

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	CIVIL ACTION NO. 72 C 1602
	)	
TECHNICAL TAPE, INC.;	)	FILED: June 29, 1972
TECHNICAL TAPE CORPORATION;	)	
STEADLEY COMPANY, INC.; and	)	
NACHMAN CORPORATION,	)	Equitable Relief Sought
	)	
Defendants.	)	

VERIFIED 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 against the defendants named herein and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this proceeding is instituted against the defendants named herein 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 of Section 7 of that Act, as amended (15 U.S.C. § 18).

2. Each of the defendants transacts business and is found within the Northern District of Illinois, Eastern Division.

## II

### DEFINITIONS

3. As used herein:
- (a) "East of the Rocky Mountains" means the geographic area of the United States which is located east of the Rocky Mountains;
  - (b) "Midwest" means the geographic area comprised of the States of Minnesota, Michigan, Iowa, Missouri, Wisconsin, Illinois, Indiana, Ohio and Kentucky;
  - (c) "Innerspring" means a non-upholstered wire unit which consists, essentially, of a number of connected high carbon steel coil springs tied together with and in a border of high carbon steel wire;
  - (d) "Box spring" means a non-upholstered wire unit which consists, essentially, of a number of connected high carbon steel coil springs

tied together with and in a border of low carbon steel wire. Box springs may be either mounted in a wood frame or unmounted.

### III

#### THE DEFENDANTS

4. Technical Tape, Inc. (hereinafter referred to as "Tech Tape, Inc.") is made a defendant herein. Tech Tape, Inc. is a corporation organized and existing under the laws of the State of Michigan and maintains its principal offices in New Rochelle, New York. Tech Tape, Inc. is engaged in a number of businesses including the manufacture and sale of innersprings and box springs through its wholly owned subsidiary, Steadley Company, Inc.

5. Technical Tape Corporation (hereinafter referred to as "Tech Tape Corp.") is made a defendant herein. Tech Tape Corp. is a corporation organized and existing under the laws of the State of New York with its principal offices in New Rochelle, New York. Tech Tape Corp. is a wholly owned subsidiary of Tech Tape, Inc. Tech Tape Corp. owns and/or controls some common stock of Nachman Corporation.

6. Steadley Company, Inc. (hereinafter referred to as "Steadley") is made a defendant herein. Steadley is a

corporation organized and existing under the laws of the State of Delaware with its principal offices in Carthage, Missouri. Steadley is a wholly owned subsidiary of Tech Tape, Inc. Steadley is engaged primarily in the manufacture and sale of innersprings and box springs in the United States.

7. Nachman Corporation (hereinafter referred to as "Nachman") is made a defendant herein. Nachman is a corporation organized and existing under the laws of the State of Illinois and maintains its principal place of business in Chicago, Illinois. Nachman is engaged primarily in the manufacture and sale of innersprings and box springs in the United States.

#### IV

#### TRADE AND COMMERCE

8. Innersprings and box springs are primarily sold by producers thereof to bedding manufacturers who employ these products in separate and distinct end uses. Innersprings are upholstered by bedding manufacturers and the finished units are generally called mattresses which are resold for use either alone or as an upper portion of a bedding ensemble, which consists of a mattress and finished

box spring. Box springs are upholstered and, if necessary, mounted in wooden frames by bedding manufacturers who resell the finished box spring units for use as the lower or supporting portion of a bedding ensemble when additional sleeping support is desired by the ultimate purchaser.

9. Innersprings are manufactured in a variety of sizes and types, all of which compete with one another for the same end use on the basis of price, quality and purchaser's preference. The equipment, general technology and manufacturing process employed in the production of innersprings are distinct and substantially different from the equipment, general technology and manufacturing process employed in the production of other products which incorporate coil springs, including box springs.

10. Box springs are manufactured in a variety of sizes and types, all of which compete with one another for the same end use on the basis of price, quality and purchaser's preference. The equipment, general technology and manufacturing process employed in the production of box springs are distinct and substantially different from the equipment, general technology and manufacturing process employed in the production of other products which incorporate coil springs, including innersprings.

11. The geographic area within which manufacturers of innersprings and box springs can effectively sell these products is limited, primarily because of the high cost of transporting innersprings and box springs, by the number and location of their manufacturing and warehousing facilities, and the proximity of these facilities to potential customers. While many of the manufacturers of these products are limited in this respect to smaller geographic areas of competition, several manufacturers, including Nachman and Steadley, have a sufficient number and geographic distribution of facilities to enable them to economically sell innersprings and box springs throughout the area east of the Rocky Mountains. Rarely, however, because of transportation difficulties and expense, do innerspring and box spring manufacturers with facilities located east of the Rocky Mountains ship those products across those mountains for sale. Similarly, innerspring and box spring manufacturers with facilities located west of the Rocky Mountains do not ship their products east of those mountains.

12. In 1971, there were approximately \$51 million in innerspring sales and approximately \$29 million in box spring sales made east of the Rocky Mountains by innerspring and box spring manufacturers with facilities located in that area. Both these industries are concentrated. In this area in 1971, the three leading innerspring manufacturers accounted for

about 49 percent of the total innerspring sales; and the three leading box spring manufacturers accounted for about 47 percent of the total box spring sales.

