might properly be classified in the manufacturing, mining, wholesale trade, or retail trade segments of industry.

## EFFECTS OF ECONOMIC REPORTS

The Commission's economic reports have had substantial influence on legislation and business practices and policies.

Among the important laws enacted as a direct or indirect result of Commission reports are the Packers and Stockyards Act (1921), The Grain Futures Act (1921), the Radio Act (1927), the Communications Act (1934), the Perishable Agricultural Commodities Act (1930), the Public Utility Holding Company Act (1935), the Securities Act (1933), the Federal Power Act (1935), and the Robinson-Patman Antidiscrimination Act (1936), amending the Clayton Antitrust Act.

Following World War II, the Commission's reports on mergers and economic concentration furnished information which was basic to the decision of the 82d Congress to amend section 7 of the Clayton Act. For nearly a quarter of a century the Commission had been urging Congress to close the loophole in the antitrust laws against mergers and acquisitions which injure competition or promote monopolies. Section 7 of the original Clayton Act, as enacted in 1914, was directed against the method of uniting competing companies that prevailed at the time—the purchase by one company of the stock of another. However, the intent of Congress in enacting section 7 was evaded by the practice of making acquisitions through the purchase of assets rather than, or in addition to, the purchase of stock. The facts developed by the Commission and presented to Congress on the prevalence of corporate mergers constituted the principal body of information used by members of Congress in supporting the passage of this legislation.

The influence of the Commission's economic reports has not been limited to legislation but has also extended to business practices and policies, including those relating to prices. Thus, the investigation of profiteering conducted at the request of the House Appropriations Committee immediately after World War I resulted in substantial savings to consumers. For example, inquiries by the Commission directed to dealers in coal as to origin and destination of shipments,



decisions. The Morton Salt case,<sup>11</sup> decided February 6, 1950, constitutes a sweeping affirmation of the Commission's authority to obtain information in fulfillment of its duties. The Court said:

\* \* \* an administrative agency charged with seeing that the laws are enforced \* \* \* has a power of inquisition, if one chooses to call it that, which is not derived from the judicial function. It is more analogous to the grand jury which does not depend on a case or a complaint or a subpoena to get evidence but can investigate merely on suspicion that the law is being violated, or even just because it wants assurance that

## NEED FOR ECONOMIC REPORTING

The importance of continuing and, in fact, expanding the Commission's economic reporting function has repeatedly been stressed by investigating bodies and authorities in the field of antitrust law.

Thus the Temporary National Economic Committee, in 1941, unanimously recommended expansion of this type of work:

One of the striking facts of experience in national economic policy formulation during the past decade, amply demonstrated by the experience of this committee, and more recently emphasized by the pressing problems of industrial mobilization confronting the national defense authorities, is the inadequacy of factual information concerning the structure and functioning of our industrial economy. \* \* \*

\* \* \* Fact gathering must be continuous so that essential economic information will be available to businessmen, to Government, and to the public.<sup>12</sup>

In

practices to bring them in conformity with the public interest. These are the basic purposes of the Federal Trade Commission Act. \* \* \*

In addition, the Federal Trade Commission can and should constitute a reservoir of information on the structure of the economy and of specific industries. This information should be available to the antitrust agencies and to other Government agencies, such as those concerned with defense. By its reports to Congress and the public, the Commission should keep them abreast of changes in the structure of the economy and aware of needed legislative action. \* \* \*

The economic work of the Commission should be greatly expanded if the Commission is to approximate its proper role in the maintenance of competition."<sup>14</sup>

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<sup>14</sup> At pp. 124-128 of report cited in footnote 1, p. 16.

# 4

## Antimonopoly

### Work

THE PRESERVATION of the American economic system of free competitive enterprise is the basic objective of the statutes administered by the Commission. These laws entrust to the Commission the challenging task of preventing the free enterprise system from being stifled or fettered by monopoly or monopolistic practices. They are aimed at keeping competition both free and fair.

In its antimonopoly program, therefore, the Commission makes investigations and brings legal proceedings designed to free the channels of interstate trade from oppressive restraints so that buyers may have the widest possible freedom of choice, with prices determined by the interplay of competitive forces and offered without monopolistic control or discrimination.

The principal statutory weapons for the realization of this goal are the Federal Trade Commission Act and the Clayton Antitrust Act. Both these basic statutes were passed in 1914 and both have been amended to keep pace with the increasing complexities of our economic system.

The Federal Trade Commission Act lays down a general prohibition against "unfair methods of competition" and other "unfair" practices. The Clayton Act outlaws specific practices which experience has shown to be instruments of monopoly. Under both statutes, the Commission undertakes to halt monopolistic and other unfair practices in their early stages. Although not vested with power to punish, it is empowered to order discontinuance of practices which it finds to be "unfair," promotive of monopoly, or tending to substantially lessen competition.

The Commission has applied the broad prohibitions of the Federal Trade Commission Act against numerous practices which, in the words of the Supreme Court, are "against public policy because of their dangerous tendency unduly to hinder competition or create monopoly." The cases brought under this statute involve boycotts, collusive price-fixing, and other business conduct, whether individual or by combination, which is in restraint of trade.



Cases under the Clayton Act relate to unjust discriminations in price, exclusive-dealing and tying contracts and arrangements, acquisition of the stock or assets of competitors, and interlocking directorates. These practices are unlawful if they tend to monopoly or a substantial lessening of competition.

Investigation and trial of cases involving restraints of trade and related practices are the responsibilities of the Bureau of Antimonopoly.

## LEGAL CASE WORK

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### Orders Against Monopolistic Practices

One of the major accomplishments of the fiscal year was the negotiation of a consent settlement in the American Iron and Steel Institute case. The order, which was tentatively approved in June 1951 but not formally entered until August, prohibits the Institute and 90 steel producers from entering into, cooperating in, carrying out, or continuing "any planned common course of action, understanding, or agreement" to adopt, establish, fix, or maintain prices—or any element thereof—at which steel products shall be quoted or sold.

The order was based on findings that "unfair" practices of the steel companies "tended to lessen competition" and were "oppressive to the public interest."

One of its provisions forbids any agreement or planned common course of actions

any &

The Federal Trade Commission is not acting to prohibit or interfere with delivered pricing or freight absorption as such when innocently and independently pursued, regularly or otherwise, with the result of promoting competition.

Fir Plywood Association,\* Tacoma, Wash., and 15 corporations manufacturing or distributing Douglas fir plywood products; the other, against Fir Door Institute,\* also of Tacoma, and 8 corporations manufacturing or selling Douglas fir doors.

Agreements to fix prices and curtail production of twine and cordage products were forbidden in two other cases. One was against Bibb Manufacturing Co., Macon, Ga, and eight other manufacturers of such twine products as cotton wrapping twines, sewing twines, polished twines, tobacco twines, pea twines, bean twines, hop twines, and hose cord. The other involved Samson Cordage Works, Boston, and six other manufacturers of such cordage products as cotton sash cords, awning cords, and clotheslines.

The Commission also prohibited a trade-restraining combination among jobbers of bicycles and bicycle equipment and manufacturers of bicycle parts, materials, and accessories. Finding that competition had been stifled in the sale of bicycles and bicycle equipment, with a "dangerous tendency" to create a monopoly, the Commission issued a cease and desist order against Cycle Jobbers Association of America, Inc., Boston, Cycle Parts and Accessories Association, New York, and their members.

In four separate cases, the Commission prohibited what it called "unreasonable" restraints on competition in the sale, lease, or distribution of advertising or commercial films. Producer-distributors of the films cited in the orders were Reid H. Ray Film Industries, Inc., St. Paul, Minn.; Alexander Film Co.,\* Colorado Springs, Colo.; United Film Service Co., Inc.,\* Kansas City, Mo; and Motion Picture Advertising Service Co., Inc.,\* New Orleans. Each sells, leases, or otherwise furnishes commercial films to advertisers and contracts with motion picture theaters to show

Another order under the Federal Trade Commission Act prohibited a merchandising plan found to constitute a monopolistic restraint of trade in the sale and distribution of Armo hair canvas used for interlining and facing women's garments. Arms Textile Manufacturing Co., Philadelphia, and its sales agent were ordered to stop entering into or carrying out agreements whereby retailers and buying agencies undertake to require manufacturers or

sale of Master Mix animal feed products was found to involve illegal price discriminations.

Payment or receipt of brokerage fees in violation of section 2 (c) of the Clayton Act was prohibited in four orders. This section makes unlawful, in connection with interstate transactions, the payment by a seller or the receipt by a buyer of brokerage fees on purchases made by such a buyer in his own behalf or by an agent or other intermediary acting for him

subject to his control. Companies cited in the orders were Bonner Packing Co., Fresno, the



Requiring retail book sellers who have not executed resale price maintenance contracts with the publishers to sell at fixed minimum resale prices.

Fixing minimum resale prices for copyrighted books which, according to the complaints, are not exempted by the Miller-Tydings amendment because they are not in "free and open competition with other commodities of the same general class."

In the Doubleday case, the complaint challenged the fixing of minimum prices for books resold by retail book sellers in competition with Doubleday's wholly-owned retail book stores.

Each of the respondents was also charged with discriminating in price between jobber customers in violation of section 2 (a) of the Clayton Act.

International Cellucotton Products Co., Chicago, was charged with monopolistic practices in the sale of Kotex sanitary napkins and Kleenex facial tissues. According to the complaint, International's contracts with drug and dry goods wholesalers had the purpose and





filing of the reports by Morton Salt Co., Chicago, and International Salt Co., Scranton, Pa., together with penalties for their refusal to file. After extended litigation in the District Court, the Court of Appeals for the Seventh Circuit, and the Supreme Court of the United States, the Government was successful in securing judgments compelling the filing of the reports, and a total of \$80,000 in penalties from the two defendants.

The cases are particularly important because they establish beyond question the Commission's right to compel the filing of special reports by corporations engaged in commerce, not only as to compliance with orders to cease and desist but also as a means of ascertaining violations of the laws it administers. It had been contended by many lawyers that the powers of investigation contained in subsections (a) and (b) of section 6 of the Federal Trade Commission Act were limited to economic surveys and investigations requested by Congress or the President; and that these powers could not be employed in connection with the Commission's functions of preventing unfair methods of competition under the Federal Trade Commission Act or practices in violation of the Clayton Act. The decision removed any doubt that may have existed on this score, and clearly authorized a useful method of investigation of corporate practices which should make the Commission's work more effective in the future.

In addition to the Salt cases, considerable time was spent in investigation of compliance with cases involving restraints of trade and price discrimination. In *Federal Trade Commission v. Standard Brands, Inc.*, 189 F. 2d 510 (C. A. 2, 1951), the Commission was successful in securing partial enforcement of an earlier order designed to terminat

Prerequisite to the complaints, cease-and-desist orders, and compliance cases described in the preceding pages are investigations to determine the facts. Such inquiries are made by attorney-examiners on the staff of the Bureau of Antimonopoly. Many of these investigations are instituted on the basis of complaints received from outside sources.

One of the principal duties of the Director of the Bureau is to study each application for complaint for the purpose of determining whether investigation is warranted. Where sufficient basis for field investigation is present, the matter is docketed for investigation. It is then referred to the Bureau's Division of Investigation and Litigation for transmittal to the appropriate branch office and subsequent assignment to an attorney-examiner. Cases thus investigated progress under the direction of the Commission to the status of either a formal complaint or closing without further action.

Most of the requests for Commission investigation in cases involving restraint of trade or monopolistic tendencies come from individuals or firms who fear that the successful operation of their businesses may be threatened by the illegal practices of others. Complaints are also received from Members of Congress and from Government agencies. Applications for complaints, especially in the area of price-fixing, are frequently received from Government officials—National, State, and local—who have been unable to obtain competitive bids as required by the laws under which their purchases are made. The Commission also docketed for investigati

and supplies, electric motors, bookbinding supplies, tobacco, food products, ice, advertising specialties, greeting cards, television sets, propane gas, and cordage.

Clayton Act investigations covered price discrimination, unlawful payment or receipt of brokerage, discrimination in the payment of allowances for advertising and promotional services and in the rendering of services, and the unlawful inducement and receipt of discriminatory prices. Among the products involved were automotive parts and accessories, paint, dairy products, soap, food products, clothing, tobacco, flour, sugar, watches, greeting cards, petroleum products, and canned fruits and vegetables.

Under section 3 of the Clayton Act, investigations dealt with exclusive-dealing and tie-in contracts relating to such products as cigars, outboard motors, petroleum products, hearing aids, and paper containers.

Section 7 of the Clayton Act, as amended December 29, 1950, prohibits the acquisition by one corporation of the stock or assets of another corporation where the effect may be to substantially lessen competition or tend to create a monopoly in any line of commerce in any section of the country. Prior to the 1950 amendment, the law merely prohibited stock acquisitions which had certain competitive effects. It did not prevent a corporation from acquiring the assets of a competitor. Primarily as a result of the strengthening of the act, the number of investigations under section 7 increased greatly during the last half of the fiscal year. Among the commodities covered by such investigations were steel products, rugs and carpets, valves, stoves and ranges, flour, paper products, coated abrasives, and pumps.

In both the investigation and trial of antimonopoly cases, assistance is given by members of the economic and accounting staffs of the Bureau of Industrial Economics. Such services include notification concerning proposed or consummated acquisitions, mergers, and consolidations; economic evaluation of data relating to such acquisitions; and the preparation of cost and price studies for use in cases arising under both the Clayton Act and the Federal Trade Commission Act.

## ANTIMONOPOLY CASES IN FEDERAL COURTS

Petition for review dismissed .....	1
Commission orders affirmed and enforcement granted .....	2
Reversed by Supreme Court .....	1
Suits to compel filing of special compliance reports .....	2
Petitions for review pending June 30, 1951 .....	9

(In the text which follows, United States Courts of Appeals are designated as "First Circuit (Boston)," etc.)

## Cases Decided

During the fiscal year six cases involving antimonopoly proceedings by the Commission were decided in United States courts. Nine such cases were pending in the courts at the end of the fiscal year.

Decisions favorable to the Commission were obtained in three cases in courts

in the purchase and sale of candy in violation of sections 2 (f) and 3 of the Clayton Act.

Douglas Fir Plywood Association and others, Tacoma, Wash. Ninth Circuit (San Francisco). Conspiracy to fix prices of plywood products.

Fir Door Institute and others, Tacoma, Wash. Ninth Circuit (San Francisco). Conspiracy to fix prices of Douglas fir doors.

Minneapolis-Honeywell Regulator Co., Minneapolis. Seventh Circuit (Chicago). Sales practices tending to restrain trade and to create a monopoly in the sale of automatic temperature controls in violation of the Federal Trade Commission Act and sections 2 (a) and 3 of the Clayton Act.<sup>2</sup>

Motion Picture Advertising Co., New Orleans. Fifth Circuit (New Orleans). Exclusive-screening contracts in the distribution of motion picture advertising films in violation of the Federal Trade Commission Act.

The Rubberoid Co., New York. Second Circuit (New York). Petition for rehearing on decision affirming and granting enforcement of the Commission's order against price discriminations in sale of roofing materials in violation of section 2 (a) of the Clayton Act.<sup>3</sup>

United Film Co., Kansas City, Mo. Eighth Circuit (St. Louis). Exclusive-screening contracts in the distribution of motion picture advertising films in violation of the Federal Trade Commission Act. -926.72 -





## Orders Against Deceptive Practices

Orders issued during the year were directed against a wide variety of unfair and deceptive practices and involved a wide range of commodities.

Leading the list of cases in which false claims for medicinal preparations were prohibited was the proceeding involving Carter's Little Liver Pills.\* The order prohibited representations that the product has any therapeutic value other than the temporary relief afforded by an irritant laxative compound. It required deletion of the word "liver" from the trade-name because it falsely represents the product has some therapeutic value in the treatment of disorders and diseases of the liver.

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Therapeutic devices were also among the products for which advertising was ordered modified to prevent deception and, in two instances, possible danger to purchasers. A New York concern was directed to stop advertising that the Bell Diathermy apparatus, when used by the unskilled lay public in the treatment of self-diagnosed conditions, is a competent treatment or cure for arthritis, asthma, neuritis, lumbago, sciatica, bursitis, neuralgia, or similar disorders. The order further required that advertisements conspicuously reveal the potential dangers involved in its unsupervised use by laymen. Sellers of devices called Dila-Therm and Heatade were ordered to stop advertising the products as having therapeutic value in treating diseases of the prostate gland. The seller of the Atmoray Ozone Generator was required to stop misrepresenting the effectiveness, usefulness, and safety of the device.

In the food field, the makers of Nu-Maid Margarine were ordered to stop advertising that the product



pany was directed to stop using such trade-names as "Cert-O-Penn" and "Pennolene" for oil not originating in the Pennsylvania Oil Field. Misrepresentation of Plasta-Kote paints and varnishes was prohibited in another order.

Baby chicks were involved in two proceedings. The orders prohibited misrepresentation as to price, guaranties, "free" goods, and participation in the United States Poultry Improvement Plan. A maker of church candles was required to stop advertising falsely that they were composed entirely of beeswax. Misrepresentation of the composition of phonograph needles and the number of times they may be played was prohibited in an order against the manufacturers of "Walco" needles.

