

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

PARKER-HANNIFIN CORPORATION,

Defendant.

Civil No. C72-493
Filed: May 15, 1972

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the defendant named herein and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736 (15 U.S.C. § 25), as amended, commonly known as the Clayton Act, to prevent and restrain the continuing violation by the defendant, as hereinafter alleged, of Section 7 of the Clayton Act (15 U.S.C. § 18).

2. Defendant has its principal place of business, transacts business, and is found within the Eastern Division of the Northern District of Ohio.

II

DEFINITIONS

3. As used herein:

- (a) "Mobile OEM market" refers to those customers such as automobile, truck, aircraft, tractor

and construction equipment manufacturers who buy components and parts for use as original equipment.

- (b) "Industrial aftermarket" refers to those customers such as industrial distributors and mill supply houses who resell industrial replacement parts.
- (c) "Automotive aftermarket" refers to those customers such as warehouse distributors and mass merchandisers who resell automotive replacement parts.
- (d) "Tire hardware market" refers to those manufacturers and sellers of tire hardware which sell into the automotive aftermarket.
- (e) "Tire hardware" means tire valves, valve extensions, core housings, valve cores, gauges, air line gauge assemblies, air line gauges, tire pressure gauges, service gauges, air chucks, blowguns, automotive pneumatic quick-change couplers and fittings.
- (f) "Worm drive hose clamps" means a fastening device which is principally used to hold a piece of low pressure hose in a fixed position and consists of a serrated stainless steel band with a threaded worm drive screw which fits into an attached housing and turns in the band's serrations, serving to tighten or loosen the clamp.

- (g) "Service equipment and hand-operated lubrication equipment" means the following products which are used or sold in the automotive and industrial aftermarkets: exhaust caps, lubrication adapters, grease hoses and guns, air chuck blowguns, spray cleaners, adhesive glues, bench oilers, control fed oilers, handled oilers, high pressure oilers, pistol oilers, barrel pumps, grease gun fillers, oil spouts, transmission fillers, brake bleeders, bearing packers and washers, brake fluid pumps, filter wrenchers, grease guns, oilers, holders, funnels, fillers, measures, drain pans, gas cans, utility containers and service parts such as certain types of adapters and gaskets, but excludes air-operated, high pressure and high volume lubrication equipment such as lube guns, bucket and transfer pumps.
- (h) "Signal flashers" means an electrical device which is used on an automobile for directional or hazard indication.

III

THE DEFENDANT

4. Parker-Hannifin Corporation (hereinafter referred to as "Parker") is named as the defendant herein. Parker is a corporation organized and existing under the laws of the State of Ohio with its principal place of business in

Cleveland, Ohio. As used herein, "Parker" means Parker-Hannifin Corporation and all corporations which it controls, directly or indirectly, but does not include Ideal Corporation.

5. Parker is a highly diversified company with manufacturing facilities located throughout the world. In 1970, Parker was the 432nd largest industrial corporation in the United States in terms of sales (\$211 million) and the 409th largest in terms of assets (\$162 million).

6. Parker's corporate structure is composed of six operating groups: (1) Power and Controls Group; (2) Fluid Connectors Group; (3) Automotive and Air Conditioning Products Group; (4) Aerospace Group; (5) Seal Group; and (6) International Group. Each group in turn includes various divisions.

7. Parker's sales and assets have grown rapidly in recent years, primarily because of its active acquisition program. For the fifteen-year period from 1954 to 1969, Parker's sales increased almost ten-fold from \$21 million to \$197 million. In 1965, Parker began to concentrate on acquisitions of companies selling products into the automotive aftermarket. Two such acquisitions were Tru-Flate, Inc. ("Tru-Flate"), a manufacturer and seller of tire hardware, and Plews Manufacturing Co. and Plews Oiler Inc. ("Plews"), manufacturers of service equipment and hand-operated lubrication equipment.

8. The acquired company, Ideal Corporation (hereinafter referred to as "Ideal"), is engaged in the manufacture and sale of three principal product lines: worm drive hose

clamps, tire hardware and signal flashers. Ideal's three principal products are sold mainly in the automotive aftermarket. However, they are also sold to various OEM markets and industrial markets. In 1970, Ideal had total sales of about \$27 million.

IV

TRADE AND COMMERCE

9. There are about ten manufacturers in the United States in the tire hardware market. This market is highly concentrated. Prior to the merger of Parker and Ideal, the six largest manufacturers accounted for about 70 percent of the tire hardware market; after the merger, the five largest companies accounted for about 70 percent.

