

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of
JARDEN CORPORATION
a corporation, and
K2 Inc.
a corporation.
Docket No. C-4196

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 Jarden Corporation ("Jarden"), a corporation subject to the jurisdiction of the Commission, has agreed to acquire certain assets and voting securities of Respondent K2 Inc. ("K2") (collectively "Respondents"), 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. RESPONDENT JARDEN

- 1. Respondent Jarden is a corporation organized, existing, and doing business under and by virtue the laws of the state of Delaware, with its office and principal place of business located at 555 Theodore Fremd Avenue, Suite B-302, Rye, NY 10580.
2. Respondent Jarden is engaged in, among other things, the research, development, manufacture, distribution, and sale of branded consumer and outdoor products, including fishing tackle sold through its subsidiary, Pure Fishing.
3. Respondent Jarden is, and at all times herein has been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. §12, and is a corporation whose business is in or affects commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

## **II. RESPONDENT K2**

4. Respondent K2 is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Delaware, with its offices and principal place of business located at 5818 El Camino Real, Carlsbad, CA 92008.

5. Respondent K2 is engaged in, among other things, the research, development, manufacture, distribution, and sale of branded sporting equipment, including fishing tackle sold through its subsidiary, Shakespeare.

6. Respondent K2 is, and at all times herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. §12, and is a corporation whose business is in or affects commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

## **III. THE PROPOSED ACQUISITION**

7. Pursuant to an Agreement and Plan of Merger dated as of April 24, 2007 (the “Agreement”), Jarden proposes to acquire 100% of the voting securities of K2 for approximately \$1.2 billion (the “Acquisition”).

## **IV. THE RELEVANT MARKET**

8. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the acquisition is the research, development, manufacture, and sale of monofilament fishing line. Monofilament fishing line is the most widely-used and least expensive type of fishing line. It accounts for 60 to 75 percent of total sales for fishing line. While other specialized types of fishing line, including braided (or super line) and fluorocarbon, appear to be growing in popularity, especially among avid anglers, the vast majority of fishing line purchases in the United States are of monofilament line. The evidence indicates anglers, if faced with a five to ten percent increase in the price of monofilament line, would not switch to braided line or fluorocarbon line. Braided and fluorocarbon line are significantly more expensive than monofilament line and are used for particular fishing conditions.

9. For the purposes of this complaint, the United States is the relevant geographic area in which to analyze the effects of the acquisition in the relevant line of commerce. Consistent with Commission findings in previous branded consumables cases, the need for distribution, infrastructure, and a U.S. sales force creates significant impediments to the ability of foreign firms to successfully and competitively import monofilament fishing line into the United States.

## **V. THE STRUCTURE OF THE MARKET**

10. The relevant market for the manufacture, distribution, and sale of monofilament fishing line in the United States is highly concentrated as measured by the Herfindahl-Hirschman Index (“HHI”). Jarden dominates the monofilament fishing line market, and K2 is its most significant competitor. The proposed acquisition would entrench Jarden further as the dominant supplier of monofilament fishing line in the United States and increase concentration significantly.

## **VI. ENTRY CONDITIONS**

11. Entry into the relevant line of commerce would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition set forth in Paragraph 12 below. Entry into the monofilament fishing line market would require the investment of high sunk costs to establish a brand name and provide promotional funding and advertising to support the product, which would be difficult to justify given the market structure and sales opportunities. As a result, new entry into any of these markets sufficient to achieve a significant market impact within two years is unlikely.

## **VII. EFFECTS OF THE ACQUISITION**

12. The effects of the Acquisition, if consummated, may be to substantially lessen competition and to tend to create a monopoly in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

- a. by eliminating actual, direct, and substantial competition between Respondents Jarden and K2 for the research, development, manufacture, and sale of monofilament fishing line in the United States;
- b. by increasing the ability of the merged entity to raise prices of monofilament fishing line unilaterally in the United States; and
- c. by reducing the merged entity’s incentives to improve service or product quality for monofilament fishing line in the United States.

## VIII. VIOLATIONS CHARGED

13. The Acquisition described in Paragraph 7 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

14. The Acquisition described in Paragraph 7, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this eighth day of August, 2007, issues its Complaint against said Respondents.

By the Commission.

C. Landis Plummer  
Acting Secretary

SEAL: