GE claims it overpaid for part due to conspiracy

BRUCE SCHREINER - Associated Press - Associated Press

A refrigerator component the size of a toaster has sparked a legal fight in Kentucky pitting two appliance giants.

General Electric Co. filed an anti-trust lawsuit claiming it overpaid for the component due to an alleged price-fixing conspiracy involving a couple of Whirlpool Corp. subsidiaries and two European suppliers also named as defendants.

The suit is over a compressor that helps create cold air to keep refrigerated foods fresh or frozen. GE claims the conspiracy began as early as 1996 to illegally inflate the price of the key refrigerator part.

As one of the largest buyers of the compressors, GE says it was "a target and a victim" of the conspiracy, hurting its refrigerator business.

The company, based in Fairfield, Conn., is seeking unspecified compensatory and punitive damages along with a monetary award three times the amount of its damages. It also seeks an injunction against the defendants.

"As a result of the cartel, plaintiff has paid supra-competitive prices for compressors and has been deprived of innovation that would have resulted in increased efficiency, as well as increased sales and profits, in its sales of refrigerators," the suit said.

The 79-page lawsuit was filed late last week in federal court in Louisville, home of GE's appliance business. Defendants include Whirlpool and its subsidiaries that produce and sell refrigerator compressors.

Benton Harbor, Mich.-based Whirlpool said it was reviewing the lawsuit and would respond in "due course through the judicial process." The company's other brands include Maytag and Kitchenaid.

A spokeswoman for Whirlpool subsidiary Embraco North America Inc., another defendant, also said the matter was under review.

"We are studying the lawsuit and have no comment at this time, except to say that Embraco does not believe that it caused any harm to GE," the spokeswoman, Rosangela Santo, said in an email.

Other defendants include Whirlpool S.A., a wholly owned subsidiary of Whirlpool Corp.; Danfoss A/S, identified as a privately held Danish company that supplies refrigerator products, including the compressors; and Household Compressors Holding SpA, listed as an Italian company that sold the compressors in the U.S. during the alleged conspiracy period.

Danfoss and Household Compressors did not immediately respond to emails seeking comment.

GE said its plants in Louisville, Decatur, Ala.; Bloomington, Ind.; and Selmer, Tenn., used the compressors as part of production.

GE claims the defendants and two co-conspirators commanded about 85 percent of the U.S. refrigerator compressor market in 2008.

The suit says the conspirators agreed on a plan to allocate GE's business among themselves to avoid competing on price, quality, efficiency and technology. The scheme included restricting or reducing supply to ensure inflated prices, it said.

In late 2004, one co-conspirator notified GE that it planned to increase prices by 11 percent, effective the following spring, the suit said. About the same time, Embraco announced a 12 percent price increase, it said.

The suit claims the alleged conspirators violated federal anti-trust law by meeting to "discuss and agree upon future price stabilization and price increases, customer and market allocation, supply restriction, innovation restriction."

It also claims the defendants committed fraud by making "repeated and material misrepresentations in their communications" with GE. The aim was to induce GE into making purchasing decisions, it said.

Source URL (retrieved on *09/21/2014 - 5:40am*):
http://www.ecnmag.com/news/2013/02/ge-claims-it-overpaid-part-due-conspiracy