IN THE MATTER OF

VOEDISCH BROTHERS, INC., TRADING AS FOUR SEASONS SPORTING GOODS, ET AL.

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

Docket C–1731. Complaint, Apr. 20, 1970—Decision, Apr. 20, 1970

Consent order requiring a Chicago, Ill., distributor of fishing tackle and accessories to cease misrepresenting the country of origin of any product and the strength of its fishing lines, preticketing its merchandise at a deceptively higher price than prevalent in any trade area, making false savings claims, and furnishing others means to deceive purchasers.

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 Voedisch Brothers, Inc., a corporation, trading as Four Seasons Sporting Goods, and Phillip Teitelbaum, individually and as an officer of said corporation, hereinafter referred to as respondents, have 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, Voedisch Brothers, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1823 Milwaukee Avenue, Chicago, Illinois. Corporate respondent also trades as Four Seasons Sporting Goods.

Respondent, Phillip Teitelbaum, is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now and for some time last past, have been engaged in the advertising, offering for sale, sale and distribution of rods, reels, hooks, lines, sinkers, and various other items of fishing tackle and accessories to retailers for resale to the purchasing public.

PAR. 3. In the course and conduct of their business, as aforesaid respondents now cause, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of Illinois, to purchasers thereof located in various other States of the United States, 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. In the course and conduct of their business, and at all times mentioned herein, respondents have been and now are in substantial competition in commerce with corporations, firms and individuals engaged in the sale of fishing tackle and fishing accessories of the same general kind and nature as that sold by respondents.

PAR. 5. In the course and conduct of their business respondents have disseminated, and caused the dissemination of certain advertisments concerning said fishing tackle and fishing accessories by various means in commerce as "commerce" is defined in the Federal Trade Commission Act, including but not limited to advertisements by means of bubble packaged display cards which display the articles of merchandise for the purpose of inducing, and which were likely to induce directly or indirectly the purchase of said articles of merchandise; and have disseminated and caused the dissemination of advertisements by various means including those aforesaid, for the purpose of inducing and which were likely to induce directly or indirectly, the purchase of fishing tackle, in commerce as "commerce" is defined by the Federal Trade Commission Act.

PAR. 6. By means of advertisements disseminated as aforesaid, respondents have represented directly or by implication:

1. That certain products including spools of monofilament spinning line offered for sale are ". . . American made . . ." or are manufactured in the United States.

2. That certain spools of monofilament spinning line bearing a FOUR SEASONS label are of a quality and standard of strength described as "8 lb. test"; and

3. That preticketed prices appearing on the label of certain spools of fishing line bearing the FOUR SEASONS label which are visible to the consumer through the bubble package constituting a part of the display package is the regular or customary price at which the article of merchandise sells and that another price printed on the display card, which is substantially less than the former price, is a reduced or discount price representing a substantial savings to the consumer.

Typical and illustrative of said statements and representations, but not all inclusive thereof, are the following:

Description (by stock No.)	Spool price (price appearing on spool label)	Card price (price appearing in upper right-hand corner of display card)
F 340	$0.95	59
F 350	1.05	69

PAR. 7. In truth and in fact:

1. Not all the products represented as being ". . . American made . . ." were manufactured in the United States. Specifically certain products including certain spools of monofilament spinning line were manufactured in Japan.

2. Not all spools of monofilament spinning line meet the standard of strength as represented.

Specifically, certain spools of said spinning line are of a lesser standard of strength, to wit, certain spools of spinning line of a standard of strength described as "6 lb. test" are represented to be of a standard of strength described as "8 lb test."

3. The preticketed price appearing on the FOUR SEASONS label is not respondents' good faith estimate of the actual retail selling price of said products.

Instead, the usual and regular price at which the articles of merchandise are sold is the purported "reduced" or "discount" price which is substantially less than the preticketed price appearing on the label.

Therefore, the statements and representations as set forth in Paragraph Six hereof were, and are, false, misleading and deceptive.

PAR. 8. By the use of the aforesaid statements, representations and practices, respondents place in the hands of retailers and others the means and instrumentalities by and through which they may deceive and mislead the purchasing public as to the country or origin of respondents' products, the quality and characteristics of such products and the usual and regular prices at which such products are sold.

