TABLE OF CONTENTS

	Foreword to the First Edition Authors' Preface to the Second Edition Authors' Preface to the First Edition					
	Tabl	e of Ca.	ses	XXV		
	Tabl	e of Leg	gislation	1xv		
1.	INT	RODU	CTION, SCOPE OF APPLICATION, AND BASIC			
	FRAMEWORK					
	1.1	INTR	ODUCTION	1 1		
	1.2	OBJE	CTIVES OF ARTICLE 102 TFEU	5		
	1.3	1.3 SCOPE OF APPLICATION OF ARTICLE 102 TFEU				
		1.3.1		12		
		1.3.2	The Definition Of An Undertaking 1.3.2.1 Generally	14		
			1.3.2.1 Generally	14		
			1.3.2.2 Public bodies as undertakings	15		
			1.3.2.3 Sporting and cultural activities	20		
		1.3.3		21		
		1.3.4	Parent Liability For Subsidiary Actions Under Article 102 TFEU	27		
	1.4	REI A	ATIONSHIP BETWEEN ARTICLE 102 TFEU AND OTHER	21		
	1.7		AL INSTRUMENTS	30		
		1.4.1	Article 102 TFEU And General Principles Of EU Law	31		
		1.4.2	The Relationship Between Articles 101 And 102 TFEU	34		
		1.4.3		37		
		1.4.4		41		
		1.4.5		44		
		1.4.6		47		
		1.4.7	Article 102 TFEU And Arbitration	51		
2.	HIS	TORY.	DEVELOPMENT, AND REFORM	55		
	2.1		ODUCTION	55		
	2.2		ORY OF ARTICLE 102 TFEU	55		
	2.3	DEVE	ELOPMENT OF ARTICLE 102 TFEU	63		
	2.4	THE	REFORM OF ARTICLE 102 TFEU	67		
		2.4.1	The Road To Reform	67		
		2.4.2	The Discussion Paper And Its Antecedents	70		
		2.4.3	The Guidance Paper	73		
		2.4.4	Looking Further Ahead	83		
3.	MARKET DEFINITION					
	3.1	INTR	ODUCTION	94		
	3.2	PROD	DUCT MARKET DEFINITION: BASIC CONCEPTS	100		
		3.2.1	Demand-Side Substitution	100		
		322	Supply-Side Substitution	102		

xviii Contents

		3.2.3		106
	3.3		VANT PRODUCT MARKETS: FROM THEORY TO	
		PRAC	TICE	107
		3.3.1	Hypothetical Monopolist Test: Overview	107
		3.3.2	Assessing Demand-Side Substitution Under The HMT	109
			3.3.2.1 Quantitative techniques	110
			3.3.2.2 Qualitative evidence	119
			3.3.2.3 Other sources of evidence	120
	3.4	GEOG	GRAPHIC MARKET DEFINITION	124
		3.4.1	Key Concepts	124
		3.4.2	Defining Geographic Markets In Practice	125
	3.5		CTED ISSUES ON MARKET DEFINITION	130
		3.5.1	Impact Of Price Discrimination On Market Definition	130
		3.5.2	Market Definition In Tying And Bundling Cases	133
		3.5.3		135
		3.5.4	Market Definition In Two-Sided Industries	139
		5.5.1		137
4.	DOM	MINAN	CE ODUCTION LE FIRM DOMINANCE	141
•	4.1		ODUCTION	141
	4.2		LE FIRM DOMINANCE	143
	7.2	4.2.1	Basic Approach	143
		4.2.2		143
		4.2.3	Barriers To Entry And Expansion	151
		4.2.3	4.2.3.1 Definition of varriers to entry	151
			4.2.3.1 Definition of Carriers to entry 4.2.3.2 Characteristics inherent in the relevant market	155
				160
			4.2.3.3 Characteristics specific to the allegedly dominant firm	
		121	4.2.3.4 Conduct of the allegedly dominant firm	165
		4.2.4	Countervailing Buyer Power	166
		4.2.5	Evidence Of Actual Competition On The Relevant Market	171
	4.2	4.2.6	Corciusion	173
	4.3		ECTIVE DOMINANCE	174
			Introduction	174
		4.3.2	The Economics Of Collective Dominance	177
			4.3.2.1 Firms have the incentive to avoid competing	178
			4.3.2.2 Reaching and maintaining a tacit agreement is feasible	
			4.3.2.3 Conclusion	184
		4.3.3	Legal Principles Governing Collective Dominance	185
			4.3.3.1 Evolution	185
			4.3.3.2 Establishing collective dominance under Article 102	
			TFEU	189
		4.3.4	Selected Issues On Collective Dominance	201
	4.4		INANT BUYERS	205
	4.5		ERDOMINANCE"	206
	4.6		PARING DOMINANCE UNDER ARTICLE 102 TFEU AND	
			R EU LEGISLATION	208
	4.7	SUBST	TANTIAL PART OF THE COMMON MARKET	213

