

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	Civil Action No. 72-2075-J
v.	)	
	)	Filed: July 3, 1972
CONVERSE RUBBER CORPORATION;	)	
ELTRA CORPORATION; and	)	
THE B. F. GOODRICH COMPANY,	)	Equitable Relief Sought
	)	
Defendants.)	)	

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 relief against the above named defendants 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, as amended (15 U.S.C. § 25), commonly known as the Clayton Act, in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, as amended (15 U.S.C. § 18).

2. Converse Rubber Company has its principal place of business, transacts business, and is found within the District of Massachusetts.

3. Eltra Corporation transacts business and is found within the District of Massachusetts.

4. The B. F. Goodrich Company transacts business and is found within the District of Massachusetts.

## II

### DEFENDANTS

5. Converse Rubber Corporation ("Converse"), a wholly owned subsidiary of defendant Eltra Corporation, is named a defendant herein. It is a corporation organized and existing under the laws of the State of Massachusetts, with its principal office in Malden, Massachusetts. In 1971, Converse had approximately \$70.8 million in total sales, of which about \$61.2 million consisted of footwear sales.

6. Eltra Corporation ("Eltra"), a corporation organized and existing under the laws of the State of New York, with its principal place of business in New York City, New York, is named a defendant herein. Eltra, through its subsidiaries and divisions, is engaged in the manufacture and sale of a variety of industry products, including printing and electrical equipment, cements, plastics, and metallic fittings. On October 2, 1971, Eltra acquired Converse for approximately \$17 million in cash. For the fiscal year ended September 30, 1971, Eltra had net sales of about \$444 million.

7. The B. F. Goodrich Company ("Goodrich"), a corporation organized and existing under the laws of the State of New York, with its principal place of business in Akron, Ohio, is named a defendant herein. Goodrich is a diversified manufacturing firm engaged in the manufacture and sale of, among other things, tires, chemicals, footwear, yarn, aerospace products, and industrial products. In 1971, Goodrich had approximately \$1.24 billion in total sales, of which about \$48 million consisted of footwear sales.

### III

#### DEFINITIONS

8. As used in this complaint:

- (a) "Canvas shoes" means shoes manufactured by attaching a canvas upper to a rubber or plastic sole, and commonly known as gym shoes, tennis shoes or sneakers;
- (b) "Rubber canvas shoes" means canvas shoes manufactured by attaching a canvas upper to a synthetic rubber sole;
- (c) "Plastic canvas shoes" means canvas shoes manufactured by attaching a canvas upper to a plastic sole;
- (d) "National brand canvas shoes" means canvas shoes whose brand names are nationally advertised and promoted; and
- (e) "Goodrich operations" means Goodrich footwear production facilities located at Lumberton, North Carolina; Elgin, South Carolina; and Mayaguez, Puerto Rico.

### IV

#### TRADE AND COMMERCE

9. Canvas shoes, also commonly known as tennis shoes, gym shoes, sneakers, athletic shoes, court shoes, and game shoes, are manufactured by bonding the upper part of the shoe made of a woven cotton fabric (called canvas or duck) to the sole, which may be made of plastic or synthetic rubber. In some instances, suede and leather have recently been introduced as a high priced substitute for canvas uppers.

10. The canvas shoe industry recognizes rubber canvas shoes as being distinct from plastic canvas shoes. Rubber canvas shoes and plastic canvas shoes are made by different manufacturing processes. Rubber canvas shoes are distinguished from plastic canvas shoes on the basis of,

among other things, quality, price, and means of distribution. For these reasons rubber canvas shoes and plastic canvas shoes are separate submarkets of the canvas shoe industry.

11. Rubber canvas shoes are manufactured by attaching a synthetic rubber sole to a canvas upper by vulcanizing the two parts together in an oven known as an autoclave. A foxing, or strip of synthetic rubber, is then bonded all around the bottom of the shoe to permanently affix the sole to the upper. The manufacturing process used to produce rubber canvas shoes uses different machines and is considerably more expensive than those used to produce plastic canvas shoes. Plastic canvas shoes are manufactured by placing a canvas upper over a mold and injecting a plastic material into the mold which hardens to form a sole bonded to the canvas upper.

