

Syllabus

IN THE MATTER OF
SIGNODE STEEL STRAPPING COMPANY

COMPLAINT, FINDINGS, AND MODIFIED ORDER IN REGARD TO THE ALLEGED
VIOLATION OF SEC. 3 OF AN ACT OF CONGRESS APPROVED OCT. 15, 1914

Docket 3688. Complaint, Jan. 16, 1939—Decision, Aug. 20, 1941

DEALING ON EXCLUSIVE AND TYING BASIS—CLAYTON ACT, SEC. 3—FIELDS OF
COMPETITION—IF MODERN AND SPECIALIZED SERVICE FRACTIONAL PART ONLY
OF OLDER GENERAL FIELD—WHETHER SUBSTANTIAL COMPETITIVE EFFECT
POSSIBLE.

As respects a contention that metal tying machines constitute such a small
part of the entire tying field that the practice of the leading tying machine
concerns can have no substantial effect upon competition in that field, it
is to be noted that most of the devices and methods used for tying pur-
poses—such as rope, twine, gummed tape, etc., tools for metal reinforcing such
as pliers, nippers, twisting bars, and hammer and nails, and including
also prefabricated containers which either do not need reinforcing or are
reinforced in the process of manufacture—are of a more or less primitive
or outmoded nature and, in many instances, are being supplanted by
modern tying machines, such as those made by the instant concern and
others. The very existence of the tying machine industry, in fact, depends
upon its ability to convince shippers that the tying machine is an im-
provement over such other methods. That it has been able to make sub-
stantial inroads into the tying field and to supplant the more primitive
methods in many instances, is attested by its steady and rapid growth.

DEALING ON EXCLUSIVE AND TYING BASIS—CLAYTON ACT, SEC. 3—WHETHER
“LINE OF COMMERCE”—TYING MACHINES.

The tying machine industry constitutes a field distinct from the general tying
field, and is a line of commerce within the meaning of the Clayton Act.

DEALING ON EXCLUSIVE AND TYING BASIS—CLAYTON ACT, SEC. 3—RESTRICTIVE
CONDITIONS—IF PRACTICAL EFFECT TO PRECLUDE. LESSEES' USE OF SUPPLIES,
ETC., OF LESSOR'S COMPETITOR.

While the form of a lease contract used by lessor company in leasing its metal
tying machines, providing that no wire other than that supplied by the
company should be used in the operation of the machine and that, in the
event of a breach of said condition, lessee's right to possess or use a
machine should terminate forthwith, did not expressly provide that lessees
of its machines and appliances should not use the wire of its competitors,
the practical effect of said condition was to preclude such lessees from
using competitors' wire.

DEALING ON EXCLUSIVE AND TYING BASIS—CLAYTON ACT, SEC. 3—LEASE OF
MACHINES PERFORMING MODERN SPECIALIZED SERVICE IN OLDER GENERAL FIELD
ON CONDITIONS PRECLUDING USE OF COMPETITORS' SUPPLIES.

Where a corporation engaged in the manufacture and interstate purchase and
sale of steel tying wire and strapping, and in the manufacture of five

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general classes of machines and appliances for use in stretching such wire or strapping and tying the ends to make shipping units, which, excepting only electric wire tying machines purchased by it for resale, it leased to lessees in other states, for revenues constituting only a fractional part of those received from the sale of wire and strapping, which constituted the primary purpose of the leasing; doing from twenty to thirty percent of the total business in the industry, and, along with 2 other companies out of some 12 in the United States, controlling from two-thirds to three-fourths of such business and, like said two, leasing its machines only—

Leased its said machines upon the condition that no wire other than that supplied by it should be used therewith, and thereby excluded from the market numerous parties who, in the absence of such restriction, would be potential purchasers of tying wire from its competitors, and restricted competition in the tying wire market in direct proportion to the extent to which it was successful in leasing its machines under such agreements;

With the result that the effect of such restrictive condition, under the circumstances set forth, materially increased as a part of the cumulative effect upon competition of the practices of said three leading companies, might be to substantially lessen competition in the line of commerce concerned:

Held, That such acts and practices constituted violations of section 3 of the Clayton Act.

