

IN THE MATTER OF

SHAKLEE CORPORATION

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

Docket C-2613. Complaint, Dec. 5, 1974 - Decision, Dec. 5, 1974

Consent order requiring an Emeryville, Calif., distributor of food supplements, cosmetic and bath, and household products, among other things to cease misrepresenting the nutritional value of its concentrated protein supplement; failing to include a disclosure notice in advertisements which warns against the use of the product by infants under 1 year of age without prior consultation with a physician; misrepresenting the nutritional content of its product; and furnishing means or instrumentalities of misrepresentation or deception to its distributors.

Appearances

For the Commission: *Harrison J. Sheppard, Robert B. Galler and Barry I. Miller.*

For the respondent: *L. G. Farren, Emeryville, Calif.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Shaklee Corporation, a corporation, hereinafter referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Shaklee Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its principal office and place of business located at 1900 Powell Street, Emeryville, Calif.

PAR. 2. Respondent is engaged in the advertising, offering for sale, and sale of food supplements, cosmetic and bath products, and household products. The products are manufactured by respondent or by others according to respondent's specifications, and are marketed through over 100,000 sales persons, who operate businesses designated "Distributorships," "Assistant Supervisorships" and "Supervisorships," located in all fifty states, and who sell to consumers at their homes and offices. In the course and conduct of the aforesaid business, respondent is now and for sometime past has been engaged in the publishing,

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dissemination and distribution of advertisements, promotional materials and labels concerning the uses, purposes, utility, characteristics and effects of protein supplements, which come within the classification of food, as "food" is defined in the Federal Trade Commission Act.

PAR. 3. In the course and conduct of its business, respondent has disseminated, and caused the dissemination of, certain advertisements, promotional literature and labels concerning its protein supplement called "Instant Protein," by the United States mails, and has distributed its protein supplements for the purpose of purchase and consumption by consumers in other States of the United States, and maintains and at all times mentioned herein has maintained a substantial course of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act, and causes, and at all times mentioned herein has caused, the dissemination of advertisements by the United States mails, and for the purpose meaning of Sec. 12(a)(1) of the Federal Trade Commission Act.

PAR. 4. In the course and conduct of its business, and for the purpose of inducing others to purchase said protein supplements, respondent has made, and is now making, directly or by implication, in advertisements statements and representations concerning said protein supplements. Typical and illustrative of such statements and representations are the following:

In addition - and mothers tell us this is one of the finest features - add SHAKLEE INSTANT PROTEIN to baby's food from the very first day solids are given. It is exceptionally digestible, and you can then be sure your baby's diet contains ALL of the essential amino acids necessary for sturdy growth and good health.

"PROTEIN POVERTY", according to eminent clinicians, may lead to a serious amino acid deficiency which often appears in those of teenage and those of advanced years. SHAKLEE INSTANT PROTEIN, due to its pleasant taste and conveniently drinkable form, is an ideal way to help eliminate such deficiency.

There are various reasons why one might be deficient in protein of high biological value. In older people, "PROTEIN POVERTY" may arise because of poor appetite, inability to properly digest heavy protein foods, loss of teeth or ill-fitting dentures that prevent proper mastication. Youngsters may be encouraging deficiency through careless eating habits. Regardless of the cause, a dietary evaluation of protein intake is in order.

An exclusive research formula, INSTANT PROTEIN was designed especially for those who have encountered "PROTEIN POVERTY." It is a scientific approach to the problem of helping to retard amino acid deficiency, so often a cause of "last wasting years".

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Not all who are old in years are old in spirit and appearance. Some are full of life—full of energy and desire to accomplish their purpose. On the other hand, certain ones of advanced years are marked by symptoms which typify old age. Why is this? What is the underlying cause? It may lie in living habits, lack of interest in hobbies, etc.—but it may also be aggravated by prolonged and complex deficiencies of protein, vitamins and minerals.

* * * * *

For optimum nutrition during childhood—during the prime of life—in the twilight years—your body needs ALL of the essential amino acids for repair and maintenance. It will get them from only one source: the food you eat. Your present and your future are up to you.

ONE OUNCE PER DAY
(approx. three tablespoonfuls)
as a dietary supplement supplies

Protein (96.6% Dry Basis)	15 grams			
LECITHIN	1.3 grams		MDR*	
			6-12	1-6
		Adult	Years	Years
Vitamin B-1, primary grown yeast	2.0 mg.	200%	266%	400%
Vitamin B-2, primary grown yeast	2.0 mg.	166%	222%	222%
Vitamin B-6, primary grown yeast	0.5 mg.	**	**	**
Niacin, primary grown yeast	10.0 mg.	100%	133%	200%
Pantothenic Acid, primary grown yeast	2.0 mg.	**	**	**
Calcium	500.0 mg.	67%	67%	67%
Phosphorus	250.0 mg.	33%	33%	33%
Iron	12.0 mg.	120%	120%	160%

*Minimum Daily Requirement

**Minimum Daily Requirement (MDR) has not been established

The protein ingredient of one ounce of Instant Protein w/ Cocoa Bean provides approximately the following amounts of the essential amino acids:

Methionine	135 mg.
Isoleucine	690 mg.
Leucine	1170 mg.
Phenylalanine	780 mg.
Lysine	855 mg.
Threonine	540 mg.
Tryptophan	165 mg.
Valine	675 mg.

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Ingredients: Soy protein isolate, washed raw sugar, cocoa bean powder, lecithin, calcium carbonate, tricalcium phosphate, calcium carrageenan, primary grown yeast, ferrous fumarate natural flavors.

