

# FTC Sues to Unwind Altria's \$12.8 Billion Investment in Competitor JUUL

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Today, the Federal Trade Commission filed an administrative complaint (a public version of which will be available and linked to this news release as soon as possible) alleging that Altria Group, Inc. and JUUL Labs, Inc. entered a series of agreements, including Altria's acquisition of a 35% stake in JUUL, that eliminated competition in violation of federal antitrust laws.

"For several years, Altria and JUUL were competitors in the market for closed-system e-cigarettes. By the end of 2018, Altria orchestrated its exit from the e-cigarette market and became JUUL's largest investor," said Ian Conner, Director of the Bureau of Competition. "Altria and JUUL turned from competitors to collaborators by eliminating competition and sharing in JUUL's profits."

The FTC alleged that as competitors, Altria and JUUL monitored each other's e-cigarette prices closely and raced to innovate. Altria also leveraged its ownership of leading brands across tobacco categories to secure favorable shelf space at retailers throughout the United States, the complaint alleges. Although early competition resulted in Altria's MarkTen e-cigarette becoming the second most popular brand by market share, by late 2018, JUUL vaulted past the industry leaders Altria and Reynolds to become the leading e-cigarette company in the country.

The Commission alleges that Altria dealt with this competitive threat by agreeing not to compete in return for a substantial ownership interest in JUUL. Weeks after Altria declared its intention to wind down its e-cigarette business, Altria and JUUL announced an agreement that made Altria JUUL's largest shareholder, allowed Altria to appoint an observer to JUUL's Board of Directors, and would have permitted Altria to appoint three members of JUUL's Board after converting its shares to voting securities. JUUL received over \$12 billion, an agreement that Altria would not compete with JUUL for six years, and a range of support services.

The FTC alleges that Altria's acquisition of JUUL shares and the associated agreements together constitute an unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 5 of the FTC Act, and substantially lessened competition in violation of Section 7 of the Clayton Act.

The Commission vote to issue the administrative complaint was 5-0. The administrative trial is scheduled to begin on Jan. 5, 2021.

**NOTE:** The Commission issues an administrative complaint when it has “reason to believe” that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The issuance of the administrative complaint marks the beginning of a proceeding in which the allegations will be tried in a formal hearing before an administrative law judge.