

Tie in Deals



Other Issues

- Predatory Pricing
- Refusal to Deal
- **Tie-in**
- Mergers
- Cartels

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 - There is economic benefit in protecting the McDonald's image, and one way of doing that is to regulate the products its franchisees use.
 - There is a potential for abuse and courts will always view them with an eye towards the Rule of Reason.

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 - It claimed it did so to protect its computers.
 - It was also a means of price discrimination.
 - IBM Lost.

IBM Punch Cards

- Customers with limited computer use made limited use of punch cards.
- Heavy computer users used more punch cards and paid more for the same computer.
- This is Price Discrimination 101.

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- Why isn't this as illegal as punch card pricing?
- No monopoly in the business.

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- At one time, Xerox had a patent protected monopoly on photocopiers. It required a service contract and charged according to use.
- The difference is that wear and tear on a photocopier does depend on how often it is used.

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- US Steel offered attractive credit terms to homebuilders that agreed to buy prefabricated steel. Later, the courts ruled that the practice was not illegal.
- This initially was held to be an unreasonable tie-in arrangement.

Anesthesiologists

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- A large acute care hospital required patients wanting operations to use the hospital's anesthesiologists.
- An excluded anesthesiologist complained that this tie-in practice excluded him from obtaining patients.

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- The court upheld the arrangement, unanimously, but could not agree why.
- Five judges upheld a per se test, but said that there was not market power.
- Four judges ruled that the test was wrong, that there was legitimate economic reason (quality control) to tie in.

End

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