Calories per tablespoon 37

SHAKLEE INSTANT PROTEIN w/ Cocoa Bean is a biologically complete protein drink that is especially compounded from soy-bean lecithin minerals and vitamins.

DIRECTIONS: to a glass of milk, add Instant Protein w/ Cocoa Bean to taste. Stir and serve. Use a blender to create a wide variety of beverages. Whirled with ice cream or yogurt, Instant Protein w/ Cocoa Bean creates a delicious variety of nutritious beverages.

Dist. by Shaklee Marketing Corp. Hayward, CA 94540 Made in U.S.A.

Exhibit 2

SHAKLEE

THE NAME THAT IS THE STAMP OF QUALITY

**INSTANT
PROTEIN**

with powdered
COCOA BEAN
Lecithin, Vitamins and
Minerals

A flavorful drink for young and old!

NET WT. 36 OZ.
(2lb.4 oz.)
1.02 kg

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PAR. 5. Through the use of said advertisements and labels and others similar thereto not specifically set out herein, disseminated as aforesaid, respondent has represented and is now representing, directly and by implication, that:

1. The addition of one ounce per day of "Instant Protein" to supplement the normal diet of infants in the United States from the first day such infants take solid foods is desirable or recommended for sturdy growth and good health.
2. "Instant Protein" is 96.6 percent protein.
3. Health problems of the elderly including but not limited to those involving lack of energy and lack of desire to accomplish goals can be alleviated by consumption of "Instant Protein."

PAR. 6. In truth and in fact:

1. Without medical authorization, the addition of a concentrated protein product such as "Instant Protein," in the amount of one ounce per day to the normal diet of infants under the age of one year, and particularly those who are dehydrated, can cause serious adverse effects, such as fever or serious illness.
2. "Instant Protein" contains substantially less than 96.6 percent protein.
3. Health problems of the elderly including but not limited to those involving a lack of energy and desire to accomplish goals, cannot be alleviated by consumption of a concentrated protein product such as "Instant Protein." Such problems are clinical in nature and should properly be diagnosed and treated by a physician.

PAR. 7. Furthermore, respondent deceptively failed to disclose, in advertising directed toward the elderly, that a concentrated protein product such as "Instant Protein," can be detrimental to those persons most specifically the elderly, suffering from liver or kidney dysfunction, and deceptive in material respects and constituted, and now constitute, "false advertisements," as that term is defined in the Federal Trade Commission Act, and the statements, representations, and failures to disclose material facts as set forth in Paragraphs Five, Six, and Seven were, and are, false, misleading, and deceptive acts or practices.

PAR. 8. Therefore, the statements, representations, and failures to disclose material facts in said advertisements, promotional materials, and labels referred to in Paragraph Four were and are false, misleading, and deceptive in material respects and constituted, and now constitute, "false advertisements," as that term is defined in the Federal Trade Commission Act, and the statements, representations, and failures to disclose material facts as set forth in Paragraphs Five, Six, and Seven were, and are, false, misleading, and deceptive acts or practices.

PAR. 9. In the course and conduct of its business, and at all times mentioned herein, respondent has been, and now is, in substantial competition, in commerce, with corporations, firms, and individuals in the sale of protein supplements.

PAR. 10. The use by respondent of the aforesaid false, misleading, and deceptive statements, representations and practices, and its failure to

disclose material facts, as aforesaid, has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and complete, into the purchase of substantial quantities of said products by reason of said erroneous and mistaken belief, and into taking unnecessary risks with respect to their health and well-being and that of others.

PAR. 11. The respondent's acts and practices alleged herein are to the prejudice and injury of the purchasing public, and to respondent's competitors, and constitute unfair methods of competition in commerce, and unfair and deceptive acts or practices in commerce, in violation of Sections 5 and 12 of the Federal Trade Commission Act.

DECISION AND ORDER

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

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

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

1. Proposed respondent Shaklee Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of California, with its office and principal place of business located at 1900 Powell Street, Emeryville, Calif.

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

ORDER

For purposes of this order, the term "Instant Protein" refers to the product of that name presently marketed by respondent and any other concentrated protein product for infant use.

For purposes of this order, a "concentrated protein product for infant use" is any protein food product marketed for general public or family use which (a) contains ten or more grams of protein per ounce in the form in which it is sold at retail and (b) is readily ingestible by infants one year of age or less (when taken as is or when added to water, juice, or milk) in quantities sufficient to provide at least fifty percent of the infant's daily protein needs (RDA).

It is ordered, That respondent Shaklee Corporation, a corporation, its successors and assigns, and its officers, and respondent's agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, or through its distributors or franchisees, if any, in connection with advertising and labeling, offering for sale, or sale of "Instant Protein," in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Representing, directly or by implication, that, in the absence of medical authorization "Instant Protein" should be added to the diets of infants under one year of age.

B. Failing to disclose the following warning clearly and conspicuously, *verbatim* on the label of "Instant Protein:"

NOTICE: Should not be used by infants under one year of age without consulting a physician.

For purposes of this order, the above notice shall be deemed to be clear and conspicuous if the smallest letter of the notice is no smaller than one-sixteenth of an inch and the notice is in no way obscured by background contrast, obscuring designs or vignettes, or crowding with other written, printed, or graphic matter.

