

ANNUAL REPORT  
OF THE  
FEDERAL  
TRADE COMMISSION  
FOR THE  
FISCAL YEAR ENDED JUNE 30  
1942

UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON: 1942



## FEDERAL TRADE COMMISSION

WILLIAM A. AYRES, *Chairman*<sup>1</sup>  
GARLAND S. FERGUSON  
CHARLES H. MARCH  
EWIN L. DAVIS  
ROBERT E. FREER  
OTIS B. JOHNSON, *Secretary*

### FEDERAL TRADE COMMISSIONERS--1915-42

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, 1921-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, 1925-Jan. 15, 1929.
Edgar A. McCulloch	Arkansas	Feb. 11, 1927-Jan. 23, 1933.
Garland S. Ferguson	North Carolina	Nov. 14, 1927,
Charles H. March	Minnesota	Feb. 1, 1929.
Ewin L. Davis	Tennessee	May 26, 1933.
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.

### EXECUTIVE OFFICES OF THE COMMISSION

Pennsylvania Avenue at Sixth Street, Washington, D. C.

### BRANCH OFFICES

45 Broadway, New York  
433 West Van Buren Street,  
Chicago

55 New Montgomery Street,  
San Francisco  
909 First Avenue, Seattle

150 Baronne Street, New Orleans

<sup>1</sup> Chairmanship rotates annually. Commissioner Ferguson will become Chairman in January 1943.



## LETTER OF SUBMITTAL

*To the Congress of the United States:*

I have the honor to submit herewith the Twenty-Eighth Annual Report of the Federal Trade Commission for the fiscal year ended June 30, 1912.

By direction of the Commission:

WILLIAM A. AYRES, *Chairman.*

## CONTENTS

### INTRODUCTION

	Page
Duties of the Commission	1
Summary of legal activities	2
General investigations	3
Wartime investigations	3
The Commissioners and their duties	4
How the Commission's work is handled	6
Publications of the Commission	7
Recommendations	9



## PART III. TRADE PRACTICE CONFERENCES

	Page
Rules of fair competition established	67
Group I and Group II rules defined	68
Trade Practice Conference activities during the year	68
Industry rules in effect and their administration	69
Informative labeling of consumer goods	70
Types of practices covered in approved rules	71

## PART IV. WOOL PRODUCTS LABELING ACT



Investigations, 1915-1942  
Index

117  
131

**ANNUAL REPORT**  
OF THE  
**FEDERAL TRADE COMMISSION**  
FOR THE  
**FISCAL YEAR ENDED JUNE 30, 1942**

**INTRODUCTION**

**DUTIES OF THE COMMISSION**

The Federal Trade Commission herewith submits its report for the fiscal year July 1, 1941, to June 30, 1942. Organized March 16, 1915, under the Federal Trade Commission Act, which was approved September 26, 1914, and amended March 21, 1938, the Commission is an administrative agency of the Federal Government.

In performing its functions, the Commission's duties fall into two categories: (1) Legal activities in enforcement of the laws it administers, and (2) general investigations of economic conditions in domestic industry and interstate and foreign commerce.

In addition to discharging these duties, the Commission during the fiscal year directed the work of its investigative, legal, accounting, statistical, and other services in conducting urgent wartime investigations and studies for the War Production Board and the Office of Price Administration.

Legal activities of the Commission embrace (1) the prevention and correction of unfair methods of competition and unfair or deceptive acts or practices in commerce, in accordance with the Federal Trade Commission Act, in which it is declared that unfair methods of competition and unfair or deceptive acts or practices in commerce are unlawful; (2) administration of section 2 of the Clayton Act, as amended by the Robinson-Patman Act, dealing with price and other discriminations, and sections 3, 7, and 8 of the Clayton Act dealing with tying and exclusive dealing contracts, acquisitions of capital stock, and interlocking directorates, respectively; (3) administration of the Webb-Pomerene or Export Trade Act, for the promotion of foreign trade by permitting, under stated restrictions, the organization of associations to engage exclusively in export trade; and

(4) administration of the Wool Products Labeling Act of 1939, which became effective July 14, 1941, and is designed to protect industry, trade, and the consumer against the evils resulting from the unrevealed presence of substitutes and mixtures in wool products.

The general investigations arise chiefly under section 6(a), (b), and (d) of the Federal Trade Commission Act, giving the Commission 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 \* \* \*, 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 \* \* \* 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. \* \* \*

(d) Upon the direction of the President or either House of Congress 1 to investigate and report the facts relating to any alleged violations of the antitrust acts by any corporation.

#### SUMMARY OF LEGAL ACTIVITIES

The Commission during the fiscal year disposed of more than 1,500 matters which were in a preliminary stage, either by docketing as applications for complaints, by progression to the status of formal complaint, by acceptance from the respondents of stipulations to cease and desist from the practices involved, by consolidation with other proceedings, or by closing the matters.

The Commission accepted 560 stipulations, 219 pertaining especially to misleading radio and periodical advertising matter. It issued 249 complaints alleging violations of the laws it administers and entered 250 orders directing respondents to cease and desist from such violations.

In the Federal courts during the year, results favorable to the Commission were obtained in 36 cases: 1 before the Supreme Court, 29 before United States circuit courts of appeals, and 6 before United States United

sion order. Circuit courts of appeals affirmed 15 Commission orders (5 with modifications) and dismissed petitions for review of orders in 11 cases. Forty-five petitions for review of cease and desist orders were filed during the year.

At the close of the fiscal year, 49 export trade associations were operating under the Export Trade (Webb-Pomerene) Act, 8 having been formed during the year.

In addition to administering trade practice rules previously approved for numerous industries, the Commission during the year promulgated rules for five additional industries: beauty and barber equipment and supplies; luggage and related products; rayon and silk dyeing, printing, and finishing; sun glass; and ribbon.

Early in the fiscal year, the Commission issued rules and regulations to carry out the provisions of the Wool Products Labeling Act, effective July 15, 1941.

### GENERAL INVESTIGATIONS

During the present emergency, numerous branches of the Government, especially the war agencies, have utilized the basic factual accounting, statistical and economic data covering important national industries which were gathered by the Commission in the approximately 125 general investigations or studies it has conducted during its existence. This total does not take into account the 370 investigations relating to industry practices and to costs, prices, and profits of basic commodities which were conducted by the Commission during the first World War when the Commission was relied upon by the Government as its principal cost-finding and fact-finding agency.

A majority of these general investigations were authorized by Congressional resolutions, some were conducted pursuant to Presidential orders, a number were made at the request of other branches of the Government, and others on the initiative of the Commission. Many of these inquiries have supplied valuable information bearing on competitive conditions and trends in interstate trade and industrial development and have shown the need for, and wisdom of, legislative or other corrective action.

For the War Production Board, the Commission completed inquiries to determine whether the steel, copper and copper scrap, copper ingots, jewel bearings, silverware, and chromium and nickel industries were complying with priority orders issued by the board. For the same agency, the Commission completed a survey which furnished a detailed picture of the metal-working machines industry.

Studies for the Office of Price Administration, which provided factual background for that agency's price rulings and regulations, included costs, prices, and profits inquiries into the household furniture, bread-baking, paperboard, steel, and phosphate rock mining industries.

Inquiries initiated by the Commission under authority of the Federal Trade Commission Act were coordinated with wartime work to provide data requested by the war agencies. These were the industrial corporation reports project, methods of production cost accounting in manufacturing industries, and methods and costs of distribution of essential commodities.

The Commission assigned a number of its examiners to the House Naval Affairs Committee, at the committee's request, to aid in a comprehensive investigation of the progress being made in war industries.

An inquiry into mass food distribution involved a study of the economic effects of the delivery of food to large retailers at their warehouses as compared with delivery at their stores. This inquiry was not collected directly to the war effort. Tj 2.

In connection with its continuing survey of radio and periodical advertising (see p.79), the Commission, at the request of the Office of Censorship, the War Production Board and the Office of Price Administration, collected and forwarded to the

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of the Commissioner whom he shall succeed." Upon the expiration of his term of office, a Commissioner continues to serve until his successor has been appointed and has qualified.

As of June 30, 1942, the Commission was composed of the following members: William A. Ayres, Democrat, of Kansas, Chairman; Garland S. Ferguson, Democrat, of North Carolina; Charles H. March, Republican, of Minnesota; Ewin L. Davis, Democrat, of Tennessee, and Robert E. Freer, Republican, of Ohio.

Each December the Commission designates one of its members to serve as Chairman during the ensuing calendar year. Commissioner Ayres has served as Chairman during the calendar year 1942, having succeeded Commissioner March. Commissioner Ferguson will become Chairman in January 1943. Through this method of rotating the chairmanship, each Commissioner serves as Chairman at least once during his term of office. The Chairman presides at meetings of the Commission and signs the more important official papers and reports at the direction of the Commission.<sup>2</sup>

In addition to the general duties of the Commissioners, in administering the statutes, the enforcement of which is committed to the Commission, each Commissioner has supervisory charge of a division or divisions of the Commission's work. Chairman Ayres has supervisory charge of the Administrative Divisions and the Medical Advisory Division; Commissioner Ferguson, of the Trial Examiner's Division and the Trade Practice Conference Division; Commissioner March, of the Legal Investigation Division; Commissioner Davis, of the Trial and Appellate Division and Commissioner Freer, of the Division of Accounts, Statistics and Economic Investigations and the Radio and Periodical Division. The Commission has a Secretary, who is its executive officer.

Each case that is to come before the Commission is first examined by a Commissioner and then reported on to the Commission, but all matters under its jurisdiction are acted upon by the Commission. The Commissioners meet for the consideration and disposal of such matters each business day. They direct the work of a staff which, as of June 30, 1942, numbered 684 officials and employees,<sup>3</sup> including attorneys, economists, accountants, and administrative personnel employed in Washington and in 5 branch offices. The Commissioners hear oral arguments in the cases before the Commission; usually preside individually at trade practice conferences held for industries in various parts of the country, amid have numerous other administrative duties incident to their position.

<sup>2</sup> Duties of the Chairman In connection with wartime activities of the Commission are set forth on p.23.

<sup>3</sup> Of this total, 53 were on military furlough as of June 30, 1942.



examination of radio and periodical advertising, and, in a majority of instances, are disposed of by stipulation. This division also carries on a special continuing examination of war-related advertising. (For details, see p.22.)

The Medical Advisory Division furnishes to the Commission or any of its branches professional opinions in matters involving the validity of claims made by advertisers of food, drugs, cosmetics, and devices in connection with cases instituted under the advertising provisions of the Federal Trade Commission Act.

In addition to receiving scientific advice from its Medical Advisory Division, the Commission, in its investigation of cases, makes full use of the facilities offered by other departments of the Government to which it refers matters for scientific opinions and information. The Commission receives effective cooperation from such agencies as the United States Public Health Service, the National Bureau of Standards, the Food and Drug Administration, and the Department of Agriculture's bureaus relating to agricultural chemistry, entomology, plant industry, animal industry, dairy industry, and home economics, as well as from nongovernment hospitals, clinics, and laboratories and from members of the medical profession and other scientists. The opinions and data furnished by such agencies and individuals are often particularly helpful in enabling the Commission to reach sound and fair conclusions with respect to scientific and technical questions coming before it.

The Division of Accounts, Statistics and Economic Investigations conducts those general inquiries of the Commission which are primarily of an economic nature, such as industry inquiries, the industrial corporation reports project, and the current studies of wartime costs, prices, and profits. (For details of wartime studies, see p.11.) This division cooperates with the legal divisions with respect to antitrust cases and to cost



studies, reports, and recommendations relating to general business and industrial inquiries. Illustrated by appropriate charts and tables, these books and pamphlets deal with current developments, possible abuses, and trends in an industry, and contain scientific and historical background of the subjects discussed. They have supplied the Congress, the Executive agencies of the Government, and the public with information not only of specific and general value but of especial value as respects the need or wisdom of new and in industry, by.48 0 Tt 96 m hiscussed dfin o † E4.6TD 0.0079 Tc -05 Tc ( ) S

Trade Practice Rules for the following industries: *Beauty*

## **PART I. WARTIME INVESTIGATIONS**

A substantial part of the activities of the Federal Trade Commission during the fiscal year was devoted to conducting wartime investigations and studies at the request of various war agencies of the Government, including the War Production Board and the Office of Price Administration.

For the performance of these duties, the Commission had available, when the call came from the war agencies, the trained personnel of its legal examining, investigative, accounting, statistical, and other services, all equipped by long experience to undertake investigations and studies made necessary by the national emergency.

Of the 17 investigations or studies instituted, completed, or in progress during the year, 16 related to projects which directly furthered the war effort, 13 being requested by the war agencies and 3 being undertaken by the Commission on its own initiative under authority of the Federal Trade Commission Act. One investigation, authorized by the Commission during the last preceding fiscal year, had no direct connection with the war program.

**PRIORITIES INVESTIGATIONS** PRIORitatioREPORTS MADE TO W

Six such inquiries, nation-wide in scope and comprehensive as to each particular industry, were completed by the Commission during the fiscal year, involving field investigations of a total of 1,110 companies. The industries investigated and the number of companies covered in each were:

Steel, 31 companies; copper fabricating, 88; copper ingots, 83; jewel bearings, 172; silverware, 19, and chromium and nickel, 717.

At the close of the fiscal year, the Commission was preparing to undertake for the War Production Board another priorities investigation, this one covering 947 aluminum foundries.

The report on each of these investigations was made directly to the War Production Board.

### **METAL-WORKING MACHINES SURVEY**

#### **DATA ON OPERATIONS OF 406 MANUFACTURERS COMPILED FOR USE OF WAR PRODUCTION BOARD**

For the purpose of furnishing the War Production Board with a complete and detailed picture of the metal-working machines industry in the United States for a representative period, the Commission made a survey of the operations of 406 manufacturers of such machines. The survey was begun at the request of the War Production Board in May 1942, and at the close of the fiscal year basic data had been collected and submitted to the board and the tabulation of the final summary was nearing completion.

Data gathered by the Commission included identification of metalworking machines as to kind, type, size, and model; date of invoicing; customer's name and Government war contract number; customer's order number, preference rating, and urgency number; date the machine was required; and a detailed breakdown with regard to the source of the customer's contract. This last-mentioned item was designed to show the number of machines shipped for the use of the various branches of the armed services of the United States, for our Allies, and for other foreign and domestic uses.

### **INDUSTRIAL CORPORATION REPORTS**

#### **VALUABLE DATA FOR USE OF INDUSTRY IN WARTIME IS DEVELOPED**

The industrial corporation reports project was initiated in accordance with the functions of the Commission as set forth in section 6 of its organic act. On May 27, 1940, the Commission directed certain corporations to file financial reports for the year 1939 and annually thereafter. The significant facts developed were published in combined form.

For many years the Commission has believed such a project would be of great benefit to the national economy in peacetime and of especial value in a national emergency. The plan was developed in cooperation with the Division of Statistical Standards, Bureau of



Flour.

Milk and milk products.

Mining machinery and equipment.  
Motor vehicles.

Screw-machine products and wood  
screws.



restraint of trade.





its accounting and legal examining staffs to assist the committee in its inquiry into progress of the national defense program.

The Naval Affairs Investigating Committee assigned a number of the Commission's examiners to some of the more important field investigations involving a thorough check of the awarding of contracts, and of cost records of aircraft manufacturers and their operations and management; construction of naval air stations, beginning with the selection of the sites and proceeding through all phases of construction to completion; the organizational set-up of the contractors with reference to methods of purchase and keeping of cost records; and an examination into the speed, progress, and quality of the work in all phases.

Studies also were made of methods of control of materials purchased for use on Government contracts, distribution of labor costs, including overtime and bonus payments, distribution of overhead, patent licenses, and cartel agreements, all in connection with the manufacture of scientific instruments and other products for the Navy.

In thus assisting the House Naval Affairs Investigating Committee, the Commission has had a substantial part in effecting Savings estimated by the committee as being in excess of \$500,000,000.

## **PRODUCTION COST ACCOUNTING METHODS**

### **INQUIRY CONDUCTED AS INTEGRAL FACT OF THE WAR COST STUDIES**

When the United States entered upon an active national defense program in 1940, it became apparent that a study of methods, practices, and systems of production cost accounting used in manufacturing industries, particularly those important to that program, would be advisable. When the Bureau of the Budget authorized the Commission to initiate such an inquiry during the fiscal year, the Commission was then preparing to investigate, at the request of the Office of Price Administration, costs, prices, and profits of household furniture, and there was the prospect that it would be occupied in other national defense inquiries. Consequently, the production cost accounting study was conducted as an integral part of Such national defense and wartime inquiries.

The information obtained will comprise a report on methods of production cost accounting with chapters devoted to basic problems and principles, features of the so-called "standard costs system," an illustrative description of an actual "manufacturing order" or "job lot" cost system, and production cost accounting in the bread-baking, paperboard, and steel industries.

In the baking industry, in which there is no product-in-process at the end of the workday and only a negligible quantity of unsold





have been delivered to his warehouse. The Commission excluded from the inquiry fresh meats, fruits, and vegetables.

Foods which the Commission has found in many marketing areas to be included among those whose delivery is being shifted from store door to warehouse delivery, where desired by both seller and buyer, are cheese, biscuits and crackers, certain bakery products, soft drinks, potato chips, mayonnaise and other salad dressings, coffee, and many other specialty food products.

The initial pressure for warehouse delivery has usually come from the large grocery chain. Such distributor may be interested in the change for either of two reasons : (1) the manufacturer may give a price concession on goods delivered to the warehouse of the chain distributor which is larger than the additional cost incurred by him in getting those goods from his warehouse to his individual stores (2) the distributor may believe that he has better control over his merchandising policies if all the chain's purchasing is effected through one central office or through the central office of each warehousing district rather than through each store manager.

The food manufacturer may resist the pressure for a change from store-door delivery to warehouse delivery for either of two reasons : (1) he may not wish to make the price concession for warehouse delivery to which the distributor may think he is entitled, believing either that such concession is unnecessary to hold the business.

This inquiry, which was not directly related to the war effort , was nearing completion at the close of the fiscal year.

### **OTHER WARTIME ACTIVITIES**

#### *Advertising*



the Commission

the

of Economic Warfare, established by the President, under the chairmanship of Vice President Wallace, for "developing and coordinating policies, plans, and programs designed to protect and strengthen the international economic relations of the United States in the interest of national defense." The Commission placed its staff of accountants, economists, and statisticians at the disposal of the Board of Economic Warfare to make studies and investigations required by the board.

In response to a request received from the Bureau of Industrial Conservation of the Office of Production Management (now the War Production Board), the Chairman of the Commission served as a member of that agency which is carrying on an intensive "War Against Waste." The Chairman also was a member of a committee for the development and utilization of the country's present and future petroleum resources and facilities, of which committee the Petroleum Coordinator for National Defense is Chairman.

Members of the Commission's staff served on the following committees of the Advisory Commission to the Council of National Defense: Inter-Departmental Conference Committee on National Food Resources; Sub-Committee of Inter-Departmental Conference Committee on Planning and Procedure; Fruit and Vegetables Committee; Tobacco Committee; and Food Distribution Committee.

Through its Medical Advisory Division, the Commission cooperated with the Medical and Health Supply Section of the Division of Civilian Supply, War Production Board. The Director of the Medical Advisory Division performed liaison duties for the Commission in connection with the work of the National Research Council's Committee on Drugs and Medical Supplies, which serves in an advisory capacity to the War Production Board.

## **PART II. GENERAL LEGAL WORK**

### **DESCRIPTION OF PROCEDURE**

A case before the Federal Trade Commission may originate in any one of several ways. The most common origin is through complaint by a consumer, a competitor, or from public sources. The Commission itself may initiate an investigation to determine whether the laws administered by it are being violated.<sup>1</sup>

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respondent having the privilege of appearing in his own behalf or by attorney.

After the

for review by the respondent or cross-application of the Commission for enforcement.

Under all three acts, the respondent may apply to a circuit court of appeals for review of an order and the court has power to affirm, or to affirm after modification, or to set aside, the order. Upon such application by the respondent and cross-application by the Commission, or upon application by the Commission for enforcement of an order under the Clayton Act, the court has power to enforce the order to the extent it is affirmed. In any event, either party may apply to the Supreme Court for review, by certiorari, of the action of the circuit court of appeals.

#### **PROVISIONS FOR PREVENTING DISSEMINATION OF FALSE ADVERTISEMENTS**

The Federal Trade Commission Act contains provisions for the prevention of the dissemination of false advertisements concerning food, drugs, devices (meaning devices for use in the diagnosis, prevention, or treatment of disease), and cosmetics. In addition to the regular proceeding by way of complaint and order to cease and desist, the Commission may, in a proper case, bring suit in a United States district court to enjoin the dissemination of such false advertisements pending issuance and final disposition of the complaint.

Further, the dissemination of such a false advertisement, where the use of the commodity advertised may be injurious to health or where the advertisement is published with intent to defraud or mislead, constitutes a misdemeanor, and conviction subjects the offender to a fine of not more than \$5,000, or imprisonment of not more than more

Cases thus developed, unless closed without action, progress upon order of the Commission to the status either of formal complaint or stipulation.

At the beginning of the fiscal year, July 1, 1941, there were

restraint-of-trade matters on the calendar. In the same period, 67 investigations of this type were completed for consideration and disposition by the Commission, leaving 81 pending on the active investigational calendar as of June 30, 1942.

Price fixing continues to be the most frequently recurring charge among the restraint-of-trade cases, although the whole category of trade restraints will be found among the charges in the cases pending before the Commission during the fiscal year. These include such practices as conspiracy to boycott or threats of boycott; interference with sources of supply; threats of infringement suits not made in good faith; sales below cost for the purpose of injuring competitors; collusive bidding; intimidation of competitors; coercive practices; espionage; and commercial bribery.

The following general classifications of commodities involved are listed to convey an idea of the widespread nature of the restraint-of-trade investigations: Agricultural supplies; automotive equipment; beauty and barber supplies; clothing and coth; construction materials and supplies; containers; dental equipment and appliances; drugs, chemicals, and pharmaceuticals; electrical equipment and appliances; feathers; firearms; flaxseed; food products and beverages; footwear and accessories; fuel; golf clubs and equipment; hospital and surgical supplies; household wares, furnishings and equipment; ice; insecticides; jewelry; lumber and lumber products; machinery and tools; metal and metal products; minerals and mineral fibers; nursery stock; paint and varnish; paper and paper products; photographic supplies; optical goods; publications; rubber and rubber products; school equipment and supplies; silverware; technical instruments and parts; textile fabrics; tobacco; vegetable fibers and oils; vending machines; and vitrified products.

In addition to the original investigations undertaken during the year, 21 matters were completed which involved formal docketed cases. These consisted of a variety of matters, many requiring complete investigation to determine whether cease and desist orders previously issued by the Commission were being violated. Investigations of this nature are as extensive as those made in the original development of a case and in some instances



ardized by alleged unfair and illegal practices. The group last mentioned was

work in connection with the war program has necessitated the further emphasis of this effort.

During the year 2010, the Commission has continued its efforts to protect consumers and promote competition. In 2010, the Commission received 1,500 consumer complaints, a 15% increase from 1,300 in 2009. The Commission also received 1,200 complaints from businesses, a 10% increase from 1,100 in 2009. The Commission's total caseload for 2010 was 2,700, a 12% increase from 2,400 in 2009. The Commission's caseload is expected to continue to increase in 2011.

**DISPOSITION OF CASES BY STIPULATION**

**PROCEDURE AFFORDS OPPORTUNITY FOR DISPOSING OF SOME CASES BY AGREEMENT TO DISCONTINUE UNFAIR PRACTICES**

Under certain Circumstances the Commission, instead of disposing of cases by formal complaint and trial, affords the respondent the privilege of disposition by signing a statement of fact and an agreement to discontinue the unfair practice.

The Commission's policy with respect to the circumstances under which cases may be disposed of by stipulation is set forth in the appendix, page 117.

A total of 560 stipulations in which various individuals, firms, and corporations agreed to cease and desist from unlawful practices were approved by the Commission during the fiscal year. These included 341 general cases and 219 cases pertaining specially to radio and periodical advertising matter. (See p.82.)

**COMPLAINTS**

**ALLEGED VIOLATIONS OF FEDERAL TRADE COMMISSION ACT AND**

**30, TD 2641 The (1942) File No. 0009 Tc 0 Tw (COMPLAINTS) Tj -130.92 -24.84 TD /**

signals (4610); asbestos pipe coverings (4613); Harris Tweed fabric



**C. MISCELLANEOUS COMPLAINTS**

Twenty-seven complaints were issued complaintscompl15.3D 0complaintscomplaints



**ORDERS TO CEASE AND DESIST**

**UNFAIR TRADE PRACTICES PROHIBITED IN 250 CASES**

The Commission issued 250 orders to cease and desist from the use of unfair methods of competition and other violations of law during the fiscal year ended June 30, 1942.

The following cases, briefly described, are illustrative of orders to cease and desist issued during the fiscal year:

**I. ORDERS UNDER THE FEDERAL TRADE COMMISSION ACT**

**COMBINATIONS TO FIX AND MAINTAIN PRICES AND RESTRAIN TRADE**

*Scientific Apparatus Makers of America, Chicago, and others.*--An unincorporated group of the members of this incorporated association, styled the Surveying-Drafting-Coaters Section of Scientific Apparatus Makers of America and consisting of producers and distributors of tracing cloths, blueprint papers, and other similar supplies and equipment, were ordered to cease and desist from carrying out a conspiracy to fix and maintain prices for their products. The order prohibited them from exchanging information among themselves, pursuant to agreement, regarding prices, discounts, terms, and conditions of sale, from classifying customers, and particularly from adopting any regulation designed to prevent any deviation on the part of the members of the association from the prices, discounts, and terms fixed and agreed upon. (3092.)

*The Hardwood Institute, Oshkosh, Wis., and others.*--An order was issued directing 21 hardwood lumber manufacturers in Wisconsin and The Hardwood Institute, an unincorporated trade association, to cease and desist from entering into or carrying out any agreement or combination for the purpose or with the effect of restricting price competition in the sale of hardwood lumber.

Among the practices engaged in by the respondents, pursuant to agreement, and which were prohibited by the order, were the

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brokerage company, and four Chicago produce jobbers were ordered to cease and desist from carrying out a conspiracy to eliminate competition or monopolize trade in the Chicago area. The order prohibited the following practices, among others, when engaged in pursuant to agreement: restricting the sale and purchase of broadleaf spinach to selected shippers and jobbers; determining or limiting the number of jobbers who shall purchase in any designated area; causing all purchases and sales to be made through certain designated brokers; preventing jobbers and wholesalers not parties to the agreement from purchasing from selected shippers from the Walla Walla district; and fixing or maintaining the price to dealers or the public in Chicago. (4487.)

*Newton Paper Co., Holyoke, Mass., and others.*--A paper manufacturer, three New York distributors of "bogus" paper (a cheap flexible paper cut by dies into stays used in lining handbags and pocketbooks), a die cutters' trade association, its executive secretary, and seven operators of stay die cutting businesses, were ordered to cease and desist from entering into understandings or conspiracies to hinder or restrain competition. The respondents were further ordered to cease and desist from the following practices when engaged in pursuant to agreement: fixing and establishing prices, terms, and discounts; allocating new and prospective customers; refusing to sell to customers of other members of the association; restricting purchases to the respondent manufacturer and distributors; furnishing the association or its representative with lists of delinquent customers and refusing to sell to such customers; and assessing penalties for violation of the agreement. (4559.)

*James MacDonald, Ltd., Stornoway, Scotland, and others.*--Five Scottish manufacturers of Harris Tweed fabrics and their sales representatives in the United States were ordered to cease and desist from engaging in any price-fixing agreement or conspiracy which restrains and monopolizes the sale of their products in the trade between Great Britain and the United States and among the States of the United States. The order prohibited the carrying out of any agreement which provides that manufacturers will not sell Harris Tweed garments purchased from the respondents at prices lower than those fixed by the respondents; that manufacturers will not sell to any retailer who does not bind himself to sell at or not less than certain fixed prices; that retailers will not sell at prices less than those fixed by respondents; and that the respondents will compile and circulate among themselves a list of manufacturers who cut the prices thus fixed. The order also prohibited the respondents from fixing and maintaining, by concerted or collective action, minimum prices, terms, and conditions of sale. (4618.)

