Published on *The National Law Review* https://natlawreview.com

Northern District of California Court Pares Down Price Discrimination Suit Against Chrysler

Article By:

McDermott Will & Emery

On July 11, 2014, the **Northern District of California** dismissed one of two federal antitrust claims brought against **Chrysler Group LLC** under the **Robinson-Patman Act**, 15 U.S. C. § 13, as well as several state statutory and common law claims. ***Matthew Enterprise, Inc. v. Chrysler Group LLC***, No. 13-cv-04236-BLF (N.D. Cal. July 11, 2014). The plaintiff, a franchise car dealer and direct customer of the defendant, alleged that Chrysler committed anticompetitive price discrimination by offering volume discounts to new dealers on more favorable terms than those offered to established dealers like the plaintiff and by selectively offering the plaintiff's competitors disguised price discounts in the form of below-market rent. The court allowed the former claim to go forward but dismissed the latter for failure to state a claim under Federal Rule of Civil Procedure 12(b)(6).

The court began by recounting the purposes behind the Robinson-Patman Act, as described by the Supreme Court in ***FTC v. Sun Oil Co.***, 371 U.S. 505, 520 (1963): "to curb the use by financially powerful corporations of localized price-cutting tactics which had gravely impaired the competitive position of other sellers . . . and to ensure that businessmen at the same functional level . . . start out on equal competitive footing so far as price is concerned." *Matthew Enterprise*, slip op. at 6 (internal quotation marks omitted). It explained that in order to state a "secondary-line case" involving competition among customers of a common seller, a plaintiff must plead facts showing that "(1) the relevant sales were made in interstate commerce; (2) the products were of like grade and quality; (3) the seller discriminated in price between the Plaintiff and another purchaser of the same products; and (4) that the effect of that price discrimination was to injure, destroy, or prevent competition to the advantage of a favored purchaser." *Id.*, slip op. at 7.

The plaintiff in *Matthew Enterprise* alleged that Chrysler offered volume discounts to established car dealers based on a formula that took into account the dealer's prior year sales. Because new dealers, by definition, did not have prior year sales, Chrysler used different criteria to determine the volume at which new dealers would receive a discount, which the plaintiff alleged was substantially lower than the volume the plaintiff needed to sell in order to qualify for the discount. For example, the plaintiff alleged that "this inequality of treatment led to [one new competitor] receiving vehicle subsidies during July 2012, despite selling only sixty vehicles, while Plaintiff failed to receive incentives, despite selling 130 vehicles." *Id.*, slip op. at 8. These allegations, taken as true for purposes of the motion to dismiss, allowed the court ultimately to conclude "that Chrysler ha[d] set up its newly opened dealers as a class of 'favored purchasers'" in violation of the Robinson-

Patman Act. *Id.*, slip op. at 9.

Regarding the second price discrimination claim, the court noted that it was not aware of any Ninth Circuit case law holding that the Robinson-Patman Act applies to real estate transactions. The plaintiff tried to salvage its claim by arguing that the rental agreement was actually a disguised price discount. But "in order for the Court to find sufficient its 'disguised discount' claims," the court stated that the "Plaintiff would need to plead facts that permit the Court to infer that the rental agreement is in some way tied to the volume of cars sold," which it failed to do. *Id.*, slip op. at 13-14. The court therefore dismissed the plaintiff's Robinson-Patman Act claim under this theory of liability.

National Law Review, Volume IV, Number 199