

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA,  
Plaintiff,  
v.  
AMERICAN SAFETY RAZOR COMPANY;  
AND ARDELL INDUSTRIES, INC.  
Defendants.

Civil No. 90-0188

COMPLAINT FOR EQUITABLE  
RELIEF FOR VIOLATION OF  
TITLE 15 U.S.C. § 18,  
CLAYTON ANTITRUST ACT

FILED: JAN 09 1990

*Judge Newcomer*

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 the defendants 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 and restrain the violation by defendants, as hereinafter alleged, of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

2. American Safety Razor Company and Ardell Industries, Inc. transact business and are found within the Eastern District of Pennsylvania.

## II

### DEFINITIONS

3. "Industrial blades" are disposable razor-sharp blades manufactured for a variety of industrial and consumer uses, not including blades for wet shaving or medical use. Industrial blades are made from coiled steel through a process involving, but not limited to, perforation, heat treatment, sharpening and breaking.

4. "Single edge industrial blades" are industrial blades upon which additional manufacturing processes, known by trade custom as backing and shelling, are performed. Backing is the process by which a metal backing is affixed to the non-edged side of the single edge industrial blade. Shelling is the process by which a heavy protective paper is applied to the edged side of the single edge industrial blade.

5. "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 2600 (30 squared + 30 squared + 20 squared + 20 squared = 2600). The HHI, which takes into account the relative size and distribution of the firms in a market, ranges 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.

### III

#### DEFENDANTS

6. American Safety Razor Company ("ASR") is made a defendant herein. ASR is a Delaware corporation which maintains its principal offices in Verona, Virginia. ASR manufactures and sells various types of industrial blades in the United States. In 1988, ASR's total industrial blade sales in the United States were about \$33 million. Since April 28, 1989 ASR has held a 100 percent interest in Ardell Industries, Inc.

7. Ardell Industries, Inc. (Ardell) is made a defendant herein. Ardell is a New Jersey corporation which maintains its principal offices in Union, New Jersey. Ardell manufactures and sells various types of industrial blades in the United States. In 1988, Ardell's total industrial blade sales in the United States were about \$10 million.

IV

TRADE AND COMMERCE

8. Both ASR and Ardell are major United States suppliers of industrial blades. Both companies produce for sale in the United States single edge industrial blades as well as many other types of industrial blades.

9. There are several types of industrial blades manufactured and marketed in the United States. Certain of these blades, known by trade custom as commodity blades, are high-volume products with broad market application and with little product differentiation. The commodity blade category includes, but is not limited to, single edge and utility blades. Certain other industrial blades, known by trade custom as specialty blades, are a highly fragmented group of products designed for specific end use applications. The specialty blade category includes, but is not limited to, mat cutting, textile and food processing blades.

10. Each of the several types of industrial blades is particularly suited for one or more specific uses. For most of those uses other types of industrial blades, or other products such as knives, are less efficient or substantially more costly. A small but significant and nontransitory increase in

the price of any type of industrial blade is not likely to cause a significant number of customers to substitute any other type of industrial blade, or any other product.

11. The manufacture of single edge industrial blades involves the distinct process of backing and shelling, for which unique equipment is required. Only manufacturers of industrial blades who possess such equipment compete in the production and sale of single edge industrial blades. The production and sale of single edge industrial blades constitutes a line of commerce and a relevant product market within the meaning of Section 7 of the Clayton Act.

12. Manufacturers of most types of non-single edge industrial blades can easily and quickly convert production among many different types of non-single edge industrial blades, using substantially the same equipment. In addition, manufacturers of single edge industrial blades can easily and quickly convert their production of single edge industrial blades to the production of many different types of non-single edge industrial blades, using substantially the same equipment. The production and sale of industrial blades except single edge blades constitutes a line of commerce and a relevant product market within the meaning of Section 7 of the Clayton Act.

13. For each specific type of industrial blade, firms that produce and sell that type in the United States compete with each other for sales throughout the United States. Exports from and imports into the United States are not substantial. The United States is a section of the country and a relevant geographic market, within the meaning of Section 7 of the Clayton Act.

14. Total United States sales in 1988 of single edge industrial blades were approximately \$25 million. ASR and Ardell were, respectively, the first and second largest competitors in the market for single edge industrial blades. Based on 1988 United States sales data, ASR and Ardell market shares were, respectively, about 50 percent and 18 percent. The market is highly concentrated and has become substantially more concentrated as a result of the acquisition of Ardell by ASR described in Paragraph 18 herein ("the acquisition"). Based upon market shares derived from sales of the firms in the market, the acquisition has increased the HHI by about 1800 points to over 4900.

15. In measuring the market shares of competitors in the market for industrial blades except single edge industrial blades it is appropriate to consider production and sale of all types of industrial blades, including single edge industrial blades, because single edge industrial blade manufacturers can

quickly and easily convert to the production of other industrial blades. In 1988, total United States sales of all types of industrial blades were approximately \$90 million. ASR and Ardell were, respectively, the first and fourth largest competitors by dollar volume in the United States market for industrial blades. Based on 1988 United States sales data, ASR and Ardell market shares were, respectively, about 36 percent and 11 percent. The market is highly concentrated and has become substantially more concentrated as a result of the acquisition. Based upon market shares derived from sales of the firms in the market, the acquisition has increased the HHI by about 800 points to over 2600.

16. Successful entry by new competitors into either the United States market for single edge industrial blades or the United States market for all types of industrial blades except single edge industrial blades is not easy because of the cost and time required to perfect the production technologies, to construct necessary production facilities, and to develop the marketing apparatus necessary to compete effectively in the United States.

17. Competitors in each of the above-described United States markets regularly sell substantial quantities of the relevant products in interstate commerce. The production

and sale of each relevant product for sale in the United States is within the flow of and substantially affects interstate commerce.

V

VIOLATION ALLEGED

18. Under the terms of an April 17, 1989 Agreement for Purchase and Sale of Stock as amended on April 28, 1989, ASR, through a wholly-owned subsidiary, Ardell Holdings, Inc., acquired, for a purchase price of \$12,796,400, all of the outstanding shares of stock of Ardell.

19. The effect of the acquisition may be substantially to lessen competition in interstate trade and commerce in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) actual and potential competition between ASR and Ardell will be eliminated in the United States markets for single edge industrial blades and for all types of industrial blades except single edge industrial blades; and
- (b) competition generally may be substantially lessened in the United States markets for single edge industrial blades and for all types of industrial blades except single edge industrial blades.

PRAYER

WHEREFORE, plaintiff prays:

1. That the acquisition of Ardell by ASR be adjudged to be in violation of Section 7 of the Clayton Act;

2. That such injunctive relief and relief by way of preservation of assets, preservation of the defendants as independent competitors, and divestiture be ordered as is necessary and appropriate to prevent the effects of the unlawful activities alleged in this complaint;

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

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

Date:

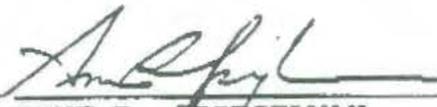
  
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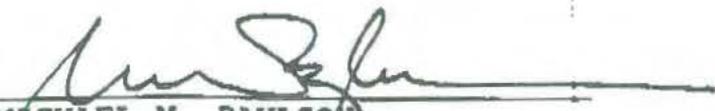
  
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