

## Complaint

IN THE MATTER OF  
GROLIER, INCORPORATED, ET AL.ORDER, OPINION, ETC., IN REGARD TO ALLEGED VIOLATION OF  
THE FEDERAL TRADE COMMISSION ACT

*Docket 8879. Complaint, Mar. 9, 1972\* — Final Order, Mar. 13, 1978.*

This order, among other things, requires a New York City publisher and seller of encyclopedia and other educational materials and services, and its subsidiaries to cease misrepresenting, failing to make relevant disclosures, or using any other unfair or deceptive method to recruit door-to-door sales personnel, sell merchandise and services, and collect delinquent accounts.

*Appearances*

For the Commission: *Edward D. Steinman, David C. Fix and Robert D. Friedman.*

For the respondents: *Frederick P. Furth, Thomas R. Fahrner and Robert C. Cagen, Furth, Fahrner & Wong, San Francisco, Calif.*

## [2] 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 Grolier, Incorporated, American Peoples Press, Inc., Americana Corporation, Americana Interstate Corp., Career Institute, Inc., Federated Credit Corp., Grolier Enterprises, Inc., Grolier Interstate, Inc., Grolier New Era Corp., Grolier Reading Programs, Inc., Madison Enterprises, Inc., R.H. Hinkley Company, Spencer International Press, Inc., The Grolier Society, Inc., and The Richards Company, Inc., corporations, 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 Grolier, Incorporated is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 575 Lexington Ave., New York, New York.

Respondent Grolier, Incorporated dominates, controls, and furnishes the means, instrumentalities, services and facilities for, and condones and approves the acts and practices of the corporations hereinafter referred to below.

\* Complaint reported as amended by the administrative law judge's order of Jan. 10, 1973.

Respondent American Peoples Press, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at Sherman Turnpike, Danbury, Connecticut. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated and sells and distributes books or other merchandise through advertising and mailings. Its volume of business has been, and is substantial. [3]

Respondent Americana Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial.

Respondent Americana Interstate Corp. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 501 East Lange St., Mundelein, Illinois. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and sells and distributes books or other merchandise through advertising and mailings. Its volume of business has been, and is substantial.

Respondent Career Institute, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 555 East Lange St., Mundelein, Illinois. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and sells and distributes books or other merchandise through advertising and mailings. Its volume of business has been, and is substantial.

Respondent Federated Credit Corp. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and collects and induces payment of accounts for the subsidiary corporations of respondent Grolier, Incorporated by various meth-

ods, as hereinafter set forth. Its volume of business has been, and is substantial. [4]

Respondent Grolier Enterprises, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at Sherman Turnpike, Danbury, Connecticut. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated and sells and distributes books or other merchandise through advertising and mailings. Its volume of business has been, and is substantial.

Respondent Grolier Interstate, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been and is substantial.

Respondent Grolier New Era Corp. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial. [5]

Respondent Grolier Reading Programs, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at Sherman Turnpike, Danbury, Connecticut. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and sells and distributes books or other merchandise through advertising and mailings. Its volume of business has been, and is substantial.

Respondent Madison Enterprises, Inc. 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 635 Madison Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial.

Respondent R. H. Hinkley Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maine, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial. [6]

Respondent Spencer International Press, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial.

Respondent The Grolier Society, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 575 Lexington Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias.

yearbooks, and other publications, merchandise or services to the general public through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial.

Respondent The Richards Company, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 635 Madison Ave., New York, New York. It is a wholly-owned subsidiary corporation of respondent Grolier, Incorporated, and recruits persons by means of various methods of advertising, as hereinafter set forth, and trains said persons to work as door-to-door sales personnel. It sells and otherwise distributes encyclopedias, yearbooks, and other publications, merchandise or services to the general public, through various methods, including door-to-door canvassing, as hereinafter set forth. Its volume of business has been, and is substantial. [7]

PAR. 2. Respondent Grolier, Incorporated through its various organizational divisions and wholly-owned subsidiary corporations publishes, sells and otherwise distributes, throughout the world, textbooks, encyclopedias, reference or educational materials, training courses and teaching machines, or other publications, merchandise or services. It has established, acquired and operated a number of wholly-owned corporate subsidiaries as aforesaid, for the purpose of promoting, selling, or otherwise distributing, and collecting monies expended for said publications, merchandise or services from the trade or from the purchasing public. Its volume of business has been, and is substantial. In addition, respondent Grolier, Incorporated, directly and indirectly, profits and benefits by and through the acts and practices of its wholly-owned subsidiaries, including the acts and practices hereinafter set forth.

