**CASE STUDY 1.**

Car Industry

The clearest evidence of anti-competitive pricing behaviour in the UK car industry came with the admission by Volvo in July 1999 that it had entered secret agreements to keep British car prices high. This appeared to be just the tip of an iceberg, with car manufacturers fixing prices through the system of selective and exclusive distribution (SED). In other words, manufacturers would only supply through ‘official’ dealers who would sell at the list price (or at small agreed ‘discounts’).

When we consider the difference in price between identical models in Britain and mainland Europe the discrepancies were huge. The Competition Commission report published in April 2000, found that car buyers in Britain were paying on average some 10 to 12 per cent more than those in France, Germany and Italy for the same models For 58 of the 71 models analysed by the Commission, the UK price was at least 20 per cent higher than in the cheapest country. The Commission concluded that British car buyers were paying around 10 per cent too much for new cars, or some £1100 for an average car.

The price discrepancies between Britain and Europe were maintained by car manufacturers blocking cheaper European cars coming into the UK. Manufacturers were accused of adopting a number of anti-competitive practices. These include threatening mainland European car dealers with losing their dealership if they sell to British buyers, and delaying the delivery date of right-hand drive models to mainland European dealers in the hope that British buyers changes their mind and go back to a British dealership.

As the problem involved more than one EU country, the European Commission (EC) also examined the issue. It concluded that the motor vehicle manufacturers had agreements with distributors that were too restrictive. In 2002, the EC changed the ‘Block Exemption’ regulations governing the sector to allow distributors to set up in different countries and to sell multiple brands of car within their showrooms. Furthermore, distributors who are offered an exclusive ‘sales territory’ distribution agreement by car manufacturers are now allowed to resell cars to other distributors who are not part of the manufacturer’s network. This should help to develop other sales outlets such as car supermarkets and Internet retailers. In addition, the regulation has opened up the repair and spare parts sector to more firms.

Changes in the regulations, and the addition of ten new member states in 2004 and another two in 2007, have made the car market more competitive by increasing the sources of supply. Slowly, prices of new car prices have been converging across the EU towards the lower-price markets.

But what about the UK? Since 2003 new car prices have fallen. In August 2005 new car prices fell by 0.5 per cent over the year, while general price inflation over the same period was 2 per cent. There is still scope for shopping around outside of the UK, however – 17 out of 81 models listed by the EC in August 2005 were at least 20 per cent higher than the average EU price.

**QUESTION 1**

1. Do you believe that these case studies illustrate monopolies and anti-competitive practices? Extract information from each case study to support your answer.

2. Explain the role – from a legal perspective - of the Competition Commission (CC) and the UK Office of Fair Trading in dealing with these specific monopolies and anti-competitive practices and in monopolies and anti-competition practices in general.

**CASE STUDY 2.**

Apple sued its component supplier Samsung, alleging in a 38-page federal complaint on April 15, 2011 in the United States District Court for the Northern District of California that several of Samsung's Android phones and tablets, including the Nexus S, Epic 4G, Galaxy S 4G, and the Samsung Galaxy Tab, infringed on Apple’s intellectual property: its patents, trademarks, user interface and style. Apple's complaint included specific federal claims for patent infringement, false designation of origin, unfair competition, and trademark infringement, as well as state-level claims for unfair competition, common law trademark infringement, and unjust enlightenment.

Apple's evidence submitted to the court included side-by-side image comparisons of iPhone 3GS and i9000 Galaxy S to illustrate the alleged similarities in packaging and icons for apps. However, the images were later found to have been tampered with in order to make the dimensions and features of the two different products seem more similar, and counsel for Samsung accused Apple of submitting misleading evidence to the court.

**QUESTIONS**

Use Case Study 1 as a foundation for your answer. You will need to do extra research to complete your answer.

1. Apple sued Samsung for infringement of their patents.

a) How will the courts decide whether Samsung is indeed guilty of infringing on the patent rights of Apple?

b) How could Samsung defend their actions in the court?

2. Is Apple entitled to patent protection for its products? Discuss.