LEGAL ASPECTS OF PRICE DISCRIMINATION

Considerations

US : Injure to competition (Robinson – Pacman Act)

EU : Abuse of dominant position (Art.86, Treaty of Rome)

Both based on considerations other than efficiency.

US → Law passed to protect small businesses from the encroaching success of large firms.

R-P act: universally condemned by economists.

2 types of cases brought:

• PRIMARY – LINE CASES
  Injury to rival firms through “discriminatory” prices

Utah Pie case (1967)

CB, C & PM set lover prices in Utah than in CA.

Utah Pie brought the suit

Ruling in favor of Utah Pie
Decision regarded by most scholars as a mistake.

The rule protected competitors rather than competition.
• **SECONDARY-LINE CASES**
  Injury to a ‘disfavoured’ customer

**Morton Salt case (1948)**

Quantity discounts to wholesalers

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>less-than-carload purchases</td>
<td>1.60</td>
</tr>
<tr>
<td>carload purchases</td>
<td>1.50</td>
</tr>
<tr>
<td>5,000 – case purchases</td>
<td>1.40</td>
</tr>
<tr>
<td>50,000 – case purchases</td>
<td>1.35</td>
</tr>
</tbody>
</table>

Concern: Small independent food stores cannot acquire large amounts

- competition in consumer markets is injured.

Ruling was against Morton Salt.

**Texaco v. Hasbrouck case**

Sells gasoline to wholesale distributors at lower prices than to retail gasoline dealers.

Texaco was convicted.
THE ’92 KODAK CASE

Kodak tied the supply of parts for Kodak photocopiers to repair services provision.

This excluded independent repair service companies from fixing Kodak photocopiers...brought the suit against Kodak.

MARKET
Photocopy machines

AFTER-MARKET
Repair Services

Ruling was against Kodak for attempt to monopolize the after market.