10. Both Parker and Ideal manufacture and sell tire hardware into the automotive aftermarket, and are engaged in interstate commerce. Prior to the merger, Ideal was the fifth largest company in the tire hardware market with a 10.2 percent market share; Parker was sixth largest, with an 8.1 percent market share. Combined, Parker and Ideal are the largest company in the tire hardware market with an 18.3 percent share of the market.

11. The largest single market for the worm drive clamps is the automotive aftermarket. However, this type of clamp is also sold into various other markets such as the mobile OEM market and industrial aftermarket. In the automotive aftermarket, the clamp is principally used as a replacement item for worn-out, lost, defective and discarded original equipment clamps such as those used to secure the automobile's radiator hose in place. Worm drive clamps are marketed to

customers in the automotive aftermarket in the same manner as tire hardware, service equipment and hand-operated lubrication equipment. There are about six worm drive clamp manufacturers in the United States. The market is highly concentrated. The largest manufacturer, Ideal, accounts for about 40 percent of the sales in this market, and the top four companies account for about 90 percent of the total industry sales.

12. All of the worm drive clamp manufacturers are significantly smaller than Ideal in the sales of worm drive clamps. Ideal has more than triple the sales of its nearest competitor. Most of Ideal's competitors in this market do not sell a diversified line of products into the automotive aftermarket, the mobile OEM market or the industrial market.

13. Parker and Ideal have many products which are sold to the same type of customers. Parker sells a broad range of products into the same markets that worm drive clamps are sold into, i.e., the automotive aftermarket, mobile OEM market and the industrial aftermarket. Such Parker products include tire hardware, service equipment, hand-operated lubrication equipment, tube and brass fittings, quick-disconnect couplers, seal products, air-conditioning products and hose products. Most of these products are sold to a multitude of warehouse and industrial distributors which handle Parker's products in the various markets. Ideal also sells products into these markets, i.e., tire hardware, flashers and worm drive clamps into the automotive aftermarket; worm drive clamps into the industrial and OEM markets, and flashers into the mobile OEM market.

14. In recent years, there has been a trend among warehouse distributors and mass merchandisers to purchase automotive aftermarket products from a single source. This is also true among customers in the industrial aftermarket. Parker and Ideal have fostered one source buying in the past through acquisitions, product development, and marketing philosophy.

15. Parker is likely to foster one source buying with respect to the sale of Ideal worm drive clamps, flashers and tire hardware with its other products and to also provide entree for Ideal's products with Parker's customers.

16. Prior to its merger with Ideal, Parker, by virtue of its resources and interest, was a likely potential entrant into the manufacture and sale of worm drive clamps through acquisition of a smaller firm in the industry. Because of the nature of its involvement in the automotive aftermarket, and its desire to increase its product line and participation in that market, Parker has undertaken an active program directed at acquiring companies engaged in the manufacture and distribution of products for the automotive aftermarket. Pursuant to this program Parker considered acquiring two smaller manufacturers of worm drive clamps, and Parker would likely have acquired a smaller manufacturer of worm drive clamps had it not merged with Ideal.

VIOLATION ALLEGED

17. On December 31, 1971, Parker acquired Ideal. Ideal was merged into Park Han Co., a Parker subsidiary which was renamed Ideal Corporation.

18. The effect of this acquisition may be to substantially lessen competition or tend to create a monopoly in the above-described trade and commerce in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) actual competition between Parker and Ideal in the tire hardware market has been eliminated;
- (b) concentration will be increased in the tire hardware market;
- (c) potential competition between Parker and Ideal in the manufacture and sale of worm drive clamps has been eliminated;
- (d) the leading market position of Ideal in the manufacture and sale of worm drive clamps may be entrenched by the competitive advantages resulting from the merger;
- (e) worm drive clamp competitors of Ideal may be foreclosed from selling to various customers; and
- (f) barriers to entry and concentration in the manufacture and sale of worm drive clamps will be further increased.

PRAYER

WHEREFORE, plaintiff prays:

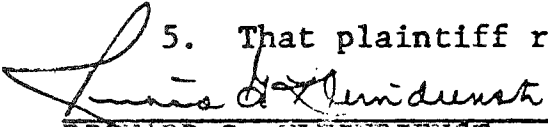
1. That the aforesaid acquisition by Parker be adjudged and decreed to be unlawful, in violation of Section 7 of the Clayton Act.

2. That, pending final adjudication of the merits of this complaint, a preliminary injunction issue preventing and restraining Parker, or any corporation, company or person acting on its behalf, from taking any action which would in any way tend to impair the independent and viable existence or operation of Ideal, or in any way interfere with the Court's ability to require Parker to divest Ideal as a viable company in the event judgment is rendered for the plaintiff.

3. That Parker be required to divest itself of the Ideal Corporation.

4. That plaintiff have such other and further relief as the Court may deem just and proper.

5. That plaintiff recover its taxable costs.


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