

# Free research paper on industrial organization

[Business](#), [Company](#)



**Landmark Antitrust Case Study Assignment:**

1. Write a 100- word abstract of the case, including the date of the case.

In the case of 268 U. S. 563, Maple Flooring Manufacturers Assn. et al. v. U. S. (1925), the association that is an unincorporated 'trade association' are the defendants. It involved 22 members of the association, corporate defendants, engaged in a business agreement of shipping and selling birch, beech, and maple flooring in interstate commerce. However, all but two of them had their principal business places in Wisconsin, Minnesota, or Michigan (where one defendant was located in New York and one in Illinois). The individual representatives of each of the corporate members of this association participated in the court processions.

2. Describe the provision of the US Antitrust Law invoked to judge presence of anticompetitive behavior or potential of for moving the industry in that direction.

The provision of the US antitrust laws invoked by the judge is that they are a set of laws that prohibit unfair business practices and anti-competitive behavior (monopoly). Antitrust laws are aimed at encouraging competition in a marketplace. Such competition laws continually make illegal various practices that are deemed to cause harm to businesses and consumers, or generally in violation of standards of ethical behavior. Further, government agencies also known as competition regulators alongside private litigants make use of the antitrust as well as consumer protection laws in the efforts towards preventing market failure. The terminology antitrust was initially

formulated to address ‘corporate trusts’, which were rather large businesses (Shenefield & Stelzer 201). There are a number of countries that use the term ‘competition law’ to refer to the same. Most countries have antitrust laws of some degree. For instance, the European Union has concrete provisions to maintain fair competition under the Treaty of Rome, just as much as Australia under Trade Practices Act 1974.

3. Describe the basis for the ruling and action that pertain to all OR some of the following factors:

Among competitors, anti-competitive agreements such as price fixing as well as agreements on customer and market allocation are vivid elements of restraints of trade proscribed activities by the antitrust laws. Such types of conspiracies could be considered in competition set-ups and could be generally and outright proscribed by the antitrust laws (Areeda & Hovenkamp 20-111). Similarly, the resale price maintenance of manufacturers is a form of agreement, which restrains people from working together. In addition, agreements that could have diverse impacts on competition could be generally evaluated through the use of a balancing test through which legality is on the basis of the overall effects of such an agreement.

4. Describe the “conduct” in question that has been considered “anticompetitive.” Determine if the defendant had used an anticompetitive Price Strategy and explain how. Likewise, describe any Non-price Strategies the defendant had used and describe how.

The conduct in question that is considered anticompetitive is monopolization. Monopolization as well as attempted monopolization could be termed as offenses, which may be committed by individual firm. This is the case even without agreements with other enterprises. Is such a case, unreasonable exclusionary practices which serve as entrenchments or creation of monopoly power are therefore be unlawful. Further, allegations of predatory pricing which several large companies could attempt can form a basis for monopolization claims. However, it is rather difficult to determine the necessary elements of proof (Kobak & Broder & Rhodes & Newton & Kessler & Jacobson & Davis 205).

5. Describe the effect of the defendant's "conduct" on other firms (or the main rival) in the industry.

The fact that large companies have huge cash reserves as well as large lines of credit could steadily stifle competition through engaging in practices of predatory pricing. This means that the sale of their products and services is made at a loss for certain time periods. This is aimed at forcing their competitors (smaller) out of business. Having no competition, they can then consolidate ultimate control of the entire industry while charging whatever prices they please. At such a point, there is little motivation for making investments in further technological research. This is purely due to the fact that there are no competitors to establish an advantage over.

6. Describe the initial legal action taken against or in-favor of the defendant.

Of the named corporate defendants, more than a half of them own timber sawmills and lands and are large producers of rough lumber. Finished flooring is manufactured, shipped and sold in interstate commerce from this substance. The rest of the defendants' buy rough flooring lumber in open market and process it into finished flooring (Scheinberg 201). This they later sell and ship in interstate commerce. Of the total national production of these kinds of flooring, the percentage had been gradually diminishing during the preceding five years.

