

U. S. v. Federal Pacific Electric Co.

[¶ 70,617] **United States v. Federal Pacific Electric Co. (H. K. Porter Company, Inc.).**

In the United States District Court for the Eastern District of Pennsylvania. Civil No. 28088, dated December 31, 1962.

Case No. 1518 in the Antitrust Division of the Department of Justice.

Sherman Act

Collusive Bidding — Restrictive Practices — Power Switching Equipment — Consent Judgment.—A manufacturer of power switching equipment was prohibited by a consent judgment from submitting collusive bids, exchanging price information, fixing prices, discriminating in prices or terms of sale, refusing to sell products, tying-in sales of products, and allocating markets. Also, the manufacturer was required to submit non-collusion affidavits with bids to governmental agencies and to review and determine its prices individually.

See Department of Justice Enforcement, Vol. 2, ¶ 8834.10.

For the plaintiff: Lee Loevinger, W. D. Kilgore, Jr., Baddia J. Rashid, Donald G. Balthis, John E. Sarbaugh, John J. Hughes, Attorneys, Department of Justice.

For the defendant: Pepper, Hamilton & Scheetz, by Philip H. Strubing, for H. K. Porter Company, Inc.

Final Judgment

GANEY, Circuit Judge [*In full text*]: Plaintiff, United States of America, having filed its complaint herein on May 19, 1960, and the plaintiff and the undersigned defendant, H. K. Porter Company, Inc., by their respective attorneys, having severally consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law herein, without this Final Judgment constituting evidence or an admission by any party signatory hereto with respect to any such issue, and this Court having determined pursuant to Rule 54(b) of the Federal Rules of Civil Procedure that there is no just reason for delay in entering a Final Judgment as to all of plaintiff's claims asserted in said complaint against the defendant signatory hereto.

Now, Therefore, before the taking of any testimony, without trial or adjudication of any issue of fact or law herein and upon consent of the parties signatory hereto as aforesaid, the Court hereby determines that the proceeding herein is terminated as to the defendant signatory hereto and directs entry of Final Judgment as to all of plaintiff's claims herein against that defendant (provided that the making and entry of this Final Judgment shall be without prejudice to plaintiff filing and prosecuting claims for damages, if any, resulting from activities alleged in the complaint herein) and as to that defendant it is hereby

Ordered, adjudged and decreed as follows:

I

[*Sherman Act*]

The Court has jurisdiction of the subject matter of this action and of the defendant signatory hereto. The complaint states claims upon which relief may be granted against that defendant under Section 1 of the Act of Congress of July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," commonly known as the Sherman Act, as amended.

II

[*Definitions*]

As used in this Final Judgment:

(A) "Power switching equipment" means all air-break switches rated in excess of 600 volts, including but not limited to disconnecting, grounding and interrupter switches, the mechanisms used for operating such switches, and the steel and aluminum structures and bus supports used in outdoor substations;

(B) "Person" means any individual, partnership, firm, corporation, association, trustee or any other business or legal entity; and

(C) "Manufacturer" means a person who manufactures or assembles, or proposes in good faith to manufacture or assemble, within the United States in its own plant regularly maintained for that purpose.

III

[Applicability]

The provisions of this Final Judgment applicable to the consenting defendant shall apply also to each of its subsidiaries, successors and assignees, and to their respective officers, directors, agents, servants and employees, and to all other persons in active concert or participation with such defendant who shall have received actual notice of this Final Judgment by personal service or otherwise. Such defendant is ordered and directed to take such steps as are reasonably appropriate to procure compliance by its subsidiaries, officers, directors, agents, servants and employees with the terms of this Final Judgment. For the purpose of this Final Judgment the consenting defendant and its subsidiaries, officers, directors, agents, servants and employees, or any of them, shall be deemed to be one person. This Final Judgment shall not apply to or require sales of power switching equipment for use outside the United States except for sales of such equipment by the consenting defendant to or for the use of the plaintiff or any instrumentality or agency thereof.

IV

[Practices Prohibited]

The consenting defendant is enjoined and restrained from directly or indirectly entering into, adhering to or claiming or maintaining any right under any contract, agreement, arrangement, understanding, plan or program with any other manufacturer or seller of power switching equipment or components thereof in the United States to:

(A) Eliminate or suppress unreasonably competition in the manufacture, distribution or sale of power switching equipment or components thereof;

(B) Allocate or divide territories, markets, fields or customers for the manufacture or sale of power switching equipment or components thereof, provided, however, that this subsection (B) shall not prohibit the consenting defendant from accepting or granting, without more, otherwise lawful patent, trade secret or technical information licenses;

(C) Fix or maintain prices, pricing methods, or any terms or conditions for the sale of any power switching equipment or component thereof to any third person;

(D) Exchange information concerning prices, pricing methods or other terms and conditions of sale (other than information released to the trade generally) at or upon which any power switching equipment or component thereof is to be sold to any third person;

(E) Submit noncompetitive, collusive or rigged bids or quotations for supplying any power switching equipment or component thereof to any third person;

(F) Bid or quote, refrain from bidding or quoting or communicate an intention to bid or quote or to refrain from bidding or quoting, or any power switching equipment or component thereof to be sold to any third person;

(G) Hinder, restrict, limit or prevent any person from purchasing any power switching equipment or component thereof from any third person (except as may result from any bona fide purchase or sale agreement, without more); or

(H) Hinder, restrict, limit or prevent any person from selling any power switching equipment or component thereof to any third person (except as may result from any bona fide purchase or sale agreement, without more).