PAR. 9. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said state-

ments and representations were, and are, true and into the purchase of substantial quantities of respondents' merchandise by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of the respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce 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 above caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Deceptive Practices 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 respondents of all 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 thirty (30) days, now in further conformity with the procedure prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters its order:

1. Respondent Voedisch Brothers, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its office and place of business located at 1823 Milwaukee Avenue, Chicago, Illinois. Corporate respondent also trades as Four Seasons Sporting Goods.

Respondent Phillip Teitelbaum is the president of said corporation and his principal office and place of business is located at the above stated address.

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

ORDER

It is ordered, That respondents, Voedisch Brothers, Inc., a corporation and its officers, trading as Four Seasons Sporting Goods or under any other trade name or names, and Phillip Teitelbaum, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device in connection with the advertising, offering for sale, sale or distribution of fishing tackle, fishing accessories or any other product in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using the term "American made" or any other words, terms or phrases of similar import or meaning to describe or refer to any product not wholly manufactured in the United States; or misrepresenting, in any manner, the country of origin of a product.

2. Representing, directly or by implication, that fishing lines are of a specified strength unless such lines are of the represented strength; or misrepresenting, in any manner, the performance characteristics of any product.

3. Preticketing merchandise with any stated price amount unless (a) it is respondents' bona fide estimate of the actual retail price of the product in the area where respondents do business; (b) it does not appreciably exceed the highest price at which substantial sales of said product are made in said trade area; and (c) unless respondents have conducted a market survey which establishes the validity of said preticketed price and maintain records of such survey for a period of three (3) years.

4. Misrepresenting, in any manner, the prices at which respondents' merchandise are sold at retail, or the savings available to purchasers thereof.

5. Furnishing to others the means and instrumentalities whereby the purchasing public may be misled or deceived as to the matters and things herein prohibited.

It is further ordered, That respondents notify the Commission at least 30 days prior to any proposed change in the corporate respondent such as dissolution, assignment of 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.

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

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

IN THE MATTER OF

ALLIED CHEMICAL CORPORATION, ET AL.

ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION AND SEC. 7 OF THE CLAYTON ACT

Docket 8767. Complaint, Aug. 26, 1968—Decision, Apr. 29, 1970

Order requiring a major manufacturer and distributor (Allied) of chemical products, including synthetic fibers, and a Mount Clemens, Mich., manufacturer (Robbins) of automotive safety seat belts, to divest themselves of all their assets used in the manufacture of seat belt webbing, and that for a period of 10 years they purchase 80 percent of their United States requirements of webbing from suppliers other than Allied.

COMPLAINT

The Federal Trade Commission, having reason to believe that the above-named respondents have violated the provisions of Section 7 of the Clayton Act (15 U.S.C. Sec. 18) and Section 5 of the Federal Trade Commission Act (15 U.S.C. Sec. 45), issues this complaint, stating its charges as follows:

I. Definitions

1. For purposes of this complaint, the following definitions are applicable:

(a) Fiber—any tough substance composed of thread-like material whether of animal, vegetable, mineral, or man-made origin, especially substances capable of being spun or woven;

(b) Yarn—a number of fibers twisted together and used in the manufacture of webbing;

(c) Webbing—a narrow fabric material with bound edges, woven from yarn, which is joined with a buckle to form an automotive safety seat belt assembly; and

(d) Automotive Safety Seat Belt—a lap-type belt, shoulder harness, or similar restraining device.

II. The Respondents

A. Allied Chemical Corporation

2. Respondent, Allied Chemical Corporation ("Allied"), is a corporation organized and existing under the laws of the State of New York, with its principal office and place of business at 61 Broadway, New York, New York.

3. In 1967, Allied was approximately the 64th largest industrial corporation in the United States in terms of annual sales with over $1.2 billion, approximately the 39th largest in terms of assets with over $1.6 billion, and had retained earnings of over $412 million.

4. Together with its consolidated subsidiaries, Allied is the Nation's seventh largest chemical company in terms of sales. Its major products include fibers and plastics, synthetic organic chemicals, chlorine, alkalies, and chromium chemicals.

5. In 1967, Allied's sales of fibers and plastics amounted to over $235 million and accounted for 19 percent of Allied's total sales volume. Allied produces nylon fibers for a wide range of textile markets: heavy and medium denier yarns for seat belts, tire cord, carpeting, upholstery, cordage, and industrial fabrics; and fine deniers for hosiery and all types of wearing apparel.

6. Allied is one of only three companies, supplying yarn to producers of automotive safety seat belt webbing. In 1967, Allied's sales of yarn to such producers amounted to over $3.8 million.

7. At all times relevant herein, Allied has sold and shipped products in interstate commerce throughout the United States and engaged in "commerce" within the meaning of the Clayton and Federal Trade Commission Acts.

B. Jim Robbins Seat Belt Co.

8. Respondent, Jim Robbins Seat Belt Co. ("Robbins"), is a corporation organized and existing under the laws of the State of Delaware with its principal office and place of business at 130 Stephenson Highway, Troy, Michigan. Robbins was formed on June 10, 1966, as an equally-owned joint venture between Allied and Jim Robbins

Company ("J. R. Co."). It was organized for the sole purpose of taking over the automotive safety seat belt business formerly conducted by J. R. Co., which business included certain webbing manufacturing assets acquired by J. R. Co. in early 1965.

9. J. R. Co., the predecessor in interest to respondent Robbins, entered the seat belt business in 1962 through the acquisition of the assets of Auto-Crat, Inc., a company which was then engaged in the manufacture of automotive safety seat belts ("seat belts").

10. In 1965, J. R. Co. sold approximately 10.3 million seat belts, valued at $23.5 million, to automobile manufacturers. It was one of the two largest companies in the industry, each of which accounted for approximately 33.1 percent of all such sales during 1965.

11. Allied acquired J. R. Co.'s 50 percent interest in the new corporation on July 28, 1967. Since that time, Allied has operated Robbins as a wholly-owned subsidiary.

12. In 1967, Robbins sold approximately 14.4 million seat belts valued at approximately $34.2 million to automobile manufacturers. Its market share increased to 33.6 percent, making it the dominant company in the market with sales approximately 52 percent greater than those of its nearest competitor.

13. At all times relevant herein, Jim Robbins Seat Belt Co. and its predecessor in interest, Jim Robbins Company, have sold and shipped products in interstate commerce throughout the United States and engaged in "commerce" within the meaning of the Clayton and Federal Trade Commission Acts.

III. The Nature of Trade and Commerce

A. The Seat Belt Industry

14. Prior to January 1, 1964, the manufacture and sale of seat belts was a relatively low volume business made up of a number of small firms selling seat belts almost exclusively to the aftermarket; *i.e.*, for installation as accessories on used automobiles or on new automobiles after purchase.

15. In response to certain state legislation, domestic automobile manufacturers made two lap-type seat belts standard equipment on all automobiles produced after January 1, 1964. This safety requirement has since been broadened so that, with the exception of convertibles, all six-passenger 1968 model automobiles must be equipped with six lap-type belts and two shoulder harnesses. This has created a very substantial and rapidly expanding market—the manufacture and sale of seat belts to automobile manufacturers ("seat belt industry"). Conversely, the aftermarket is quickly being eliminated. It

is estimated that aftermarket sales accounted for less than 5 percent of total domestic seat belt sales in 1967.

16. In 1963, shipments of all seat belts, whether sold to the aftermarket or to automobile manufacturers, amounted to less than 11.5 million belts valued at under $34 million. However, in 1965, sales to automobile manufacturers, alone, amounted to over 29.0 million seat belts valued at over $70 million. In 1967, such sales had risen to over 40 million seat belts valued at over $101 million, a dollar increase of more than 150 percent since 1965 and almost 250 percent since 1963.

17. The rapid rise of sales to automobile manufacturers has drastically altered the structure of the seat belt industry. In 1963, at least 22 concerns were engaged in the manufacture and sale of seat belts. However, of this number, only six have been able to establish significant relationships with the four major domestic automobile manufacturers and the one foreign manufacturer selling a significant number of automobiles in the United States. In 1967, these six companies accounted for all domestic seat belt sales to automobile manufacturers.

18. Since virtually all domestic seat belt sales are now made to only five customers—General Motors Corporation, Ford Motor Company, Chrysler Corporation, American Motors Corporation, and Volkswagen of America, Inc., the problem of establishing a customer-supplier relationship presents a very substantial barrier to entry into the seat belt industry.

19. The seat belt industry is highly concentrated. Of the six companies in the market, the top two accounted for 55.7 percent of total sales in 1967, while the top four accounted for 82.7 percent.

20. Robbins is the only seat belt manufacturer which is integrated backward into webbing, the primary raw material used in the production of seat belts.

B. The Webbing Industry

21. Prior to March 10, 1965, the webbing industry was composed of six principal producers ("webbers") each of which bought nylon yarn from one or more of three available suppliers and sold finished webbing to seat belt manufacturers.

22. On March 10, 1965, J. R. Co. acquired the webbing manufacturing assets of one of these webbers, Everlastik, Inc., a division of Chelsea Industries, Inc. ("Everlastik"), leaving five non-integrated webbers in the industry. Four of these webbers are small companies with total annual sales ranging from $9 million to $15 million. The

other webber is Burlington Ribbons, a division of Burlington Industries, Inc.

23. The know-how and technology involved in converting yarn to finished webbing is highly sophisticated and presents a substantial barrier to entry into the industry. Increasingly rigid webbing specifications are imposed by both the Federal Government and the automobile manufacturers.

24. The webbing industry, as a whole, is rapidly expanding. Total sales increased from approximately $14 million in 1965 to about $19.5 million in 1966, and to over $20.7 million in 1967. However, sales of the five non-integrated webbers decreased from approximately $16.8 million in 1966 to approximately $15.8 million in 1967.

C. The Yarn Industry

25. Nylon yarn is the basic raw material used in the production of webbing. Only three companies—Allied, E. I. duPont de Nemours & Co., Inc., and American Enka Company—supply such yarn to the webbing industry.

26. In 1965, Allied accounted for under 7 percent of all yarn sold to webbers in the merchant market and supplied under 13 percent of all yarn used in the manufacture of webbing during that year. In 1967, two years after Allied's initial acquisition of an interest in Robbins, it accounted for over 11 percent of merchant sales of yarn and over 30 percent of all yarn used in the manufacture of webbing.

IV. The Acquisitions

A. Seat Belts

27. Pursuant to a contract ("the Agreement") dated December 29, 1965, Allied entered into an arrangement with Mr. J. M. Robbins, J. R. Co., and Robbins Land Company ("Land Co."), both Michigan corporations controlled by Mr. Robbins, whereby Allied acquired certain assets utilized in the manufacture of seat belts. In consideration for $20,000,000 Allied acquired:

(a) All of Land Co.'s right, title, and interest in and to the land and buildings comprising certain plants used in the manufacture of seat belts, said plants being located at Mt. Clemens, Michigan, and at Rochester, Michigan; and

(b) Certain patents and patent applications relating to the manufacture of seat belts, along with all rights under licenses thereunder, and goodwill, owned by J. R. Co. and/or Mr. J. M. Robbins, individually.

28. The Agreement further provided for the organization of a new Delaware corporation, Robbins. Robbins was formed to take over the automotive safety seat belt business formerly conducted by Mr. Robbins and the companies which he controlled. The new corporation had authorized capital of $2,000,000, consisting of 20,000 shares of common stock with a par value of $100 per share. In addition, a loan of $10,000,000 was arranged for the new corporation.

29. After closing the transaction whereby Allied acquired the assets described in Paragraph 27, *supra*, it transferred those assets to Robbins in return for 50 percent of the latter's authorized common stock and its note in the amount of $10,000,000. The note was immediately satisfied with the $10,000,000 borrowed by the new corporation. Thus, Allied acquired a 50 percent stock interest in Robbins for $10,000,000.

30. J. R. Co. transferred certain machinery, equipment, molds, dies, tools, furniture, and fixtures used in manufacturing automotive safety seat belts together with $3,157,000 in working capital (consisting of inventory, prepaid expenses, and cash), all contracts with suppliers and purchase orders from customers related to the seat belt business, and its interest as lessee under a certain lease covering plant space at Knoxville, Tennessee, to the new corporation in exchange for 50 percent of the latter's authorized stock. No receiveables were transferred to the new corporation, nor did it assume any liabilities except those which arose subsequent to the closing under the contracts and purchase orders mentioned above and under the land contracts transferred to the new corporation by Allied.

31. The Agreement was consummated on January 10, 1966. In essence, the transactions described in Paragraphs 27, 28, 29, and 30, *supra*, carried out pursuant to the Agreement, resulted in Allied's acquisition of a 50 percent interest in the automotive safety seat belt business carried on by Mr. Robbins and the companies which he controlled.

32. Paragraph 11(A)(v) of the Agreement provided that, in the event of the death of Mr. Robbins, "Allied shall have the option . . . to purchase all the stock of the new corporation [Robbins] then held by J. R. Co., by Robbins' [Mr. J. M. Robbins'] estate, or any corporation controlled by it, at a total price of $10,000,000 increased by one-half the accumulated earned surplus of the new corporation to the date of death or decreased by one-half of any surplus deficit of the new corporation at such date as reflected on the books of the new corporation." Mr. J. M. Robbins was killed in a plane crash on September 26, 1966. Allied exercised its option and, on July 28,

1967, acquired the remaining 50 percent interest in Robbins for approximately $10,800,000.

33. In 1965, the year prior to the formation of Robbins and prior to Allied's acquisition of any interest in the seat belt business conducted by J. R. Co., the latter company sold 10.3 million seat belts valued at $23.5 million to the two largest automobile manufacturers in the United States, such sales accounting for 99 percent of J. R. Co.'s seat belt business. J. R. Co. was one of the two largest seat belt manufacturers in the industry, each of which accounted for 331 percent of all seat belts sold to automobile manufacturers in 1965.

34. During 1966, the year prior to Allied's acquisition of the remaining 50 percent interest in the joint venture, Robbins had sales of 13.8 million belts valued at $29.8 million. As was the case with J. R. Co. during 1965, 99 percent of Robbins' sales were made to the nation's two largest automobile manufacturers. Its market share, however, declined 29.5 percent of all seat belts sold to automobile manufacturers.

B. Webbing

35. On March 10, 1965, J. R. Co. acquired the inventory, machinery, equipment of one of its webbing suppliers, Everlastik. These assets, valued at $325,000, consisted of 16 looms and associated equipment, along with an inventory of yarn and finished webbing.

36. Prior to the acquisition, Everlastik had been one of the six principal webbers in the United States, buying its yarn from Allied and selling approximately $2–3 million of finished webbing to the seat belt industry.

37. Shortly after its acquisition, but not as part of the acquisition agreement, J. R. Co. enticed certain personnel with webbing expertise away from Everlastik.

38. In 1966, Robbins strengthened this integrated position by acquiring 14 webbing looms from Comfort-Craft, Inc., of Hialeah, Florida. The purchase price was approximately $420,000.

V. Violations Charged

A. Violations of Section 7 of the Clayton Act

39. The effect of respondents' acquisition of the seat belt business of J. R. Co., as described in Paragraphs 27 through 32, *supra*, has been, or may be, substantially to lessen competition or to tend to

create a monopoly in the manufacture and sale, in the United States, of seat belts to automobile manufacturers, webbing to seat belt manufacturers, and yarn to webbers in the following ways, among others:

(a) Robbins has, or will have, decisive competitive advantages over non-integrated producers of seat belts and webbing to the detriment of actual and potential competition;

(b) Non-integrated producers of webbing have been, or may be, deprived of a substantial customer or potential customer to the detriment of actual and potential competition;

(c) Allied's position in the manufacture and sale of yarn to webbers has been, or may be, substantially increased, to the detriment of actual and potential competition, in that the existence of Robbins' purchasing power may induce actual and potential suppliers of Robbins to purchase yarn from Allied.

(d) Allied's position in the manufacture and sale of yarn to webbers has been, or may be, substantially increased, to the detriment of actual and potential competition, through the use of Robbins' purchasing power in such a manner as to influence or attempt to influence webbers to purchase Allied's yarn by withdrawing or threatening to withdraw Robbins' patronage or by otherwise manipulating Robbins' webbing purchases;

(e) Additional acquisitions and mergers in the seat belt and webbing industries have been, or may be, precipitated to the detriment of actual and potential competition;

(f) Actual and potential competition in the seat belt, webbing, and yarn industries has been, or may be, substantially lessened because barriers to entry have been, or may be, substantially increased; and

(g) Already high concentration levels in the seat belt, webbing, and yarn industries may be substantially increased and the possibility of deconcentration lessened.

40. The acquisition of the seat belt business of J. R. Co. by respondents, as alleged above, constitutes a violation of Section 7 of the Clayton Act (15 U.S.C. Sec. 18).

B. Violation of Section 5 of
The Federal Trade Commission Act.

41. Respondent Allied, respondent Robbins, and Robbins' predecessor in interest, J. R. Co., have carried out a program of acquisition