

US trade watchdog sues over \$13 bn Altria-Juul vaping deal

April 2 2020



Altria in late January further slashed the value of its stake in Juul

The US trade watchdog said Wednesday it had sued Altria and Juul over a \$12.8 billion e-cigarette deal which allegedly breached antitrust laws.

According to the Federal Trade Commission (FTC), the companies made a string of agreements that eliminated competition surrounding tobacco giant Altria's acquisition of a 35 percent stake in Juul, the once high-flying vaping brand.

"For several years, Altria and Juul were competitors in the market for closed-system e-cigarettes," the FTC said in a statement announcing it had filed an administrative complaint against the pair.

"By the end of 2018, Altria orchestrated its exit from the e-cigarette market and became Juul's largest investor," added Ian Conner, from the FTC's bureau of competition.

"Altria and Juul turned from competitors to collaborators by eliminating competition and sharing in Juul's profits."

In late January, Altria, the owner of Marlboro and other leading cigarette brands, slashed the value of its stake in Juul as the e-cigarette company faced lawsuits and a regulatory crackdown.

Altria announced the \$4.1 billion write-down on its Juul investment, which followed a similar move in October that whacked \$4.5 billion off the value on its books.

The tobacco giant announced the \$12.8 billion deal for a 35 percent stake in Juul in December 2018, a time when Juul's e-cigarette business was seen as a promising venture to counter weak demand for traditional tobacco products.

But last year, Washington DC and the state governments of California and New York all sued Juul for targeting youngsters with its marketing campaigns.

Vaping came under additional scrutiny last year because of a health scare over cases of severe and sometimes deadly lung ailments, although that was later linked to a substance used in cannabis products.

The FTC alleged that as competitors, Altria and Juul monitored each other's e-cigarette prices closely and raced to innovate.

According to the watchdog, Altria also leveraged its ownership of leading brands across tobacco categories to secure favorable shelf space at retailers throughout the United States.

Altria said it would defend the Juul deal.

"We believe that our investment in Juul does not harm competition and that the FTC misunderstood the facts," Murray Garnick, Altria's Executive Vice President and General Counsel, said in a statement on the company's website.

"We are disappointed with the FTC's decision, believe we have a strong defense and will vigorously defend our investment."

© 2020 AFP

Citation: US trade watchdog sues over \$13 bn Altria-Juul vaping deal (2020, April 2) retrieved 11 May 2024 from <https://medicalxpress.com/news/2020-04-watchdog-sues-bn-altria-juul-vaping.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.