COMBINATIONS IN RESTRAINT OF TRADE, BOYCOTT, REFUSAL TO  
SELL

*Chicago Medical Book Co., Chicago, and others.*--Chicago Medical Book Co.,  
dealer in medical books, and four publishers of medical books located in

meats or allied products from manufacturers outside of Wisconsin and by obstructing sellers outside of Wisconsin in selling to certain Milwaukee merchants. (3908.)

*Retail Coal Merchants Association, Richmond, Va., and others.*--The association and its officers and members, consisting of all but three retail coal dealers in that city, and four wholesalers were ordered to cease and desist from entering into or carrying out any agreement for the purpose of restraining competition in the retail sale of coal in the Richmond trade area. The order directed the association and its officers and members to cease and desist from agreeing with wholesalers that the latter would not ship to retail dealers

competition in the Richmond trade area. The order directed the association and its officers and members to cease and desist from agreeing with wholesalers that the latter would not ship to retail dealers

and clubs, and American Vitrified China Manufacturers Association, its officers and member manufacturers, and a number of manufacturers of food service equipment, were ordered to cease and desist from carrying out certain agreements and combinations to restrict competition. Among the specific practices prohibited were selecting or classifying jobbers or dealers as recipients of special benefits not granted to other jobbers; urging members to give preference to those manufacturers who had received the endorsement of the association because they had cooperated in carrying out its policies and methods; and urging manufacturers of food service equipment to sell exclusively to members of Food Service Equipment Industry, Inc. The order required the manufacturers who had received the association endorsement to cease and desist from refusing to sell to or through any jobber or dealer because he had not been selected by the association, or from refusing to sell directly to hotels, restaurants, and others at lower prices than such purchasers could receive from approved jobbers or dealers. The order also was directed against certain practices engaged in by American Vitrified China Manufacturers Association and its members. (4433.)

**MISREPRESENTING COSMETICS AND SOAP TO BE CAPABLE OF  
CORRECTING  
VITAMIN DEFICIENCY**

*Jergens-Woodbury Sales Corporation, Cincinnati.*-This respondent was ordered to cease and desist from representing its face powders and creams to be germicidal while in use or that its face cream and soap have any beneficial effect on the skin by reason of hotels,

sion directed the respondent to cease and desist from using the name "Hollywood Racket Mfg. Co." as a mark or in advertising without disclosing the foreign origin of its rackets. (3931.)

**MISREPRESENTATION OF UPHOLSTERY FABRIC AS "MOTH-PROOF"**

*Sanford Mills, Sanford, Maine, and others.* --Engaged in selling a mohair upholstery fabric designated "Velmo", these respondents were ordered to cease representing their upholstery fabric as being mothproof. The Commission found that while the respondents subject their fabrics to a process which they believed to be effective, and that while they guaranteed to make good, and on occasion have made good, legitimate claims for moth damage, their process does not render the fabric permanently immune from all moth damage. (4084.)

**MISREPRESENTING THE FIBER OF HAND KNITTING YARNS**

*Bell Yarn Co., New York.* --The respondent was ordered to discontinue the use of the words "Cashmere", "tweed", "Angora" or "Angoray", "Shetland", or "crepe" to



## II. ORDERS UNDER THE CLAYTON ACT

### A. VIOLATION OF SECTION 2 (a) OF CLAYTON ACT AS AMENDED BY ROBINSON PATMAN ACT

Under Section 2 (a), which prohibits discrimination in price when it may have certain effects on competition, the Commission issued eight orders to cease and desist.

*Corn Products Refining Co., New York, and others.*--The order in this case prohibited discrimination in delivered prices of glucose which made more than due allowance for differences in cost of delivery, a form of discrimination arising from calculating the delivery charges from a point other than the point of origin of the shipment. The order also forbade discrimination in price resulting from permitting favored customers to buy glucose after a general price increase at prices formerly in effect. Price discrimination depending on differences in the type of glucose containers used and direct price discrimination in the sale of gluten feed and meal and corn starch to certain customers was also forbidden. The order included a prohibition, under section 2 (e), against granting to some favored buyers advertising allowances that were not accorded competing buyers on proportionally equal terms. (3633.) (For violation of section 3 of the Clayton Act in this case, see *Corn Products Refining Co., and others*, p.47.)

*Clinton Co., Clinton, Iowa, and others, and A. E. Staley Manufacturing Co., Decatur, Ill., and others.*--Orders in these cases likewise ran against discrimination in the delivered prices of glucose which made more than due allowance for differences in cost of delivery also arising from calculating delivery charges from a point other than actual place of shipment. Again, these two companies were forbidden to discriminate in price through favoritism in "booking" orders as in the *Corn Products* case. In addition, the *Clinton* company order ran against discrimination resulting from unwarranted price differentials on account of the type of container used. (3800 and 3803.)

*C. F. Sauer Co., Richmond, Va.*--This order forbade discriminations in price among various competing purchasers of the respondent's salad dressings, spices, drugs, and purchasers

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also contained a prohibition under section 2 (d) against discrimination among customers in the matter of payments made to some multiple retail outlet distributors for Services or facilities furnished by them while not making such payments available to other customers on proportionally equal terms. (4571.)

*National Grain Yeast Corporation, Belleville, N.J.; Federal Yeast Corporation, Baltimore; and Republic Yeast Corporation, Newark, N. J.*--Orders were issued against these concerns forbidding discrimination in price among competing purchasers of bakers' yeast. The order against the first-named company also involved allowances to bakers' associations as commissions or brokerage which inured to the buyers in violation of section 2 (c). (3903, 3926, and 4367.)

**B. VIOLATION OF SECTION 2 (c) OF CLAYTON ACT As AMENDED BY**

**ROBINSON-PATMAN ACT**

*United Buyers Corporation, Chicago, and others; Giant Tiger Corporation, Philadelphia; Uco Food Corporation, Newark, N.J.; R. C. Williams & Co., Inc., New York; A. Krasne, Inc., New York; The Thomas Page Mill Co., Inc., Topeka, Kans.; Reed-Harlin Grocer Co., West Plains, Mo., and others, and Miles Brokerage Co., Inc., Clearfield, Pa., and others.*--The respondents in these eight cases, all engaged in the distribution of food products, were ordered to cease and desist from the practice of the buyer receiving from the sellers, directly or indirectly, brokerage on the buyer's purchases. In the United Buyers Corporation case, about 50 wholesale grocer buyers and 300 manufacturer-sellers were bound by the order. 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Orders were issued requiring each of these Chi-

icago corporations to cease and desist from leasing, selling or making, or continuing in effect, any contract for the sale of machines or appliances (wire and strap tying machines) on the condition, agreement, or understanding that the lessee or purchaser shall not use in or with such machines or appliances any wire other than that acquired from the respondents or from sources designated by them. (3498, 3688, and 3818.)

*General Motors Corporation and General Motors Sales Corporation, Detroit.*--An order was entered requiring General Motors Corporation and General Motors Sales Corporation to cease and desist from entering into, enforcing, or continuing in operation any franchise or agreement for the sale of automobiles, or any contract for the sale of automobile parts, on the condition, agreement, or understanding that the purchaser shall not use or sell automobile parts other than those acquired from the respondents unless such condition, agreement, or understanding be limited to automobile parts necessary to the mechanical operation of an automobile and which are not available, in like quality and design, from other sources of supply. Such exclusive dealing agreements were found by the Commission to be in violation of section 3 of the Clayton Act. The order also directed that the respondents, in transactions with their dealers, discontinue certain unfair methods of competition found to be in violation of the Federal Trade Commission Act. (3152.)

*Corn Products Refining Co. and Corn Products Sales Co., Inc., New York.*--An order was issued requiring these respondents to cease and desist from contracting to sell or selling starch products to certain customers, or fixing a price therefor or discount or rebate therefrom, on the condition, agreement, or understanding that any such purchaser shall not use or deal in cornstarch or other starch products of the respondents' competitors, or from performing, enforcing, or continuing in operation or effect any such condition, agreement, or understanding. (3633.) (For violations of the Robinson-Patman Act in this case, see *Corn Products Refining Co., and others*, p.45.)

*R. T. Vanderbilt Co., Inc., and Standard Mineral Company, Inc., New York.*--These respondents were ordered to discontinue, among other things, licensing the use of certain patents controlled by them or making any sale or contract or agreement under such patents for the sale of pyrophyllite, a commodity used in the ceramic industry, on the condition, agreement, or understanding that the licensee or purchaser thereof shall not, in manufacturing semivitreous earthenware, use pyrophyllite purchased from or supplied by competitors of the respondents. The order in this case also was directed against what the Commission found to be unfair methods of competition and unfair and deceptive acts and practices in violation of the Federal Trade Commission Act. (3656.)

## TYPES OF UNFAIR METHODS AND PRACTICES

### TYPICAL METHODS AND PRACTICES CONDEMNED IN ORDERS TO CEASE AND

#### DESIST

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. This list is not limited to orders issued during the fiscal year. 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 and tying dealing 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 names and circumstances as to deceive the public. An important part of these included 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. Representing products to have been made in the United States when the mechanism or movements, in whar4( ) Tj 4.92 0 e17.28 -ents, in whar9TD 0D 0 Tc ( ) Tj 4.92 0 TT

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(b) Making false claim of being the authorized distributor of some concern, or failing to disclose the termination of such a relationship, in soliciting customers of such concerns, or of being successor thereto or connected therewith, or of being the purchaser of competitor's business, or falsely representing that it 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 organizations, or representation that the use of such product or services is required by the Government.

(d) False claim by a vendor of being an importer, or a technician, or a diagnostician, or a manufacturer, grower, or nurseryman, 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 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) Misrepresentation. by the publisher of the advertisers' products as compared with competing products, services or other commercial offering, by the issuance of seals of approval or other insignia of pretended tests, inquiries, investigations or guaranties, or by the publication of exaggerated claims.

21. 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 filling of orders, or promising results impossible of fulfillment, or falsely making promises or holding out guarantees, or the right of return, or results, or refunds, replacements, or reimbursements, or special or additional advantages to the prospective purchaser such as extra credit, or furnishing of supplies or advisory assistance; falsely assuring the purchaser or prospective purchaser that certain special or exclusively personal favors or advantages are being granted him.

(c) Concealing from prospective purchaser unusual features involved in purchaser's commitment, the result of which will be to require of purchaser further expenditure in order to obtain benefit of commitment and expenditure already made, such as failure to reveal peculiar or nonstandard shape of portrait or photographic enlargement, so as to make securing of frame therefor from sources other than seller difficult and impracticable, if not impossible.

(d) Obtaining by deceit prospective customer's signature to a contract and promissory note represented as simply an order on approval.

(e) Making use of improper and coercive practices as means of exacting additional commitments from purchasers, through such practices as unlawfully withholding from purchaser property of latter lent to seller incident to carrying out of original commitment, such as practice of declining to return original photograph from which enlargement has been made until purchaser has also entered into commitment for frame therefor.

(f) Falsely representing earnings or profits of agents, dealers, or purchasers, or the terms or conditions of sale, or the nature of the goods or services offered.

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furnished supplies, or overstating the amount of his earnings or the opportunities which the employment offered.

(h) Advertising a price for a product as illustrated or described and not including in such price all

26. Entering into contracts in restraint of trade whereby foreign corporations agree not to export certain products into 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.

27. 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) Claiming falsely 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 i0303 Tc 0.3537 Tw (mate, or prepared in accordance with) Tj -205.32 -12.e13e, or p-hu



Commission Act and Sections 2 and 3 of the Clayton Act are discussed below.

(Except where otherwise indicated, cases involve violations of the Federal Trade Commission Act. United States circuit courts of appeals are designated First Circuit (Boston), etc.)

### CASES DECIDED BY THE COURTS

*Anchor Hocking Glass Corporation, Lancaster, Ohio, and others.*--On motion of the petitioners, the Sixth Circuit (Cincinnati) dismissed their petition for review of the Commission order (124 F. 2d 187) The case involved a combination in restraint of trade in glassware.

*Frederic A. Clarke, Glendale, Calif.*--The Ninth Circuit (San Francisco) affirmed the judgment of the District Court for the Southern District of California adjudging Clarke in contempt for ignoring its order directing him to disclose, 11/17/2013 10:40 TD 0 Tc ( )

The amendment \* \* \* did not modify the term “unfair methods of competition in commerce,” but made unlawful what were called “unfair or deceptive acts or practices in commerce” and by so doing enlarged instead of lessened the scope of the Jurisdiction of the Commission. The additions found in sections 12 to 15, inclusive, were also to give the Commission greater control over the advertising of food, drugs, cosmetics, and the like by providing for criminal action as well as injunction.

*The Gerrard Co., Inc., Chicago, and American Steel and Wire Company of New Jersey, Cleveland.*--Pursuant to stipulation of the parties, the petition for review in this case was dismissed by the Seventh Circuit (Chicago). The Commission’s agreement to this procedure was based upon the petitioners filing with it a report of compliance with its order, which was directed against a violation of section 3 of the Clayton Act, relating to petitioners’ practice of leasing and licensing wire-tying machines on condition that they be not used with any wire except that supplied by the petitioners.

*Haskelite Manufacturing Corporation, Chicago.*--The Commission order in this case was affirmed without dissent by the Seventh Circuit (Chicago). The order forbade representations that serving trays made in part of paper were made entirely of wood, and required the affirmative disclosure that the surfaces of such trays are made of paper, when such is the case. The court said (127 F. 2d 765):

We think the Commission had authority to prescribe reasonable requirements for the petitioner to meet in the interest of fair dealing, which requirements would act as guarantees against a recurrence of the past unfair and deceptive acts.

*Hudson Fur Dyeing Co., Newark, N. J.*--On motion of the petitioner, the Third Circuit (Philadelphia) dismissed the petition for review. Subsequent to its filing, the petitioner made changes in advertising matter which were acceptable to the Commission, and in conformity with its cease and desist order, which prohibited the use of the name “Hudseal” as descriptive of goods composed of dyed rabbit skins. The Commission found that this term was confused by the public with “Hudson Seal”, the well-known designation. for seal-dyed muskrat.