Contents xix

5.			RAL CONCEPT OF AN ABUSE	214
	5.1		ODUCTION	214
	5.2	THE E	ECONOMICS OF ABUSIVE UNILATERAL CONDUCT	220
		5.2.1	Evolution Of Economic Thinking On Unilateral Conduct	220
		5.2.2	Designing Economically Optimal Rules For Unilateral Conduct	224
		5.2.3	Advances In Defining Exclusionary Conduct	227
			5.2.3.1 The profit sacrifice test and its close relations	227
			5.2.3.2 Equally efficient competitor test	231
			5.2.3.3 Consumer welfare test	234
	5.3	THE	CATEGORIES OF ABUSE UNDER ARTICLE 102 TFEU	237
		5.3.1	Exploitative Abuses (Article 102(a))	238
		5.3.2	Exclusionary Abuses (Article 102(b))	239
		5.3.3	Discriminatory Abuses (Article 102(c))	245
		5.3.4	Tying Abuses (Article 102(d))	249
		5.3.5	Leveraging Abuse	250
		5.3.6	List Of Abuses In Article 102 TFEU: Illustrative Or	
			Exhaustive?	256
		5.3.7	Case Study: Google	258
	5.4	ANTI	COMPETITIVE EFFECTS UNDER ARTICLE 102 TFEU	262
		5.4.1	The Need For Causation Between Dominance And The Abuse	262
		5.4.2	The Standard For Anticompetitive Effects Under Article 102	
			TFEU	267
		5.4.3	The Role Of Consumer Harm	272
		5.4.4		279
	5.5	OBJE	CTIVE JUSTIFICATION	282
6.			RY PRICING	291
	6.1		ODUCTION	291
	6.2		ECONOMICS OF PREDATORY PRICING	292
			Basic Cost Definitions	293
		6.2.2	Strategic Considerations	299
	6.3		BASIC RULES ON BELOW-COST PRICE CUTTING UNDER	
			CLE 102 TFEU	301
		6.3.1	Pricing Below AVC	302
		6.3.2	Pricing Above AVC/AAC But Below ATC	306
	6.4		FIC ISSUES WITH BELOW-COST PRICING UNDER	
			CLE 102 TFEU	311
			Recoupment	311
		6.4.2	Dealing With Joint And Common Costs	319
		6.4.3	Cross-Subsidies	324
		6.4.4	Situations Involving High Fixed And Low Variable Costs	328
		6.4.5	Situations In Which A Product Incurs Inevitable Start-Up	
			Losses	331
	6.5		USIONARY ABOVE-COST PRICE CUTS UNDER	
			CLE 102 TFEU	334
	6.6	ORIFO	CTIVE HISTIFICATION	343

xx Contents

		6.6.1	Introduction	343
		6.6.2	Meeting Competition	344
		6.6.3	Short-Term Promotional Offers	351
		6.6.4	Market-Expanding Efficiencies	352
		6.6.5	Loss-Leading And "Follow On" Revenues	357
		6.6.6	Excess Capacity And Loss-Minimising	361
		6.6.7	Miscellaneous Defences	362
7.	MA	RGIN S	QUEEZE	364
	7.1		ODUCTION	364
	7.2	THE I	ECONOMICS OF MARGIN SQUEEZE	366
		7.2.1	Definition	366
		7.2.2	Basic Economic Conditions For A Margin Squeeze	366
		7.2.3		368
	7.3	MINI	MUM LEGAL CONDITIONS FOR A MARGIN SQUEEZE	371
			Vertical Integration	372
		7.3.2		374
		7.3.3	The Imputation Test(s)	376
			7.3.3.1 The Basic Legal Test	376
			7.3.3.2 "Reasonably Efficient" Competitor Test	378
		7.3.4	The Relevant Costs In A Margin Squeeze Case	382
		7.3.5	Assessing Profitability In Margin Squeeze Cases	383
		7.3.6	The Need For Comparable Wholesale And Retail Products	388
		7.3.7	Anticompetitive Effects	390
		7.3.8	Objective Justification	393
	7.4	THE I	RELATIONSHIP BETWEEN MARGIN SQUEEZE AND	
		OTHE	ER ABUSES	395
		7.4.1	Margin Squeeze And Excessive Pricing	395
		7.4.2	Margin Squeeze And "Pure" Predatory Pricing	397
		7.4.3	Margin Squeeze And Refusal To Deal Under Article 102 TFEU	399
		7.4.4	Margin Squeeze And Cross Subsidies	404
	7.5	DIFF	ICULTIES WITH IDENTIFYING AN ANTICOMPETITIVE	
			GIN SQUEEZE IN PRACTICE	404
	7.6	CONF	FLICTS BETWEEN REGULATION AND COMPETITION	
		LAW	IN MARGIN SQUEEZE CASES	415
8.	EXC	CLUSIV	E DEALING AND RELATED PRACTICES	423
	8.1	INTR	ODUCTION	423
	8.2	ECON	NOMICS OF EXCLUSIVE DEALING	424
		8.2.1	The "Chicago School" View Of Exclusive Dealing	424
		8.2.2	Post-Chicago Theories Of Exclusive Dealing	426
		8.2.3	Evaluating The Competing Theories On Exclusive Dealing	428
	8.3		UTION OF THE APPROACH TO EXCLUSIVE DEALING	
			ER ARTICLE 102 TFEU	429
		8.3.1	The Historic Approach: Per Se Illegality	429
		8.3.2	Towards A Rule-Of-Reason: Van den Bergh Foods	431
		8.3.3	Commission Policy Favouring A Rule-Of-Reason Approach	432

Contents xxi

	8.4	ASSES	SSMENT	OF EXCLUSIVE DEALING UNDER	
		ARTIC	CLE 102 T	FEU	432
		8.4.1	Exclusive	e And Near-Exclusive Dealing	434
		8.4.2	Anticom	petitive Foreclosure And Anticompetitive Effects	435
	8.5	OBJEC	CTIVE JU	STIFICATION	450
	8.6	PRAC	TICES FA	ALLING SHORT OF OUTRIGHT EXCLUSIVITY	455
		8.6.1	English (Clauses	455
		8.6.2	Slotting	Allowances	456
		8.6.3	Equipme	ent Placement	457
		8.6.4	Category	Management	458
9.	LOY	ALTY I	REBATES	AND RELATED PRACTICES	461
	9.1	INTRO	DDUCTIO	ON	461
	9.2	ECON	OMICS (OF LOYALTY REBATES	464
		9.2.1	Procomp	petitive Reasons For Using Loyalty Rebates	464
		9.2.2		Anticompetitive Effects Of Loyalty Rebates	468
		9.2.3	Conclusi		470
	9.3	ASSES	SMENT	OF LOYALTY REBATES UNDER	
		ARTIC	CLE 102 T	FEU	471
		9.3.1	Taxonon	ny	471
		9.3.2	Rebates	Linked To Exclusive Or Near-Exclusive Dealing	473
				alised All-Unit Rebates	478
		9.3.4	Incremen	ntal Rebates	484
		9.3.5	Standard	lised Or Quantity Rebates	486
		9.3.6		roach Proposed In The Guidance Paper	489
	9.4	ANTIO		ITIVE EFFECTS IN REBATE CASES	500
	9.5	OBJEC	CTIVE JU	STIFICATION	504
10.	REF	USAL 7	TO DEAL		509
	10.1	INTRO	ODUCTIO	ON	509
	10.2	THE E	ECONOM	ICS OF REFUSAL TO DEAL	518
		10.2.1	IP Right	S	518
		10.2.2	Physical	Property	524
	10.3	THE I	OTY TO	DEAL WITH COMPETITORS	527
		10.3.1	Evolutio	n Of The Decisional Practice And Case Law	527
		10.3.2	The Lega	al Conditions For A Duty To Deal With Rivals Under	
			Article 1	02 TFEU	537
			10.3.2.1	First contracts or licences	538
			10.3.2.2	How many contracts must be concluded by the	
				dominant firm	569
			10.3.2.3	Terminating a course of dealing	574
			10.3.2.4		
				property right	578
	10.4	DUTY	TO DEA	L WITH CUSTOMERS UNDER ARTICLE 102	
		TFEU			580
		10.4.1	The Dut	y To Supply Inputs To Customers	581

xxii Contents

		10.4.2	Refusals To Deal Arising At The Level Of Distribution	
			Or Resale	585
		10.4.3	Refusal To Deal And Parallel Trade	589
11.	TYII	NG ANI	D BUNDLING	596
	11.1	INTRO	DDUCTION	596
	11.2	THE E	ECONOMICS OF TYING AND BUNDLING	599
		11.2.1	Efficiency Motivations	599
			Possible Anticompetitive Motivations	602
			Empirical Evidence	608
			Conclusions	609
	11.3		G AND BUNDLING UNDER ARTICLE 102 TFEU	610
			Evolution Of The Decisional Practice And Case Law	610
			Legal Conditions For Tying And Bundling	615
			G IN AFTERMARKETS D BUNDLING Overview	632
	11.5		D BUNDLING O	635
			Overview	635
			The Legal Treatment Of Mixed Bunding	637
		11.5.3	Suggested Framework	643
12.	EXC	LUSIO	NARY NON-PRICE ABUSES	645
			DDUCTION	645
	12.2		IPLES OF EXCLUSIONARY NON-PRICE ABUSES	648
			Predatory Design Changes/Product Introduction	648
			Vexatious Litigation	651
			Use And Abuse of Regulatory Or Government Procedures	655
		12.2.4	Abuses and Fharmaceutical Regulatory Procedures	656
			12.2.4.1 Background	656
			12.2.4.2 Misleading representations to patent offices	660
			12.2.4.3 Product substitution/deregistration as an abuse	666
			122 4.4 Abuses and divisional patents	671
		1225	12.2.4.5 Settlement agreements and reverse payments	673
		12.2.5	Miscellaneous Practices	680
13.	ABU	SIVE C	CONDUCT AND STANDARDS	684
	13.1	INTRO	DDUCTION	684
	13.2	THE N	MEANING OF FRAND TERMS	689
			NCTIVE RELIEF AND FRAND TERMS	695
			PTION/MISREPRESTATION	711
	13.5	ABUS	IVE ACQUISITION OR ACCUMULATION OF IPRs	725
14.	EXC	ESSIVI	E PRICING	732
	14.1	INTRO	DDUCTION	732
	14.2	THE E	ECONOMICS OF EXCESSIVE PRICING	736
	14.3		LEGAL TEST(S) FOR EXCESSIVE PRICING	741
			The Basic Legal Test	742
			The Concept Of "Economic Value"	745

Contents xxiii

		14.3.3 Application Of Benchmarks	748			
	14.4	DIFFICULTIES WITH THE CURRENT APPROACH TO				
		EXCESSIVE PRICING	757			
	14.5	ALTERNATIVE APPROACHES TO EXCESSIVE PRICING				
		UNDER ARTICLE 102 TFEU	765			
	14.6	CONCLUSION	775			
15.	ABU	SIVE DISCRIMINATION	778			
		INTRODUCTION	778			
	15.2	THE ECONOMICS OF PRICE DISCRIMINATION	781			
		15.2.1 Conditions For Price Discrimination	782			
		15.2.2 Welfare Effects Of Price Discrimination	784			
		15.2.3 Conclusion	788			
	15.3	LEGAL CONDITIONS FOR ABUSIVE DISCRIMINATION	789			
		15.3.1 Equivalent Transactions	789			
		15.3.2 Dissimilar Conditions	795			
		15.3.3 Competitive Disadvantage	796			
	15.4	EXAMPLES OF ABUSIVE DISCRIMINATION	803			
		15.4.1 Discrimination By A Vertically-Integrated Dominant Firm	803			
		15.4.2 Pure Secondary-Line Discrimination	810			
		15.4.3 Nationality Or Residence Discrimination	814			
		15.4.4 Discrimination Intended To Partition National Markets	817			
		15.4.5 Most-Favoured Company Clauses	821			
		15.4.6 Discriminatory Supplies in Times Of Shortage	827			
	15.5	OBJECTIVE JUSTIFICATION	827			
16.		IER EXPLOITATIVE ABUSES	839			
		INTRODUCTION	839			
	16.2	ABUSE OF MCNOPSONY PURCHASING POWER	840			
		16.2.1 Basic Economics Of Monopsony Power	840			
		16.2.2 Conditions For A Possible Abuse	842			
	16.3	UNFAIR AND EXPLOITATIVE CONTRACT TERMS	846			
		16.3.1 Reasons For A Limited Case Law	846			
		16.3.2 Legal Test For Abusive And Unfair Contract Terms	849			
		16.3.3 Conclusion	859			
17.	EFFECT ON TRADE					
	17.1	INTRODUCTION	861			
	17.2	BASIC LEGAL CONDITIONS FOR EFFECT ON TRADE	863			
	17.3	SPECIFIC APPLICATIONS OF THE EFFECT ON TRADE				
		CONCEPT	869			
		17.3.1 Abuses Covering Several Member States	869			
		17.3.2 Abuses Covering A Single Member State	870			
		17.3.3 Abuses Covering Only A Part Of A Member State	874			
		17.3.4 Abuses Concerning Trade Outside The EU	877			

xxiv Contents

18.	REN	1EDIES	3	880
	18.1	INTRO	ODUCTION	880
	18.2	GENE	ERAL PRINCIPLES GOVERNING REMEDIES	881
		18.2.1	Objectives Of Remedies	881
		18.2.2	Remedies Must Be Effective	884
		18.2.3	Remedies Must Be Proportionate	886
	18.3	PRING	CIPAL TYPES OF ADMINISTRATIVE DECISIONS	888
		18.3.1	Interim Measures	888
		18.3.2	Commitment Decisions	895
			18.3.2.1 Overview	895
			18.3.2.2 Commitment decision procedure	901
			18.3.2.3 Legal effect of commitment decisions	908
		18.3.3	Non-Applicability Decisions	916
		18.3.4	Undertakings	918
		18.3.5	Guidance Letters	919
		18.3.6	Final Infringement Decisions	921
	18.4	PRING	CIPAL TYPES OF REMEDIES	921
		18.4.1	Fines	921
		18.4.2	Undertakings Guidance Letters Final Infringement Decisions CIPAL TYPES OF REMEDIES Fines Behavioural Remedies	927
			18.4.2.1 Exclusionary pricing abuses	927
			18.4.2.2 Remedies for excessive pricing	928
			18.4.2.3 Remedies in discrimination cases	930
			18.4.2.4 Compulsory dealing remedies	931
			18.4.2.5 Remedies in tying cases	942
		18.4.3	Structural Remedies	943
			18.4.3.1 Introduction and overview	943
			18.4.3.2 Conditions for ordering a structural remedy	946
			18.4.3.3 Case studies	948
		18.4.4	Effect Of Article 102 TFEU On Contractual Validity	952
	18.5	PRIVA	ATE LITIGATION AND REMEDIES	954
			Introduction	954
		18.5.2	Goals Of Private Enforcement	955
			Legal Basis For Private Enforcement	956
			Key Legal Issues In The Development Of Private Enforcement	958
		18.5.5	Quantification Of Damages In Article 102 TFEU Cases	963
			18.5.5.1 Overview	963
			18.5.5.2 Commission Guidance	965
			18.5.5.3 Decisional practice	966
			18.5.5.3 A suggested conceptual framework	969
		18.5.6	Procedural Issues	975
	Inde	χ		981