# UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

Civil Action No. 74-3600-RJK

Lodged: August 22, 1980

AMERICAN BROADCASTING

COMPANIES, INC.,

Defendant.

## FINAL JUDGMENT

Plaintiff, United States of America, having filed its complaint herein on December 10, 1974, and defendant, American Broadcasting Companies, Inc., having filed its answer herein on December 30, 1974, by their respective attorneys, each having consented to the entry of this Final Judgment, without trial or adjudication of any issue of fact or law herein, and without this Final Judgment constituting any evidence against or admission by any party with respect to any issue of fact or law in any action or proceeding;

 NOW, THEREFORE, before any testimony has been taken, the Court being advised and having considered the matter, it is hereby:

ORDERED, ADJUDGED AND DECREED as follows:

I.

This Court has jurisdiction of the subject matter of this action and of the parties hereto. The complaint states a claim upon which relief may be granted against defendant under the provisions of Sections 1 and 2 of the Act of Congress of July 2, 1890, 15 U.S.C. §\$1, 2, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," as amended, commonly known as the Sherman Act.

II.

As used in this Final Judgment:

- (A) "Person" means an individual, partnership, corporation or any other form of legal or business entity.
- (B) "ABC" means American Broadcasting Companies, Inc. and its subsidiaries.
- (C) A "person controlling ABC" means any person owning at least ten percent (10%) of, or a controlling share of, the outstanding voting stock of ABC.
- (D) "ABC Television Network" means an ABC owned or operated business which provides television programs and related advertising messages to affiliated television broadcast stations.
- (E) "Entertainment Program" means any program, including a feature film, exhibited or intended to be exhibited on television other than the following programs: news, public

affairs, agricultural, religious, instructional, and sports
(as those terms are defined in Appendix A to this Final
Judgment). The inclusion of incidental or occasional entertainment or non-entertainment elements in a program or
program series shall not be deemed to change the classification
of the program or program series.

- (F) "Independent Program Supplier" means a person who produces or offers one or more entertainment programs for network exhibition, other than ABC, a person controlling ABC, or a person in which ABC or a person controlling ABC has an ownership interest.
- (G) "Network Exhibition" means the initial and repeat exhibitions of a television program on the ABC television network during the term of any agreement between ABC and an independent program supplier for such exhibition of such program.
- (H) "Prime Time Hours" means the hours from 6:00 p.m. to 11:00 p.m. in the Eastern and Pacific Time Zones of the United States, and the hours from 5:00 p.m. to 10:00 p.m. in the Central and Mountain Time Zones of the United States.
- (I) "Daytime Hours" means the hours from 9:00 a.m. to 6:00 p.m. in the Eastern and Pacific Time Zones of the United States, and the hours from 9:00 a.m. to 5:00 p.m. in the Central and Mountain Time Zones of the United States.
- (J) "Fringe Hours" means the hours from 11:00 p.m. to 2:00 a.m. and 6:00 a.m. to 9:00 a.m. in the Eastern and Pacific Time Zones of the United States, and the hours from

10:00 p.m. to 1:00 a.m. and 6:00 a.m. to 9:00 a.m. in the Central and Mountain Time Zones of the United States.

- (K) "Television Broadcast Station" means a station licensed as a television broadcast station by the Federal Communications Commission.
- (L) "ABC Production Facilities" means studio facilities, including but not limited to, scenery, props and other
  production equipment, which are used for the production of
  entertainment programs exhibited or intended to be exhibited
  on television, and which are owned or leased by ABC, by any
  person controlling ABC, or by any person in which ABC or any
  person controlling ABC has any ownership interest.
- (M) "Stripping" means the broadcasting of more than one (1) episode per week of a television program series.
- (N) "Broadcast Year" means the television broadcast year customarily commencing in September of one year and continuing until September of the following year.

#### III.

The provisions of this Final Judgment are applicable to ABC, to any person controlling ABC and to each of ABC's directors, officers, agents, employees, subsidiaries, successors, and assigns, and to all persons in active concert or participation with any of them, who receive actual notice of this Final Judgment by personal service or otherwise.