12. Rubber canvas shoes are of a higher price and quality than plastic canvas shoes. The average wholesale price of rubber canvas shoes is about twice that of plastic canvas shoes. The rubber canvas shoes are superior in wearability, resiliency, comfort, construction, traction, and non-skid qualities. Rubber canvas shoes are generally produced with a better quality inner sole, liner, and arch and heel support than are the plastic canvas shoes. Rubber canvas shoes are also produced on a greater variety of lasts which yield both narrow and medium widths. Plastic canvas shoes, on the other hand, are available in only a medium width.

13. Different methods of distribution are used for rubber canvas shoes and plastic canvas shoes. Because of their superior quality, rubber canvas shoes are most commonly purchased for athletics. Rubber canvas shoes are mainly sold through family shoe stores, sporting goods stores, and sporting goods departments of chain or department stores. Plastic canvas shoes are most commonly sold through discount houses and mass merchandisers.

14. National brand canvas shoes are sold at premium prices and distributed principally through sporting goods stores, independent shoe stores, sporting goods departments and shoe departments of department stores, and some chain stores. The manufacturers of these shoes make extensive use of national advertising and promotions to foster brand recognition and brand acceptance and demand among consumers. On the basis of price, methods of marketing and distribution, quality, and consumer preference, national brand canvas shoes are distinct from other canvas shoes.

15. Converse and Goodrich are leading manufacturers of canvas shoes. Converse produces rubber, plastic, and national brand canvas shoes at its plants in Malden and Andover, Massachusetts; Presque Isle, Maine; Berlin, New Hampshire; Bristol, Rhode Island; and Canovanas, Puerto Rico. It ships and sells these shoes to wholesalers and retailers throughout the United States. Converse also maintains warehouses in Lawrence, Massachusetts; Chicago, Illinois; San Francisco, California; and Puerto Rico. Goodrich produces rubber and national brand canvas shoes at its plants in Lumberton, North Carolina; Elgin, South Carolina; and Mayaguez, Puerto Rico, for export and sale to wholesalers and retailers through the United

States. Goodrich's principal warehouses are located in Charlotte, North Carolina and Lawrence, Kansas.

16. In 1971, total United States sales of canvas shoes by domestic manufacturers were about \$317 million. In 1971, Converse, with canvas shoe sales of about \$57.4 million, accounted for the second largest share, or about 18.1 percent of such sales. The Goodrich operations, with canvas shoe sales of about \$29 million, accounted for the fifth largest share, or about 9.1 percent of such sales in 1971. The manufacture and sale of canvas shoes in the United States is concentrated, with three manufacturers accounting for about 54.6 percent of total sales. If Converse's proposed acquisition of the Goodrich operations were to be consummated, Converse would then account for about 27.2 percent of the canvas shoes produced and sold in the United States.

17. In 1971, about 57.5 million pairs of rubber canvas shoes were sold in the United States by domestic manufacturers. In 1971, Converse, with sales of about 10.9 million pairs of rubber canvas shoes, accounted for the third largest share, or about 19 percent of such sales. The Goodrich operations, with sales of about 11.2 million pairs of rubber canvas shoes, accounted for the second largest share, or about 19.5 percent of such sales in 1971. The manufacture and sale of rubber canvas shoes in the United States is highly concentrated, with three manufacturers accounting for over 75 percent of total sales. If Converse were to acquire the Goodrich operations, it would account for about 38.5 percent of the rubber canvas shoes produced and sold in the United States.

18. Converse and Goodrich are two of about six companies in the United States which manufacture and sell national brand canvas shoes. Converse and Goodrich rank second and

third among such firms in the manufacture and sale of national brand canvas shoes. Converse national brand canvas shoes are labeled "Converse", "All Stars", "Chuck Taylor", and "Coach", and the national brand canvas shoes manufactured by the Goodrich operations are labeled "Jack Purcell", "P F", and "P F Flyer". The national brand canvas shoes of Uniroyal, the largest manufacturer and seller of national brand canvas shoes, are sold under the "Keds" label.

19. In 1971, total sales of national brand canvas shoes were about \$152 million. In 1971, Converse, with national brand canvas shoe sales of about \$51 million, accounted for about 33 percent of such sales. The Goodrich operations, with national brand canvas shoe sales of about \$17 million, accounted for about 11 percent of such sales in 1971. The manufacture and sale of national brand canvas shoes is highly concentrated, with three manufacturers accounting for in excess of 90 percent of such sales. If Converse were to acquire the Goodrich operations, Converse would account for about 44 percent of the national brand canvas shoe sales in the United States.

20. Converse is an aggressive competitor and has doubled its canvas shoe market share in six years. It has increased its canvas shoe sales from about \$27 million in 1965 to about \$44 million in 1969, and to about \$57.4 million in 1971. Converse has increased its market share of sales of canvas shoes from about 8 percent in 1965 to about 14 percent in 1969, and about 18.1 percent in 1971. Total United States sales by domestic manufacturers of canvas shoes were about \$335 million in 1965, declined to about \$308 million in 1969, and rose to \$317 million in 1971.

21. In the conduct of their business activities, the defendants Converse, Eltra, and Goodrich have been engaged in interstate commerce.

V.

VIOLATION ALLEGED

22. On or about May 17, 1972, Converse, Eltra, and Goodrich entered into an agreement in principle pursuant to which Converse will acquire by lease, with an option to purchase, the Goodrich operations and the Goodrich warehouse and distribution facilities for footwear located at Lawrence, Kansas, and Charlotte, North Carolina, and will also acquire the brand names, trade-marks, and patents relating to the Goodrich operations. This agreement is scheduled to be consummated by the defendants on or about July 5, 1972.

23. The effect of Converse's proposed acquisition of the Goodrich assets described in paragraph 22 hereof may be substantially to lessen competition or tend to create a monopoly, in violation of Section 7 of the Clayton Act, in the following ways, among others:

- (a) Actual and potential competition between Converse and Goodrich in the manufacture and sale of canvas shoes, rubber canvas shoes, and national brand canvas shoes will be eliminated;
- (b) Actual and potential competition generally in the manufacture and sale of canvas shoes, rubber canvas shoes, and national brand canvas shoes may be substantially lessened; and
- (c) Concentration in the manufacture and sale of canvas shoes, rubber canvas shoes, and national brand canvas shoes will be substantially increased.



PRAYER

WHEREFORE, plaintiff prays:

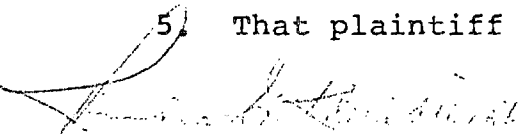
1. That the proposed acquisition by Converse of the aforesaid assets of Goodrich be adjudged a violation of Section 7 of the Clayton Act.

2. That a preliminary injunction and a temporary restraining order be issued against Converse, Eltra, and Goodrich enjoining and restraining each of them from taking any further action, directly or indirectly, to consummate the aforesaid agreement or understanding, or any similar agreement, understanding, or plan relating to the purchase or acquisition of any of the footwear assets of Goodrich by Converse or Eltra pending adjudication of the merits of this complaint.

3. That Converse, Eltra, and Goodrich, and all persons acting on their behalf, be perpetually enjoined from carrying out the acquisition agreement described in paragraph 22 hereof or any similar plan or agreement, the effect of which would be to merge, consolidate, or in any way combine the footwear business or assets of Converse and Goodrich.

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


5. That plaintiff recover the costs of this action.

  
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