INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS

Open Access, Refereed Journal Multi Disciplinary
Peer Reviewed

www.ijlra.com

ISSN: 2582-6433

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ISSN: 2582-6433

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ISSN: 2582-6433

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ISSN: 2582-6433

PREDATORY PRICING AND COMPETITION LAW

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Abstract

The concept of predatory pricing holds a mid-term but controversial item in competition law as it is a manifestation of the paradox in encouraging price competition whilst avoiding the application of market power that may be exclusionary. Its most fundamental aspect is to find out when cheap pricing, which usually constitutes the characteristics of normal competition, has passed over into the arena of anti-competitive behavior aimed at ensuring that competitors are destroyed, and that the structure of the market is distorted. This research paper will provide a comparative analysis of predatory pricing based on the legal systems of India, the United States and the European Union with specific focus on the development of the doctrine and economic rationale and enforcing issues in the modern markets. The paper examines how the various jurisdictions conceive and control predatory pricing. The antitrust law of the United States is based on the paradigm of consumer welfare and demands demonstration of pricing below cost and realistic recovery promise, which reflects judicial restraint against excessive intervention. In comparison, the European Union competition law is more structural and effects based and considers the ability of pricing behaviour to lock out competitors even in the absence of strict demonstration of recoupment. The Indian competition law exhibits an intermediary approach, in which dominance is viewed through structural analysis, and economic evaluation of the effects of market in a growing and fast digitizing economy. The paper also discusses how predatory pricing analysis has changed according to globalization and markets on digital platforms. Network effects, multi-sided platforms, cross-subsidization and data-driven business models make traditional cost benchmarks difficult to understand and the belief that sustained losses are irrational problematic. In these markets, the dominance can be achieved not by direct raising of prices but by regulation of the ecosystem and foreclosure. Critically comparing doctrinal approaches, analyzing the new enforcement dilemmas the research insists that the predatory pricing law should be changed into a more dynamic, context-sensitive law. The competitive process ought to be safeguarded by effective regulation that ensures innovation and acceptable price competition are not threatened. The future of the predatory pricing doctrine is in the equilibrium between economic realism and structural vigilance in the

ISSN: 2582-6433

ever more connected and technologically motivated global economy.

Key Words

Predatory Pricing, Competition Law, Abuse of Dominance, Antitrust Law, Below-Cost Pricing, Recoupment, Exclusionary Conduct, Consumer Welfare, Market Foreclosure, Network Effects, Digital Platforms, Cross-Subsidization, Comparative Competition Law, India–US–EU Analysis, Globalized Markets.

Predatory Pricing: Theoretical Foundations, Development and Theories.

In the current competition law, predatory pricing holds a dominant though disputed place. It is a type of strategic behavior in which a company avoids setting prices below a reasonable level of cost with the intention to destroy its competitors and later on regain its losses by increasing prices once their strength is weakened or destroyed. The concept indicates a conflict between two underlying objectives of the competition law namely promoting aggressive price competition and deterring exclusionary practices that misrepresent market structure. In the basic terms, competition law is meant to maintain the competition process and not competitors. Low prices are normally considered pro-consumer and efficiency promoting. But may turn into a tool of market foreclosure when this sort of pricing is practiced by a powerful firm with an exclusionary purpose. This duality renders predatory pricing to be among the most intricate dogmas in antitrust law.

The historical evolution of predatory pricing doctrine reflects how legal regimes have had a hard time separating between fair competition and unhealthy elimination. Early antitrust law enforcement, especially in the United States, did not believe in predatory pricing arguments, partly because economic theory argued that predatory pricing was not a rational and sustainable strategy. However, over the years, courts and regulatory authorities had come to the realization that predatory strategies are rational and functional in some market conditions, in particular, where entry barriers are high and networks effects exist. The problem has gained a new topicality in the modern world economy. Multinational corporations, digital platforms, and firms supported by venture capital are not always focused on the profitability of the short-term. Users are captured, network dominance is created and potential entrants discouraged by aggressive pricing strategies. The reason behind these developments is that they have caused reemergence of scrutiny on historical tests and enforcement frameworks of predatory pricing. The regulation of predatory pricing thus needs to be held with a delicate balance. Over

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intervention is bound to deter innovation and healthy competition whilst too little regulation can allow monopoly market. This is the dilemma of the contemporary competition policy.

Conceptual Meaning and Juridical Character

Predatory pricing does not mean low pricing but strategic below-cost pricing that is done with the purpose of exclusion. Scholars of competition law tend to single out four fundamental concepts as dominance on the marketplace of interest, price at a level lower than it should be, a plan to wipe out rivals, and the risk that it will recover any losses. common belief about predatory pricing is that it is mostly linked on the firms that have a massive market power because only companies with immense market power can be able to incur losses over a long time. Smaller firms can be below-cost pricing in a part of promotion but that behavior hardly leads to market foreclosures. Market forces also add to the confusion between predation and competitive pricing. Companies often lower prices when new companies enter the market, there is new technology or increased efficiency. This type of price cuts is not anti-competitive, but it is vital to the welfare of consumers and market efficiency. The competition law should now define the point at which price cuts exceed competition to exclusion. Law has tackled this issue by using an economic analysis and a mixture of doctrine building. Courts analyze cost standards, motive, market position and possible competitive impacts in the long run. It is not an aim to punish low prices but to avoid the strategic price to get rid of the competitors and gain monopoly influence.

History of the Predatory Pricing Doctrine

The principle of predatory pricing has undergone a tremendous change in jurisdictions. Via the early history of the English law of antitrust, and especially in the United States, courts were slow to accept predatory pricing because of the sway of neoclassical economics. The Chicago School scholars stated that predatory pricing is irrational in nature as the predator loses money in the predation stage, but competitors can revive in the market when the prices are high.

Robert Bork once made one of the most famous arguments when he said that predatory pricing is hardly successful and that excessive enforcement would be counterproductive to the consumer welfare since it would promote uncompetitive prices. This viewpoint shaped the U.S. antitrust policy, which resulted into high evidentiary burden of predatory pricing allegations. Subsequently, the economic literature refuted this supposition. Strategic behavior analysis and

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game-theoretic models proved that predatory pricing can be rational provided that some conditions are met. Companies can adopt predatory practices to indicate to the market how strong the market is, discourage new entrants, or sustain dominance in the market in the long run.

Post-Chicago economists have focused on structural factors that render predatory pricing acceptable:

1. High entry barriers in capital requirements;
2. Strong network effects;
3. Economies of scale;
4. Information asymmetry;
5. Asymmetry of finances between firms.

These lessons transformed the competitiveness law enforcement, especially in the European Union, as the authorities became more interventionist in addressing predatory pricing.

Economic Theory and Strategic Behaviour

The predatory pricing law is based on economic analysis. The main issue here is whether a company would have a rational reason to make losses in the short term to gain monopoly in the long term. The solution relies on the market structure and strategic incentives.

Conventional economic theories proposed that predatory pricing is not likely to occur due to:

1. It is costly in terms of finances;
2. Competitors can be either persistent or new entrants;
3. Customers enjoy cheap rates;
4. Recoupment is uncertain.

Strategic models however point out situations in which predation is rational. As an example, a powerful company can also underprice to communicate financial power and deter new competitors. Reputation-based predation can also be the decision of potential competitors who see prolonged losses in the market and choose not to enter it. Companies can use aggressive pricing in one market to indicate that it is prepared to take part in a price battle, thus discouraging other market entry.

The economic logic of predatory pricing has also been altered by the emergence of the digital

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medium. Platform firms tend to focus on the market share, rather than profitability, which is based on venture capital investments and cross-subsidization. A loss in one area can be compensated by profit elsewhere and so the firms are able to maintain below-cost prices over a long time. Network effects are also important. New entrants have a great disadvantage once a platform has reached scale. Predatory pricing can thus serve as the means of network dominance and not profit maximization.

Cost Benchmarks and Identification

One of the main problems of the predatory pricing analysis is how one can define what is considered below cost. Some of the cost benchmarks used by courts and competition authorities include average variable cost, average total cost, and long-run incremental cost. Pricing lower than average variable cost is mostly assumed as predatory in that it shows that the company is not incurring the basic operational costs. Pricing that is in between the average variable cost and average total cost can also be predatory so long as it is accompanied with an exclusionary intent evidence. Nonetheless, cost measurement is itself a problem. The cost structures in firms are complex and it might be hard to allocate costs among products or services. Digital markets make this process even more difficult because the marginal costs could be very low. Therefore, competition jurisdictions are using a mixture of cost analysis, intent and market impact more and more frequently as opposed to one standard.

Predatory Pricing in a Globalized Economy

Globalization has enhanced cross border competition and the magnitude of market operations. Multinational corporations exist in more than one jurisdiction taking advantage of financial resources, and technology to capture the market. Predatory pricing can be implemented on an international level, regarding local markets and local rivals. This is especially the case with developing economies where local companies might not have the financial strength to endure the long-term price wars. Enforcement has only been complicated by the emergence of e-commerce and platform economies. Companies like Amazon and Uber have been using aggressive pricing as a way of increasing market share. Although these strategies can increase access to consumers and innovation, they also create a risk of concentration in the long-term market. Globalization consequently calls upon a comparative strategy to predatory pricing law. Various jurisdictions have different enforcement philosophies which are based on their economic priorities and institution structures.