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ABC is enjoined and restrained from:

Acquiring any financial or proprietary right or interest in the exhibition, distribution, or other commercial use of any television program produced wholly or in part by an independent program supplier, other than the right to the Network Exhibition of the program, except as provided in Sections VII(A)-(D) of this Final Judgment, provided that an agreement granting ABC the right to Network Exhibition may include provisions concerning subject matters incident to the licensing and use of network programs, of which the following are examples: geographic scope and manner of transmission and delivery of network broadcasts; approval of creative elements and program content; technical quality and delivery requirements; union and Equal Employment Opportunity Act compliance; act of God; force majeure; preemptions; obligation to pay for, rather than play, programs; number of episodes or programs ordered; assignability; warranties; indemnification; completion bonds; security agreements and financing statements; insurance; public morals; advertising conflicts; advertising, promotion and publicity of programs; audience testing and screening; cancellation; exclusivity for talent and creative personnel (except as limited by Sections VI(I) and VI(J) herein; see also Section VII(E) herein); exclusive exhibition rights (except as limited by Sections VI(E)(ii)-(iii) herein); pilots (except as limited by Section VI(F) herein); options (except as limited by Sections VI(E)(i), VI(F) and VI(G) herein); first negotiation and first refusal

rights (except as limited by Sections VI(E)(i) and VI(G) herein); spinoffs (except as limited by Section VI(G) herein); repeats (except as limited by Section VI(H) herein); same day protection against once weekly syndication programs and theatrical feature films; title protection for the length of the applicable contract or contracts; format and continuing character protection; breach; and remedies, so long as any such provision does not violate the antitrust laws.

(B) Selling, licensing, or distributing entertainment programs to television broadcast stations for non-network television exhibition (or otherwise engaging in the business commonly known as "syndication"), or to foreign television stations or networks, except as provided in Section VII(D) of this Final Judgment.

v.

(A) ABC is enjoined and restrained for a period of ten (10) years from the effective date of this Section from offering for ABC network broadcast during Prime Time Hours, Daytime Hours or Fringe Hours: in Prime Time Hours, more than two and one-half (2-1/2) hours per week in each of the first five (5) years, three and one-half (3-1/2) hours per week in each of the sixth and seventh years, four (4) hours per week in the eighth year, and five (5) hours per week in each of the ninth and tenth years; in Daytime Hours, more than eight (8) hours per week; and in Fringe Hours, more than eleven (11) hours per week, determined on the average per compliance period, of entertainment programs obtained from sources other than independent program suppliers, provided that

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during each compliance period ABC may add to the total number of allowable hours of entertainment programming from sources other than independent program suppliers, two (2) non-regularly scheduled special programs, and provided further that in any compliance period, ABC may, during Fringe Hours, increase the number of allowable hours of entertainment programming from sources other than independent program suppliers by reducing to the same extent the number of allowable hours of such programming in Prime Time Hours and/or Daytime Hours, and during Daytime Hours, increase the number of allowable hours of entertainment programming from such sources by reducing to the same extent the number of allowable hours of such programming in Prime Time Hours and/or Fringe Hours, so long as the number of allowable Daytime Hours may only be increased to the extent necessary to permit offering for broadcast by ABC of those programs from sources other than independent program suppliers being offered by ABC as of the effective date of this decree.

(B) For purposes of this Section V, compliance periods shall be consecutive semi-annual periods commencing at the start of each broadcast year. Compliance reports in the form set forth in Appendix B to this Final Judgment shall be submitted by ABC to plaintiff within thirty (30) days following the conclusion of each compliance period.

VI.

ABC is enjoined and restrained:

(A) From purchasing or offering to purchase from an independent program supplier the right to Network Exhibition of one or more entertainment programs upon the condition,

express or implied, that ABC, or any person controlling ABC, will obtain any other right or interest from said supplier, except as to contractual provisions concerning subject matters incident to the licensing and use of network programs as provided in Section IV(A) of this Final Judgment.

