THE CHAMBERLIN CARTRIDGE & TARGET CO.

COMPLAINT IN THE MATTER OF THE ALLEGED VIOLATION OF SECTION 3 OF AN ACT OF CONGRESS APPROVED OCTOBER 15, 1914, AND OF SECTION 5 OF AN ACT OF CONGRESS APPROVED SEPTEMBER 26, 1914.

Docket 279—May 5, 1920.

SYLLABUS.

Where a corporation engaged in the manufacture and lease of an extensively used patented trap for throwing clay-pigeon targets, and

also engaged in the manufacture and sale of clay-pigeon targets, in which it did a business very substantially in excess of the aggregate business of all its competitors;

Leased said traps at an inadequate rental, but only on condition that the corporation's targets should be used exclusively with said traps, and that a breach of such condition should forfeit the lease and entitled the lessor to possession, and thus prevented the sale of competitors' targets for use with said traps:

Held, (*a*) That the effect of such leases, under the circumstances set forth, was and might be to substantially lessen competition and tend to create a monopoly in the manufacture and sale of clay-pigeon targets, and that the use of such leases constituted a violation of section 3 of the act of October 15, 1914;

(*b*) That the use of such leases, under the circumstances set forth, constituted an unfair method of competition in violation of section 5 of the act of September 26, 1914.

COMPLAINT.

I.

The Federal Trade Commission, having reason to believe from a preliminary investigation made by it, that the Chamberlin Cartridge & Target Co., hereinafter referred to as the respondent, has violated and is violating the provisions of section 3 of an act of Congress approved October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," hereinafter referred to as the Clayton Act, issues this complaint stating its charges in that respect on information and belief as follows:

PARAGRAPH 1. That the respondent, the Chamberlin Cartridge & Target Co., is now and was at all times hereinafter mentioned a corporation organized, existing, and doing business under and by virtue of the laws of the State of Ohio, having its principal office and place of business in the city of Cleveland, in said State, now and for more than two years last past engaged in the manufacture and sale of clay-pigeon targets and in the manufacture and leasing of a certain patented trap or contrivance for projecting or throwing such clay-pigeon targets, which is known by the brand name of Ideal Leggett Trap, among the several States and Territories of the United States and the District of Columbia, in

direct competition with other persons, firms, copartnerships, and corporations similarly engaged in the manufacture and sale of clay-pigeon targets.

PAR. 2. That the respondent in the conduct of its business manufactures such Ideal Leggett Traps and clay-pigeon targets so leased and sold by it in its factory located in the city of Cleveland, State of Ohio, and purchases and enters into contracts of purchase for the necessary component materials needed therefor in different States and Territories of the United States, causing the same to be transported to its factory, where they are made into the finished products and leased or sold and shipped to the lessees or purchasers thereof; that after such products are so manufactured they are continuously moved to, from, and among other States and Territories of the United States and the District of Columbia, and there is continuously and has been at all times hereinafter mentioned a constant current of trade and commerce in the said Ideal Leggett Traps and clay-pigeon targets between and among the various States and Territories of the United States and the District of Columbia, and especially to and though the city of Cleveland, State of Ohio, and therefrom to and through other States and Territories of the United States and the District of Columbia.

PAR. 3. That the said Ideal Leggett Trap manufactured and leased by the respondent has a wide and extensive use among sportsmen and sportsmen's clubs, and the business of manufacturing and selling clay-pigeon targets which are projected and thrown by these and similar traps constitutes a large and important branch of commerce among the States and Territories of the United States; that such clay-pigeon targets are extensively distributed to the purchasing public through the medium of retail stores dealing in sportsmen's goods throughout the United States, and numerous individuals, firms, and corporations are engaged in the manufacture and sale of such clay-pigeon targets in competition with respondent.

PAR. 4. That the respondent for more than two years last past in the course of interstate commerce and in violation of section 3 of the Clayton Act has leased and is now leasing

large numbers of the aforesaid Ideal Leggett Traps so manufactured by it for use throughout the United States and the Territories thereof and the District of Columbia, and has fixed and is now fixing the rental price charged therefor on the condition, agreement, or understanding that the lessees thereof shall not throw or allow any clay-pigeon targets to be thrown from said traps other than those manufactured and sold by respondent, and shall not use in connection with said traps any clay-pigeon targets manufactured by a competitor or competitors of the respondent; and that the effect of such lease or such condition, agreement, or understanding is to substantially lessen competition and to create a monopoly in the manufacture and sale of clay-pigeon targets.

II.

The Federal Trade Commission having reason to believe from a preliminary investigation made by it that the Chamberlain Cartridge & Target Co., hereinafter referred to as the respondent, has been and now is using unfair methods of competition in interstate commerce in violation of the provisions of section 5 of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," and it appearing that a proceeding by it in respect thereof would be to the interest of the public, issues this complaint stating its charges in that respect, upon information and belief, as follows:

PARAGRAPH 1. That the respondent, the Chamberlin Cartridge & Target Co., is now and was at all times hereinafter mentioned a corporation organized, existing, and doing business under and by virtue of the laws of the State of Ohio, having its principal office and place of business in the city of Cleveland, in said State, now and for more than two years last past engaged in the manufacture and sale of clay-pigeon targets and in the manufacture and leasing of a certain patented trap or contrivance for projecting or throwing such clay-pigeon targets, which is known by the brand name of Ideal Leggett Trap, among the several States and Territories of the United States and the District of Columbia, in direct

competition with other persons, firms, copartnerships, and corporations similarly engaged in the manufacture and sale of clay-pigeon targets.

PAR. 2. That the respondent in the conduct of its business manufactures such Ideal Leggett Traps and clay-pigeon targets so leased and sold by it in its factory located in the city of Cleveland, State of Ohio, and purchases and enters into contracts of purchase for the necessary component materials needed therefor in different States and Territories of the United States, causing the same to be transported to its factory where they are made into the finished product and leased or sold and shipped to the lessees or purchasers thereof; that after such products are so manufactured they are continuously moved to, from, and among other States and Territories of the United States and the District of Columbia, and there is continously and has been at all times hereinafter mentioned a constant current of trade and commerce in the said Ideal Leggett Traps and clay-pigeon targets between and among the various States and Territories of the United States and the District of Columbia, and especially to and through the city of Cleveland, State of Ohio, and therefrom to and through other States and Territories of the United States and the District of Columbia.

PAR. 3. That the said Ideal Leggett Trap manufactured and leased by the respondent has a wide and extensive use among sportsmen and sportsmen's clubs, and the business of manufacturing and selling clay-pigeon targets which are projected and thrown by these and similar traps, constitutes a large and important branch of commerce among the States and Territories of the United States; that such clay-pigeon targets are extensively distributed to the purchasing public through the medium of retail stores dealing in sportsmen's goods throughout the United States, and numerous individuals, firms, and corporations are engaged in the manufacture and sale of such clay-pigeon targets in competition with respondent.

PAR. 4. That the respondent, with the effect of stifling and suppressing competition in interstate commerce in the sale of clay-pigeon targets, for more than two years last past has

refused, and still refuses, to lease the aforesaid Ideal Leggett Traps manufactured by it to those who will not agree that said traps shall not be used for throwing any other clay-pigeon targets than those manufactured by the respondent, and has canceled and threatened to cancel, and still continues to cancel and threaten to cancel its leases of said Ideal Leggett Traps and has retaken possession of said traps whenever any of the lessees thereof have used or have attempted to use them for the purpose of throwing clay-pigeon targets manufactured by competitors of the respondent.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER.

The Federal Trade Commission having duly issued and served upon the above-named respondent, the Chamberlin Cartridge & Target Co., its complaint herein, wherein it is alleged that it had reason to believe that the said respondent had been and then was violating the provisions of section 3 of the act of Congress approved October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," and fully stating its charges in this respect, and the Federal Trade Commission in the said complaint further alleging that it had reason to believe that said respondent had been and then was using unfair methods of competition in interstate commerce, in violation of the provisions of section 5 of the act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," and that a proceeding by it in that respect would be to the interest of the public and fully stating its charges in this respect, and the respondent having entered its appearance by Cook, McGowan, Foote, Bushnell, & Lamb, its attorneys and counsellors, and having filed its answer, admitting certain of the matters alleged and set forth in the complaint, and denying others thereof, and the issues so raised having, pursuant to due notice given to said respondent, come on for hearing, and the Commission having appeared and introduced its evidence in support of its said charges, and the respondent having appeared and

introduced its evidence in denial thereof, and all testimony heard at said hearing having been reduced to writing and together with the evidence received, filed in the office of the Commission, and the Commission and respondent having, through their respective attorneys, submitted briefs and made oral argument herein, the Commission being fully advised in the premises and upon consideration thereof, now makes this its report and findings, and conclusions.

FINDINGS AS TO THE FACTS.

PARAGRAPH 1. That the respondent is now and for more than two years last past has been a corporation, organized, existing, and doing business under and by virtue of the laws of the State of Ohio, with its principal office and place of business located in the city of Cleveland, in said State.

PAR. 2. That the respondent is now and for more than two years last past has been engaged in the manufacture and sale of clay-pigeon targets branded "Blue Rock" and in the manufacture and lease of a certain patented trap branded "Ideal Leggett" trap, for throwing clay-pigeon targets, in the several States of the United States and the District of Columbia, in competition with other persons, corporations, and firms engaged in the manufacture and sale of clay-pigeon targets.

PAR. 3. That the traps manufactured by respondent and branded "Ideal Leggett" traps are moved from the city of Cleveland, State of Ohio, to and through other States of the United States, and that the clay-pigeon targets manufactured by respondent and branded "Blue Rock" are moved from the city of Findlay, State of Ohio, to and through other States of the United States.

PAR. 4. That the "Ideal Leggett" traps manufactured by respondent have a wide and extensive use among sportsmen and sportsmen's clubs, and that the business of manufacturing and selling "Blue Rock" clay-pigeon targets constitutes a branch of commerce among the States of the United States.

PAR. 5. That prior to October 15, 1914, respondent was, and since last-mentioned date, was and now is the owner of

United States letters patent covering "Ideal Leggett" traps and all "Ideal Leggett" traps manufactured by respondent were made under letters patent of the United States.

PAR. 6. That respondent first began the manufacture, and put on the market, its "Ideal Leggett" traps in the year 1911. That since respondent first began the manufacture of "Ideal Leggett" traps in the year 1911 it has manufactured a total of 1,236 "Ideal Leggett" traps.

PAR. 7. That since respondent first began the manufacture and put on the market "Ideal Leggett" traps in the year 1911, respondent has leased to sportsmen and sportsmen's clubs, located in the various cities of the United States, all "Ideal Leggett" traps manufactured by it for use by the said sportsmen and sportsmen's clubs, on conditions, and with restrictions as set forth in what is designated in the testimony herein, variously as: "Contract," "Lease agreement," and "License of Ideal Leggett trap." That as a part of its system of leasing its "Ideal Leggett" traps, respondent caused to be inserted and written in each of the "Contracts" or "Lease agreements" or "Licenses of Ideal Leggett traps," made and executed by respondent with sportsmen and sportsmen's clubs, a notice, warning, or agreement in words substantially as follows:

That it [lessee] will not throw or allow any targets to be thrown from said trap other than targets manufactured by the first party and branded "Blue Rock Pigeons."

That a breach of this covenant shall work a forfeiture of the said license, and thereupon the first party may take possession of said trap wherever it can be found and at any time after such breach.

