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Attorney General Bonta Files Lawsuit to Block \$110 Billion Warner Bros./Paramount Merger

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LOS ANGELES — California Attorney General Rob Bonta today led a coalition of 12 attorneys general in filing a lawsuit challenging the \$110 billion acquisition of Warner Bros. Discovery, Inc. (Warner Bros.) by Paramount Skydance Corporation (Paramount). The proposed merger, the largest in Hollywood history, would combine two of Hollywood's five major film distributors and two of the five major basic cable channel owners, extinguishing competition between Paramount and Warner Bros., and inflicting substantial harm on movie theaters, basic cable distributors and, ultimately, audiences nationwide. In the U.S. alone, if allowed to merge, the combined titan would control nearly one-third of theatrical motion pictures, and nearly one-third of basic cable programming. The coalition has asked Warner Bros. and Paramount not to close the merger until after the judicial process concludes, and if they do not agree, the coalition will be filing a temporary restraining order.

"Today, I am leading a coalition of states in challenging the proposed merger of Warner Bros. and Paramount and asking the court to block the deal. The unlawful merger of these two entertainment behemoths would lead to higher prices, lower quality, and less content for film and television, harming movie theaters, basic cable distributors, and ultimately, audiences on every sofa and movie theater seat in the U.S.," **said Attorney General Bonta.** "California's film and entertainment industry touches the lives of Americans daily — it comes into the living rooms of families, has a starring role in many young people's first dates, and is a point of immense pride and employment for Californians up and down our state. Consolidation here not only leads to higher prices — it also leads to fewer opportunities for important stories to come to life, and fewer ways for audiences to encounter stories, ideas, and perspectives beyond their own experiences. In this country, no one is above the law. With this lawsuit, California and our sister states are fighting for free and fair markets, not rigged markets. America has no kings in government or our economy."

For more than a century, Warner Bros. and Paramount have stood astride the film and television industry as independent sources of creativity and competition. As Warner Bros. itself has explained, media informs, entertains, and, when at its best, inspires the viewing public. Paramount has distributed classics like *Titanic*, *Braveheart*, *Breakfast at Tiffany's*, *The Godfather*, and franchises like *Top Gun*, *Mission: Impossible*, and *Transformers*. Warner Bros. has distributed epics like *The Departed*, *Barbie*, *Goodfellas*, *Casablanca*, *The Matrix*, and *2001: A Space Odyssey*, and franchises like *Batman*, *Harry Potter*, and *Lord of the Rings*. The television content they own, including March Madness, Major League Baseball, CNN, MTV, HGTV, Cartoon Network, and Nickelodeon, is among the nation's most popular.

The lawsuit, filed in the U.S. District for the Northern District of California, alleges that the merger violates Section 7 of the Clayton Act, which holds that mergers that may substantially lessen competition or tend to create a monopoly are illegal. The attorneys

general allege that, if Warner Bros. and Paramount are allowed to merge, it would lessen competition in the areas of:

- **Wide Release Theatrical Film Distribution**, where Warner Bros. and Paramount are two of the five major film distributors and would combine for around 27% share of the market. After the merger, only three distributors will control 75% of these films and only four distributors (Defendants, Disney, Universal, and Sony) will control 86% of them.
- **Anticipated Top-Grossing Theatrical Film Distribution**, a submarket of theatrical film distribution focused on anticipated blockbuster films with wide audiences and large production budgets. After the merger, Defendants will control more than 30% of these films, and four distributors (Defendants, Disney, Universal, and Sony) will control more than 90% of them.
- **Licensing Basic Cable Television Channels**, or the market for distributing basic cable channels to cable and satellite providers. Warner Bros. is the second largest and Paramount is the third largest in this market, and they would combine for a 27% share.

Currently, Paramount and Warner Bros. compete fiercely to create and distribute new, different, and innovative film and television content to American viewers. To promote their films, they negotiate with thousands of movie theaters across the country and bargain with those theaters to secure the most coveted screens and calendar slots. Movie theaters rely on competition between Paramount and Warner Bros. to incentivize creativity and secure competitive prices and terms for themselves and for audiences. Paramount and Warner Bros. also compete to market their basic cable channels. To acquire the rights to distribute that content to subscribers, distributors negotiate with Paramount, Warner Bros., and other cable channel owners. Alternatives are essential in these negotiations as is the leverage that each entertainment company provides to distributors. For example, if Paramount insists on onerous financial terms, the distributor

can gain leverage by turning to Warner Bros. and vice versa. Distributors rely on this competition to secure low prices for themselves and their subscribers, and to encourage programmers to invest in new and exciting content for television.

Paramount's proposed acquisition of Warner Bros. will end this competition, threatening viewers with higher prices, the decline of theatrical exhibition of films, and a reduction in the variety, quality, and amount of content distributed.

In filing today's lawsuit, Attorney General Bonta leads the attorneys general of Arizona, Colorado, Connecticut, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, and Washington.

Antitrust enforcement is an essential component of a healthy economy. Competitive marketplaces established through antitrust vigilance help consumers by ensuring fair prices for goods and services, an array of products to choose from, quality goods and services, and the steady introduction of innovative new products. As part of Attorney General Bonta's commitment to enforcing antitrust laws, the California Department of Justice has launched an Antitrust Complaint Form for people to report anticompetitive conduct that potentially violates antitrust laws.

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