

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA,	:
	:
Plaintiff,	:
	:
v.	:
	: Civil Action No. 71 C 609
	:
	: Filed: May 20, 1971
UNITED ARTISTS THEATRE CIRCUIT, INC.,	:
	:
Defendant.	:
	:

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COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action against the defendant named herein and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed under Section 15 of the Act of Congress of October 15, 1914, as amended (15 U.S.C. § 25), commonly known as the Clayton Act, in order to prevent and restrain violation by the defendant, as hereinafter alleged, of Section 7 of the Act, as amended (15 U.S.C. § 18), and for equitable relief.

2. Defendant United Artists Theatre Circuit, Inc. maintains an office, transacts business and is found within the Eastern District of New York.

II

THE DEFENDANT

3. United Artists Theatre Circuit, Inc. (hereinafter referred to as "UATC") is hereby made the defendant herein. UATC is a Maryland corporation with its principal place of business in New York City, New York. Each reference herein to "UATC" includes United Artists Theatre Circuit, Inc., its subsidiaries, affiliates and any other companies controlled by it.

III

DEFINITION

4. As used herein, the term "New York Metropolitan Area" shall refer to the City of New York, the counties of Westchester, Rockland, Nassau and Suffolk in the State of New York, the counties of Bergen, Essex, Hudson, Passaic and Union in the State of New Jersey and the county of Fairfield in the State of Connecticut.

IV

TRADE AND COMMERCE

5. Operators of motion picture theatres compete for licenses to exhibit feature motion pictures. Such competition is most intense for pictures that are most popular with the consuming public and can be expected to return the most revenues to the exhibitor. Large motion picture theatre circuits, which can offer distributors extensive exhibition of their motion pictures throughout the United States or in significant regional markets such as the New York Metropolitan Area, have an advantage over smaller theatre circuits and individual theatres in competing for exhibition licenses, particularly licenses to exhibit the most popular and most profitable feature motion pictures in a particular locality. Where

the difference between offers submitted by competing exhibitors is marginal, which is not uncommon, the distributor has a strong incentive to award the license to the largest circuit bidding.

6. At the time UATC acquired Prudential Theatre Corp. (hereinafter referred to as Prudential) in 1968, UATC operated the second largest motion picture theatre circuit in the United States with approximately 300 theatres. In 1967, UATC had total income of approximately \$43,463,000, of which about \$37 million was attributable to its theatre operations.

7. At the time Prudential was acquired by UATC in 1968, Prudential operated one of the largest regional motion picture theatre circuits in the United States with approximately 85 theatres. In 1967, Prudential had total income of approximately \$11 million, substantially all of which was attributable to its theatre operations.

8. There were approximately 750 motion picture theatres in the New York Metropolitan Area in 1968. Prudential, with 64 theatres, accounted for approximately 8.5 percent and UATC, with 60 theatres, accounted for about 8.0 percent of all motion picture theatres in the New York Metropolitan Area during that same year. Combined, Prudential and UATC operated approximately 16.5 percent of all such theatres in 1968.

9. The four largest theatre chains in the New York Metropolitan Area, including Prudential and UATC, accounted for about 32 percent of all motion picture theatres in that area prior to the acquisition of Prudential by UATC. Subsequent to the consolidation of the Prudential and UATC

theatres into a single circuit, the four largest motion picture theatre chains operated approximately ~~31~~³⁶ percent of such theatres.

10. Although the distributors of feature motion pictures determine the total number of film prints to be released throughout the New York Metropolitan Area, the actual distribution takes place on a county by county basis. The various distributors determine the number of prints to be released in each county in the area, and within each county the motion picture exhibitors compete to obtain feature motion pictures, particularly the most popular and most profitable pictures available, from such distributors.

11. Queens County is a major residential county in New York City. The 1968 population of Queens County was approximately 1,997,400. Nassau and Suffolk Counties are two of the major suburban counties making up the New York Metropolitan Area. In 1968, the population of Nassau County was approximately 1,441,800 and the population of Suffolk County was approximately 1,042,000. All three counties have experienced substantial economic and population growth during the last decade.

12. There were approximately 51 motion picture theatres in Queens County in 1968. UATC, with 8 theatres, accounted for approximately 15.7 percent and Prudential, with 6 theatres, accounted for approximately 11.8 percent of all motion picture theatres in Queens County during that same year. Combined, UATC and Prudential operated approximately 27.5 percent of all such theatres in 1968.

