

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO, TEXAS

UNITED STATES OF AMERICA,)	
)	
Petitioner,)	
)	Civil Action No. SA 69-CA-114
v.)	
)	Civil Contempt Petition
MARTIN LINEN SUPPLY COMPANY,)	
TEXAS SANITARY TOWEL SUPPLY)	Filed: <i>May 3, 1974</i>
CORP., and)	
WILLIAM B. TROY)	
)	
Respondents.)	

AMENDED PETITION BY THE UNITED STATES FOR AN
ORDER TO SHOW CAUSE WHY THE RESPONDENTS SHOULD
NOT BE FOUND IN CIVIL CONTEMPT

The United States of America by its attorneys,
acting under the direction of the Attorney General, presents
this Petition for an order requiring the above-named
respondents to show cause why they should not be found
in civil contempt of this court. The petitioner represents
to the Court as follows:

I

PRIOR JUDGMENT OF THIS COURT

1. On April 30, 1969, petitioner filed in this Court
Civil Action No. SA 69-CA-114, brought under Section 4 of
the Sherman Act (15 U.S.C. §4), charging that since at
least 1963 the respondents had been engaged in a combination
and conspiracy to restrain, to monopolize and to attempt
to monopolize the trade of furnishing linen supplies in
the State of Texas, in violation of Sections 1 and 2 of
the Sherman Act.

2. On June 2, 1969, upon consent of the parties, a Final Judgment ("Judgment") was entered in this Court, in Civil Action No. SA 69-CA-114. A copy of this Judgment is annexed to this Petition and marked as Exhibit "A".

3. Section III of the Judgment provides:

The provisions of this Final Judgment applicable to any defendant shall apply to each such defendant, to its successors and assigns, to each of their respective officers, directors, agents, servants and employees, and to all persons in active concert or participation with any such defendant who shall have received actual notice of this Final Judgment by personal service or otherwise.

4. Section X of the Judgment provides:

Jurisdiction is retained for the purpose of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders or directions as may be necessary or appropriate for the construction or the carrying out of this Final Judgment, for the modification or termination of any of the provisions hereof for the purpose of enabling the plaintiff to apply to this Court for the enforcement of compliance herewith and for the punishment of violations hereof.

II

DESCRIPTION OF RESPONDENTS

5. Martin Linen Supply Company ("Martin") is hereby made a respondent. Martin is a corporation organized and existing under the laws of the State of Texas with its principal office in San Antonio, Texas. Martin supplies linens in and around several large cities in the States of Texas and Oklahoma. Martin was a defendant in Civil Action No. SA 69-CA-114 and is a party to the Judgment in that action.

6. Texas Sanitary Towel Supply Corp., doing business as Cascade Linen Service ("Cascade"), is hereby made a respondent. Cascade is a corporation organized and existing under the laws of the State of New York with offices in Dallas, Texas. Cascade is a linen supplier doing business in the State of Texas and is affiliated through common ownership with the respondent Martin. Cascade was a defendant in Civil Action No. SA 69-CA-114 and is a party to the Judgment in that action.

7. William B. Troy, the controlling stockholder and president of both Martin and Cascade, is hereby made a respondent. Troy also actively participates in the ownership and control of many other linen supply companies doing business in various other areas of the United States. William B. Troy was a defendant in Civil Action No. SA 69-CA-114 and is a party to the Judgment in that action.

III

VIOLATIONS OF THE JUDGMENT ALLEGED

8. Petitioner alleges that the above-named respondents have knowingly disobeyed and violated, and are continuing to disobey and violate, orders and decrees of this Court as set forth in the Judgment and are in civil contempt of the authority of this Court, as a result, among others, of the respondents' acts set forth below:

A. Section IV(B)

9. Section IV(B) of the Judgment provides that:

Each defendant is enjoined and restrained from entering into, adhering to, enforcing or claiming any rights under any contract, agreement, understanding, plan or program with any person, not owned or controlled by such defendant, to directly or indirectly;

* * *

(B) Divide, allocate or apportion markets, territories or customers for the furnishing of any linen supplies or otherwise restrict competition between or among linen rental suppliers;

10. Petitioner charges that respondent William B. Troy knowingly and willfully on or about May 25, 1970 entered into an understanding with Gene M. Gardner to allocate customers and restrict competition between City Linen Service and Cascade Linen Supply in violation of Section IV(B) of the Judgment.

B. Section V(A) (1)

11. Section V(A) (1) of the Judgment provides that:

Each corporate defendant is enjoined and restrained from, directly or indirectly:

(A) Threatening, coercing, inducing or attempting to induce:

(1) Any linen rental supplier to refrain, while in business, from furnishing linen supplies to any customer, ...