7. Describe any subsequent legal action in the case (such as the Supreme Court), if any.

It was also evident that apart from nonmember manufacturers who could report to the government, a numerous number of other nonmember manufacturers in the United States and Canada of such flooring developed private channels to address their concerns. The defendants own a small proportion of the overall stand, of birch, beech, and maple timber in the United States from which various types of flooring are produced and sold by defendants are manufactured.

8. Carefully describe how the model of Structure-Conduct-Performance has been applied in the case under consideration.

The model of structure- conduct -performance has been applied to this case since the defendants maintained that a minimum price plan was not actually performed by any predecessor association. They also maintain that the policy way formally abandoned in 1920 after it failed to secure an approval

of the Federal Trade Commission plan and was never continued or revived (Cseres 20). Consequently, the question that this court had to decide is whether or not the use of such an approach of conducting business by members of this association necessarily had that effect in producing unreasonable restraints of interstate commerce that are condemned by the Sherman Act.

In addition, high barriers to entry like large upfront investments (notably called sunk costs), infrastructure requirements and exclusive agreements with wholesalers, customers, and distributors make it potentially difficult for new competitors to venture into the market. In the event that any does, the trust has ample advance warnings and time through which they either buy out the competitor, or carry out its own research and returns to predatory pricing for a period long enough to push the competitors out of business (Posner 200). From a perspective of economics, the recent industrial organization researches focus on the construction of microeconomic models which predict and explain the perception of imperfectly competitive markets as well as the deviations from different competitive behavior. These are partly as responses to the criticisms of antitrust policies and laws.

Obviously, one such anticompetitive behavior or conduct is overt price fixing, for instance, is placed in this per se type of conduct. It is clearly detrimental to competition which detailed analyses remain unnecessary (Howells & Weatherill 20-105). Otherwise, all antitrust plaintiffs are expected to demonstrate, by facts distinct to the business which restraints are applied. The nature of challenged conduct and behavior is harmful to competition.

Some of the types of activity which are usually subject to antitrust scrutiny include price fixing which is defined as an agreement between business competitors to sell similar goods or services in high price criteria. Bid rigging is a form of market allocation and price fixing that involves agreements in which a party or groups of bidders is designated to win the stipulated bid. Geographic market and profits allocations is agreements between competitors which seek to eliminate internal competition within the geographic territories of each other (Feldman 198). Walker Process fraud refers to the illegal monopolization through which maintenance and enforcement of patent rights are obtained through fraudulent means on the Patent Office.

## **References:**

- Areeda P., Hovenkamp H., Fundamentals of Antitrust Law. New York: Aspen Publishers Online. 2011. Pp 20-111. Print
- Cseres K., Competition Law and Consumer Protection. London: Kluwer Law International. 2005. Pp 20. Print
- Feldman L., Consumer protection: problems and prospects. New York: West Pub. Co. 1980. Pp 198. Print
- Howells G., Weatherill S., Consumer Protection Law. New York: Ashgate Publishing, Ltd. 2005. Pp 30-105. Print
- Kobak J., Broder D., Rhodes T., Newton W., Kessler J., Jacobson M., Davis A., Antitrust Laws: Leading Lawyers Offer Winning Legal Strategies for Interpreting & Analyzing Antitrust Regulations. New York: Aspatore Books. 2005. Pp 205. Print
- Posner R., Antitrust Law. New York: University of Chicago Press. 2001. Pp

200. Print

Scheinberg P., Consumer Protection: Federal Actions Are Needed to Improve Oversight of the Household Goods Moving Industry. New York: DIANE

Publishing. 2001. Pp 201. Print

Shenefield J., Stelzer I., The Antitrust Laws: A Primer. New York: American Enterprise Institute. 2001. Pp 201. Print