PAR. 8. That in the year 1915, respondent had approximately 1,035 "Ideal Leggett" traps leased to sportsmen and sportsmen's clubs of the United States; that in the year 1916, respondent had approximately 1,040 "Ideal Leggett" traps leased to sportsmen and sportsmen's clubs in the United States; that in the year 1917, respondent had approximately 984 "Ideal Leggett" traps leased to sportsmen and sportsmen's clubs in the United States; that in the year 1918, respondent had approximately 883 "Ideal Leggett" traps leased to sportsmen and sportsmen's clubs in the United States; that in the year 1919, respondent had approximately

959 "Ideal Leggett" traps leased to sportsmen and sportsmen's clubs in the United States.

PAR 9. That with each of the various sportsmen and sportsmen's clubs who leased "Ideal Leggett" traps from respondent, for use, respondent has made and respondent is still making agreements, a part of which is as follows, as to the "Ideal Leggett" trap named therein:

That it [lessee] will not throw or allow any targets to be thrown from said trap other than targets manufactured by the first party and branded "Blue Rock Pigeons."

That a breach of this covenant shall work a forfeiture of the said license, and thereupon the first party may take possession of said trap wherever it can be found and at any time after such breach.

PAR. 10. That respondent, since it first began the manufacture and lease of its "Ideal Leggett" traps, has at all times insisted on the observance of the conditions and restrictions contained in its said "contracts" or "lease agreements" with sportsmen and sportsmen's clubs leasing "Ideal Leggett" traps from respondent, and the vast majority of all sportsmen and sportsmen's clubs leasing "Ideal Leggett" traps from respondent have observed and have not violated the conditions and restrictions contained in the said "contracts" or "lease agreements" and in particular the vast majority of all sportsmen and sportsmen's clubs leasing "Ideal Leggett" traps from respondent have not thrown or allowed to be thrown from "Ideal Leggett" traps clay-pigeon targets other than those of respondent's manufacture.

PAR. 11. That prior to October 15, 1914, respondent was, and since last-mentioned date respondent was, and now is, leasing "Ideal Leggett" traps on a yearly rental basis or price charged therefor, so low that respondent could not at a profit lease said "Ideal Leggett" traps at said rental fee or price charged therefor unless the lessees of said "Ideal Leggett" traps purchased all clay-pigeon targets used in connection with or thrown from said "Ideal Leggett" traps from respondent.

PAR. 12. That for the year 1915 respondent sold approximately 8,377,000, or 30.1 per cent, more clay-pigeon targets than did all its competitors; that for the year 1916 respondent sold approximately 3,088,700, or 12.6 per cent, more clay-

pigeon targets than did all its competitors; that for the year 1917 respondent sold, not including its sales to the Government, approximately 3,477,750, or 22.3 per cent, more clay-pigeon targets than did all its competitors; and that for said year respondent sold, including its sales to the Government, approximately 8,147,750, or 40.2 per cent, more clay-pigeon targets than did all its competitors; that for the year 1918 respondent sold, not including its sales to the Government, approximately 3,209,420, or 29.2 per cent, more clay-pigeon targets than did all its competitors; and that during said year respondent sold, including its sales to the Government, approximately 11,693,420, or 60.1 per cent, more clay-pigeon targets than did all its competitors; that for the first eight months of the year 1919 respondent sold, not including its sales to the Government, approximately 297,090, or 2.4 per cent, more clay-pigeon targets than did all its competitors, and that for the first eight months of said year respondent sold, including its sales to the Government, approximately 4,797,090, or 28.6 per cent, more clay-pigeon targets than did all its competitors; that for the period January 1, 1915, to September 1, 1919, respondent sold, not including its sales to the Government, approximately 18,449,960, or 20.2 per cent, more clay-pigeon targets than did all its competitors, and for the same period of time respondent sold, including its sales to the Government, approximately 36,103,960, or 33.2 per cent, more clay-pigeon targets than did all its competitors.

PAR. 13. That the conditions and restrictions imposed by respondent in the lease of its "Ideal Leggett" traps or respondent's plan or system of marketing its "Ideal Leggett" traps herein, found to be used by respondent,

(*a*) Have compelled and do compel lessees and users of such "Ideal Leggett" traps to purchase exclusively from respondent all clay-pigeon targets thrown from said "Ideal Leggett" traps, and that satisfactory clay-pigeon targets of competitors could be purchased and can now be purchased by said lessees or users of "Ideal Leggett" traps at a price not higher than the price charged by respondent for its clay-pigeon targets.

(*b*) Have prevented and do prevent competing manufacturers of clay-pigeon targets from selling their clay-pigeon

targets for use on or to be thrown from "Ideal Leggett" traps manufactured and leased by respondent.

(*c*) Have prevented and do prevent jobbers and dealers from handling and selling clay-pigeon targets of competitors of respondent and in particular have prevented and do prevent jobbers and dealers from handling and selling clay-pigeon targets of competitors, for use on or to be thrown from respondent's "Ideal Leggett" traps.

CONCLUSIONS.

(1) That—

(*a*) The lease by respondent of "Ideal Leggett" traps upon conditions as set forth in the lease agreement or contract agreement herein found to be used by respondent, under the plan or system of marketing herein described and found to be used by respondent, constitutes a lease upon condition, agreement, or understanding that the lessee and user of "Ideal Leggett" traps, shall not use, in operating said "Ideal Leggett" traps, so leased from respondent, any clay-pigeon targets of a competitor or competitors, and

(*b*) That the effect of the condition, agreement, and understanding is such that it has substantially lessened, and does and may substantially lessen, competition in interstate commerce, in clay-pigeon targets.

(2) That the lease by respondent, of its "Ideal Leggett" traps, upon the condition, agreement, or understanding, herein found to be used by the respondent, and the plan or system of marketing said "Ideal Leggett" traps and clay-pigeon targets by respondent herein described, is in violation of section 3 of the act of Congress entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, and the effect thereof has been, is, and may be, to substantially lessen competition and tend to create a monopoly in interstate commerce.

(3) That the methods of competition set forth in the foregoing report and findings and each and all of said report and findings are under the circumstances therein set forth, unfair methods of competition in interstate commerce, in violation of the provisions of section 5 of the act of Con-

gress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

ORDER TO CEASE AND DESIST.

The Federal Trade Commission having duly issued and served upon the above-named respondent, the Chamberlin Cartridge & Target Co., its complaint herein, and the said respondent, the Chamberlin Cartridge & Target Co., having filed its answer admitting certain of the allegations of the complaint and denying certain others thereof, and the Commission having offered testimony in support of its charges in said complaint, and the respondent having offered testimony in its behalf, and the attorneys for the Commission and the respondent having submitted their briefs as to the law and facts in said proceeding, and the Commission having made and filed its report and findings as to the facts and conclusions that the respondent has violated section 3 of the act of Congress approved October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," and section 5 of the act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," which report is herein adopted as part hereof, as fully as if the same were set forth at large herein: Now, therefore,

It is ordered, That the respondent, the Chamberlin Cartridge & Target Co., cease and desist from directly or indirectly making any lease of its "Ideal Leggett" traps or fixing a price charged therefor on the condition, agreement, or understanding that the lessee is to throw from said "Ideal Leggett" traps only clay-pigeon targets of respondent's manufacture and will not throw or allow any target to be thrown from "Ideal Leggett" traps other than clay-pigeon targets manufactured by respondent and from requiring that the lessee shall not throw from said "Ideal Leggett" traps clay-pigeon targets of a competitor or competitors of respondent and from requiring the performance by the lessee of the conditions, agreements, or understandings on which such leases have been heretofore made.

Provided, That respondent, the Chamberlin Cartridge & Target Co., is hereby granted not to exceed 60 days from the date of the service hereof, within which to readjust and make such changes in its methods of leasing and marketing said "Ideal Leggett" traps as will make its conduct and practices in that behalf conform to the requirements of this order.

Respondent is further ordered to file a report in writing with the Commission three months from notice hereof, stating in detail the manner in which this order has been complied with and conformed to.

FEDERAL TRADE COMMISSION