

# Another Reminder That Antitrust Laws Matter: Conversations Between Competitors at Karaoke Bars Lead to \$500 Million Price-Fixing Fine and Prison Sentences for Company Executives

A recent case out of the Northern District of California (*U.S. v. AU Optronics Corp., et al.*, 09-CR-00110-SI) serves as a strong reminder that companies must be familiar with antitrust laws and should consider antitrust compliance training for their employees. It also shows why conversations with competitors must be handled with extreme care.

On September 20, 2012, a federal district court in San Francisco required AU Optronics Corporation, a Taiwan-based liquid crystal display (LCD) producer, to pay a \$500 million criminal fine for engaging in a global conspiracy to fix the prices of LCD screens used in televisions, computers and other electronic devices. The court also sentenced two former company executives to 3-year prison terms and required them to pay \$200,000 in criminal fines for their roles in the conspiracy.

The \$500 million fine imposed on AU Optronics matches the largest fine ever imposed against a company for violating U.S. antitrust laws, but falls far below the \$1 billion fine sought by federal prosecutors. In addition, AU Optronics will be required to publish advertisements in three major trade publications in the United States and Taiwan acknowledging its convictions and the remedial steps it must take. The company and its American subsidiary were also placed on probation for three years and were required to implement an antitrust compliance program and appoint an independent corporate compliance monitor.

Although several other companies were accused of being part of the price-fixing conspiracy, AU Optronics was the only LCD screen manufacturer to take its case to trial. Seven other companies, including LG Display Co. and Sharp Corp., pleaded guilty and paid a total of more than \$890 million in fines. According to the complaint, AU Optronics and its co-conspirators secretly met on a monthly basis in hotel conference rooms, karaoke bars and tea rooms around Taiwan to fix the prices of LCD screens. By the end of the conspiracy, the worldwide market for LCD screens was valued at \$71.9 billion. The conspiracy purportedly affected

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computer manufacturers around the world, including Hewlett Packard, Dell and Apple.

Going forward, federal prosecutors will continue to seek large criminal fines and lengthy prison terms in order to deter price-fixing cartels. This situation should serve as a warning to companies of all sizes that they must handle communications with competitors with extreme caution. Even casual conversations between competitors at trade shows or even at karaoke bars can turn into improper agreements to set prices, allocate customers or otherwise restrain trade, all of which are per se illegal under antitrust laws and can have grave consequences. To avoid possible criminal and civil litigation, companies must be aware of antitrust laws and should provide their officers, managers, and sales and marketing personnel with periodic antitrust compliance training.

If you would like to know more about antitrust compliance programs, or if you just would like to know more about antitrust and competition laws, Reinhart's Commercial and Competition Law Group would be glad to help you. Please contact your Reinhart attorney or any member of our [Commercial and Competition Law Group](#).

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