

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA
U.S. Department of Justice
Antitrust Division
450 Fifth Street, N.W., Suite 7100
Washington, DC 20530,

Plaintiff,

v.

LUCASFILM LTD.
1110 Gorgas Avenue
San Francisco, CA 94129,

Defendant.

Case: 1:10-cv-02220
Assigned To : Walton, Reggie B.
Assign. Date : 12/21/2010
Description: Antitrust

COMPLAINT

The United States of America, acting under the direction of the Attorney General of the United States, brings this civil antitrust action to obtain equitable relief against Defendant Lucasfilm Ltd. ("Lucasfilm"), alleging as follows:

NATURE OF THE ACTION

1. This action challenges under Section 1 of the Sherman Act an agreement between Lucasfilm and Pixar that restrained competition between them for highly skilled digital animators.

2. Lucasfilm and Pixar compete for highly skilled digital animators and solicit employees at other digital animation studios to fill employment openings. Lucasfilm and Pixar entered into an agreement not to cold call, not to make counteroffers under certain circumstances, and to provide notification when making employment offers to each other's employees. This

agreement reduced Lucasfilm's and Pixar's ability to compete for employees and disrupted the normal price-setting mechanisms that apply in the labor setting. This agreement is facially anticompetitive. It eliminated significant forms of competition to attract digital animators and, overall, substantially diminished competition to the detriment of the affected employees who likely were deprived of competitively important information and access to better job opportunities.

3. Lucasfilm and Pixar's agreement is a restraint of trade that is per se unlawful under Section 1 of the Sherman Act, 15 U.S.C. § 1. The United States seeks an order prohibiting such an agreement.

JURISDICTION AND VENUE

4. Lucasfilm hires specialized digital animators throughout the United States, and sells completed digital animation films throughout the United States. Such activities, including the recruitment and hiring activities at issue in this Complaint, are in the flow of and substantially affect interstate commerce. The Court has subject matter jurisdiction under Section 4 of the Sherman Act, 15 U.S.C. § 4, and under 28 U.S.C. §§ 1331 and 1337 to prevent and restrain Lucasfilm from violating Section 1 of the Sherman Act, 15 U.S.C. § 1.

5. Venue is proper in this judicial district under Section 12 of the Clayton Act, 15 U.S.C. § 22, and under 28 U.S.C. § 1391(b)(2), (c). Lucasfilm transacts or has transacted substantial business here.

DEFENDANT

6. Lucasfilm is a California corporation with its principal place of business in San Francisco, California.

TRADE AND COMMERCE

12. Digital animation labor is characterized by expertise and specialization.

Lucasfilm and Pixar compete for digital animators on the basis of salaries, benefits, and career opportunities. In recent years, talented digital animation employees have been in high demand.

13. Although Lucasfilm and Pixar employ a variety of recruiting techniques, cold calling another studio's employees is an effective method of competing for digital animators. Cold calling involves communicating directly in any manner (including orally, in writing, telephonically, or electronically) with another firm's employee who has not otherwise applied for a job opening. Lucasfilm and Pixar frequently recruit employees by cold calling because other studios' employees have the specialized skills necessary for the vacant position and may be unresponsive to other methods of recruiting.

14. Lucasfilm and Pixar also aggressively bid against other digital animation studios for the services of talented employees and prospective employees. When the labor market is functioning without illegal competitive restraints, savvy employees can use these studios' aggressive tactics to extract multiple rounds of bidding, thus increasing their eventual salaries.

15. In a well-functioning labor market, employers compete to attract the most valuable talent for their needs. Lucasfilm's and Pixar's behavior both reduced their ability to compete for employees and disrupted the normal price-setting mechanisms that apply in the labor setting. Lucasfilm's and Pixar's agreement not to cold call, not to make counter offers under certain circumstances, and to provide notification when making employment offers is facially anticompetitive. It eliminated significant forms of competition to attract digital animators and, overall, substantially diminished competition to the detriment of the affected employees who

likely were deprived of competitively important information and access to better job opportunities.