*Lottery cases, Chicago, New York, Portland, Me., and St. Joseph, Mo., Macon, Ga., and Birmingham, Ala.*--Thirteen cases involving lottery methods in the sale of candy and 88,012,88.02 880 g, TD 5, 0, 146 Tc 050 TD 0dur -12.96 28Tc -0.

ing as Standard Distributing Co., Chicago (129 F. 2d 64).<sup>3</sup> This court denied the motion of the Commission for a rule to show cause why Robert Hofeller, trading as Bob Hofeller Candy Co., Chicago, should not be adjudged guilty of and punished for criminal contempt for violation of the

equipment used in drawing water from wet Soil during excavation work. Concerning certain advertising matter used by the petitioner, which was banned by the Commission order, the court said: "In such matters we understand that we are to insist upon the most literal truthfulness. *Federal Trade Commission v. Standard Education Society*, 302 U. 5.112, 116.

merchandise in active competition with other merchandise it is also authorized to infer that trade will be diverted from competitors who do not engage in such "unfair methods."

*Scientific Manufacturing Co., Scranton, Pa.*--The Third Circuit (Philadelphia) set aside the order in this case (124 F. 2d 640). The Commission had found that the petitioner corporation and its president and owner published pamphlets devoted to an exposition of the claimed dangers attendant upon the use of aluminum utensils for the preparation and storage of foods, such as the causing of cancer, Bright's disease, diabetes, and liver trouble. The court held that while it was true that the effect of the Wheeler-Lea amendment to the Federal Trade Commission Act was "to so broaden the Commission's jurisdiction as to enable it to act where only the public interest was adversely affected by the unfair practices," nevertheless "the Commission's intervention is limited to acts or practices in the affected trade" and "the present petitioners not being engaged or materially interested in the cooking utensil trade, the Commission was without power to enjoin their sale and distribution of the pamphlets."

*The Stevenson Corporation, and others, New York.*--An order was entered by the Second Circuit (New York) withdrawing the petition for review and dismissing the proceedings, this action being based upon stipulation of the parties. The Commission had directed the petitioners to cease and desist, in connection with the sale and distribution of wooden containers used in the packaging of fruit and vegetables, from entering into, carrying out, or aiding or abetting the carrying out of agreements, understandings, combinations, or conspiracies for the purpose or with the effect of restraining or eliminating competition in the purchase or sale of such products.

*Tubular Rivet & Stud. Co., Wollaston, Mass.*--This concern instituted ~~with the Commission~~



exaggerated statements relative to the earning power of the purchasers of the machines. Subsequent to the petition for review, the company modified its advertising so as to comply with the order.

#### **CIVIL PENALTIES UNDER THE FEDERAL TRADE COMMISSION ACT**

Five cases which had been certified to the Attorney General during preceding years under section 16 of the Federal Trade Commission Act were disposed of and civil penalties in the sum of \$6,500 were collected or were in the process of collection at the end of the year, as follows:

*U. S. v. Oppenheim, Collins & Co., Inc., New York.*--District Court for the Southern District of New York; judgment for \$1,500.

*U. S. v. Levore Co., Chicago.*--District Court for the Northern District of Illinois; judgment for \$500.

*U. S. v. Gynex Corporation, New York.*--District Court for the Southern District of New York; judgment for \$500.

*U. S. v. Carl E. Koch and others (American Beauty Products Co.), Chicago.*--District Court for the Northern District of Illinois; judgment for \$2,500.

*U.S. v. Midwest Studios, inc., Portland, Oreg.*--District Court for the District of Oregon; judgment for \$1,500.

The Ninth Circuit (San Francisco) (126 F. 2d 601) unanimously affirmed the judgment of the district court imposing penalties of \$3,250 upon Joseph A. Piuma for violation of the Commission's order. (See Annual Report 1941, p.105.)

#### **CASES PENDING IN THE COURTS**

*Adolph Kastor & Bros., Inc., New York.*--Second Circuit (New York), passing-off of name, Boy Scout knives.

*American Medicinal Products, Inc., and others, Los Angeles.*--Ninth Circuit (San Francisco), nondisclosure of harmful potentialities of flesh-reducing compound.

*Earl Aronberg, trading as Positive Products Co. and Rex Products Co., Chicago.*--Seventh Circuit (Chicago), nondisclosure of dangerous character of emmenagogue.

*Associated News Photographic Service, Inc., and others, New York.*--Second Circuit (New York), misleading use of "News" in name of photographers without newspaper connections.

*Benton Announcements, Inc., Buffalo.*--Second Circuit (New York), misrepresentation of embossed printing as "engraving." 5

*Charles of the Ritz Distributors Corporation, New York.*--Second Circuit (New York), unwarranted claims for benefits to be derived from cosmetics.

4 Petition for certiorari was denied October 12, 1942.

5 Order unanimously affirmed July 6, 1942, 130 F. 2d 254.

*De Forest's Training, Inc., Chicago.*--Seventh Circuit (Chicago), exaggeration of opportunities for employment for graduates of correspondence courses in television, etc.

*John J. Fulton Co., San Francisco.*--Ninth Circuit (San Francisco), misrepresentation of "Uvursin" as remedy for diabetes.

*Joan Clair Gelb, now known as Joan C. Vauglian, California; Leon A. Spilo, Stamford, Conn., and Morris Gelb, New York.*--Second Circuit (New York), misrepresentation of hair dyes.

*General Motors Corporation and General Motors Sales Corporation. Detroit.*--Sixth Circuit (Cincinnati), coercive and monopolistic practices in relations with dealers.

*Hiram Carter, hic., and others, Elmhurst, Long Island, N. Y.*--Court of Appeals for the District of Columbia, misrepresentation of efficacy of proprietary medicines.

*International Parts Corporation, Chicago.*--Seventh Circuit (Chicago), exaggeration of efficiency of automobile mufflers, etc.

*Jergens Woodbury Sales Corporation, Cincinnati.*--Sixth Circuit (Cincinnati), misrepresentation of germicidal properties of cold cream and soap.

*William F. Koch, Louis G. Koch, and Koch Laboratories, Inc., Detroit.*--District Court for the Eastern District of Michigan (Detroit), injunction suit involving false advertisements of medicinal preparations.

*Pond's Extract Co., New York.*--Second Circuit (New York), misrepresentation of curative properties of cosmetics.

*Post Institute Sales Corporation, New York.*--Second Circuit (New York), false and misleading advertising, hair and scalp preparations.

*Salt Producers Association., Detroit, and others* --Seventh Circuit (Chicago), conspiracy in restraint of trade.

*Surveying-Drafting-Coaters Section of Scientific Apparatus Makers of America, Philadelphia, and others.*--Seventh Circuit (Chicago), combination in restraint of trade in various products used by surveyors, engineers, etc.

*The Sebrone Co., and others, Chicago.*--Seventh Circuit (Chicago), misrepresentations, dandruff "cures" and deodorants.

*Segal Optical Co., New York.*--Second Circuit (New York), misrepresentation of imported (Japanese) optical goods as domestic.

*Signode Steel Strapping Co., Baltimore.*--Fourth Circuit (Richmond), exclusive-dealing contracts in violation of section 3 of Clayton Act.

*Stanley Laboratories, Inc., and others, Portland, Oreg.*--Ninth Circuit (San Francisco), misleading advertisements of "M. D. Medicated Douche Powder."

*Clara Stanton, Druggist to Women, Denver.*--Tenth Circuit (Denver), misrepresentations concerning weight-reducing preparation.

*Stephen Rug Mills, New York.*--Second Circuit (New York), misleading use of "Mills" in trade name.

*United States Steel Corporation, American Bridge Co., Carnegie-Illinois Steel Corporation, American Steel & Wire Co. of New Jersey, and Tennessee Coal, Iron & Railroad Co.*--Third Circuit (Philadelphia) and Fifth Circuit (New Orleans), "Pittsburgh plus" prices. for rolled-steel products in violation of the Clayton and Federal Trade Commission Acts.

*Warner's Renowned Remedies Co., Minneapolis.*--Court of Appeals for the District of Columbia, misleading advertising of products sold for feminine hygiene.

*Wholesale Dry Goods Institute, Inc., New York, and others.*--Second Circuit (New York), restraint of trade.

**TABLES SUMMARIZING WORK OF THE LEGAL DIVISIONS  
AND COURT PROCEEDINGS, 1915-42**

TABLE 1.--*Preliminary inquiries*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	121	Inquiries instituted	28,788
Instituted during year	236	Consolidated with other proceedings	34
Total for disposition	357	Closed after investigation	20,653
Consolidated with other proceedings	8	Docketed as applications for complaint	8,016
Closed after investigation	230	Total disposition	28,703
Docketed as applications for com- plaints	34	Pending June 30, 1942	85
Total disposition during year	272		
Pending end of year	85		

TABLE 2.--*Applications for complaints*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	1,421	Applications docketed	17,590
Applications docketed	872	Rescissions:	
Rescissions:		To complaints	10
To complaints	0	Settled by stipulations to cease and desist	218
Settled by stipulation to cease and desist	0	Settled by acceptance of TPC rules	6
Settled by acceptance of TPC rules	0	Consolidated with other proceedings	0
Consolidated with other pro- ceedings	0	Dismissed for lack of merit	81
Dismissed for lack of merit	0	Closed for other reasons	40
Closed for other reasons	3	Total for disposition	17,945
Total for disposition	2,296	To complaints	4,373
To complaints	233	Settled by stipulations to cease and desist	5,682
Settled by stipulation to cease and desist	508	Settled by acceptance of TPC rules	97
Settled by acceptance of TPC rules	0	Consolidated with other pro- ceedings	105
Consolidated with other proceedings	21	Dismissed for lack of merit	3,863
Dismissed for lack of merit	0	Closed for other reasons <sup>1</sup>	2,793
Closed for other reasons <sup>1</sup>	502	Total disposition	16,913
Total disposition during year	1,264	Pending June 30, 1942	1,032
Pending end of year	1,032		

<sup>1</sup> This classification includes such reasons as death, business or practices discontinued, private controversy, controlling court decisions, etc.

TABLE 3.



TABLE 5.--*Court proceedings--orders to cease and desist--petitions for review--  
Supreme Court of the United States*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	1	Appealed by Commission	46
Appealed by Commission	1	Appealed by others	35
Appealed by others	1		
		Total appealed	81
Total for disposition	3	Decisions for Commission	27
Decisions for Commission	1	Decisions for others	13
Decisions for others	0	Petitions withdrawn by Commission	2
Petitions withdrawn by Commission	0	Certiorari denied Commission	9
Certiorari denied Commission	0	Certiorari denied others	30
Certiorari denied others	2	Total disposition	81
Total disposition during year	3	Pending June 30, 1942	0
Pending end of year	0		

TABLE 6.--*Court proceedings--mandamus, injunction, etc.--lower courts*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	0	Instituted by Commission	70
Instituted by Commission	2	Instituted by others	32
Instituted by others	2		
		Total Instituted	102
Total for disposition	4	Decisions for Commission	75
Decisions for Commission	2	Decisions for others	17
Decisions for others	1	Petitions withdrawn by Commission	4
Petitions withdrawn by Commission	0	Petitions withdrawn by others	5
Petitions withdrawn by others	0	Total disposition	101
Total disposition during year	3	Pending June 30, 1942	1
Pending end of year	1		

TABLE 7.--*Court proceedings--mandamus, injunction, etc.--Supreme Court of the  
United States*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	0	Appealed by Commission	8
Appealed by Commission	0	Appealed by others	2
Appealed by others	0		
		Total appealed	10
Total for disposition	0	Decisions for Commission	2
		Decisions for others	5
Decisions for Commission	0	Certiorari denied Commission	1
Decisions for others	0	Certiorari denied others	2
Certiorari denied Commission	0		
Certiorari denied others	0	Total disposition	10
Total disposition during year	0	Pending June 30, 1942	0
Pending end of year	0		





## **PART III. TRADE PRACTICE CONFERENCES**

### **RULES OF FAIR COMPETITION ESTABLISHED**

The trade practice conference procedure has for its purpose the establishment, by the Commission, of trade practice rules for the protection of industry, trade, and the purchasing public against unfair competitive practices. Under this procedure, conferences are conducted for industries and effective means are made available for such groups or other interested or affected parties to participate voluntarily with the Commission in making provision for the elimination of trade abuses. Thus, cooperative action among business competitors within the law and with the aid of Commission supervision may properly be taken to end unfair trade practices. Representatives of consumer groups are likewise afforded means under the procedure for participating in the establishment and carrying out of rules in the interest of the public.

The different competitive practices or methods, which under the statutes and the various decisions of the courts or the Commission are considered to fall within the inhibitions of the law, are clarified and listed in the form of specific rules applicable to the particular conditions existing in the industry concerned. Such clarification and codification of legal requirements and the organization of cooperative endeavor under supervision of the Commission in the elimination of undesirable practices and the maintenance of fair competitive conditions are vastly important to industry, to the public, and to the Government. It leads to the wholesale elimination and abandonment of unfair and illegal methods of competition, thereby bringing to legitimate business and the purchasing and consuming public relief and protection from harmful exploitation and the waste and burdens of such methods. Such voluntary cooperation in the elimination of harmful practices also results in substantial saving to the Government and to business in the expense which otherwise might necessarily be incurred in instituting a multiplicity of compulsory legal proceedings against individual offenders to require cessation of the practices in question.

Rules appropriate for the Commission's approval or sanction may include not only provisions for the elimination of practices which are illegal per se, or are contrary to the general public interest, but also provisions for fostering and promoting practices which are designed to aid fair competition and to elevate the standards of business ethics in harmony with public policy.

*Procedure for establishing industry rules.*--The procedural steps and requirements applicable to industry proceedings for the establishment of trade practice rules, including the filing of application, the holding of industry conferences and public hearings, and the promulgation of industry rules, are covered in the Commission's Rules of Practice. (See Rule XXVII, p.114.)

*Trade Practice Conference Division.*--This division is charged with the duty of conducting the various activities relative to the formulation and approval of trade practice rules, the holding of industry conferences in such matters, the administration and observance of promulgated rules, and all other staff duties incident to the trade practice conference procedure. The division is also charged with the Various duties relating to administration of the Wool Products Labeling Act and the rules and regulations promulgated thereunder. (See p.75.)

