

Complaint

IN THE MATTER OF

CREATIVE ACCENTS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION
OF THE FEDERAL TRADE COMMISSION AND THE FLAMMABLE
FABRICS ACTS

Docket C-2382. Complaint, April 17, 1973—Decision, April 17, 1973.

Consent order requiring a South El Monte, California, manufacturer and seller of carpets and rugs, among other things to cease manufacturing for sale, selling, importing, or distributing any product, fabric, or related material which fails to conform to an applicable standard of flammability or regulation issued under the provisions of the Flammable Fabrics Act, as amended.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Flammable Fabrics Act, as amended, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Creative Accents, a corporation, and Kenneth Hensler, individually and as an officer of the said corporation, hereinafter referred to as respondents, have violated the provisions of the said Acts and the rules and regulations promulgated under the Flammable Fabrics Act, as amended, 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 Creative Accents is a corporation organized, existing and doing business under and by virtue of the laws of the State of California. Respondent Kenneth Hensler is an officer of the said corporate respondent. He formulates, directs and controls the acts, practices and policies of the said corporation.

Respondents are engaged in the manufacture and sale of carpets and rugs with their office and principal place of business located at 10840 Central Avenue, S. El Monte, California.

PAR. 2. Respondents are now and for some time last past have been engaged in the manufacturing for sale, sale and offering for sale, in commerce, and have introduced, delivered for introduction, transported and caused to be transported in commerce, and have sold or delivered after sale or shipment in com-

merce, products, as the terms "commerce" and "product," are defined in the Flammable Fabrics Act, as amended, which products fail to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the Flammable Fabrics Act, as amended.

Among such products mentioned hereinabove were "Pom Pom" style wool rugs subject to Department of Commerce Standard for the Surface Flammability of Carpets and Rugs (DOC FF 1-70).

PAR. 3. The aforesaid acts and practices of respondents were and are in violation of the Flammable Fabrics Act, as amended, and the rules and regulations promulgated thereunder, and as such constituted, and now constitute unfair methods of competition and unfair and deceptive acts and practices in commerce, within the intent and meaning 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 Division of Textiles and Furs 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 Flammable Fabrics Act, as amended; 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 Acts, 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 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 Creative Accents, is a corporation organized, existing and doing business under and by virtue of the laws of the State of California.

Respondent Kenneth Hensler is an officer of the said corporation. He formulates, directs and controls the acts, practices and policies of the said corporation.

Respondents are engaged in the manufacture and sale of carpets and rugs with the office and principal place of business of respondents located at 10840 Central Avenue, S. El Monte, California.

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 respondent Creative Accents, a corporation, its successors and assigns, and its officers, and respondent Kenneth Hensler, individually and as an officer of said corporation and respondents' agents, representatives and employees directly or through any corporation, subsidiary, division, or other device, do forthwith cease and desist from manufacturing for sale, selling, offering for sale, in commerce or importing into the United States, or introducing, delivering for introduction, transporting or causing to be transported in commerce, or selling or delivering after sale or shipment in commerce, any product, fabric or related material; or manufacturing for sale, selling, or offering for sale, any product made of fabric or related material which has been shipped or received in commerce, as "commerce," "product," "fabric" and "related material" are defined in the Flammable Fabrics Act, as amended, which product, fabric or related materials fails to conform to an applicable standard or regulation continued in effect, issued or amended under the provisions of the aforesaid Act.

It is further ordered, That respondents notify all of their customers who have purchased or to whom have been delivered the products which gave rise to this complaint, of the flammable nature of said products and effect the recall of said products from such customers.

It is further ordered, That the respondents herein either process the products which gave rise to the complaint so as to bring them into conformance with the applicable standard of flamma-

bility under the Flammable Fabrics Act, as amended, or destroy said products.

It is further ordered, That respondents herein shall, within ten (10) days after service upon them of this order, file with the Commission a special report in writing setting forth the respondents' intentions as to compliance with this order. This special report shall also advise the Commission fully and specifically concerning (1) the identity of the products which gave rise to the complaint, (2) the identity of the purchasers of said products, (3) the amount of said products on hand and in the channels of commerce, (4) any action taken and any further actions proposed to be taken to notify customers of the flammability of said products and effect the recall of said products from customers, and of the results thereof, (5) any disposition of said products since January 31, 1972, and (6) any action taken or proposed to be taken to bring said products into conformance with the applicable standard of flammability under the Flammable Fabrics Act, as amended, or to destroy said products, and the results of such action. Respondents will submit with their report, a complete description of each style of carpet or rug currently in inventory or production. Upon request, respondents will forward to the Commission for testing a sample of any such carpet or rug.

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 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.

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

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

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 this order.

OrderIN THE MATTER OF
PEPSICO, INC.*Docket 8903. Order, April 18, 1973.*

Order rescinding order of April 12, 1973; establishing a new schedule for the conduct of the administrative proceeding; and directing that copies of pertinent papers be filed by the General Counsel with the United States Court of Appeals for the Second Circuit.

