

Consent order requiring Santa Monica and Pasadena, Calif., manufacturers of safety helmets, among other things to cease interlocking directorates. Further, each corporation is required, for a five-year period, to obtain from each director or prospective director an annual report disclosing other corporations with sales over \$1 million of which he is a director and their principal products; and not to permit on their boards of directors anyone who fails to submit such a report or whose report reveals he is a director of a competing corporation.

Appearances

For the Commission: *Thornton P. Percival.*

For the respondents: *Henry C. Thumann, O'Melveny & Myers*, Los Angeles, Calif., for Lear Siegler, Inc., *Charles W. Stoll, Irsfeld, Irsfeld & Younger*, Los Angeles, Calif., for Royal Industries.

Complaint

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COMPLAINT

The Federal Trade Commission, having reason to believe that Lear Siegler, Incorporated, a corporation, and Royal Industries, Incorporated, a corporation, hereinafter referred to collectively as respondents, have violated the provisions of Section 5 of the Federal Trade Commission Act and Section 8 of the Clayton Act, as amended, and that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

PARAGRAPH 1. Lear Siegler, Incorporated ("Lear Siegler"), 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 3171 South Bundy Drive, Santa Monica, Calif. At all times relevant to this complaint, Lear Siegler had capital, surplus and undivided profits aggregating in excess of one million dollars. In 1972, Lear Siegler had revenues of approximately \$556 million.

PAR. 2. Royal Industries, Incorporated ("Royal"), 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 980 South Arroyo Parkway, Pasadena, Calif. At all times relevant to this complaint, Royal had capital, surplus and undivided profits aggregating in excess of one million dollars. In 1972, Royal had revenues of approximately \$187 million.

PAR. 3. Robert L. Purcell ("Purcell") and Philip S. Fogg ("Fogg") were elected to the board of directors of Lear Siegler in 1962 and have served in that capacity from the time of their election to and including the date of this complaint. In 1966, Fogg was elected to the board of directors of Royal. In 1971, Purcell was elected to the board of directors of Royal. Purcell was a director of Royal from the date of his election until May 16, 1973. Fogg was a director of Royal from the date of his election until May 17, 1973.

PAR. 4. Lear Siegler and Royal are now and for some time last past have been engaged in the manufacture, advertising, offering for sale, sale and distribution of safety helmets and other products.

PAR. 5. Lear Siegler and Royal by the nature of their businesses and location of operations, are competitors with respect to safety helmets and other products. The elimination of competition by agreement between Lear Siegler and Royal would hinder, foreclose, and restrain competition or tend to create a monopoly in the safety helmet market.

PAR. 6. Lear Siegler and Royal sell and distribute safety helmets and other products from locations in various states of the United States to

purchasers located in other states of the United States. Lear Siegler and Royal engage in commerce as that term is defined in the Clayton Act and the Federal Trade Commission Act.

PAR. 7. The foregoing acts and practices of respondents, as hereinabove alleged, constitute a violation of Section 8 of the Clayton Act and Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Seattle Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of Section 5 of the Federal Trade Commission Act and Section 8 of the Clayton Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Lear Siegler 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 3171 South Bundy Drive, Santa Monica, Calif.

Royal 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 980 South Arroyo Parkway, Pasadena, Calif.

Decision and Order

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2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

I

It is ordered, That respondents, their successors and assigns, do forthwith cease and desist from permitting any individual to serve on the boards of directors of Lear Siegler or Royal, if such individual is or would be at the same time a director of both corporations.

II

It is further ordered, That Lear Siegler and Royal shall within thirty days after service of this order, and annually for a period ending five years thereafter, obtain from each member of their respective boards of directors a written statement which discloses the name, location, and business, including principal products manufactured and sold of each other corporation having capital, surplus and undivided profits in excess of one million dollars of which such member is also a director.

III

It is further ordered, That for a period ending five years after service of this order, Lear Siegler and Royal, at least thirty (30) days prior to any directors' meeting at which one or more directors will be elected or the mailing of proxy statements for any shareholder meeting at which one or more directors will be elected, shall obtain from each person who is being considered as a member of their respective boards of directors, but has not been a member of the board of directors during the previous year, a written statement showing:

1. The name and address of each corporation having capital, surplus and undivided profits in excess of one million dollars of which the potential director is a director, and
2. The nature of its business including principal products manufactured and sold.

IV

It is further ordered, That for a period ending five years after service of this order, Lear Siegler and Royal shall not permit on their respective boards of directors any person who fails to submit a written statement pursuant to Paragraphs Two and Three, or any person who is a director of another corporation named in response to the statements required

pursuant to Paragraphs Two and Three when said statement also reveals to respondents that such other corporation is a competitor due to its principal product or products, business and location of operation.

V

It is further ordered, That Lear Siegler and Royal notify the Commission at least thirty (30) days prior to any proposed change in or to their respective corporations, such as dissolution, assignment or sale resulting in the emergence of a successor corporation, or any other change in the corporations which may affect compliance obligations arising out of this order.

VI

It is further ordered, That the respondents herein shall, within thirty (30) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

IN THE MATTER OF

SANTA CLARA SEWING MACHINE CENTER, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT