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REMARKS OF HONORABLE EWIN L. DAVIS,
CHAIRMAN OF THE FEDERAL TRADE COMMISSION,
AT OPENING OF TRADE PRACTICE CONFERENCE AND HEARING
FOR THE WATCH INDUSTRY AT WALDORF-ASTORIA HOTEL, NEW YORK CITY,
APRIL 19, 1945.

Ladies and Gentlemen:

It is my pleasure and privilege to welcome you to this conference and hearing. On behalf of the Federal Trade Commission I express to you our appreciation for the voluntary effort on your part to cooperate with the Commission in solving fair trade practice problems in the direction of affording protection to the public against deception and to business against unfair competitive methods.

The industry which you represent is large, especially from the standpoint of dollar value of your products. For in 1939, according to U. S. Bureau of Census Reports, there were manufactured in this country, jeweled watches, non-jeweled (or "clock") watches, and watch cases, of a total factory value of approximately 50 million dollars, and during that same year, according to U. S. Tariff Commission releases, there were imported into this country watch movements and watch cases having a total value, exclusive of tariff and the transportation cost, of approximately $8\frac{1}{2}$ million dollars; and thus it is estimated that the retail value of products of the industry made in this country, and imported into this country, during the year 1939, was well in excess of 100 million dollars. During the war, as you know, the American manufacturers have been engaged almost wholly in making time-keeping and special precision instruments for the successful prosecution of the war and for the fulfillment of our Lend-Lease commitments - such as watches and watch cases of special type, design, and capabilities, chronometers, mechanical time fuses, map measures, etc. - and many of them have been given the coveted "E" award.

It may be that there are some here this morning who are attending a trade practice conference for the first time, and I believe it would be well for me to explain briefly the nature, scope, and procedure of this activity of the Commission.

A trade practice conference for an industry looks toward the promulgation by the Commission of rules of fair competition designed to protect both industry members and the consuming public. Under the procedure cooperative effort on the part of industry members with the Commission is utilized to the fullest extent possible to keep the conduct of business on the high plane of ethics and fairness in consonance with law and the public interest.

The industry groups involved are called into conference, as has been done here today, for the consideration and submission of proposed trade practice rules to be placed before the Commission for attention. The Commission then takes the proposed rules under advisement and, after study, promulgates tentative rules and schedules a further public hearing at which not only members of the industry but also consumers and other interested persons may express their views. All matters are considered by the Commission and the rules as finally approved by the Commission are promulgated

for the industry. The rules as approved are generally in two classes known respectively as Group I and Group II. Group I rules proscribe as unfair those practices which are required to be avoided as illegal. They are in the nature of mandatory provisions as applied to the particular industry. Practices which are subject of Group II rules are voluntary. In general the Group II rules condemn practices which the industry considers harmful or unethical although not per se illegal and encourage practices which the industry considers beneficial to itself and the public.

This procedure utilizing, as it does, in the fullest measure possible, the industry's assistance in the wholesale elimination of unfair and deceptive acts and practices, has resulted in large savings to government and business and avoidance of numerous and expensive compulsory legal proceedings. Some 150 industries are now operating under fair trade practice rules established through such procedure. During many years of its utilization by industries and the Commission it has proven to have had a constructive and wholesome effect upon the business structure of the country.

Under this plan, problems are worked out in friendly, cooperative proceedings, where the best thoughts of all concerned may be pooled without reservation, in contrast to the compulsory method of dealing with individual concerns in an adversary proceeding. Businessmen are glad, as a rule, to lend their support to voluntary and simultaneous abandonment of bad practices. They welcome the chance to wipe the slate clean. The majority do not desire to make exaggerated claims of value or performance but at times feel that they must do so in order to meet in kind the unfair or unethical competition of less scrupulous competitors. Under this plan an industry may rid itself of bad practices by simultaneous action, at a given date, and thus assure no disadvantage to any.

A most important advantage in having such Rules established for an industry lies in the fact that they afford definite guidance so that members of the industry are not compelled to guess with respect to the lawfulness or unlawfulness of their activities. The Rules clarify the application of existing laws to the industry and serve as a guide in the light of interpretations by the Commission and the Courts; they lend concreteness and meaning to such comprehensive terms found in the statutes as "unfair methods of competition" and "unfair or deceptive acts or practices."

The purpose of our meeting today is the formulation and adoption by the industry, for consideration of the Commission, of fair trade practice rules governing the use of the terms "waterproof," "shockproof," "non-magnetic," and related designations (such as "moisture proof," "acqua-proof," "amphibious," "water resistant," "jar proof," "shock absorbing," "shock resistant," "anti-magnetic," etc.) as applied to watches, watch movements, or watch cases.

The rules and suggestions which come before this conference will be given careful study by the Commission, and before any final action is taken a draft of proposed rules in appropriate form will be made available to members of the industry and to all interested or affected parties, and a public hearing thereon will be scheduled pursuant to public notice.

I trust that this meeting may result in great good to your industry as well as to the public, and that you will formulate and adopt rules on the subjects mentioned that the Commission can approve and which enable your industry to operate on a high plane of ethical conduct and enjoy the utmost of public confidence and esteem.

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