V

[Refusal to Sell, Discrimination]

The consenting defendant is enjoined and restrained from directly or indirectly:

(A) Communicating to or exchanging with any manufacturer or seller of any power switching equipment any prices applicable to any power switching equipment or component thereof except with or after the release of such prices to the trade generally, or except in connection with bona fide purchase or sale negotiations;

(B) Continuing to be a member of or participating in the activities of any association or other organization with knowledge that any of the activities of such association or other organization are being carried on in a manner which, if the association or other organization were a consenting defendant herein, would violate the provisions of this Final Judgment;

(C)(1) Refusing to sell or quote on, subject to defendant's regularly established terms and conditions of sale, any power switching equipment to any manufacturer of electrical equipment in which such power

U. S. v. Federal Pacific Electric Co.

switching equipment is incorporated or to which such power switching equipment is connected, for incorporation in, connection to or repair of such electrical equipment, and for general resale to others so long as such power switching equipment is being sold or offered for sale by such defendant to any other manufacturer of the same type of electrical equipment for the same purpose;

(2) Refusing to sell or quote on, subject to defendant's regularly established terms and conditions of sale, any component of any power switching equipment (which component is manufactured by or for the defendant) to any manufacturer of power switching equipment for incorporation in or for repair of such equipment and for general resale to others as a part of any power switching equipment so long as such component is being sold or offered for sale by such defendant to any other such manufacturer for the same purpose;

(3) Discriminating in any such sale by selling any such equipment or component in quantities, or at prices, terms and conditions of sale for the same quantities, not at the same time available to other such manufacturers; provided, however, that in any suit or proceeding hereafter instituted by the plaintiff against such defendant charging a violation of this subsection (3), such defendant may rebut a *prima facie* case made by the plaintiff by showing that its lower price to a purchaser or purchasers was made in good faith to meet an equally low price of a competitor, or did not have the effect of substantially lessening competition;

Provided that in any of the foregoing cases any such prospective purchaser is financially able, and is not delinquent in his account, to purchase such equipment or component and such defendant is able in accordance with its usual and customary production and delivery scheduling procedures to supply such equipment or component to the purchaser at or about the time requested by the purchaser;

(D) Conditioning the sale to any person of any power switching equipment or component thereof, as ordinarily sold (except for repair or replacement purposes), by such defendant to other persons in the same commercial class, upon the purchase from such defendant of any other item of electrical equipment.

Provided, however, in any instance in which such defendant reasonably believes

that the use intended to be made of the equipment or component will expose such defendant to a substantial risk of liability, nothing in subsections (C) and (D) of this Section V shall be deemed to prohibit such defendant from requiring as a term of sale that the purchaser agree in writing to hold such defendant harmless and to give a reasonably adequate bond (or, at the purchaser's option, to maintain reasonably adequate insurance) to secure such agreement insofar as it relates to claims by third persons.

VI

[Price Review]

(A) The consenting defendant is ordered and directed, not later than one year following the effective date of this subsection (A), individually and independently (1) to review and determine its book prices for power switching equipment based upon lawful considerations, and (2) to announce such prices determined under (1) above; provided, however, that the price review, determination and announcement referred to above shall not be required with respect to any power switching equipment as to which such defendant, within one year following the effective date of this subsection (A), files with this Court, with a copy sent to the Assistant Attorney General in charge of the Antitrust Division an affidavit stating that such defendant, prior to the effective date of this subsection (A) and subsequent to May 19, 1960, reviewed, determined and announced the price of the product in accordance with the requirements of this subsection (A); and provided, further, that nothing contained in this subsection (A) shall prevent such defendant from deviating from, modifying, or otherwise changing the prices announced in accordance with this subsection (A).

(B) The consenting defendant is ordered and directed to send a copy of this Final Judgment not later than one hundred and eighty (180) days following the effective date of this subsection (B) to each of the Federal, State and local agencies and any other governmental awarding authorities to which sales pursuant to bids for any power switching equipment were made by such defendant between January 1, 1958 and May 19, 1960, provided that the defendants consenting to a Final Judgment herein may arrange collectively to send a single such copy to each such purchaser to which such

U. S. v. Federal Pacific Electric Co.

sales were made by one or more of such defendants.