Two corporations—one selling cutlery, the other, handkerchiefs—were ordered to stop claiming to be manufacturers. Misbranding of pen points was halted by an order against C. Howard Hunt Pen Co.\* The Commission found, for example, that some pen points stamped "14 Kt. Gold Plated" actually were coated with a gold alloy less than two millionths of an inch in thickness.

Advertisements purporting to offer employment when the real purpose was to obtain purchasers for nut vending machines were the subject of a cease-and-desist order. Two other proceedings put an end to false claims for automotive devices. The Kingpin Air Valve may not be advertised as resulting in quicker starting or as adding power to gasoline engines, and the E. G. Supercharger and E. G. Super-Ignitioniter may not be represented as affording increased mileage, power, acceleration, pick-up, or "atomic starting."

Cases in the radio field ranged from false claims concerning the reception range of crystal sets to misrepresentation in the sale of coin-operated radios. Deceptive marking of radio tubes was involved in another proceeding.

Misrepresentation of the availability of steel pipe and tubing was forbidden in an order against a St. Louis firm. A Detroit wholesaler of novelty merchandise was ordered to stop using a sales scheme in which he sought to coerce retailers into paying for goods they had not ordered. Passing off of second-hand hats as new was prohibited in a case involving a Brooklyn firm.

Deceptive practices in the door-to-door sale of aluminumware, dinnerware, silver plate, and glassware was forbidden in an order against Consumers Sales Corp. The Commission found that salesmen falsely claimed they were making "surveys" and that "special low prices" were ordered in return for box tops.

Eight orders, were directed against deceptive nondisclosure of the

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\*Cases marked with an asterisk were pending for review in court at the close of the year. See page 62 for court cases.

rayon content of such products as dresses, girdles, and lamp shades.\* The girdle case also involved misuse of the term "full-fashioned." Misrepresentation in advertising of the fiber content of blankets and wearing apparel was banned in another order.

Numerous deceptive practices in the sale of encyclopedias and other books were outlawed in four proceedings. Use of the "survey" technique as an entering wedge for salesmen was one of the condemned practices. False claims of "special," "introductory" and "reduced" prices were banned, as were deceptive representations that certain products or services were offered "free." Similar practices were found and forbidden in two cases involving the sale of photographs.

Misrepresentation in the sale of correspondence courses was the subject of two orders. In one case, courses in Diesel training and fingerprint science were falsely advertised as assuring employment and were otherwise misrepresented. In the other, a concern selling courses intended to prepare students for United States civil service examinations was required to stop claiming any connection with the U. S. Government.

Discontinuance of false advertising of rodenticides was directed in two cases. One preparation, Rodan, must not be advertised as an effective killing agent for mice or rats other than brown rats. Neither may it be represented as harmless to domestic animals and poultry. Advertising for CCC Liquid Mouse and Rat Destroyer must not claim that the products are safe for use on domestic animals and poultry.

issued charging misbranding



a new civil penalty proceeding was initiated in the case of Thomas Management Corp., Chicago, and others (Docket 4422). The Attorney General, at the Commission's request, brought suit in the District Court at Chicago, seeking penalties in the amount of \$290,000. The suit charged repeated violations of a Commission order requiring abandonment of claims for curing scalp ailments and growing hair.

Besides the Thomas proceeding, other civil penalty cases pending in United States district courts included:

U. S. v. Lady Carole Coats, Inc., and others; U. S. v. Shelbrooke Coats, and others. Suits for penalties for failure to keep records under the Wool Products Labeling Act. District Court (New York City).

U. S. v. Korjena Medicine Co., and others; U. S. v. Oland D. Redd. Suits for civil penalties for violation of a Commission order to cease and desist. District Court (Buffalo).

U. S. v. Standard Education Society, and others. Suit for civil penalties for violation of a Commission order. District Court (Chicago).

U. S. v. Gerald A. Rice, and others. Suit for civil penalties for violation of a Commission order. District Court (Seattle).

### Investigations of Deceptive Practices

Scheduled investigations completed -----	869
Complaints received from outside sources -----	2,524
Preliminary inquiries disposed of -----	2,324

### SURVEY OF ADVERTISING

Source of Advertising	Number of Advertisements	
	Examined	Set aside as questionable
Mail-Order Catalogs -----	14,046 (pages)	94
Periodicals -----	323,120	17,232
Radio -----	*344,522	9,869
Television -----	31,174	1,323
Total -----	<u>712,862</u>	<u>28,518</u>

\*Aggregating 1,034,914 typewritten pages.

The legal case work described in the foregoing pages requires, of course, investigations to determine the facts. This function is the responsibility of the Division of Investigation. It investigates alleged violations and obtains the information necessary to support issuance of formal complaints, negotiation of stipulations, and other corrective action by the Commission.

The Federal Trade Commission Act requires that before issuance of a formal complaint the Commission must "have reason to believe"

that the Act has been violated and that a proceeding by it would be "to the interest of the public." The primary function of the Division of Investigation, therefore, is to obtain necessary information for the Commission to determine whether there is reason to believe that the Act has been violated and whether there is sufficient public interest to warrant issuance of a complaint. The investigations conducted by the Division are sufficiently broad in scope to accomplish this purpose, as well as to permit disposition of some matters by less formal means.

The Division also conducts deceptive practice investigations for other Commission units, including some for the Division of Wool and Fur labeling, some for the Assistant General Counsel in Charge of Trade Marks and Insurance, and others for the Assistant General Counsel in Charge of Compliance.

In addition to individual-case procedure, the Division conducts industry-wide investigations as circumstances require when it appears that questionable practices are widespread in an industry.

In order that violations may be promptly brought to the attention of the Commission, the Division maintains a continuing survey of published, broadcast, and telecast advertising for the purpose of detecting false and deceptive claims. It also screens letters of complaint which are received from such sources as businessmen, consumers, and other Government agencies.

Possible violations are first subjected to preliminary inquiry, usually by correspondence, to determine initially whether a proceeding is called for. This procedure serves to weed out those matters which, because of lack of jurisdiction, lack of public interest, or for other reasons, are not proper subjects for Commission action. It serves also to obtain in many instances, prompt, voluntary cessation of unlawful practices.

If a matter cannot be satisfactorily disposed of in the preliminary inquiry stage and it appears to involve a probable violation and substantial public interest, it is scheduled for more extended investigation, either in the field or by correspondence, or both. For field investigation the case is transmitted to one of the Commission's six field offices. There it is assigned to an attorney-examiner for development of all necessary information. The proposed respondent is usually advised of the nature of the charges against him, and is afforded full opportunity to submit information in explanation or justification of his practices. Upon completion of the investigation, a report to the Commission is prepared, summarizing the evidence and the applicable law, together with a recommendation for disposition, which may be for (1) issuance of a formal complaint; (2) negotiation of a



cease and desist from the practices challenged as unlawful; or (3) closing where in certain types of cases the illegal practices were discontinued without intent to resume, or where the charges were not sustained, the Commission was without jurisdiction, or there was insufficient public interest to warrant a proceeding.

In its advertising survey, the Division examines advertisements appearing in current issues of magazines, newspapers, farm and trade journals, mail-order catalogs, and radio and television commercial continuities. The survey brings to light advertisements which form the basis for scheduling deceptive practice investigations; provides an inexpensive method of checking on the activities of advertisers covered by outstanding cease-and-desist orders and stipulations; furnishes evidence which facilitates investigations and trials in advertising cases; supplies information for determining the need for, and the extent of compliance with, trade practice rules; and provides a readily available cross-section of advertisements with respect to particular products and industries for use in conducting industry-wide investigations. Advertisements observed in the survey are also utilized by the Alcohol Tax Unit of the Treasury Department in its enforcement of the advertising provisions of the

During the year, 14,715 such advertisements were supplied to operating divisions of the Commission for use in connection with the investigation and trial of cases, the preparation of scientific opinions, the administration of trade practice rules, or the enforcement of outstanding orders and stipulations to cease and desist; and 269 advertisements were transmitted to the Alcohol Tax Unit at its request. Advertising of alcoholic beverages, cigarettes, and oleomargarine was given special attention.

Complaints from outside sources alleging false advertising or other deceptive practices numbered 2,524. Of 2,324 such matters disposed of, 376 were scheduled for investigation; 32, reported directly to the Commission; 211, referred to other divisions of the Commission; 554, added to other Commission files; 60, referred to other Government agencies; and 202, disposed of administratively. The remainder were filed without action. Those cases disposed of administratively were matters in which correction of objectionable practices was brought about by voluntary action on the part of the proposed respondent. The matters scheduled for investigation were those which could not be satisfactorily disposed of in the preliminary stage, and which appeared to involve illegal practices and substantial public interest.

Scheduled investigations completed during the year totaled 869. Of these, 546 involved false advertising and misrepresentation and 323

clothing, food, medicines (human and animal), therapeutic devices, building materials, automotive products and accessories, insecticides and related products, sewing machines, furniture, rugs, cosmetics, correspondence courses, encyclopedias, magazines, jewelry, electrical appliances, alcoholic beverages, and cigarettes. Three investigations involving alleged false advertising of oleomargarine were pending at the year end.

The Division of Investigation contributed materially to the Commission's defense survey work during the last 4 months of the fiscal year by detailing some 30 percent of its investigational staff to that work. In its regular work, the Division gave priority attention to products and practices especially important by reason of the defense emergency.

### Medical and Chemical Opinions

Scientific facts and opinions play an important role in the investigation and trial of cases involving advertising claims made for food, drugs, therapeutic devices, cosmetics, and other commodities. These facts and opinions are furnished to the Commission by the Division of Medical and Chemical Opinions.

The Division arranges for analyses of samples of products under investigation and gathers information concerning their composition, nature, effectiveness, and safety. It provides medical opinions and scientific information needed in the preparation of formal complaints, the negotiation of stipulation-agreements, and the drafting of affidavits of scientific experts. It assists the legal staff in connection with hearings involving questions of science and secures the services of expert scientific witnesses.

During the fiscal year, the Division prepared 87 written opinions with respect to medical and scientific matters. In addition, it rendered oral opinions in 72 cases under investigation and in 51 cases where formal complaints had been issued. Personnel of the Division attended 8 informal conference-hearings and 28 formal hearings. The Division arranged for the appearance at hearings of 32 expert scientific witnesses.

The Chief of the Division is the Commission's liaison officer with the Food and Drug Administration and with the Insecticide Division, Livestock Branch, Production and Marketing Administration of the Department of Agriculture. Cooperation with these agencies has brought to the Commission necessary information and other assistance in handling cases involving food, drugs, devices, cosmetics, and "economic poisons" such as insecticides, fungicides, rodenticides, and weed exterminators. Through the Division, the Commission maintains cooperative contact with other Government agencies concerned

with food, drugs, devices, cosmetics, and other commodities which involve questions of science. Included among these are the National Bureau of Standards, the U. S. Public Health Service, the Bureau of Animal Industry and the Bureau of Plant Industry, Soils, and Agricultural Engineering. Similar contacts also are maintained with many nongovernmental clinics, hospitals, laboratories, and individual scientists.

## ANTIDECEPTIVE CASES IN FEDERAL COURTS

Petitions for review:

Commission orders affirmed -----	5	
Commission orders affirmed after modification -----	4	the

P. Lorillard Co., Jersey City. Fourth Circuit (Richmond). False advertising of Old Gold cigarettes and other tobacco products.

Steelco Stainless Steel, Inc., Chicago. Seventh Circuit (Chicago). Misrepresentation in the sale of cooking utensils and unfair disparagement of competitive products.

The petition of Benjamin D. Ritholz (National Optical Stores), Chicago, for review of an order against false advertising of optical goods was dismissed by the Seventh Circuit (Chicago) for failure to prosecute.

The four cases in which Commission orders were affirmed after modification included:

Carter Products, Inc., New York. Seventh Circuit (Chicago). False advertising of the deodorant Arrid.

Jessie D. Folds and others (Kleerex Co.), Chicago. Seventh Circuit (Chicago). False advertising of the medicinal preparation Kleerex.

Gold-Tone Studios, Inc., Rochester, N.Y. Second Circuit (New York). Misrepresentation in the sale of photographs.

Jack Galter and others (Elgin Razor Corp.), Chicago. Seventh Circuit (Chicago). Misrepresentation in the sale of razors, clocks, and other merchandise.

One case (Gay Time Frock Co., Scranton, Pa., and others) was remanded to the Commission, at its request, by the Seventh Circuit (Chicago), for the purpose of dismissal after the petition for review was withdrawn. The Commission then set aside, for lack of jurisdiction, its order against deceptive failure to reveal the rayon content of wearing apparel.

The Supreme Court denied the Commission's petition for writ of certiorari to review the decision of the District of Columbia Circuit modifying the Commission's order against false advertising of food and drug products in the case of Ada J. Alberty and others, Hollywood, Calif.

## Pending Cases

Cases pending in the courts as the year closed included:

Bork Manufacturing Co., Brooklyn. Ninth Circuit (San Francisco). Sale of lottery devices in interstate commerce.

Carter Products, Inc., New York. Ninth Circuit (San Francisco). False advertising of Carter's Little Liver Pills.

C. Howard Hunt Pen Co., Camden, N. J. Third Circuit (Philadelphia). Misrepresentation in the sale of fountain pen points.

Consolidated Royal Chemical Corp., Chicago. Seventh Circuit (Chicago). False advertising of the medicinal preparation New Pe-Ru-Na.<sup>3</sup>

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<sup>3</sup> Order affirmed Oct. 22, 1951.

E. & J. Distributing Co., (Jacob Colon and others), New York. Second Circuit (New York). Sale of lottery devices in interstate commerce.

Hamilton Manufacturing Co., Minneapolis. District of Columbia Circuit. Sale of lottery devices in interstate commerce.

Jack Galter (Elgin Razor Corp.) and others, Chicago. Supreme Court. Petition for writ of certiorari to review decision of the Seventh Circuit (Chicago) modifying and affirming and enforcing, as modified, the Commission's order banning misrepresentation in the sale of razors, clocks, and other merchandise.

Globe Cardboard Novelty Co., New York. Third Circuit (Philadelphia). Sale of lottery devices in interstate commerce.

L. Heller & Son, Inc., New York. Seventh Circuit (Chicago). Deceptive failure to reveal the foreign origin of imitation pearls. Four other cases involving the same practices were consolidated in this petition for review. The other petitioners were: D. Lisner & Co., Colonial Bead Co., Royal Bead Novelty Co. and Coro, Inc., all of New York.<sup>4</sup>

Leo Lichtenstein and others, Chicago. Ninth Circuit (San Francisco). Sale of lottery devices in interstate commerce.

Mary Muffet, Inc., St. Louis. Seventh Circuit (Chicago). Deceptive failure to reveal the rayon content of wearing apparel. Five other cases involving the same practices were consolidated in this petition for review. The other petitioners are: Irene Karol, National Dress Goods Co., Daresh Garment Co., Inc., Frelich, Inc., and Wax Bros. this was a 560 FD 00 Inc. Is were: D.











Industry

After consideration of all matters presented in the proceeding the Commission promulgates rules which specify in detail the industry practices deemed to be "unfair" and violative of law. The rules define and proscribe such practices. They apply the requirements of the statutes, as interpreted by the Commission and the courts, to the problems and practices of the particular industry. Thus, whereas the Federal Trade Commission Act outlaws in general terms "unfair methods of competition" and "unfair or deceptive acts or practices," trade practice rules translate these general prohibitions of the statute into specific prohibitions of specific practices. The rules for the canvas cover industry, for example, make clear that one "unfair" practice in that industry is the misuse of such terms as "fireproof" and "flameproof." Both the marketer and the buyer of canvas covers are put on notice that these terms must be limited to canvas covers that are actually "incombustible" and will remain so throughout their expected life under normal use. Similarly, manufacturers and distributors of bedding, as well as consumers, are authoritatively advised by rules for that industry that bedding products may not be described as "orthopedic" unless they meet certain specifications.

The cooperative establishment of rules often effects immediate and simultaneous correction of trade abuses which might otherwise require prosecution of protracted suits. The expense of investigation and trial of the type sometimes necessary in a single instance may be equal to the entire annual budget of the Division of Trade Practice Conferences. Simplicity and economy in operation are distinctive advantages of the conference plan.

Conference proceedings may be initiated by the Commission upon its own motion or upon application filed by any interested person, party, or group. While most conference proceedings are authorized upon application of a particular industry or trade group, applications may also be made by farm, labor, or consumer groups. The Commission authorizes conference proceedings when such action is considered to be in the public interest and a constructive force for good in the industry.<sup>2</sup>

A close working arrangement is maintained with industries for which rules are promulgated. In this way, industry members are given guidance in their efforts to avoid practices condemned by the rules. Members of the Commission's staff are available to assist industry representatives in working out constructive solutions of problems encountered in conforming trade practices to the requirements of law as set forth in the rules. At the same time, the Commission is kept informed of industry conditions and problems necessitating rule amendment or other action.

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<sup>2</sup> Procedural requirements for establishing trade practice rules are set forth in detail in rule XXVIII of the Commission's Rules Of Practice. (See page 130.)