C. Failing to disclose for a period of two years from the effective date of this order, the following warning clearly and conspicuously (in print of a size and type no less prominent than the majority of the text of the document in which it is required to be contained), *verbatim*, in any advertising and promotional materials (excluding labels) for "Instant Protein," excepting only those advertisements or promotional materials whose text relating to "Instant Protein" is

limited to the name and price of the product and a general description of the product of no more than one sentence or phrase:

NOTICE: Should not be used by infants under one year of age or persons with liver or kidney diseases without consulting a physician;

Provided, however, That the words "or persons with liver or kidney diseases" may be omitted unless the particular advertising or promotional material is directed in whole or in part, directly or by implication, toward promoting the use of "Instant Protein" by the elderly as a specific consumer age group; and *Provided further,* That, in any advertisement or promotional material (other than the kinds of limited advertising previously referred to in this paragraph of this order) consisting of no more than four sentences of text relating to "Instant Protein," and not directed, explicitly or by implication, to infants, young children or the elderly as users of the product, the notice may be limited to the following:

Use as directed by label.

D. Misrepresenting in any manner the percentage of protein in "Instant Protein."

E. Representing, directly or by implication, that health problems of the elderly, including but not limited to those involving lack of energy and desire to accomplish goals, can be alleviated by consumption of "Instant Protein;" *Provided, however,* That this provision shall not bar the representation that the use of "Instant Protein" may be helpful in combating protein deficiency in the elderly.

It is further ordered, That:

F. Respondent, which has heretofore recalled its IP-14 leaflet advertising "Instant Protein," take any and all actions necessary and available to it to obtain the return to it of all copies, if any, of said leaflet remaining in the possession of its distributors of which respondent's officers or counsel have or obtain actual knowledge.

G. Respondent shall not be in violation of this order as the result of actions of its distributors or franchisees, if any, unless respondent's officers or counsel obtain actual knowledge that an act, which would otherwise be a violation by the respondent of the other provisions of this order, has been committed by such distributor or franchisee and respondent has failed within a reasonable period to take such action as respondent deems appropriate to cause such acts to be terminated; *Provided,* That respondent shall be in violation of this order if respondent's officers or counsel obtain actual knowledge that an act which would otherwise be a violation by the

respondent of the other provisions of this order has been committed on more than one occasion (at least one of which occasions having occurred after respondent took appropriate action under the preceding clause) by such distributor or franchisee and respondent has failed within a reasonable period to take any and all actions, including but not limited to termination of such distributor or franchisee, necessary and available to it to cause such acts to be terminated.

H. Respondent shall be in compliance with any provision of this order which is the subject of any of the provisions of a Trade Regulation Rule hereafter adopted by the Commission regulating the advertising or labelling of concentrated protein products such as "Instant Protein," if respondent is in compliance with such provisions of such Trade Regulation Rule.

I. Respondent shall forthwith cease and desist from furnishing distributors or others with any means, instrumentalities, directions or instructions whereby the public may be misled or deceived as to any of the matters or things prohibited by this order.

J. Respondent shall notify the Commission at least 30 days prior to any proposed change in the respondent corporation such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of the order.

K. Respondent shall forthwith distribute (1) a copy of this order to each of its operating divisions; and (2) a notice to each of its distributors and franchisees, if any, notifying them of the provisions of Paragraphs A, D, E and G of this order.

L. Respondent shall within sixty (60) days after service upon it of this order file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

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IN THE MATTER OF

BEATRICE MAGGIE EDWARDS TRADING AS NEW FACES

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF SECS.
5 & 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-2609. Complaint, Dec. 9, 1974—Decision, Dec. 9, 1974*

Consent order requiring an Atlanta, Ga., promoter of a medical process involving the use of certain caustic chemical solutions on the face or body for the removal of wrinkles and blemishes, among other things to cease misrepresenting the nature, safety and results of its skin peeling process. Further, respondent is required to have prospective customers consult a physician prior to signing any contracts and to allow customers who have signed a contract, 48 hours in which to cancel the contract with full refund rights. Further, respondents must devote 15 percent of its advertising and oral sales presentation to disclosures of the inherent dangers and other material facts involved with the treatment.

*Appearances*For the Commission: *Robert L. Osteen, Jr.*For the respondent: *Raymond Alhadeff, Atlanta, Ga.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission having reason to believe that Beatrice Maggie Edwards, an individual trading and doing business as New Faces, hereinafter referred to as the respondent, has violated Sections 5 and 12 of said Act, and it appearing to the Commission that a proceeding by it in respect thereto would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Beatrice Maggie Edwards, is an individual trading and doing business as New Faces, with her office and principal place of business located at 1459 Peachtree Street, N.E., Atlanta, Ga.

Beatrice Maggie Edwards formulates, directs and controls the policies, acts and practices of her business, New Faces, including the acts and practices hereinafter set forth. She resides at 1700 Henderson Avenue, Long Beach, Calif.

PAR. 2. Respondent advertises, offers for sale and sells to the general public a medical process called the New Faces treatment, hereinafter sometimes referred to as the respondent's treatment, which involves

the application of a certain caustic chemical solution to the face, or various other parts of the bodies of her clients for the purported purpose of removing or diminishing manifestations of aging such as wrinkles, lines, folds and spots and undesirable features such as blemishes, large pores, and acne marks by peeling the upper layers of skin from the treated areas. After the solution is applied to the patient's skin, bandages are then applied to the treated areas and are allowed to remain for several days; after which time, the bandages are removed and the upper layers of skin, destroyed by the process, are peeled away.

PAR. 3. Respondent's medical treatment constitutes either a drug or a cosmetic, or both, as defined in Section 15(c) and (e) of the Federal Trade Commission Act, 15 U.S.C. Section 55(c) and (e).

