

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

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| In the Matter of |) | |
| |) | |
| Federal News Service Group, Inc., |) | |
| a corporation, and |) | DOCKET NO. C-3631 |
| |) | |
| Cortes W. Randell, |) | |
| an individual. |) | |

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 ONE: 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. 20045.

PARAGRAPH TWO: 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 throughout the United States.

PARAGRAPH THREE: 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. 20045.

PARAGRAPH FOUR: 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 10019.

PARAGRAPH FIVE: 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.

PARAGRAPH SIX: 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.

PARAGRAPH SEVEN: 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.

PARAGRAPH EIGHT: 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.

PARAGRAPH NINE: 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.

PARAGRAPH TEN: 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.

PARAGRAPH ELEVEN: 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 others:

- (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.

PARAGRAPH TWELVE: 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.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this eighteenth day of December, 1995, issues its complaint against said respondents.

By the Commission.



Donald S. Clark
Secretary

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