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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).

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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

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

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

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

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

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

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

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

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

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

IV

OFFENSE ALLEGED

14. On or about February 1, 1971, Parker acquired substantially all of the outstanding capital stock of Schulz from Purolator.

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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