

**Information-asymmetry Problems under Competition Law**  
**– An Analytical Framework from the Studies of Life Law and Dante Coffee**

Chen, Andy C.M.\*

Abstract

Using LifeLaw and Dante Coffee as examples, we discuss and analyze how competition law could be properly applied to address the anticompetitive problems in industries colored by information asymmetry. Relying on the insights from information economics, we attempt to integrate the analysis of those problems under a more coherent framework that is equally applicable to both antitrust and unfair-competition cases. Specifically, this paper argues that the rationale underlying the lawyer's ethical codes and the franchisor's disclosure obligations are in essence a response to the information-asymmetry problem existing in both industries. Therefore, the effectiveness of the various regulatory mechanisms in competition law in addressing the problems should be evaluated by the degree to which they could narrow the informational gaps. From this perspective, the competition agency and the courts should approach the information-asymmetry problems in Dante Coffee by first determining the "relevance" of the concealed information to the franchisees' business decisions. Regarding LifeLaw, the cost and benefits from various regulatory means, self-regulation included, should be compared to establish an optimal regulatory regime that is compatible with the principle of proportionality. A framework focusing excessively on legal formality and logical correctness could induce inefficient regulations and opportunistic activities in franchise markets. In addition, inappropriately prohibiting or restraining lawyers from using more efficient channels to disseminate their service information could leave the information-asymmetry problem unimproved or exacerbated. Consumers would thereby continue to be

---

Date of submitted: October 8, 2013

Date accepted: March 28, 2014

\* Chen, Andy C.M., Associate Professor, Department of Financial and Economic Law, Chung Yuan Christian University; SJD North Western University.

exposed to the risk of being defrauded by unethical lawyers.

**Keywords:** Information Asymmetry, Information Disclosure, Competition Law, Franchise, Unfair Competition, Concerted Actions, Ethical Codes, Online Legal Services, Credence Goods.