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engaged in the resale of a seller's product. Liability for knowingly receiving such a discrimination may result whether the discrimination takes place directly through payments or services, or indirectly through deductions from purchase invoices or other similar means.

Example 1: A customer should not induce or receive advertising allowances for special promotion of the seller's product in connection with the customer's anniversary sale or new store opening when the customer knows or should know that such allowances, or suitable alternatives, are not available on proportionally equal terms to all other customers competing with it in the distribution of the seller's product.

Example 2: Frequently the employees of sellers or third parties, such as brokers, perform in-store services for their grocery retailer customers, such as stocking of shelves, building of displays and checking or rotating inventory, etc. A customer operating a retail grocery business should not induce or receive such services when the customer knows or should know that such services (or usable and suitable alternative services) are not available on proportionally equal terms to all other customers competing with it in the distribution of the seller's product.

Example 3: Where a customer has entered into a contract, understanding, or arrangement for the purchase of advertising with a newspaper or other advertising medium that provides for a deferred rebate or other reduction in the price of the advertising, the customer should advise any seller from whom reimbursement for the advertising is claimed that the claimed rate of reimbursement is subject to a deferred rebate or other reduction in price. In the event that any rebate or adjustment in the price is received, the customer should refund to the seller the amount of any excess payment or allowance.

Example 4: A customer should not induce or receive an allowance in excess of that offered in the seller's advertising plan by billing the seller at ''vendor rates'' or for any other amount in excess of that authorized in the seller's promotional program.

(b) Third party liability: Third parties, such as advertising media, may violate section 5 of the Federal Trade Commission Act through double or fictitious rates or billing. An advertising medium, such as a newspaper, broadcast station, or printer of catalogues, that publishes a rate schedule containing fictitious rates (or rates that are not reasonably expected to be applicable to a representative number of advertisers), may violate section 5 if the customer uses such deceptive schedule or invoice for a claim for an advertising allowance, payment or credit greater than that to which it would be entitled under the seller's promotional offering. Similarly, an advertising medium that furnishes a customer with an invoice that does not reflect the customer's actual net advertising cost may violate section 5 if the customer uses the invoice to obtain larger payments than it is entitled to receive.

Example 1: A newspaper has a ''national'' rate and a lower ''local'' rate. A retailer places an advertisement with the newspaper at the local rate for a seller's product for which the retailer will seek reimbursement under the seller's cooperative advertising plan. The newspaper should not send the retailer two bills, one at the national rate and another at the local rate actually charged.

Example 2: A newspaper has several published rates. A large retailer has in the past earned the lowest rate available. The newspaper should not submit invoices to the retailer showing a high rate by agreement between them unless the invoice discloses that the retailer may receive a rebate and states the amount (or approximate amount) of the rebate, if known, and if not known, the amount of rebate the retailer could reasonably anticipate.

Example 3: A radio station has a flat rate for spot announcements, subject to volume discounts. A retailer buys enough spots to qualify for the discounts. The station should not submit an invoice to the retailer that does not show either the actual net cost or the discount rate.

Example 4: An advertising agent buys a large volume of newspaper advertising space at a low, unpublished negotiated rate. Retailers then buy the space from the agent at a rate lower than they could buy this space directly from the newspaper. The agent should not furnish the retailers invoices showing a rate higher than the retailers actually paid for the space.

§ 240.14 Meeting competition.

A seller charged with discrimination in violation of sections 2 (d) and (e) may defend its actions by showing that particular payments were made or services furnished in good faith to meet equally high payments or equivalent services offered or supplied by a competing seller. This defense is available with respect to payments or services offered on an area-wide basis, to those offered to new as well as old customers,

and regardless of whether the discrimination has been caused by a decrease or an increase in the payments or services offered. A seller must reasonably believe that its offers are necessary to meet a competitor's offer.

§ 240.15 Cost justification.

It is no defense to a charge of unlawful discrimination in the payment of an allowance or the furnishing of a service for a seller to show that such payment or service could be justified through savings in the cost of manufacture, sale or delivery.

PART 250—GUIDES FOR THE HOUSEHOLD FURNITURE INDUSTRY

Sec.
250.0 Definitions.
250.1 Avoiding deception and making disclosures.
250.2 Describing wood and wood imitations.
250.3 Identity of woods.
250.4 Leather and leather imitations.
250.5 Outer coverings.
250.6 Stuffing (including filling, padding, etc.).
250.7 Origin and style of furniture.
250.8 Deception as to being ''new''.
250.9 Misuse of the terms ''floor sample'', ''discontinued model'', etc.
250.10 Passing off through imitation or simulation of trademarks, trade names, etc.
250.11 Misrepresentation as to character of business.
250.12 Commercial bribery.
250.13 Other parts in this title 16 applicable to this industry.

AUTHORITY: 38 Stat. 717, as amended (15 U.S.C. 41–58).

SOURCE: 38 FR 34992, Dec. 21, 1973, unless otherwise noted.

§ 250.0 Definitions.

(a) *Industry member*. Any person, firm, corporation or organization engaged in the manufacture, offering for sale, sale or distribution of industry products as such products are hereinafter defined.

(b) *Industry products*. Articles of utility, convenience or decoration which are suitable for use as furniture in a house, apartment, or other dwelling place. Such articles include, but are not limited to, all kinds and types of chairs, tables, cabinets, desks, sofas, bedsteads, chests and mirror frames. The following products, covered by sets of trade practice rules heretofore promulgated, are not to be considered as coming within the purview of this definition: bed mattresses, bedsprings, metal cots, cedar chests, mirror glass, musical instruments, radio and television receiving sets and venetian blinds. Also excluded from the purview of this part are pictures, lamps, clocks, rugs, draperies as well as appliances and fixtures such as refrigerators and air conditioners.

(c) *Exposed surfaces*. Those parts and surfaces exposed to view when furniture is placed in the generally accepted position for use. Included in this definition are visible backs of such items of furniture as open bookcases, hutches, etc.

§ 250.1 Avoiding deception and making disclosures.

(a) *In general*. Industry members should not sell, offer for sale, or distribute any industry product under any representation or circumstance, including failure to disclose material facts, that has the capacity and tendency or effect of misleading or deceiving purchasers or prospective purchasers with respect to its utility, construction, composition, durability, design, style, quality, quantity or number of items, model, origin, manufacture, price, grade, or in any other material respect.

(b) *Affirmative disclosures*. Material facts concerning merchandise which, if known to prospective purchasers, would influence their decision of whether or not to purchase should be disclosed. This includes situations where deception may result from the appearance alone which in the absence of affirmative disclosures, could have the capacity and tendency or effect of misleading or deceiving. For example, veneered construction, use of plastic with simulated wood appearance, use of materials or products that simulate other materials or products used in the manufacture of furniture, or use of simulated finish or grain design, are considered to be material facts and a failure to disclose such information may be an unfair trade practice violative of section 5 of the Federal Trade Commission Act.