

Antitrust: Damages Case Study

Objectives. The National Football League (NFL) needed economic analysis regarding the degree of market power it possessed and the determination of whether it had engaged in anticompetitive activities involving the relocation of a franchise (the Raiders) from Los Angeles to Oakland, California. This included analysis of market definition, industry structure, liability and damages using both econometrics and advanced economic analysis.

Challenges & Methodologies. In an industry characterized by a very unique structure, the determination of liability and damages requires knowledge of both economics and the sports industry.

Key to any antitrust case, a primary step was to determine the market definition of the league. Defining the market and economic harm was complicated by the fact that the league served many different markets, some where it possessed more market power than others.

In addition to determination of the competitiveness of the league, it was also necessary to assess the economic effects from the relocation of the Raiders, as well as the effects on the rest of the league. Given the team moved to a smaller television market (Oakland), it was likely that the revenues from the league television contracts would be lower. Moreover, given the revenue-sharing structure in the NFL, the possibility of lower shared revenues from gate receipts also existed and therefore affected the damages assessment in the case. A thorough economic analysis of the merits of the case was conducted to address all of these issues. Data analysis of prices and quantities helped determine market conditions and damages.

Outcomes. An Expert Report and Rebuttal Report were submitted to the court on behalf of the NFL to assist the trier-of-fact in their decision making process. The case was resolved in favor of the NFL, who felt that the final outcome was positively influenced by the economic analysis in a significant way. Since the case, other relocations have sought and received league approval and seek to benefit the franchises and the league.