### **GROUP I AND GROUP II RULES DEFINED**

Trade practice rules as finally promulgated are classified by the Commission as Group I and Group II rules, respectively:

*Group I rules.*--The unfair trade practices which are embraced in Group I rules are considered to be unfair methods of competition, unfair or deceptive acts or practices, or other illegal practices, prohibited under laws administered by the Federal Trade Commission, as construed in the decisions of the Commission or the courts; and appropriate proceedings in the public interest will be taken by the Commission to prevent the use, by any person, partnership, corporation, or other organization subject to its jurisdiction, of such unlawful practices in commerce.

*Group II rules.*--These rules embrace the wholly Voluntary or recommended industry practices as distinguished from compulsory requirements. No such industry rule is received by the Commission unless the provision is in harmony with law and the public interest, and is constructively in support of the maintenance of fair competitive conditions in the industry.

### **TRADE PRACTICE CONFERENCE ACTIVITIES DURING THE YEAR**

The trade practice conference work of the Commission is divided into two general divisions: (1) activities pertaining to the establishment and promulgation of new rules for various industries and (2) administration of existing rules promulgated during the current and previous years.

*New rules promulgated during Fiscal year.*--Trade practice rules for the following industries were promulgated during the

(4) sun glass; and (5) ribbon. Rules promulgated for the ribbon industry represent an extension of the rules previously promulgated. The industries named have an estimated annual volume of business of \$250,000,000 in the aggregate.

In accordance with the usual procedure and prior to promulgation of rules for the industries, drafts of the proposed rules were made available to all interested parties, affording them opportunity to present, for the consideration of the Commission, such pertinent views as they might desire to offer and to be heard in the premises.

The extent of the business operations of a number of the industries for which rules are in effect is shown by the fact that some 35 of the last 50 odd industries receiving rules have an estimated annual sales volume of approximately 5 1/2 billion dollars.

*Pending trade practice proceedings.*--Trade practice proceedings, in addition to those for which rules were promulgated, were under way for other industries and were pending in various stages of progress at the close of the fiscal year. Respecting some of these, the general industry conferences had been assembled and held for the purpose of considering and formulating proposed rules.

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## TRADE PRACTICE CONFERENCES

tions (photographs, engravings, cuts, etc.) in describing industry products; selling below cost with the purpose and effect of suppressing competition, restraining trade, or creating a monopoly; and use of "loss leaders" as a deceptive or monopolistic practice.

Other subjects embraced in the rules are: enticing away employees of a competitor; use of misleading guarantees, price quotations, price lists, terms of sale, etc.; full-line forcing as a monopolistic weapon; combinations or conspiracies to fix prices, suppress competition, or restrain trade; unfair bidding methods; misrepresentation as to possible earnings or opportunities afforded on completion of correspondence school courses or as to Government connection with, or endorsement of, any school, or respecting any training or services offered by such school; falsely representing offers as "special" or "limited"; deceptive sales of regular lines as "close-outs" to induce belief bargains are available; representing products as conforming to recognized industry standards when such is not the fact; misuse of such words or terms as "perfect", "perfect cut", "commercially perfect", "real", "genuine", "natural", etc., in describing precious stones or their imitations; misuse of term "Crookes" as applied to sun glasses; misrepresenting kind, quality, thickness, or backing of mirrors; use of fictitious animal designations in description of furs; misrepresenting character, extent, or type of business engaged in; representing retail prices as wholesale; use of false or deceptive testimonials; misuse of terms "pullorum tested", "blood tested", etc., as applied to baby chicks; deceptive use of the terms "waterproof", term 12.96 TD(s)cl.( ) Tj 252 8034u9375 Tv

content, composition, on origin, use, manufacture, preparation, distribution of any industry product; and aiding or abetting another in the use of an unfair trade practice.

Various other rules provide for disclosure of fiber content and proper marking of textile merchandise made of rayon, silk, or linen, or of two or more fibers containing either rayon, silk, or linen; disclosure as to remaining shrinkage in so-called ~~merchandise~~ 19 U.S.C. 1318.72 -1







consideration of the labeling of respective Concerns received attention and, where correction appeared required, necessary steps were taken to effect complete compliance with the act and the regulations.

Cooperation displayed generally in support of the requirements by concerns subject to the the the the requirements to effect complete

require

**PART V. RADIO AND PERIODICAL ADVERTISING**

**SPECIAL PROCEDURE PROVIDES CONTINUOUS SURVEY OF PUBLISHED  
AND  
BROADCAST MATTER**

The Commission maintains its Radio and Periodical Division to provide a direct and expeditious handling

disclosure of the possible harm. This applies only to products that are potentially dangerous and not to those inherently dangerous or where injury is probable.

Stipulations are negotiated with advertising agencies which have prepared or participated in the preparation of advertisements for food, drugs, devices, or cosmetics, as well as with the advertisers on whose behalf the agencies acted.

In this phase of its activity, the Commission's only object is to prevent false and misleading advertisements. It does not undertake to dictate what an advertiser shall say, but merely indicates what he may not say under the law. The Commission believes its work in this field contributes substantially to the improvement that has been evident in recent years in the character of all advertising.

*Newspaper and magazine advertising.*--In examining advertisements in current publications, it has been found advisable to call for some newspapers and magazines on a continuous basis, due to the persistently questionable character of the advertisements published. However, as to publications generally, of which there are

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*Procedure in advertising cases.*--If it appears to the Commission that a published or broadcast advertisement may be misleading, a questionnaire is sent to the advertiser and request is made for a sample of the product advertised, if this is practicable, and the quantitative formula, if the product is a compound. Copies of all advertisements published or commercial continuities broadcast during a specific period are also requested, together with copies of all booklets, folders, circulars, form letters, and other advertising literature used.

Upon receipt of these data, the sample and formula are referred to the Medical Advisory Division of the Commission or to an appropriate technical agency of the Government.

Source: <http://www.fda.gov/oc/ohrt/ohrt.html>

## **PART VI. MEDICAL ADVISORY DIVISION**

### **FURNISHES MEDICAL AND SCIENTIFIC OPINIONS IN CASES INVOLVING ADVERTISEMENT OF FOOD, DRUGS, DEVICES, AND COSMETICS**

The Medical Advisory Division provides scientific information and opinions with respect to the medical sciences in connection with cases before the Commission. The most important phase of this work is supplying opinions in matters involving the validity of advertising claims made for food, drugs, devices, and cosmetics. A substantial part of the division's work is devoted to assisting the Commission's legal staff at hearings in which the nature of the scientific problems involved makes technical help necessary.

During the fiscal year, an experienced biochemist was appointed by the Commission and assigned to the division to facilitate the handling of chemical and nutritional problems.

Because of the extensive and direct influence of advertising on the public health, many outstanding experts in the medical sciences are interested in the advertising claims made for food, drugs, devices, and cosmetics, and they frequently serve without compensation as expert witnesses at Commission hearings, their testimony being essential to a determination of the facts.

Through its Medical Advisory Division, the Commission maintains contact with other Government agencies concerned with food, drugs, devices, and cosmetics. These include the Food and Drug Administration, the National Bureau of Standards, the United States Public Health Service, the Bureau of Animal Industry, and the Agricultural Marketing Administration.

The division's responsibilities in connection with the Commission's wartime activities are discussed on page 24.







American Provisions Export Co., 80 East Jackson Boulevard, Chicago.

American Pulp Export Corporation, C/O Philip S. Ehrlich, 2002 Russ Building, San Francisco.

American Soda Pulp Export Association, 230 Park Avenue, New York

American Spring Manufacturers Export Association, 30 Church Street, New York.

American Tire Manufacturers Export Association, 30 Church Street, New York.

California Alkali Export Association, 609 South Grand Avenue, Los Angeles.

California Dried Fruit Export Association, 1 Drumm Street, San Francisco.

California Prune Export Association, 1 Drumm Street, San Francisco.

California Raisin Export Association, 1 Drumm Street, San Francisco.

Carbon Black Export, Inc., 500 5th Avenue, New York.

Cement Export Co., Inc., The, c/o M. S. Ackerman, Treasurer, 150 Broadway, New York.

Copper Exporters, Inc., 50 Broadway, New York.

Douglas Fir Export Co., 530 Henry Building, Seattle.

Durex Abrasives Corporation, 63 Wall

General Milk Co., Inc., 19 Rector Street, New York.

Goodyear Tire & Rubber Export Co., The, 1144 East Market Street, Akron, Ohio.

Metal Lath Export Association, The, 55 West 42d Street, New York.

Northwest Dried Fruit Export Association, 303 Title & Trust Building, Portland, Oreg.

Pacific Forest Industries, Washington Building, Tacoma, Wash.

Pacific Fresh, Fruit Export Association, 333 Pine Street, San Francisco.

Pencil Industry Export Association, 37 Greenpoint Avenue, Brooklyn.

Phosphate Export Association, 393 Seventh Avenue, New York.

Pipe Fittings & Valve Export Association, The, 1421 Chestnut Street, Philadelphia.

Plate Glass Export Corporation, 2000 Grant Building, Pittsburgh.

Potash Export Association, Inc., c/o Maj. Fred N. Oliver, Secretary, 110 East 42d Street, New York.

Redwood Export Co., 405 Montgomery Street, San Francisco.

Rice Export Association, 1103 Queen & Crescent Building, New Orleans.

Rubber Export Association, The, 19 Goodyear Avenue, Akron, Ohio.

Signal Export Association, 420 Lexing-

ton, Bldg. 11, Pittsburgh (New York). 320 -11.7ed co LumTD 0Tc



United States Insulation Board Export Association, 55 West 42d Street, New York.<sup>2</sup>

Walnut Export Sales Co., Inc., 12th Street & Kaw River, Kansas City, Kans.

Walworth International Co., 60 East 42d Street, New York.

Washington Evaporated Apple Export Association, 709 North First Avenue, Yakima, Wash.

Wesco Lumber Association, 2 Pine Street, San Francisco.<sup>2</sup>

Wine and Brandy Export Association of California, 85 2d Street, San Francisco.<sup>2</sup>

### REGULATION OF TRADE AND INDUSTRY ABROAD

Under the authority granted in section 6 (h) of the Federal Trade Commission Act, the Commission follows developments in trust laws and regulation of competition abroad. Foreign measures for regulation of trade and industry during the fiscal year have been largely in the form of wartime or defense acts, some of which are briefly noted for the following countries or dominions:

*Algeria.*--A broad program was authorized in an order dated April 7, 1941, for creation of an or



subsoil rights belong to the State, and exploitation can be undertaken only on the basis of concessions granted by the Government.

*Ecuador.*--Steps were taken in 1941 to control prices of foodstuffs, medical supplies, and other articles of prime necessity.

*Egypt.*--A Price Control Board was established by proclamation of September 24, 1941, to inventory stocks, control imports and exports, fix prices, and control supplies.

*Finland.*--A law on May 6, 1941, extended Government price-fixing authority and provided for regulation of production, consumption, trade, transportation, imports and exports, prices, materials, fees and charges, and labor, with power to requisition goods and property.

*France.*--All trade unions were abolished in October 1941, strikes and lockouts were prohibited, and workers were required to join newly created "corporations" under Government control.

*Germany.*--A Decree on the Guiding of Purchase Power, issued on October 30, 1941, provided for "plant equipment accounts" for business houses and "iron savings accounts" for workers, into which a part of the income of firms and workers shall be paid and frozen until after the war. No interest will be paid. Deductions are made by the employer before wages are paid, to cover the wage tax, social insurance,





## FOREIGN TRADE WORK

## **PART VIII. FISCAL AFFAIRS**

### **APPROPRIATION ACT PROVIDING FUNDS FOR COMMISSION WORK**

The Independent Offices Appropriation Act, 1942 (Public Law 28, ~~78~~<sup>78</sup>)

*Appropriations, allotments, expenditures, liabilities, and balances for the fiscal year  
ended June 30, 1942*

	Amount available	Amount expended	Liabili- ties	Expendi- tures and liabilities	Balances
Federal Trade Commission 1942-- salaries, Commissioners and all other authorized expenses	\$2,300,000.00	\$2,214,273.18	\$47,133.81	\$2,261,406.99	\$38,593.01
Printing and binding, Federal Trade Commission, 1942	60,000.00	6,898.11	35,101.89	42,000.00	18,000.00
Working fund, Federal Trade Commission (emergency management), 1942-43	73,822.00	32,402.56	3,111.58	35,514.14	38,307.86
Total fiscal year 1942	2,433,822.00	2,253,573.85	85,347.28	2,338,921.13	94,900.87
Unexpended balances:					
Federal Trade Commission 1941	120,732.07	49,130.58	1,186.15	50,316.73	70,415.34
Printing and binding, Federal Trade Commission 1941	44,578.13	35,759.61	7,818.52	43,578.13	1,006.60
Federal Trade Commission 1940	72,101.27	1,001.66		1,001.66	71,099.61
Federal Trade Commission 1939	1 20.60	1 20.60		1 20.60	
Federal Trade Commission 1937	1.26				1.26
Total	2,671,214.13	2,339,445.10	94,351.95	2,433,797.05	237,417.08