12. Petitioner alleges that since as early as 1969 and continuing to the date of filing this Petition,

the respondents have violated Section V(A)(1) of the Judgment by threatening, coercing, inducing and attempting to induce competitors to refrain from soliciting business from linen supply customers of Martin and Cascade, by conducting retaliatory sales campaigns and threatening such campaigns, as hereinafter described.

13. In furtherance of their efforts to threaten, coerce, and induce competitors to refrain from soliciting business from linen rental users who are customers of Martin and Cascade, the respondents have, among other things:

- (a) Discussed with and communicated to competitors, directly and indirectly, the fact that respondents would recoup all business that the competitor took from respondents;
- (b) Prepared and coordinated statistical records of all business lost to and won from each of their competitors ("Competitive Standing Book") to determine those competitors against whom retaliatory sales campaigns should be started; and
- (c) Conducted the retaliatory sales campaigns described in Paragraphs 14 and 15 hereof.

14. The respondents have sought to coerce and induce Flake Uniform and Linen Supply ("Flake") of Wichita Falls, Texas, a competitive linen supplier, to refrain from soliciting customers of Cascade in the following manner:

- (a) Sometime in mid-1970, Leo Latham, branch manager of Martin in Wichita Falls, Texas, threatened Leon Flake, president of Flake, that if Flake did not stop soliciting Cascade's customers in Dallas, Texas, Martin would wage a price war in Wichita Falls in order to regain sales lost by Cascade to Flake;
- (b) On May 22 or June 15, 1970, Dan Sportsman, general manager of Martin, threatened Leon Flake that Martin would put him out of business;
- (c) Sometime in early 1971, William B. Troy decided that Martin should launch a sales campaign against Flake in Wichita Falls, Texas, where both Martin and Flake were doing business, in order to retaliate for those sales that Cascade had lost to Flake in Dallas, Texas; and
- (d) Starting in April 1971, and continuing to date, Martin has conducted a retaliatory sales campaign against Flake both in Wichita Falls, Texas, and Lawton, Oklahoma, during which (1) salesmen of Martin have trailed Flake's delivery trucks in order to ascertain which customers they should solicit; (2) Martin has offered prices at and below the lowest prices it offers for services elsewhere in the State of Texas in order to win accounts from Flake; and (3) Martin has offered substantial amounts of free service in order to obtain business at Flake's expense.

15. The respondents have sought to coerce and induce Abilene Linen Supply Company ("Abilene") of Abilene, Texas, to refrain from soliciting customers of Martin in the following manner:

- (a) In October 1969, after Abilene had obtained the Saga Food Service account which had previously been serviced by Martin, George Harrelson, a Martin branch manager in Abilene, Texas, told Don Wright, manager of Abilene, that he would "get even";
- (b) Thereafter, Abilene lost business to Martin, in an amount in excess of the Saga Food Service account, through selective price cuts on the part of Martin; and
- (c) On February 7, 1970, George Harrelson met with Don Wright and told him that if Abilene did not stop soliciting Martin's customers, he could expect more retaliation.

16. The respondents have sought to coerce and induce City Linen Service ("City") of Dallas, Texas, a competitive linen supplier in and about the City of Dallas, to refrain from soliciting customers of Cascade in the following manner:

- (a) Subsequent to the entry of the Judgment but prior to 1970 Hugh B. Coker, general manager of Cascade, called Charles F. Leatherwood

manager of City, and sought to induce City to agree not to solicit customers of Cascade.

(b) Sometime in January 1970 respondent William B. Troy, president of Cascade, and Hugh B. Coker, general manager of Cascade, at their request met at a restaurant located at 3541 McKinney Avenue in Dallas, Texas with Charles F. Leatherwood, manager of City, and Carson Roland Leatherwood, part owner of City, and sought to induce City not to solicit customers of Cascade.

(c) On or about May 25, 1970 William B. Troy, president of Cascade, met at the Cipango Club in Dallas, Texas with Gene Gardner, president of City, and sought to induce City not to solicit customers from Cascade.

17. The respondents have sought to coerce and to induce Buchanan Linen Supply ("Buchanan") of Waco, Texas, a competitive linen supplier in and about the City of Waco to refrain from soliciting customers of Martin in the following manner:

(a) In September or October of 1970, Bob Davis, Martin Sales Manager for Martin's overall operations met in the late afternoon in Waco, Texas, at the Downtowner Motel Cafe with John Buchanan, a manager of Buchanan, and sought to induce Buchanan not to solicit Martin's customers.

C. Section V(B)

18. Section V(B) of the Judgment provides that:

Each corporate defendant is enjoined
and restrained from, directly or indirectly:

* * *

(B) Threatening to put any linen rental
supplier out of business;

19. Petitioner alleges that on May 22 or June 15,
1970, Dan Sportsman, general manager of Martin, made a
telephone threat to Leon Flake, president of Flake, that
Martin would put Flake out of business, in violation of
Section V(B) of the Judgment.

D. Section V(E)

20. Section V(E) of the Judgment provides that:

Each corporate defendant is enjoined
and restrained from, directly or indirectly:

* * *

(E) Trailing or causing to be trailed
the vehicle or vehicles, deliveryman or
deliverymen of any other linen rental supplier;

21. Petitioner alleges that on July 12, 1971, in
Altus, Oklahoma, Gary Harris, a Martin salesman, in
the course of his employment, was trailing a Flake truck
in violation of Section V(E) of the Judgment.

E. Section V(F)

22. Section V(F) of the Judgment provides that:

Each corporate defendant is enjoined
and restrained from, directly or indirectly:

* * *

(F) Temporarily augmenting or adding
to its personnel in any trading area out-
side of the course of a normal selling campaign
for the purpose or with the effect of eliminating
a competitor or competitors;

23. Petitioner alleges that respondents have violated Section V(F) of the Judgment by temporarily adding the following Martin salesmen to the Wichita Falls, Texas, and Lawton, Oklahoma trading area during the following periods:

- | | |
|------------------|--|
| (a) Gary Harris | April 3 - July 23, 1971 |
| (b) Max Welch | May 8 - July 2, 1971 |
| (c) Dave Isbel | July 5, 1971 - to at least
August 3, 1971 |
| (d) Mark Sutphen | July 12, 1971 - to at least
August 3, 1971 |
| (e) Bob Davis | March 20, 1971 - to at least
August 3, 1971 |

24. The above-named individuals carried out the retaliatory sales campaign against Flake which is alleged in Paragraph 14(d) hereof, and which was conducted outside of a normal Martin selling campaign for the purpose of eliminating Flake as a competitor in the linen rental supply business in the Dallas, Texas trading area.

F. Section VI

25. Section VI of the Judgment provides that:

Each corporate defendant is enjoined and restrained from furnishing or offering or threatening to furnish linen supplies to a customer or potential customer on terms or conditions which involve below cost prices, lump sum cash payments to the customer, loans (other than bona fide loans by a defendant to its then existing customers), free service, gratuities or other similar inducements to obtain a contract or renewal of a contract for the furnishing of linen supplies, for the purpose or with the effect of eliminating a competitor or competitors.

26. Petitioner alleges that respondents carried out in part the retaliatory sales campaign described in Paragraph 14(d) hereof by using offers of free service and other similar inducements in the Wichita Falls, Texas, and Lawton, Oklahoma trading area for the purpose of eliminating Flake as a competitor in the linen rental supply business in the Dallas, Texas trading area, in violation of Section VI of the Judgment.

PRAYER

WHEREFORE, the petitioner moves this Court to:

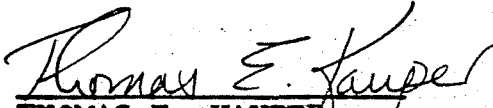
1. Issue an order directing each of the respondents to appear before this Court, at a time and place to be fixed in said order, to show cause why they should not be adjudged in civil contempt of this Court; and

THEREAFTER,

2. Issue an order adjudging that respondents have been in civil contempt of this Court's Judgment, and further:

- (a) Issue an order that respondents forthwith cease and desist from carrying out retaliatory sales campaigns in the manner alleged herein;
- (b) Issue an order that the respondents forthwith cease and desist from maintaining a statistical record by competitor of business won and lost;
- (c) Impose an appropriate fine upon the corporate respondents Martin and Cascade for each day after this Court's order that said respondents fail to carry out the directions of this Court;

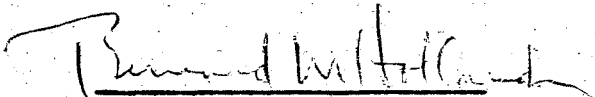
- (d) Impose an appropriate fine and imprisonment upon the individual respondent William B. Troy for each day after this Court's order that said respondent fails to carry out the directions of this Court;
- (e) Issue such further orders as the nature of the case may require and as the Court may deem just and proper to compel obedience to, and compliance with, the Judgment; and
- (f) Grant to the petitioner the cost of this proceeding.


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