

UNITED STATES OF AMERICA  
BEFORE FEDERAL TRADE COMMISSION

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In the Matter of )  
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 Precision Moulding Co., Inc., ) DOCKET NO. C-3682  
 a corporation. )  
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COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Precision Moulding Co., Inc., a corporation, hereinafter sometimes referred to as respondent or "Precision", has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH ONE: Respondent Precision Moulding Co., Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of California with its office and principal place of business located at 3308 Cyclone Court, Cottonwood, California 96022, and its mailing address at P.O. Box 406, Cottonwood, California 96022.

PARAGRAPH TWO: Respondent is now, and for some time has been, engaged in the manufacture, advertising, offering for sale, sale and distribution of stretcher bars and other wood products. A "stretcher bar" is an art supply wood product which when assembled with three other stretcher bars comprises a rectangular frame over which a canvas used for painting is stretched. Stretcher bars come in various lengths and widths, but are usually between 6" to 120" in length. Precision is the dominant supplier of commercial stretcher bars in the United States.

PARAGRAPH THREE: Respondent maintains and has maintained a substantial course of business, including the acts and practices as hereinafter set forth, which are in or affect commerce, as "commerce" is defined in the Federal Trade Commission Act.

PARAGRAPH FOUR: Between January and May of 1995, respondent became aware that a new competitor was soliciting the business of its customers. These customers provided respondent with written documentation that the competitor was offering stretcher bars at prices below those offered by respondent. Upon reviewing the information concerning the competitor's prices, the President of the respondent stated that the competitor's prices were "ridiculous."

PARAGRAPH FIVE: At all times relevant herein, respondent perceived the competitor as a competitive threat because of the competitor's low prices. Between January and May of 1995, respondent intentionally delayed a scheduled across-the-board increase in the price of its stretcher bars because of the competitive threat posed by the competitor.

PARAGRAPH SIX: In May of 1995, the President and General Manager of the respondent planned to travel to the eastern United States, in part, to make an unannounced visit to its competitor. PARAGRAPH SEVEN: On or about June 23, 1995, the President and General Manager of respondent visited the headquarters of the new competitor and met with an officer thereof. During the meeting, the General Manager of respondent told the competitor that its prices for stretcher bars were "ridiculously low." He also told the competitor that he did not "have to give the product away." This was understood by the competitor to be an invitation to fix prices. At this point, the competitor advised the respondent's representatives that he was aware that price fixing was illegal and did not want to get "contaminated." The competitor then implored the respondent's representatives to refrain from further discussion concerning prices.

PARAGRAPH EIGHT: After a brief discussion about equipment, the respondent's representatives returned to a discussion about prices. The General Manager of the respondent threatened the competitor with a price war and told the competitor that the competitor would not be able to survive a price war with Precision. At this point, the competitor reiterated that the respondent's discussion of prices was "dangerous" from a legal perspective, and the competitor advised the respondent that the conversation was over.

PARAGRAPH NINE: After the June 1995 meeting and throughout the remainder of 1995, respondent continued to delay the

implementation of its scheduled across-the-board price increase for its stretcher bars until it could ascertain whether the competitor would continue to be a competitive threat.

PARAGRAPH TEN: The conduct described in Paragraphs Seven and Eight constituted an implicit invitation by respondent to its competitor to raise prices of stretcher bars and refrain from competition. The invitation, if accepted, would have constituted an agreement in restraint of trade.

PARAGRAPH ELEVEN: The aforesaid acts and practices constitute unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act. The acts and practices herein alleged are continuing and will continue in the absence of the relief herein requested.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this third day of September, 1996 issues its complaint against respondent.

By the Commission.

Donald S. Clark  
Secretary

SEAL: