

Etitioner leegin creative leather products

[Business](#)



Petitioner Leegin Creative Leather Products, a manufacturer of women's accessories under the brand name Brighton, entered into a vertical minimum price agreements with its retailer, which includes herein respondent, PSKS, Inc. Petitioner avers that such price agreements intend to encourage competition among retailers in the areas of customer service and product promotion. However, herein respondent discounted Leegin products below their prescribed minimum price. After being dropped by Leegin as one of its retailers, PSKS filed a lawsuit, arguing that Leegin violates Section 1 of the Sherman Act by engaging in anticompetitive price fixing.

The District Court decided in favor of PSKS citing *Dr. Miles Medical Co. v. John D. Park & Sons Co.*, which held that mandatory price agreements are per se illegal under the Sherman Act. Petitioner, in an appeal to the U. S. Court of Appeals for the Fifth Circuit, argued that this rule was based on outdated economics and contended that a the " rule of reason" is a better legal analysis. Petitioner further claimed that price minimums will only be held illegal when proven to be anticompetitive.

The appellate court ruled in favor of the district court hence, this petition for certiorari. ISSUE: Is it per se illegal for a manufacturer to set mandatory minimum prices for its products? RULE: No, it is not illegal for a manufacturer to set mandatory minimum prices for its products. Section 1 of the Sherman Act prohibits "[e]very contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States. " This provision only prohibits unreasonable restraints in trade or commerce. REASONING:

The Court reasoned that Section 1 of said Act outlaws only unreasonable restraints. It further ruled that the Dr. Miles case should be overruled and that vertical price restraints are to be judged by the rule of reason. The Court, through economic literature, averred that vertical minimum price agreements are rarely anticompetitive and can often function to increase inter-brand competition. The Court further argued that instances where the price agreements are abused for anticompetitive reasons can be judged on a case-to-case basis under the rule of reason.

In overruling the Dr. Miles case, the Court held that the Sherman Act must be treated as a common law statute, which should be allowed to evolve in courts as economic circumstances change. DECISION: The Supreme Court ruled for Leegin Creative Leather Products, Inc. The Supreme Court overruled the decision in the Dr. Miles case. It further ruled that in cases where vertical price restraints are involved, the rule of reason should be applied. I agree with the decision of the Supreme Court favoring Leegin Creative Leather Products, Inc. The decision in Dr.

Miles was based on reasoning and economic assumptions that predate and conflict with modern economic theory. It was never shown in court that setting retail price minimums is anticompetitive. Further, retail price minimums have no absolute economic effect. In order to assess the anticompetitive tendencies of price minimums, the rule of reason must be employed. The Supreme Court, in the case at bar, employed the rule of reason in order to determine whether the actions taken by Leegin Creative Leather Products, Inc would hurt the economy. Hence, vertical price restraints should be judged by the rule of reason.