

UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. 80-1401
	)	
	)	Filed: September 30, 1980
ROCKWELL INTERNATIONAL	)	
CORPORATION and ROCKWELL	)	
INTERNATIONAL HOLDINGS	)	
LIMITED,	)	
	)	
Defendants.	)	

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 above-named defendants and complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. The United States files this complaint and institutes this proceeding under Section 15 of the Clayton Act, 15 U.S.C. §25, in order to prevent and restrain violation by the defendants of Section 7 of said Act, 15 U.S.C. §18.

2. Defendant Rockwell International Corporation ("Rockwell") has its principal place of business, transacts business, and is found within the Western District of Pennsylvania.

## II.

### DEFINITIONS

3. As used herein, "lubricated tapered plug valve" means a valve containing a vertical truncated cone-shaped plug, with a hole through its center, that rotates 90 degrees about its axis within the valve body. Lubricant is distributed through channels in the plug and body to seal the seating surfaces and facilitate operation. When the plug's hole is aligned with the pipe, fluids or gasses flowing through the pipe also pass through the valve; when the plug is turned 90 degrees, the solid face of the plug blocks flow through the valve.

4. As used herein, "lubricated cylindrical plug valve" means a lubricated valve similar in construction and operation to the lubricated tapered plug valve except that it has a cylindrically-shaped plug instead of a truncated cone-shaped plug.

5. As used herein, the term "lubricated plug valves" includes both lubricated tapered plug valves and lubricated cylindrical plug valves.

111.

DEFENDANTS

6. Rockwell is made a defendant herein. Rockwell is a corporation organized and existing under the laws of the State of Delaware. Rockwell is the 45th largest industrial corporation in the United States as ranked by total sales and the 53rd largest such corporation in terms of assets. In its fiscal year ended September 30, 1979, Rockwell had consolidated sales in excess of \$6.1 billion, consolidated net income of \$261.1 million, and consolidated assets of \$4.1 billion. Rockwell is engaged in a wide variety of business activities in the United States and in many foreign countries. Through its Flow Control Division, it is one of the nation's largest manufacturers of industrial valves.

7. Rockwell International Holdings Limited ("RIHL") is made a defendant herein. RIHL, a wholly-owned subsidiary of Rockwell, is organized and exists under the laws of, and is found in, the State of Delaware.

IV.

THE ACQUISITION

8. On February 1, 1980, Rockwell, through RIHL, purchased 12,650,000 shares of Serck Limited ("Serck") or approximately 30% of Serck's outstanding shares. Rockwell then made a tender offer on or about April 1, 1980, to acquire the remaining

shares of Serck. After the United States Department of Justice announced on April 17, 1980, that it would file suit to enjoin this acquisition as a violation of Section 7 of the Clayton Act, Rockwell abandoned the tender offer. Rockwell continues to own and control, through RIHL, 12,650,000 shares of Serck stock.

9. No other shareholder or group of related shareholders of Serck owns more than approximately 7.5% of Serck's outstanding shares. Rockwell's ownership of approximately 30% of Serck's outstanding shares thus gives Rockwell the power to exercise great influence, if not actual working control, over Serck.

10. Serck is a company organized and existing under the laws of the United Kingdom, with its principal place of business in Solihull, England. It is a diversified company whose major business is the manufacture of industrial valves. For its fiscal year ended September 30, 1979, Serck had total sales of 91.9 million pounds sterling (approximately \$218.7 million), assets of 75.2 million pounds sterling (approximately \$179 million), and earnings of nearly 1.7 million pounds sterling (approximately \$4 million). Serck's valve manufacturing and marketing activities are conducted through a subsidiary, Serck Audco Valves International, which has sixteen subsidiary or associated companies located in ten countries.

Serck's operations in the United States are conducted through its wholly-owned subsidiary, Serck Incorporated, which has its principal place of business in Houston, Texas, and which was incorporated under the laws of the State of Texas in 1972.

V.