13. By 1971, due in part to an acquisition program, Steadley was the third largest innerspring manufacturer and the third largest box spring manufacturer operating east of the Rocky Mountains. In that year, its share of the innerspring market east of the Rocky Mountains had reached approximately 11 percent; and its share of the box spring market had reached approximately 10 percent.

14. By 1971, Nachman, due also in part to an acquisition program, was the second largest innerspring manufacturer and the second largest box spring manufacturer operating east of the Rocky Mountains. In that year, its share of the innerspring market east of the Rocky Mountains had reached approximately 14 percent; and its share of the box spring market had reached approximately 13.4 percent.

15. In 1971, innerspring sales of approximately \$15 million and box spring sales of approximately \$10 million were made in the Midwest by innerspring and box spring manufacturers. Both of these industries are concentrated in the Midwest. In 1971, the three leading innerspring manufacturers accounted for about 58 percent of total innerspring sales in the Midwest; and the three leading box spring manufacturers

accounted for about 70 percent of total box spring sales made in the Midwest.

16. In 1971, Steadley was the fifth largest innerspring manufacturer and the fifth largest box spring manufacturer in the Midwest. In that year, its share of the innerspring market in the Midwest was approximately 5.5 percent; and its share of the box spring market in the Midwest was approximately 4 percent.

17. In 1971, Nachman was the second largest innerspring manufacturer and the second largest box spring manufacturer in the Midwest. In that year, its share of the innerspring market in the Midwest was approximately 22 percent; and its share of the box spring market in the Midwest had reached approximately 20 percent.

18. If combined, Steadley and Nachman would rank as the second largest manufacturer of innersprings and the second largest manufacturer of box springs in the area east of the Rocky Mountains, accounting for about 25 percent of the innerspring sales and 23.4 percent of the box spring sales made east of the Rocky Mountains. Similarly, the combination of Steadley and Nachman would rank as the second largest manufacturer of innersprings and box springs in the Midwest; accounting for about 27.5 percent of the innerspring sales and 24 percent of the box spring sales made in that area.

19. Many bedding manufacturers who purchase innersprings



and box springs operate multi-plant manufacturing facilities throughout the area east of the Rocky Mountains. For convenience these bedding manufacturers generally prefer to purchase innersprings and box springs from one manufacturing source which can supply all of their plant facilities in this area. For this reason it is to the competitive advantage of an innerspring and box spring manufacturer, in its efforts to sell to multi-plant bedding manufacturers, to have manufacturing and warehousing facilities in sufficient number to serve these national accounts.

20. Innerspring and box spring manufacturers distribute their products in interstate commerce and purchase substantial quantities of raw materials and other merchandise from states other than those in which their facilities are located. Such merchandise is shipped in interstate commerce into the states where these facilities are located. In the conduct of their various business activities, including the manufacture and sale of innersprings and box springs, the defendants are engaged in interstate commerce.

V

VIOLATION ALLEGED

21. Commencing on or about June 22, 1971 Tech Tape, Inc. and Tech Tape Corp. have purchased approximately 30

percent of the outstanding common shares of Nachman, continue to hold such shares, and have expressed the intention of demanding representation on Nachman's board of directors and to achieve joint operation or other combination of Nachman and Steadley.

22. The effect of the aforesaid acquisition by Tech Tape, Inc. and Tech Tape Corp. may be to substantially lessen competition or tend to create a monopoly in the above described trade and commerce in the area east of the Rocky Mountains, in the Midwest, and in various sections within those areas, in violation of Section 7 of the Clayton Act, in the following ways among others:

- (a) Actual and potential competition between Steadley and Nachman in the manufacture and sale of innersprings and box springs may be eliminated;
- (b) Competition generally in the manufacture and sale of innersprings and box springs may be substantially lessened; and
- (c) Concentration in the manufacture and sale of innersprings and box springs will be increased.

PRAYER

WHEREFORE, plaintiff prays:

1. That the acquisition by Tech Tape, Inc. and Tech Tape Corp. of the common stock of Nachman, as described in paragraph 21 herein, be adjudged to be in violation of Section 7 of the Clayton Act.

2. That, pending final adjudication of the merits of this complaint, a temporary restraining order and a preliminary injunction be issued against Tech Tape, Inc., Tech Tape Corp., Steadley and Nachman preventing and restraining them from taking any action in furtherance of any plan or proposal to combine or consolidate the assets or business of Nachman and any of the aforesaid defendants, and further restraining defendants Steadley, Tech Tape, Inc. and Tech Tape Corp. from voting any of the shares it has heretofore acquired in Nachman.

3. That Tech Tape, Inc., Tech Tape Corp. and Steadley, and all persons acting on their behalf, be perpetually enjoined from carrying out any activity which has the purpose or effect of consolidating or combining the operations of Nachman and any other defendant named herein.

4. That Tech Tape, Inc., Tech Tape Corp. and Steadley be required to divest themselves of the common stock of Nachman heretofore acquired.

5. That Tech Tape, Inc., Tech Tape Corp. and Steadley, and all other persons acting on their behalf, be enjoined for a period of ten years from acquiring any assets of or interest in any company engaged in the manufacture, distribution or sale of innersprings and box springs in the United States.

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

7. That the plaintiff recover the costs of this action.



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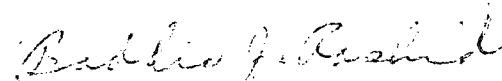
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