

Table of Contents

Foreword	v
Preface	vii
Table of Cases	xix
Table of Legislation	xxxix
1. Introduction	1
1.1 The Common Market	1
1.2 The competition rules	1
1.2.1 Article 85 — collusion that restricts competition	2
1.2.2 Article 86 — the abuse of a dominant position	2
1.2.3 The interpretation of the competition rules	3
1.2.4 The treaty covers all sectors of the economy	4
1.3 The economics of market power	5
1.3.1 Welfare economics — efficiency	6
1.3.2 Other reasons for controlling market power	7
1.3.3 Substitutes and barriers to entry may define the relevant market	9
1.3.3.1 Substitutes on the demand side	10
1.3.3.2 Barriers to entry	10
1.4 EEC Institutions	13
1.4.1 Legislative power	13
1.4.2 The Commission — the executive of the Communities	14
1.4.3 The Community Court	14
1.5 Enforcement of the competition rules	15
1.5.1 Enforcement by the Commission	16
1.5.1.1 The role of the Court under articles 173 and 175	16
1.5.2 Enforcement by national courts	16
1.5.2.1 Preliminary rulings under article 177	17
1.5.3 The co-existence of national competition rules	17
1.6 The importance of the competition rules	18
1.7 Public undertakings and state aids	20
1.8 The plan for the book	22
1.9 Bibliography	23
2 Analysis of article 85(1)	24
2.1 Collusion between undertakings	24
2.1.1 Undertakings	24
2.1.2 Agreements	26
2.1.2.1 Unilateral conduct in the context of a long term contract	27

2.1.2.2	Tenuous evidence on which collusion is sometimes found	28
2.1.3	Decisions by associations of undertakings	28
2.1.4	Concerted practices	29
2.1.4.1	Economic considerations	29
2.1.4.2	Legal precedents	30
2.1.4.3	Horizontal agreements to exchange information	34
2.2	'Which may affect trade between member states'	34
2.2.1	Market integration	34
2.2.2	Condition often fulfilled even if the agreement is confined to one member state	37
2.2.3	The condition has recently been further narrowed	38
2.2.4	The comparable provision in article 86 is similarly construed	39
2.3	'Have as their object or effect the prevention, restriction or distortion of competition within the common market'	40
2.3.1	'Appreciable' effects	43
2.4	State intervention to protect firms from competition	44
2.4.1	Introduction	44
2.4.2	Article 5 — member states must not render the competition rules ineffective	45
2.4.3	Government encouragement or persuasion is no defence to article 85	46
2.4.4	State measures reinforcing the effects of anticompetitive agreements	46
2.4.5	State measures that delegate the fixing of prices to citizens	47
2.4.6	Measures where the state itself sets mandatory prices	48
2.4.7	State measures are subject to the rules for free movement	49
2.4.8	Conclusion	49
2.5	Extraterritorial Competence	50
2.6	Bibliography	50
3	Exemptions and nullity	52
3.1	Article 85(3)	52
3.2	Group exemptions	53
3.3	Nullity	54
4	Abuse of a dominant position	55
4.1	Objections to economic strength	55
4.2	Dominant position	56
4.2.1	Relevant market	57
4.2.1.1	Relevant product market — substitutes on both demand and supply sides of the market	57
4.2.1.2	Relevant geographic market	59

4.2.1.3	Time scale	61
4.2.1.4	Wider markets suggested by the Court	61
4.2.1.5	The fallacy of defining markets to assess market power	62
4.2.2	Customer dependence	62
4.2.3	Assessment of dominant position	64
4.2.3.1	Barriers to entry and market share	64
4.2.3.2	Conduct	66
4.2.4	Collective dominance	66
4.2.5	Conclusion on dominant position	67
4.3	‘Abusive exploitation’	68
4.3.1	‘Substantial part of the common market’	68
4.3.2	Introduction to ‘abusive exploitation’	68
4.3.3	Reduction of competition prohibited by article 86	70
4.3.3.1	Control of mergers	71
4.3.3.2	Systematic discrimination	71
4.3.3.3	Refusals to supply	74
4.3.3.4	Predatory pricing	74
4.3.3.5	Tying	75
4.3.3.6	Other exclusionary conduct	76
4.3.4	Unfair competition also prohibited by article 86	77
4.3.4.1	Unfair prices	77
4.3.4.2	Other unfair terms	81
4.3.4.3	<i>Ad hoc</i> discriminatory pricing	81
4.3.4.4	Refusal to supply	83
4.3.5	Refusals to deal based on grounds of nationality	86
4.4	Conclusion	86
4.5	Bibliography	88
5	Enforcement under regulation 17	89
5.1	Introduction	89
5.2	Basic provision (article 1)	89
5.3	Negative clearance (article 2)	90
5.4	Termination of infringement (article 3)	90
5.5	Notification (articles 4 and 5)	91
5.5.1	Reorganisation of DGIV, the Competition Department	91
5.5.2	Forms for notification (regulation 27)	92
5.5.3	Whether to notify	93
5.6	Exemption (articles 6–9) and comfort letters	93
5.7	Obtaining information (articles 11–14)	95
5.7.1	Requests for information (article 11)	96
5.7.2	Inspections (article 14)	97
5.7.3	Sector enquiries (article 12)	100
5.8	Hearings (article 19 and regulation 99)	100
5.9	Confidentiality (article 20)	102
5.10	Fines and penalties (articles 15 and 16)	103

5.11	Miscellaneous	104
5.12	Bibliography	104
6	Civil law sanctions	106
6.1	Injunctions and actions for damages	106
6.2	Nullity	108
6.2.1	The early case law	109
6.2.2	The second Brasserie de Haecht case	110
6.2.3	Old agreements after the Second Brasserie de Haecht case	110
6.2.4	New agreements, comfort letters and short form exemptions	111
6.2.5	Accession agreements	114
6.3	Whether to notify	115
6.3.1	Advantages of notifying	115
6.3.1.1	Immunity from fines	115
6.3.1.2	Individual exemption	115
6.3.1.3	A comfort letter is not an exemption	115
6.3.1.4	Reputation	116
6.3.1.5	Evidence that infringement was intentional	116
6.3.2	Disadvantages of notifying	116
6.3.2.1	Trouble	116
6.3.2.2	Skeletons	116
6.3.2.3	National law	116
6.3.2.4	Opportunity to renegotiate	116
6.4	Undertakings given to the Commission	117
6.5	Bibliography	118
7	Classes of agreement clearly prohibited	119
7.1	Distinction between naked and ancillary restrictions of competition and horizontal and vertical agreements	119
7.1.1	Naked restraints illegal <i>per se</i>	119
7.1.2	Ancillary restraints may be justified	119
7.1.3	Horizontal and vertical relationships	120
7.2	Naked horizontal agreements affecting price and allocating markets	123
7.2.1	Indirect influences on pricing policies	124
7.2.2	Information agreements	125
7.2.3	Joint sales organisations	126
7.2.4	Agreements about standard conditions of sale	127
7.2.5	Market sharing	128
7.2.6	Maximum buying prices	128
7.3	Collective discrimination — boycotts and reciprocal exclusive dealing	128
7.4	Collective aggregated discounts	130
7.5	Agreements to tie the sale of one item to another	131
7.6	Export bans	131
7.6.1	Export deterrents	133

7.6.2	Export boosters	134
7.7	Conclusion	135
7.8	Bibliography	135
8.	Distribution agreements	137
8.1	Exemption of individual agreements	137
8.2	Clearance of exclusive dealing agreements	138
8.3	Group exemption for exclusive distribution agreements — regulation 1983/83	139
8.3.1	Article 1 — exclusive supply	140
8.3.2	Article 2 — permitted clauses or 'white list'	141
8.3.3	Obligations not permitted by article 2 — selective distribution	143
8.3.4	Obligations not permitted by article 2 — resale price maintenance (r.p.m.)	146
8.3.5	Article 3 — conditions precluding group exemption or black list	146
8.3.6	Other provisions of regulation 1983/83	148
8.4	Group exemption for exclusive purchasing agreements — regulation 1984/83	149
8.5	Franchising	149
8.5.1	The Court's judgment in Pronuptia	150
8.5.2	Group exemption for franchising — regulation 4087/88	152
8.6	General comments on the regulations	153
8.7	Agency	154
8.8	Collective exclusive dealing	155
8.9	Bibliography	155
9	Industrial property rights and the free movement of goods	156
9.1	Intellectual property rights and competition	156
9.2	Birth of the distinction between the existence of rights and their exercise	157
9.3	Free movement of goods	158
9.4	The exhaustion of intellectual property rights when a product has been sold by or with the consent of the holder in another member state	158
9.4.1	Early cases on exhaustion of patents	158
9.4.1.1	Sales outside the common market do not exhaust intellectual property rights	162
9.4.2	The Court emphasises the need for rewards and incentives	163
9.4.3	Law of unfair competition	166
9.4.4	Trade marks	167
9.4.4.1	Agreement to avoid confusion between marks	168
9.4.4.2	Repackaging and relabelling of trade marked goods	169

9.5	Bibliography	170
10.	Licences of industrial and commercial property rights	172
10.1	Introduction: rationale for the grant of patent protection	172
10.2	The Commission's view	173
10.3	The Court's view	176
10.4	The group exemption for patent licences — regulation 2349/84	179
10.4.1	The exemption (article 1)	180
10.4.2	The white list (article 2)	182
10.4.3	The black list (article 3)	182
10.4.4	The opposition procedure (article 4)	183
10.4.5	Miscellaneous provisions (articles 6–13)	185
10.4.6	Conclusion	185
10.5	The group exemption for know-how licences	185
10.6	Licences of other kinds of commercial and industrial property rights	187
10.7	Article 86 — obligation to grant licences	188
10.8	The subcontracting notice	189
10.9	Bibliography	190
11	Specialisation agreements	192
11.1	Introduction	192
11.2	Effects of specialisation agreements on competition	192
11.3	Individual decisions	192
11.4	Group exemption — regulation 417/85	194
12	Joint ventures and other forms of collaboration	197
12.1	Introduction	197
12.2	Commission's anti-competitive concerns about joint ventures	197
12.2.1	Inherent effect: loss of potential competition	197
12.2.2	The group effect	200
12.2.3	Forming a bottleneck monopoly	200
12.2.4	Ancillary restrictions	201
12.2.4.1	The need for each party to appropriate the benefits of its investment	201
12.2.4.2	Joint sales organisations	202
12.3	More realistic attitude to be taken to potential competition	203
12.4	Disadvantages to industry of the Commission's refusal to clear joint ventures	205
12.5	The group exemption	207
12.5.1	The framework of the regulation	207
12.5.2	Conditions of its application (articles 2 and 3)	207
12.5.3	White and black lists	208
12.5.4	Conclusion	209
12.6	Postscript	209
12.7	Bibliography	210
13	Mergers	211
13.1	Control under article 86	211

13.2	Power to control mergers under article 85	211
13.3	Draft Council regulation to control mergers	212
13.4	The merger regulation	212
13.4.1	Thresholds	213
13.4.2	Notification	214
13.4.3	Concentration defined	214
13.4.4	Earlier implementing regulations do not apply to concentrations	215
13.4.5	Criteria for appraisal by the Commission	216
13.4.6	Powers of the Commission — stage 1 enquiry	217
13.4.7	Powers of the Commission — stage 2 enquiry	218
13.4.8	Multiple control	218
13.4.9	The Commission's power to obtain information	220
13.4.10	Fines	220
13.4.11	Miscellaneous	220
13.5	Conclusion	220
13.6	Bibliography	221
13.7	Postscript	221
14	Conclusion — importance of economic analysis in judgments and decisions and of contractual validity	222
14.1	Paucity of economic analysis in the Commission's public decisions	222
14.1.1	Lack of reasoning to connect specific facts with the legal conclusions	222
14.1.2	The Commission's view that article 85(1) prohibits any restriction of conduct that is significant on the market	224
14.1.3	The notification and exemption process has broken down to the detriment of legal certainty	226
14.1.4	Need to analyse <i>ex ante</i> , at the time commitments are made	227
14.1.5	Agreements may have to be renegotiated after bargaining power has shifted	228
14.1.6	Steps taken by the Commission to remedy the lack of legal certainty	230
14.1.6.1	Comfort letters and short form exemptions	230
14.1.6.2	Group exemptions	230
14.2	The Court's analysis is more helpful than that of the Commission	233
14.2.1	Opinions and judgments have recognised the need for incentives to investment	233
14.2.2	The doctrine of ancillary restraints	235
14.2.3	Agreements to be appraised in their legal and economic context	236
14.3	Conclusion	236
14.4	Bibliography	236
	Main bibliography	238

xviii EEC COMPETITION LAW AND PRACTICE

Glossary	241
Appendix I	
Extracts from the EEC Treaty	247
Appendix II	
Text of regulation 17	250
Index	261