THE UNLAWFUL AGREEMENT

16. Beginning no later than January 2005, Lucasfilm and Pixar agreed to a protocol regarding the recruitment of each other's employees. The agreement included three requirements: (1) that the firms not cold call each other's employees; (2) that the firms notify each other when making an offer to an employee of the other firm; and (3) that the firm making an offer to the other firm's employee not counteroffer above its initial offer.

17. This agreement was not ancillary to any legitimate collaboration between Lucasfilm and Pixar. Senior executives at Lucasfilm and Pixar reached this express agreement through direct and explicit communications. The executives actively managed and enforced the agreement through direct communications.

18. The agreement between Lucasfilm and Pixar covered all digital animators and other employees and was not limited by geography, job function, product group, or time period. Moreover, employees did not agree to this restriction.

19. In furtherance of this agreement, Pixar drafted the terms of the agreement with Lucasfilm and communicated those written terms to Lucasfilm. Both firms internally communicated the agreement to management and select employees with hiring or recruiting responsibilities.

20. Lucasfilm and Pixar, through their senior executives, policed potential breaches of the agreement. For example, twice in 2007, Pixar complained to Lucasfilm about recruiting efforts Lucasfilm had made. Complaints about breaches of the agreement led the parties to

modify their conduct going forward to conform to the agreement.

VIOLATION ALLEGED

(Violation of Section 1 of the Sherman Act)

21. The United States hereby incorporates paragraphs 1 through 20.

22. Lucasfilm is a direct competitor to Pixar for digital animators and other employees covered by the agreement at issue here. Lucasfilm's behavior both reduced its ability to compete for employees and disrupted the normal price-setting mechanisms that apply in the labor setting. This agreement is facially anticompetitive because it eliminated significant forms of competition to attract digital animators and, overall, substantially diminished competition to the detriment of the affected employees who likely were deprived of competitively important information and access to better job opportunities.

23. Lucasfilm's agreement constitutes an unreasonable restraint of trade that is per se unlawful under Section 1 of the Sherman Act, 15 U.S.C. § 1.

REQUESTED RELIEF

The United States requests that the Court:

- (A) adjudge and decree that Lucasfilm's agreement not to compete constitutes an illegal restraint of interstate trade and commerce in violation of Section 1 of the Sherman Act;
- (B) enjoin and restrain Lucasfilm from enforcing or adhering to existing agreements that unreasonably restrict competition for employees;
- (C) permanently enjoin and restrain Lucasfilm from establishing any similar agreement unreasonably restricting competition for employees except as

prescribed by the Court;

(D) award the United States such other relief as the Court may deem just and proper to redress and prevent recurrence of the alleged violations and to

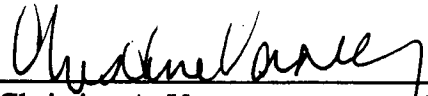
dissipate the anticompetitive effects of the illegal agreements entered into by Lucasfilm; and

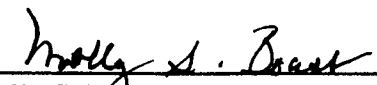
(E) award the United States the costs of this action.

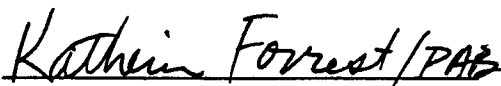
Dated this 21st day of December 2010.

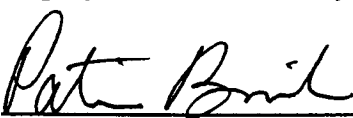
Respectfully submitted,

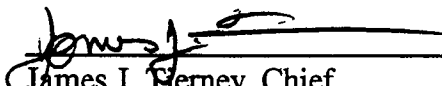
FOR PLAINTIFF UNITED STATES:



Christine A. Varney
Assistant Attorney General
D.C. Bar #411654

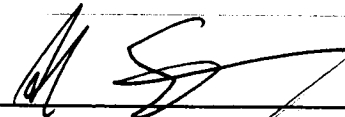

Molly S. Boast
Deputy Assistant Attorney General


Katherine S. Forrest
Deputy Assistant Attorney General


Patricia A. Brink
Director of Civil Enforcement


James J. Herney, Chief
Networks and Technology Section
D.C. Bar #434610


Scott A. Scheele, Assistant Chief
Networks and Technology Section
D.C. Bar #429061


Adam T. Severt
Ryan S. Struve (D.C. Bar #495406)
Jessica N. Butler-Arkow (D.C. Bar #430022)
H. Joseph Pinto III
Anthony D. Scicchitano
Trial Attorneys

U.S. Department of Justice
Antitrust Division
Networks and Technology Section
450 Fifth Street, N.W.
Suite 7100
Washington, DC 20530
Telephone: (202) 307-6200
Facsimile: (202) 616-8544
adam.severt@usdoj.gov

CIVIL COVER SHEET

10-2220
ROW

JS-44
(Rev. 1/05 DC)

I (a) PLAINTIFFS United States of America, DoJ 1104	DEFENDANTS Lucasfilm Ltd.
(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (EXCEPT IN U.S. PLAINTIFF CASES) _____	COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT (IN U.S. PLAINTIFF CASES ONLY) <u>88888</u> NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF _____
(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER) Adam Severt - U.S. Department of Justice, Antitrust Division, 450 Fifth Street, NW, Suite 7100, Washington, DC 20530, (202) 307-6158	Case: 1:10-cv-02220 Assigned To: Walton, Reggie B. Assign. Date: 12/21/2010 Description: Antitrust

II. BASIS OF JURISDICTION (PLACE AN x IN ONE BOX ONLY)	III CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN x IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT) FOR DIVERSITY CASES ONLY!																								
<input checked="" type="radio"/> 1 U.S. Government Plaintiff <input type="radio"/> 2 U.S. Government Defendant <input type="radio"/> 3 Federal Question (U.S. Government Not a Party) <input type="radio"/> 4 Diversity (Indicate Citizenship of Parties in item III)	<table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>PTF</th> <th>DFT</th> <th></th> <th>PTF</th> <th>DFT</th> </tr> </thead> <tbody> <tr> <td>Citizen of this State</td> <td><input type="radio"/> 1</td> <td><input type="radio"/> 1</td> <td>Incorporated or Principal Place of Business in This State</td> <td><input type="radio"/> 4</td> <td><input type="radio"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td><input type="radio"/> 2</td> <td><input type="radio"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td><input type="radio"/> 5</td> <td><input type="radio"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td><input type="radio"/> 3</td> <td><input type="radio"/> 3</td> <td>Foreign Nation</td> <td><input type="radio"/> 6</td> <td><input type="radio"/> 6</td> </tr> </tbody> </table>		PTF	DFT		PTF	DFT	Citizen of this State	<input type="radio"/> 1	<input type="radio"/> 1	Incorporated or Principal Place of Business in This State	<input type="radio"/> 4	<input type="radio"/> 4	Citizen of Another State	<input type="radio"/> 2	<input type="radio"/> 2	Incorporated and Principal Place of Business in Another State	<input type="radio"/> 5	<input type="radio"/> 5	Citizen or Subject of a Foreign Country	<input type="radio"/> 3	<input type="radio"/> 3	Foreign Nation	<input type="radio"/> 6	<input type="radio"/> 6
	PTF	DFT		PTF	DFT																				
Citizen of this State	<input type="radio"/> 1	<input type="radio"/> 1	Incorporated or Principal Place of Business in This State	<input type="radio"/> 4	<input type="radio"/> 4																				
Citizen of Another State	<input type="radio"/> 2	<input type="radio"/> 2	Incorporated and Principal Place of Business in Another State	<input type="radio"/> 5	<input type="radio"/> 5																				
Citizen or Subject of a Foreign Country	<input type="radio"/> 3	<input type="radio"/> 3	Foreign Nation	<input type="radio"/> 6	<input type="radio"/> 6																				

IV. CASE ASSIGNMENT AND NATURE OF SUIT
(Place a X in one category, A-N, that best represents your cause of action and one in a corresponding Nature of Suit)

