MERGER ANTITRUST LAW

LAWJ/G-1469-05
Georgetown University Law Center
Fall 2019

Tuesdays and Thursdays, 3:30-5:30 pm
Dale Collins
dale.collins@shearman.com
www.appliedantitrust.com

CLASS 17 WRITTEN ASSIGNMENT

Instructions

Submit by email by 3:30 pm on Thursday, October 31
Send to dale.collins@shearman.com
Subject line: Merger Antitrust Law: Assignment for Class 17

Assignment

Part A. Calls for a memorandum to a partner (which may be sent to a client)

Dianne Lockhart has read your memorandum on coordinated effects and now has asked you to write a similar memorandum explaining the unilateral effects theory of anticompetitive harm under the 2010 Horizontal Merger Guidelines. She also would like you to address what qualitative factors, as well as any quantitative measures of upward pricing pressure, the agencies consider in deciding whether a merger is anticompetitive under the unilateral effects theory.

Part B. Calls for answers to the following questions

1. Consider the following shares for fresh orange juice:

Orange Juice

	Production (million gal.)	Share
Tropicana	291.4	45.0%
Coca-Cola	136.0	21.0%
Fresh OJ	136.0	21.0%
OJ Natural	46.0	7.1%
Others (6)	38.2	5.9%
	647.6	100.0%

Assume that all diversion occurs within orange juice (that is, there is no switching to a nonorange juice option) and switching within orange juice is gallon for gallon. Using the relative market share method, what are the diversion ratios from Coca-Cola to each of the other orange juice products?

2. Same shares as before, but now when Coca-Cola increases its price, 10% of Coca-Cola lost sales divert to something other than orange juice (the "outside option"). Using the relative market share method, what are the diversion ratios to the other orange juice products taking into account this outside diversion?

3. Products A and B are being tested as a candidate market. Each is priced at $140 per unit, has an incremental cost of $110, and sells 2000 units. For every dollar increase in the price of Product A, for any given price of Product B, Product A loses 40 units of sales to products outside the candidate market and 10 units of sales to Product B, and likewise for Product B. Under these conditions, what price would a hypothetical monopolist of Products A and B charge if (a) it had to increase prices of both products by the same amount, and (b) if it increased the price of only one product? (c) Are Products A and B a relevant market?

If you have any questions, send me an e-mail. See you in class.