

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: William E. Kovacic, Chairman
Pamela Jones Harbour
Jon Leibowitz
J. Thomas Rosch

_____)	
In the Matter of)	
)	
THE LUBRIZOL CORPORATION,)	
 a corporation,)	
)	Docket No. C-
and)	
)	
THE LOCKHART COMPANY,)	
 a corporation.)	
)	
_____)	

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that respondent The Lubrizol Corporation (“Lubrizol”), a corporation subject to the jurisdiction of the Commission, acquired certain assets of The Lockhart Company (“Lockhart”), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent The Lubrizol Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Ohio, with its office and principal place of business located at 29400 Lakeland Boulevard, Wickliffe, Ohio 44092.
2. Respondent The Lockhart Company is a corporation organized, existing and doing business under and by virtue of the laws of Pennsylvania, with its principal office at 2873 West Hardies Road, Gibsonia, Pennsylvania 15044.

3. Respondents are, and at all times herein have been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affect “commerce” as defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

II. THE ACQUISITION

4. Pursuant to an asset purchase agreement dated February 7, 2007, Lubrizol acquired certain assets from Lockhart, including assets relating to oxidates such as intellectual property, contracts, purchase orders, customer lists and records, product formulae and processes, and goodwill, for \$15.6 million (“the Acquisition”).
5. The purchase agreement included a non-competition agreement that prohibited Lockhart, for a period of five years from the date of the purchase agreement, from directly or indirectly engaging in any business competitive with the assets it sold to Lubrizol. Lubrizol subsequently indicated that this provision barred Lockhart from leasing its plant in Flint, Michigan, to another oxidate manufacturer.

III. THE RELEVANT MARKET

6. For the purposes of this Complaint, the relevant product market in which to evaluate the effects of the Acquisition is oxidate for use as a rust preventive additive. Oxidates include products composed of or containing oxidates, products derived from oxidates, and those products’ functional equivalents (collectively “oxidates”).
7. For the purposes of this Complaint, the relevant geographic market in which to evaluate the effects of the Acquisition is the United States of America.
8. Purchasers of Lubrizol’s oxidates have no economic alternative to purchasing these products.

IV. THE STRUCTURE OF THE MARKET

9. Lubrizol and Lockhart are, by a large margin, the two largest providers of oxidates in the United States. Consequently, the United States market for oxidates is highly concentrated, with a pre-acquisition Herfindahl-Hirschman Index (“HHI”) of 7,007. Prior to the Acquisition, Lubrizol and Lockhart dominated the market for oxidates, and, together accounted over 98% of sales in the U.S. market for oxidates. The Acquisition created a monopoly in this market and increased HHI concentration by 2,672, resulting in a post-acquisition HHI of 9,679.
10. Lubrizol and Lockhart were actual and substantial competitors in the relevant market.

V. ENTRY CONDITIONS

11. New entry into the relevant market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition set forth in Paragraph 14 below.
12. New entry into the relevant market is a difficult process because of, among other things, the time and costs associated with building a plant capable of producing oxidates, obtaining the necessary regulatory permits for the plant, research and development of formulae, and the lengthy testing period necessary to attain customer approval for new oxidate products. As a result, entry into the market sufficient to achieve a significant market impact within two years is unlikely.
13. Lubrizol's plant in Painesville, Ohio, and Lockhart's plant in Flint, Michigan, are the only two plants in the United States that currently have the equipment capable of oxidizing products at the requisite pressure necessary to produce quality products.

VI. ANTICOMPETITIVE EFFECTS

14. The Acquisition substantially lessened competition in the following ways:
 - a. it eliminates actual, actual potential, and perceived potential competition between Lubrizol and Lockhart;
 - b. it removes Lockhart, the only alternative source of oxidates in the relevant market;
 - c. it thwarts entry by restricting the use of Lockhart's Flint plant or equipment;
 - d. it creates a monopoly in the relevant market;
 - e. it leads to increased prices for the relevant product;
 - f. it increases Lubrizol's market power in the relevant market; and
 - g. it allows Lubrizol to exercise its market power unilaterally in the relevant market.

VII. VIOLATIONS CHARGED

15. The Acquisition described in Paragraph 5 constitutes a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45 and a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this _____ day of _____, 2009, issues its Complaint against Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: