

## Justice Dept. sues to stop AT&T's \$85B Time Warner deal (Update)

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In this Wednesday, Dec. 7, 2016, file photo, AT&T Chairman and CEO Randall Stephenson, left, testifies on Capitol Hill in Washington, before a Senate Judiciary subcommittee hearing on the proposed merger between AT&T and Time Warner, as Time Warner Chairman and CEO Jeffrey Bewkes listens at right. The Justice Department intends to sue AT&T to stop its \$85 billion purchase of Time Warner, according to a person familiar with the matter who was not authorized to discuss the matter ahead of the suit's official filing. (AP Photo/Evan Vucci, File)

The Justice Department is suing AT&T to stop its \$85 billion purchase of Time Warner, setting the stage for an epic legal battle with the telecom giant.

It could also create a new headache for President Donald Trump, whose public statements have raised suspicions that he might have interfered with the department's decision, potentially undermining its legal case. DOJ's [antitrust chief](#), Makan Delrahim, has said the president did not tell him what to do. White House spokeswoman Sarah Huckabee Sanders said Monday she wasn't aware of any specific action related to the case taken by the White House.

In a press release, Delrahim said that a combined AT&T-Time Warner would "greatly harm American consumers" by hiking television bills and hampering innovation, particularly in online television service. The DOJ said AT&T would be able to charge rival distributors such as cable companies "hundreds of millions of dollars more per year" for Time Warner's programming—payments that would ultimately get passed down to consumers through their cable bills.

In an emailed statement Monday, AT&T general counsel David McAtee said the lawsuit is a "radical and inexplicable departure from decades of antitrust precedent" and that the [company](#) is confident that it will prevail in court.

AT&T runs the country's second largest wireless network and is the biggest provider of traditional satellite and cable TV services. Time Warner owns HBO, CNN, TBS and other networks, as well as the Warner Bros. movie studio.



In this Oct. 24, 2016, file photo, clouds are reflected in the glass facade of the Time Warner building in New York. The Justice Department intends to sue AT&T to stop its \$85 billion purchase of Time Warner, according to a person familiar with the matter who was not authorized to discuss the suit ahead of its official filing. (AP Photo/Mark Lennihan, File)

The government's objections to the deal surprised many on Wall Street. AT&T and Time Warner are not direct competitors, and "vertical" mergers between such companies have typically had an easier time winning government approval than deals that combine two rivals.

The last time the U.S. government won a court victory in a vertical merger antitrust case was in 1972, when the Supreme Court said Ford's takeover of a spark-plug business violated antitrust law.

Many had expected [government approval](#) of the deal because Obama-era antitrust officials approved a similar deal—Comcast's purchase of

NBCUniversal—in 2011, after imposing restrictions on Comcast's behavior that were meant to protect consumers.

As a candidate, however, Trump vowed to block the pending AT&T-Time Warner deal because it would concentrate too much "power in the hands of too few." As president, Trump has often blasted CNN for its coverage of him and his administration, disparaging it and its reporters as "fake news."

At a press conference Monday, AT&T CEO Randall Stephenson addressed speculation over whether the government's lawsuit was "all about CNN," saying, "Frankly, I don't know." But Stephenson said AT&T would not agree to anything that would result in it losing control of CNN.



In this Wednesday, Dec. 7, 2016, file photo, AT&T Chairman and CEO Randall Stephenson, left, and Time Warner Chairman and CEO Jeffrey Bewkes are

sworn in on Capitol Hill in Washington, prior to testifying before a Senate Judiciary subcommittee hearing on the proposed merger between AT&T and Time Warner. The Justice Department intends to sue AT&T to stop its \$85 billion purchase of Time Warner, according to a person familiar with the matter who was not authorized to discuss the matter ahead of the suit's official filing. (AP Photo/Evan Vucci, File)

A person familiar with the matter, who could not go on the record, previously told the Associated Press that DOJ wanted the combined company to sell either Turner—the parent of CNN, TBS and other networks—or DirecTV to satisfy its antitrust concerns. A DOJ official, speaking on condition of anonymity in order to discuss a pending legal case, said Monday that the government is still willing to work with AT&T on "structural relief," or selling off assets.

AT&T has argued that buying Time Warner would let it package and deliver video more cheaply, over the internet, rather than in expensive cable bundles. It already has a DirecTV Now streaming service, which puts popular live TV networks online, and costs \$35 a month and up, cheaper than traditional cable bundles.

Consumer advocates and some Democratic politicians applauded the lawsuit as a blow against media consolidation. Consumers Union, an advocacy group that opposes the deal, said there were "legitimate reasons" to block the deal to protect consumers, but called reports of political pressure "concerning."

The consumer advocacy group Free Press likewise praised the DOJ action, but its president, Craig Aaron, objected to Trump's "saber-rattling" against CNN and other outlets that air criticism of the administration. Aaron called on the Justice Department to demonstrate

its independence by reviewing TV station owner Sinclair's proposed takeover of rival Tribune. Sinclair is a conservative-leaning company.

Delrahim, the antitrust chief, has previously expressed a preference for requiring companies to sell off assets rather than allowing mergers to proceed with conditions on the merged company's behavior.



In this Monday, Oct. 24, 2016, file photo, the AT&T logo is positioned above one of its retail stores in New York. The Justice Department intends to sue AT&T to stop its \$85 billion purchase of Time Warner, according to a person familiar with the matter who was not authorized to discuss the suit ahead of its official filing. (AP Photo/Mark Lennihan, File)

Comcast has faced criticism for breaking some promises related to the conditions on its NBCU deal. For example, the FCC fined Comcast \$800,000 for not doing enough to let customers know they could just get

internet as a standalone service. Bloomberg TV also complained that it was exiled in Comcast's channel lineups far from other news and business networks. The FCC agreed.

The DOJ official said Monday that the AT&T merger was more harmful to consumers than the Comcast-NBCU deal in part because DirecTV has customers across the country. Comcast only operates in certain regions.

This isn't the first time that AT&T has faced pushback from the government over an acquisition. The Justice Department also sued to block its \$39 billion bid of T-Mobile, a direct competitor, in August 2011. AT&T walked away months later.

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