Thank you for inviting me to join the discussion this morning. My remarks address some of the issues raised in the AMC’s Federal Register notice concerning civil remedies in federal government antitrust cases, in particular the Federal Trade Commission’s authority to seek equitable monetary relief under 15 U.S.C. § 53(b), often referred to as “Section 13(b).” Such relief, which is granted only by a federal district court, is a longstanding part of the FTC’s arsenal of remedies for antitrust violations. The agency has exercised this authority carefully and sparingly. In 2003, the Commission unanimously adopted a Policy Statement describing some of the factors that would enter into its decision whether to seek monetary remedies in competition cases. Given these self-generated guidelines, the need to preserve the Commission’s ability to obtain meaningful and effective remedies in its cases, and the absence of any concrete demonstration that the Commission’s approach to monetary remedies has caused harm to any

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1 These comments are my own and not necessarily those of the Commission or any particular Commissioner. However, the Commission has authorized me to appear today and deliver these remarks.

2 The Commission has taken no position on the first question posed by the AMC: whether the FTC should have statutory authority to impose civil fines in antitrust cases. In recent testimony before Congress on data security and spyware legislation, the Commission has stated that it may be useful to grant the Commission the authority to seek civil penalties against spyware distributors and for certain breaches of data security.


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CIVIL REMEDIES AVAILABLE TO THE FEDERAL TRADE COMMISSION

Comments of John Graubert, Principal Deputy General Counsel,
Federal Trade Commission,1
to the Antitrust Modernization Commission
December 1, 2005
party or to the antitrust enforcement system as a whole, I respectfully submit that no legislative clarification, expansion or limitation of the agency’s 13(b) authority is warranted at this time.

1. The Commission’s Use of Equitable Monetary Remedies Is Well-Established

The Commission’s recourse to equitable disgorgement and restitution remedies in competition cases goes back many years, although it has exercised this authority sparingly. The earliest example I am aware of is from 1969, when the Commission obtained disgorgement and restitution from the Nashua Corp., in settlement of resale price maintenance allegations. Since that time, the Commission has obtained monetary relief in seven district court settlements\(^4\) and four administrative settlements\(^5\) involving allegations of anticompetitive practices. The Commission also has obtained two favorable court decisions on the legal issue of whether a court may order disgorgement and restitution in a competition case.\(^6\)

The ability of federal courts to grant equitable monetary relief at the request of the


Commission flows from long-standing Supreme Court precedents and has been re-confirmed in a steady stream of case law since the enactment of Section 13(b). The Supreme Court also has stated on numerous occasions that an essential element of the response to an antitrust violation is to deprive the violators of the gains from their unlawful conduct. Accordingly, the Commission has sought such relief when the facts of a particular case indicate that a wrongdoer would otherwise retain some or all of its ill-gotten gain or that consumers would not otherwise be restored to the status quo ante, and that a simple cease-and-desist order would be inadequate if not meaningless.

As noted above, the Commission made its approach to monetary remedies more concrete in its 2003 Policy Statement, in which it said that, “as a general matter,” the Commission would consider the following three factors in determining whether to seek monetary remedies in competition cases: (1) whether the underlying violation was clear; (2) whether there is a reasonable basis for calculating the amount of a remedial payment, and (3) whether Commission action would add value in light of any other remedies available in the matter, including private

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This line of authority also supports the critical law enforcement activities of other agencies. See, e.g., SEC v. First City Financial Corp., 890 F.2d 1215, 1230 (D.C. Cir. 1989); SEC v. Manor Nursing Ctrs., Inc., 458 F.2d 1082 (2d Cir. 1972); CFTC v. Hunt, 591 F.2d 1211 (7th Cir.), cert. denied, 442 U.S. 921 (1979).

actions or criminal proceedings. The Commission’s recourse to monetary remedies is therefore deeply rooted in antitrust jurisprudence, and the Commission has indicated that it approaches the decision to seek monetary remedies thoughtfully and carefully.