TRADE AND COMMERCE

11. Lubricated plug valves are used for flow control purposes in a variety of industrial applications, such as oil and gas production, processing, transmission, and distribution. Because of favorable design characteristics, which include quarter-turn operation, durability, bubbletight shutoff, fire safety, and a seal that can be restored while in-service through the injection of lubricant, lubricated plug valves are the valve of choice in many applications.

12. In 1979, approximately \$57 million of lubricated plug valves were sold in the United States. Rockwell is the dominant company in the lubricated plug valve market; its sales of such valves in 1979 accounted for approximately 83.5% of the total sales.

13. Lubricated tapered plug valves constitute a submarket of the lubricated plug valve market. In 1979, approximately \$50.7 million of lubricated tapered plug valves were sold in the United States. Rockwell is the dominant company in the

lubricated tapered plug valve submarket; its sales of such valves in 1979 accounted for approximately 94% of the total sales.

14. Serck is, after Rockwell, the second largest manufacturer of lubricated tapered plug valves in the world. It is the leading manufacturer of such valves outside the United States and is Rockwell's main competitor in the international market.

15. The United States is the largest market for lubricated tapered plug valves in the world. Serck has been attempting since at least 1977 to expand into the United States by means of an acquisition or joint venture that would permit it to manufacture lubricated tapered plug valves domestically. Serck is the most significant and probable entrant into the manufacture of lubricated tapered plug valves in the United States.

16. Pending the establishment of a domestic manufacturing facility, Serck has, since 1977, been selling lubricated tapered plug valves in the United States through various entities, including Serck Incorporated. In 1979, Serck Incorporated's sales of such valves in the United States accounted for less than one percent of domestic sales of lubricated plug valves or lubricated tapered plug valves.

17. Rockwell is engaged in interstate commerce. It sells a wide variety of products, including lubricated tapered plug valves, that are regularly shipped in interstate commerce from the production sites to customers located in other states.

18. Serck is engaged in interstate and foreign commerce. Serck sells a variety of products, including lubricated tapered plug valves, that are regularly shipped into the United States from production sites in other countries. Serck Incorporated sells various products, including lubricated tapered plug valves, that are regularly shipped in interstate commerce from Houston, Texas, to customers located in other states.

## VI.

### VIOLATION ALLEGED

19. On February 1, 1980, Rockwell acquired, through RIHL, approximately 30% of the outstanding shares of Serck.

20. The effect of the aforesaid acquisition by Rockwell may be substantially to lessen competition or to tend to create a monopoly in the aforesaid interstate trade and commerce in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition and the potential for increased competition between Rockwell and Serck in the manufacture and sale of lubricated plug valves and lubricated tapered plug valves will be eliminated;

(b) Actual competition and the potential for increased competition in the lubricated plug valve and lubricated tapered plug valve markets generally may be substantially lessened; and

(c) Concentration in the manufacture and sale of lubricated plug valves and lubricated tapered plug valves has been substantially increased.

## VII.

### PRAYER

21. WHEREFORE, the plaintiff prays:

A. That the acquisition by Rockwell, through RIHL, of the Serck shares be adjudged and decreed by the Court to be a violation of Section 7 of the Clayton Act;

B. That Rockwell and RIHL be ordered to divest themselves of all of the shares of Serck that they own or control, whether directly or indirectly;

C. That Rockwell and RIHL be enjoined from acquiring the stock or assets of any concern engaged in the production or sale of lubricated plug valves or lubricated tapered plug valves;

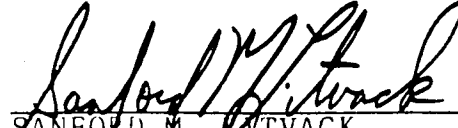
D. That the plaintiff have such other and further relief as the Court may deem just and proper;

E. That the plaintiff recover the costs of this action; and

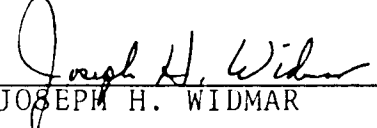


F. That, pursuant to Section 15 of the Clayton Act, the Court order summons to be issued to RIHL commanding it to appear and answer the allegations contained in this complaint and to abide by and perform such orders as this Court may make in the premises.

DATED:

  
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