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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION



B-167620

JUNE 14, 1979

*DAVID W.*

The Honorable Dave Evans  
House of Representatives

Dear Mr. Evans:

*AGCDO414*

*was* Your March 12, 1979, letter requested that our Office conduct an inquiry into a constituent's concerns about the handling by the Department of Justice's Antitrust Division of a complaint which alleged certain restraints of trade imposed on independent theater owners by large motion picture companies. Your constituent also expressed concern that the Antitrust Division's practice of retaining jurisdiction in Washington over such complaints prevented convenient public access to antitrust authorities. We discussed this matter with your office and agreed to furnish you information on

- procedures followed by the Antitrust Division in responding to the complaint and the extent of the Division's activities in the motion picture industry, and
- efforts by the Antitrust Division to involve State and local authorities in antitrust enforcement.

ANTITRUST DIVISION'S HANDLING  
OF COMPLAINT

The complaint, made by an independent theater owner in Memphis, Tennessee, alleged restraints of trade and violations of outstanding consent decrees within the motion

*Letter Report*

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picture industry. 1/ Antitrust Division documents supplied by your office showed intermittent correspondence between the complainant and Division attorneys beginning in 1976. We discussed the Division's handling of the matter with an attorney from the Division's Judgment Enforcement Section, who most recently handled this complaint.

According to the Division attorney, the subject complaint was one of approximately 50 complaints the Judgment Enforcement Section receives each year involving alleged consent decree violations in the motion picture industry. The Division attorney became involved when a letter from the complainant to a U.S. district court was forwarded to the Antitrust Division. From his analysis of the letter and a review of previous Division correspondence with the complainant, the Division attorney concluded that documents further supporting the allegations were needed in order to justify resource commitments by the Division to formally investigate the matter. A similar conclusion was reached by two other Division attorneys when they handled the complainant's earlier allegations. In a letter dated November 22, 1978, the complainant was asked to provide any documents or other materials to support the allegations. The complainant's response, in a January 1979 letter, stated that the Justice Department should convene a special grand jury if it really wanted documented evidence. According to the Division attorney, the Judgment Enforcement Section has no current plans to further investigate this matter.

With regard to why this complaint was handled at the Division's Washington headquarters rather than in a field office, the Division attorney stated that the Judgment Enforcement Section has traditionally handled alleged or actual Paramount Decree violations and has acquired expertise in this area. The Antitrust Division's organizational scheme has its Washington sections responsible for specific commodities or specialized activities and its eight field offices responsible

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1/The consent decrees referred to are those in which Paramount Pictures Inc., and other major motion picture production and distribution companies agreed to divest themselves of their exhibition businesses and to refrain from certain practices which would lessen competition in the distribution and exhibition of films. Collectively, these are known as the Paramount Decrees.

for geographic areas spanning all commodities. Two Washington Sections--the Judgment Enforcement Section and the General Litigation Section--have responsibility for the motion picture industry. If a complaint about the industry does not pertain to decree violations it may be handled by the General Litigation Section or by the field offices.

We used the <sup>7/c</sup> Antitrust Division's management information system to determine the extent of its enforcement effort in the motion picture industry. The following table shows Division efforts over the last 3 fiscal years.

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Number of investigations and cases	15	25	22
Number of attorney months	35	31	37

The Judgment Enforcement Section used 76 percent; the field offices, 23 percent; and the General Litigation Section, 1 percent of the total attorney months for the 3 fiscal years shown above.

COOPERATION BETWEEN FEDERAL AND STATE ANTITRUST ENFORCERS

The Antitrust Division favors State antitrust enforcement of localized violations and is currently administering a 3-year program, authorized by section 116 of the Crime Control Act of 1976, to increase State involvement in antitrust enforcement. This Grant Program to Aid State Antitrust Enforcement provides "seed money" designed to augment State antitrust enforcement and reflects congressional awareness that greater emphasis at the State level will significantly assist the effectiveness of the Federal antitrust program. As of May 1979, the Division had awarded \$18.6 million of the program's total funding of \$21 million to 46 States, Puerto Rico, and the District of Columbia. A Division official said that the Federal grants have resulted in creation of antitrust offices in about 25 States and the improvement of ongoing programs in other States.

In certain circumstances, the Division also assists the States' antitrust enforcers by sharing its investigative files and materials upon request and notifying them of any Federal action which may entitle them to bring an action for damages.

Additionally, the Division has referred some localized antitrust complaints to both State Attorneys General and U.S. attorneys for their action. From December 1977 to September 1978 the Division made 29 complaint referrals to State Attorneys General and 17 to U.S. attorneys for their enforcement. None of the referrals, however, involved the motion picture industry.

According to Division officials, the grant program and their complaint referrals and information sharing can enhance the effectiveness of antitrust enforcement at the local level.

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Antitrust Division officials were given an opportunity to comment on this report and they agreed with the facts presented in it. As agreed with your office, we are sending a copy of the report to the Attorney General.

Sincerely yours



Allen R. Voss  
Director