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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

United States of America,
Plaintiff,

v.

Parker-Hannifin Corporation
and Purolator, Inc.,
Defendants.

CIVIL NO. 71-1011-FW

Filed: April 27, 1971

(15 U.S.C. §§ 18,25)

(Antitrust Injunction)

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. This complaint is filed and this action is instituted against the defendants 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 continuing violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act (15 U.S.C. § 18).

2. Both of the defendants transact business and are found within the Central District of California.

II

DEFENDANTS

3. Parker-Hannifin Corporation (hereinafter referred to as "Parker") is made a defendant herein. Parker is a corporation organized and existing under the laws of the State of Ohio and has its headquarters in Cleveland, Ohio. Each reference to Parker shall include its subsidiary and affiliated corporations.

4. Purolator, Inc. (hereinafter referred to as "Purolator") is made a defendant herein. Purolator is a corporation organized and existing under the laws of the State of Delaware and has its headquarters in Rahway, New Jersey. Each reference herein to Purolator shall include its subsidiary and affiliated corporations.

III

NATURE OF TRADE AND COMMERCE

5. All self-propelled airplanes, including military aircraft, have fuel systems. The fuel system contains and regulates the flow of fuel within the airframe of the airplane. Those components that comprise the part of the fuel system which performs the basic metering and flow regulating function, primarily various types of valves, are referred to collectively as functional fuel system components. Such components include float valves, level control valves, check valves and pressure regulators.

6. Functional fuel system components designed and manufactured for use in the fuel systems of military aircraft are unique from those designed and manufactured for use in commercial aircraft and other types of airplanes. Functional fuel system components used in military aircraft must be able to perform properly under extreme and diverse environmental and operational conditions not generally encountered by other airplanes. Unlike commercial aircraft, many military aircraft

1 must be able to fly at unusually high altitudes and for prolonged
2 periods of time. They must often be capable of flying in
3 unusual attitudes, including inverted flight, and be exceptionally
4 maneuverable, as when engaged in aerobatics or air-to-air combat.
5 The functional fuel system components in such aircraft must also
6 perform under extreme variations in temperature and pressure
7 and be able to withstand and control high pressure fuel surges.

8 7. Functional fuel system components used in military
9 aircraft must be exceptionally durable and maintenance free.
10 Unlike other airplanes, much of the maintenance on military
11 aircraft must be done in the field, often under combat conditions,
12 and by mechanics that are generally much less skilled and trained
13 than those who service commercial and other types of airplanes.
14 Also, the fuel that must be used in military aircraft is often
15 contaminated by a wide variety of agents, including water, ice,
16 dirt and microbiological growths. For these reasons, it is
17 essential that functional fuel system components used in military
18 aircraft be designed and manufactured to operate properly and
19 reliably over long periods of time with little or no maintenance,
20 despite exposure to peculiarly adverse conditions, high levels
21 of stress, and the presence of contaminants in the fuel. The
22 functional fuel system components used in other types of
23 airplanes do not have to meet such demanding design and
24 manufacturing requirements.

25 8. A specialized area of fuel system development, also
26 unique to military aircraft, is the design and manufacture of
27 in-flight refueling system components. Such components include
28 aerial refueling receptacles, couplings and nozzles. In-flight
29 refueling system components are complex in design and manufacture
30 and were evolved only after extensive experimentation and
31 testing.
32

1 9. The design and manufacture of functional fuel system
2 components and in-flight refueling system components for use
3 in military aircraft is a specialized field. Highly qualified
4 and experienced engineers, design, quality control, assembly and
5 testing personnel are required to engage in this business. A.
6 great deal of time must be expended to develop the necessary
7 designing and production capability and to engender the necessary
8 confidence on the part of the military and the prime airframe
9 contractors. Because of these requirements, only a few companies
10 have achieved the capability to bid on contracts for functional
11 fuel system components and in-flight refueling system components.

12 10. With total sales in 1970 of \$211 million, Parker is a
13 leading manufacturer of aircraft components and parts and a
14 leading manufacturer of functional fuel system components for
15 military aircraft in the United States. It has attained this
16 position through acquisition, as well as internal growth. In
17 1970, Parker acquired from Kohler-Dayton, Inc. certain assets
18 used in the design and manufacture of functional fuel system
19 components for military aircraft, including in-flight refueling
20 system components. Parker has recently completed a new manu-
21 facturing complex at Irvine, California, with greatly expanded
22 facilities for the manufacture of functional fuel system components
23 for military aircraft. Parker is also a leading producer of in-
24 flight refueling system components.

25 11. Purolator had total sales of \$137 million in 1969. In
26 1968, Purolator acquired Schulz Tool and Manufacturing Company
27 of San Gabriel, California (hereinafter referred to as "Schulz"),
28 which was thereafter operated as a wholly-owned subsidiary of
29 Purolator. For many years, Schulz has been a leading factor
30 in the design, manufacture and sale of functional fuel system
31 components for military aircraft. Schulz has also been a leading
32

1 manufacturer of in-flight refueling system components. In 1970,
2 Schulz acquired all assets related to the manufacture of in-
3 flight refueling system components from Viking Manufacturing
4 Company of Belleville, New Jersey (hereinafter referred to as
5 "Viking").

6 12. Prior to February 1, 1971, Parker and Schulz were the
7 two leading manufacturers of functional fuel system components
8 for use in military aircraft. Over the last five years, their
9 combined sales of such products exceeded \$50 million and accounted
10 for about 75 percent of the total dollar sales of functional
11 fuel system components for use in such aircraft. Only Schulz
12 and Parker had developed the capability to design and manufacture
13 the more technologically complex functional fuel system components
14 and the approximately 25 percent of such components not manu-
15 factured by Parker and Schulz were essentially less complicated
16 and less costly items. Subsequent to the acquisition by Schulz
17 of the in-flight refueling system components business of Viking,
18 Parker and Schulz have accounted for the great bulk of the design,
19 manufacture and sale of such products in the United States.

20 13. Substantial quantities of products, including functional
21 fuel system components and in-flight refueling system components
22 for military aircraft, have been manufactured by Parker, Schulz
23 and Purolator and have been distributed and shipped by each such
24 company in interstate commerce to prime airframe contractors
25 and other purchasers located in states other than those in which
26 such products have been manufactured.

27 IV

28 OFFENSE ALLEGED

29 14. On or about February 1, 1971, Parker acquired sub-
30 stantially all of the outstanding capital stock of Schulz from
31 Purolator.
32

15. The effect of the aforesaid acquisition may be substantially to lessen competition or tend to create a monopoly in the design, manufacture and sale of functional fuel system components and in-flight refueling system components for military aircraft throughout the United States in violation of amended Section 7 of the Clayton Act, in the following ways, among others:

(a) Actual and potential competition between Parker and Schulz has been eliminated;

(b) Parker has increased its relative size and production capability in the design and manufacture of functional fuel system components and in-flight refueling system components for military aircraft to such a point that its advantage over actual and potential competitors is decisive; and

(c) Concentration in the design and manufacture of functional fuel system components and in-flight refueling system components for military aircraft has been substantially increased, to the detriment of actual and potential competition.

PRAYER

WHEREFORE, the plaintiff prays:

1. That the acquisition described in paragraph 14 of this complaint be adjudged a violation of amended Section 7 of the Clayton Act;

2. That, pending final adjudication of the merits of this complaint, a preliminary injunction issue preventing and restraining Parker, or any corporation, company or person acting on its behalf, from taking any of the following actions:

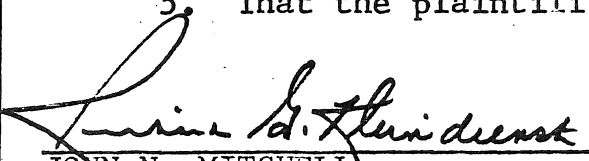
(a) Voting any of the Schulz stock owned or controlled by Parker;

- (b) Consolidating or extending Parker's control
or influence over Schulz;
- (c) Selling any Schulz assets or pledging same as
collateral for loans, except that Schulz may
continue to sell and ship its products in the
ordinary course of business;
- (d) Destroying, removing or transferring any other
assets from Schulz's San Gabriel facility; or
- (e) Hiring or firing Schulz employees or taking any
other action which would tend to consolidate the
Parker and Schulz operations or in any other way
impair the independent existence and operation
of Schulz;


3. That Parker be ordered to divest itself of all ownership
interest in Schulz and be perpetually enjoined from acquiring
any such interest;

4. That the plaintiff have such other and further relief
as the nature of the case may require and which the Court may
deem just and proper; and

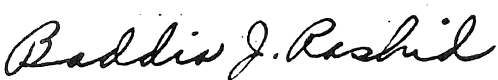
5. That the plaintiff recover the cost of this suit.


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