Mr. George W. Williams for the Commission.

Davies, Richberg, Beebe, Busick & Richardson, of Washington, D. C., and *Scott, MacLeish & Falk*, of Chicago, Ill., for respondent.

COMPLAINT

The Federal Trade Commission, having reason to believe that Signode Steel Strapping Co., a corporation, hereinafter referred to as respondent, has violated, and is now violating the provisions 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 commonly known as the Clayton Act, hereby issues this its complaint against said respondent and states its charges with respect thereto as follows, to wit:

PARAGRAPH 1. Respondent, Signode Steel Strapping Co., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, having its principal office and place of business at 2600 Northwestern Avenue in the city of Chicago, State of Illinois, and branch offices and places of business located in New York, State of New York; Boston, State of Massachusetts; Philadelphia, State of Pennsylvania; Cleveland, State of Ohio; and San Francisco, State of California. It is now, and for many years last past has been, engaged in the business of processing and selling flat steel strapping used in the wrapping and bundling of boxes and packages, together with the manufacture, sale, leasing, servicing, and

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the licensing of the use of patented tools used in the stretching and fastening of said flat steel strapping. It is also now, and for many years last past has been, engaged in the purchase, sale, leasing, and servicing of wire-tying machines and the selling and supply of steel tying wire used in the operation thereof, said machine and wire being used by the lessees or vendors in the tying and bundling of boxes and packages. In connection with the making of such leases, licenses, agreements, and sales the respondent has caused and still causes said tools and machines, when leased, licensed, or sold, and the flat steel strapping and the steel tying wire, when sold, to be transported from its principal place of business or its branch plants located in New York, N. Y.; Boston, Mass.; Philadelphia, Pa.; Cleveland, Ohio; and San Francisco, Calif., through and into other states of the United States and the District of Columbia to the aforesaid lessees, licensees, and vendees, and there is now, and has been for more than 9 years last past, a course of trade in commerce between and among the various States of the United States, the Territories thereof, and in the District of Columbia.

There are in the United States, and have been during the time respondent has been in business, other corporations, firms, partnerships, and individuals who have been and are engaged in the sale of steel strapping and wire in commerce among and between the several States, which strapping and wire are suitable for and may be used in and with respondent's machines and tools; and with whom, but for the restrictive condition of respondent's contracts of license and lease, as hereinafter set forth, respondent would have been and would now be in active, substantial competition in the sale of steel strapping and wire to the vendees, licensees, and lessees of respondent's machines and tools.

Said respondent is now and for more than 9 years last past has been one of the largest manufacturers and distributors, licensors, lessors, and servicers of steel strapping, fastening and stretching tools, and flat steel strapping used in connection therewith, and also one of the largest vendors and distributors, lessors, and servicers of wire-tying machines and the steel wire used in connection therewith and now occupies a dominant position in said industry.

PAR. 2. The respondent in the course and conduct of its said business hereinabove described in paragraph 1, has leased and licensed and is now leasing and licensing the use of its said steel strapping, fastening and stretching tools and the distributing and leasing of its said wire-tying machines and equipment for use in the several States and territories of the United States and the District of Colum-

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bia, on the condition, agreement or understanding that the lessees or licensees or other users thereof will not use the flat steel strapping or the steel tying wire of any of the competitors of respondent, and on the further condition, agreement or understanding that, if such lessees or licensees should use any steel strapping or tying wire in the operation of any of said tools, machines and equipment other than that purchased from or supplied by the said respondent, the right to the use and possession of such tools, machines, and equipment shall forthwith terminate and said tools, machines, and equipment may be thereafter immediately repossessed by said respondent, and at once removed from the premises of such lessees or licensees.

PAR. 3. The effect of said leases and licenses on the condition, agreement, or understanding set forth in paragraph 2 hereof, may be, has been, and is, to substantially lessen competition between respondent and said competitors, and to tend to create a monopoly in respondent, in the sale, to vendees, licensees, and lessees of respondent's machines and tools, of steel strapping and wire in commerce between and among the various States of the United States and in the District of Columbia.

PAR. 4. The aforesaid acts, practices, and methods of respondent constitute a violation of the provisions of section 3 of the hereinabove mentioned act of Congress entitled "An Act to supplement existing laws against unlawful restraints and monopolies and for other purposes," approved October 15, 1914.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of that certain act of the Congress of the United States entitled, "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, commonly known as the Clayton Act, the Federal Trade Commission on January 16, 1939, issued and subsequently served its complaint in this proceeding upon the respondent, Signode Steel Strapping Co., a corporation, charging it with the violation of the provisions of section 3 of said act. After the issuance of said complaint and the filing of respondent's answer thereto, a stipulation as to the facts was entered into between W. T. Kelley, chief counsel for the Commission, and Davies, Richberg, Beebe, Busick and Richardson, and Scott MacLeish and Falk, attorneys for the respondent, which provided among other things, that the Commission might proceed upon such statement of facts and certain other matter referred to in the stipulation to make its report, stating its findings as to the facts (including inferences which it might draw

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from the facts stipulated), and its conclusion based thereon, the parties reserving, however, the right to file briefs and present oral argument. Thereafter, the proceeding regularly came on for final hearing before the Commission on said complaint, answer, stipulation, briefs filed by the attorneys for the Commission and for the respondent, and oral argument before the Commission and the Commission having duly considered the matter and being now fully advised in the premises, makes this its findings as to the facts and its conclusion drawn therefrom.

FINDINGS AS TO THE FACTS

PARAGRAPH 1. The respondent, Signode Steel Strapping Co., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 2600 North Western Avenue, Chicago, Ill. Respondent also maintains branch offices and places of business located in New York, N. Y.; Boston, Mass.; Philadelphia, Pa.; Cleveland, Ohio; and San Francisco, Calif.

Respondent is now, and for a number of years last past has been, engaged in the business of manufacturing and selling, and of buying and selling, steel wire and steel strapping suitable for use in making a package or shipping unit, and also in the business of manufacturing, selling, and leasing machines and appliances used in the stretching or tensioning of strapping or wire and in fastening or tying the ends of the strapping or wire to make a package or shipping unit.

PAR. 2. In the course and conduct of its business the respondent causes its machines and appliances, when sold or leased, and its steel strapping and wire, when sold, to be transported from its principal place of business in the State of Illinois, or from its branch places of business in the States of New York, Massachusetts, Pennsylvania, Ohio, and California, to the purchasers or lessees of such products located in various States of the United States other than the States in which such shipments originate, and in the District of Columbia. Respondent maintains, and at all times mentioned herein has maintained, a course of trade in its said products in commerce among and between the various States of the United States and in the District of Columbia.

PAR. 3. There are in the United States other corporations, and individuals, firms, and partnerships, who have been and are engaged in the sale, in commerce among and between the various States of the United States and in the District of Columbia, of steel strapping and wire suitable for use in and with respondent's machines, appli-

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ances, and tools. But for the restrictive conditions in respondent's lease contracts, as hereinafter set forth, respondent would have been and would now be in active and substantial competition with such corporations, individuals, firms, and partnerships in the sale of steel strapping and wire to the lessees of respondent's machines, appliances, and tools.

PAR. 4. Tying machines and appliances are divided into two general classes, those which use or are used with flat strips or bands of steel, commonly called steel strapping, and those which use or are used with steel wire. The general purpose of the machines and appliances, whether used separately or in combinations, is the tying or reinforcing of boxes, bales, bundles, etc., so that such containers and their contents may be transported or stored more efficiently and with greater safety and satisfaction. Essentially, the machines perform two operations: first, the tightening or tensioning of the wire or strapping around the bundle; and second, the tying or fastening of the wire or strapping.

PAR. 5. The machines and appliances manufactured by respondent fall into the following general classes: (1) appliances or tools known as sealing tools, which are hand tools designed on the principle of pliers and used to crimp or seal a fastener over the ends of the strapping; (2) tensioning appliances or tools which are hand tools used for tensioning strapping around a package or shipping unit; (3) combination appliances or tools which are used for tensioning the strapping, and also the crimping or sealing fasteners over the end of the strapping; (4) wire tying machines or appliances which are used for joining the ends of steel wire by twisting them together; (5) electric stretching machines for use in stretching steel strapping, which machines operate on the same principle as the hand tensioning tools, except that the tensioning is accomplished by electric mechanism instead of by hand operation.

These machines, appliances, and tools are manufactured by the respondent in different sizes for use with steel strapping and wire of different sizes and weights. Respondent purchases for resale electric wire tying machines, which both tension and fasten the wire around the package or shipping unit.

PAR. 6. Only the electric wire tying machines are sold or offered for sale by the respondent. All of the other machines, appliances or tools are leased by respondent and are not offered for sale. While some of the forms of lease agreements used by respondent refer to the equipment as having been "loaned," the Commission finds that the agreements are in fact leases within the meaning of section 3

of the Clayton Act. All of the agreements contain provisions prohibiting the use in or in connection with the equipment of any wire or strapping other than that supplied by respondent. The forms of the agreements are as follows:

(a) *Sealing Tools, Tensioning Tools and Combination Tools for Strapping of certain smaller dimensions, and Wire-Tying Appliances.*

Respondent leases its sealing tools, tensioning tools, and combination tools for use with strapping of certain smaller dimensions, and its wire tying appliances, upon the deposit of an amount with the respondent which is in no case larger than \$25 per tool (except in the case of the combination tool, upon which the deposit is \$37.50), which sum represents the total payment to respondent regardless of when the lease is terminated. The pertinent provisions of the lease agreement are in substance as follows:

That the loaned tools and machines are loaned to facilitate the customer's practice and use of the Signode system or of the Loop-the-Loop system of bundling or banding.

That the customer will not make such Signode joints or Loop-the-Loop joints by the use of the loaned tools except with steel strapping acquired from respondent.

That the customer will not transfer the tools and machines, or use them except in the customer's business.

That respondent shall repair the loaned tools, when returned for this purpose, free of charge during the two succeeding quarterly periods from the date of the loan, and thereafter at actual cost except in the case of misuse.

That the loan may be terminated at any time by either the customer or the respondent, and as a condition precedent to termination by the customer, the customer shall return the loaned tools.

That if the tools are returned in good condition, except for reasonable wear, the respondent will repay to the customer the amount deposited therefor less 10 percent for each quarterly period or fraction thereof between the date on which the tools were shipped and the date on which the tools were returned, until such time as the depreciated value shall be 20 percent of the tool loan deposit.

(b) *Larger Sealing and Tensioning Tools, Combination Tools, and Electric Stretching Machines.*

Respondent leases its larger sealing tools, tensioning tools, combination tools, and electric stretching machines under what is known as a "Yearly Maintenance and Service Agreement," the pertinent provisions of which are in substance as follows:

That respondent will loan as many Signode machines and/or tools as may be required, and respondent agrees to make such repairs,

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adjustments, or replacements as are necessary to maintain the same in good working order except in the case of misuse.

That in consideration of the loan the lessee agrees not to use the loaned machines or tools except with Signode bands purchased from the respondent at the respondent's quoted prices.

That for such tools and machines the customer agrees to pay an annual service charge ranging in amount from \$5 to \$50 which covers periods of time varying from 1 year to 4 years. That the customer is at liberty at any time to terminate the agreement by giving notice to respondent and returning the loaned equipment, transportation charges prepaid, and respondent may cancel the agreement should the customer fail to carry out any of the terms hereof.

That title to the machines and tools remains in the respondent, and if the agreement is terminated for any cause whatever, the customer will return all machines and tools without prejudice to any of the rights either party may have under the agreement.

That the customer will take reasonable care to avoid loss or destruction of all Signode machines and/or tools, and if in spite of such care any machine and/or tool should be lost or destroyed, the customer agrees to remit to the respondent three times the annual maintenance and service charges for such machine and/or tool, and if lost, will give a certificate of loss.

(c) *Wiring Tying Machines.*

Respondent leases its wire-tying machines especially adapted for the bundling of newspapers and other commodities and merchandise under several forms of contract.

One form is known as the "rental contract," the pertinent provisions of which are, in substance, as follows:

That the respondent will furnish its automatic wire-tying service, which comprises the use of its automatic wire-tying machines, its supplying for use with such machines round wire of suitable physical property, size, and finish; and the inspection and assistance of respondent's service men and advice of respondent's staff in applying automatic wire-tying service to the customer's work of tying bundles of newspapers.

That the respondent will install (number) Model (description) automatic wire-tying machines in the customer's plant, transportation charges to be paid by the customer from Riverside, Calif., to plant.

That the customer will pay for the wire-tying service (amount) per month for each machine so installed.

That the customer will use in the wire-tying machines only wire ordered and secured from the respondent, which will be invoiced

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at prices shown in an attached letter, changes in prices to correspond to changes in the wire market.

That the respondent will have the machines examined, tested, and adjusted from time to time, and at least once during each year, and at such times will replace such working parts as may be reasonably expected to cause interruption of continuous and efficient operation, and for such service respondent will make no charge for the time or traveling expenses of the mechanic, but the customer will pay standard prices for repair parts, and if special trips of the mechanic are necessary, the customer will pay transportation and hotel expenses.

That the customer will make no alteration in an installation, and install no attachments to such machines without respondent's written consent.

That at any time after 1 year from the date of the agreement the customer may cancel the contract by returning the machines, and otherwise, unless breached, the agreement remains in force for (number) years from the date of the agreement.

That respondent may cancel the contract should the customer use with the machines wire not supplied by respondent, or fail to pay monthly charges.

Prior to the summer of 1938 respondent used another form of contract, this particular contract being in connection with the purchase of a stated quantity of steel wire per year. This agreement provided, in substance, as follows:

That the respondent agrees to sell to the customer and to deliver to the customer in LCL lots from local stocks at its nearest warehouse, or to ship to the customer in CL or LCL lots from mill if so specified by the customer, all of the round and flat steel wire used by customer in the automatic tying of bundles of (commodity) and the like; and that customer agrees to purchase from the respondent the entire requirements of the customer for round and flat wire used in the automatic tying of bundles of (commodity) and the like.

In 1933 many of the contracts then outstanding were amended so that the customer's obligation to purchase wire from respondent was limited to the customer's requirements for use with wire-tying machines leased under the contract, and such amendments were sent to customers with the following letter:

It has been called to our attention that our standard form of contract covering newspaper automatic wire tying machines can be read so as to impose limitations on the users of these machines which would prevent them from installing a wire tying machine of some other make and securing tying wire for operation in such machines from someone other than ourselves.

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It was not and is not our intention to so limit our licensees, and the sole object of this signed amendment which we are enclosing in duplicate is to clarify the contract in that respect.

If this amendment meets with your approval, kindly sign one copy and return it to us, attaching the other copy to your original contract.

To those who did not sign and return the amendment, the following letter was written in 1933 and subsequently:

It has been called to our attention that our standard form of contract covering newspaper automatic wire tying machines might possibly be interpreted to obligate the user of these machines to buy from us not only wire used with the automatic wire tying machine placed by us with the user, but also ordinary baling wire or wire used with some other type of wire machine, automatic or otherwise. It was not and is not our intention to so interpret our contract; all we expect is that machines placed by us shall be used with wire supplied by us.

We are writing you so that you may attach this letter of interpretation to your copy of the automatic wire tying machine contract. Will you kindly acknowledge receipt of this letter.

PAR. 7. There are some 12 companies in the United States engaged in the sale or leasing of tying machines and appliances, and the gross volume of business done by the industry, including the sale of wire and strapping, amounts to approximately \$9,000,000 annually. Some two-thirds to three-fourths of the business, however, is confined to 3 companies, these being the respondent, the Acme Steel Co. (respondent in the Commission's proceeding under Docket No. 3818), and the Gerrard Co., Inc. (respondent in the Commission's proceeding under Docket No. 3498). Respondent and the Acme Co. each do some 20 to 30 percent of the total volume of business in the industry, and the Gerard Co. does some 10 to 20 percent of the total volume. A fourth company does approximately the same amount of business as the Gerrard Co.

Like the respondent, the Acme and Gerard companies lease their machines and do not sell them outright. The lease agreements used by both of these companies contain conditions prohibiting the lessee from using in the machine any strapping or wire other than that supplied to the lessee by the company furnishing the machine.

PAR. 8. The revenue received by respondent from the renting or leasing of its machines and appliances is of minor importance as compared with the revenue received from the sale of wire and strapping. The primary purpose of leasing the equipment is to enable respondent to sell the wire and strapping used in or with the equipment. This is evident from a comparison of the gross revenue received by respondent from the two sources during the years 1936, 1937, and 1938. The figures for these years are as follows:

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	Sales of steel strapping and wire	Rental of tools, appliances, and machines (exclusive of automatic wire-tying machines)	Rentals and deposits on automatic wire-tying machines
1936.....	\$2,197,346.95	\$63,862.02	\$25,235.00
1937.....	2,623,271.24	94,672.22	87,575.00
1938.....	1,739,085.42	86,640.01	55,300.00

PAR. 9. There is on the market an ample supply of steel strapping and wire suitable for use in or with respondent's machines and appliances, such strapping and wire being for sale both by concerns which sell or lease tying machines and by concerns which do not sell or lease such machines. These concerns are prepared to and have attempted to sell such strapping and wire to lessees of respondent's machines and appliances, but have found themselves precluded from such sale by reason of the restrictive conditions in respondent's lease contracts.

PAR. 10. The Commission finds that the practice of respondent in requiring that the lessees of its machines and appliances use in or with such machines and appliances no wire or strapping other than that supplied by respondent, results in the exclusion from the market of numerous parties who, in the absence of such restrictions, would be prospective and potential purchasers of tying wire and strapping from respondent's competitors. Competition in the tying wire and strapping market is restricted and contracted in direct proportion to the extent to which respondent is successful in leasing its machines and appliances under agreements containing such restrictive conditions.

PAR. 11. There are many ways of preparing boxes, bundles, and packages for shipment, and there are also many devices and tools used by shippers for this purpose. Rope, twine, gummed tape, etc., are used in many cases, and where metal reinforcement is desired there are many devices and tools which may be and are used in doing the work, such as pliers, nippers, buckles, wire twistors, and hammer and nails. Many shippers also use specially made boxes, containers, barrels, etc., which either do not need additional reinforcement or are reinforced during the process of manufacture. It is contended by the respondent that metal tying machines and appliances constitute such a small part of the entire tying field that the practices of respondent and the other leading tying-machine companies can have no substantial effect upon competition in the tying field.

PAR. 12. Most of the devices and methods referred to, however, are of a more or less primitive or outmoded nature, and in many cases

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are being supplanted by modern tying machines such as those manufactured by respondent and the other tying-machine concerns. In fact, the very existence of the tying-machine industry depends upon its ability to convince shippers that the tying machine is an improvement over these other methods. That the industry has been able to make substantial inroads into the tying field and to supplant the more primitive methods in many instances is attested by the substantial volume of business done by respondent and by the tying-machine industry as a whole.

PAR. 13. The Commission is of the opinion from the evidence, and finds, that the tying-machine industry constitutes a field distinct from the general tying field, and that it is a line of commerce within the meaning of the Clayton Act.

PAR. 14. While the restrictive conditions in respondent's contracts do not expressly provide that the lessees of respondent's machines, appliances, and tools shall not use the wire and strapping of respondent's competitors, the practical effect of such conditions is to preclude such lessees from using such wire and strapping. The Commission further finds that the effect of such restrictive conditions, under the circumstances set forth herein has been, is, and may be, to substantially lessen competition in the aforesaid line of commerce. Such effect is materially increased by reason of the fact that it forms a part of the cumulative effect of the practices of the three leading companies in the tying-machine industry upon competition in said line of commerce.

CONCLUSION

Through the use of the acts and practices described herein the respondent has violated and is now violating section 3 of the act of the Congress of the United States entitled, "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," commonly known as the Clayton Act.

MODIFIED ORDER TO CEASE AND DESIST¹

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answer of respondent, a stipulation as to the facts entered into between the respondent and W. T. Kelley, Chief Counsel for the Commission, briefs filed by the attorney for the Commission and the attorneys for the respondent, and oral argument before the Commission, and the Commission having made its findings as to the facts and its conclusion

¹ Order published as modified as of October 29, 1941.

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that said respondent has violated the provisions of that certain act of the Congress of the United States entitled, "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, commonly known as the Clayton Act.

It is ordered, That the respondent, Signode Steel Strapping Co., a corporation, and its officers, representatives, agents, and employees, directly or through any corporate or other device, in connection with the leasing, sale, or making of any contract for the sale, of respondent's machines, appliances, and tools in commerce, as "commerce" is defined in the Clayton Act, do forthwith cease and desist from:

1. Leasing, selling, or making any contract for the sale of, respondent's machines, appliances, or tools on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use in or with such machines, appliances, or tools any wire or strapping other than that acquired from respondent, or from any other source designated by respondent.

2. Enforcing, or continuing in operation or effect, any condition, agreement, or understanding in or in connection with any existing lease or sale contract, which condition, agreement, or understanding is to the effect that the lessee or purchaser of respondent's machines, appliances, or tools shall not use in or with such machines, appliances, or tools any wire or strapping other than that acquired from respondent.

It is further ordered, That said respondent shall, within 60 days after service upon it of this order, file with the Commission a report in writing setting forth in detail the manner and form in which it has complied with this order.

IN THE MATTER OF
ACME STEEL COMPANY

COMPLAINT, FINDINGS, AND MODIFIED ORDER IN REGARD TO THE ALLEGED
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As respects a contention that metal tying machines constitute such a small part of the entire tying field that the practice of the leading tying-machine concerns can have no substantial effect upon competition in that field, it is to be noted that most of the devices and methods used for tying purposes—such as rope, twine, gummed tape, etc., tools for metal reinforcing such as pliers, nippers, twisting bars, and hammer and nails, and including also prefabricated containers which either do not need reinforcing or are reinforced in the process of manufacture—are of a more or less primitive or out-moded nature and, in many instances, are being supplanted by modern tying machines, such as those made by the instant concern and others. The very existence of the tying-machine industry, in fact, depends upon its ability to convince shippers that the tying machine is an improvement over such other methods. That it has been able to make substantial inroads into the tying field to supplant the more primitive methods in many instances is attested by its steady and rapid growth.

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While the form of a lease contract used by lessor company in leasing its metal tying machines, providing that no wire other than that supplied by the company should be used in the operation of the machine and that, in the event of a breach of said condition, lessee's right to possess or use a machine should terminate forthwith, did not expressly provide that lessees of its machines and appliances should not use the wire of its competitors, the practical effect of said condition was to preclude such lessees from using competitors' wire.

DEALING ON EXCLUSIVE AND TYING BASIS—CLAYTON ACT, SEC. 3—LEASE OF MACHINES PERFORMING MODERN SPECIALIZED SERVICES IN ORDER GENERAL FIELD ON CONDITIONS PRECLUDING USE OF COMPETITORS' SUPPLIES.

Where a corporation engaged in manufacturing tying tools, machines, and appliances and the steel straps and bands used in operation thereof, and in the