PAR. 4. In the course and conduct of her business as aforesaid, respondent advertises in newspapers of general circulation which are distributed by mail in states other than the state in which they are printed. In addition, advertising materials, contracts and agreements, business correspondence, monies and other documents travel by mail between respondent's place of business in Georgia and patients in other states of the United States. By virtue of these activities, respondent has maintained a substantial business in commerce, as "commerce" is used in Section 5 of the Federal Trade Commission Act. Also, respondent has disseminated and caused to be disseminated advertisements by United States mails, and in commerce by other means, within the meaning of Section 12(a)(1) of the Federal Trade Commission Act, 15 U.S.C. Section 52(a)(1). Further, respondent's advertisements have the purpose of inducing, or are likely to induce, directly or indirectly, the purchase in commerce of the New Faces treatment, within the meaning of Section 12(a)(2) of said Act, 15 U.S.C., Section 52(a)(2).

PAR. 5. In the course and conduct of her business, and for the purpose of inducing the purchase of her New Faces treatment, respondent has made and is now making numerous statements and representations in advertisements in newspapers of general circulation, in other promotional materials and during oral sales presentations. In the said advertising during the oral sales presentations, and at other times the respondent has represented and is now representing directly or by implication that:

1. Respondent's treatment is merely a cosmetic process and is not medical or surgical in nature.
2. Respondent's treatment is generally painless and involves no abrasives or caustic chemicals.

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3. The potential discomfort possibly resulting from respondent's treatment is no more severe than that normally associated with a sunburn.

4. The application of the respondent's treatment is a safe procedure free from possible serious side effects or complications.

5. Respondent's treatment will eliminate or significantly diminish acne marks, big pores, deep lines, deep wrinkles and sagging or redundant folds of skin.

6. Respondent's treatment will produce or result in new, soft, fresh, clear, healthy, fine-textured skin.

7. Respondent's treatment is clinically recommended or can be beneficial to all kinds of people.

8. Respondent is competently trained and qualified to: (a) examine, advise, and mentally prepare patients to undergo the treatment; (b) determine whether each patient is a proper subject for treatment; (c) administer or perform treatment without the direction and supervision of a licensed medical practitioner; and (d) provide post-operative advice and care for patients.

9. Respondent's treatment is complete in ten (10) days.

10. As a result of respondent's treatment, patients will appear 15 years younger than their chronological age.

11. Respondent represents that the treatment is unique, that the process is new or special, that it involves a secret formula, that it is available only through the respondent, and that these factors justify the high price of the treatment.

PAR. 6. In truth and in fact:

1. The treatment involves application of a caustic chemical solution (containing phenol, also known as carbolic acid) to the skin, causing a second-degree burn which peels off the outer layers of the skin and produces a change in skin appearance solely by the body's own wound-healing processes. This treatment is known as chemosurgery and is a serious medical procedure.

2. The treatment involves caustic chemicals and creams which burn the upper layers of skin to create peeling and is in fact painful in many cases.

3. The pain associated with the said treatment can be so severe that respondent's patients are always sedated or anesthetized during the application of acid and may require medication for days, weeks, or months afterward to reduce pain and other discomforts, such as itching and burning. During the treatment, many patients experience such discomforts as the eyes swelling shut and difficulties breathing and swallowing.

4. The treatment has a number of inherent dangers to the human body:

(a) Systemic toxic reaction (poisoning). The chemical used in the New Faces treatment, phenol, is toxic to kidneys, liver, and other organs of the body when present in sufficient quantities. Phenol can be absorbed through the skin during the treatment in quantities sufficient to cause serious and even fatal illness in some people. Persons with kidney infections are particularly susceptible to adverse phenol reaction.

(b) Infection. Like any other serious burn covering a large surface of the body, the danger of infection through the burned area is ever present during the process and for some time afterward. The "powder mask," worn for over a week after the initial treatment is in reality a medical step to attempt to prevent infection.

(c) The eyes. If the acid gets in a patient's eyes, serious permanent damage can result, including blindness; therefore, a great deal of medical skill is required and adequate precautions must be taken to prevent such an occurrence and minimize the harm if this does happen.

(d) Other systemic complications. Since phenol skin-peeling is a serious, traumatic medical procedure and involves use of sedatives and other medications, clients are exposed to numerous other dangers, including heart disease and allergic reactions, which accompany procedures of this type. If patients are not properly prepared, physically, mentally and emotionally, with special emphasis on full disclosure of all that the process entails, these dangers are heightened and the prospects for improvement diminished.

5. Only certain limited conditions, such as fine lines and some skin blemishes, can be affected by the process, and only in carefully selected persons. Acne scars, big pores, deep lines, deep wrinkles, and sagging or redundant folds of skin are not eliminated or significantly diminished by the treatment.

6. As a result of the treatment, a number of undesirable changes in the skin may occur, necessitating the continual use of cosmetics or medical techniques to protect the skin, or treat or camouflage its condition, including but not limited to:

(a) Scarring. Various types of visible scars may appear after the treatment and remain indefinitely.

(b) Pigmentation changes. The treatment almost always produces changes in the color of the treated area, which may persist indefinitely, such as a lighter overall color, mottling (dark areas alternating with light areas), and lines of demarcation between treated and untreated areas.

(c) Redness. The extreme redness of the skin, which occurs mainly during the healing process, may persist for a long time. Also, there may be a tendency, persisting indefinitely, for the treated skin to flush (suddenly appear red) during times of overheating, overexertion or emotional stress.

(d) Sensitivity to sunlight. During the healing process and for an indefinite period afterward, the treated skin may react abnormally to exposure to sunlight, including severe sunburn, mottling, and other pigmentation changes.

