

# Contents

<i>List of Figures</i>	xv
<i>List of Abbreviations</i>	xvii
<i>Table of Cases</i>	xix
<i>Table of Treaties and Conventions</i>	xxxix
<i>Table of European Union Legislation</i>	xli
<i>Table of National Legislation</i>	xlvi
<b>1 Introduction</b>	1
A. The problem	1
B. The method	3
C. The structure of the inquiry	5
<b>I NORMATIVE FOUNDATIONS</b>	
<b>2 Normative Theory of Competition Law</b>	11
A. Introduction	11
B. Non-welfare objectives	14
(1) The competitive process and a competitive market structure	14
(2) Economic freedom	18
(3) Fairness	21
(4) Protection of competitors and small and medium-sized enterprises	24
(5) Market integration	26
(6) Market liberalization	29
(7) Consumer choice	30
C. Social welfare	32
(1) The search for the economic purpose of the law	32
(2) Social welfare, consumer welfare, and economic efficiency	33
(3) Theoretical and normative superiority of the long-term social welfare objective	39
(4) Consumer welfare	40
(a) Definition of the long-term consumer welfare objective	40
(b) Redistribution of wealth	41
(c) Imperfections in corporate governance	43
(d) Enforcement, efficiency, and institutional capability	43
(e) The misuse of the consumer welfare objective	44
(5) A different perspective: consumer harm as a test to achieve a social welfare objective	45
(a) The problem	45
(b) Information asymmetry	46
(c) Self-selection	46
(d) Lobbying	48
(e) Limited (not general) validity of consumer harm as a test	48
D. Conclusion	49

<b>3</b>	<b>The Design of the Optimal Abuse Tests</b>	<b>51</b>
A.	Introduction	51
B.	The search for a single test	52
C.	Intent	57
	(1) Origins of the test	57
	(2) Defining intent	57
	(3) Naked abuse as a test of intent	59
	(4) The test of intent beyond naked abuse and its limitations	63
D.	The no economic sense test	66
E.	The as efficient competitor test	72
	(1) Consistency of the as efficient competitor test with fundamental principles	72
	(2) Under-inclusiveness of the as efficient competitor test	74
	(3) Over-inclusiveness of the as efficient competitor test	76
	(4) The problem of multi-product firms	77
	(5) Extension of the as efficient competitor test to abusive discrimination	79
	(a) The problem	79
	(b) General welfare effects of discrimination	80
	(c) Competitive implications of discrimination on intermediate markets	88
	(d) The market-distorting discrimination test	91
F.	The consumer harm test	92
	(1) General formulations of the consumer harm test	92
	(2) Advantages of the consumer harm test	93
	(3) Problems of over- and under-enforcement associated with the consumer harm test	94
	(4) Administrability of the consumer harm test	95
	(5) Exploitative abuses and consumer harm	97
G.	Conclusion	100

## II. LEGAL FOUNDATIONS

<b>4</b>	<b>The Objective of Article 102</b>	<b>107</b>
A.	Introduction	107
B.	Interpretation of Article 102	108
	(1) The general prohibition of an abuse of a dominant position	108
	(2) The illustrative list	110
	(3) The internal market	113
	(a) The link between the competition rules and the internal market	113
	(b) The internal market and economic freedom	115
	(c) The social welfare objective of the internal market	116
	(d) The competition rules and the objectives of the Union	119
	(4) Historical background and <i>travaux préparatoires</i>	121
	(a) A methodological gloss	121
	(b) The Treaty establishing the European Coal and Steel Community	122
	(c) From the ECSC Treaty to the Spaak Report	122
	(d) The drafting of the text of Article 102	126
	(e) Long-term social welfare in the <i>travaux préparatoires</i>	131

C.	The problem of the objective of the EU competition rules in the case law and secondary legislation	133
(1)	Integrated analysis of Article 102, Article 101, and merger control	133
(2)	The EU competition rules and the objectives of the Treaties	134
(a)	Article 102	134
(b)	Article 101	134
(c)	Merger control	137
(3)	Rejection of consumer welfare as an objective of EU competition law	138
(4)	Fairness	144
(a)	Fairness and equally efficient competitors	144
(b)	Fairness and less efficient competitors	148
(5)	Economic freedom	150
D.	Conclusion	152
<b>5</b>	<b>The General Framework of the Abuse Tests in EU Law</b>	<b>155</b>
A.	Introduction	155
B.	The proportionality test in context	157
(1)	Proportionality as an analytical structure	157
(2)	Proportionality as a general principle of EU law	158
(3)	The proportionality framework under Article 101	161
C.	Proportionality under Article 102	164
(1)	The proportionality framework in the case law	164
(2)	The proportionality framework in the Guidance on Article 102	167
D.	The limited usefulness of the definition of abuse in <i>Hoffmann-La Roche</i>	169
E.	<i>Continental Can</i> and the concept of effective competition	172
F.	The special responsibility of the dominant undertaking	174
G.	Causal link between dominance, conduct, and effect	176
(1)	Causal link between dominance and competitive harm	176
(2)	Multi-market abuses	179
(a)	Input/output and complementary products	179
(b)	Neighbouring markets	180
(c)	The test for multi-market abuses	185
H.	Conclusion	185

