

IN THE MATTER OF

FEDERAL NEWS SERVICE GROUP, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3631. Complaint, Dec. 18, 1995--Decision, Dec. 18, 1995*

This consent order prohibits, among other things, a District of Columbia corporation that sells verbatim news transcripts, and its president, from agreeing, or soliciting an agreement, to allocate customers or divide markets with any provider of news transcripts; entering into, continuing, or renewing any agreement that prevents Reuters American from competing with the respondents in the production, marketing or sale of news transcripts; renewing its news transcript supply agreement with Reuters America for five years; agreeing, or soliciting agreements, with competitors to fix or maintain resale prices for news transcripts; and requiring or pressuring any competitor to maintain or adopt any resale price for news transcripts.

Appearances

For the Commission: *Michael E. Antalics, Barry Costilo and William Baer.*

For the respondents: *Katherine Boland, Bayh, Connaughton & Malone, Washington, D.C.*

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 Federal News Service Group, Inc., a corporation, and Cortes W. Randell, an individual (sometimes referred to as "respondents"), have 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 as follows:

PARAGRAPH 1. Respondent Federal News Service Group, Inc. ("FNS") is a corporation organized, existing and doing business under and by virtue of the laws of the District of Columbia, with its principal office and place of business at 620 National Press Building, Washington, D.C.

PAR. 2. FNS is engaged in the production and sale of fast turnaround verbatim transcripts covering a variety of news events primarily involving the federal government ("news transcripts"). Examples of the news events transcribed and transmitted by FNS include White House and Departments of Defense and State speeches and press briefings, press conferences by federal agency officials, and Congressional hearings. Under the business name of Federal News Service, FNS sells and transmits these news transcripts over communication networks to customers located through the United States.

PAR. 3. Respondent Cortes W. Randell is an individual who is President of respondent FNS. At all times material to this case, he has formulated, directed, and controlled the acts and practices of respondent FNS. His principal office and place of business is 620 National Press Building, Washington, D.C.

PAR. 4. Reuters American Inc. ("Reuters") is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business at 1700 Broadway, New York, New York.

PAR. 5. Reuters is engaged in the sale of news wires, news transcripts, and other services to the media and others. Reuters transmits these services over communication networks to customers located throughout the United States.

PAR. 6. Respondents' acts and practices, including the acts and practices alleged in this complaint, are in or affect commerce as defined in the Federal Trade Commission Act.

PAR. 7. Before May 1993, Reuters and FNS directly competed with each other for news transcript customers. They were the dominant sellers of news transcripts. Each company had its own source of supply of news transcripts. Reuters relied on News Transcripts Inc. ("NTI") to provide news transcripts exclusively to it. FNS produced its own news transcripts and relied on another company to supply news transcripts to it. FNS and Reuters competed on the basis of the price, speed, accuracy, and breadth of coverage of their respective news transcripts.

PAR. 8. As early as May 1993, the respondents agreed with Reuters, among other things, that Reuters would not sell or attempt to sell news transcripts to FNS's customers; Reuters would sell FNS-produced news transcripts and Reuters would not produce and sell its own news transcripts or purchase and resell any other company's

news transcripts which compete with FNS's news transcripts; and the minimum price for news transcripts sold by Reuters would be at least \$500 per month. These agreements were continued by subsequent agreements between FNS and Reuters. Reuters also acted in concert with FNS to induce NTI to enter into an agreement with FNS in June 1993 under which NTI agreed, among other things, to cease producing news transcripts and not to compete with FNS.

PAR. 9. The purpose and effect of these agreements was to eliminate competition in the production and sale of news transcripts. FNS became the sole producer of news transcripts, and by May 1994, many of FNS's customers had received price increases for news transcripts.

PAR. 10. In August 1993, FNS and Cortes W. Randell, in concert with Reuters, coerced a news transcript reseller to raise the price of its news transcript database. The reseller acquiesced in FNS's request to raise its prices to assure its continued supply of FNS-produced news transcripts. The reseller communicated its acquiescence to FNS and Reuters.

PAR. 11. By engaging in the acts or practices described in paragraphs six through ten of this complaint, respondents have unreasonably restrained competition in the news transcript business in the following ways, among other:

(a) Competition between FNS and Reuters for customers has been restrained;

(b) Price competition between FNS and Reuters has been restrained;

(c) Competition on the basis of product quality between FNS and Reuters has been eliminated; and

(d) Price competition between database resellers of news transcripts has been restrained.

PAR. 12. The acts or practices of respondents alleged herein were and are to the prejudice and injury of the public. The acts or practices constitute unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act. These acts or practices are continuing and will continue, or may recur, in the absence of the relief requested.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Competition proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure described in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Federal News Service Group, Inc. ("FNS") is a corporation organized, existing and doing business under and by virtue of the laws of the District of Columbia, with its offices and principal place of business located at 620 National Press Building, Washington, D.C. FNS operates under the business name Federal News Service.

Respondent Cortes W. Randell is an individual who is President of said corporation. He formulates, directs and controls the policies, acts and practices of said corporation, and his principal office and place of business is located at the above stated address.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That, as used in this order, the following definitions shall apply:

A. "*Respondents*" mean Federal News Service Group, Inc., its subsidiaries, divisions, and groups and affiliates controlled by Federal News Service Group, Inc., its successors and assigns, and its directors, officers, employees, agents, and representatives; Federal News Service, its subsidiaries, divisions, and groups and affiliates controlled by Federal News Service, its successors and assigns, and its directors, officers, employees, agents, and representatives; and Cortes W. Randell, an individual, his employees, agents, and representatives, and entities controlled by him.

B. "*Reuters*" means Reuters America Inc., its directors, officers, representatives, delegates, agents, employees, successors, assigns and its subsidiaries and their successors and assigns.

C. "*News transcripts*" mean fast turnaround verbatim transcripts of statements made by governmental officials or others covering a variety of news events or individual news events or parts thereof that are usually but not always produced within three (3) hours of the event and transmitted in any manner to resellers and customers in the United States. The definition of "news transcripts" does not include the "Daybook," a daily calendar of news events not containing news transcripts, which is sold by Reuters to FNS.

D. "*News transcript provider*" means any person or entity which produces news transcripts, by itself or through an arrangement by which a third party produces news transcripts exclusively for that person or entity, and markets and sells such news transcripts as a daily news service on a subscription basis.

II.

It is further ordered, That respondents, directly, indirectly, or through any corporate or other device, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from entering into, attempting to enter into, or continuing or attempting to continue, any combination, agreement

or understanding, either express or implied, with any news transcript provider to allocate or divide markets or customers with respect to news transcripts.

III.

It is further ordered, That respondents, directly, indirectly, or through any corporate or other device, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from entering into, continuing, or renewing any agreement between respondents and Reuters that prevents Reuters from in any way competing with respondents for the production, marketing or sale of news transcripts.

IV.

It is further ordered, That for five (5) years from either the date this order becomes final or July 31, 1995, whichever is later, respondents directly or indirectly, or through any corporate or other device, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do cease and desist from entering into, continuing, or renewing any agreements with Reuters providing for the supply of news transcripts or the purchase or sale of news transcript customer contracts or accounts.

Provided, that nothing in this order shall prohibit respondents from:

A. Selling a subscription for news transcripts to Reuters for Reuters Internal use; and

B. Contracting with Reuters for Reuters to supply respondents with Reuters' Daybook.

V.

It is further ordered, That respondents, directly or indirectly, or through any corporate or other device, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Entering into, attempting to enter into, maintaining, enforcing, or attempting to enforce, any agreements or understandings with any competitor in the production, distribution, or sale of news transcripts, or any purchaser or reseller of news transcripts which is directly or indirectly supplied by respondents, that fix, establish, control, or maintain resale prices or resale price levels for news transcripts; or

B. Requiring, coercing, or otherwise pressuring any competitor in the production, distribution or sale of news transcripts, or any purchaser or reseller of news transcripts which is directly or indirectly supplied by respondents, to maintain, adopt, or adhere to any resale price or resale price level for news transcripts.

VI.

It is further ordered, That respondents shall:

A. Within thirty (30) days after the date this order becomes final, distribute a copy of this order and complaint to each of their employees and news transcript resellers.

B. Within ninety (90) days after the date this order becomes final, and annually thereafter for five (5) years on the anniversary of the date this order becomes final, and at such other times as the Commission may, by written notice to the respondents require, file a verified written report with the commission setting forth in detail the manner and form in which the respondents have complied and are complying with this order.

C. Maintain and make available to Commission staff for inspection and copying upon reasonable notice, records adequate to describe in detail any action taken in connection with the activities covered by this order.

D. Notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries, or any other change in respondents which may affect compliance obligations arising out of this order.

VII.

It is further ordered, That this order shall terminate as follows:

A. With respect to Federal News Service Group, Inc., this order shall terminate on December 18, 2015.

B. With respect to Cortes W. Randell, this order shall terminate on December 18, 2015 unless Cortes W. Randell totally ceases and does not resume his participation in the news transcript business in any capacity, in which case this order shall terminate five (5) years from the date he ceased participating in the business.

IN THE MATTER OF

REUTERS AMERICA INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3632. Complaint, Dec. 18, 1995--Decision, Dec. 18, 1995*

This consent order prohibits, among other things, a New York-based distributor of fast-turnaround verbatim news transcripts from agreeing to or attempting to agree to allocate customers or divide markets with any provider of news transcripts.

Appearances

For the Commission: *Michael E. Antalics, Barry Costilo and William Baer.*

For the respondent: *Salem Katsh, Weil, Gotshal & Manges, New York, N.Y.*

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 Reuters America Inc., a corporation (sometimes referred to as "respondent"), 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 as follows:

PARAGRAPH 1. Respondent Reuters America Inc. ("Reuters") is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business at 1700 Broadway, New York, New York.

PAR. 2. Reuters has been engaged in the sale of news transcripts and other services to the media and others. The "news transcripts" are fast turnaround verbatim transcripts covering a variety of news events primarily involving the federal government. Examples of the news events covered include White House and Departments of Defense and State speeches and press briefings, press conferences by