(e) Other skin reactions. The treated skin may be affected by other problems associated with the traumatic impact of chemical skin-peeling, such as increased or coarsened hair growth requiring further medical attention.

7. Favorable results cannot be achieved unless rigorous criteria for patient selection are followed, including but not limited to:

(a) Sex. Most men should not undergo the treatment because of difficulties associated with beard growth and the necessity for wearing cosmetics to protect the skin and camouflage its condition. Yet respondent does perform the treatment on men.

(b) Age. A young person whose skin has not matured should not go through the treatment nor should an elderly person who cannot stand the physical strain.

(c) Type of skin. The treatment should only be performed on certain limited types of skin, and definitely not on dark-skinned persons because of the probability of drastic pigmentation changes.

(d) Other factors. People who are not in the proper physical, mental, and emotional health should not undergo this treatment.

8. Because of its serious medical nature, the respondent, who is not professionally trained or licensed, is not qualified to deal with the complex physical, mental, and emotional factors involved in the treatment.

9. A period lasting weeks or months, the duration of which cannot be accurately predicted, is required before the skin is healed. During this time, a treated person has an extremely red face, may suffer various discomforts, and must restrict public activities, avoid direct or reflected sunlight and use heavy cosmetics to shield and camouflage the skin.

10. Treated persons cannot reasonably expect that their appearance will be altered by more than a year or two from their actual chronological age, even with the best results obtained by a professional plastic surgeon.

11. There is nothing unique about the respondent's treatment. The process is not new or secret, but is performed by qualified plastic

surgeons under more closely controlled hospital conditions in metropolitan areas across the country for a fraction of the respondent's price. Therefore, representations referred to in Paragraph Five are false, misleading and deceptive.

PAR. 7. In the course and conduct of her business, respondent, directly or through agents, has represented in advertisements, during oral sales presentations, and at other times and places, the asserted advantages of her treatment, as hereinbefore described. In no case has respondent disclosed:

1. The treatment is chemical skin-peeling, a serious medical procedure known as chemosurgery.

2. The treatment involves the application of an acid called phenol to the skin, causing a second-degree burn which peels off the outer layers of the skin and produces a change in skin appearance solely by the body's own wound-healing reactions.

3. The pain associated with the treatment can be very severe; thus patients are sedated or anesthetized during the application of acid. This pain, as well as other discomforts, such as burning, itching, and swollen shut eyes, may persist for days or weeks afterward, requiring medication to control.

4. The treatment has a number of known inherent dangers, including: (a) poisoning of a person's entire system by the acid absorbed through the skin, which can be a serious, even fatal illness; (b) infection; (c) blindness, if the acid gets into a patient's eyes; (d) permanent scarring; and (e) other complications resulting from the traumatic nature of the procedure or the medications used.

5. A number of undesirable changes in the skin result from chemical skin-peeling, necessitating the continual use of cosmetics or medical techniques to protect, treat, or camouflage the skin. These may include: (a) permanent scarring; (b) changes in overall color of the treated area; (c) mottling; (d) a line of demarcation at the edge of the treated area; (e) extreme redness; (f) abnormal sensitivity to sunlight; (g) and other traumatic skin reactions.

6. The most common sign of aging in the neck area, which is a stringy or "turkey-neck" condition of the skin and underlying tissues, is not improved by chemical skin-peeling.

7. Almost all plastic surgeons refuse to perform chemical skin-peeling on the neck because the neck is not likely to be improved by the process and is more likely to be worsened since the risks of undesirable side effects and skin changes described above are greater.

8. Only minor aspects of skin appearance, such as fine wrinkles and some skin blemishes, can be treated by the process.

9. Acne scars, big pores, deep lines, deep wrinkles, and sagging or redundant folds of skin are not removed or significantly reduced by the process, yet some of these conditions may be improved by other techniques of plastic surgery, such as dermabrasion or surgical face-lift.

10. Most men are not advised to undergo the process because of difficulties associated with beard growth and the necessity for continual use of cosmetics.

11. A young person whose skin has not matured should not undergo the process, because of the risk of permanent skin damage.

12. Dark-skinned persons should not undergo the process because of the probability of drastic pigmentation changes.

13. Only certain kinds of people with certain types of skin have a reasonable chance of receiving favorable results and avoiding adverse effects from chemical skin-peeling, and only a licensed medical practitioner familiar with such techniques of plastic surgery and able to evaluate complex physical, mental and emotional factors is qualified to examine, diagnose, advise, select, or mentally prepare patients for chemical skin-peeling, and only such a professional person can provide post-operative advice and care for patients.

14. Although a treatment of this serious nature is usually performed in a hospital, respondent only maintains space in her office for each patient's treatment and recuperation.

15. It may be weeks or months after the treatment before the skin is healed, during which time a treated person has an extremely red face, may suffer various discomforts, and must restrict public activities, avoid direct or reflected sunlight and use heavy cosmetics and sun screens.

16. If a more youthful appearance is achieved through the treatment, the result may not last more than a year or two, since part of the benefit is due to temporary swelling and since the natural aging processes begin all over again after the treatment.

17. Chemical skin-peeling is available from qualified plastic surgeons under closely controlled hospital conditions in metropolitan areas across the country at substantially lower cost.

The disadvantages, consequences and dangers described in the above paragraph have occurred or existed, or to a reasonable medical certainty can be expected to occur or exist, and respondent knew, or had reason to know, that they could be expected to occur or exist.

Therefore, the failure to disclose the material facts referred to in Paragraph Seven is false and misleading and the acts and practices referred to in said paragraph are unfair and deceptive.

PAR. 8. In the course and conduct of her business, the respondent has been, and is now, using persons other than a licensed medical practitioner who is familiar with techniques of plastic surgery, who is operating within the limits of his or her profession, and who is qualified to evaluate complex physical, mental and emotional factors, to examine, diagnose, advise, select, or mentally prepare prospective patients for her treatment, to administer or apply the treatment without supervision or direction, or to provide post-operative advice or care for them. The use by the respondent of the aforesaid practices is an unfair act or practice and an act of unfair competition within the intent and meaning of Section 5 of the Federal Trade Commission Act.

PAR. 9. Therefore the advertisements, representations, acts and practices referred to hereinabove are false, misleading, unfair and deceptive.

PAR. 10. The use by respondent of the aforesaid false, misleading, unfair and deceptive representations, acts and practices has the capacity and tendency to mislead consumers into the mistaken belief that said representations are true and to unfairly influence consumers, with the result that consumers are induced to undergo the New Faces treatment and be subjected to severe pain, discomfort, inconvenience of traveling, exorbitant charges, and risks of disease or disfigurement, without being afforded reasonable opportunity to comprehend and consider the seriousness of the treatment or to compare facial improvement treatments available from other sources under more closely controlled medical conditions, at lower prices.

PAR. 11. The respondent's acts and practices alleged herein, including the dissemination of false advertisements, are all to the prejudice and injury of the public and constitute unfair and deceptive acts and practices in commerce in violation of Sections 5 and 12 of the Federal Trade Commission Act.

DECISION AND ORDER

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

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the

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

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

1. Respondent Beatrice Maggie Edwards is an individual trading and doing business as New Faces, with her office and principal place of business located at 1459 Peachtree Street, N.E., Atlanta, Ga.

Respondent Beatrice Maggie Edwards formulates, directs and controls the policies, acts and practices of her business, New Faces, and she resides at 1700 Henderson Avenue, Long Beach, Calif.

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

ORDER

I

It is ordered, That respondent Beatrice Maggie Edwards, an individual trading and doing business as New Faces, her successors or assigns and respondent's agents, representatives and employees, either directly or through any corporate or other device, or through any franchisees or licensees, in connection with the advertising, offering for sale, sale, or dispensing of the New Faces treatment (hereinafter sometimes referred to as respondent's treatment) or any similar cosmetic chemosurgical process of face lifting or skin peeling, which involves the topical application of a caustic chemical solution containing carbolic acid (also known as phenol) or other substances on the face, neck, arms, hands or other parts of the human body for the purpose of inducing superficial skin burns, the result of which is the peeling or removal of the outer layers of skin, in commerce, as "commerce" is defined in the Federal Trade Commission Act, or by the United States mails within the mean-

ing of Section 12(a)(1) of the Federal Trade Commission Act, do forthwith cease and desist from:

A. Representing directly or by implication that:

1. Respondent's treatment or process is solely a cosmetic process, not a medical process, or does not involve chemical surgery.

2. Respondent's treatment or process is painless or involves no abrasives or caustic chemicals.

3. The potential discomfort possibly resulting from the application of respondent's treatment or process is no more severe than that normally associated with a sunburn.

4. Respondent's treatment is safe or free from possible serious side effects or complications.

5. Respondent's treatment or process will remove or significantly reduce acne scars, big pores, deep lines, deep wrinkles, or sagging, redundant folds of skin.

6. Respondent's treatment will produce or result in new, soft, fresh, clear, healthy, fine textured skin.

7. Respondent's process can be clinically recommended to or safely or successfully performed on men, young people, elderly people, or dark-skinned people.

8. Respondent is competently trained and qualified to: (a) examine, advise, and mentally prepare patients to undergo the treatment; (b) determine whether each patient is a proper subject for treatment; (c) administer or perform treatment without direction and supervision of a licensed medical practitioner; and (d) provide post-operative advice and care for patients.

9. Respondent's treatment is complete within any specified period of time.

10. Respondent's treatment will cause clients to appear any specified number of years younger than their actual chronological age.

11. Respondent's process is unique, new or special in the following or other ways:

(a) That it involves a secret formula or secret solution;

(b) That it or similar processes are only available through respondent;

(c) That it is not available through qualified plastic surgeons under more closely controlled hospital conditions in metropolitan areas across the country at a substantially lower cost.

B. Failing or refusing to make clear and conspicuous disclosures in all advertising and in all oral sales presentations, that:

1. The treatment is chemical skin-peeling, a serious medical procedure known as chemosurgery.

2. The treatment involves the application of an acid called phenol to the skin, causing a second-degree burn which peels off the outer layers of the skin and produces a change in skin appearance solely by the body's own wound-healing reactions.

3. The pain associated with the treatment can be very severe; thus patients are sedated or anesthetized during the application of acid. This pain, as well as other discomforts, such as burning, itching, and swollen shut eyes, may persist for days or weeks afterward, requiring medication to control.

4. The treatment has a number of known inherent dangers, including: (a) poisoning of a person's entire system by the acid absorbed through the skin, which can be a serious, even fatal illness; (b) infection; (c) blindness, if the acid gets into a patient's eyes; (d) permanent scarring; and (e) other complications resulting from the traumatic nature of the procedure or the medications used.

5. A number of undesirable changes in the skin result from chemical skin-peeling, necessitating the continual use of cosmetics or medical techniques to protect, treat, or camouflage the skin. These may include: (a) permanent scarring; (b) changes in overall color of the treated area; (c) mottling; (d) a line of demarcation at the edge of the treated area; (e) extreme redness; (f) abnormal sensitivity to sunlight; (g) and other traumatic skin reactions.

