

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,  
U.S. DEPARTMENT OF JUSTICE  
WASHINGTON, D.C. 20530  
(202) 724-7974

Plaintiff,

**REVERCOMB, J.**

v.

DATA CARD CORPORATION  
MINNEAPOLIS, MINNESOTA 55440  
(612) 931-1800

Defendant.

Civ. No.

**86-2339**

Filed:

**AUG 22 1986**

COMPLAINT

The United States of America, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable and other relief against 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 Clayton Act, as amended (15 U.S.C. § 25), to prevent the violation by defendant, as hereinafter alleged, of Section 7 of the Clayton Act, as amended (15 U.S.C. § 18).

2. Data Card Corporation transacts business within the District of Columbia.

## II.

### DEFINITIONS

3. "Low-volume embosser" means an embosser that is used to form raised characters on plastic cards, that has the capability of producing up to 200 embossed cards per hour, that has a mechanism that automatically feeds blank cards into the embossing mechanism, that is capable of operating on-line to a computer, and that does not have the capability of encoding data onto magnetic stripes.

4. "HHI" means the Herfindahl-Hirschman Index, a measure of market concentration calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. (For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2,600  $[(30)^2 + (30)^2 + (20)^2 + (20)^2 = 2,600]$ .) The HHI, which takes into account the relative size and distribution of the firms in a market can range from virtually zero to 10,000. The index approaches zero when a market is occupied by a large number of firms of relatively equal size. The index increases as the number of firms in the market decreases and as the disparity in size between the leading firms and the remaining firms increases.

5. "DBS" means DBS, Incorporated, a corporation organized and existing under the laws of the State of Massachusetts. DBS maintains its principal offices in Randolph, Massachusetts. In 1985, DBS had total sales of approximately \$105 million. DBS produces low-volume embosser at facilities located in

Massachusetts for sale both in and outside the United States. Its sales in the United States of low-volume embossers totaled approximately \$6 million in 1985.

III.

DEFENDANT

6. Data Card Corporation ("Data Card") is made a defendant herein. Data Card is a corporation organized and existing under the laws of the State of Delaware. Data Card maintains its principal offices in Minneapolis, Minnesota. In 1985, Data Card had total sales of approximately \$104 million. Data Card produces low-volume embossers at facilities located in Minnesota for sale in and outside the United States. Its sales in the United States of low-volume embossers totaled approximately \$1.1 million in 1985.

IV.

TRADE AND COMMERCE

7. Low-volume embossers are used primarily by hospitals to produce embossed plastic cards for patient identification. The cards are used to imprint the patient information onto hospital documents such as patient charts and multipart forms for ordering tests and procedures. The patients' identifying information that is embossed on the plastic cards usually is transmitted to the embossers directly from the hospital computers at the time of patients' admittances to the hospital.

8. No competitive substitutes exist for low-volume embossers to which a significant number of purchasers of such machines would switch in response to a small but significant nontransitory price

increase. The production and sale of low-volume embossers constitutes a relevant product market for antitrust purposes.

9. Both Data Card and DBS compete nationwide in the production and sale of low-volume embossers. The United States constitutes a geographic market for the production and sale of low-volume embossers.

10. Low-volume embossers typically sell for between \$13,000 and \$20,000, depending upon their speed, reliability, and the optional equipment included with the basic units. In 1985, total sales of low-volume embossers in the United States were approximately \$10 million.

11. The production and sale of low-volume embossers in the United States is highly concentrated. In 1985, DBS accounted for approximately 59 percent of the market for low-volume embossers in the United States and Data Card accounted for approximately 12 percent. Only two other firms sell low-volume embossers in the United States. The HHI in the market for low-volume embossers in the United States is about 4129. The acquisition of DBS by Data Card would increase the HHI by about 1378 to 5507.

12. Successful new entry into the production and sale of low-volume embossers involves significant costs and time. A small but significant nontransitory price increase would not induce new entry.

13. Data Card sells and ships low-volume embossers to domestic customers outside the state in which such embossers are produced. DBS sells and ships low-volume embossers to domestic

customers outside the state in which such embossers are produced. The sales transactions in which Data Card and DBS engage regularly result in interstate transfer of equipment and funds. Data Card and DBS both are engaged in interstate commerce and their activities substantially affect interstate commerce.

V.

VIOLATION ALLEGED

14. On or about July 31, 1986, Data Card and DBS entered into an agreement providing for Data Card to acquire for approximately \$52 million all the stock of DBS. The agreement would result in common control and ownership of the competing low-volume embosser businesses currently operated separately by Data Card and DBS.

15. The effect of Data Card's proposed acquisition of DBS may be substantially to lessen competition in violation of Section 7 of the Clayton Act, in the following ways, among others:

a. actual and potential competition between Data Card and DBS in the production and sale of low-volume embossers in the United States will be eliminated; and

b. competition generally in the production and sale of low-volume embossers in the United States may be substantially lessened.

PRAYER

WHEREFORE, plaintiff prays:

1. That the acquisition of DBS by Data Card be adjudged to be in violation of Section 7 of the Clayton Act;

2. That Data Card be ordered and directed to divest itself of the AFI 1500/1600 product line, which includes a low-volume embosser and is part of the assets that it will acquire from DBS;

3. That until Data Card completely divests itself of the AFI 1500/1600 product line, Data Card be ordered and directed to preserve such product line as an active competitor in the market for low-volume embossers;

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

5. That plaintiff recover the costs of this action.

Respectfully submitted,

  
CHARLES F. RULE  
Acting Assistant Attorney General

  
ROGER B. ANDEWELT

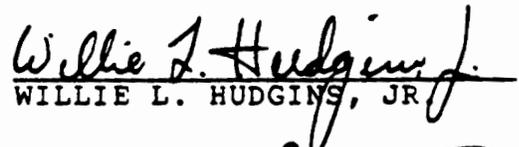
  
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