1 Denotes red figures.

*Detailed statement of costs for the fiscal year ending June 30, 1942*

	Salary	Travel ex- pense	Other	Total
Commissioners	\$49,999.20	\$101.41		\$50,100.61
Office of the Secretary	37,049.72			37,049.72
Attorneys to Commissioners	41,732.92			41,732.92
Clerks to Commissioners	14,633.17			14,633.17
Messengers to Commissioners	6,329.28			6,329.28
Total	149,744.29	101.41		149,845.70
Administration:				
Budget and Finance Section	18,302.43			18,302.43
Docket Section	48,776.52			48,776.52
Hospital	1,921.86			1,921.86
Information Service	16,956.78			16,956.78
Labor	3,360.77			3,360.77
Legal Research and Compiling	12,811.08			12,811.08
Library Section	20,864.85			20,864.85
Mail and Files Section	17,824.39			17,824.39
Messengers	17,707.67			17,707.67
Personnel Section	15,950.83			15,950.83
Publications Section	47,963.13			47,963.13
Stenographic Section.	105,171.49			105,171.49
Supply and Service Section	18,068.72			18,068.72
Communications			\$13,054.86	13,054.86
Contract Service			4,324.54	4,324.54
Equipment			38,865.34	38,865.34
Supplies			24,444.06	24,444.06
Transportation of things			539.75	539.75
Travel Expense			113.10	113.10
Total	347,733.08	113.10	81,228.55	429,074.73
Legal:				
Applications for complaints	295,073.70	29,970.94	11,202.14	336,246.78
Complaints	607,793.30	51,653.26	7,415.86	666,862.42
Export trade	8,342.42	32.73		8,375.15
Preliminary Inquiries	140,763.63	7,452.23	393.18	148,609.04
Trade practice conferences	113,114.05	258.66	19.50	113,392.21
Total	1,165,087.10	89,367.82	19,010.68	1,273,465.60
General investigations				
Accounting methods and practices	306.31			306.31
Industrial corporation financial reports	79,249.60	490.02		79,739.62
Methods and costs of distribution	11,836.58	494.05		12,330.63
Motor vehicle investigation	218.36			218.36
Production cost accounting methods	894.99			894.99
Resale price maintenance investigation (1939)	10,216.33	1 19.15		10,197.18

Total

102,722.17

964.92

103,687.09

*Detailed statement of Costs for the fiscal year ending June 30, 1942--Continued*

	Salary	Travel ex- pense	Other	Total
War work	\$290,275.22	\$50,358.17	\$60.87	\$340,694.26
Printing and binding			42,657.72	42,657.72
Summary:				
Commissioners and Secretary Administration	149,744.29	101.41		149,845.70
General Investigation	347,733.08	113.10	81,228.55	429,074.73
Legal	102,722.17	964.92		103,687.09
Printing and binding	1,165,087.10	89,367.82	19,030.08	1,273,485.60
War work	42,657.72			42,657.72
Total	290,275.22	50,358.17	60.87	340,694.26
Total	2,055,561.86	140,905.42	142,977.82	2,339,445.10

*Recapitulation of costs by divisions*

Commissioners and Secretary	\$151,964.17	\$101.41	\$152,065.58
Administrative	357,697.08	113.10	\$81,228.55
Chief Counsel	382,572.85	30,185.57	16,830.36
Chief Examiner	377,285.14	44,533.85	1,756.43
Accounts, Statistics, and Economic Investigations	122,691.86	964.92	
Medical Advisory	22,718.60	1,163.75	162.00
Radio and Periodical	139,361.70		18.39
Trade Practice Conferences	99,084.68	255.50	4.75
Trial Examiner	111,910.56	13,229.15	258.75
Total	1,765,286.64	90,547.25	100,259.23

1 Denotes red figures.

APPROPRIATIONS AND EXPENDITURES, 1915-42

Appropriations available to the Commission since its organization and expenditures for the same period, together with the unexpended balances, are:

Year	Nature of appropriations	Appropriations and liabilities	Expenditures	Balance
1915	Lump sum	\$184,016.23	\$90,442.05	\$93,574.18
	Printing and binding	12,386.76	9,504.10	2,882.60
1916	Lump sum	430,964.08	379,927.41	51,636.67
	Printing and binding	15,000.00	14,997.55	2.45
1917	Lump sum	542,025.92	448,890.66	93,135.26
	Printing and binding	25,000.00	23,610.54	1,389.48
1918	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	Lump sum	1,693,622.18	1,491,637.39	201,984.79
	Printing and binding	14,934.21	14,934.21	0
1920	Lump sum	1,206,587.42	1,007,593.30	198,994.12
	Printing and binding	28,348.97	28,348.97	0
1921	Lump sum	938,609.94	842,991.24	95,618.70
	Printing and binding	37,182.56	37,182.56	0
1922	Lump sum	952,505.45	878,120.24	74,385.21
	Printing and binding	22,801.73	22,801.73	0
1923	Lump sum	952,020.11	948,293.07	3,727.04
	Printing and binding	22,460.21	22,400.21	0
1924	Lump sum	990,000.00	900,020.93	29,979.07
	Printing and binding	20,000.00	19,419.25	580.75
1925	Lump sum	990,000.00	988,082.37	1,917.63
	Printing and binding	20,000.00	19,866.14	133.86
1926	Lump sum	990,000.00	976,957.02	13,042.98
	Printing and binding	18,000.00	18,000.00	0
1927	Lump sum	980,000.00	943,881.99	36,118.01

Printing and binding

APPENDIXES

**FEDERAL TRADE COMMISSION**

(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.

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>2</sup>

<sup>1</sup> The salary of the secretary is controlled by the provisions of the Classification Act of 1923, approved March 4, 1923, 42 Stat. 1488.

<sup>2</sup> Auditing of accounts was made a duty of the General Accounting Office by the Act of June 10, 1921, 42 Stat. 24.

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





petition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon suchs

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such



no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Commission rendered in accordance with the mandate of the circuit court of appeals shall become final on the expiration of thirty days from the time such order of the Commission was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected so that it will accord with the mandate, in which event the order of the Commission shall become final when so corrected.

(j) If the Supreme Court orders a rehearing ; or if the case is remanded by the circuit court of appeals to the Commission for a rehearing, and if (1) the time allowed for filing a petition for certiorari has expired, and no such petition has

been duly filed, or (2) the petition for certiorari has been denied, been

(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

<sup>5</sup> See footnote on p. 2.

<sup>6</sup> See footnote on p. 2.

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



documentary or otherwise, required

more than \$5,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

Any person who shall willfully make, or cause to be made, any false entry or statement of fact in any report required to be made under this Act, or who shall willfully make, or cause to be made, any false entry in any account, record, or memorandum kept by any corporation subject to this Act, or who shall willfully neglect or fail to make, or cause to be made, full, true, and correct entries in such accounts, records, or me

or to do so in whole, full 10296951701328549D620-Tj 8132900504 pff

(1) that any person, partnership, or corporation is engaged in, or is about to engage in, the dissemination or the causing of the dissemination of any advertisement in violation of section 12, and

(2) that the enjoining thereof pending the issuance of a complaint by the Commission under section 5, and until such complaint is dismissed by the Commission or set aside by the court on review, or the order of the Commission to cease and desist made thereon has become final within the meaning of section 5, would be to the interest of the public,

the Commission by any of its attorneys designated by it for such purpose may bring suit in a district court of the United States or In the United States court of any Territory, to enjoin the dissemination or the causing of the dissemination of such advertisement. Upon proper showing a temporary injunction or restraining



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 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.

(b) The term "food" means (1) articles used for food or drink for man or other animals, (2) chewing gum, and (3) articles used for components of any such article.

<sup>7</sup> Section 5 (b) of the amending Act of 1938 provides :

Sec. 5 (b) Section 14 of the Federal Trade Commission Act, added to such Act by section 4 of this Act, shall take effect on the expiration of sixty days after the date of the enactment of this Act.

(c) The term “drug” means (1) articles recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, or any supplement to any of them ; and (2) articles Intended for use In the diagnosis, cure, mitigation, treatment, or prevention of disease In man or other animals ; and (3) articles (other than food) intended to affect the structure or any function of the body of man or other animals ; and (4) articles intended for use as a component of any article specified in clause

Van Buren Street, Chicago, Ill.; Federal Trade Commission, Federal Office Building,  
55 New Montgomery Street, San Francisco, Calif.; Federal Trade Commission, 801  
Federal Building Seattle, Wash.; Federal Trade Commission, 1107 Pere Marquette  
Building, New Orleans, La.

*Hours.*--Offices are are

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office of the Commission at Pennsylvania Avenue at Sixth Street, Washington, D. C., on each business day at 10 a. m.

*Quorum.*--A majority of the members of the Commission shall constitute a quorum for the transaction of business.

## RULE II. THE SECRETARY

The Secretary is the executive officer of the Commission and shall have the legal custody of its seal, papers, records, and property; and all orders of the Commission shall be signed by the Secretary or such other person as may be authorized by the Commission.

## RULE III. SERVICE

Complaints, orders, and other processes of the Commission, and briefs in support of the Complaint, will be served by the secretary of the Commission by registered mail, except when service by other method shall be specifically ordered by the Commission, by registering and mailing a copy thereof addressed to the person, partnership, or corporation to be served at his



application for admission to practice before the Commission is required. A written notice of appearance on behalf of a specific party or parties in the particular proceeding should be submitted by attorneys desiring to appear for such specific party or parties, which notice shall contain a statement that the attorney is eligible under the provisions of this rule. Any attorney practicing before the Commission or desiring so to practice may, for good cause shown, be disbarred or suspended from practicing before the Commission, but only after he has been afforded an opportunity to be heard in the matter.

No former officer, examiner, attorney, clerk, or other former employee of this Commission shall appear as attorney or counsel for or represent any party in any proceeding resulting from any investigation, the files of which came to the personal attention of such former officer, examiner, attorney, clerk, or other former employee during the term of his service or employment with the Commission.

## RULE V. INTERVENTION

Any person, partnership, corporation, or association desiring to intervene in a contested proceeding shall make application in writing, setting out the grounds on which lie or it claims to be interested

The Commission may, by order, permit intervention by counsel or in person to such extent and upon such terms as it shall deem proper.

## RULE VI. DOCUMENTS

*Filing.*--All documents required to be filed with the Commission in any proceeding 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 (10 ½) inches; left margin, one and one-half (1 1/2) 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, and other documents shall be signed in ink, by the respondent or his duly authorized attorney. Where the respondent is an individual or a partnership, the originals of said documents shall be signed by said individual or by one of the partners, or by his or its attorney. Where the respondent is a corporation, the originals of said documents shall be signed under the corporate name by a duly authorized official of such corporation, or by its attorney. Where the respondent is an association, the originals of said documents shall be signed under the association name for said association by a duly authorized official of such association, or by its attorney.

Answers shall be signed in quadruplicate. One copy of a brief or other document required to be printed shall be signed as the original.

## RULE VII. 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 VIII. 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.

#### RULE IX. ANSWERS

In case of desire to contest the proceeding the respondent shall, within twenty (20) days from the service of the complaint, file with the Commission an answer to the complaint. Such answer shall contain a concise statement of the facts which constitute the ground of defense. Respondent shall specifically admit or deny or explain each of the facts alleged in the complaint, unless respondent is without knowledge, in which case respondent shall so state.

Four copies of answers shall be furnished. All answers shall be signed in ink, by the respondent or by his attorney at law. Corporations or associations shall file answers through a bona fide officer or by an attorney at law. Answers shall show the office and post-office address of the signer.

Failure of the respondent to file answer within the time above provided and failure to appear at the time and place fixed for hearing shall be deemed to authorize the Commission, without further notice to respondent, to proceed in regular course on the charges set forth in the complaint.

If respondent desires to waive hearing on the allegations of fact set forth in the complaint and not to contest the facts, the answer may consist of a statement that respondent admits all the material allegations of fact charged in the complaint to be true. Respondent by such answer shall be deemed to have waived a hearing on the allegations of fact set forth in said complaint and to have authorized the Commission, without further evidence, or other intervening procedure, to find such facts to be true.

Contemporaneously with the filing of such answer the respondent may give notice in writing that he desires to be heard on the question may give notice in writing that he desires to be heard on the question as to whether the admitted facts constitute the violation of law charged in the complaint. Pursuant to such notice, the respondent may file a brief, directed solely to that question, in accordance with the rule XXIII.

#### RULE X. MOTIONS

Motions before the Commission or the trial examiner shall state briefly the purpose thereof and all supporting affidavits, records, and other papers, except such as have been previously filed, shall be filed with such motions and clearly referred to therein.

Motions in any proceeding before a trial examiner which relate to the introduction or striking of evidence, to matters of procedure, or to any other matters coming within the scope of the trial examiner's authority shall be made to the trial examiner and shall be ruled on by him. All other motions in any proceeding, except as otherwise provided in these rules, shall be addressed to and shall be ruled on by the Commission, but in the case of motions to dismiss for alleged failure of proof based upon testimony taken before a trial examiner, the motion will be referred to the trial examiner for report f but (referred to) file

Commission and a transcript thereof shall be made which shall be a part of the record of the proceeding. The record so made shall be the sole official record. Transcripts will be supplied to a respondent or respondents and to the public by the official reporter at rates not to exceed the maximum rates fixed by contract between the Commission and the reporter.

Upon the joining of issue in a proceeding upon complaint issued by the Commission, the taking of evidence therein shall proceed with all reasonable diligence and with the least practicable delay.

Not less than five (5) days' notice of the time and place of the initial hearing before the Commission, a Commissioner, or a trial examiner, shall be given by the Commission to counsel of record or to parties.

### RULE XIII. HEARINGS ON INVESTIGATIONS

When a matter for investigation is referred to a single Commissioner, or examiner, for examination or report, such Commissioner, or examiner, if authorized by the Commission, may conduct or hold conferences or hearings thereon, and reasonable notice of the time and place of such hearings shall be given to parties in interest and posted.

The chief counsel, or such attorney as shall be designated by him, or by the Commissioner, or by the Commission, shall attend such hearings and prosecute

the investigation, which shall be public, unless otherwise ordered by the Commission.

#### RULE XIV. TRIAL EXAMINERS

When evidence is to be taken in a proceeding upon complaint issued by the Commission, a trial examiner may be designated for that purpose by the Commission.

It shall be the duty of the trial examiner to complete the taking of evidence with all due dispatch.

The trial examiner shall state the place, day, and hour to which the taking of evidence may from time to time be adjourned.

The trial examiner is charged with the duty of conducting a fair and impartial hearing and of maintaining order in form and manner consistent with the dignity of the Commission. He will note on the record any disregard by counsel of his rulings on matters of order and procedure and where he deems it necessary shall make special written report thereof to the Commission. In the event that counsel supporting the complaint or counsel for any respondent shall be guilty of disrespectful, disorderly, or contumacious language or conduct In connection with any hearing, the trial examiner may suspend the proceeding and submit to the Commission his report thereon, together with his recommendations as to whether any rule should

of 30 0nd

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.