<input checked="" type="radio"/> A. Antitrust <input checked="" type="checkbox"/> 410 Antitrust	<input type="radio"/> B. Personal Injury/Malpractice <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Medical Malpractice <input type="checkbox"/> 365 Product Liability <input type="checkbox"/> 368 Asbestos Product Liability	<input type="radio"/> C. Administrative Agency Review <input type="checkbox"/> 151 Medicare Act Social Security: <input type="checkbox"/> 861 HIA ((1395fm) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g) Other Statutes <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 890 Other Statutory Actions (If Administrative Agency is Involved)	<input type="radio"/> D. Temporary Restraining Order/Preliminary Injunction Any nature of suit from any category may be selected for this category of case assignment. *(If Antitrust, then A governs)*
---	---	---	--

<input type="radio"/> E. General Civil (Other)	<input type="radio"/> F. Pro Se General Civil
Real Property <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent, Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property Personal Property <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	Bankruptcy <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 Prisoner Petitions <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition Property Rights <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark Federal Tax Suits <input type="checkbox"/> 870 Taxes (US plaintiff or defendant) <input type="checkbox"/> 871 IRS-Third Party 26 USC 7609
Forfeiture/Penalty <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 RR & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other Other Statutes <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 430 Banks & Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 470 Racketeer Influenced & Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Satellite TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 900 Appeal of fee determination under equal access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions (if not administrative agency review or Privacy Act)

4/5

<input type="radio"/> G. Habeas Corpus/ 2255 <input type="checkbox"/> 530 Habeas Corpus-General <input type="checkbox"/> 510 Motion/Vacate Sentence	<input type="radio"/> H. Employment Discrimination <input type="checkbox"/> 442 Civil Rights-Employment (criteria: race, gender/sex, national origin, discrimination, disability age, religion, retaliation) *(If pro se, select this deck)*	<input type="radio"/> I. FOIA/PRIVACY ACT <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 890 Other Statutory Actions (If Privacy Act) *(If pro se, select this deck)*	<input type="radio"/> J. Student Loan <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (excluding veterans)
<input type="radio"/> K. Labor/ERISA (non-employment) <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Labor Railway Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="radio"/> L. Other Civil Rights (non-employment) <input type="checkbox"/> 441 Voting (If not Voting Rights Act) <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 445 American w/Disabilities-Employment <input type="checkbox"/> 446 Americans w/Disabilities-Other	<input type="radio"/> M. Contract <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholder's Suits <input type="checkbox"/> 190 Other Contracts <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<input type="radio"/> N. Three-Judge Court <input type="checkbox"/> 441 Civil Rights-Voting (If Voting Rights Act)

V. ORIGIN

1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (specify)
 6 Multi district Litigation
 7 Appeal to District Judge from Mag. Judge

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE.)
 Section 1 of the Sherman Act, 15 U.S.C. Sec. 1. An agreement entered into by the Defendant violates the statute.

VII. REQUESTED IN COMPLAINT CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 DEMAND \$ _____ Check YES only if demanded in complaint
JURY DEMAND: YES NO

VIII. RELATED CASE(S) IF ANY (See instruction) YES NO If yes, please complete related case form.

DATE 12/21/10 SIGNATURE OF ATTORNEY OF RECORD 

INSTRUCTIONS FOR COMPLETING CIVIL COVER SHEET JS-44
 Authority for Civil Cover Sheet

The JS-44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. Listed below are tips for completing the civil cover sheet. These tips coincide with the Roman Numerals on the Cover Sheet.

- I. COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF/DEFENDANT (b) County of residence: Use 11001 to indicate plaintiff is resident of Washington, D.C.; 88888 if plaintiff is resident of the United States but not of Washington, D.C., and 99999 if plaintiff is outside the United States.
- III. CITIZENSHIP OF PRINCIPAL PARTIES: This section is completed only if diversity of citizenship was selected as the Basis of Jurisdiction under Section II.
- IV. CASE ASSIGNMENT AND NATURE OF SUIT: The assignment of a judge to your case will depend on the category you select that best represents the primary cause of action found in your complaint. You may select only one category. You must also select one corresponding nature of suit found under the category of case.
- VI. CAUSE OF ACTION: Cite the US Civil Statute under which you are filing and write a brief statement of the primary cause.
- VIII. RELATED CASES, IF ANY: If you indicated that there is a related case, you must complete a related case form, which may be obtained from the Clerk's Office.

Because of the need for accurate and complete information, you should ensure the accuracy of the information provided prior to signing the form.