### III TESTS OF ABUSE

<b>6</b>	<b>The Tests of Intent</b>	<b>187</b>
A.	Introduction	187
B.	The naked abuse test	188
(1)	Naked abuse as a general test	188
(2)	Naked abuse and free trade	191
(a)	Free trade as a key driver of long-term social welfare	191
(b)	Above-cost rebates	191
(c)	Refusal to supply	193

(d) Raising rivals' costs	195
(e) Discrimination	197
(f) Naked exploitation	200
C. Intent and the risk of systematic false convictions	201
(1) Predation	201
(a) The problem	201
(b) Inadequacy of the recoupment test	203
(c) The test of intent in predation	205
(d) Recoupment as predatory incentive	206
(e) The no economic sense test as a test of intent	208
(f) The predation test in the Guidance on Article 102	209
(2) Abuse of contractual rights	210
D. Intent and the risk of systematic false acquittals	211
(1) Tying	211
(a) The problem	211
(b) The enforcement risks associated with tying	212
(c) Intent and incentive for anti-competitive tying	215
E. Evidence of intent as circumstantial evidence	217
F. Conclusion	219
<b>7 The As Efficient Competitor Test</b>	<b>221</b>
A. Introduction	221
B. Predatory conduct	222
(1) Predation and exclusion of as efficient competitors	222
(2) The problem of the permissible cost benchmarks	223
C. Margin squeeze	229
D. Conditional above-cost rebates	232
(1) Protection of less efficient undertakings incompatible with Article 102	232
(2) Static application of the as efficient competitor test	235
(3) Dynamic application of the as efficient competitor test	239
E. Unconditional above-cost rebates	242
F. Mixed bundling	244
G. Exclusivity	245
H. Discrimination	248
(1) Article 102(c) as the exclusive legal basis	248
(2) Criticism of the application of Article 102(c) to exclusionary conduct	249
(3) Market-distorting discrimination and competitive disadvantage	250
I. Conclusion	255
<b>8 The Consumer Harm Test</b>	<b>257</b>
A. Introduction	257
B. The consumer harm test in vertical foreclosure	257
(1) The concept of vertical foreclosure	257
(2) Refusal to supply	258
(a) The problem of balancing investment incentives and competitive harm	258
(b) Indispensability	262

(c) Intensity of the exclusionary effect	265
(d) Raising rivals' costs	267
(e) Clarifying the consumer harm test in refusal to supply	269
(f) Refusal to supply an existing customer	272
(3) Margin squeeze as a vertical foreclosure strategy	273
C. Exploitative abuses	275
(1) The need for limiting principles	275
(2) Enhanced dominance test	277
(3) Enhanced consumer harm test	279
(4) Post-exclusionary exploitation test	280
D. Consumer harm as the default test for exclusionary abuses	282
E. Conclusion	284
<b>9 Defences</b>	<b>287</b>
A. Introduction	287
B. Burden of proof and evidential burden	289
C. Thresholds of anti-competitive effects	294
D. Proportionality defences	300
(1) Structure of the test	300
(2) The meeting competition defence	301
E. Objective justification defences	304
(1) Structure of the test	304
(2) Efficiency defences	309
(a) Allocative efficiency	309
(b) Productive efficiency	311
(c) Dynamic efficiency	313
(3) Social welfare defences	317
F. Conclusion	321

#### IV ANALYTIC OF THE CONCEPT OF DOMINANCE

<b>10 Single Dominance</b>	<b>327</b>
A. Introduction	327
B. Dominance as the ability to harm competition	328
C. Dominance as market power	333
D. Barriers to entry	342
(1) Dynamic test of barriers to entry	342
(2) Sunk costs	346
(3) Economies of scale	347
(4) Economies of scope and product range	348
(5) Network effects	349
(6) Switching costs	349
(7) Vertical integration and exclusive or preferential access to inputs or customers	351
(8) Financial strength	353
(9) Spare capacity	354

E. Countervailing buyer power	355
F. Conclusion	357
<b>11 Collective Dominance</b>	<b>359</b>
A. Introduction	359
B. The emergence of the concept of collective dominance	360
C. Non-oligopolistic collective dominance	364
(1) Horizontal non-oligopolistic collective dominance	364
(a) The two-pronged structure of the test	364
(b) Collective entity test	364
(c) Dominance test	367
(2) Vertical non-oligopolistic collective dominance	368
D. Oligopolistic collective dominance	370
(1) Structure of the test	370
(2) Integrated analysis of structural and behavioural factors	375
(a) The <i>Impala</i> approach	375
(b) Ability to coordinate	375
(c) Incentive to coordinate	382
(d) No incentive to deviate	383
E. Abuse of collective dominance	385
F. Conclusion	387
<b>V THE ANALYTICAL FRAMEWORK OF ARTICLE 102</b>	
<b>12 General Conclusion</b>	<b>389</b>
A. Introduction	389
B. Towards a coherent analytical framework for the application of Article 102	389
C. Objectives, principles, and tests clarified	391
(1) Objectives and general principles	391
(2) Assessment of conduct	393
(3) Assessment of dominance	397
D. Addressing the main shortcomings of the current case law and enforcement practice	397
<i>Bibliography</i>	403
<i>Index</i>	427