2. The Commission’s Use of Monetary Remedies is Not “Duplicative”

Various parties from time to time have asserted that the Commission’s access to monetary remedies presents a risk of multiple or “duplicative” damage recovery, assuming that lawsuits from private plaintiffs or other government agencies also result in damage awards. It is not apparent, however, that any such “duplicative” recovery has ever in fact occurred. In fact, the available analysis and evidence suggests the contrary. As the Commission observed in note 13 of its Policy Statement, there is a serious question on both a theoretical and empirical level whether existing remedies have subjected any antitrust defendant to excessive, “duplicative” awards.

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9 I understand this argument to be a practical one, as the Supreme Court has repeated made clear that there is no legal impediment to a monetary equitable remedy sought by an agency when the applicable statutory scheme also provides for private remedies. See, e.g., Mitchell v. Robert DeMario Jewelry, Inc., 361 U.S. 288 (1960); Porter v. Warner Holding Co., 328 U.S. 395 (1946). See also California v. ARC America Corp., 490 U.S. 93 (1989).


11 For example, during the ABA Antitrust Section Remedies Forum held April 2, 2003, Professor John Connor from Purdue University presented a summary of his research on the effects of price-fixing in food additive industries. This analysis suggested that notwithstanding multiple public and private enforcement actions, including large fines, payments in the United States were well below treble damages and worldwide payments were below single, actual damages. See http://www.abanet.org/antitrust/remedies/roundtable1.doc. See generally http://www.agecon.purdue.edu/staff/connor/papers/index.asp.
Even though there is no evidence of any actual duplicative recoveries, the Commission nevertheless responded to this concern in the third prong of its Policy Statement. The Commission noted it would be sensitive to any prospect of excessive, multiple recovery and would take actions where appropriate to avoid such a possibility. Referring to the long history of SEC practice in this area, the Commission alluded to the possibilities of set-offs and credits in subsequent actions, escrow accounts, and other procedural mechanisms. Experience in the Commission’s three most recent cases, *Mylan*, *Hearst/First Data* and *Perrigo/Alpharma*, has confirmed that the Commission’s monetary recovery can be coordinated with other proceedings to minimize conflicts and maximize the recovery to consumers.

3. **The Commission Acts When It Can Provide Benefit to Consumers**

Similarly, our Policy Statement makes clear that the Commission seriously considers whether monetary remedies are called for when other remedies are likely to fail to accomplish fully the purposes of the antitrust laws or when such a monetary remedy may provide important additional benefits. When other remedies are brought to bear and are likely to result in complete relief, a Commission action for monetary equitable relief might well be an unnecessary and unwise expenditure of limited agency resources.

There are, however, situations where reliance on other remedies is likely to be inadequate. A private action might not provide complete relief for a number of reasons: there may be statutes of limitation or standing issues; direct purchasers may not sue (for a variety of possible reasons, including a desire to maintain relationships with suppliers); and indirect purchasers may be precluded from suit. It may be difficult for private parties to prove damages, for example, from
HSR violations. The HSR cases are also examples of conduct in which the advantages a violator reaps from the violation may greatly outweigh the specific penalties prescribed in applicable laws, making disgorgement even more appropriate.

Finally, when the Commission obtains disgorgement or restitution, all of the recovered funds, minus relatively small administrative costs if a settlement administrator is retained, are available for consumers, without a deduction for private counsel’s attorneys’ fees. The Commission’s recent monetary relief cases have been resolved efficiently and relatively quickly compared with their private counterparts. I submit that these cases demonstrate that transaction costs can be reduced when the government obtains a quick and meaningful recovery.

Conclusion

For more than thirty years, the Federal Trade Commission and the courts have carefully explored the proper use of equitable monetary remedies in competition cases. These remedies enable the Commission to tailor remedies in particular cases as needed to provide complete and effective relief, and to eradicate so far as possible the effects of an antitrust violation. The Commission has provided the business community with substantial guidance on the circumstances in which the Commission may or may not seek these remedies. There has been no showing of any respect in which the actions of the Commission or the courts in this regard have had any untoward effects. I therefore respectfully submit there is no basis for any legislative intervention in this area.