- (B) For a period of fifteen (15) years from the effective date of this Section, from purchasing or offering to purchase from an independent program supplier any right to the exhibition of a program, other than a live program, as an ABC television network entertainment program upon the condition, express or implied, that said supplier produce the program, in whole or in part, utilizing ABC production facilities.
- (C) For a period of fifteen (15) years from the effective date of this Section from agreeing with an independent program supplier that said supplier use ABC production facilities to produce a program, other than a live program, as an ABC television network entertainment program for a period in excess of the time required to produce episodes for one (1) broadcast year, provided that ABC and said supplier are not precluded each year from negotiating and contracting for additional periods not to exceed one (1) year each.
- (D) For a period of ten (10) years from the effective date of this Section from purchasing or offering to purchase from CBS Inc. ("CBS") or National Broadcasting Company,
  Inc. ("NBC") any right to Network Exhibition of any entertainment program upon the condition, express or implied, that CBS or NBC agrees to purchase or offers to purchase

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a right to network exhibition of any entertainment program produced or controlled by ABC.

- (E) For a period of fifteen (15) years from the effective date of this Section from:
- Acquiring from an independent program supplier options for Network Exhibition of a prime time network entertainment program series exercisable for a period in excess of four (4) years from the date of first broadcast of an episode of such program as part of an ABC prime time television network entertainment program series, and the balance of any broadcast year in which such four (4) year period ends, provided that: (a) with respect to any such program series which commences at the start of a broadcast year, nothing herein shall prevent ABC, at any time[s] in or after the Spring of the first broadcast year, from negotiating new provisions which may include the purchase of an extension of the option period, so long as the maximum term at no \_ time exceeds four (4) years from the date such new provisions are entered into, except that where such new provisions are entered into at or after the time when ABC exercises its option for the following broadcast year the maximum term shall be four (4) years from the start of such following broadcast year; and (b) with respect to any such program series which commences at a time other than the beginning of a broadcast year, nothing herein shall prevent ABC, at any time[s] after twelve months subsequent to the date of first broadcast, from negotiating new provisions which may include the purchase of an extension of the option period, so long as the maximum

term at no time exceeds four (4) years, and the balance 1 of any broadcast year in which such four (4) year period 2 ends, and provided further that nothing herein shall prevent 3 ABC from acquiring first negotiation and first refusal rights 4 for new agreements with said supplier so long as any such 5 first refusal rights shall not be more favorable to ABC 6 than a contractual obligation which prevents said supplier 7 from entering into an agreement with a person other than 8 ABC on terms less favorable to said supplier than said supplier's 9 last offer to ABC without giving ABC the first opportunity 10 to meet such terms, and provided further that nothing herein 11 shall prevent ABC from entering into contractual provisions 12 incident to the licensing and use of network programs as 13 provided in Section IV(A) of this Final Judgment. 14 (ii) Acquiring from an independent program supplier, 15 after thirty (30) days from the entry of this Final Judgment, 16 exclusive exhibition rights for prime time network entertain-17

ment program series episodes for which ABC has a contractual right to Network Exhibition, in excess of the following:

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- for prime time use, the duration of any contract term or terms by which ABC acquires the right to Network Exhibition;
- for non-prime time stripping on television broadcast stations, four (4) years from the first prime time episode broadcast; and
- for all other broadcast uses, three (3) years from the first prime time episode broadcast,

provided that nothing herein shall prevent ABC from negotiating for and acquiring rights, including exclusive rights, for stripping and once weekly exhibition to be utilized after the periods of exclusivity set forth above, so long as negotiation for and acquisition of such rights takes place after ABC has agreed to order episodes of such program for the first year of broadcast as an ABC prime time television network entertainment program series, and provided further that nothing herein shall prevent ABC from acquiring exclusive exhibition rights to series episodes for the broadcast year for which such episodes are ordered.

- (iii) Acquiring from an independent program supplier, after thirty (30) days from the entry of this Final Judgment, exclusive exhibition rights for theatrical feature films for which ABC has a contractual right to Network Exhibition, against:
  - (a) theatrical and non-theatrical direct
    projection;
  - (b) closed circuit TV in non-residential hotels, motels, bars, restaurants, hospitals and similar non-residential institutions;
    - (c) passenger-carrying vehicles;
  - (d) video discs, cartridges or cassettes of other such equipment.
- (F) For a period of ten (10) years from the effective date of this Section, from acquiring from an independent program supplier a first year pick-up option for exhibition of a prime time network entertainment program series based

on a program designated by ABC and said supplier as a "pilot program" ("pilot") which is exercisable after the following times:

- (i) where ABC has not advanced said supplier any part of the costs of pilot development, subsequent to the earliest date that the agreement contemplates that broadcast of the series may commence; and
- (ii) where ABC has advanced said supplier any part of the costs of pilot development, more than one (1) year after delivery to ABC of the completed pilot, provided that as to those series which ABC does not include in the network schedule at the earliest date that the agreement contemplates that broadcast of the series may commence:
  - (a) for those pilots which have been delivered to ABC between October 2 of one year
    and April 1 of the following year, ABC must
    designate by June 1 of the latter year sixtyfive percent (65%) of such pilots as to which
    ABC will release its option for series exhibition upon payment to ABC of all of ABC's
    unrecouped costs for the development of such
    pilots; and
  - (b) for those pilots which have been delivered to ABC between April 2 and October 1
    of the same year, ABC must designate by January 1 of the following year sixty-five percent
    (65%) of such pilots as to which ABC will release its option for series exhibition upon pay-

ment to ABC of all of ABC's unrecouped costs for the development of such pilots;

and provided further that ABC may purchase additional first year pick-up options for series which ABC has not designated for release and for series which ABC has designated for option release but which ABC wishes to retain, so long as such additional options are acquired, for pilots described in Section VI(F)(ii)(a), after June 1, or after the announcement of the ABC television network schedule for the next broadcast year, whichever is later, and, for pilots described in Section VI(F)(ii)(b), after December 1, and so long as such additional options do not exceed increments of six (6) months.

For purposes of this Section VI(F):

A pilot shall be deemed to have been delivered to ABC when ABC has received, in the case of a film pilot, an answer print, and, in the case of a tape pilot, a program complying with customary tape requirements.

In computing the number of pilots to be released under Sections VI(F)(ii)(a) and (b), any fraction of a pilot shall be rounded off to the next lower whole number.

Unrecouped costs shall be deemed to be the amount of money advanced by ABC to an independent program supplier for the development of a ; pilot, except that if the ABC television network broadcasts a pilot once, two-thirds (2/3)

-*.*  of ABC's costs shall be deemed to have been recouped, and if ABC broadcasts a pilot more than once, all of ABC's costs shall be deemed to have been recouped.

(G) For a period of ten (10) years from the effective date of this Section, from acquiring from an independent program supplier rights in excess of first negotiation and first refusal rights for a spinoff involving a non-continuing character.

For purposes of this Section VI(G):

First refusal rights shall not be more favorable to ABC than a contractual obligation which prevents said supplier from entering into an agreement with a person other than ABC on terms less favorable to said supplier than said supplier's last offer to ABC without giving ABC the first opportunity to meet such terms.

A non-continuing character shall be deemed to mean one who appeared in no more than twenty-five percent (25%) of the original episodes of the program upon which such spinoff is based during the twelve (12) months prior to the time exhibition rights to such spinoff are offered for licensing by said supplier.

(H) For a period of ten (10) years from the effective date of this Section, from purchasing from an independent program supplier a right to first run Network Exhibition of any

television entertainment program series which includes the right to exhibit repeats of episodes in years subsequent to the broadcast year of initial exhibition of such episodes, provided that repeat rights to three (3) initial episodes per broadcast year of each such program series may be purchased for exhibition in subsequent broadcast years as part of the right to Network Exhibition, and provided further that additional rights to repeats may be purchased for exhibition in subsequent broadcast years, so long as negotiation for and acquisition of such additional repeat rights takes place after ABC has agreed to order episodes of such program series for the first year of broadcast as an ABC television network entertainment program series, and provided further that the limitation as to the use of repeats contained in this Section VI(H) shall not apply to (i) made-for-television and theatrical feature films, (ii) specials, and (iii) cartoons or other children's programs.