13. The four largest theatre chains in Queens County, including UATC and Prudential, accounted for about 37

percent of all motion picture theatres in that county prior to the acquisition of Prudential by UATC. Subsequent to the consolidation of the UATC and Prudential theatres into a single circuit, the four largest theatre chains operated approximately 41 percent of such theatres.

14. There were approximately 75 motion picture theatres in Nassau County in 1968. UATC and Prudential each operated 9 theatres in Nassau County during that same year. UATC and Prudential each accounted for approximately 12 percent of the motion picture theatres in Nassau County in 1968, and combined, they operated approximately 24 percent of all such theatres.

15. The four largest theatre chains in Nassau County, including UATC and Prudential, accounted for about 52 percent of all motion picture theatres in that county prior to the acquisition of Prudential by UATC. Subsequent to the consolidation of the UATC and Prudential theatres into a single circuit, the four largest theatre chains operated approximately 60 percent of such theatres.

16. There were approximately 65 motion picture theatres in Suffolk County in 1968, almost all of which were operated by 8 theatre circuits. At the time it was acquired by UATC in 1968, Prudential, with 41 theatres, accounted for about 63 percent of all motion picture theatres in Suffolk County and was by far the largest exhibitor operating in that county. The four largest theatre circuits in Suffolk County, including Prudential, accounted for about 83 percent of all motion picture theatres in that county during that same year.

17. At the time UATC acquired Prudential in 1968, UATC did not operate any motion picture theatres in Suffolk County. However, UATC was a significant competitor in the operation of motion picture theatres in Nassau County, which is adjacent to Suffolk County, and was one of the most likely entrants into the operation of motion picture theatres in Suffolk County.

18. Motion picture film prints exhibited by UATC and Prudential in the New York Metropolitan Area have been continuously distributed and shipped in interstate commerce to and from the offices and motion picture theatres of UATC and Prudential. Payment of rentals and fees by UATC and Prudential in connection with the exhibition of motion picture film prints have been continuously made in interstate commerce to distributors of such film prints.

V

OFFENSE ALLEGED

19. In or about July 1968, UATC acquired substantially all of the assets of Prudential.

20. The effect of the acquisition described in paragraph 19 above may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) actual and potential competition between UATC and Prudential in the acquisition of exhibition licenses for feature motion pictures in the New York Metropolitan Area and in Queens and Nassau Counties has been eliminated;

- (b) competition generally in the acquisition of exhibition licenses for feature motion pictures in the New York Metropolitan Area and in Queens and Nassau Counties has been substantially lessened;
- (c) concentration in the acquisition of exhibition licenses for feature motion pictures in the New York Metropolitan Area and in Queens and Nassau Counties has been substantially increased;
- (d) potential competition between UATC and Prudential in the acquisition of exhibition licenses for feature motion pictures in Suffolk County has been eliminated; and
- (e) UATC's bargaining power with motion picture distributors has been significantly enhanced to the detriment of smaller theatre circuits and individual theatres with which it competes for licenses to exhibit feature motion pictures.

PRAYER

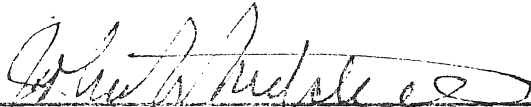
WHEREFORE, plaintiff prays:

1. That the aforesaid acquisition by UATC of substantially all of the assets of Prudential be declared to be a violation of Section 7 of the Clayton Act.
2. That UATC be required to divest itself of all assets acquired from Prudential.
3. That the Court, pending final adjudication of this litigation, issue a preliminary injunction enjoining UATC and all persons acting on its behalf from taking any action that would impair its ability to comply with any Court Order which may be issued requiring UATC to divest itself of the assets acquired from Prudential.

4. That, for a period of ten years, except with the prior approval of the plaintiff or the Court, UATC, its successors and assigns, its officers, directors, agents, employees and all other persons acting or claiming to act on its behalf, be enjoined from acquiring the stock or assets of any person, company or corporation operating a motion picture theatre in the New York Metropolitan Area.

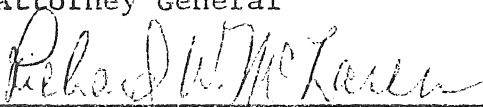
5. That plaintiff have such other, further and different relief as the Court may deem just and proper.

6. That plaintiff recover the costs of this suit.



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