ORDER RESCINDING ORDER OF APRIL 12, 1973, AND DIRECTING
NEW SCHEDULE

On April 12, 1973, the Commission issued an order in this matter directing that all proceedings before the administrative law judge be concluded by July 23, 1973, and, in the event of an appeal to the Commission, that the parties follow a briefing schedule that would permit final action by the Commission by September 10, 1973. Issuance of the aforesaid order was made in accordance with assurances made to the United States Court of Appeals for the Second Circuit by the Commission's legal counsel that if certain requested preliminary relief was granted by the Court under the All Writs Act the Commission would endeavor to enter its final order in this matter by the September 10 date. Cf. *Dean Foods*, 70 F.T.C. 1761 (1966) and *OKC Corp.*, 3 CCH Trade Reg. Rep. ¶ 19,293 (1970) at p. 21,460 [8 S. & D. 1220].

By motion of April 16, 1973, PepsiCo requests the Commission to rescind its order of April 12, 1973, stating there is no need for such a compressed schedule in view of the fact that the Court declined to prevent PepsiCo from assuming control of the company but only subjected it to the provisions of a hold-separate agreement. Such a hold-separate agreement was entered into by the parties on April 16, 1973, and will be filed with the Court. PepsiCo contends that the schedule as set forth in the April 12 order would not permit it sufficient time to prepare for the hearings on the complaint. It states that it can complete its trial preparation no sooner than three months of receipt of complaint counsel's documentary evidence and witness list. Complaint counsel in their response do not oppose the motion and advise that in their view a three-month period is not unreasonable if adhered to.

The Commission's statement to the Court of Appeals that the administrative proceeding would be scheduled for completion by September 10, 1973, was made to assure the court that the

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injunctive relief sought would not impose undue injury upon PepsiCo. PepsiCo has now entered into a hold-separate agreement that is unrestricted in duration and in its motion it clearly waives any insistence that these proceedings be completed by September 10 of this year. In these circumstances, there appears to be no reason to require completion of hearings and the filing of an initial decision by July 23, 1973, and we do not read the court's opinion as mandating a completion date of a final order by September 10, 1973. However, the matter should be heard as expeditiously as is possible consistent with fairness to the parties. Accordingly,

It is ordered, That the Commission's order herein of April 12, 1973, be, and it hereby is, rescinded and in its place the following schedule directed:

- (1) complaint counsel are to have designated their witnesses and exhibits by May 1, 1973;
- (2) respondent's counsel are to have completed discovery, designated their witnesses and exhibits by August 1, 1973;
- (3) hearing will commence on August 15, 1973.

The General Counsel is directed to file a copy of this order, together with respondent's motion and complaint counsel's response, with the United States Court of Appeals for the Second Circuit.

IN THE MATTER OF

ARLEN REALTY & DEVELOPMENT CORP., TRADING AS
KORVETTES, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION
OF THE FEDERAL TRADE COMMISSION AND THE TRUTH IN
LENDING ACTS

Docket C-2383. Complaint, April 18, 1973—Decision, April 18, 1973.

Consent order requiring a New York City operator of 51 department stores in numerous states and its subsidiary located in Baltimore, Maryland, whose charge plate is honored by approximately 4,000 merchants in the D.C. - Baltimore area, among other things to cease issuing credit cards without a prior request or application for them.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act, as amended, and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade

Commission, having reason to believe that Arlen Realty & Development Corp., a corporation, also doing business as Korvettes, a division, and NAC Credit Corporation, a corporation, hereinafter sometimes referred to as respondents, have violated the provisions of said Acts and implementing regulation, 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 Arlen Realty & Development Corp. 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 888 Seventh Avenue, New York, New York. Respondent Arlen Realty & Development Corp. formulates, controls, and directs the policies, acts and practices, including those hereinafter set forth, of its division, Korvettes, and of its wholly-owned subsidiary, NAC Credit Corporation.

PAR. 2. Korvettes is an operating division of respondent Arlen Realty & Development Corp. with its main office and principal place of business located at 450 West 33rd Street, New York, New York. Through this division, said respondent is now, and for some time in the past has been, engaged in the advertising, offering for sale, sale and distribution of general merchandise through over fifty (50) Korvettes retail stores located in numerous states.

PAR. 3. Respondent NAC Credit Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maryland, with its office and principal place of business located at 200 West Baltimore Street, Baltimore, Maryland. Respondent NAC Credit Corporation, hereinafter sometimes referred to as NAC, is a wholly-owned subsidiary of respondent Arlen Realty & Development Corp.

PAR. 4. In the ordinary course and conduct of its business, as aforesaid, respondent Arlen Realty & Development Corp., doing business as Korvettes, subsequent to October 26, 1970, regularly issued credit cards, as "credit card" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 5. In the ordinary course and conduct of its business, as aforesaid, respondent Arlen Realty & Development Corp., doing business as Korvettes, in connection with its credit sales, as "credit sale" is defined in Regulation Z, has caused and is causing a substantial number of its customers to execute retail