6. The most common sign of aging in the neck area, which is a stringy or "turkey-neck" condition of the skin and underlying tissues, is not improved by chemical skin-peeling.

7. Almost all plastic surgeons refuse to perform chemical skin-peeling on the neck because the neck is not likely to be improved by the process and is more likely to be worsened since the risks of undesirable side effects and skin changes described above are greater.

8. Only minor aspects of skin appearance, such as fine wrinkles and some skin blemishes, can be treated by the process.

9. Acne scars, big pores, deep lines, deep wrinkles, and sagging or redundant folds of skin are not removed or significantly reduced by the process, yet some of these conditions may be improved by other techniques of plastic surgery, such as dermabrasion or surgical face-lift.

10. Most men are not advised to undergo the process because of difficulties associated with beard growth and the necessity for continual use of cosmetics.

11. A young person whose skin has not matured should not undergo the process, because of the risk of permanent skin damage.

12. Dark-skinned persons should not undergo the process because of the probability of drastic pigmentation changes.

13. Only certain kinds of people with certain types of skin have a reasonable chance of receiving favorable results and avoiding adverse effects from chemical skin-peeling, and only a licensed medical practitioner familiar with such techniques of plastic surgery and able to evaluate complex physical, mental and emotional factors is qualified to examine, diagnose, advise, select, or mentally prepare patients for chemical skin-peeling, and only such a professional person can provide post-operative advice and care for patients.

14. Although a treatment of this serious nature is usually performed in a hospital, respondent only maintains space in her office for each patient's treatment and recuperation.

15. It may be weeks or months after the treatment before the skin is healed, during which time a treated person has an extremely red face, may suffer various discomforts, and must restrict public activities, avoid direct or reflected sunlight and use heavy cosmetics and sun screens.

16. If a more youthful appearance is achieved through the treatment, the result may not last more than a year or two, since part of the benefit is due to temporary swelling and since the natural aging processes begin all over again after the treatment.

17. Chemical skin-peeling is available from qualified plastic surgeons under closely controlled hospital conditions in metropolitan areas across the country at substantially lower costs.

Respondent shall set forth the above disclosures separately and conspicuously from the balance of each advertisement and each presentation used in connection with the advertising, offering for sale, sale, or dispensing of respondent's cosmetic process, and shall devote no less than fifteen percent of each advertisement or presentation to such disclosures. Provided however, that in advertisements which consist of less than forty-eight column inches in newspapers or periodicals, and in radio or television advertisements with a running time of two minutes or less, respondent may substitute the following statement, in lieu of the above requirements:

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WARNING: This is a medical procedure—basically a chemical burn which peels skin away. It is extremely painful, takes a long time to heal, and exposes a person to risks of poisoning, infection, permanent scarring, and other medical complications. If performed on the neck, the process may make it look worse. Many signs of aging are not improved by this process, and the benefit, if any, is mainly temporary. Only certain kinds of people can benefit from this process, and they should be diagnosed, selected, treated, and continually cared for by a qualified doctor under closely controlled medical conditions. (Statement required by order of the Federal Trade Commission.)

Respondent shall set forth the above disclosure separately and conspicuously from the balance of each advertisement, stating nothing to the contrary or in mitigation thereof, and shall devote no less than fifteen percent of each advertisement to such disclosure, and if such disclosure is made in print, it shall be in at least eleven-point type.

II

It is further ordered, That respondent:

1. Recall and retrieve, from each and every licensee and sales representative, all advertisements and materials upon which advertisements or oral sales presentations are based, which contain any of the representations prohibited by Paragraph I(A) of this order or which fail to make the disclosures required by Paragraph I(B).
2. Deliver a copy of this order to each present and future franchisee, licensee, and sales representative, and to each licensed medical practitioner associated with respondent or her licensees; and obtain a written acknowledgement from each of the receipt thereof.
3. Obtain from each present and future franchisee, licensee, or sales representative an agreement in writing (a) to abide by the terms of this order, and (b) to the cancellation of their license or franchise for failure to do so; and that respondent cancel the license or franchise of any licensee or franchisee that fails to abide by the terms of this order.

III

It is further ordered, That respondent:

1. Provide prospective and present patients, as soon as possible after initial sales contact is made with such person and before such person signs any document relating to respondent's process, an information sheet which shall be furnished to the prospective patient and which contains nothing but the disclosures, numbered 1 to 17, set forth in Paragraph I(B). Respondent shall allow these persons ample, uninterrupted opportunity to read and consider the contents of this information sheet. Respondent shall retain a copy of this information sheet, after it is signed and dated by the person, for a period of two years.

2. Require that each such prospective patient, after receipt of the information sheet described above and before he or she signs any contract for respondent's treatment, consult with a licensed physician, who is not in any way associated with or recommended by the respondent, regarding the nature of chemical skin-peeling, its dangers, discomforts, limitations, and alternatives. Respondent shall obtain from each prospective patient a certificate, signed by the physician who was thus consulted, specifying that the physician:

- a. Understands what respondent's treatment is and the conditions under which it will be performed;
- b. Has explained to the prospective patient the nature of the treatment, its dangers, discomforts, limitations, and alternatives;
- c. Has conducted or has examined the results of tests appropriate to determine prospective patient's physical fitness to undergo respondent's treatment and has discussed these results with the prospective patient; and
- d. Has reviewed appropriate aspects of the prospective patient's medical history and has discussed these aspects with the prospective patient.

This certificate shall specify the date and approximate time of the consultation, and respondent shall retain all such certificates for three years.