PAR. 3. In the course and conduct of their business, as aforesaid, respondents now cause, and for some time last past have caused, said publications, merchandise or services to be shipped and distributed from their places of business or from their sources of supply to purchasers and prospective purchasers thereof located in various States of the United States other than the state of origination, distribution or storage of said publications, merchandise or services. Respondents transmit and receive, and cause to be transmitted and received, invoices, checks, collection notices and various other commercial papers or documents in the course of advertising, selling, or otherwise distributing and collecting payment for said publications, merchandise or services among and between the several States of the United States. Respondents maintain, and at all times

mentioned herein have maintained, a substantial course of trade in such publications, merchandise or services in commerce, as "commerce" is defined in the Federal Trade Commission Act. [8]

## COUNT I

Alleging violation of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One, Two and Three hereof are incorporated by reference in Count I with respect to respondents Grolier, Incorporated, and its wholly-owned subsidiaries Americana Corporation, Grolier Interstate, Inc., Grolier New Era Corp., Madison Enterprises, Inc., R. H. Hinkley Company, Spencer International Press, Inc., The Grolier Society, Inc., and The Richards Company, Inc., as if fully set forth verbatim:

PAR. 4. In the course and conduct of their business, and for the purpose of recruiting persons for door-to-door solicitations, respondents disseminate advertisements in various publications of general circulation which contain statements concerning the nature of the advertised positions. In addition, during subsequent interviews with persons responding to said advertisements, respondents and their representatives or agents provide further details concerning the type of positions and the method of payment of persons engaged in such positions. Through the use of the aforesaid advertisements and by oral statements of respondents and their representatives or agents, respondents have represented, directly or by implication that:

1. Respondents are offering positions in such fields as "market research analysis," "public relations" or other non-selling fields.
2. Respondents are offering to train persons as "management trainees," "junior executives" or other positions of responsibility concerned principally with administrative office functions. [9]
3. Respondents are offering persons a guaranteed weekly or monthly salary in excess of \$100 per week or in excess of \$350 to \$500 per month, or other similar salaries.
4. Persons engaged by respondents contact other persons in their homes or places of business primarily for the purposes of conducting surveys, advertising promotions or for other non-selling purposes.

PAR. 5. In truth and in fact:

1. Respondents are not offering positions in the fields represented. To the contrary, respondents are recruiting persons, in the main, as salesmen and saleswomen in the door-to-door sale of respondents' publications, merchandise or services.
2. Respondents will not train persons for the positions represented. Persons hired by respondents are sent out to sell and are not trained to conduct administrative functions in an office.

3. Respondents do not, in all instances, reimburse persons in the amounts or in the manner represented. Due to the conditions or limitations imposed upon such persons, few if any, receive the guaranteed salary. Furthermore, respondents, in some instances, refuse to permit persons to be engaged under any arrangement other than a pure commission basis.

4. Persons engaged by respondents do not contact prospects in their homes or places of business primarily for the purposes represented by respondents. Such persons, in most instances, canvass neighborhoods in an attempt to solicit orders for respondents' publications, merchandise or services. [10]

Therefore, the statements, representations, acts and practices set forth in Paragraphs Four and Five hereof were and are unfair, and false, misleading and deceptive.

PAR. 6. In the course and conduct of their business as aforesaid, and for the purpose of inducing members of the general public to purchase respondents' publications, merchandise or services, respondents through their sales representatives utilize various forms of promotional materials in conjunction with oral sales presentations containing statements concerning the purpose of the initial contact with the prospect, the identity of the solicitor, the nature of the offer and the terms of respondents' contracts or other agreements. In the foregoing manner, respondents and their sales representatives have represented, directly or by implication, that:

1. Respondents' sales representatives are contacting persons in their homes or places of business primarily for the purpose of conducting a survey, or a brand identification analysis relating to the marketing of respondents' publications, merchandise or services, or for purposes other than the sale of such merchandise.

2. Respondents' sales representatives will take only a few minutes to complete their presentations inside prospects' homes or places of business.

3. Persons contacted by respondents' sales representatives have been specially selected to receive respondents' offers.

4. Respondents are offering certain of their publications, merchandise or services without cost to persons agreeing to do any one or more of the following acts or similar acts:

a. Display the publications in a conspicuous location in their homes;

b. Write a letter evaluating the merits of the publications which may be used in advertising; [11]

c. Provide respondents with the names of persons interested in purchasing respondents' publications;

d. Keep the publications current by purchasing respondents' yearbooks for a 10-year period or by purchasing respondents' Fact Research Service for 10 years;

e. Complete all installment payments for publications, merchandise or services, other than the publications, merchandise or services provided without cost, in a period less than 10 years; and

f. Pay a membership fee in order to participate in the Consumer Buying Educational Service which provides an opportunity for participants to purchase merchandise at a savings from the general retail prices for such merchandise.

5. The encyclopedias being offered by respondents' sales representatives to prospects are new publications; are publications which have not been previously available to the general public; or are editions which contain substantial editorial revisions from prior editions of the same publications.

6. Persons who purchase respondents' publications, in combination with other publications will realize a significant savings from the stated higher prices at which such publications have been sold by respondents in substantial quantities to the general public.

7.\* The claimed retail prices of their publications are the prices at which such publications have been sold by respondents in substantial quantities to the general public. [12]

8. The various offers made available to prospects are of limited duration and prospects will not be given another opportunity to accept such offers.

9. Respondents' publications, merchandise or services have, in each instance when so represented, received bona fide endorsements or recommendations in the recent past from Better Business Bureaus, or from educational, religious, private or governmental institutions or from private persons.

10. Respondents provide financial terms to purchasers of their publications, merchandise or services such as annual payments for "10 years" or payments of "10¢ per day."

11. Persons subscribing to respondents' Fact Research Service receive answers to questions regarding any subject.

12. The answers provided by respondents' Fact Research Service are the product of detailed, exhaustive or original research generated by the specific questions asked by subscribers to said Service.

13. The answers provided by respondents' Fact Research Service can be used as suitable or acceptable substitutes for term papers, themes or other reports that may be required of students.

---

\* Published as amended by the ALJ's order of Jan. 10, 1973.



14. All answers, supplied by respondents to subscribers to the Fact Research Service, will arrive within a few days after the date of submission of the subscribers' questions.

**PAR. 7. In truth and in fact:**

1. Respondents' sales representatives are not contacting persons in their homes or places of business primarily for the purpose of conducting a bona fide [13] survey, or a brand identification analysis relating to the marketing of respondents' publications, merchandise or services. To the contrary, the principal purpose for contacting such persons is to sell respondents' publications, merchandise or services.

2. Respondents' sales representatives do not ordinarily complete their presentations inside prospects' homes or places of business within only a few minutes. In actuality, a completed sales presentation frequently requires several hours.

3. Persons contacted by respondents' sales representatives have not been specially selected. Respondents, in fact, offer and sell their publications, merchandise or services to all members of the general public on a regular basis.

4. Respondents are not offering certain of their publications, merchandise or services without cost to any person who agrees to any one or more of the conditions set forth in Paragraph Six, subparagraph 4 herein. To the contrary, such conditions are not bona fide. Respondents, in many instances, do not require strict adherence to the agreed conditions. Furthermore, such conditions are used in an attempt to confuse persons into the erroneous belief that the amount of their monetary obligations to respondents does not include the cost of all the publications, merchandise or services obtained from respondents.

5. The encyclopedias being offered by respondents' sales representatives to prospects are not new publications. Such encyclopedias have been marketed to the general public for many years. Furthermore, in some instances, the only changes from earlier editions are minor editorial revisions. [14]

6. Persons who purchase respondents' publications in combination with other publications will not realize a significant savings from the stated higher prices at which such publications have been sold by respondents in substantial quantities to the general public. To the contrary, respondents have made only isolated or insignificant sales at the stated higher prices.

7.\* The claimed retail prices of respondents' publications are not

---

\* Published as amended by the ALJ's order of Jan. 10, 1973.

the prices at which such publications have been sold by them in substantial quantities to the general public. Furthermore, respondents have made only isolated or insignificant sales at the represented retail prices.

8. The various offers made available to prospects are not of limited duration and prospects, in most instances, can receive other opportunities to accept such offers.

9. Respondents' publications, merchandise or services have not, in each instance when so represented, received bona fide endorsements or recommendations in the recent past from Better Business Bureaus, or from educational, religious, private or governmental institutions or from private persons.

10. Respondents do not provide financial terms to purchasers of their publications, merchandise or services as represented. To the contrary, respondents, in most instances, require monthly installment payments of amounts which are substantially greater than "10¢ per day" or require payments to be made within a time period less than "10 years." [15]

11. Persons subscribing to respondents' Fact Research Service do not receive answers to questions regarding all subjects. To the contrary, respondents do not, in most instances, provide answers to questions concerning such subjects as medical, legal or financial matters.

12. The answers provided by respondents' Fact Research Service are not the product of detailed, exhaustive or original research generated by the specific question asked by the subscriber to said Service. For the most part, such answers are form responses containing general information not related to the specific inquiry.

13. The answers provided by the Fact Research Service, in most instances, are not suitable or acceptable substitutes for term papers, themes or reports that may be required of students.

14. The answers, supplied by respondents to subscribers to the Fact Research Service, in many instances, do not arrive within the period of time represented.

Therefore, the statements, representations, acts and practices set forth in Paragraphs Six and Seven hereof were and are unfair, and false, misleading and deceptive.

PAR. 8. In the further course and conduct of their business, respondents have conducted various contests and utilized other promotional devices for the purpose of obtaining leads to persons who will allow respondents' sales representatives into said persons' homes or for the purpose of inducing said persons to attend meetings held by respondents. The inducements used to achieve the above

purposes are purportedly free merchandise, receipt of informational brochures obtained upon return of reply cards contained in promotional material, gift certificates entitling recipients to all expense paid vacations at resorts of their choice or other valuable considerations. [16]

Persons who enter any such contest, or who receive informational brochures, or who are told that they have been awarded a valuable gift are not informed by respondents of the material fact that as a result of entering the contest, receiving the informational brochures, or as a prerequisite to receiving a valuable gift or award, such persons will be subjected to a lengthy sales presentation for respondents' publications, merchandise or services. In many instances, such persons would not have accepted such inducements if respondents' actual purpose had been made known.

In addition, respondents have misrepresented the actual value of the aforesaid gift certificates. Persons are led into the erroneous belief that the certificates will enable such persons to have an all expense paid vacation at a resort of their choice. Respondents fail to advise such persons that the certificates do not include expenses such as transportation and meals. Such limitations and other restrictions imposed on the use of the certificates severely limit their actual value.

Therefore, the statements, representations, acts and practices, and the failure to disclose material facts as aforesaid were and are unfair and false, misleading and deceptive.

PAR. 9.\* In the further course and conduct of their business, and for the primary purpose of promoting the sale of their encyclopedias or similar publications or services, respondents, through their sales representatives have utilized programs or other promotional selling devices which appeal to the emotional concerns of individuals for their own educational or intellectual development or of parents for the proper educational development of their children.

Through the use of "The Child Development Program," the "New Era Young Mothers Club," and "Programmed Learning" or other similar programs, [17] respondents' sales representatives contact prospects with young children and falsely represent, directly or by implication, that said programs or devices will provide tangible or intangible educational benefits or services such as periodic teaching guides designed to meet each child's educational or academic needs, or periodic questionnaires evaluating the child's progress in the claimed educational program.

---

\* Published as amended by the ALJ's order of Jan. 10, 1973.

By appealing to the emotional concerns of said persons through the use of false representations, as aforesaid, respondents persuade said persons to purchase respondents' publications, merchandise or services based on the aforesaid false representations of respondents, in some instances, confuse, confound or mislead such persons as to the purpose of said programs or devices which is to promote the sale of respondents' encyclopedias or similar publications or services in the regular course of respondents' business.

Therefore, the statements, representations, acts and practices as aforesaid, were and are false, misleading, deceptive and unfair.

#### COUNT II

Alleging violation of Section 5 of the Federal Trade Commission Act, the allegations of Paragraphs One, Two and Three hereof are incorporated by reference in Count II with respect to respondents Grolier, Incorporated and its wholly-owned subsidiaries Americana Peoples Press, Inc., Americana Corporation, Americana Interstate Corp., Career Institute, Inc., Federated Credit Corp., Grolier Interstate, Inc., Grolier New Era Corp., Madison Enterprises, Inc., R.H. Hinkley Company, Spencer International Press, Inc., The Grolier Society, Inc., and The Richards Company, Inc., as if fully set forth verbatim:

PAR. 10. In the further course and conduct of their business and for the purpose of collecting debts allegedly due and owing respondents pursuant to contracts or other agreements relating to the purchase of respondents' publications, merchandise or services, respondents and their representatives or agents, in numerous instances, have attempted to induce payment of accounts, either due or delinquent as the case may be, by the sending of dunning letters, [18] notices or similar instruments in the United States mail which contain statements and representations in the form of harassment or threats, including but not limited to the representations set forth below. Through such means, respondents have represented to the aforesaid members of the public, directly or indirectly, that:

(a) The respondent companies sending such instruments are divided into separate bona fide functional departments or divisions such as collection departments or legal departments.

(b) Employees of the federal government who fail to pay debts are subject to dismissal from federal service pursuant to the Civil Service Code of Federal Regulations.

(c) Purchasers of respondents' publications or services who utilize the United States mail to obtain such items and who fail to pay

