

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA,)	
)	
Plaintiff)	
)	
v.)	Civil Action No. 2785
)	
GRINWELL CORPORATION; AMERICAN)	Filed: April 13, 1961
DISTRICT TELEGRAPH COMPANY; ROLINS)	
ELECTRIC PROTECTIVE COMPANY; and)	
AUTOMATIC FIRE ALARM COMPANY OF)	
DELAWARE,)	
)	
Defendants)	

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action against the above named defendants and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 4 of the Act of Congress of July 2, 1890, c. 647, 26 Stat. 209 (15 U.S.C. 84), as amended, entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," commonly known as the Sherman Act, in order to prevent and restrain the continuing violations by the defendants, as hereinafter alleged of Sections 1 and 2 of the Sherman Act.

2. The defendant Grinnell Corporation transacts business and is found within the District of Rhode Island.

THE DEFENDANTS

3. Grinnell Corporation, hereinafter referred to as "Grinnell", a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 260 West Exchange Street, Providence 3, Rhode Island, is hereby made a defendant herein. It is engaged, among other things, in the manufacture and installation of automatic sprinkler systems, in the manufacture of protection devices, and, directly or through subsidiaries and affiliates, in the business of central station electric protection service.

4. American District Telegraph Company, hereinafter referred to as "ADT", a corporation organized and existing under the laws of the State of New Jersey, with its principal place of business at 155 Sixth Avenue, New York 13, New York, is hereby made a defendant herein. It has a large number of subsidiaries through which it is engaged in the business of central station electric protection service throughout the United States and in Canada, and in the manufacture of protection devices. Approximately 75% of the common stock of ADT is owned by defendant Grinnell. References to ADT hereinafter include subsidiaries of ADT.

5. Holmes Electric Protective Company, hereinafter referred to as "Holmes", a corporation organized and existing under the laws of the State of New York, with its principal place of business at 370 Seventh Avenue, New York 1, New York, is hereby made a defendant herein. It is engaged, among other things, directly or through subsidiaries, in the business of central station electric protection service in New York, New York, Philadelphia, Pennsylvania, and Pittsburgh, Pennsylvania. Holmes is a wholly owned subsidiary of defendant Grinnell.

6. Automatic Fire Alarm Company of Delaware, hereinafter referred to as "AFA", a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 120 West 42nd Street, New York 18, New York, is hereby made a defendant herein. Said defendant is engaged, among other things, directly or through subsidiaries, in the business of central station electric protection service in New York, New York, Philadelphia, Pennsylvania, and in Boston, Massachusetts. Through one of its subsidiaries said defendant is engaged also in the manufacture of protection devices. Approximately 88% of the common stock of AFA is owned by defendant Grinnell.

III

CO-CONSPIRATORS

7. Various other persons, firms and corporations not made defendants herein have participated as co-conspirators with the defendants in the offense hereinafter charged and have performed acts and made statements in furtherance thereof. Said co-conspirators include, but are not limited to, subsidiaries and affiliates of the defendants.

IV

DEFINITIONS

8. Whenever any of the following terms shall be used in this Complaint it shall be deemed to have the meaning hereinafter defined:

- (1) "Central station electric protection service" or "central station protection" means the business of supplying and installing protection devices on the premises of subscribers, maintaining such devices, and furnishing to subscribers protection from fire, burglary or other hazards, through central stations accredited for such service by insurance inspection and rating organizations;

- (2) "Central station" means an installation equipped with signal receiving devices connected by private telephone wires with protection devices installed on the premises of subscribers of central station electric protection service, and staffed by trained operators and guards at all times;
- (3) "Protection devices" means detecting devices, coding devices, signal receiving devices, and special equipment and materials used in furnishing central station electric protection service.

V

TRADE AND COMMERCE INVOLVED

9. Ever increasing numbers of industrial plants, warehouses, retail stores, offices, and other commercial establishments have been subscribing to central station electric protection service, since the inception of such service in the latter part of the 19th Century. Such service has been recognized as a superior means of minimizing losses by fire, burglary, malfunction of machinery, negligence of personnel, and other hazards. Subscribers to such service whose protection systems have been installed according to approved standards receive from insurers substantial discounts on hazard insurance premiums.

10. When a prospective subscriber requests central station protection service the central station protection company surveys the premises to be protected and determines the number of protection devices required to install the protection system. The cost of the equipment installed and the cost of labor to install the equipment plus overhead expenses is called the installation charge. The installation charge is usually paid by the subscriber when the

installation is completed. Title to the equipment installed in the subscriber's premises is retained by the central station protection company. The subscriber is then charged an annual service charge, payable periodically in advance, which is determined by the number of protection devices in service, telephone line rental costs, and anticipated service and maintenance requirements. The central station protection companies usually obtain contracts for protection service for periods of several years and if the contract is not renewed the central station protection company removes all of the protection devices installed in the subscriber's premises.

11. Central Station electric protection service can be rendered economically only if a substantial number of subscribers or potential subscribers are located in the vicinity of a central station. Extension of such service to subscribers located outside a certain radius is not practicable. Virtually all central stations are located in cities with more than 125,000 inhabitants.

12. Thirty-three central station protection companies were operating in the United States in 1959, which supplied central station protection service to over 94,000 subscribers in 119 cities throughout the United States. Over \$6,000,000 worth of protection devices were used by the central station protection companies for installment of alarm systems in the premises of property owners in 1958, and the income derived from central station protection service in the United States in 1958 was in excess of \$60,000,000.

13. Defendant ADT is by far the largest central station protection company in the United States and the only central station protection company operating throughout the United States. ADT operates 119 central stations in 114 cities (5 central stations in Chicago and 2 central stations in Cleveland) in 35 states and the

District of Columbia. In the entire United States ADT does more central station protection business than all of its competitors combined. In 1958 ADT had 60,142 subscribers to central station protection service or about 64% of all subscribers in the United States, and it received \$42,890,911 in annual service charges or about 72% of the earned revenues from central station protection service in the United States. In 88 cities in which it operates central stations ADT has no competition from other central station protection companies.

14. Defendant Holmes is the second largest central station protection company in the United States and operates 11 central stations in the New York City area, 2 central stations in Philadelphia, Pennsylvania and 1 central station in Pittsburgh, Pennsylvania. In 1958 Holmes had 14,218 subscribers to central station protection service, or about 15% of all subscribers in the United States. It received \$7,521,411 in annual service charges, or about 12% of the earned revenues from central station protection service in the United States.

15. Defendant AFA is the third largest central station protection company in the United States, and operates central stations in New York City, Boston, Massachusetts, and Philadelphia, Pennsylvania. In 1958 AFA had 5,167 subscribers to central station protection service or about 5% of all subscribers in the United States, and it received \$3,324,662 in annual service charges or about 5% of the earned revenues from central station protection service in the United States.

16. Defendant Grinnell controls the defendants ADT, Holmes and AFA through stock ownership and interlocking directorates. Grinnell thus controlled 136 central stations out of a total of about 170 central stations existing in the United States in 1959. The Grinnell controlled companies, in 1959, together had about 79,500 subscribers to central station protection service or about 85% of the subscribers

in the United States, and they received in combined annual service charges about \$53,730,000 or about 90% of the total earned yearly revenues from central station protection service in the United States.

17. Those central stations in the United States which are not controlled or operated by defendants are owned and operated by about 30 firms, only two of which own and operate more than one central station each.

18. Defendant Grinnell has approximately 42 automatic sprinkler system contracting offices in various parts of the United States. In negotiating for sales of automatic sprinkler systems, Grinnell's agents solicit also contracts for central station protection service by ADT. Grinnell and AFA supply certain protection devices used in such service, and they receive from ADT certain percentages of the revenues therefrom. Grinnell pays to its agents commissions on central station protection service contracts secured for ADT.

19. Since 1925, defendant ADT has acquired the capital stock or the assets of twenty-two central station protection companies in the United States.

20. Beginning in or about the year 1906, the defendants or their predecessor corporations have entered into various agreements defining areas of the United States in which they would engage in central station protection service; limiting the types of central station protection service which they would supply in certain areas; and providing for joint participation in the installation of certain types of central station protection systems and for dividing the revenues derived therefrom among themselves.

21. Substantial quantities of protection devices manufactured and assembled by ADT in the States of New York and Missouri, by AFA in the State of New York, and by Grinnell in various States of the

United States, regularly are sold and shipped across state lines to subsidiaries, affiliates, sales offices, or central stations of defendants Grinnell, ADT, and AFA for installation in other states and in foreign countries. Substantial quantities of protection devices and materials produced by other manufacturers located in various states of the United States regularly are sold and shipped across state lines to defendants and to independent central station electric protection service companies located in states other than the state of manufacture.

22. In Washington, D. C., Kansas City, Missouri, St. Louis, Missouri, and in several other cities throughout the United States, central stations, including central stations of defendants, render protection service to subscribers across state lines. The protection devices installed on the premises of such subscribers located in one state are connected through leased telephone wires with central stations located in other states or in the District of Columbia.

23. The operations of defendants' subsidiaries, district sales offices, contracting offices, and central stations located in various states are directed, controlled and supervised by officers and agents of their respective principal offices located in different states. Those subsidiaries, district sales offices and central stations utilize contract forms, price lists and instructions sent from their respective principal offices across state lines, and they, in turn, regularly send to those principal offices reports, proposed contracts, payments, and other communications. Officers and other representatives of those principal offices constantly travel across state lines to and from such subsidiaries, sales offices, contracting offices, and central stations throughout the United States. The activities of defendant ADT's subsidiaries are interrelated, interdependent, and integrated in all of the states of the United States in which they operate.

24. Thus, there exists in the central station electric protection service business a substantial regular flow across state lines of equipment, electrical signals, personnel, contracts, correspondence, communications, checks, and other media of credit and exchange. Defendants' business could not be continued but for that part of it which moves back and forth across state lines.

VI

OFFENSES CHARGED

25. For many years past and continuing up to and including the date of the filing of this complaint, the defendants and co-conspirators have been engaged in an unlawful combination and conspiracy to restrain and in an unlawful combination and conspiracy to monopolize, and the defendants have attempted to monopolize and have monopolized, the aforesaid interstate trade and commerce in central station electric protection service, in violation of Sections 1 and 2 of the Sherman Act. Defendants are continuing and will continue said offenses unless the relief hereinafter prayed for is granted.

26. The aforesaid combinations and conspiracies to restrain and to monopolize have consisted of a continuing agreement and concert of action among the defendants and co-conspirators, the substantial terms of which have been:

- (a) That competition among defendants would be restricted with respect to certain types of protection service and in certain areas;
- (b) That sales of protection devices produced by defendants would be restricted;
- (c) That defendants would acquire the stock or assets of persons and firms engaged in the business of central station protection service;
- (d) That persons and firms whose stock or assets defendants acquired would be prohibited from continuing or resuming the business of central station protection service, for extended periods of time or forever, in all or in large parts of the United States.

27. Pursuant to and in effectuation of the aforesaid combinations and conspiracies, attempt to monopolize, and monopolization, the defendants, among other things:

- (a) Did those things which, as hereinbefore alleged, they conspired and agreed to do;
- (b) Threatened and persuaded actual and potential competitors not to enter or to discontinue the business of central station electric protection service;
- (c) Initiated price wars to injure and destroy competitors in certain areas, and intentionally charged for their services to subscribers less in areas in which competitors operated than in areas in which central stations were operated by defendants only.

VII

EFFECTS

28. The aforesaid offenses have had, among other things, the following effects:

- (a) The commerce of central station electric protection service has been unreasonably restrained and monopolized;
- (b) Actual and potential competitors of defendants have been excluded and prevented from rendering central station electric protection service;
- (c) Competition among defendants has been curtailed and eliminated;
- (d) Subscribers to central station electric protection service and purchasers of protection devices have been denied the benefits from a free and competitive market.

VIII

PRAYER

WHEREFORE, the plaintiff prays:

1. That the Court adjudge and decree that the defendants have combined and conspired to restrain and to monopolize, have attempted to monopolize, and have monopolized interstate commerce in central station electric protection service, in violation of Sections 1 and 2 of the Sherman Act.
2. That each of the defendants, their officers, directors, agents, and employees, and all persons acting or claiming to act on behalf of the defendants or any of them, be perpetually enjoined from continuing to carry out, directly or indirectly, the aforesaid combinations and conspiracies to restrain and to monopolize, attempt to monopolize, and monopolization of, the aforesaid interstate commerce in central station electric protection service, and that they be perpetually enjoined from engaging in or participating in practices, contracts, agreements, or understandings, or claiming any rights thereunder, having the purpose or effect of continuing, reviving, or renewing any of the aforesaid offenses or any offenses similar thereto.
3. That defendant Grinnell be required to dispose of all of its capital stock interest in defendant ADT.
4. That defendant ADT be required to divest itself of so much of its assets as may be necessary to assure competition in central station electric protection service on the local level.
5. That defendant ADT be required to divest itself of all manufacturing facilities for protection devices.
6. That the Court enter appropriate orders to assure that each existing and future subscriber may have title to central station protection systems installed on their premises when defendants ADT,

Holmes, or AFA have secured the costs to them of the equipment plus labor plus overhead expense.

7. That defendants APT, Holmes and AFA be required to limit the term of their central station electric protection service contracts to one year, or insert in all such contracts cancellation clauses allowing subscribers to cancel the contracts, without penalty, after one year or at the end of any subsequent one-year period.

8. That all defendants be required to terminate all agreements between or among themselves and that they be enjoined from continuing to observe provisions contained in agreements previously existing between or among themselves.

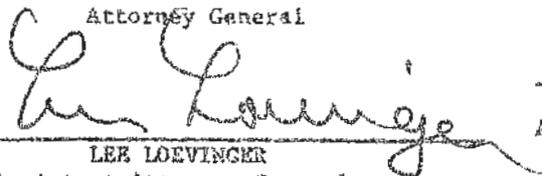
9. That the plaintiff have such other and further relief as the nature of the case may require and as the Court may deem just and proper to dissipate the effects of the violations alleged herein and to restore competition in central station electric protection service.

10. That the plaintiff recover its cost of this suit.

Dated: _____



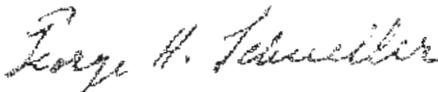
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