

# Contents

Preface	ix
Table of Cases	xxv
Table of Legislation	xlvi
<b>1 Introduction</b>	<b>1</b>
1.1 The common market	1
1.2 The competition rules	2
1.2.1 Article 81—collusion that restricts competition	3
1.2.2 Article 82—the abuse of a dominant position	4
1.2.3 Regulation 4064/89—the control on concentrations	6
1.2.4 The interpretation of the competition rules and the integration of the common market	6
1.2.5 The treaty covers all sectors of the economy	7
1.3 The economics of market power	9
1.3.1 Welfare economics—efficiency	10
1.3.2 Other reasons for controlling market power	12
1.3.2.1 Market integration	12
1.3.2.2 Fair competition	12
1.3.2.3 Small and medium-sized firms	12
1.3.2.4 Political freedom	13
1.3.2.5 Workable competition	13
1.3.2.6 Cultural, environmental and social policy	13
1.3.2.7 Objectives of national law	14
1.3.2.8 Conflict of goals	14
1.3.3 Barriers to entry and substitutes may define the relevant market	17
1.3.3.1 Substitutes on the demand side	17
1.3.3.2 Barriers to entry	18
1.3.3.2.1 Minimum efficient scale	19
1.3.3.2.2 Contestable markets	20
1.3.3.2.3 Network markets	20
1.3.3.2.4 Government regulation	21
1.3.3.2.5 Intellectual property rights	21
1.3.3.2.6 Free riders	22
1.4 The institutions of the EC	23
1.4.1 The Council	23
1.4.2 The Commission—the executive of the Communities	23

1.4.3	The Community Courts	24
1.4.3.1	Membership of the EC courts	25
1.4.3.2	The Jurisdiction of the CFI and ECJ	27
1.5	Enforcement of the competition rules	29
1.5.1	Regulation 1/2003	29
1.5.2	Enforcement by national courts	29
1.5.3	Enforcement by national authorities	31
1.5.4	Enforcement by the Commission	31
1.6	Extraterritorial competence	31
1.6.1	Free Trade Agreements	33
1.6.2	The European Economic Area (EEA)	33
1.7	The importance of the competition rules	34
1.8	The plan for the book	36
1.9	Bibliography	37
<b>2</b>	<b>Analysis of Article 81(1)</b>	<b>39</b>
2.1	Introduction	39
2.2	Collusion between undertakings	40
2.2.1	Undertakings	40
2.2.2	Agreements	45
2.2.2.1	Unilateral conduct in the context of a long term contract with selected dealers	46
2.2.2.2	Tenuous evidence on which collusion is sometimes found	50
2.2.3	Decisions by associations of undertakings	51
2.2.4	Concerted practices	52
2.2.4.1	Economic considerations	52
2.2.4.2	Legal precedents	54
2.2.4.3	Agreements to exchange information	58
2.3	'Which may affect trade between Member States'	59
2.3.1	Market integration	59
2.3.2	Condition often fulfilled even if agreement is confined to a single Member State	62
2.3.3	The condition has been further narrowed	64
2.3.4	The Commission's notice	65
2.3.5	The comparable provision in Article 82 is similarly construed	65
2.3.6	The EEA	66
2.4	'Have as their object or effect the prevention, restriction or distortion of competition within the common market'	66
2.4.1	<i>Consten &amp; Grundig</i>	68
2.4.2	Restrictions by object	69
2.4.3	Legal and economic context	70

2.4.4 Market definition	71
2.4.5 Ancillary restraints	72
2.4.6 National public interest	75
2.4.7 The Commission's view	76
2.4.8 <i>De facto</i> restrictions	78
2.4.9 'Appreciable' effects	78
2.5 Nullity	80
2.6 Bibliography	81
 <b>3 Analysis of Article 81(3)</b>	 83
3.1 Article 81(3)	83
3.1.1 Individual exceptions	84
3.1.1.1 Right of complainant to appeal against a clearance	85
3.1.2 Group exemptions	86
3.1.2.1 Withdrawal of group exemptions	87
3.1.2.2 No exemption from Article 82	87
3.1.2.3 Advantages and disadvantages of group exemptions	88
3.1.2.4 Effect of group exemption on national competition law	89
3.2 Bibliography	89
 <b>4 Dominant Position</b>	 91
4.1 Introduction	91
4.2 Objections to economic strength	91
4.3 Undertakings in a dominant position	93
4.3.1 Market definition	95
4.3.1.1 Relevant product market	95
4.3.1.2 Relevant Geographic market	99
4.3.1.3 Previous definitions not binding	102
4.3.1.4 Time scale	102
4.3.1.5 Wider markets suggested by the Court	103
4.3.1.6 Fallacy of defining markets to assess market power	104
4.3.2 Exclusive rights granted by government	104
4.3.3 Customer dependence	105
4.3.4 Appraisal of dominant position	107
4.3.4.1 Factors found relevant by ECJ	107
4.3.4.2 Factors found relevant in mergers	110
4.3.4.3 Conduct	110
4.3.5 Collective dominance	111

4.3.6	'Substantial part of the common market'	114
4.3.7	Abuse in linked market	115
4.3.8	Special responsibility of dominant firms not to abuse	116
4.3.9	Super-dominant position	116
4.3.10	Conclusion on dominant position	117
4.4	Bibliography	119

## 5. Abusive exploitation 121

5.1	Introduction	121
5.2	Reduction of competition prohibited by Article 82	124
5.2.1	Control of mergers	126
5.2.2	Discrimination	126
5.2.2.1	Single branding to exclude competitors of the dominant firm	127
5.2.2.2	Discrimination against competitors downstream	135
5.2.2.3	By firms enjoying special or exclusive rights	136
5.2.2.4	Justifications	137
5.2.3	Tying	140
5.2.3.1	What is tying	140
5.2.3.2	Compatible consumables	142
5.2.3.3	Measuring usage	142
5.2.3.4	Full range of products	142
5.2.3.5	Economies of scope and complementary products	143
5.2.3.6	Avoiding regulation	143
5.2.3.7	Excluding smaller firms	143
5.2.3.8	<i>Hilti</i>	144
5.2.3.9	<i>Telemarketing</i>	144
5.2.3.10	<i>Tetra Pak II</i>	144
5.2.3.11	Conclusion	145
5.2.4	Refusal to deal	146
5.2.4.1	<i>Commercial Solvents</i>	147
5.2.4.2	<i>ABG</i>	148
5.2.4.3	<i>United Brands</i>	148
5.2.4.4	<i>Hugin</i>	149
5.2.4.5	Sea and airports	149
5.2.5	Obligation to licence	149
5.2.5.1	<i>Volvo</i>	149
5.2.5.2	<i>Magill</i>	150
5.2.5.3	<i>Tiércé Ladbroke</i>	152
5.2.5.4	<i>Oscar Bronner</i>	152
5.2.5.5	Other recent cases	153

5.2.6	Predatory pricing	155
5.2.6.1	Economics	155
5.2.6.2	<i>AKZO</i>	158
5.2.6.3	<i>Tetra Pak II</i>	160
5.2.6.4	Recoupment	160
5.2.6.5	<i>CEWAL</i>	163
5.2.7	Other exclusionary conduct	163
5.2.7.1	Raising rivals' costs	163
5.2.7.2	Vexatious litigation	164
5.2.7.3	Price squeeze	164
5.2.7.4	Acquiring the only competing technology	165
5.3	Unfair competition	165
5.3.1	Unfair prices	165
5.3.2	Other unfair terms	168
5.3.3	<i>Ad hoc</i> discrimination	169
5.3.4	Refusal to deal	169
5.3.4.1	Refusal to deal based on nationality	169
5.4	Integration of the common market	170
5.5	That may affect trade between Member States	172
5.6	Conclusion	172
5.7	Postscript— <i>Microsoft</i>	172
5.7.1	Dominant Position	176
5.7.2	Interoperability	177
5.7.3	Tying media player to Windows	178
5.7.4	The remedies	180
5.7.5	Comment	180
5.8	Bibliography	181
<b>6</b>	<b>State measures to protect firms from competition</b>	<b>183</b>
6.1	Introduction	183
6.1.1	Government encouragement or persuasion is no defence to Article 81	184
6.1.2	State measures reinforcing the effects of anti-competitive agreements	184
6.1.3	State measures that delegate the fixing of prices to citizens	185
6.1.4	Anti-competitive state measures making agreements between undertakings unnecessary	186
6.1.5	State measures are subject to the rules for free movement	189
6.1.6	Conclusion on Article 10	189
6.2	Special and exclusive rights (Article 86)	190
6.2.1	Undertakings	191
6.2.2	Unable to avoid infringing	193

6.2.3	Mere exercise of exclusive right infringes	193
6.2.4	Extension of market power to another activity	195
6.2.5	Derogation under Article 86(2)	195
6.3	Undertakings infringe only by autonomous conduct	196
6.4	State monopolies of a commercial character	199
6.5	State aids (Articles 87–89)	199
6.6	Anti-dumping duties (Article 133)	201
6.7	Conflict between competition rules and other Community policies	201
6.7.1	Free movement and intellectual property	201
6.7.2	Social policy and competition	202
6.7.3	The environment and competition	203
6.7.4	Other Community policies and competition	203
6.8	Conclusion	203
6.9	Bibliography	204
<b>7</b>	<b>Enforcement after Regulation 1/2003</b>	<b>205</b>
7.1	Introduction	205
7.2	Articles 81 and 82 directly applicable in national courts	208
7.3	Powers of NCAs, Commission and national courts	209
7.3.1	Powers of NCAs under national law—Article 3	210
7.3.2	Community law powers of NCAs and Commission— Articles 5 & 7–10	211
7.3.3	Co-operation between competition authorities—Articles 11–14	213
7.3.4	Powers of national courts	215
7.3.4.1	Nullity	219
7.3.4.2	Effect of comfort letters	219
7.3.4.3	Assistance from the Commission	220
7.3.4.4	Forum shopping	221
7.4	Commission's powers to obtain information (Articles 17–22)	221
7.4.1	Requests for information (Article 18 and recital 23)	222
7.4.2	Inspections (Articles 19–21)	224
7.4.3	Sector enquiries (Article 17)	228
7.4.4	Confidentiality (Articles 12 and 28)	228
7.5	Commission's Procedure (Article 27)	230
7.5.1	Rights of the defence	231
7.5.2	Statement of objections and hearing	233
7.5.3	Access to the file	236
7.5.4	Subsequent steps	237
7.5.5	Appeals	238
7.6	Fines and penalties (Articles 23–26)	239
7.6.1	Notice on the method of setting fines	240
7.6.2	Notice on the reduction of cartel fines	242

7.6.3 Limitation periods	243
7.7 Conclusion on procedure	244
7.8 Bibliography	245
<b>8 Classes of Agreement Clearly Prohibited</b>	<b>247</b>
8.1 Distinctions between hard core and ancillary restrictions of competition and horizontal and vertical agreements	247
8.1.1 Hard core restraints illegal <i>per se</i>	247
8.1.2 Ancillary restraints may be justified	248
8.1.3 Horizontal and vertical relationships	249
8.2 Hard core horizontal cartels affecting price and allocating markets or customers	253
8.2.1 Indirect influences on pricing policies	255
8.2.2 Information agreements	256
8.2.3 Joint sales organisations	257
8.2.4 Agreements about standard conditions of sale	259
8.2.5 Market allocation	259
8.2.6 Maximum buying prices	260
8.3 Collective discrimination—boycotts and reciprocal exclusive dealing	260
8.4 Collective aggregated discounts	262
8.5 Agreements to tie the sale of one item to another	262
8.6 Export bans	263
8.6.1 Export deterrents	265
8.6.2 Export boosters	267
8.7 Conclusion	267
8.8 Bibliography	268
<b>9 Distribution Agreements</b>	<b>269</b>
9.1 Former exemptions of individual agreements	269
9.2 Former group exemptions for exclusive distribution and exclusive purchasing agreement	270
9.3 Clearance of exclusive distribution agreements	271
9.4 Selective distribution	271
9.5 Franchising	274
9.5.1 ECJ's judgment in <i>Pronuptia</i>	275
9.6 Group exemption for vertical agreements	277
9.6.1 The exemption (Article 2)	278
9.6.1.1 'Vertical agreements'—Article 2(1)	279
9.6.1.2 Two or more parties	279
9.6.1.3 Agreement between actual or potential competitors	279



9.6.1.4	Subject to conditions	280
9.6.1.5	Other group exemptions—Article 2(5)	280
9.6.1.6	Intellectual property rights—Article 2(3)	281
9.6.2	No white list	281
9.6.3	30% ceiling of market share (Article 3)	281
9.6.4	Hard core restraints (Article 4)	282
9.6.4.1	Rpm (Article 4(a))	283
9.6.4.2	Territorial restraints (Article 4(b))	283
9.6.4.3	Selective distribution	284
9.6.4.4	Cross supplies	285
9.6.5	Single branding (Article 5)	285
9.6.6	Withdrawal of exemption (Articles 6–8)	286
9.6.7	Transitional provisions (Article 12)	286
9.7	Ways of bringing goods and services to market	286
9.7.1	Agency	287
9.7.2	Collective exclusive distribution	288
9.8	Conclusion	288
9.9	Bibliography	289
<b>10</b>	<b>Intellectual Property Rights and the Free Movement of Goods</b>	<b>291</b>
10.1	Intellectual property rights and competition	291
10.2	Birth of the distinction between the existence of rights and their exercise	292
10.3	Free movement of goods	293
10.4	Exhaustion of intellectual property rights when a product has been sold by or with the consent of the holder in another Member State	293
10.4.1	Early cases on exhaustion	293
10.4.2	Copyright—the ECJ emphasises the need for rewards and incentives	298
10.4.3	Law of unfair competition	301
10.4.4	Rights in reputation—trade marks	302
10.4.4.1	Repackaging and relabelling of trade marked goods	303
10.4.5	<i>Merck v Stephar</i> remains the law	305
10.4.6	Sales outside the EEA do not exhaust intellectual property rights	306
10.4.6.1	Exhaustion applies to goods sold anywhere in the EEA	307
10.5	Harmonisation of intellectual property rights	307
10.5.1	Copyright	307
10.5.2	Trade marks	308



10.5.3 Patents	309
10.5.3.1 Supplementary protection certificates	309
10.6 No international exhaustion	309
10.7 Conclusion	312
10.8 Bibliography	313
<b>11 Licences of Industrial and Commercial Property Rights</b>	<b>315</b>
11.1 Introduction: rationale for the grant of patent protection	315
11.2 The Commission's view of exclusive licences	317
11.3 The Court's view of exclusive licences	318
11.4 The former group exemptions for patent, know-how and mixed licences	321
11.5 The group exemption for technology transfer—Regulation 240/96	322
11.5.1 The exemption—Article 2	323
11.5.2 Ceilings of market share—Article 3	324
11.5.2.1 'Competing undertakings'—Article 1(1)(j)	325
11.5.3 Hard-core restraints—Articles 4(1) and (2)	325
11.5.3.1 As between competing undertakings	326
11.5.3.1.1 Price fixing	326
11.5.3.1.2 Output limitation	326
11.5.3.1.3 Market allocation	326
11.5.3.1.4 Restriction on using others' technology	327
11.5.3.2 As between non-competing undertakings	327
11.5.3.2.1 Price restrictions	327
11.5.3.2.2 Restrictions on passive sales	327
11.5.4 Provisions that are not exempt	330
11.5.5 Miscellaneous provisions (Articles 6–11)	330
11.6 Conclusion on the Regulation	331
11.7 Other guidelines	332
11.8 Licences of other kinds of commercial and industrial property rights	333
11.9 The subcontracting notice	334
11.10 Bibliography	335
<b>12 Concentrations</b>	<b>337</b>
12.1 Control under Articles 81 and 82	337
12.2 The successive merger regulations	338
12.2.1 Mergers and acquisitions of sole control	338
12.2.2 Concentrative joint ventures	339

12.2.3	Thresholds	341
12.2.4	Notification	342
12.2.4.1	Referral to NCAs	343
12.2.5	Procedure	343
12.2.6	Criteria for appraisal by the Commission	345
12.2.6.1	Horizontal mergers	346
12.2.6.1.1	Market shares	346
12.2.6.1.2	Other factors	347
12.2.6.1.3	Collective dominant position	348
12.2.6.1.4	Unilateral effects	351
12.2.6.1.5	Efficiencies	352
12.2.6.1.6	Vertical or Conglomerate mergers	353
12.2.7	Powers of the Commission	354
12.2.8	One stop control	355
12.2.9	The Commission's power to obtain information	356
12.2.10	Fines	357
12.2.11	Miscellaneous	357
12.3	Conclusion	357
12.4	Bibliography	358
<b>13</b>	<b>Joint Ventures and Specialisation Agreements</b>	<b>361</b>
13.1	Introduction	361
13.2	Case law on co-operative joint ventures	362
13.2.1	Inherent effect: loss of potential competition	363
13.2.1.1	Ancillary restrictions	366
13.2.1.2	The need for each party to appropriate the benefits of its investment	366
13.2.1.3	More realistic attitude to be taken to potential competition	367
13.2.1.3.1	<i>ODIN</i>	369
13.2.1.3.2	<i>European Night Services</i>	370
13.2.2	The group effect—spillover	371
13.2.2.1	Spillover under the merger regulation	372
13.2.3	Foreclosure	372
13.2.4	Networks of joint ventures	373
13.2.5	Joint sales organisations	374
13.3	Disadvantages to industry of the Commission's refusal to clear joint ventures	375
13.4	Guidelines on joint ventures	375
13.5	The group exemption for co-operative R & D	376
13.6	Conclusion on joint ventures	377
13.7	Specialisation agreements	377

13.7.1 Effects of specialisation agreements on competition	378
13.7.2 Individual decisions	378
13.7.3 Group exemption—Regulation 2658/2000	380
13.8 Bibliography	381
<b>14 Conclusion</b>	<b>383</b>
14.1 Criticisms	383
14.1.1 Paucity of economic analysis	383
14.1.2 View that any restriction of conduct infringes Article 81(1)	385
14.1.2.1 The Courts' analysis has been more helpful than that of the Commission	388
14.1.3 Need to analyse <i>ex ante</i> at the time commitments are made	389
14.1.4 Hostile attitude to export bans and deterrents	390
14.1.5 Article 82 is intended to protect consumers not particular competitors	390
14.1.5.1 Duty to supply narrowed	391
14.1.5.2 Predation illegal only if recoupment	391
14.1.5.3 Discrimination forbidden very widely—Is the prohibition limited to Article 82 in combination with Article 86?	392
14.1.5.4 Rebates after <i>Michelin II</i> and <i>British Air</i>	392
14.1.5.5 Joint dominant position	393
14.2 Steps taken by the Commission to meet the criticisms	393
14.2.1 Old group exemptions	393
14.2.2 New group exemptions since 1999	395
14.2.3 Regulation 1/2003	396
14.2.4 Appointment of Chief Economist and Peer Review	398
14.2.5 Review of the Application of Article 82	399
14.2.6 Cartels and the Leniency Programme	399
14.3 Conclusion	400
14.4 Bibliography	401
<b>Main Bibliography</b>	<b>403</b>
<b>Glossary</b>	<b>409</b>
<b>Appendix I Excerpts from the EC Treaty</b>	<b>419</b>
<b>Appendix II Regulation 1/2003</b>	<b>423</b>
<b>Appendix III Table of Equivalences referred to in Article 12 of the Treaty of Amsterdam</b>	<b>455</b>
<b>Appendix IV Useful web sites</b>	<b>459</b>