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- date of this Section, from asserting or exercising any right under any agreement for the services of any continuing performing or essential creative talent providing services in connection with a particular prime time entertainment program series licensed to ABC so as to preclude such talent from being able to continue to provide services in connection with that program series if licensed to any other licensee up to and including ninety (90) days after the expiration of ABC's option[s] for that series.
- (J) For a period of ten (10) years from the effective date of this Section, from asserting or exercising any right under any agreement for the services of any essential performing

or essential creative talent who has provided services in connection with a prime time entertainment program series pilot delivered to ABC so as to preclude such talent from being able to provide services in connection with a program series based on that pilot, if licensed to any other licensee up to and including ninety (90) days after the expiration of ABC's option[s] for that series. This provision shall not be applicable to those 20 ABC agreements for the exclusive services of creative talent which were entered into on or before July 16, 1980, provided that this exception shall not extend beyond December 31, 1982.

VII.

Nothing contained in this Final Judgment shall be construed:

- (A) To prohibit ABC from acquiring rights for nonnetwork broadcast of programs by ABC owned and operated
  television broadcast stations where such rights are not acquired,
  directly or indirectly, in connection with the negotiation
  for or acquisition of rights including renewal rights,
  for the exhibition, distribution or use of any program as an
  ABC television network program.
- (B) To prohibit ABC from seeking repayment, in whole or in part, of money or other consideration loaned, advanced or furnished by ABC in connection with the development or production of a television network program or of a project or activity that may result in a television network program, to the extent of the amount loaned, advanced or furnished, including interest.

1 to non-broadcast uses, including but not limited to publica-2 tion of books or music, where such rights are not acquired, 3 directly or indirectly, in connection with the negotiation for or acquisition of rights, including renewal rights, for 5 the exhibition, distribution or use of any program as an ABC 6

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television network program.

8 (D) To prohibit ABC from selling, licensing, or distributing outside the United States programs (i) produced 9 in foreign countries and not included in ABC's television net-10 work schedule, where the acquisition of such distribution 11 12 rights is not conditioned, directly or indirectly, upon the negotiation for or acquisition of rights, including renewal 13 rights, for the exhibition, distribution or use of any 14 15 program as an ABC television network program, or (ii) pro-16 duced by ABC, by any person controlling ABC, or by any person 17 in which ABC or any person controlling ABC has any ownership 18 interest.

(C) To prohibit ABC from acquiring rights with respect

To preclude plaintiff, upon a showing that ABC has (E) used exclusive rights to performing or creative talent to circumvent Section VI(F) of this Final Judgment, from applying to the Court for additional relief under this Judgment against such conduct, provided that such additional relief would not place ABC at a competitive disadvantage with respect to CBS or NBC.

VIII.

If a Final Order, Judgment or Decree or modification thereof is entered with respect to CBS in United States

v. CBS Inc., Civil Action No. 74-3599-RJK (C.D. Cal.), or with respect to NBC in <u>United States v. National Broad-casting Company</u>, Inc., Civil Action No. 74-3601-RJK #C.D. Cal.), which is not appealable or from which no timely appeal is taken, which shall order or decree for either CBS or NBC injunctions different in terms or provisions than those required by this Final Judgment, or which shall result in the dismissal of either or both of such actions, ABC may apply to the Court and shall be granted a modification of or relief from any terms set forth herein as may be necessary to prevent ABC from being placed at a competitive disadvantage with respect to CBS or NBC.

IX.

- (A) Within thirty (30) days after the entry of this Final Judgment, ABC shall furnish to its officers, directors, and appropriate employees and agents a copy of this Final Judgment, and each year for a period of ten (10) years thereafter ABC shall furnish a copy to all new officers, directors and appropriate employees and agents. ABC shall maintain a file listing all persons to whom it has furnished such copies.
- (B) Within thirty (30) days after entry of this Final Judgment and once each year during the succeeding ten (10) calendar years following entry of this Final Judgment, ABC shall send a copy of this Final Judgment to the last known address of each independent program supplier known to have offered any entertainment program to ABC for inclusion in its schedule of ABC television network programs within the

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preceding five (5) years and to each person listed in the then current issue of Television Factbook as a provider of television production facilities.

X.

- (A) For the purpose of determining or securing compliance with this Final Judgment, duly authorized representatives of the Department of Justice, upon written request of the Attorney General or the Assistant Attorney General in Charge of the Antitrust Division, and on reasonable notice to ABC made to its principal office, shall be permitted, subject to any legally recognized privilege:
- (1) access during the office hours of ABC to all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of ABC relating to any matter contained in this Final Judgment; and
- (2) subject to the reasonable convenience of ABC and without restraint or interference by it, the right to interview officers or employees of ABC, who may have counsel present, regarding any such matter.
- (B) ABC, upon written request of the Attorney General or the Assistant Attorney General in Charge of the Antitrust Division, made to its principal office, shall submit such written reports with respect to any of the matters contained in this Final Judgment as from time to time may be requested.

No information obtained by the means provided in this Section X shall be divulged by any representative of plaintiff to any person other than a duly authorized representative

of the Executive Branch of the United States, except in the course of legal proceedings to which the United States is a party, or for the purpose of securing compliance with this Final Judgment or as otherwise required by law. XI.

Jurisdiction is retained by this Court for the purpose of enabling either party to this Final Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or modification of any of the provisions thereof, for the enforcement of compliance therewith, and for the punishment of violations thereof.

XII.

Entry of this Final Judgment is in the public interest.

Dated: November 14, 1980

Robert J. Kelleher UNITED STATES DISTRICT JUDGE

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"Agricultural programs" include market reports,

(a)

- farming, or other information specifically addressed, or primarily of interest, to the agricultural population.
- (b) "News programs" include reports dealing with current local, national, and international events, including weather and stock market reports; and when an integral part of a news program, commentary, analysis, and sports news.
- (c) "Public affairs programs" include talks, commentaries, discussions, speeches, editorials, political programs, documentaries, forums, panels, round tables, and similar programs primarily concerning local, national, and international public affairs.
- (d) "Religious programs" include sermons or devotionals; religious news; and music, drama, and other types of programs designed primarily for religious purposes.
- (e) "Instructional programs" include programs (other than those classified under Agricultural, News, Public Affairs, Religious or Sports) involving the discussion of, or primarily designed to further an appreciation or understanding of, literature, music, fine arts, history, geography, and the natural and social sciences; and programs devoted to occupational and vocational instruction, instruction with respect to hobbies, and similar programs intended primarily to instruct.

<sup>\*/</sup> Taken from 47 C.F.R. § 73.670, n. 1 (1975).

### APPENDIX B

2	CON	MPLIANCE REPORT			
3	ABC 1	PRODUCED PROGRAMS			
4	Compliance Period				
5	<u>.</u>	ime Time Hours			
6	Entertainment:	the Time Hours		•	
7	Program Name	No. Minutes Per Week		Offered For Broadcast	
8	Flogiam Name	rel week	Network Bi	Broadcast	
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13	Non-Entertainment:	No. Minutes	No. Weeks	Offered For	
14	Program Name	Per Week	Network	Broadcast	
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19		Daytime Hours	·		
20	Entertainment:	No. Minutes		Offered For	
21	Program Name	Per Week	Network	Broadcast	
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23					
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25 22					
26	Non-Entertainment:	No. Minutes		Offered For	
27	Program Name	Per Week	<u> </u>	Broadcast	

Appendix B

## Fringe Hours

1	Fringe Hours				
2	Entertainment: Program Name	No. Minutes Per Week	No. Weeks Offered For Network. Broadcast		
4 5 6					
7 8 9	Non-Entertainment: Program Name	No. Minutes Per Week	No. Weeks Offered For Network Broadcast		
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12 13					
14 15					
16 17					
18 19					
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22 23					
24 25					
26 27					
	X				