## Classification of Rules

Trade practice rules may include not only provisions for prevention of practices which are illegal per se or conducive to unfair competitive conditions in the industry, but also provisions for fostering and promoting fair competition in the public interest. The Commission classifies promulgated rules as either Group I or Group II rules.

Group I rules.—Rules in this category cover practices considered illegal under laws administered by the Commission, as construed in decisions of the Commission and the courts. The Commission is empowered to take appropriate action in the public interest to prevent the use of these unlawful practices in commerce by any person, partnership, corporation, or other organization subject to its jurisdiction.

Group II rules.—Rules of this type embrace permissive practices and voluntary restrictions considered conducive to the maintenance of free and fair competition. These rules are wholly voluntary as distinguished from the mandatory requirements of law expressed in Group I rules. Provisions of this type must be consistent with the law and the public interest.

## Rules Promulgated

Rules promulgated during the year that are Group I rules of the Commission

Rents of  
the laws

In some cases, "packed" charges of as much as 100 percent had been concealed.

In the Commission's consideration of the problem it became clear that the solution was relatively simple. The cure lay in preventing the deception by which the overcharge was concealed from the purchaser. It also became clear that to attack the practice by piecemeal litigation would be both impracticable and unduly costly. The Commission concluded, therefore, that the most feasible and equitable approach was a trade practice conference proceeding. The proceeding was accordingly started on the Commission's own motion. All members of the industry were given an opportunity to participate, as were all other interested persons and groups.

The result was the promulgation in February 1951 of five simple Group I rules. In order to allow all concerned sufficient time to make the necessary adjustments, the effective date was extended to July 7, 1951.

To prevent the practice of concealed "packing," the rules require that the purchaser be furnished with an itemization of the finance charge, insurance costs, and other charges before consummation of the sale. Related practices condemned by the rules include use of deceptive rate charts, the execution of contracts containing blank spaces; misrepresentation of insurance coverage or rates, or of finance charges; and forcing purchasers to obtain insurance from a particular company.

At the outset of the proceedings, there was opposition from many industry members. But since promulgation of the rules, there has

passage, weather, or mildew; inadequate disclosure as to size of products and kind and weight of fabric; harmful and excessive stretching; misuse of such terms as "custom-made" and "shrunk"; loading or adulterating products; and failure to disclose presence of used materials.

Bedding manufacturing and wholesale distributing industry.

Industry products covered by these rules include mattresses, bedsprings, metal beds, studio couches, and similar sleeping equipment. Among the subjects covered by the rules are deceptive concealment or nondisclosure of the nature of mattress filler materials; and deceptive use of such terms as "Rx", "Posturized", "Waterproof", "Orthopedic", "Latex", and "Foam Rubber."

Cocoa and chocolate industry.—Members of this industry are engaged in the manufacturing, processing and sale of cocoa and chocolate products marketed for use by the consumer without further commercial processing. The rules are designed to prevent deceptive use of the word "free"; coercing purchase of one product as prerequisite to the purchase of other products; marketing of products through lottery methods; and unlawful discrimination in price or promotional services or facilities.

Slide fastener Industry.—Members of this industry include manufacturers, assemblers, and distributors of zippers. The rules prohibit as unfair the nondisclosure of the foreign origin of slide fasteners or other component parts; misrepresentation of the length of zippers; and competition-stifling exclusive-dealing arrangements with dealers. Group II rules cover such subjects as arbitration of disputes, dissemination of credit information, filing of trademarks, and the furnishing of excessive free samples to prospective consumers. In addition, definitions of significant trade terms are included.

Seam binding industry.—This industry manufactures, distributes, and markets seam binding, which is narrow fabric (other than bias binding) used in the manufacture of wearing apparel to prevent raveling or fraying at seams and hems. The rules are directed primarily against misrepresentation of fiber or material content, yardage, and type of edges of seam binding. Also included are provisions concerning false invoicing and unlawful discrimination in price or promotional services or facilities.

Parking meter industry.—The business of this industry is the manufacture and marketing of parking meters and related parts and accessories. The rules are directed against various forms of misrepresentation and deception in the advertising or sale of industry products, and also against commercial bribery, inducing breach of contract, deceptive guarantees, fictitious price quotations, and false invoicing.

## Rules Revised

Existing rules for two industries were revised:

Milk bottle cap and closure industry.—Members of this industry are engaged in the fabrication, sale and distribution of milk bottle caps, hoods, and closures of all kinds. Rules promulgated for the paper bottle cap industry in November 1931 were revised and extended to cover all milk bottle caps and closures regardless of composition. The revised rules cover such subjects as misrepresentation of industry products and of the character of business of industry members; deceptive use of trade-marks; unlawful coercion or combinations in restraint of trade; commercial bribery; unlawful selling below cost; and unlawful discrimination in price or promotional services or facilities. Group II rules embrace such subjects as arbitration of disputes, repudiation of contracts, and maintenance of accurate records.

Feather and down products industry.— Members of this industry are engaged in the manufacture, processing, distribution, and sale of pillows, comforters, sleeping bags, and similar products, which are wholly or partially filled with feathers or down. These rules constitute a revision and extension of those promulgated for this industry in July 1932. The revised rules contain a new description of the industry covered, as well as definitions of significant trade terms such as "down," "down fiber," "waterfowl feathers," and "natural feathers." They establish trade tolerances as to content and size and describe acceptable labeling practices. The rules also cover use of second-hand materials and cleanliness of feather and down stocks. Other provisions are directed against such unfair practices as fictitious price lists; false invoicing; commercial bribery; defamation of competitors; and unlawful discrimination in price or promotional services or facilities. The estimated annual value, at the manufacturers' level, of products covered by these rules is in excess of \$30,000,000, more than 80 percent of which is produced by industry members who actively cooperated in the revision proceeding.

## Pending Conference Proceedings

In addition to proceedings which resulted in promulgation of rules, other proceedings were in progress at the close of the fiscal period.

Rules for the cosmetic and toilet preparations industry were approved June 27, 1951. They were scheduled to become effective February 1, 1952, but had not been formally promulgated when the fiscal year ended.

Members of this industry are engaged in manufacturing, importing, selling, or distributing cosmetics, toilet preparations, or devices or accessories sold in combination with such products. One important provision is designed to clarify the requirements of the Clayton



Act, as amended by the Robinson-Patman Act, with respect to the supplying of marketing services,



Rayon industry.—Extensive cooperative compliance work under these rules has been taken in the form of advertising surveys, office conferences, field work, and voluminous correspondence. In this way both the industry and the consuming public have been protected from the deception arising from failure to disclose the fiber content of products containing rayon. Steps have also been taken to prevent various other deceptive methods employed in the advertising and sale of rayon products.

## SETTLEMENT OF CASES BY STIPULATION

Stipulations accepted -----	3157
Cases closed -----	41
Complaints Directed -----	8
Referred for further investigation -----	20
Placed on suspense -----	5
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Total disposition -----	231
Conference hearings held -----	108

The voluntary, cooperative approach is also reflected in the settlement of cases without resort to the formal complaint and trial method. In certain types of cases involving unfair methods of competition or unfair or deceptive practices, when there has been no fraudulent intent,<sup>4</sup> the Commission offers businessmen the opportunity of entering into voluntary agreements to discontinue practices considered violative of law.

The Division of Stipulations in the Bureau of Industry Cooperation is charged with the duty of negotiating settlements under the stipulation procedure. The Division does not investigate or prosecute any matter. Its procedure is to notify the businessman concerned that certain of his business practices have been challenged as illegal. The notice includes a statement of the specific practices which preliminary investigation indicates should be discontinued. The businessman may reply by letter or confer, either in person or through an authorized representative, with the chief or assistant chief of the Division of Stipulations or with an attorney-conferee. He is given opportunity for an informal conference-hearing in which one or more staff members of the Bureau of Antideceptive Practices who were concerned with the case during its investigational stage may also participate.

The procedure encourages frank, informal, and thorough discussion of the facts and issues involved, either by correspondence or in

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<sup>3</sup> Includes 13 amendment stipulations.

<sup>4</sup> See page 136 for the full text of the Commission's policy on settlement of cases by stipulation.

conference. The result is generally an amicable settlement providing protection of the public interest; but avoiding prolonged litigation. Where the charges are considered to have been substantiated, a stipulation of facts and an agreement to cease and desist are presented to the Commission for its consideration in disposing of the case. Or this informal proceeding may result in a recommendation for closing the case, either in whole or in part, or for other action in accordance with the law and the public interest.

Cases disposed of by stipulation-agreements during the fiscal year covered a wide range of unfair or deceptive practices, particularly in the field of false and misleading advertising. The following summary illustrates the nature of the cases handled in this way.

Two makers of electric water heaters agreed to attach to their devices a warning that dangerous electric shock may result unless directions for use are carefully followed. Several sellers of insecticides and rodenticides discontinued sweeping claims as to the effectiveness and safety of their products. Agreements were reached with eight companies for an end to claims that their antihistamine preparations will cure or prevent the common cold. A varnish will no longer be advertised as "weatherproof" or "alkali-proof."

Advertisements of several hair preparations were revised to eliminate claims that they control dandruff or prevent baldness. One firm promised to stop representing its product would regrow hair. Misuse of the term "waterproof" in describing mattresses and related products was halted in several instances. Several agreements provided for discontinuance of unwarranted claims for medicinal preparations. Another practice covered in several stipulations was that of fictitious price-marking. A lumber company agreed to stop advertising, contrary to fact, that its lumber is cut to standard sizes within allowable tolerances.

Sellers of such automotive products as gasoline additives and a "wattage regulator" agreed to eliminate from their advertisements certain performance claims not warranted by the facts. Buyers of metal awnings were protected from deception when several sellers agreed to stop advertising their products as windproof or stormproof. Other claims discontinued were to the effect that the initial cost was the only cost because the awnings required no maintenance.

Claims for synthetic starches were modified considerably as a result of the stipulation procedure. Several companies agreed to stop making sweeping statements that their products greatly prolong the life of fabrics, while others promised to discontinue claims of "permanence." A cigarette maker stipulated that it would refrain from advertising that its cigarettes provide a defense against throat irritation. In another case, a manufacturer of pens and pencils agreed to stop evading the terms of its service guaranty.

Voluntary corrective action was taken in two instances by sun glass makers after the Commission challenged their advertising claims. One case involved claims that the sun glasses met prescribed standards when there was no adequate control to insure that they did. Representations that vegetable fiber sealing compounds are metallic solders or will effect "permanent" repairs were discontinued in two cases.

The stipulation procedure also put an end to claims that pine oil disinfectant kills the germs that cause pneumonia, diphtheria, and tetanus. And perfumes compounded in the United States by a New Jersey firm will no longer be represented as "French." Numerous claims as to the reducing and health-giving effects of an electric vibrator were discontinued as contrary to the facts.

After stipulations are accepted by the Commission, the Division of Stipulations obtains a

# 7

## Case Work Progress Under New Procedures

CONSIDERABLE PROGRESS was made during the year in the continuing program to bring the Commission's legal case work to a more current status. In fiscal 1951, the Commission disposed of 162 cases in which complaints had been issued, an increase of 13 percent over the 143 cases disposed of during the preceding year. While 311 cases were pending at the close of fiscal 1950, the number was reduced to 260, a decrease of 16 percent, by the end of fiscal 1951.

Of the cases disposed of during 1951, 121 resulted in cease-and-desist orders, an increase of 53 percent over the 79 cease-and-desist orders issued in 1950. In addition, during 1951, 9 cases in which formal complaints had been issued were settled by acceptance of stipulations to cease and desist instead of by formal orders. Two cases had been thus settled during 1950.

Cease-and-desist orders in antimonopoly cases totaled 23, an increase of almost 44 percent over the 1950 total of 16. In antideceptive practice cases, 98 orders to cease and desist were entered, or an increase of 55 percent over 1950, when the number was 63. When cases settled by stipulation are included, the respective antideceptive case totals are 107 and 65, and the increase in corrective actions in 1951 amounts to nearly 65 percent.

In informal cases—that is, where formal complaints were not issued—157 stipulations to cease and desist were accepted during 1951, a decrease from the 1950 total of 164. Informal cases disposed of by administrative treatment—that is, by letters or affidavits of discontinuance—showed an increase, however, aggregating 281 in 1951, as compared to 253 in 1950.

At the close of fiscal 1951, 995 applications for complaint, involving both monopolistic and deceptive practices, were pending, compared to 1,166 at the close of the previous year. Formal complaints issued in 1951 totaled 109, compared with 124 in 1950.

The increase in the number of formal cases disposed of represents a forward stride in the Commission's effort to clear from its docket a backlog of cases pending for long periods, as well as to expedite the disposition of current cases. The progress made in this program is

attributable in large measure to procedural changes adopted for the purpose of avoiding delays. One of the principal changes was the amendment of the Rules of Practice, effective in June 1950, to authorize trial examiners to make "initial decisions" in the cases they hear. These decisions then become Commission decisions unless appeals are taken or unless the Commission, on its own initiative, docket a case for review. The former practice was for trial examiners to make a report on the evidence and a "recommended decision," with the "initial decision" being made by the Commission.

The new procedure, which is authorized by the Administrative Procedure Act, has the effect of making trial examiners an initial trial court whose decisions are subject to review by the Commission.

The first year of operation of the initial decision procedure has more than fulfilled the hope expressed when it was adopted that, by eliminating much duplication of work, it would speed action on cases. During fiscal 1951, production by the trial examiners showed a marked increase. The work of the trial examiners

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## OTHER PROCEDURAL CHANGES

The year was marked by several other changes in the Commission's procedures and rules of practice designed to expedite the disposition of formal cases and reduce the time and expense required.

Just



Management Improvement Plan. The Plan is a continuing project, which is expected to result in increasingly efficient utilization of the Commission's limited resources for the achievement of its statutory objectives.

## INCENTIVE AWARDS PROGRAM

As part of the Management Improvement Plan, the Commission put into effect during the year an Incentive Awards Program. Its purpose is to encourage employee participation in management improvement, to provide the means for such participation, and to recognize by appropriate awards employees who make outstanding contributions to efficiency and economy in the operation of the Commission. The Efficiency Awards Committee of the Commission, composed of the General Counsel, the Director of the Bureau of Industrial Economics, and the Secretary and Executive Director of the Commission, representing respectively the legal, economic, and administrative services, administers the program in the Commission. All recommendations of the Committee for awards are submitted to the Chairman of the Commission for approval.

Thirty awards were made under the program during the fiscal year. These included two cash awards aggregating \$215 for employee suggestions leading to savings estimated at \$5,130 for the first year. Salary increases for distinguished and superior service went to employees, while honorary awards were presented to 20 employees.

Twenty-four employee suggestions were submitted, of which 2 were adopted, 10 rejected, and 12 remained pending.

# 8

## The Commission's Work in Mobilization Program

COMMISSION PARTICIPATION in the defense mobilization program has been of a threefold nature: (1) Carrying out responsibilities assigned to it by the Defense Production Act; (2) undertaking work for defense agencies in fields in which its experience gives it special competence; and (3) realigning its regular work—both legal and economic—so as to give priority to the job of preventing practices detrimental to the defense buildup.

### DUTIES UNDER DEFENSE PRODUCTION ACT

Under the Defense Production Act, the Commission has the duty of (a) consulting with defense agencies as to action which they intend to request pursuant to voluntary agreement where there is need for such action to be exempted from the antitrust laws, and (b) making surveys upon request by the Attorney General for the purpose of determining factors that may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of the administration of the Defense Production Act.

The role of the Commission during the defense emergency has been further defined in two Presidential memoranda directed to defense agencies. The first, dated September 28, 1950, requested defense agencies, in performing the functions delegated to them, to consult with the Attorney General and the Chairman of the Federal Trade Commission "for the purpose of determining and, to the extent consistent with the principal objectives of the act and without impairing the defense effort, of eliminating any factors which may tend to suppress competition unduly, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power."

Pointing out that "during the last war, the long-standing tendency toward economic concentration was accelerated," the President warned that "Partial mobilization, in the absence of protective measures, may again expose our economy to this threat and thereby imperil the very system we are seeking to protect."

The second memorandum, dated December 20, 1960, transmitted the Attorney General's first report concerning the dangers to a competitive enterprise economy which are inherent in mobilization for defense and stated that this report will be of assistance to defense agencies in identifying some of the problems about which they should consult with the Attorney General or the Federal Trade Commission and in carrying out their responsibilities in the defense program.

The Commission has made every effort to facilitate consultation with the defense agencies as provided in these Presidential statements. It has also made Special provisions to carry out its duties under the Defense Production Act.

### Clearance of Antitrust Exemptions

Section 708 of the Defense Production Act authorizes the President to consult with representatives of industry, business, finance, agriculture, labor, and other interests, with the view to encouraging the making by such persons, with the approval of the President, of voluntary agreements and programs to further the objectives of the act. It further provides that no act, or omission to act, if requested by the President pursuant to a voluntary agreement or program approved thereunder and found by the President to be in the public interest as contributing to the national defense, shall be construed to be within the prohibitions of the antitrust laws or the Federal Trade Commission Act. Copies of such requests must be furnished to the Attorney General and the Chairman of the Federal Trade Commission. In authorizing the President to delegate to certain officials his authority under section 708 (b) relating to exemptions from the antitrust laws and the Federal Trade Commission Act, the statute provides that such officials must consult with the Attorney General and the Chairman of the Federal Trade Commission before mailing any request or finding under the e ar

In handling the work, close coordination and collaboration are maintained between the Department of Justice and the Federal Trade Commission, in cooperation with the defense agencies concerned.

Up to the close of the fiscal year, 13 voluntary industry programs and agreements were processed under section 708 of the Defense Production Act.

### Surveys for the Attorney General

As already indicated, the Commission has a statutory duty to make surveys upon request by the Attorney General pursuant to the requirements of section 708 (e) of the Defense Production Act. The Attorney General's first report in accord with this section was made December 7, 1950. At the Attorney General's request, the Commission submitted a preliminary report which assembled and analyzed information about the competitive impact of mobilization activities during the Second World War and outlined the dangers to competitive enterprise inherent in a defense economy.

The Commission's report discussed the question of policy goals in a near-permanent defense economy and analyzed the dangers to competition. It covered such subjects as scarcity and emergency allocation problems, Government procurement, Government research and access to technology, new facilities, price controls, and fiscal measures. It emphasized the special problems of small business and the need for special measures to prevent it from being destroyed or weakened.

### COMPLIANCE SURVEYS FOR NPA

The Commission was designated in February 1951 as the agency through which the Administrator of the National Production Authority may exercise his power to conduct surveys and investigations of the operation of, and the degree of compliance with, NPA orders and regulations. This designation was made in accordance with the policy of utilizing existing agencies, as far as possible, in carrying out the defense mobilization program. It was recognized that the Commission, with a staff of experienced attorney-examiners and accountants, was especially well-equipped to make the investigations needed by NPA. The work was accordingly assigned to the Division of Defense



develops under section 6 of the Federal Trade Commission Act are of use not only to the Congress but also to other Government agencies, including the defense agencies, and to the general public. In the recent exercise of its reporting powers, the Commission has concentrated its attention upon reports which enable it to inform Congress what is happening to competition and reports which furnish information needed by the emergency agencies.

One of the Commission's first tasks in assisting those having responsibilities for defense was the preparation of reports for the use of the Preparedness Subcommittee of the Committee on Armed Services of the Senate (the Lyndon Johnson Committee). At the request of this Committee, the Commission prepared brief reports, based upon information already available within the Government, designed to show the character and significance of brief

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tions, OPS chose to rely upon the Commission's regularly collected financial statistics. In addition, the Commission supplied to OPS during the fiscal year a series of special tabulations giving more detail than the regular reports and covering industries more narrowly defined. The method of reporting manufacturing profits was revised, partly for the purpose of making the reports more suited to the needs of the price control agency. Among other things, plans were laid to collect for the first time separate figures on certain important elements of the cost of goods sold, such as labor and materials.

Meanwhile, OPS felt the need for profit information about wholesaling and retailing as well as manufacturing. Accordingly, the Commission's financial reporting program was expanded in the first quarter of the calendar year 1951 to include wholesale and retail trade corporations. As the fiscal year closed, the Commission was assembling, on a sampling basis, financial data from 6,000 wholesale trade corporations and 8,000 retail trade corporations. To minimize costly response problems with many of the retail trade corporations engaged primarily in intrastate commerce, the Director of Price Stabilization delegated to the Commission his authority to require such reports in order to supplement the Commission's authority which applies only to corporations engaged in interstate commerce.

The results of this sampling operation are to be published quarterly. At the same time, the TD 0. 0 TD 0.0014 Tc (wholesale) TjzD 0.0014 Tc (wholesale) TjzD 0.0016(order)-op





# 9

## Appropriations and Obligations

THE GENERAL APPROPRIATION ACT, 1951 (Pub. 759, 81st Cong.), approved September 6, 1950, provided funds for the fiscal year 1951 for the Federal Trade Commission as follows:

### Federal Trade Commission

Salaries and expenses.—For necessary expenses, including personal services in the District of Columbia; purchase of one passenger motor vehicle; health service program as authorized by law (5 U. S. C. 150); payment of tort claims pursuant to law (28 U. S. C. 2672); contract stenographic reporting services; and printing and binding; and not to exceed \$700 for newspapers; \$3,891,695, of which not less than \$223,473 shall be available for trade practice agreement work: Provided, That no part of the funds appropriated herein for the Federal Trade Commission shall be expended upon any investigation hereafter provided by concurrent resolution of the Congress until funds are appropriated subsequently to the enactment of such resolution to finance the cost of such investigation.

### FUNDS AVAILABLE FOR FISCAL YEAR

Funds appropriated to the Commission for the fiscal year 1951 as cited above amounted to \$3,891,695. In addition, the Commission received by transfer the following amounts: from the Economic Stabilization Agency the sum of \$95,000 to cover the cost of the expansion of the current quarterly industrial financial report series; and from the National Production Authority the sum of \$150,000 to cover the cost of conducting surveys, inquiries, and investigations for the purpose of determining the facts concerning the operation of, and the degree of compliance with, the orders and regulations issued by the National Production Authority.

### OBLIGATIONS BY ACTIVITIES, FISCAL YEAR 1951

#### 1. Antimonopoly:

Legal case work -----	\$1,298,713
Economic and financial reports -----	292,615
Export trade -----	53,062

2. Antideceptive Practices:	
Legal case work -----	\$1,221,302
Trade practice conferences -----	236,600
Wool Act administration -----	309,362
Trade marks and insurance -----	33,875
3. Administrative salaries -----	326,439
Total -----	3,771,968

### OBLIGATIONS BY OBJECTS, FISCAL YEAR 1951

Personal services -----	\$3,389,188
Travel -----	157,380
Transportation of things -----	779
Communication services -----	20,971
Rents and utility services -----	10,005
Printing and reproduction -----	56,491
Other contractual services -----	42,710
Supplies and materials -----	50,305
Equipment -----	43,924
Refunds, awards, and indemnities -----	215
Total -----	3,771,968

### APPROPRIATIONS AND OBLIGATIONS, 1915—51

Appropriations available to the Commission since its organization and obligations for the same period, together with the unobligated balances, are shown in the table below. The table also lists the number of employees as of June 30 of each year.

Year	Number of employees	Nature of appropriations	Appropriations	Obligations	Balance
1915	143	Lump sum -----	\$184,016.23	\$90,442.05	\$93,574.18
		Printing and binding -----	12,386.76	9,504.16	2,882.60
1916	224	Lump sum -----	430,964.08	379,927.41	51,036.67
		Printing and binding -----	15,000.00	14,997.55	2.45
1917	193	Lump sum -----	542,025.92	448,890.66	93,135.26
		Printing and binding -----	25,000.00	23,610.54	1,389.46
1918	689	Lump sum -----	1,578,865.92	1,412,280.19	166,585.73
		Printing and binding -----	30,000.00	11,114.06	18,885.94
1919	367	Lump sum -----	1,693,622.18	1,491,637.39	201,984.97
		Printing and binding -----	14,934.21	14,934.21	0
1920	418	Lump sum -----	1,206,587.42	1,007,593.30	198,994.12
		Printing and binding -----	23,348.97	28,348.97	0
1921	315	Lump sum -----	938,609.94	842,991.24	95,618.70
		Printing and binding -----	37,182.56	37,182.56	0
1922	318	Lump sum -----	952,505.45	878,120.24	74,385.21
		Printing and binding -----	22,801.73	22,801.73	0
1923	308	Lump sum -----	952,020.11	948,293.07	3,727.04
		Printing and binding -----	22,460.21	22,460.21	0
1924	314	Lump sum -----	990,000.00	960,020.93	29,979.07
		Printing and binding -----	20,000.00	19,419.25	580.75
1925	314	Lump sum -----	990,000.00	988,082.37	1,917.63
		Printing and binding -----	20,000.00	19,866.14	133.86
1926	317	Lump sum -----	990,000.00	976,957.02	13,042.98
		Printing and binding -----	18,000.00	18,000.00	0
1927	293	Lump sum -----	980,000.00	943,881.99	36,118.01
		Printing and binding -----	17,000.00	17,000.00	0
1928	349	Lump sum -----	967,850.00	951,965.15	15,884.85
		Printing and binding -----	16,500.00	16,500.00	0

Year	Number of employees	Nature of appropriations	Appropriations	Obligations	Balance
1929	380	Lump sum -----	\$1,135,414.83	\$1,131,521.47	\$3,893.36
		Printing and binding -----	27,777.69	27,777.69	0
1930	450	Lump sum -----	1,440,971.82	1,430,084.17	10,887.65
		Printing and binding -----	35,363.58	35,363.58	0
1931	546	Lump sum -----	1,932,857.81	1,808,403.35	124,454.46
		Printing and binding -----	39,858.73	39,858.73	0
1932	511	Lump sum -----	1,808,097.19	1,749,484.60	58,612.59
		Printing and binding -----	30,000.00	30,000.00	0
1933	404	Lump sum -----	1,421,714.70	1,378,973.14	42,741.56
		Printing and binding -----	30,000.00	20,000.00	10,000.00
1934	584	Lump sum -----	1,273,763.49	1,273,606.38	157.11
		Printing and binding -----	40,250.00	40,250.00	0
1935	535	Lump sum -----	2,063,398.01	1,922,313.34	141,084.67
		Printing and binding -----	34,000.00	34,000.00	0
1936	571	Lump sum -----	1,998,665.58	1,788,729.76	209,935.82
		Printing and binding -----	36,800.00	32,996.05	3,803.95
1937	577	Lump sum -----	1,895,571.94	1,850,673.82	44,898.12
		Printing and binding -----	43,353.95	43,353.95	0
1938	585	Lump sum -----	1,950,000.00	1,895,519.47	54,480.35
		Printing and binding -----	46,000.00	46,000.00	0
1939	687	Lump sum -----	2,236,795.00	2,150,474.40	86,320.60
		Printing and binding -----	46,700.00	46,700.00	0
1940	668	Lump sum -----	2,285,500.00	2,214,889.07	70,610.93
		Printing and binding -----	60,000.00	60,000.00	0
1941	694	Lump sum -----	2,240,000.00	2,167,256.24	72,743.76
		Printing and binding -----	60,000.00	59,000.00	1,000.00
1942	631	Lump sum -----	2,373,822.00	2,296,921.13	76,900.87
		Printing and binding -----	60,000.00	42,000.00	18,000.00
1943	487	Lump sum -----	2,237,705.00	2,100,783.09	136,921.91
		Printing and binding -----	50,250.00	32,210.75	18,039.25
1944	463	Lump sum -----	2,040,050.00	1,917,307.50	122,742.50
		Printing and binding -----	43,000.00	39,848.247	3,151.55
1945	451	Lump sum -----	2,016,070.00	1,957,818.31	58,251.69
		Printing and binding -----	43,000.00	39,728.72	3,271.23
1946	496	Lump sum -----	2,129,833.00	2,118,404.77	11,428.28
		Printing and binding -----	44,000.00	33,044.88	10,955.12
1947	604	Lump sum -----	2,925,120.00	2,826,817.64	98,302.36
		Printing and binding -----	50,000.00	33,902.35	16,097.65
1948	579	Lump sum -----	2,915,596.92	2,894,685.60	20,911.32
		Printing and binding -----	55,000.00	53,815.34	1,184.66
1949	660	Lump sum -----	3,574,510.00	3,548,657.21	25,852.79
		Printing and binding -----	46,525.00	33,310.54	13,214.46
1950	654	Lump sum (including printing and binding) -----	3,723,000.00	3,722,072.45	927.55
1951	684	Lump sum (including printing and binding) -----	3,891,695.00	3,771,968.02	119,726.98

## APPENDIXES

### Federal Trade Commissioners 1915-51

Name	State from which appointed	Period of service
Joseph E. Davies	Wisconsin	Mar. 16, 1915—Mar. 18, 1918.
Edward N. Hurley	Illinois	Mar. 16, 1915—Jan. 31, 1917.
William J. Harris	Georgia	Mar. 16, 1915—May 31, 1918.
Will H. Parry	Washington	Mar. 16, 1915—Apr. 21, 1917.
George Rublee	New Hampshire	Mar. 16, 1915—May 14, 1916.
William B. Colver	Minnesota	Mar. 16, 1917—Sept. 25, 1920.
John Franklin Fort	New Jersey	Mar. 16, 1917—Nov. 30, 1919.
Victor Murdock	Kansas	Sept. 4, 1917—Jan. 31, 1924.
Huston Thompson	Colorado	Jan. 17, 1919—Sept. 25, 1926.
Nelson B. Gaskill	New Jersey	Feb. 1, 1920—Feb. 24, 1925.
John Garland Pollard	Virginia	Mar. 6, 1920—Sept. 25, 1921.
John F. Nugent	Idaho	Jan. 15, 1921—Sept. 25, 1927.
Vernon W. Van Fleet	Indiana	June 26, 1922—July 31, 1926.
Charles W. Hunt	Iowa	June 16, 1924—Sept. 25, 1932.
William E. Humphrey	Washington	Feb. 25, 1925—Oct. 7, 1933.
Abram F. Myers	Iowa	Aug. 2, 1926—Jan. 15, 1929.
Edgar A. McCulloch	Arkansas	Feb. 11, 1927—Jan. 23, 1933.
Garland S. Ferguson	North Carolina	Nov. 14, 1927—Nov. 15, 1949.
Charles H. March	Minnesota	Feb. 1, 1929—Aug. 28, 1945.
Ewin L. Davis	Tennessee	May 26, 1933—Oct. 23, 1949.
Raymond B. Stevens	New Hampshire	June 26, 1933—Sept. 25, 1933.
James M. Landis	Massachusetts	Oct. 10, 1933—June 30, 1934.
George C. Mathews	Wisconsin	Oct. 27, 1933—June 30, 1934.
William A. Ayres	Kansas	Aug. 23, 1934-.
Robert E. Freer	Ohio	Aug. 27, 1935—Dec. 31, 1948.
Lowell B. Mason	Illinois	Oct. 15, 1945-.
John Carson	Michigan	Sept. 28, 1949-.
James M. Mead	New York	Nov. 16, 1949-.
Stephen J. Spingarn	New York	Oct. 25, 1950-.

# Federal Trade Commission Act

(15 U. S. C., Secs. 41-58)

AN ACT To create a Federal Trade Commission, to define its powers and duties, and for other purposes

SEC. 1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that a commission is hereby created and established, to be known as the Federal Trade Commission (hereinafter ~~referred to as~~ rafd cf7cp4)

be a part of the classified civil service, and shall enter the service under such rules and regulations as may be prescribed by the Commission and by the Civil Service Commission.

All of the expenses of the Commission, including all necessary expenses for transportation incurred by the commissioners or by their employees under their orders, in making any investigation, or upon official business in any other places than in the city of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the Commission.

Until otherwise provided by law, the commission may rent suitable offices for its use.

The Auditor for the State and Other Departments shall receive and examine all accounts of expenditures of the Commission.<sup>4</sup>

SEC. 3. That upon the organization of the Commission and election of its chairman, the Bureau of Corporations and the offices of Commissioner and Deputy Commissioner of Corporations shall cease to exist; and all pending investigations and proceedings of the Bureau of Corporations shall be continued by the Commission.

All clerks and employees of the said bureau shall be transferred to and become clerks and employees of the Commission at their present grades and salaries. All records, papers, and property of the said bureau shall become records, papers, and property of the Commission, and all unexpended funds and appropriations for the use and maintenance of the said bureau of ~~corporations shall be transferred to and become property of the Commission.~~



in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Commission conditions of fact or of law have so changed as to require such action or if the public interest shall so require: Provided, however, That the said person, partnership, or corporation may, within sixty days after service upon him or it of said report or order entered after such a reopening, obtain a review thereof in the appropriate circuit court of appeals of the United States, in the manner provided in subsection (c) of this section.

(c) Any person, partnership, or corporation required by an order of the Commission to cease and desist from using any method of competition or act or practice may obtain a review of such order in the circuit court of appeals of the United States, within any circuit where the method of competition or the act or practice in question was used or where such person, partnership, or corporation resides or has a principal place of business.

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lieve or absolve any person, partnership, or corporation from any liability under the Antitrust Acts.  
(f) Complaints, orders, and

(k) As used in this section the term "mandate," in case a mandate has been recalled prior to the expiration of thirty days from the date of issuance thereof, means the final mandate.

(1) Any person, partnership, or corporation who violates an order to the Commission to cease and desist after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than \$5,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the United States. Each separate violation of such an order shall be a separate offense, except that in the case of a violation through continuing failure or neglect to obey a final order of the Commission each day of continuance of such failure or neglect shall be deemed a separate offense.<sup>7</sup>

SEC. 6. That the commission shall also have power—

(a) To gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the Act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships.

(b) To require, by general or special orders, corporations engaged in commerce, excepting banks, and common carriers subject to the Act to regulate commerce, or any class of them, or any of them, respectively, to file with the commission in such form as the commission may prescribe annual or special, or both annual and special, reports or answers in writing to specific questions, furnishing to the commission such information as it may require as to the organization, business, conduct, practices, management, and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. Such reports and answers shall be made under oath, or otherwise, as the commission may prescribe, and shall be filed with the commission within such reasonable period as the commission may prescribe, unless additional time be granted in any case by the commission.

(c) Whenever a final decree has been entered against any defendant corporation in any suit brought by the United States to prevent and restrain any violation of the antitrust Acts, to make investigation, upon its own initiative, of the manner in which the decree has been or is being carried out, and upon the application of the Attorney General it shall be its duty to make such investigation. It shall transmit to the Attorney General a report embodying its findings and recommendations.

(f) To make public from time to time such portions of the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.

(g) From time to time to classify corporations and to make rules and regulations for the purpose of carrying out the provisions of this Act.

(h) To investigate, from time to time, trade conditions in and with foreign countries where associations, combinations, or practices of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States, and to report to Congress thereon, with such recommendations as it deems advisable.

SEC. 7. That in any suit in equity brought by or under the direction of the Attorney General as provided in the antitrust Acts, the court may, upon the conclusion of the testimony therein, if it shall be then of opinion that the complainant is entitled to relief, refer said suit to the commission, as a master in chancery, to ascertain and report an appropriate form of decree therein. The commission shall proceed upon such notice to the parties and under such rules of procedure as the court may prescribe, and upon the coming in of such report such exceptions may be filed and such proceedings had in relation thereto as upon the report of a master in other equity causes, but the court may adopt or reject such report, in whole or in part, and enter such decree as the nature of the case may in its judgment require.

SEC. 8. That the several departments and bureaus of the Government when directed by the President shall furnish the commission, upon its request, all records, papers, and information in their possession relating to any corporation subject to any of the provisions of this Act, and shall detail from time to time such officials and employees to the commission as he may direct.

SEC. 9. That for the purposes of this Act the commission, or its duly authorized agent or agents, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any documentary evidence of any corporation being investigated or proceeded against; and the commission shall have power to require by subpoena the attendance and testimony of witnesses and the production of all such documentary evidence relating to any matter under investigation. Any member of the commission may sign subpoenas, and members and examiners of the commission may administer oaths and affirmations, examine witnesses, and receive evidence.

Such attendance of witnesses, and the production of such documentary evidence, may be required from any place in the United States, at any designated place of hearing. And in case of disobedience to a subpoena the commission may invoke the aid of any court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence.

Any of the district courts of the United States within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or other person, issue an order requiring such corporation or other person to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Upon the application of the Attorney General of the United States, at the request of the commission, the district courts of the United States shall have

jurisdiction to issue writs of mandamus commanding any person or corporation to comply with the provisions of this Act or any order of the commission made in pursuance thereof.

The commission may order testimony to be taken by deposition in any proceeding or investigation pending under this Act at any stage of such proceeding or investigation. Such depositions may be taken before any person designated by the commission and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the commission as hereinbefore provided.

Witnesses summoned before the commission shall be paid the same fees and mileage that are paid witnesses



(2) that such delay would be due to the method by which the manufacture and distribution of such publication is customarily conducted by the publisher in accordance with sound business practice, and not to any method or device adopted for the evasion of this section or to prevent or delay the issuance of an injunction or restraining order with respect to such false advertisement or any other advertisement.

the court shall exclude such issue from the operation of the restraining order or injunction.

SEC 14.<sup>9</sup> (a) Any person, partnership, or corporation who violates any provision of section 12 (a) shall, if the use of the commodity advertised may be injurious to health because of results from such use under the conditions prescribed in the advertisement thereof, or under such conditions as are customary or usual, or if such violation is with intent to defraud or mislead, be guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than six months, or by both such fine and imprisonment; except that if the conviction is for a violation committed after a first conviction of such person, partnership, or corporation, for any violation of such section, punishment shall be by a fine of not more than \$10,000 or by imprisonment for not more than one year, or by both such fine and imprisonment: Provided, That for the purposes of this section meats and meat food products duly inspected, marked, and labeled in accordance with rules and regulations issued under the Meat Inspection Act approved March 4, 1907, as amended, shall be conclusively presumed not injurious to health at the time the same leave official "establishments."

(b) No publisher, radio-broadcast licensee, or agency or medium for the dissemination of advertising, except the manufacturer, packer, distributor, or seller of the commodity to which the false advertisement relates, shall be liable under this section by reason of the dissemination by him of any false advertisement, unless he has refused on the request of the Commission, to furnish the Commission the name and post-office address of the manufacturer, packer, distributor, seller, or advertising agency, residing in the United States, who caused him to disseminate such advertisement. No advertising agency shall be liable under this section by reason of the causing by it of the dissemination of any false advertisement, unless it has refused, on the request of the Commission, to furnish the Commission the name and postoffice address of the manufacturer, packer, distributor, or seller, residing in the United States, who caused it to cause the dissemination of such advertisement.

SEC. 15. For the purpose of sections 12, 13, and 14—

(a) (1) The term "false advertisement" means an advertisement, other than labeling, which is misleading in a material respect; and in determining whether any advertisement is misleading, there shall be taken into account among other things) not only representations made or suggested by statement, word, design, device, sound, or any combination thereof, but also the extent to which the advertisement fails to reveal facts material in the light of such representations or material with respect to consequences which may result from the use of the commodity to which the advertisement relates under the conditions prescribed in said advertisement or, under such conditions as are customary or usual. No advertisement of a drug shall be deemed to be false if it is disseminated only

<sup>9</sup> ~~1914) Tj 2.04 To To~~ (wi3 e Tc ( ) Tj 3.6 -4.8 TD /F1 9.96 Tf 0.tn96 Tf 0.tn96 s 45.8j 204 0 TD -0.(sturoviTc :18 -7.6 ) T-11

to members of the medical profession, contains no false representations of a material fact, and includes, or is accompanied in each instance by truthful disclosure of, the formula showing quantitatively each ingredient of such drug.

(2)<sup>10</sup> In the case of oleomargarine or margarine an advertisement shall be deemed misleading in a material respect if in such advertisement representations are made or suggested by statement, word, grade designation, design, device, symbol, sound, or any combination thereof, that such oleomargarine or margarine is a dairy product, except that nothing contained herein shall prevent a truthful, accurate, and full statement in any such advertisement of all the ingredients contained in such oleomargarine or margarine.

(b) The term "food" means (1) articles used in advertisement used "food"

3) les  
The term

SEC. 18. This Act may be cited as the "Federal Trade Commission Act."  
Original act approved September 26, 1914.  
Amended act approved March 21, 1938.

## OTHER ACTS ADMINISTERED BY THE COMMISSION

In addition to the Federal Trade Commission Act, the Commission also administers section 2 of the Clayton Act (15 U. S. C., sec. 13), as amended by the Robinson-Patman Antidiscrimination Act, and sections 3, 7, and 8 of the Clayton Act (15 U. S. C., secs. 14, 18, and 19); the Export Trade Act (15 U. S. C., secs. 61-65); the Wool Products Labeling Act (15 U. S. C., sec. 68); and certain sections of the Trade-Mark Act of 1946 (15 U. S. C., secs. 1051-1072, 1091-1096, and 1111-1127).



## Types of Unfair Methods and Practices

The following list illustrates unfair methods of competition and unfair or deceptive acts and practices condemned by the Commission from time to time in its orders to cease and desist. The list is not limited to orders issued during the fiscal year. Because of space limitation it does not include specific practices outlawed by the Clayton Act and committed to the Commission's jurisdiction, namely, various forms of price discrimination, exclusive-dealing and tying arrangements, competitive stock acquisition, and certain kinds of competitive interlocking directorates.

1. The use of false or misleading advertising concerning, and the misbranding of, commodities, respecting the materials or ingredients of which they are composed, their quality, purity, origin, source, attributes, or properties, or nature of manufacture, and selling them under such name and circumstances as to deceive the public. An important part of these include misrepresentation of the therapeutic and corrective properties of medicinal preparations and devices, and cosmetics, and the false representation, expressly or by failure to disclose their potential harmfulness, that such preparations may be safely used.

2. Describing various symptoms and falsely representing that they indicate the presence of diseases and abnormal conditions which the product advertised will cure or alleviate.

3. Representing products to have been made in the United States when the mechanism or movements, in whole or in important part, are of foreign origin.

4. Bribing buyers or other employees of customers and prospective customers, without employers' knowledge or consent, to obtain or hold patronage.

5. Procuring the business or trade secrets of competitors by espionage, or by bribing their employees, or by similar means.

6. Inducing employees of competitors to c

terms accorded to the boycotters or conspirators, or through coercion to influence the trade policy of their competitors or of manufacturers from whom they buy.

11. Passing off goods for products of competitors through appropriation or simulation of such competitors' trade names, labels, dress of goods, or counterdisplay catalogs.

12. Selling rebuilt, second-hand, renovated, or old products, or articles made in whole or in part from used or second-hand materials, as new, by so representing them or by failing to reveal that they are not new or that second-hand materials have been used.

13. Buying up supplies for the purpose of hampering competitors and stifling or eliminating competition.

14. Using concealed subsidiaries, ostensibly independent, to obtain competitive business otherwise unavailable, and making use of false and misleading representations, schemes, and practices to obtain representatives and make contacts, such as pretended puzzle-prize contests purportedly offering opportunities to win handsome prizes, but which are in fact mere "come-on" schemes and devices in which the seller's true identity and interest are initially concealed.

15. Selling or distributing "tealhon911D0023tTe (the) Tj 13.56 0 TD 0 Tca ( ) Tj 1.56 0 TD 0.01 Tc (seller's) Tj 3

(e) Use of false representations that an article offered has been rejected as nonstandard and is offered at an exceptionally favorable price, or that the number thereof that may be purchased is limited.

(f) Falsely representing that goods are not being offered as sales in ordinary course, but are specially priced and offered as a part of a special advertising campaign to obtain customers, or for some purpose other than the customary profit.

(g) Misrepresenting, or causing dealers to misrepresent, the interest rate of carrying charge on deferred payments.

20. Using containers ostensibly of the capacity customarily associated by the purchasing public with standard weights or quantities of the product therein contained, or using standard containers only partially filled to capacity, so as to make it appear to the purchaser that he is receiving the standard weight or quantity.

21. Misrepresenting in various ways the necessity or desirability or the advantages to the prospective customer of dealing with the seller, such as—

(a) Misrepresenting seller's alleged advantages of location or size, or the branches, domestic or foreign, or the dealer outlets he has.

(b) Making false claim of being the authorized distributor of some concern, or failing to disclose the termination of such relationship, in soliciting customers of such concern, or of being successor thereto or connected therewith, or of being the purchaser of competitor's business, or falsely representing that competitor's business has been discontinued, or falsely claiming the right to prospective customer's special consideration through such false statements as that the customer's friends or his employer have expressed a desire for, or special interest in, consummation of seller's transaction with the customer.

(c) Alleged connection of a concern, organization, association, or institute with, or endorsement of it or its product or services by, the Government or nationally known organization, or representation that the use of such product or services is required by the Government, or that failure to comply with such requirement is subject to penalty.

(d) False claim by a vendor of being an importer, or a technician, or a diagnostician, or a manufacturer, grower, or nurseryman, or a distiller, or of being a wholesaler, selling to the consumer at wholesale prices; or by a manufacturer of being also the manufacturer of the raw material entering into the product, or by an assembler of being a manufacturer.

(e) Falsely claiming to be a manufacturer's representative and outlet for surplus stock sold at a sacrifice.

(f) Falsely representing that the seller owns a laboratory in which the product offered is analyzed and tested.

(g) Representing that ordinary private commercial seller and business is an association, or national association, or connected therewith, or sponsored thereby, or is otherwise connected with noncommercial or professional organizations or associations, or constitutes an institute, or, in effect, that it is altruistic in purpose, giving work to the unemployed.

(h) Falsely claiming that business is bonded, or misrepresenting its age or history, or the demand established for its products, or the selection afforded, or the quality or comparative value of its goods, or the personnel or staff or personages presently or theretofore associated with such business or the products thereof.

(i) Claiming falsely or misleadingly patent, trade-mark, or other special and exclusive rights.

(j) Granting seals of approval by a magazine to products advertised therein and misrepresenting thereby that such products have been adequately tested, and misrepresenting by other means the quality, performance, and characteristics of such products.

22. Obtaining business through undertakings not carried out and not intended to be carried out, and through deceptive, dishonest, and oppressive devices calculated to entrap and coerce the customer or prospective customer, such practices including—

(a) misrepresenting that seller fills orders promptly, ships kind of merchandise described, and assigns exclusive territorial rights within definite trade areas to purchasers or prospective purchasers.

(b) Obtaining orders on the basis of samples displayed for customer's selection and failing or refusing to respect such selection thereafter in filing of orders, or promising results impossible of fulfillment, or falsely making promises or

(a) The products were made for the Government or in accordance with its specifications and of corresponding quality, or that the advertiser is connected with the Government in some way, or in some way the products have been passed upon, inspected, underwritten, or endorsed by it; or

(b) They are composed in whole or in part of ingredients or materials which in fact are present only to a negligible extent or not at all, or that they have qualities or properties which they do not have; or

(c) They were made in or came from some locality famous for the quality of such products, or are of national reputation; or

(d) They were made by some well and favorably known process; or

(e) They have been inspected, passed, or approved after meeting the tests of some official organization charged with the duty of making such tests expertly and disinterestedly, or giving such approval; or

(f) They were made under conditions or circumstances considered of importance by a substantial part of the general purchasing public; or

(g) They were made in a country, or city, or locality considered of importance in connection with the public taste, preference, or prejudice; or

(h) They have the usual characteristics or value of a product properly so designated, as through use of a common, generic name, such as "paint," to designate a product lacking the necessary ingredients of paint;

(i) They are of greater value, durability, and desirability than is the fact, as labeling rabbit fur as "Beaver"; or

(j) They are designed, sponsored, produced, or approved by the medical profession, health and welfare associations, hospitals, celebrities, educational institutions and authorities, such as the use of letters "M. D." and the words "Red Cross" and its insignia and words "Boy Scout."

24. Selling below cost or giving products without charge, with intent and effect of hindering or suppressing competition.

25. Dealing unfairly and dishonestly with foreign purchasers and thereby discrediting American exporters generally.

26. Coercing and forcing uneconomic and monopolistic reciprocal dealing.

27. Entering into contracts in restraint of trade whereby foreign corporations agree not to export certain products to the United States in consideration of a domestic company's agreement not to export the same commodity, nor to sell to anyone other than those who agree not to so export the same.

28. Employing various false and misleading representations and practices attributing to products a standing, merit and value to the purchasing public, or a part thereof, which they do not possess, such practices including—

(a) Misrepresenting, through salesmen or otherwise, products' composition, nature, qualities, results accomplished, safety, value, and earnings or profits to be had therefrom.

(b) Falsely claiming unique status or advantages, or special merit therefor, on the basis of misleading and ill-founded demonstrations or scientific tests, or pretended widespread tests, or of pretended widespread and critical professional acceptance and use.

(c) Misrepresenting the history or circumstances involved in the making and offer of the products or the source or origin thereof (foreign or domestic), or of the ingredients entering therein, or parts thereof, or the opportunities brought to the buyer through purchase of the offering, or otherwise misrepresenting scientific or other facts bearing on the value thereof to the purchaser.

(d) Falsely representing products as legitimate, or prepared in accordance with Government or official standards or specifications.



## Description of Procedure

CASES before the Commission may originate in one of several ways: Through complaint by a consumer or a competitor; from other governmental agencies, Federal, State, or municipal; or upon observation by the Commission. The Commission itself may initiate an investigation to determine whether the laws administered by it are being violated. No formality is required in making application for complaint. A letter setting forth the facts in detail is sufficient, but it should be accompanied by all evidence in possession of the complaining party in support of the charges made. It is the policy of the Commission not to disclose the identity of the complainant.

Upon receipt of an application for complaint, the Commission through its Bureau of Antimonopoly or its





provide that they "shall not be responsible to, or subject to the supervision or direction of, any officer, employee, or agent engaged in the performance of investiga

# Rules of Practice<sup>1</sup>

## RULE I. THE COMMISSION

Offices.— The principal office of the Commission is at Washington, D. C.

All communications to the Commission must be addressed to Federal Trade Commission, Washington 25, D. C., unless otherwise specifically directed.

Branch Offices are maintained at New York, Chicago, San Francisco, Seattle, and New Orleans.

Their addresses are: Federal Trade Commission, Room 501, 45 Broadway, New

(b) Investigational hearings.— Investigational hearings as distinguished from hearings in formal adversary proceedings shall be held before the Commission, one or more of its members, or a duly designated representative, for the purpose of hearing the testimony of witnesses and receiving documents and other data relating to one or more of the subjects under investigation. Unless otherwise ordered by the Commission, such hearings shall be nonpublic investigatory proceedings and shall be stenographically reported, and a transcript thereof shall be made a part of the record of the investigation.

(c) Rights of witnesses.—The provisions of subsection (3) of section C of Rule XXX shall be applicable to proceedings under (a) and (b) above.

## RULE IV. APPLICATIONS FOR COMPLAINT

Any person, partnership, corporation, or association may apply to the Commission to institute a proceeding in respect to any violation of law over which the Commission has jurisdiction.

Such application for complaint shall be in writing, signed by or in behalf of the applicant, and shall contain a short and simple statement of the facts constituting the alleged violation of law and the name and address of the applicant and of the party complained of.

