

## Price-Fixing Executive Dealt Tough Sentence for Role in Cartel

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On December 6, 2013, Frank Peake, former president of **Sea Star Line LLC**, was sentenced to five years in prison and ordered to pay a \$25,000 fine for his role in fixing prices for rates and surcharges for freight transportation in coastal waters between the United States and Puerto Rico. The alleged conduct began around late 2005 and continued until at least April 2008. Earlier this year, Peake was convicted of violating Sherman Act Section 1 following a two-week trial in the **United States District Court for the District of Puerto Rico**. Although Peake's five-year sentence is shorter than the seven-year sentence sought by the Department of Justice, five years is the longest prison sentence ever handed down to an individual for a single antitrust charge. Previously, Peter Baci, another executive at Sea Star Line LLC, tied the record for longest prison sentence for a single antitrust charge with a four-year sentence.

Peake's sentence reinforces the Department of Justice's (DOJ) commitment to prosecuting executives involved in conspiracies to fix prices in violation of the antitrust laws. Bill Baer, Assistant Attorney General of the DOJ Antitrust Division stated, "The Antitrust Division will continue to vigorously prosecute executives who collude to fix prices at the expense of consumers."

The DOJ reported that Peake and other executives convicted in the price-fixing scheme conspired through meetings and other communications to fix, maintain and stabilize freight services rates in the coastal waters between the United States and Puerto Rico, to allocate customers in the freight services market, and to rig bids. By selling Puerto Rican freight services at collusive, non-competitive rates, the "coastal shipping price-fixing conspiracy affected the price of nearly every product that was shipped to and from Puerto Rico during the conspiracy," said Baer.

In all, six executives and three companies have either pled guilty or were sentenced at trial in the coastal freight waters cartel investigation. The corporations were fined \$14.2-\$17 million for price-fixing. Four executives were fined \$20,000 and received prison sentences ranging from 20-48 months. Another executive was sentenced to seven months for obstruction of justice.

This latest conviction illustrates the DOJ's objective of prosecuting company executives as a means of deterring and punishing cartel activity. In the past few years, cartel investigations have resulted in more executives sentenced to longer period of jail time. For example, the percentage of executives sentenced to prison has increased to 71 percent from 2010-2012, up from 62 percent from

2000-2009 and 37 percent from 1990-1999. Similarly, the average prison sentence increased to 25 months in 2010-2012 from 20 months from 2000-2009 and just eight months from 1990-1999.

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National Law Review, Volume III, Number 348

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