

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK**

IN RE PAYMENT CARD INTERCHANGE FEE
AND MERCHANT DISCOUNT ANTITRUST
LITIGATION

VERIZON SOURCING LLC; CELLCO
PARTNERSHIP D/B/A VERIZON WIRELESS;
VERIZON SERVICES CORP.; AND VERIZON
CORPORATE SERVICES GROUP, INC.,

Plaintiffs,

-v-

VISA, INC.; VISA U.S.A. INC.; VISA
INTERNATIONAL SERVICE ASSOCIATION;
MASTERCARD INCORPORATED; AND
MASTERCARD INTERNATIONAL
INCORPORATED,

Defendants.

Civil Action No.

COMPLAINT

JURY TRIAL DEMANDED

(Document Electronically Filed)

I. PREAMBLE

1. For decades, America's largest banks have fixed the fees imposed on Verizon (as defined below) for transactions processed over the dominant Visa and Mastercard networks and have collectively imposed restrictions on Verizon that prevents it from protecting itself against those fees. These practices continued despite the networks' and the banks' more recent attempts to avoid antitrust liability by restructuring the Visa and Mastercard corporate entities. Even after litigation, legislation, and regulation forced needed reforms on Visa and Mastercard and technology threatened to disrupt Visa and Mastercard's dominant position in the marketplace, they used their market power to continue to restrain competition, thereby harming Verizon, other Merchants, cardholders, and consumers in general, all in violation of the antitrust laws. This anticompetitive conduct has caused a Verizon to pay, and continue to pay, significant overcharges on Visa and Mastercard branded Credit and Debit Card transactions.

2. Plaintiffs Verizon Sourcing LLC, Celco Partnership d/b/a Verizon Wireless, Verizon Services Corp. and Verizon Corporate Services Group Inc. (collectively referred to as “Verizon”) bring this action for damages under the antitrust laws of the United States against Visa Inc., Visa U.S.A. Inc., Visa International Service Association, Mastercard Incorporated, and Mastercard International Incorporated (collectively referred to as “Defendants”) and alleges as follows:

II. INTRODUCTION

3. Verizon operates throughout the United States and accepts Visa and Mastercard Credit Cards, Signature Debit Cards, and PIN-Debit Cards as forms of payment.

4. Verizon challenges the Defendants’ collusive and anticompetitive practices under the antitrust laws of the United States from January 1, 2004 to the present (the “Relevant Time Period”). Defendants’ anticompetitive conduct harms competition and imposes upon Verizon supracompetitive, exorbitant, and collectively-fixed prices.

5. The anticompetitive conduct alleged herein is illegal under Sections 1 and 2 of the Sherman Act.

III. JURISDICTION AND VENUE

6. This Complaint is filed under Section 16 of the Clayton Act, 15 U.S.C. Section 26, to prevent and restrain violations of Section 1 of the Sherman Act, 15 U.S.C. § 1, and for damages under § 4 of the Clayton Act, 15 U.S.C. § 15. This Court has jurisdiction over Verizon’s federal antitrust claims under 28 U.S.C. §§ 1331, 1337, 2201, and 2202.

7. Venue in the Eastern District of New York is proper under 28 U.S.C. §§ 1391, 1407 and 15 U.S.C. §§ 15, 22, and 26. Verizon operates multiple retail outlets in the Eastern District of New York and accepts payment by Visa and Mastercard Payment Cards through, for example, e-

commerce or telephone orders from cardholders located in this District. Defendants transact business and are found in the Eastern District of New York. A substantial part of the interstate trade and commerce involved in and affected by Defendants' violations of the antitrust laws was and is carried on in part within the Eastern District of New York. The acts complained of have had, and unless enjoined will continue to have, substantial anticompetitive effects in the Eastern District of New York.

IV. DEFINITIONS

8. As used in this Complaint, the following terms are defined as:
 - a. "Access Device" means any device, including but not limited to a Payment Card or microchip, which may be used by a consumer to initiate a General Purpose Card or Debit Card transaction.
 - b. "Acquiring Bank" or "Acquirer" means a member of Visa and/or Mastercard that acquires payment transactions from Merchants and acts as a liaison between the Merchant, the Issuing Bank, and the Payment-Card network to assist in processing the payment transaction. Visa and Mastercard rules require that an Acquiring Bank be a party to every Merchant contract. In a typical payment transaction, when a customer presents a Visa or Mastercard card for payment, the Merchant relays the transaction information to the Acquiring Bank. The Acquiring Bank then contacts the Issuing Bank via the network for authorization based on available credit or funds. Acquiring Banks compete with each other for the right to acquire payment transactions from Merchants but do not

compete on the basis of the interchange fee, which is one of the subjects of this Complaint.

- c. “All-Outlets Rule” is a rule of the Visa and Mastercard networks that requires a Merchant with multiple outlets to accept Visa or Mastercard, respectively, in all of its outlets, even if those outlets are owned by a separate corporate entity, operated under a different brand name, or employ a different business model in order for the Merchant to receive the interchange rates for which the Merchant would ordinarily qualify.
- d. “Anti-Steering Restraints” are the rules of the Visa and Mastercard networks that forbid Merchants from incenting consumers to use less expensive payment forms, including: the No-Surcharge Rule; the No-Minimum-Purchase Rule; and Visa and Mastercard’s “discrimination rules,” which require Merchants to discriminate against other forms of payment by failing to treat them more favorably than Defendants’ cards despite those competing forms’ better pricing. The Defendants’ standard-form Merchant agreements implement these Anti-Steering Restraints.
- e. “Assessment” refers to an amount computed and charged by Visa and Mastercard on each transaction amount to the Acquiring and Issuing Banks.
- f. “Authorization” is the process by which a Merchant determines whether a cardholder is authorized by his or her Issuing Bank to make a particular transaction. The Merchant sends the cardholder’s information to its Acquiring Bank or a Third-Party Processor, which sends it to Visa or

Mastercard, which then sends it to the issuer or the issuer's processor, to obtain authorization. If authorization is given, the process is repeated in reverse.

- g. "Charge Card" or "Travel & Entertainment Card" (T&E) is an access device, usually a Payment Card, enabling the holder to purchase goods and services on credit to be paid on behalf of the holder by the issuer of such device. Typically, the contractual terms of such cards require that payment from the holder to the issuer be made in full each month, for all payments made on behalf of the cardholder by the issuer during the preceding month. The issuer does not extend credit to the holder beyond the date of the monthly statement, nor does it impose interest charges on the balance due except as a penalty for late payment. Examples of Charge Cards are the American Express Green, Gold, Platinum, and Centurion cards as well as the Diners Club and Carte Blanche cards issued by Citibank.
- h. "Credit Card" is any card, plate, or other payment code, device, credential, account, or service, even where no physical card is issued and the code, device, credential, account, or service is used for only one transaction or multiple transactions — including, without limitation, a plastic card, a mobile telephone or other mobile communications device, a fob, a home assistant or other internet-connected device, or any other current or future code, device, credential, account, or service by which a person, business, or other entity can pay for goods or services — that is

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