An FTC Guide to

Dealings in the Supply Chain

Introduction

The antitrust laws also affect a variety of “vertical” relationships—those involving firms at different levels of the supply chain—such as manufacturer-dealer or supplier-manufacturer. Restraints in the supply chain are tested for their reasonableness, by analyzing the market in detail and balancing any harmful competitive effects against offsetting benefits.

In general, the law views most vertical arrangements as beneficial overall because they reduce costs and promote efficient distribution of products. A vertical arrangement may violate the antitrust laws, however, if it reduces competition among firms at the same level (say among retailers or among wholesalers) or prevents new firms from entering the market. This is particularly a concern in markets with few sellers or those dominated by one seller. In these markets, manufacturer- or supplier-imposed restraints may make it difficult for newcomers or firms with innovative products to find outlets and reach consumers.

Fact Sheets for Dealings in the Supply Chain

» **Manufacturer-imposed Requirements:** Price, territory, and customer restrictions on dealers.

» **Exclusive Dealing or Requirements Contracts**

» **Refusal to Supply**