*Objections.*--Objections to evidence before a trial examiner, a Commissioner, or the Commission, shall be in short form, stating the grounds of objections relied upon, and the transcript shall not include argument or debate thereon except as ordered by the trial a Commissioner, grounds

Unless notice be waived, no deposition shall be taken except after at least five (5) days' notice to the parties within the United States, and fifteen (15) days' notice when deposition is to be taken elsewhere.

Any party desiring to take the deposition of a witness shall make application in writing, setting out the reasons why such deposition should be taken, and stating the time when, the place where and the name and post-office address of the person before whom it is desired the deposition be taken, the name and post-office address of the witness, and the subject matter or matters concerning which the witness is expected to testify. If good cause be shown, the Commission will make and serve upon the parties, or their attorneys, an order wherein the Commission shall name the witness whose deposition is to be taken and specify the time when, the place where, and the person before whom the witness is to testify, but such time and place, and the person before whom the deposition is to be taken, so specified in the Commission's order, may or may not be the same as those named in said application to the Commission.

The testimony of the witness shall be reduced to writing by the officer before whom the deposition is taken, or under his direction after which the deposition shall be subscribed by the witness and certified in usual form by the officer. After the deposition has been so certified, it shall, together with three additional copies thereof made by such officer or under his direction, be forwarded by such officer under seal in an envelope addressed to the Commission at its office in Washington, D. C. Such deposition, unless otherwise ordered by the Commission for good cause shown, shall be filed in the record in said proceeding and a copy thereof supplied to the party upon whose application said deposition was taken, or his attorney.

Depositions shall be typewritten, on one side of paper only; letter size, eight (8) inches by ten and one-half (10 ½) inches; left margin, one and one-half (1 ½) inches; right margin, one (1) inch.

Depositions shall be bound *at left side only*.

#### RULE XIX. ADMISSION OF FACTS AND OF GENUINENESS OF DOCUMENTS

At any time after answer has been filed counsel or parties in any controversy may serve upon the opposing side a written request for the admission of the genuineness and authenticity of any relevant documents described in and exhibited with the request or the admission of the truth of any relevant matters of fact set forth in such documents.

Copies of the documents shall be delivered with the request unless copies have already been furnished. Each of the matters on which an admission is so requested shall be deemed admitted unless, within a period designated within the request, not less than ten days after service thereof or within such further time as the Commission or the trial examiner may allow on motion and notice, the party so served serves upon the party making the request, a sworn statement either denying specifically the matters of which an admission is requested, or setting forth in detail the reasons why he can neither truthfully admit nor deny those matters. Service required hereunder may be made upon a respondent either by registering and mailing or by delivering a copy of the documents to be served to the respondent or his attorney, or by leaving a copy at the principal office or place of business of either. Service upon the attorney supporting the complaint may be either by registering and mailing or by delivering a copy of the documents to be served to such attorney.



## RULE XX. TRIAL EXAMINER'S REPORT

The trial examiner shall, within fifteen (15) days after receipt by him of the complete stenographic transcript of all testimony in a proceeding, make his report upon the evidence.

A copy of such report shall forthwith be served upon each attorney for the Commission, upon each attorney for respondents, and upon each respondent not represented by counsel.

The trial examiners' reports is not a report or finding of the Commission. Such report is advisory only and is not binding upon the Commission.

## RULE XXI. EXCEPTIONS

Attorneys or



*Index.*-- Briefs comprising more than ten (10) pages shall contain on their top fly leaves a subject index with page references. The subject index shall be supplemented by an alphabetical list of all cases referred to, with references to pages where references are cited.

*Reply briefs.*--Reply brief in support of the complaint shall be filed only with permission of the Commission, and shall be strictly in answer to brief on behalf of respondent.

No further reply brief on behalf of respondent shall be filed.

*Form.*--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 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.

*Signing.*--At least one copy of each brief shall be signed in ink, by the respondent or his duly authorized attorney, as prescribed in Rule XII.

#### RULE XXIV. ORAL ARGUMENTS

Oral arguments before the Commission shall be had as ordered, on written application of the chief trial counsel of the Commission, or of the respondent, or of attorney for respondent, filed within fifteen (15) days after filing of brief on behalf of respondent.

Appearance of additional counsel in a case will not constitute grounds for enlarging time for oral argument.

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

In every case where an order to cease and desist is issued by the Commission for the purpose of preventing violations of law and in every instance where the Commission approves and accepts a stipulation in which a party agrees to cease and desist from the unlawful methods, acts, or practices involved, the respondents named in such orders and the parties so stipulating shall file stipulating \_\_\_\_\_ s \_\_\_\_\_ days of the

of such order and  
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all

which sanctions a practice contrary to law or which may aid or abet a practice contrary to law.

(b) *When authorized.*--Trade practice conference proceedings may be authorized by the Commission upon its own motion or upon application therefor whenever such proceedings appear to the Commission to be in the interest of the public. In authorizing proceedings, the Commission may consider whether such proceedings appear to have possibilities (1) of constructively advancing the best interests of industry on sound competitive principles in consonance with public policy, or (2) of bringing about more adequate or equitable observance of laws under which the Commission has jurisdiction, or (3) of otherwise protecting or advancing the public interest.

(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.
- (7) Evidence of authority to so act, where the application is signed by a person or organization acting in behalf of others.

(d) *Informal discussions with members 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 division, 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.*--Reasonable public notice of .057 Tc (may) Tj 18.72 0 TD 0 31 Tf 0.

(g) *Promulgation of rules.*--When trade practice rules shall have been finally approved and received by the Commission, 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





documents or records subpoenaed (pointing out that he is not permitted to do so under this rule), and request a continuance pending action by or instructions from the Commission. If, notwithstanding, the court or other body orders the production of any of the material subpoenaed, the officer or employee shall immediately report the facts to the Commission.

## **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 the name of an applicant or complaining party, and such party has no legal status before the Commission except where allowed to intervene as provided by the statute.

POLICY AS TO PRIVATE CONTROVERSIES

It is the policy of the Commission not to institute proceedings against alleged unfair methods of competition or unfair or deceptive acts or practices where the alleged violation of law is a private controversy redressable in the courts, except where said practices tend to affect the public. In cases where the alleged injury is one to a competitor only and is redressable in the courts by an action by the aggrieved competitor and the interest of the public is not involved, the proceeding will not be entertained.

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following pages under more than 125 different headings.<sup>1</sup> They were made at the request of the President, the Congress, the Attorney General, establishments such as the War Production Board, the Office of Price Administration, or other Government agencies, or on motion of the Commission pursuant to the Federal Trade Commission Act.

Reports on these inquiries in many instances have been published as Senate or House documents or as Commission publications. Printed documents, unless indicated as being out of print, <sup>2</sup> may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C. Processed publications are available without charge from the Federal Trade Commission while the supply lasts.

Agencies initiating or requesting investigations are indicated in parentheses in the headings below. For wartime inquiries, 1917-18 and 1941-45, see paragraphs headed "Wartime."

<sup>1</sup> The wartime cost-finding inquiries, 1917-1918 (p. 109), include approximately 370 separate investigations.

<sup>2</sup> documents out of print (designated "o. p.") are available in depository libraries.

**Accounting Systems (F. T. C.)**--Pointing the way to a general improvement in accounting practices, the Commission publishes /F0 11.04 Tf 0.0033 Tc 0.8 Tj dent in

restrict sales to recognized “legitimate” dealers (*Cement Industry*. S, Doc. 71, 73d, 160 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



unnumbered, 65th, 36 p., o. p., 8/22/18);





**Farm Implements.**--See Agricultural Implements and Machinery, and Independent Harvester Co.

**Feeds (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 law violations (*Report of the F. T. C. on Commercial Feeds*, 206 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.

<sup>8</sup> The Commission was created September 26, 1914, upon passage of the Federal Trade Commission Act. sec. 3 of which provided that "all pending investigations and proceedings of the Bureau of Corporations [of the Department of Commerce] shall be continued by the Commission."

**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

Commission's staff (*U. S. Congress House Committee on Agriculture, Future Trading, hearings, 67th, April 25-May 2, 1921*) was an important factor in enactment of the Grain Futures Act (1921). (Further reference to the grain trade is made under Grain Elevators, p. 112; Grain Exporters, p.112; and Grain Wheat Prices, p.112.)

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**Food (President) Continued--Canned Foods,<sup>10</sup> Private Car Lines, Wholesale Food Marketing.**--Under the general title *Food Investigation* were published *Report of the F. T. C. on Canned Foods-General Report and Canned Vegetables and Fruits* (5/18/18, 103 p., o. p.); *Report of the F. T. C. on Canned Foods-Canned Salmon* (12/27/18, 83 p., o. p.); *Report of the F. T. C. on Private Car Lines, r*

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 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* (6/6/21, 234 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 Milk-sheds* (H. Doc. 152, 74th, 901 p., 4/5/35); *Report of the F. T. C. on the Sale and Distribution of Milk and Milk Products* (Connecticut and Philadelphia milksheds,

<sup>10</sup> In connection with its wartime cost finding inquiries, 1917-18. p.109 herein, the Commission published *Report of the F. T. C. on Canned Foods) 1918--Corn, Peas, String Beans, Tomatoes, and Salmon* (86 p., 11/21/21).

interim report, H. Doc. 387, 74th, 125 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., 6/74/36); *Twin City Sales Area* (H. Doc. 506, 74th, 71 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 only be dealt with 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*, jP-61632T-d2.) 1072...0117n001P.04-TjP-ro-050228(0) TJD201523Td D.04(95) By L&B-01n6

**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.

**Gasoline.**--See Petroleum.

**Grain.**--See Food.

**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. Relative to the Practice of Giving Guarantee Against Price Decline* (68 p., 5/27/20).

**House Furnishings (Senate).**--This inquiry (S. Res. 127, 67th, 1/4/22) resulted in three volumes showing concerted efforts to effect uniformity of prices

<sup>11</sup> See footnote 8, p. 120.

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down to date the 1919 lumber association inquiry (Chap. VIII of *Open-Price Trade Associations*, S. Doc. 226, 70th, 516 p., 2/13/29).

**Mass Foods Distributors.**--See Food.

**Meat--Packing Profit Limitations.**--See Food.

**Metal-Working Machines, Invoicing and Distribution of (W. P. B.), Wartime, 1941-42.**--A comprehensive picture of this industry at work during a representative period was furnished WPB for its use as a result of a survey (referred to F.T.C., May 1942) of 406 manufacturers' operations. Among detailed data obtained was a breakdown to show the number of machines shipped for use of the United Nations armed forces and for other foreign and domestic uses. (See p. 12.)

**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 lease departments in department or specialty stores (*Report to the President of the United States on Distribution Methods 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 abuses (*Motor Vehicle Industry*, H. Doc. 468, 76th, 1077 p., 6/5/39). The leading companies voluntarily adopted a number of the Commission's recommendations as company policies.

**National Wealth and Income (Senate).**--In 1922 the national wealth was estimated (inquiry pursuant to S. Res. 451, 67th, 2/28/23) at \$353,000,000,000 and the national income in 1923 at \$70,000,000,000 [*National Wealth and Income* (S. Doc. 126, 69th, 381 p., o. p., 5/25/26) and *Taxation and Tax-Exempt Income* (S. Doc. 148, 68th, 144 p., o. p., 6/6/24)].

**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 reported in *Open-Price Trade Associations* (S. Doc. 226, 70th, 516 p., 2/13/29).

**Packer Consent Decree.**--See Food (President) Continued--Meat Packing.

**Paperboard (O. P. A.), Wartime, 1941-42.**--Costs, profits, and other financial data regarding operations of 68 paperboard mills (O. P. A. request, 11/12/41) for use in connection with price stabilization work, were transmitted to O. P. A. in a confidential report (May 1942).

**Paper--Book (Senate), Wartime, 1917-18.**--This inquiry (S. Res. 269, 64th, 9/7/16) resulted in proceedings by the Commission against certain manufacturers to prevent price enhancement and the Commission recommended legislation to repress trade restraints [*Book Paper Industry-A Preliminary Report* (S. Doc. 45, 65th, 11 p., o. p., 6/13/17), and *Book Paper Industry--Final Report* (S. Doc. 79, 65th, 125 p., o. p., 8/21/17)].

**Paper--Newsprint (Senate), Wartime, 1917-18.**--High prices of newsprint (S. Res. 177, 64th, 4/24/16) were shown to have been partly a result of certain newsprint association activities in restraint of trade. Department of Justice proceedings resulted in abolishment of the association and indictment of certain manufacturers. The Commission for several years conducted monthly reporting of production and sales statistics, and helped provide some substantial relief for smaller publishers in various parts of the country. [*Newsprint Paper Industry*, preliminary (S. Doc. 3, 65th, 12 p., o. p. 3/3/17); *Report of the F. T. C. on the Newsprint Paper Industry* (S. Doc. 49, 65th, 162 p., 6/13/17); and *Newsprint Paper Investigation* (in response to S. Res. 95, 65th, 6/27/17; S. Doc. 61, 65th, 8 p., o. p., 7/10/17)].

**Paper-Newsprint (Senate).**--The question investigated (S. Res. 337, 70th, 2/27/29) was whether a monopoly existed among newsprint manufacturers and distributors in supplying paper to publishers of small dailies and weeklies (*Newsprint Paper Industry*, S. Doc. 214, 71st, 116 p. 6/30/30).

**Paper--Newsprint (Attorney General).**--The Commission investigated (inquiry referred to F. T. C. 1/24/38) the manner in which certain newsprint manufacturers complied with a consent decree entered against them (11/26/17) by the U. S. District Court, Southern District of New York.

**Peanut Prices.--See Food.**



The Commission's reports and recommendations, focusing Congressional attention upon certain unfair financial practices in connection with the organization of holding companies and the sale of securities, were among the influences which brought about enactment of such remedial legislation as the Securities Act of 1933, the Public Utility Holding Company Act of 1935, the Federal Power Act (1935), and the Natural Gas Act (1938).

Public hearings were held on all phases of the inquiry and monthly interim reports presented hundreds of detailed studies by the commission's economists, attorneys, accountants and other experts, based on examination of 29 holding companies having \$6,108,128,713 total assets; 70 subholding companies with \$5,685,463,201 total assets; and 278 operating companies with \$7,245,-

<sup>13</sup> See footnote 8, p. 99. Conditions in one of the midcontinent fields were discussed by the Bureau of Corporations in *Conditions in the Healdton Oil Field* (Oklahoma) (116 p., 3/15/15).

