

News Corp. Unit Buys Rival After Settling a Suit With It – Susman Godfrey Successfully Represented Floorgraphics

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News America Marketing, a unit of the News Corporation that produces coupon inserts and sells advertising in supermarkets, settled a lawsuit this week with a competitor that had accused it of anticompetitive behavior and corporate spying.

On Wednesday, News America bought the company, Floorgraphics, outright for an undisclosed sum.

The lawsuit was settled after witnesses began testifying in the trial in federal court in New Jersey. The original lawsuit was filed in 2004.

In a brief statement, a spokeswoman for News America confirmed the acquisition, saying, “We’re pleased to be expanding our network of stores to better serve our customers and we’re very excited to incorporate the quality network so ably developed by Floorgraphics.”

In a court filing, Floorgraphics, which also markets in-store advertising, said that News America had “illegally accessed plaintiff’s computer system and obtained proprietary information from the computer system; disseminated false, misleading and malicious information about the plaintiff; and incorrect information about themselves to plaintiff’s existing and prospective clients, in an effort to induce retailers and clients to avoid doing further business with plaintiff.”

The case included a former employee of News America who emerged as a whistle-blower and provided Floorgraphics with information about the company’s business tactics.

News America has also been sued by other competitors, including Valassis Communications, and the competitive culture of the little-known unit of the News Corporation, which is controlled by Rupert Murdoch, has attracted attention in recent years from business magazines like Fortune and Forbes.

An article in Forbes in 2005 reported that the head of the unit liked to motivate the sales staff by showing a clip from the film “The Untouchables,” depicting Al Capone beating a man with a baseball bat.

The division is a small piece of Mr. Murdoch’s empire, whose higher-profile businesses are Fox News Channel, the Fox broadcast network, MySpace, the 20th Century Fox film studio and newspapers like The Wall Street Journal and The New York Post.

In the most recent quarter, the News Corporation’s magazines and inserts unit, of which News America is a part, reported revenue of \$284 million, or just 3.6 percent of the company’s total revenue of \$7.9 billion.