

Irac brief

Law



Legal risks associated with domestic and international business activity
Grade (April 17, Legal risks associated with domestic and international
business activity

Case: United States v. Bridgestone Corporation [2014] N. D. Ohio

Issue: The issue under this case is whether the business activities of Bridgestone Corporation in the USA and other Latin American countries between 2001 and 2008 amounted to conspiracy and restraint of fair competition in trade. Further, the issue raised in the case is whether the business activities of Bridgestone Corporation for the same period amounted to inducing the state government officials to do or omit to do what is their rightful duty in protecting the rights of fair competition for businesses.

Bridgestone Corporation is a company incorporated and with its operations based in Tokyo Japan (Bridgestone Corporation, 2014). However, the company, through its subsidiaries conducts business in the USA, the Latin America and different other parts of the world. The business activities of Bridgestone Corporation included the shipment and sale of automobile anti-vibration rubber parts (AVP) to different car manufacturers, suppliers, subsidiaries and affiliates in the USA and elsewhere (Department of Justice, 2014).

Rule: The U. S. District Court for the Northern District of Ohio ruled that Bridgestone Corporation engaged in a conspiracy to allocate sales, rig bids and assign and maintain prices for AVP contrary to the provisions of both the Sherman Act and the Foreign Corrupt Practices Act (Department of Justice, 2014). Consequently, the court ruled that Bridgestone Corporation pays \$425 million criminal fine (Bridgestone Corporation, 2014).

Analysis: The provisions of section 1 of Sherman Act of 1890 offers that any
<https://assignbuster.com/irac-brief-essay-samples/>

practice, conspiracy or restraint to fair trade competition among different states in the USA or within foreign nations is illegal (Muchmore, 2012). Thus, the USA department of Justice (USDOJ) alleged that the company's practices of converging and discussing issues of price fixation and sharing of market shares between the affiliates, subsidiaries and supplier amounted to the violation of this provision of the law. Further, the USDOJ alleged that through rigging for bids and tenders for supply of AVP, Bridgestone Corporation violated the provisions of 15 U. S. Code § 78dd The Foreign Corrupt Practices Act of 1977, which prohibits influencing or inducing officials to do, or omit doing any act that is their rightful duty (Department of Justice, 2014). In this respect, since Bridgestone Corporation, its subsidiaries, affiliates and suppliers engaged in rigging bids for winning tenders for supply of AVP to different states in the USA, its activities amounted to the violation of this provisions of the laws. Therefore, a relevant fine was applicable to the company, or alternatively the imprisonment of its officials for a period of 10 years, as provided under these laws.

Conclusion: Bridgestone Corporation organized meetings with executives in its affiliates, subsidiaries and suppliers in which they reached agreements for engagement in the practices of allocating the sales of AVP to different markets in USA and elsewhere. Further, the conspirators agreed to rig bids for, and raise and maintain the prices of AVP at agreed levels (Department of Justice, 2014). The court ruled against Bridgestone Corporation and a heavy fine of \$425 million was imposed in return for not imprisoning its executives who were engaged in the practice, for the required period of 10 years.

Legal Concepts in Case

Price fixing, rigging for bids and conspiracy to hinder fair competition

<https://assignbuster.com/irac-brief-essay-samples/>

practices in trade and commerce is prohibited in international commercial laws. The existence of such practices both in the domestic and the foreign markets is detrimental to both the government and the consumers. Price fixation prevents consumers from enjoying the benefits of competitive prices, which might be lower. On the other hand, conspiracy to hinder fair competition, according to the provisions of The Foreign Corrupt Practices Act of 1977, prevents the government from earning the right returns from taxes, since the conspiracy hinders other business performance in the market. Thus both domestic and foreign business must steer clear of business practices that hinder fair competition, if the consumers and governments are to benefit from the operations of businesses.

References

- Bridgestone Corporation. (February 14, 2014). Announcement of Plea Agreement with U. S. Department of Justice Regarding Certain Automobile Parts. Tokyo: Public Relations Department of Bridgestone Corporation.
- Department of Justice. (February 13, 2014). Bridgestone Corp. Agrees to Plead Guilty to Price Fixing on Automobile Parts Installed in U. S. Cars. Office of Public Affairs of United States Department of Justice.
- Muchmore, A. I. (2012). International Activity and Domestic Law, *The Penn State Journal of Law & International Affairs* 1 (2), 363 -389.