106,464 total assets. The testimony, exhibits and final reports (*Utility Corporations*, S. Doc. 92, 70th) included 95 volumes. <sup>14</sup>

**Price Bases (F. T. C.).**--More than 3,500 manufacturers representing practically every industrial segment furnished data for this study (F. T. C. motion, 7/27/27) of methods used for computing delivered prices on industrial products and of the actual and potential influence of such methods on competitive markets and price levels. In the cement industry the basing-point method <sup>15</sup> was found to have a tendency to establish unhealthy uniformity of delivered prices and cross-haul or cross-freighting to be an economic evil (*Report of the F. T. C. on Price Bases Inquiry, Basing-Point Formula and Cement Prices*, 218 p., 3/26/32). Illustrating the use in a heavy commodity industry of both a modified zone-price system and a uniform delivered-price system, the Commission examined price schedules of the more important manufacturers of range boilers, 1932-36, disclosing that the industry operated under a zone-price formula, both before and after adoption of its N. R. A. code (*Study of Zone-Price Formula in Range Boiler Industry*, 5 p., processed, 3/30/36, a summary based on the complete report which was submitted to Congress but not printed).

**Price Deflation (President).**--To an inquiry (3/21/21) of President Harding, the Commission made prompt reply (undated) presenting its views of the causes of a disproportional decline of agricultural prices compared with consumers' prices (*Letter of the F. T. C. to the President of the U. S.*, 8 p., o. p.).

**Priorities (W. P. B.), Wartime, 1941-42.**--Compliance by certain basic industries with WPB orders relative to allocation of supply and priority of delivery of war materials, is being investigated by the Commission (Executive orders, Jan. 1942). Recent inquiries, national in scope, embraced 1,110 companies in the steel, copper fabricating, copper ingots, jewel bearings, silverware, and chromium and nickel industries, and 947 aluminum foundries. (See p. 11.)

**Production Cost Accounting (F. T. C.), Wartime, 1941-42.**--This investigation covered production cost accounting methods and systems used in the bread baking, paperboard, steel and other industries during wartime.

**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., 6/29/18).

**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., 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).

**Rags, Woolen.**--See Textiles.

**Raisin Combination.**--See Food.

**Range Boilers.**--See Price Bases.

**Resale Price Maintenance (F. T. C.).**--The question whether a manufacturer of standard articles, identified by trade-mark or trade practice, should be permitted to fix by contract the price at which purchasers should resell. them led to the first inquiry, resulting in a report, *Resale Price Maintenance* (H. Doc. 1480, 65th, 3 p., o. p., 12/2/18). Other reports were: *A Report on Resale Price Maintenance* (H. Doc. 145, 66th, 3 p 6/30/19, and *Resale Price Maintenance* (F. T. C. motion 7/25/27; reports, Part I, H. Doc. 546, 70th, 141 p., o. p., 1/30/29, and Part II, 215 p., 6/22/31).

**Salaries (Senate).**--The Commission investigated (S. Res. 75, 73d, 5/29/33) salaries of executives and directors of corporations (other than public utilities) 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.

<sup>14</sup> Final reports were published in 1935; a general index in 1937. Some of the volumes are out of print. For report titles, see F. T. C. Annual Report, 1941, p.221; and for lists of companies investigated, see F. T. C. Annual Reports, 1935, p. 21, and 1936, p.36.

<sup>15</sup> Basing-point systems are also discussed in the published reports listed under "Cement," "Steel Code," and "Steel Sheet Piling" herein.

<sup>16</sup> The salary lists do not appear in the report but are available for inspection,

**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., 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., 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 Midvale 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, 11 p., o. p., 6/5/22 and 9/7/22).

**Steel Costs and Profits.**--See Wartime Cost Finding, 1917-18.

**Steel Costs and Profits (O. P. A.), Wartime, 1941-42.**--Costs, prices, and profits covering 30 major steel producing companies comprise this study now in progress. The inquiry embraces costs for about 90 percent of the country's total producingieD 0 2 0 TD 0 rfs



financial tabulations, processed, 42 p., o. p.); *Report of the F. T. C. on the Textile Industries in 1933 and 1934*, Parts I to IV, 8/1/35 to 12/5/35, 129 p.; Parts II and III, o. p. (Part IV, processed, 21 p.; accompanying tables, processed, 72 p., o. p.); *Cotton Spinning Companies Grouped by Types of Yarn Manufactured During 1933 and 1934*, 1/31/36, 20 p., processed, o.p.; *Cotton Weaving Companies Grouped by Types of Woven Goods Manufactured During 1933 and 1934*, 3/24/36, 48 p., processed, o. p.; *Textile Industries in the First Half of 1935*, Parts I to III, 5/22/36 to 8/22/36, 119 p., processed;

**Textiles--Combed Cotton Yarns.**--High prices of combed cotton yarns led to this inquiry (H. Res. 451, 66th, 4/5/20) which disclosed that while for several years profits and prices had advanced, they declined sharply late in 1920 (*Report of the F. T. C. on Combed Cotton Yarns*, 94 p., o. p., 4/14/21).

**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., 1/20/25).

**Textiles--Cotton Trade (Senate).**--Investigation (S. Res. 262, 67th, 3/29/22) involved a decline in cotton prices,

Combed Cotton Yarns, declined cotton m a d e m a d e  
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*Bolivia, and Peru* (246 p., o. p., 6/30/16).

**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)**

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*Report of the F. T. C. on Wartime Costs and Profits of Southern Pine Lumber Companies* (94 p., o. p., 5/1/22); and *Report of the F. T. C. on Wartime Profits and Costs of the Steel Industry* (138 p., 2/18/25).

## INDEX

[Index does not include names or items in alphabetical lists, tables, or appendixes for names of export trade associations, see page 87; for summaries relating to trust laws and competitive conditions in foreign countries or dominions, see page 89; for appropriation items, see page 96; and for titles and summaries of general investigations, 1915-42, see page 117]

	Page
Acme Steel Co., Chicago	46
Advertising, false and misleading:	
Almanac	80
Complaints alleging	34
Food, drugs, devices, cosmetics	28, 32, 79, 85
Injunctive proceedings	28
Mail-order catalog	81
Newspaper and magazine	80
Orders involving	44
Radio broadcast	81
Radio and periodical	6, 28, 33, 79
Stipulations involving	33, 79, 82
Advertising, survey of war-related	4, 22
Agricultural Marketing Administration	85
Aloe Co., A. S., St. Louis	46
Aluminum foundries investigation	12
American Bridge Co	63
American Medicinal Products, Inc., Los Angeles	61
American Steel and Wire Company of New Jersey, Cleveland	57, 63
Anchor Hocking Glass Corporation, Lancaster, Ohio	56
Aronberg, Earl, trading as Positive Products Co., Chicago	61
Aspironal Co., Atlanta, Ga	42
Associated News Photographic Service, Inc., New York	61
Attorney General of the United States	61
Ayres, William A., Chairman, Federal Trade Commission	5
Beauty and barber equipment and supplies industry	3, 68
Bell Yarn Co., New York	43
Benton Announcements, Inc., Buffalo	61
Berland Supply Co., Inc., Milwaukee	40
Board of Economic Warfare	24
Boulevard Candy Co., Chicago	62
Bread and flour Investigations	16
Bureau of Animal Industry	85
Bureau of the Budget	13, 18
Bureau of the Census	15
Candymasters, Inc., Minneapolis	58
Carnegie-Illinois Steel Corporation	63
Carter, Hiram, Inc., Elmhurst, Long Island, N.Y.	62
Casey Concession Co., Chicago	62
Charles of the Ritz Distributors Corporation, New York	61
Chicago Medical Book Co., Chicago	40
Clarke, Frederic A., Glendale, Calif	56



	Page
Clayton Act (see Robinson-Pitman Act)	1, 26, 27, 31, 35, 45
Civil penalties under	27
Complaints issued under	35
Orders issued under	45
Section 2	1, 31, 35, 45, 56
Section 3	1, 36, 46, 56, 57, 60, 63
Section 7	1, 9, 31
Section 8	1
Clinton Co., Clinton, Iowa	45
Colorfastness of textiles, proposed trade practice rules for	23
Complaints, formal	2, 26, 33
Congress	2, 8, 9
Corn Products Refining Co., New York	45, 47
Costs, prices and profits investigations	4, 15
City, Inc., Wilmington, Del	59
Council of National Defense, Advisory Commission to	24
Court cases	2, 55
D. D. D. Corporation, Batavia, Ill	56
Davis, Ewin L., Commissioner	5
DeForest's Training, Inc., Chicago	62
DeLuxe Products Co., Chicago	62
Department of Agriculture	7
Department of Justice	8
Detroit Candy & Tobacco Jobbers Association, Inc., Detroit	41
Disabled American Veterans of the World War Rehabilitation Department; Chicago	43
Distribution methods and costs investigation	4, 19
Douglas Candy Co., St. Joseph, Mo	58
Etablissements Rigaud, Inc., New York	59
Evans Novelty Co., Chicago	57
Executive Office of the President, Division of Statistical Standards	13
Export Trade Act (Webb-Pomerene Act)	1, 3, 26, 87
Export Trade Associations	3, 87
Federal Trade Commission:	
Acts administered by	1
Administrative divisions	5, 7
Appropriations, expenditures, and fiscal affairs	95
Branch offices	6
Chairman	5, 16, 23, 24
Chief Counsel	6, 26
Chief Examiner	6, 25, 26
Chief Trial Examiner	6, 26
Commissioners	5
Decisions (printed volumes)	8
Director of Trade Practice Conferences	6
Director, Radio and Periodical Division	6, 26, 79
Division of Accounts, Statistics and Economic Investigations	5, 7
Economic adviser to	7
Export Trade Section	6
Foreign trade work	87
Functions	1
General investigations	1, 3, 117







	Page
Hudson Fur Dyeing Co., Newark, N.J.	57
Independent Offices Appropriation Acts	2, 95
Industrial corporation reports investigation	4, 12
International Parts Corporation, Chicago	62



	Page
Post Office Department	82
Power and Gang Mower Manufacturers' Association, Detroit	38
President of the United States	2, 4, 24
Price fixing cases	29, 33, 37
Priorities investigations	4, 11
Production cost accounting methods Investigation	4, 18
Rabhor Co., The, Inc., New York	59
Raladam Co., Detroit	55, 59
Rayon and silk dyeing, printing, and finishing industry	3, 68
Reed-Harlin Grocer Co., West Plains, Mo	46
Republic Yeast Corporation, Newark, N. J	46
Restraint of trade cases	29, 34, 40
Retail Coal Merchants Association, Richmond, Va	41
Ribbon Industry	3, 69
Robinson-Patman Act ( <i>see</i> Clayton Act, Section 2)	1, 7, 21, 26, 31, 35, 45
Salt Producers Association, Detroit	38, 63
Sanford Mills, Sanford, Maine	43
Sauer Co., C. F., Richmond, Va	45
Scientific Apparatus Makers of America, Chicago	37, 63
Scientific Manufacturing Co., Scranton, Pa	60
Signode Steel Strapping Co., Chicago	46, 63
Staley Manufacturing Co., A. E., Decatur, Ill	45
Standard Distributing Co., Chicago	58
Stanley Laboratories, Inc., Portland, Oreg	63
Stanton, Clara, Druggist to Women, Denver	63
Steel producing companies Investigation	17
Stephen Rug Mills, New York	63
Stevenson Corporation, The, New York	60
Stipulations	2, 26, 33, 79, 82
Sun glass industry	3, 69
Supreme Court of the United States	2, 8, 28, 55, 56, 59
Temporary National Economic Committee	9
Tennessee Coal, Iron & Railroad Co	63
Trade practice conference procedure	23, 67, 68
Trade practice rules	3, 9, 23, 67, 68, 69
Trade practice work in wartime	22
"Truth in fabrics"	70, 75
Tubular Rivet & Stud Co., Wollaston, Mass	60
Uco Food Corporation, Newark, N. J	46
United Buyers Corporation, Chicago	46
United States against American Beauty Products, Chicago	61
United States against Gynex Corporation, New York	61
United States against Levore Co., Chicago	61
United States against Midwest Studios, Inc., Portland, Oreg	61
United States against Oppenheim, Collins & Co., New York	61
United States Circuit Courts of Appeals	2, 27, 28, 55
First Circuit, Boston	59
Second Circuit, New York	56, 58, 59, 60, 61, 62, 63
Third Circuit, Philadelphia	57, 59, 60, 63
Fourth Circuit, Richmond, Va	63
Fifth Circuit, New Orleans	58, 63
Sixth Circuit, Cincinnati	56, 59, 62



	Page
United States Circuit Courts of Appeals--Continued.	
Seventh Circuit, Chicago	56, 57, 60, 61, 62, 63
Eighth Circuit, St. Louis	58
Ninth Circuit, San Francisco	56, 58, 61, 62, 63
Tenth Circuit, Denver	63
District of Columbia	58, 60, 62, 63
United States District Courts	3, 28, 55
California, Southern District of	56
District of Columbia	60
Illinois, Northern District of	61
Michigan, Eastern District of	63
New York, Southern District of	61
Oregon	61
United States Public Health Service	7
United States Senate	4
United States Steel Corporation	63
Vanderbilt Co., R. T., Inc., New York	47
Vice President of the United States	24
Von Schrader Manufacturing Co., Racine, Wis	60
War Department	13
War material contracts, costs and production investigation	17
Warner Furniture Corporation, Joseph, New York	43
Warner's Renowned Remedies Co., Minneapolis	63
War Production Board	1, 3 11, 13, 22, 24, 29
Wartime investigations	1, 3, 11
Aluminum foundries	12
Costs, prices and profits	4, 15
Bread-baking industry	16
Fertilizer industry	17
Household furniture	15
Paperboard industry	16
Steel producing companies	17
Distribution methods and costs	4, 19
Industrial corporation reports	4, 12
Metal-working machines industry	4, 12
Priority orders, compliance with	4, 11
Production cost accounting methods	4, 18
War material contracts, costs and production	17
Webb-PomagfAe Act y	