## RULE V. COMPLAINTS, DEFAULTS, CONSENT SETTLEMENTS

(a) Complaints.—Whenever the Commission shall have reason to believe that there is a violation of law over which the Commission has jurisdiction, and in case of violation of the Federal Trade Commission Act, if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, the Commission shall issue and serve upon the proper parties a complaint stating its charges and containing a notice of a hearing upon a day and at the place therein fixed, at least thirty (30) days after the service of said complaint.

(b) Defaults.— In the "Notice" portion of the complaint there may be set forth a provisional order to cease and desist which the Commission shall have reason to believe should issue if the facts in the record shall be found to be as alleged in the complaint. If the complaint contains such order, it shall also state that such order shall issue, unless the respondent shall file an answer within the time designated in the complaint; shall appear at the time and place so fixed; and shall show cause why the said order to cease and desist should not be entered by the Commission, in which event such provisional order to cease and desist shall be without effect.

(c) Consent settlements.— At any time after the issuance of complaint and prior to the commencement of the taking of evidence, all respondents in any case may jointly move the trial examiner to suspend proceedings before him for a reasonable time to permit negotiations by counsel upon a consent settlement dispositive of the proceeding. Such suspension, and the time thereof, will be in the discretion of the trial examiner, after considering representations of counsel for both sides and the reasonable probability of an agreement being reached that would result in a substantial saving in time and expense.

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## RULE VII. APPEARANCE

Any individual or member of a partnership which is a party to any proceeding before the Commission may appear for himself, or such partnership upon adequate identification, and a corporation or association may be represented by a bona fide officer of such corporation or association upon a showing of adequate authorization therefor.

A party may also appear by an attorney at law possessing the requisite qualifications, as hereinafter set forth, to practice before the Commission.

Attorneys at law, who are admitted to practice before the Supreme Court of the United States, or the

(b) Failure to file an answer or plead specifically to any allegation of the complaint shall constitute an admission of such allegation.

(c) Admission in the answer, or admission by failure to file an answer, of all the material allegations of fact contained in the complaint shall constitute a waiver of hearing. Upon such admission, the trial examiner and the Commission shall be deemed authorized, without further notice to respondent, to find the facts, to

(c) Regulation of time and place of hearing.—Initial hearing before a trial examiner shall begin at the time and place ordered by the Commission, unless a notice of a change of such time and place is issued by the trial examiner, who shall regulate the course of hearings subject to the provisions of Rule XX.

## RULE XII. DOCUMENTS

Filing.—All documents required to be filed in any proceeding, whether pending before a trial examiner or before the Commission, shall be filed with the Secretary of the Commission.

Title.— Documents shall clearly show the docket number and title of the proceeding.

Copies.— Documents, other than correspondence, shall be filed in triplicate, except as otherwise specifically required by these rules.

Form.— Documents not printed shall be typewritten, on one side of paper only; letter size, eight (8) inches by ten and one-half (10½) inches; left margin, one and one half (1½) inches; right margin, one (1) inch.

Documents may be printed, in ten (10) or twelve (12) point type, on good, unglazed paper, of the dimensions and with the margins above specified.

Documents shall be bound at left side only.

The originals of all answers, briefs, motions, left





be interrogated by leading questions,

Witnesses whose depositions are taken, and the persons taking such depositions, shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

Witness fees and mileage, and fees for depositions, shall be paid by the party at whose instance witnesses appear.

#### RULE XVIII. EVIDENCE

In general.—Counsel supporting the complaint shall have the general burden of proof and the proponent of any factual proposition shall be required to sustain the burden of proof with reference thereto. The trial examiner, subject to appeal to the Commission as provided in Rule XX, shall admit relevant, material and competent evidence, but shall exclude irrelevant, immaterial and unduly repetitious evidence.

Documentary.—Where relevant and material matter offered in evidence is embraced in a document containing other matter not material or relevant and not intended to be put in evidence, such immaterial or irrelevant parts shall be excluded, and shall be segregated insofar as practicable.

Official notice of facts.—Where any decision of the trial examiner or any decision of the Commission, or part thereof, rests upon the taking of official notice of a material fact not appearing in the evidence in the record, any party shall, upon timely motion, be afforded an opportunity to show the contrary.

Objections.—Objections to evidence shall be in short form, stating the grounds relied upon, and the transcript shall not include argument or debate thereon except as ordered by the presiding officer. Rulings on i debate

witnesses and the answers thereto shall be reduced to writing, and, in the presence of the officer taking the deposition, read to the witness and subscribed by the witness and certified in usual form by said officer. Thereafter the said officer shall forward said deposition with three copies thereof, in an envelope under seal, endorsed with the title of the case, and addressed to the Commission at its office in Washington, D. C. If in a pending case, such sealed deposition shall immediately be forwarded to the presiding trial examiner and at a time of hearing read in evidence subject to such objections to the questions and answers as ~~may be made~~ ~~by the~~ ~~objections~~

advise in the decision of the trial examiner, except as a witness or as counsel in public proceedings.

All findings, conclusions and orders made and issued by the trial examiner shall be based upon the whole record and supported by reliable, probative, and substantial evidence.

At any time prior to the filing of his initial decision the trial examiner may, for good cause shown, reopen the case for the reception of further evidence.

A copy of the trial examiner's initial decision shall be served upon each party, counsel, or other representative who has appeared pursuant to Rule VII.

## RULE XXIII. APPEAL FROM INITIAL DECISION

A. Time for filing notice of intention to appeal.— A notice of intention to appeal may be filed by any party within ten (10) days after service upon him of the initial decision.

B. Who may appeal.— Any party may file an appeal who shall have filed a notice of intention to appeal in accordance with paragraph A, above.

C. Content of appeal brief.— An appeal shall be presented in the form of a brief, designated appeal brief, and shall contain, in the order here indicated, the following:

(1) A subject index of the matters presented, with page references, and a table of the cases (alphabetically arranged), textbooks and statutes cited, and reference to the pages where they are cited;

(2) A concise abstract or statement of the case;

(3) Exceptions to specific findings and conclusions of fact, or parts thereof, or conclusions of law in the initial decision; exceptions to the failure of the initial decision to include other findings or conclusions of fact, law or discretion; exceptions to any prejudicial error in procedure, including conduct or ruling of the trial examiner; or exceptions to the substance or form of the order or part thereof; together with proposed findings of fact, conclusions of fact or of law, and an order, or parts thereof, in lieu of those to which exception is taken, with specific page references to the parts of the record or the authority relied upon;

(4) Argument exhibiting clearly points of fact and of law relied upon in support of each exception taken, together with specific page references to the parts of the record cited and the legal or other authorities relied upon.

D. Limit of appeal.— No matter not included in the appeal brief may thereafter be presented to the Commission, in oral argument or otherwise.

E. Content of opposing brief.— The brief of a party opposing an appeal, designated opposing brief, shall contain only facts, reasons and arguments in opposition to exceptions taken in the appeal brief, except as may be deemed necessary to correct any inaccuracy or omission in the appeal brief.

F. Time for filing.— An appeal brief shall be filed within thirty (30) days from date of service of the initial decision. An opposing brief shall be filed within twenty (20) days after service of the appeal brief. No further brief shall be filed except by special leave granted.

G. Number.— Twenty (20) copies of the notice of intention to appeal and of all briefs shall be filed.

H. Form.— All briefs shall be printed, multigraphed, or otherwise neatly processed on good unglazed white paper in type not smaller than ten (10) point double leaded, citations and quotations single leaded; footnotes not less than eight (8) point single leaded. Type page shall not be more than twenty-nine (29) picas wide by approximately forty-eight (48) picas deep and trimmed page shall be seven (7) inches by ten (10) inches, with an inside margin of not less than one (1) inch.

I. Length.—Unless leave be granted, no brief shall exceed seventy-five (75) printed pages.

J. Signing.— At least one copy of the notice of intention to appeal and of each brief shall be signed in ink by the submitting party.

## RULE XXIV. ORAL ARGUMENTS

Oral arguments before the Commission shall be had as ordered, on written application of the Director, Bureau of Litigation<sup>2</sup> of this Commission, or of the respondent, or of attorney for respondent, filed at the time of filing brief.

Oral arguments before the Commission shall be reported stenographically unless otherwise ordered by the Commission.

## RULE XXV. COMMISSION'S ADJUDICATION

Upon appeal of a case to the Commission from the initial decision, the Commission will consider such parts of the record as are cited therein, or which may be necessary to resolve the issues presented, and in addition will, to the extent necessary or desirable, exercise all the powers which it would have exercised if it had made the initial decision. The Commission will thereafter rule upon each exception taken to the initial decision and render its decision, incorporating therein (a) that part of the initial decision which is affirmed; (b) any additional findings as to facts, law, or discretion; and (c) such an order as it may deem just and appropriate.

No officer, employee or agent, engaged in the performance of investigative or prosecuting functions for the Commission, and no party respondent or his agent or counsel in any case shall, in that or a factually related case, participate or advise in the decision of the Commission, except as a witness or as counsel in public proceedings.

## RULE XXVI. REPORTS SHOWING COMPLIANCE WITH ORDERS AND WITH STIPULATIONS

In every case in which the Commission shall have issued an order to cease and desist, and in every instance in which the Commission approves and accepts a stipulation wherein a party agrees to cease and desist from the unlawful methods, acts, or practices involved, the respondent or respondents named in such order and the party or parties so stipulating shall file with the Commission within sixty (60) days after service of such order, or within sixty (60) days after notice of approval of such stipulation, a report, in writing, setting forth in detail the manner and form detail ( ) Tj 4.08 CD 10 16 00 61 16 4 8 0 1 9 4 2 1 0 0 2 2 6 0 8 7 8 4 8 4 6 6 0

Within its discretion, the Commission may require any respondent upon whom such order has been served, and any party entering into such stipulation, to file with the Commission from time to time thereafter, further reports in writing, setting forth in detail the manner and form in which they are complying with said order or stipulation.

Reports of compliance shall be signed in ink by respondents or by the parties stipulating.

## **RULE XXVII. REOPENING OF PROCEEDINGS**

In any case where an order to cease and desist has been issued by the Commission it may, upon notice to the parties, modify or set aside, in whole or in part, its report of findings as to the facts or order in such manner as it may deem proper at any time prior to expiration of the time allowed for filing a petition for review or prior to the filing of the transcript of record in the proceeding in a Circuit Court of Appeals of the United States pursuant to a petition for review or for enforcement of such order.

In any case where an order to cease and desist issued by the Commission has become final by reason of court affirmance or expiration of the statutory period for court reviewcourthas s Tj 13.56 0c (affirmance) Tj 47.88 0 0.02

(c) Application.— Application for a trade practice conference may be filed with the Commission by any interested person, party, or group. Such application shall be in writing and be signed by the applicant or the duly authorized representative of the applicant or group desiring such conference. The following information, to the extent known to the applicant, shall be furnished with such application or in a supplement thereto:

- (1) A brief description of the industry, trade, or subject to be treated.
- (2) The kind and character of the products involved.
- (3) The size or extent and the divisions of the industry or trade groups concerned.
- (4) The estimated total annual volume of production or sales of the commodities involved.
- (5) List of membership of the industry or trade groups concerned in the matter.
- (6) A brief statement of the acts, practices, methods of competition or other trade practices desired to be considered, or drafts of suggested trade practice rules.

(d) Informal discussions with of the Commission's staff.— Any interested person or group may, upon request, be granted opportunity to confer in respect to any proposed trade practice conference with the Commission's trade practice conference office, either prior or subsequent to the filing of any such application. They may also submit any pertinent data or information which they desire to have considered. Such submission shall be made during such period of time as the Commission or its duly authorized official may designate.

(e) Industry conferences.— Public notice of the time and place of any such authorized conference shall be issued by the Commission. A member of the Commission or of its staff shall have charge of the conference and shall conduct the conference pursuant to direction of the Commission and in such manner as will facilitate the proceeding and afford appropriate consideration of matters properly coming before the conference. A transcript of the conference proceedings shall be made, which, together with all rules, resolutions, modifications, amendments or other matters offered, shall be filed in the office of the Commission and submitted for its consideration.

(f) Public hearing on proposed rules.— Before final approval by the Commission of rules for an industry, and upon public notice, further opportunity shall be afforded by the Commission to all interested persons, corporations or other organizations, including consumers, to submit in writing relevant suggestions or objections and to appear and be heard at a designated time and place.

(g) Promulgation of rules.— When trade practice rules shall have been finally approved and received by the Commissioner, they shall be promulgated by official order of the Commission and published, pursuant to law, in the Federal Register. Said rules shall become operative thirty (30) days from date of promulgation or at such other time as may be specified by the Commission. Copies of the final rules shall be made available at the office of the Commission. Under the procedure of the Commission a copy of the trade practice rules as promulgated by the Commission is sent to each member of the industry whose name and address is available, together with an acceptance form providing opportunity to such member to signify his intention to observe the rules in the conduct of his business.

(h) Violations. —Complaints as to the use, by any person, corporation or other organization, of any act, practice or method inhibited by the rules may

be made to the Commission by any person having information thereof. Such complaints, if warranted by the facts and the law, will receive the attention of the Commission in



be in writing, and shall describe the information or materiel desired, its relevancy to the work and function of such agency and, if the production0.02fd



#### E. Promulgation of Quantity-Limit Rule

After the consideration of the results of its investigation or investigations and of the data, views and arguments presented by interested parties, the Commission will, if it deems such action warranted, promulgate a quantity-limit rule. Such rule, which may be the proposed rule or a modification or revision thereof, shall fix and establish maximum quantities of the particular commodity or class of commodities upon which differentials on account of quantity may thereafter be granted. Such quantity-limit rule shall be published in the Federal Register, together with a reference to the authority or authorities therefor, a statement of its basis and purpose, and the effective date thereof, which shall be not less than thirty (30) days after the date of such publication.

#### F. Amendment or Repeal of Quantity-Limit Rule

The procedure for the amendment or repeal of a quantity-limit rule shall be the same as that for the establishment of a new quantity-limit rule.

#### G. Enforcement of Quantity-Limit Rule

Procedure in cases of violations of a quantity-limit rule shall be in accordance with the Commission's applicable rules of practice.

### **RULE XXXI. PETITIONS FOR THE ISSUANCE, AMENDMENT, OR REPEAL OF RULES**

Any interested person may petition for the issuance, amendment, or repeal of a rule. Such petitions shall specifically set forth the proposed rule, amendment, or repeal, together with a statement of the basis for and reasons supporting the proposal made, and seven copies of such petition shall be filed. After consideration of any such petition, the Commission will take such action with respect thereto as it deems appropriate and duly inform petitioner thereof.

When, pursuant to a petition therefor, or upon its own motion, the Commission proposes to issue a substantive rule or amend or repeal such a rule, notice thereof and further rule-making procedure will be in conformity with the provisions of Section 4 of the Administrative Procedure Act.

This rule is not applicable to matters provided for under Rules XXVIII and XXX.

## Statement of Policy

### STATUS OF APPLICANT OR COMPLAINANT

The so-called "applicant" or complaining party has never been regarded as a party in the strict sense. The Commission acts only in the public interest. It has always been and now is the rule not to publish or divulge

doing, it may, in instances which are not excluded by the exceptions hereinafter stated, withhold service of complaint and extend to the person opportunity to execute a stipulation satisfactory to the Commission, in which the person, after admitting the material facts, promises and agrees to cease and desist from and not to resume such unfair methods of competition or unfair or deceptive acts or practices. All such stipulations shall be matters of public record, and shall be admissible as evidence of prior use of the unfair methods of competition or unfair or deceptive acts or practices involved in any subsequent proceeding against such person before the Commission.

It is the policy of the Commission to utilize the trade practice conference and stipulation procedures to encourage widespread observance of the law by enlisting the cooperation of members of industries and informing them more fully of the requirements of the law, so that wherever consistently possible the Commission may avoid the need for adversary proceedings against persons who, through misunderstanding or carelessness, may violate the law unintentionally. But it is not the policy of the Commission to grant the privilege of settling cases through trade practice conference or stipulation agreements to persons who have violated the law where such violations involve intent to defraud or mislead; false advertisement of foods, drugs, w

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agreements and conferences with whole industries and has otherwise cooperated with businessmen to inform and guide them with respect to the scope and meaning of the laws within its jurisdiction. A cooperative procedure t h with otherw7 15.96 0 TD 0 Tc (the) 7.15.96 04 TD 0 Td r) 1080 TD 0.03D 0.025estab

doubtless be glad to make use of the Commission's trade practice conference or stipulation procedure as a

## Investigations by the Commission, 1915-51

Since



Agricultural Income (Congress).—Investigating a decline in agricultural income and increases or decreases in the income of corporations manufacturing and distributing wheat, cotton, tobacco, livestock, milk, and potato products (Public Res. 61, 74th, 8/27/35), and table and juice grapes, fresh fruits and vegetables (Public Res. 112, 74th, (9/20/36), the Commission made recommendations concerning, among other things, the marketing of commodities covered by the inquiry; corporate consolidations and mergers; <sup>5</sup>unbalanced agricultural-industrial relations; cooperative associations; production financing; transportation; and terminal markets. Its recommendations for improvement of the Perishable Agricultural Commodities Act were adopted by Congress in amending that act (Public, 328, 75th) in 1937. [Report of the F. T. C. on Agricultural Income Inquiry, Part 1, Principal Farm Products, 1,134 p., 3/2/37 (summary, conclusions, and recommendations, S. Doc. 54, 75th, 40 p.); Part II, Fruits, Vegetables, and Grapes, 906 p. 6/10/37; Part III, Supplementary Report, 154 p., and interim reports of 12/26/35 (41. Part

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Cement (Senate).—Inquiry into the cement industry's competitive conditions and distributing processes (S. Res. 448, 71st, 2/16/31) showed that rigid application of the multiple basing-point price system<sup>6</sup> tended to lessen price competition and destroy the value of sealed bids; concerted activities of manufacturers and dealers strengthened the system's price effectiveness; and dealer associations' practices were designed to restrict sales to recognized "legitimate" dealers (Cement Industry, S. Doc. 71, 73d, 160 p., o. p., 6/9/33).