IV

It is further ordered, That no contract for respondent's process shall become binding on the patient prior to forty-eight hours after the patient has consulted with the physician who will direct and supervise the performing of the treatment and inspected and approved the treatment and recuperation facilities, and that:

1. Respondent shall clearly and conspicuously disclose, orally prior to the time of sale, and in writing on any contract, promissory note or other instrument signed by the patient, that the purchaser may rescind or cancel any obligation incurred, with return of all monies paid, by mailing or delivering a notice of cancellation to the respondent's place of business prior to the end of this period.
2. Respondent shall provide a separate and clearly understandable form which the purchaser may use as a notice of cancellation.
3. Respondent shall return to such patient, within forty-eight hours after receipt of notice of cancellation, all monies paid.

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4. Respondent shall not negotiate any contract, promissory note, or other instrument of indebtedness to a finance company or other third party prior to the time the patient is treated.

V

It is further ordered, That respondent cease and desist from the following unfair practice:

Failing or refusing to use a licensed medical practitioner, who is familiar with such techniques of plastic surgery, who is operating within the limits of his or her profession, and who is qualified to evaluate complex physical, mental and emotional factors, to examine, diagnose, advise, select, or mentally prepare all prospective patients for chemical skin-peeling, to supervise and direct all administrations or applications of the treatment, and to provide post-operative advice or care for all such patients.

VI

It is further ordered, That respondent maintain at all times in the future, for a period of not less than three (3) years, complete business records relative to the manner and form of her continuing compliance with the above terms and provisions of this order.

VII

It is further ordered, That the individual respondent named herein promptly notify the Commission of the discontinuance of her present business or employment, and of her affiliation with a new business or employment, in the event of such discontinuance or affiliation. Such notice shall include respondent's current business address and a statement as to the nature of the business or employment in which she is engaged as well as a description of her duties and responsibilities.

VIII

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

IX

It is further ordered, That respondent notify the Commission at least 30 days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

X

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

IN THE MATTER OF

A. R. KNITWEAR CO., INC., ET AL.

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

Docket C-2610. Complaint, Dec. 9, 1974—Decision, Dec. 9, 1974

Consent order requiring a New York City manufacturer and distributor of textile fiber products, among other things to cease failing to affix labels containing disclosures as to the proper care and washing instructions for its wearing apparel.

Appearances

For the Commission: *James Manos*.

For the respondents: *Pro se*.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that A. R. Knitwear Co., Inc., a corporation, and Abe Rosenbluth and Rose Rosenbluth, individually and as officers of A. R. Knitwear Co., Inc., hereinafter referred to as respondents, have engaged in acts and practices that are not in conformance with the Commission's Trade Regulation Rule relating to the Care Labeling of Textile Wearing Apparel (16 C.F.R. §423) and by these and other means have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent A. R. Knitwear Co., Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York.

Respondents Abe Rosenbluth and Rose Rosenbluth are officers of the corporate respondent. They formulate, direct and control the poli-

cies, acts and practices of the said corporate respondent including those hereinafter set forth.

Respondents' office and principal place of business is located at 54 Canal Street, New York, N. Y.

PAR. 2. Respondents are manufacturers and distributors of textile products in the form of finished articles of wearing apparel as the terms "textile product" and "finished article of wearing apparel" are defined in the Commission's Trade Regulation Rule relating to the Care Labeling of Textile Wearing Apparel (16 C.F.R. §423). Among said articles of wearing apparel manufactured and distributed by the respondents are ladies' sweaters.

PAR. 3. In the course and conduct of respondents' business as aforesaid, respondents cause, and for some time last past have caused, their finished articles of wearing apparel, when sold, to be shipped from their state of origin or distribution to purchasers thereof located in various other States of the United States and in the District of Columbia, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said products in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. On Dec. 9, 1971, after due notice and hearing, the Commission promulgated, effective July 3, 1972, its Trade Regulation Rule Relating to the Care Labeling of Textile Wearing Apparel (16 C.F.R. §423) requiring that certain finished articles of wearing apparel shall have a label or tag permanently affixed or attached thereto which fully informs the purchaser as to instructions for the regular care and maintenance of said articles.

PAR. 5. In the course and conduct of their aforesaid business, respondents have attached to their said finished articles of wearing apparel labels with instructions for the care and maintenance of said apparel as follows:

MACHINE WASH WARM TUMBLE DRY MEDIUM.

PAR. 6. When the aforesaid articles of wearing apparel are washed and dried in accordance with the instructions described in "Paragraph Five" above, excessive shrinkage results, and, further, when any of the aforesaid wearing apparel is washed with other articles the dye in said apparel "runs" or "bleeds" onto, and stains the other articles. Through the failure of the respondents to provide instructions which when followed would prevent excessive shrinkage and which would inform purchasers to wash said wearing apparel separately, respondents thereby have failed to affix labels which fully inform purchasers how to effect the regular care and maintenance of said apparel.

PAR. 7. The aforesaid acts and practices of respondents, as alleged, are not in conformance with the provisions and requirements of the Commission's Trade Regulation Rule relating to the Care Labeling of Textile Wearing Apparel (16 C.F.R. §423), and thereby constituted and now constitute unfair methods of competition, and unfair and deceptive acts and practices, in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

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

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

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

1. Respondent, A. R. Knitwear Co., Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 54 Canal Street, New York, N. Y.

Respondents Abe Rosenbluth and Rose Rosenbluth are officers and individuals of said corporation. They formulate, direct and control the policies, acts and practices of the corporate respondent including those hereinafter referred to. The office and principal place of business of

