Contents

List of figures and tables ix
Acknowledgements x
List of abbreviations xi
Table of legislation, cases and other official documents xii

1. Introduction 1
   1. Background 1
   2. Tying 3
   3. Outline of the book 5

2. Tying from an Economic Perspective 7
   1. Introduction 7
   2. Defining Tying 8
   3. The Purposes of Tying 11
   4. Efficiency Reasons 13
      4.1. Cost Reduction 13
      4.2. Quality Improvement 15
         4.2.1. Quality Assurance 15
         4.2.2. Reduction in Search Costs 16
         4.2.3. Product Improvement 17
      4.3. Reducing Pricing Inefficiencies 18
         4.3.1. Price Discrimination 18
         4.3.2. The Double Marginalisation Problem 21
      4.4. Concluding Remarks on Efficiency Reasons 25
   5. Strategic Reasons for Tying 25
      5.1. The Leveraging Theory 25
         5.1.1. Market Foreclosure 30
         5.1.2. Protection of the Tying Product Market – Defensive Leveraging 31
         5.1.3. Undercutting Rivals’ Price by Tying 33
      5.2. Competition Mitigation 34
      5.3. Gaining Competitive Advantage 35
         5.3.1. Creating Network Externalities 36
      5.4. Price Obfuscation 37
      5.5. Technological Integration 38
3 Tying Arrangements under Article 82 EC

1. Introduction 55
2. Assessing Tying under Article 82 59
   2.1. Defining the Relevant Market – the Need for Two Separate Products 60
      2.1.1. Defining the Relevant Market in Tying Cases 61
      2.1.2. The Need for Two Separate Products 65
      2.1.3. Tying in ‘Aftermarkets’ and Consumables 72
      2.1.4. Concluding Remarks on Two Separate Products 73
   2.2. Establishing Dominance in the Tying Product Market 74
      2.2.1. Conclusion on Dominance 76
   2.3. Abuse 77
      2.3.1. Conclusion on Abuse 83
   2.4. Anti-competitive Effects – Foreclosure of the Tied Product Market 83
      2.4.1. Concluding Remarks on Anti-competitive Effects of Tying 93
   2.5. Objective Justifications 94
      2.5.1. Concluding Remarks on Objective Justifications 100
3. Remedies 102
   3.1. Concluding Remarks on Remedies 105
4. Article 82, Tying and IP Rights 106
5. Lessons to be Learned from EC Case Law on Tying 113

4 Tying Arrangements under US Antitrust Law 117

1. Introduction 117
2. The Antitrust Analysis of Tying Arrangements 119
   2.1. Tying – Pre-Jefferson Parish 120
      2.1.1. A Tying Arrangement 122
      2.1.2. Market Power 123
      2.1.3. A Substantial Amount of Commerce in the Tied Product Market 126
      2.1.4. Justification and Defences 127
2.1.5. Concluding Remarks on Pre-Jefferson Parish Case Law

2.2. Tying – Post-Jefferson Parish

2.2.1. A Tying Arrangement between Two Separate Products

2.2.1.1. Concluding Remarks on Two Separate Products

2.2.2. Market Power

2.2.3. Substantial Impact on Competition in the Tied Market

2.2.4. Objective Justification

3. IP Rights

4. Per Se or Rule of Reason – That is the Question!

5. Lessons to be Learned from US Tying Case Law

5.1. Introduction

5.2. Two Separate Products

5.3. Market Power

5.4. Substantial Amount of Commerce Affected in the Tied Product Market

5.5. Objective Justification

5.6. IP Rights

5.7. Conclusion

5 Intellectual Property Law and Tying – An Alternative Approach

6 Alternative Solutions, the Development of a New Regulatory Model
4. Step 1: The Need for Two Separate Products – Alternative Solutions
   4.1. Introduction 192
   4.2. Is the Separate Products Test Essential? 196
   4.3. The TTBER and the US IP Licensing Guidelines – Alternative Market Definitions? 197
   4.4. The Indispensability Test – an Alternative to the Consumer Demand Test? 204
   4.5. The Expanded Consumer Demand Test and the Broken Product Test 206
   4.6. Recommending the Expanded Consumer Demand Test 215
5. Step 2: Dominance – Alternative Solutions 216
   5.1. Introduction 216
   5.2. The Indispensability Test 217
   5.3. Market Share Cap 219
   5.4. Recommending the Market Share Cap 221
6. Step 3: Anti-competitive Effects – Alternative Solutions 222
   6.1. Introduction 222
   6.2. Indispensability Test 225
   6.3. The Sacrifice Test and the No Economic Sense Test 227
   6.4. As-Efficient-As Competitor Test 231
   6.5. The Consumer Harm Test – Re-balancing the Standard of Proof 233
   6.6. Standard of Proof 237
   6.7. Recommending the As-Efficient-As Competitor Test and the Consumer Harm Test 239
7. Step 4: Objective Justifications – Alternative Solutions 241
   7.1. Introduction 241
   7.2. Replicate Article 81(3) Exemption 242
   7.3. Article 82(d) Exemption – By Nature or According to Commercial Usage 246
   7.4. Recommending the Article 82(d) Exemption 248
8. Conclusion: Setting out the New Regulatory Model to Tying 249

7. Conclusion 252
   1. Concluding Remarks 252
   2. Technological Integration 255
   3. Future Cases 256

Bibliography 259
Index 271