Chain Stores (Senate).—Practically every phase of chain-store operation was covered (S. Res. 224, 70th, 5/12/28), including cooperative chains, chain-store manufacturing and wholesale business, lenders and loss leaders, private brands, short weighing and overweighing and sales, costs, profits, wages, special discounts and allowances, and prices and margins of chain and independent grocery and drug distributors in selected cities. (For subtitles of 33 reports published under the general title, Chain Stores, 1931-33, see F. T. C. Annual Report, 1941, p. 201.)

In the Final Report on the Chain-Store Investigation (S. Doc. 4, 74th, 110 p., o. p., 12/14/34), legal remedies available to combat monopolistic tendencies in chain-store development were discussed.<sup>7</sup> The Commission's recommendations pointed the way to subsequent enactment of the Robinson-Patman Act (1936) prohibiting price and other discriminations, and the Wheeler-Lea Act (1938) which amended the Federal Trade Commission Act so as to broaden the prohibition of unfair methods of competition in section 5 to include unfair or deceptive acts or practices in interstate commerce.

Chromium Processors (W. P. B.), Wartime, 1942-43.—For the War Production Board, the Commission investigated the transactions of the major chromium processors to determine the extent to which they were complying with Amendment No. 2 to W. P. B. General Preference Order No. m-18-a, issued 2/4/42. The investigation was conducted concurrently with a survey of nickel processors.

Cigarette Shortage (F. T. C. and Senate Interstate Commerce Committee Chairman), Wartime, 1944-45.— In response to complaints from the public and a request from the Chairman of the Senate Interstate Commerce Committee (letter dated 12/1/44), the Commission investigated the cigarette shortage and reported, among other things that the scarcity was directly traceable to the

218 p., o. p., S. Doc. 207, 65th)—pursuant to F. T. C. motion; and Report of the F. T. C. on Premium Prices of Anthracite (97 p., o. p., 7/6/25)—pursuant to F. T. C. motion.

Coal, Cost of Production (F. T. C.), Wartime, 1917-18.—President Wilson fixed coal prices by Executive order under the Lever Act (1917) on the basis of information furnished by the Commission. For use of the U. S. Fuel Administration in continuing price control, the Commission compiled monthly cost production reports, collecting cost records for 1917-18 for about 99 percent of the anthracite and 95 percent of the bituminous coal production (Cost Reports of the F. T. C.—Coal, 6/30/19, summarized for principal coal-producing States or regions: (1) Pennsylvania, bituminous, 103 p., o. p.; (2) Pennsylvania, anthracite, 145 p., o. p.; (3) Illinois, bituminous, 127 p.; (4) Alabama, Tennessee, and Kentucky, bituminous, 210 p.; (5) Ohio, Indiana, and Michigan, bituminous, 288 p., o. p.; (6) Maryland, West Virginia, and Virginia, bituminous, 280 p., o. p.; and (7) trans-Mississippi States, bituminous, 459 p., o. p.).

Coal, Current Monthly Reports (F. T. C.).—The Commission (December 1919) initiated a system of current monthly returns from the soft coal industry similar to those compiled during the World War, 1917-18 (Coal-Monthly Reports on Cost of Production, 4/20/20 to 10/30/20, Nos. 1 to 6, and two quarterly reports with revised costs, 8/25/20 and 12/6/20, processed, o. p.). An injunction to prevent the calling for the monthly reports (denied about seven years later) led to their abandonment.

Combed Cotton Yarns.—See Textiles.

Commercial Bribery (F. T. C.).—Investigating the prevalence of bribery of customers' employees as a means of obtaining trade, the Commission published A Special Report on Commercial Bribery (H. Doc. 1107, 65th, 3 p., o. p., 5/15/18), recommending legislation striking at this practice; Commercial Bribery (S. Doc. unnumbered, 65th, .16 p., o. p., 8/22/18); and Commercial Bribery (S. Doc. 258, 66th, 7 p., o. p., 3/18/20).

Commercial Cooking and Food and Plate Warming Equipment, Manufacturers of (W. P. B.), Wartime, 1942-43.—The Commission conducted an investigation for the War Production Board to determine whether manufacturers of commercial cooking and plate warming equipment were complying with W. P. B. Limitation Orders L-182 and L-182 as amended 3/2/43; Conservation Orders M-126 and M-9-c, as amended; and Priorities Regulation No. 1.

Concentration of Productive Facilities (F. T. C.).—In a study of the extent of concentration of economic power, the Commission reported that 46 percent of the total net capital assets of all manufacturing corporations in the United States in 1947 was concentrated in the 113 largest manufacturers. The report is entitled The Concentration of Productive Facilities, 1947—Total Manufacturing and 26 Selected Industries (90 p.). See also Divergence between Plant and Company Concentration.

Contractors, Prime, Forward Buying Practices of (W. P. B.), Wartime, 1942-43.—The matter of procurement, use, and inventory stocks of critical materials involved in the operation of major plants devoting their efforts to war production was inquired into for the information of the War Production Board. Items such as accounting, inventory, control, purchase, practices, etc., formed a part of the inquiry.

Cooperation in American Export Trade.—See Foreign Trade.

Cooperation in Foreign Countries (F. T. C.).—Inquiries made by the Commission regarding the cooperative movement in 15 European countries resulted in a report, Cooperation in Foreign Countries (S. in.;1o1 TD 0.i0.4 ec Tjen-12. fur()r TDelopD 0 n Amc TD -0.0109 TericU. S

Cooperative Marketing (Senate).—This inquiry (S. Res. 34, 69th, 3/17/25) covered the development of the cooperative movement in the U. S. and illegal interferences with the formation and operation of cooperatives; and a comparative study of costs, prices, and marketing methods (Cooperative Marketing, S. Doc. 95, 70th, 721 p., o. p., 4/30/28).

Copper.—See Wartime Cost Finding, 1917-18.

Copper Base Alloy Ingot Makers (W. P. B.), Wartime, 1942-43. This investigation was designed to ascertain the operations, shipments, and inventories of copper, copper alloys, copper scrap, and copper base alloy ingot makers and was conducted for the purpose of determining the extent to which they were complying with governing W. P. B. Preference and Conservation Orders M-9-a and b, and M-9-c.

Copper Industry (F. T. C.).—The Commission's report on The Copper Industry transmitted to Congress (3/11/47), as in two parts: Part I—The Copper Industry of the United States and International Copper Cartels, and Part II—Concentration and Control By the Three Dominant Companies. The Commission reported that "The copper situation is particularly serious, not only because of the concentration of control of the ore reserves and of the productive capacity, but also because the domestic supply is inadequate to meet the demands of high level national production and employment. Furthermore, the production of foreign copper, on which the United States will become increasingly dependent, is likewise dominated by a few corporate groups which in the past have operated cooperatively in cartels to regulate production and prices."

Copper, Primary Fabricators of (W. P. B.), Wartime, 1941-42.—A survey and inspection of a specified list of companies which used a large percentage of all refinery copper allocated, and at the same time represented a fair cross-section of the industry, were made to ascertain the degree of compliance accorded to preference, supplementary, and conservation orders and regulations of the Director of Priorities, Office of Production Management (later the War Production Board).

Corporation Reports.—See Industrial Financial Reports.

Corporate Mergers and Acquisitions (F. T. C.).—To determine the impact on the Nation's economy of corporate mergers and acquisitions, the Commission made a study of the merger movement for the years 1940-46, inclusive. The results of the study were transmitted to Congress in a report entitled The Present Trend of Corporate Mergers and Acquisitions.

Costume Jewelry, Manufacturers of (W. P. B.), Wartime, 1943 44.—Because

Du Pont Investments (F. T. C.).—The Report of the F. T. C. on Du Pont Investments (F. T. C motion 7/29/27; report, 46 p., processed, 2/1/29) discussed reported acquisition by E. I. du Pont de Nemours & Co. of U. S. Steel Corp. stock, together with previously reported holdings In General Motors Corp.

Electric and Gas Utilities, and Electric Power.—See Power.

Electric Lamp Manufacturers (W. P. B.), Wartime, 1942-43.—At the direction of the War Production Board, an investigation was made of the activities of manufacturers of portable electric lamps whose operations were subject to the restrictions imposed by W. P. B. Limitation and Conservation Orders L-33 and m-9-c.

Electrical Household Appliances.—See Distribution Methods and Costs.

Farm Implements (Senate), Wartime, 1917-18.—The Report of the F. T. C. on the Causes of High Prices of Farm Implements (inquiry under S. Res. 223, 65th, 5/13/18; report, 713 p., o. p., 5/4/20) disclosed numerous trade combinations for advancing prices and declared the consent decree for dissolution of International Harvester Co. to be inadequate. The Commission recommended revision of the decree and the Department of Justice proceeded to that end.

Farm Implements (F. T. C.).—A 1948 report on the Manufacture and Distribution of Farm Implements (160 p., also 8 p. processed summary) concerns the production and distribution policies of large manufacturers of farm machinery. The report includes information respecting important developments and trends in the industry.

Feeds, Commercial (Senate).—Seeking to determine whether purported combinations in restraint of trade existed (S. Res. 140, 66th, 7/31/19), the Commission found that although some association activities were in restraint of trade, there were no substantial antitrust violations (Report of the F. T. C. on Commercial Feeds, 206 p., o. p., 3/29/21).

Fertilizer (Senate).—Begun by the Commissioner of Corporations <sup>8</sup> (S. Res. 487, 62d, 3/1/13), this inquiry disclosed extensive use of bogus independent fertilizer companies for competitive purposes (Fertilizer Industry, S. Doc. 551, 64th, 269 p., o. p., 8/19/16). Agreements for abolition of such unfair competition were reached.

Fertilizer (Senate).—A second fertilizer inquiry (S. Res. 307, 67th, 6/17/22) developed that active competition generally prevailed in that industry in the U. S., although in some foreign countries combinations controlled certain important raw materials. The Commission recommended improved agricultural credits and more extended cooperation by farmers in buying fertilizer (Fertilizer Industry, S. Doc. 347, 67th, 87 p., o. p. 3/3/23).

Fertilizer and Related Products (O. P. A.), Wartime, 1942-43.—At the request of O. P. A. (June 1942), the Commission investigated costs, prices, and profits in the fertilizer and related products industries. The inquiry developed information with reference to the operations of 12 phosphate rock mines of 11 companies, and 40 plants of 24 companies producing sulphuric acid, superphosphate, and mixed fertilizer. One of the principal requirements of the inquiry was to obtain information concerning costs, prices, and profits for 103 separate formulas of popular-selling fertilizers during 1941 and 1942.

prices low enough to facilitate maintenance of soil fertility. The Nation's resources of nitrogen, phosphate, and potash are discussed, and the inter-relationships of producers and mixers are reviewed. The report also summarizes available information concerning cartel control of nitrogen, phosphates, and potash.

of the F. T. C. or Bakery Business in U. S., pp. 13, o. p., 1133/17). Other



although War Food Order No. 1 which prohibited these practices was only partially observed, in 1945 as compared with 1942, the quantity of bread saved was sufficient to supply the population of England, Scotland, and Wales with a daily ration of one-third of a loaf for 30 days, the population of France for 36 days, or the population of Finland for nearly 1 year. The Commission suggested that "a careful examination of present laws be made by the legislative and executive branches of the Government to determine what legislation, if any, is needed to permanently eliminate wasteful trade practices and predatory competition which threaten the existence of many small bakers, foredoom new ventures to failure and promote regional monopolistic control of the wholesale breadbaking industry."

Part II presents information concerning prices and pricing practices in the industry, profits earned, and unit costs of production and distribution. It compares the details of production and distribution costs for bread and rolls, other bakery products, and for all bakery products for two operating periods in 1945, March and September. Comparisons of costs are also made for these two periods for plants arranged by geographical areas. Comparisons of the costs of production and distribution are made by size groups of wholesale bakeries.

Food—Fish.—See Distribution Methods and Costs.

Food—Flour Milling (Senate).—This study of costs, profits, and other factors (S. Res. 912, 67th, 1/18/22) was reported in Wheat Flour Milling Industry (S. Doc. 130, 68th, 130 p., o. p., 5/16/24).

Food—Flour Milling (O. E. S.), Wartime, 1942-43.—Requested by the Director of the Office of Economic Stabilization, this inquiry covered practices, costs, prices, and profits in the wheat flour-milling industry, its purpose being to provide the Director with facts to determine what economies could be affected in the industry so as to eliminate the need for a wheat subsidy, without reducing farmers' returns, or to reduce bread prices. The report was made to O. E. S. and a more detailed report was prepared for O. P. A.

Food—Flour-Milling Industry, Growth and Concentration in (F. T. C.).—The Commission's study showed that there has been a progressive increase in the size of flour-mill operations and a progressive decrease in the number of flour-milling establishments. Nevertheless, the Commission reported, there is a lesser degree of concentration in the flour-milling industry than in many other important industries. The results of the study were presented to Congress in a report on the Growth and Concentration in the Flour-Milling Industry (6/2/47).

Food—Grain Elevators (F. T. C.), Wartime, 1917-18.—In view of certain bills pending before Congress with reference to regulation of the grain trade, the Commission, in a preliminary report, Profits of Country and Terminal Grain Elevators (S. Doc. 40, 67th, 12 p., o. p., 6/13/21) presented certain data collected during its inquiry into the grain trade ordered by the President.

Food—Grain Exporters (Senate).—The low prices of export wheat in 1921 gave rise to this inquiry (Sen. Res. 133, 67th, 12/22/21) concerning harmful speculative price manipulations on the grain exchanges and alleged conspiracies among country grain buyers to agree on maximum purchasing prices. The Commission recommended stricter supervision of exchanges and a consibcter b

Food—Meat Packing Profit Limitation (Senate), Wartime, 1917-18.—Following an inquiry (S. Res. 177, 66th, 9/3/19) involving wartime control of this business as established by the U. S. Food Administration in 1917-18, the Commission recommended greater control and lower maximum profits (Maximum Profit Limitation on Meat Packing Industry, S. Doc. 110, 66th, 179 p., o. p., 9/25/19).

Food—Milk.—See Distribution Methods and Costs.

Food—Milk and Milk Products (Senate), Wartime, 1917-18.—Covering an inquiry (S. Res. 431, 65th, 3/3/19) into fairness of milk prices to producers and of canned-milk prices to consumers, the Report of the F. T. C. on Milk and Milk Products 1914-18 (6/21, 234 p., o. p.) showed a marked concentration of control and questionable practices many of which later were recognized by the industry as being unfair.

Food—Milk and Dairy Products (House).—Competitive conditions in different milk-producing areas were investigated (H. Con. Res. 32, 73d, 6/15/34). Results of the inquiry were published in seven volumes: Report of The F. T. C. on the Sale and Distribution of Milk Products, Connecticut and Philadelphia Milksheds (H. Doc. 152, 74th, 901 p., o. p., 4/5/35); Report of the F. T. C. on the Sale and Distribution of Milk and Milk Products (Connecticut and Philadelphia milksheds, interim report, H. Doc. 387, 74th, 125 p., o. p., 12/31/35); Chicago Sales Area (H. Doc. 451, 74th, 103 p., o. p., 4/15/36); Boston, Baltimore, Cincinnati, St. Louis (H. Doc. 501, 74th, 243 p., o. p., 6/4/36); Twin City Sales Area (H. Doc. 506, 74th, 71 p., o. p., 6/13/36); and New York Milk Sales Area (H. Doc. 95, 75th, 138 p., o. p., 9/30/36). The Commission reported that many of the industry's problems could be dealt with only by the States and recommended certain legislation and procedure, both State and Federal (Summary Report on Conditions with Respect to the Sale and Distribution of Milk and Dairy Products, H. Doc. 94, 75th, 39 p., o. p., 1/4/37). Legislation has been enacted in a number of States carrying into effect all or a portion of the Commission's recommendations.

Food—Peanut Prices (Senate).—An alleged price-fixing combination of peanut crushers and mills was investigated (S. Res. 139, 71st, 10/22/29). The Commission found that an industry-wide decline in prices of farmers' stock peanuts during the business depression was not due to such a combination, although pricing practices of certain mills tended to impede advancing and to accelerate declining prices (Prices and competition Among Peanut Mills, S. Doc. 132, 72d, 78 p., o. p., 6/30/32).

Food—Raisin Combination (Attorney General).—Investigating allegations of a combination among California raisin growers (referred to F. T. C. 9/30/19), the Commission found the enterprise not only organized in restraint of trade but conducted in a manner threatening

tions,<sup>11</sup> but completed by the F. T. C., this inquiry dealt with the cost of growing beets and the cost of beet-sugar manufacture (Report of the Beet Sugar Industry in the U. S., H. Doc. 158, 65th, 164 p., o. p., 5/24/17).

Foreign Trade—Antidumping Legislation (F. T. C.).—To develop information for use of Congress in its consideration of amendments to the antidumping laws, the Commission studied recognized types of dumping and provisions for preventing the dumping of goods from foreign countries (Antidumping Legislation and Other Import Regulations in the United States and Foreign Countries, S. Doc. 112, 73d, 100 p., o. p., 1/11/34; supplemental report, 111 p., o. p., processed, (6/27/38).

Foreign Trade—Cooperation in American Export Trade (F. T. C.).—This inquiry related to competitive conditions affecting Americans in international trade. The Export Trade Act, also known as the Webb-Pomerene law, authorizing the association of U. S. manufacturers for export trade; was enacted as a result of Commission recommendations (Cooperation in American export Trade, 2 vols., 984 p., o. p., 6/30/16; also summary, S. Doc. 426, 64th, 7 p., o. p., 5/2/16; and conclusions 1916. 14 p., o. p.).

Foreign Trade—Cotton Growing Corporation (Senate).—The report of an inquiry (S. Res. 317, 68th, 1/27/25) concerning the development of this British company, Empire Cotton Growing Corporation (S. Doc. 226, 68th, 30 p., o. p., 2/28/25), showed there was then little danger of serious competition with the American grower or of a possibility that the United States would lose its position as the largest producer of raw cotton.

Fruit Growers and Shippers (W. P. B.), Wartime, 1943-44.—This investigation was requested by the War Production Board to determine whether 7 grape growers and 12 grape shippers, all located in California, were in violation of W. P. B. Order L-232 with respect to quotas affecting the use of lugs (wooden shipping containers).

Furnaces, Hot Air, Household (W. P. B.), Wartime, 1943-44.—The Commission made a Nation-wide survey for the War Production Board of the operations of one of the largest manufacturers in the United States of household hot air furnaces, to determine whether its practices in selling and servicing domestic heating plants were in violation of Orders L-79 and P-84, and other applicable regulations and orders of W. P. B.

Fuse Manufacturers (W. P. B.), Wartime, 1942-43.—For the War Production Board the Commission investigated and reported on the activities of representative fuse manufacturers whose operations were subject to W. P. B. Limitation Orders L-158 and L-161, as amended.

Gasoline.—See Petroleum.

Glycerin, Users of (W. P. B.), Wartime, 1942-43.—At the request of the War Production Board, paint in

1946, for futures trading to be conducted in the usual manner on the Chicago, Kansas City and Minneapolis grain exchanges under existing conditions of Government price control and severe restrictions on the movement of short supplies of free grain in the cash market. The report also discusses the economic effects of emergency actions taken by the exchanges on the interests trading in futures, and suggests, among other things, that both the Commodity Exchange Act and the U. S. Warehouse Act "should be so amplified and coordinated, or even combined, as to make effective the type and scope of regulation over futures trading contemplated by the Congress in enacting the Commodity Exchange Act."

Guarantee Against Price Decline (F. T. C.).—Answers to a circular letter (12/26/19) calling for information and opinions on this subject were published in Digest of Replies in Response to an Inquiry of the F. T. C. Relating to the Practice of Giving Guarantee Against Price Decline (68 p., o. p., 5/27/20).

Housefurnishings (Senate).—This inquiry (S. Res. 127, 67th, 1/4/22) resulted in three volumes showing concerted efforts to effect uniformity of prices in some lines (Report of the F. T. C. on Housefurnishing Industries, 1018 p., o. p., 1/17/23, 10/1/23, and 10/6/24).

Household Furniture (O. P. A.), Wartime, 1941-42.—Costs, prices, and profits of 67 representatives ( ) To

Interlocking Directorates (F. T. C.).—This 1950 report on Interlocking Directorates summarizes the interlocking relationships among directors of the 1,000 largest manufacturing corporations. It also covers the interlocking directorates between these corporations and a selected list of banks, investment trusts, insurance companies, railroads, public utilities, and distributive enterprises.

International Alkali Cartels (F. T. C.)—In a report (1950) on International Cartels in the ALKALI Industry, the Commission discussed the nature, extent, and effect of international agreements concerning baking soda, soda ash, and caustic soda to which organized groups of American and European alkali producers were parties from 1924 until 1946.

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F. T. C. on Lumber Manufacturers' Trade Associations, incorporating regional reports of 1/10/21, 2/18/21, 6/9/21, and 2/15/22 (150 p., o. p.); Report of the F. T. C. on Western Red Cedar Association, Lifetime Post Association, and Western Red Cedarmen's Information Bureau (22 p., o. p., 1/24/23), also known as Activities of Trade Associations and Manufacturers of Posts and Poles in the Rocky Mountain and Mississippi Valley Territory (S. Doc. 293, 67th, o. p.); and Report of the F. T. C. on Northern Hemlock and Hardwood Manufacturers Association (52 p., o. p., 5/7/23).

Lumber Trade Associations (F. T. C.).—Activities of five large associations were investigated in connection with the Open-Price Associations inquiry to bring down to date the 1919 lumber association inquiry (Chap. VIII of Open-Price Trade Associations, S. Doc. 226, 70th, 516 p., 2/13/29).

Meat-Packing Profit Limitations.—See Food.

Mergers (F. T. C.).—In its 1948 report entitled *The Merger Movement: A Summary Report* (134 p., also 7 p. processed summary) the legal history of the antimerger provisions of the Clayton Act is reviewed. The report called attention to the loophole in the Clayton Act which permitted corporations to purchase the assets rather than (or in addition to) the stock of competing firms, thereby evading the original intent of Congress "to arrest the creation of . . . monopolies in their incipiency." (See also *Corporate Mergers*.)

Metal-Working Machines, Invoicing and Distribution of (W. P. B.), Wartime, 1942-43.—For the War Production Board an inquiry was made to obtain complete data from the builders of metal-working machines (including those manufactured by their subcontractors) such as all nonportable power-driven machines that shape metal by progressively removing chips or by grinding, boning, or lopping; all nonportable power-driven shears, presses, hammers, bending machines, and other machines for cutting, trimming, bending, forging, pressing, and forming metal; and all power-driven measuring and testing machines. Each type and kind of machine was reported on separately.

Milk.—See Food.

Millinery Distribution (President).—This inquiry, requested by President Roosevelt, embraced growth and development of syndicates operating units for retail millinery distribution, the units consisting of leased departments in department or specialty stores (Report to the President of the United States on Distribution Method in the Millinery Industry, 65 p., processed, 11/21/39).

Motor Vehicles (Congress).—Investigating (Public Res. 87, 75th, 4/13/38) distribution and retail sales policies of motor vehicle manufacturers and dealers, the Commission found, among other things, a high degree of concentration and strong competition; that many local dealers' associations fixed prices and operated used-car valuation or appraisal bureaus essentially as combinations to restrict competition; that inequities existed in dealer agreements and in certain manufacturers' treatment of some dealers; and that some companies' car finance plans developed serious abuse

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complying with W. P. B. Preference Order No. M-6-a, issued 9/30/41, and Conservation Order M-6-b, issued 1/20/42. The investigation was conducted concurrently with a survey of chromium processors.

Open-Price Associations (Senate).— An investigation (S. Res., 28, 69th, 3/17/25) to ascertain the number and names of so-called open-price associations, their importance in industry and the extent to which members maintained uniform prices, was repo

discussed high prices and the Standard Oil Companies' division of marketing territory among themselves, the Commission suggesting several plans for restoring effective competition; Advance in the Prices of Petroleum Products (H. Doc. 801, 66th, 57 p., o. p., 6/1/20)—pursuant to H. Res. 501, 66th, 4/5/20, in which report the Commission made constructive proposals to conserve the oil supply; Letter of Submittal and Summary of Report on Gasoline Prices in 1924 (24 p. processed, 6/4/24, and Cong. Record, 2/28/25, p. 5158)—pursuant to request of President Coolidge, 2/7/24; Petroleum Industry—Prices, Profits and Competitions (S. Doc. 61, 70th, 360 p., o. p., 12/12/27)—pursuant to S. Res. 31, 69th, 6/3/36; Importation of Foreign Gasoline at Detroit, Mich. (S. Doc. 206, 72d, 3 p., o. p., 2/27/33)—pursuant to S. Res. 274, 72d, 7/16/32; and Gasoline Prices (S. Doc. 178, 73d, 22 p., o. p., 5/10/34)—pursuant to S. Res. 166, 73d, 2/2/34.

Petroleum Decree (Attorney General).—The Commission investigated (inquiry referred to F. T. C. 4/16/36) the manner in which a consent decrea





which they were complying with W. P. B. orders relative to the allocation of supply and priority of delivery of war materials. F. T. C. priorities investigations are listed herein under the headings: Aluminum, Foundries Using; Antifreeze Solutions, Manufacturers of; Capital Equipment, Chromium, Processors of; Commercial Cooking and Food and Plate Warming Equipment, Manufacturers of; Contractors, Prime, Forward Buying Practices of; Copper Base Alloy Ingot makers; Copper, Primary Fabricators of; Costume Jewelry, Manufacturers of; Electric Lamps, Manufacturers of; Fruit Growers and Shippers; Furnaces, Hot Air, Household; Fuse Manufacturers; Glycerin, Users of; Insignia Manufacturers; Jewel Bearings, Consumers of; Metal-working Machines, Invoicing and Distribution of; Nickel, Processors of; Paint, Varnish, and Lacquer, Manufacturers of; Quinine, Manufacturers and Wholesalers of; Silverware, Manufacturers of; Silverware Manufacturers and Silver Suppliers; Steel Industry; Textile Mills, Cotton; and Tin, Consumers of. The report on each of these investigations was made directly to W. P. B.

Profiteering (Senate), Wartime, 1917-18.—Current conditions of profiteering (S. Res. 255, 65th, 6/10/18) as disclosed by various Commission investigations were reported in Profiteering (S. Doc. 248, 65th, 20 p., o. p., 6/29/18).

Quinine, Manufacturers and Wholesalers of (W. P. B.), Wartime, 1942-43.—At the instance of the War Production Board, investigation was made to determine whether requirements of its Conservation Order No. m-131-a, relating to quinine and other drugs extracted from cinchona bark, were being complied with.

Radio (House).—A comprehensive investigation of the radio industry (H. Res. 548, 67th, 3/4/23); Report of the F. T. C. on the Radio Industry, 347 p., o. p., 12/1/23) contributed materially to enactment of the Radio Act of 1927 and the succeeding Federal Communications Act of 1934. The investigation was followed by Commission and Department of Justice proceedings on monopoly charges which culminated in a consent decree (11/2/32; amended, 11/2/35).

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engaged in interstate commerce, such corporations having more than \$1,000,000 capital and assets and having their securities listed on the New York stock or curb exchanges. The Report of the F. T. C. on Compensation of Officers and Directors of Certain Corporations (15 p., processed, 2/26/34) explained the results of the inquiry.<sup>16</sup> The facts developed focused the attention of Congress on the necessity of requiring listed corporations to report their salaries.

Silverware Manufacturers (W. P. B.), Wartime, 1942-43.—Silverware manufacturers were investigated at the request of the War Production Board to determine the extent to which they had complied with the copper orders, that is, W. P. B. General Preference Order No. m-9-a, Supplemental Order No. m-9-b, and Conservation Order m-9-c, as amended.

Silverware Manufacturers and Silver Suppliers (W. P. B.), Wartime, 1942-43.— The activities of silverware manufacturers and silver suppliers under W. P. B. Conservation and Limitation Orders m-9-a, b, and c, m-100 and L-140 were investigated and reported on at the request of the War Production Board.

Sisal Hemp (Senate).—The Commission assisted the Senate Committee on Agriculture and Forestry in an inquiry (S. Res. 170, 64th, 4/17/16) and advised how certain quantities of hemp promised by the Mexican sisal trust, might be fairly distributed among American distributors of binder twine (Mexican Sisal Hemp, S. Doc. 440, 64th, 8 p., o. p., 5/9/16). The Commission's distribution plan was adopted.

Southern Livestock Prices.—See Food.

Steel Code and Steel Code as Amended (Senate and President).—The Commission investigated (S. Res. 166 73d, 2/2/34) price fixing, price increases, and other matters (Practices of the Steel Industry Under the Code, S. Doc. 159, 73d, 79 p., o. p., 3/19/34) and the Commission and N. R. A. studied the effect of the multiple basing-point system under the amended code (Report of the F. T. C. to the President in Response to Executive Order of May 30, 1934, With Respect to the Basing-point System in the Steel Industry, 125 p., o. p., 11/30/34).<sup>17</sup> The Commission recommended important code revisions.

Steel Companies, Proposed Merger (Senate).—An inquiry (S. Res. 286, 67th 5/12/22) into a proposed merger of Bethlehem Steel Corp. and Lackawanna Steel Co., and of Milvale Steel Ordnance Co., Republic Iron & Steel Co., and Inland Steel Co., resulted in a two-volume report, Merger of Steel and Iron Companies (S. Doc. 208, 67th, 11p., o. p., 6/5/22 and 9/7/22).

Steel Costs and Profits.—See Wartime Cost Findings, 1917-18.

Steel Costs and Profits (O. P. A.), Wartime, 1942-43.—A report on the Commission's survey of costs, prices and profits in the steel industry, begun in April 1942 at the request of O. P. A., was made to that agency. The inquiry covered 29 important steel-producing companies.

Steel Industry (O. P. M.), Wartime, 1941-42.—This investigation covered practically every steel mill in the country and was conducted for the purpose of determining the manner in which the priorities and orders promulgated by the Office of Production Management were being observed, i. e., the technique used in the steel industry in meeting the requirements of O. P. M. (later the War Production Board) Orders of (industry) oPi TD 0

were investigated (inquiry referred to F. T. C. 11/20/35). The F. T. C. Report to the President on Steel Sheet Piling (42 p., processed, 6/10/36 demonstrated the existence of collusive bidding because of a continued adherence to the basing-point system<sup>18</sup> and provisions of the steel industry's code.

Stock Dividends (Senate).—The Senate requested (S. Res. 304, 69th, 12/22/26) the names and capitalizations of corporations which had issued stock dividends, and the amounts thereof, since the Supreme Court decision (3/8/20) holding that such dividends were not taxable. The same information for an equal period prior to the decision was also requested. The Commission submitted a list of 10,245 corporations, pointing out that declaration of stock dividends at the rate prevailing did not appear to be a result of controlling necessity and seemed questionable as a business policy (Stock Dividends, S. Doc. 26, 70th, 273 p. 1, 2/5/27).

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Textiles—Cotton Growing Corporation.—See Foreign Trade.

Textiles—Cotton Merchandising (Senate).—Investigating abuses in handling consigned cotton (S. Res. 252, 68th, 6/7/24), the Commission made recommendations designed to correct or alleviate existing conditions (Cotton Merchandising Practices, S. Doc. 194, 68th, 38 p., o. p., 1/20/25).

Textiles—Cotton Trade (Senate).—Investigation (S. Res. 262, 67th, 3/29/22) involved a decline in cotton prices, 1920-22, as reported in Preliminary Report of the F. T. C. on the Cotton Trade (S. Doc. 311, 67th, 28 p., o. p., 2/26/23). After a second inquiry (S. Res. 429, 67th, 1/31/23), the Commission recommended certain reforms in trading practices and particularly in permitting Southern delivery of cotton on New York futures contracts (The Cotton Trade, incl. testimony, S. Doc. 100, 68th, 2 vols., 510 p., o. p., 4/28/24). A subsequent Senate bill (S. 4411, 70th, 5/18/28) provided for Southern warehouse delivery, but, before any law was enacted, the New York Cotton Exchange adopted Southern delivery on New York futures contracts (11/16/28 and 2/26/30) in accordance with the Commission's recommendations.

Textiles—Woolen Rag Trade (F. T. C.), Wartime, 1917-18.—The Report on the Woolen Rag Trade (90 p., o. p., 6/30/19) contains information gathered during the World War, 1917-18, at the request of the War Industries Board, for its use in regulating the prices of woolen rags employed in the manufe30.8460 TD 0 Tc7 2.7

Twine.—See Sisal Hemp and Textiles.

Utilities.—See Power.

War Material Contracts (House), Wartime, 1941-42.—At the request of the House Committee on Naval Affairs, the Commission assigned economic and legal examiners to assist in the Committee's inquiry into progress of the national defense program (H. Res. 162, 77th, 4/2/41). The Commission's examiners were active in field investigations covering aircraft manufacturers' cost records and operation, naval air station construction, materials purchased for use on Government contracts, and industry expansion financing programs.

Wartime Cost Finding (President), 1917-18.—President Wilson directed the Commission (7/25/17) to find the costs of production of numerous raw materials and manufactured