(C) The consenting defendant is ordered and directed for a period of ten (10) years from the effective date of this subsection (C) annually to notify each Federal, State and local governmental agency to which such defendant has, within the preceding year, submitted a sealed bid for any power switching equipment, that such defendant has been ordered, and such defendant is hereby so ordered for such period plus one year, to submit a statement in the form set forth in the Appendix hereto with each sealed bid for any power switching equipment submitted to such agency in response to an invitation to bid which requests such statement.

(D) The consenting defendant is ordered and directed, for a period of ten (10) years from the effective date of this subsection (D), when submitting a bid or quotation for the sale of any power switching equipment (for which a price is included by such defendant in the calculation of its bid or quotation) combined with other major items of electrical equipment, to set forth and itemize separately the total amount included in such bid or quotation for the power switching equipment.

VII

[Permissive Provisions]

Nothing contained in this Final Judgment shall be deemed to prohibit the consenting defendant,

(A) Where in order to sell or offer to sell electrical equipment which includes any power switching equipment any person must have an item or items of electrical equipment (i) which it does not itself manufacture or assemble to combine with items of such equipment which it does itself manufacture, assemble or purchase from others, (ii) or if it does manufacture such an item, the item is of such a type or quality that it cannot competitively sell or offer to sell its own item, (iii) or where such person could not singly perform the contract contemplated by any such sale or offer to sell:

(1) from formulating or submitting, in combination with any person, a bona fide joint bid or quotation, where such joint bid or quotation is denominated as such or known to the purchaser to be such; or

(2) from conducting bona fide negotiations for or entering into any lawful agree-

ment with any person for a bona fide purchase from or sale to each other,

provided, that each party to the transaction is free to sell or offer to sell on terms independently determined by it;

(B) Where required directly or indirectly by a governmental agency, from formulating or submitting in combination with any person a bona fide joint bid or quotation which is denominated as such or known to the purchaser to be such;

(C) From entering into, creating, carrying out or implementing by lawful conduct any otherwise lawful contract, agreement, arrangement, understanding, plan or program with any reseller relating to the sale of any power switching equipment or components thereof purchased from the defendant; or

(D) From lawfully contracting with any person for the supply to or by such person of any power switching equipment or component thereof embodying the proprietary design of, or specially designed for, the purchaser upon terms prohibiting the supplier from selling equipment embodying such design to all others (except that the purchaser may authorize sales for repair or replacement purposes).

VIII

[Inspection and Compliance]

For the purpose of determining or securing compliance with this Final Judgment, duly authorized representatives of the Department of Justice shall, upon written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to the consenting defendant made to its principal office, be permitted, subject to any legally recognized privilege:

(A) Reasonable access during the office hours of such defendant to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of such defendant relating to any matters contained in this Final Judgment; and

(B) Subject to the reasonable convenience of such defendant and without restraint or interference from it, to interview officers or employees of such defendant, who may have counsel present, regarding any such matters.

The consenting defendant, upon written request of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division, and upon reasonable notice made to its principal office, shall submit such written reports, under oath if it is requested, with respect to any of the matters contained in this Final Judgment as from time to time may be necessary and requested for the enforcement of this Final Judgment. No information obtained by the means provided in this Section shall be divulged by any representative of the Department of Justice to any person except a duly authorized representative of the Executive Branch of the United States except in the course of legal proceedings to which the United States is a party for the purpose of securing compliance with this Final Judgment, or as otherwise required by law. If any such information is divulged to a duly authorized representative of the Executive Branch, outside the Department of Justice, such information shall be given after notice to the defendant and on the condition that it will not be revealed to any person outside of such representative's Department or Agency except where required by regulation or statute or pursuant to court process.

IX

[Jurisdiction Retained]

Jurisdiction is retained for the purpose of enabling any of the parties consenting 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 of or carrying out of this Final Judgment, or for the modification of any of the provisions thereof, and for the purpose of enabling the plain-

tiff to apply to this Court for the enforcement of compliance therewith and the punishment of violations thereof.

X

[Effective Date]

All provisions of this Final Judgment shall become effective upon entry hereof.

APPENDIX

Affidavit

The undersigned hereby certify to their best knowledge and belief that:

(1) The bid to
 (name of recipient of bid) dated
 has not been prepared by
 (name of defendant) in collusion with any
 other seller of power switching equipment,
 and

(2) The prices, terms or conditions of
 said bid have not been communicated by
 the undersigned nor by any employee or
 agent of
 (name of defendant), to any other seller
 of power switching equipment and will
 not be communicated to any such seller
 prior to the official opening of said bid,

in violation of the Final Judgment in Civil
 No. 28088 entered by the United States Dis-
 trict Court for the Eastern District of Penn-
 sylvania on, 1962.

Dated:

.....
 Signature of person responsible
 for the preparation of the bid

.....
 Signature of person supervising
 the above person, where feasible