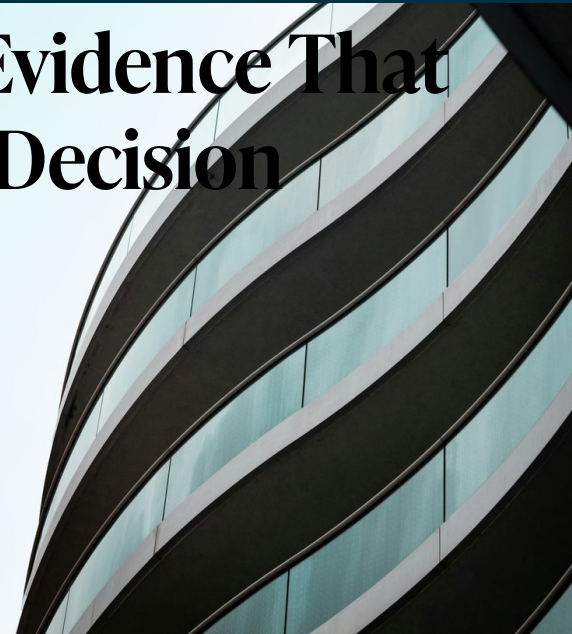


Henkel/Liquid Nails: The Evidence That Drove the Court's Merger Decision

A photograph of a modern building's curved glass facade, showing multiple floors and windows reflecting the sky.

4 MIN READ

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By: Tejaswini Gupta

The Southern District of New York's decision permanently enjoining Henkel's proposed \$725 million acquisition of Liquid Nails from American Industrial Partners (AIP) shows how courts may evaluate horizontal mergers of established, differentiated brands sold through concentrated retail channels. It also shows how the current FTC approaches deal challenges. The Court described Loctite and Liquid Nails as "the true behemoths of the industry." It granted the injunction on August 14, 2026, after a seven-day trial, and released the full redacted decision on September 11.

Market Definition

The FTC alleged that the market was "construction adhesive cartridges sold in the retail channel in the United States." Defendants argued that market definition was too narrow because it excluded the professional channel, and too broad because it grouped products that don't compete closely. The Court disagreed. It credited the FTC's economic analysis and a 2022 supply shortage that served as a natural experiment. It also relied on the following facts:

- The parties had "long treated, analyzed, and strategized about retail as a distinct channel."

- Retail has its own features: limited shelf space, line reviews, and distinct customers (DIYers and small and mid-sized pros).
- Retail has its own pricing structure, driven by “trade-up” strategies and velocity-based assortment decisions.

The combined firm would hold 84% of the market by dollar sales and 92% by volume.

The Court also rejected the argument that the products were too differentiated to compete. Liquid Nails was stronger in the “good” tier and Loctite in “better” and “best.” Even so, the brands competed “all along the pricing continuum.” They were the only two suppliers with a full suite of adhesives, and “many national customers consider them the top two choices.” Different positions within a category don’t make two brands distant competitors. What matters is actual substitution, pricing behavior, competition for shelf space, and the parties’ own views.

The Parties’ Own Documents Told the Story

Industry participants called the brands “the Coke and the Pepsi” of construction adhesives. The purchaser’s own diligence called Liquid Nails “the ‘Kleenex’ of construction adhesives.” The parties’ ordinary-course documents were more telling still:

- Henkel named Liquid Nails its “#1 Competitor in Construction Adhesives,” and A-Paint named Loctite as Liquid Nails’s “#1 competitor.”
- Henkel acknowledged “continued pressure from lower-priced competitors such as Liquid Nails,” and it lost sales to Liquid Nails after raising Loctite prices.
- The two brands held “roughly 90 percent of shelf space at home centers,” and one brand’s gains came almost always at the other’s expense.

The Court was “more persuaded by the plain import” of these documents than by defendants’ efforts to downplay head-to-head competition.

Entry and Power-Buyer Defenses Failed

The Court called brand equity “perhaps the most important factor” in sales and found it to be a significant barrier to entry. Diligence documents conceded that “[i]t would be very difficult to organically replicate the brand equity Liquid Nails has established over 50 years.” Even DAP, a leading caulk and sealant supplier, failed to win placement at Lowe’s. The Court found that the threat of replacement was “untimely, unlikely, and insufficient” - the very opposite of requirements for an entry defense.

Major retailers’ bargaining leverage was not enough either. A Menards merchant testified that retailers would not “have a lot of recourse” after a price increase and “might have to raise [their] prices to [their] consumers.” Court also found that retailers had passed through prior wholesale price increases and had incentives to reduce SKUs and simplify product assortments because of limited shelf space, interests not necessarily aligned with those of end consumers.

The FTC’s “Kitchen Table” Focus and New Litigation Approach

The case fits the FTC's focus on everyday costs to consumers, including housing. Bureau of Competition Director Daniel Guarniera said the deal "threatened to drive up the cost of a critical product for building and maintaining homes across the United States" ([press release](#)). This echoes Commissioner Mark Meador's emphasis on "the economic issues that confront ordinary American families." The FTC also said the win "marks the Commission's new approach to seeking permanent injunctions... without the need to continue cases in administrative proceedings." The approach signals that parties may increasingly face a single federal-court proceeding seeking permanent relief.

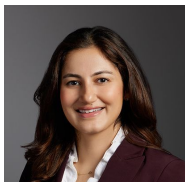
Takeaways: In Henkel, the Court looked beyond headline shares to what the parties' own documents said about their competition. The lesson for dealmakers is that documents calling a target a key competitor, tracking its prices, or describing competitive pressure can undercut a different position taken later in litigation. Merging parties should examine those issues early, before the ordinary-course record becomes trial evidence.

The district court's decision will ensure that Americans benefit from continued competition between Loctite and Liquid Nails, including lower prices and higher quality.

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