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Union Legal Environment of the Preceding Pricing: India, United States and European Union

Laws governing predatory pricing differ greatly among jurisdictions, due to the lack of economic philosophy and institutional capacity to enforce them, and policy priorities. Although the predatory pricing is considered in all competition regimes, as a type of anti-competitive behavior, the criteria of evidence, enforcement methods, and analysis tools vary. An analytical study of India, the United States, and the European Union reveals the efforts made by law to balance the economical theory with the practical implementation.

Indian Competition Law of Predatory Pricing.

The law on Indian competition covers predatory pricing as a sub-topic of abuse of dominant position. Section 4 of Competition Act, 2002 also forbids the misuse of dominant position by the enterprises including unfair or discriminative pricing. According to the statute, predatory pricing should be understood as the sale of goods or the delivery of services at prices below the cost with the intention of decreasing the competition or destroying rivals. The legislative purpose is that of a very careful but interventionist policy. On the contrary to the traditional antitrust regimes, where the attention is paid only to the price behaviour, the Indian law presupposes the dominance establishment in advance. This is a requirement that only the companies that have the capacity to manipulate the structure of the market will be subjected to predatory pricing. The Competition Commission of India (CCI) has created a systematic approach of examining claims of predatory pricing. This is usually done in three phases: The Commission, first of all, determines the market in question by analyzing the product substitutability and geographical coverage. The definition of the market is very important owing to the fact that dominance is determined on the basis of market definition. Second, the CCI evaluates the leading role of the enterprise. Dominance is perceived as a state of power that allows a firm to work freely without being influenced by the competitive pressures or to influence contestants and consumers to their advantage. Third, the Commission considers the pricing behaviour with regard to the benchmark of costs, intent, and the impact on competition. Selling at a price less than the average variable cost is usually viewed as a powerful sign of predatory behavior, but the CCI also takes into account more economic variables. Cautiousness in regard to aggressive pricing is evident in the Indian jurisprudence particularly in the emerging sectors. The CCI has made many statements suggesting that competition law safeguards competition as opposed to individual competitors. Thus, low-cost pricing by a non-

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dominant company or by a new company trying to enter the market can be not predatory behavior. The other significant provision of the Indian competition law is the appreciation of the dynamism of the market conditions. Rapid technological change and high capitals can be described as the market like telecommunication and aviation markets, as well as digital platforms. In these situations pricing policies can be indicative of efficiency and not exclusionary motives. Nonetheless, there are threats concerning the abilities of enforcement and the standards of evidence. Economic analysis is needed to identify cost standards, evaluate motive, foresee market impacts in the long term. With the Indian economy being opened to the global markets, the issue of regulating the predatory pricing becomes even more complicated.

Predatory Pricing under United States Antitrust Law

The US has long maintained a conservative policy towards predatory pricing that was informed by the Chicago School economics and a high priority on consumer welfare. The most common type of predatory pricing allegations is the one that is covered by the Section 2 of the Sherman Act, which outlaws monopolization and monopolization efforts. The U.S. courts have always demanded hard evidence before they acknowledge the aspect of predatory pricing. The current judicial philosophy is that low prices are usually positive to the consumers and this should not be deterred unless there is a proven evidence of either an exclusionary intent and long term damages. The U.S. Supreme Court in Brooke Group Ltd. v. Brown and Williamson Tobacco Corp. has formulated the current legal criterion. The Court developed a two-prong test that needed showing the defendant underpricing, which was below a reasonable measure of cost and probable dangerousness of recovery of losses. U.S. antitrust jurisprudence relies on the recoupment requirement. Courts justify this based on the fact that predatory pricing is only detrimental when the predator is able to increase the prices later, in order to recoup the losses and have power over the market. In the absence of recoupment, low-cost pricing only will do good to consumers. This strategy is an indication of distrust on predatory pricing theories. Courts are worried that excessive enforcement can discourage competition in terms of price cuts and innovation. As a result, there is a high burden of evidentiary requirement on plaintiffs and successful predatory pricing claims are not common. The U.S. policy also lays stress on economic studying. The courts use professional evidence, cost information and market modelling to establish the plausibility of predation. The intent is not enough: it needs to be proved that it would be economically viable. Though this framework is clear, critics claim that it does not value strategic behaviour in the contemporary markets. Digital platforms and venture-funded firms can bear a substantial loss over a long period, challenging the

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conventional beliefs regarding the recoupment.

Predatory Pricing under European Union Competition Law

Competition law in the European Union is more interventionist on predatory pricing. Article 102 of the Treaty on the Functioning of the European Union does not allow the abuse of dominance position and this is also applied to pricing practice that closes competition. The EU framework puts more focus on the preservation of competitive market forms as opposed to consumer welfare being the only relevant factor. The Court of Justice and the European Commission have come up with elaborate principles to determine predatory behavior which is largely based on cost standards and market impact. One of the differences between the EU and U.S. strategies is the way recoupment is handled. The law of the EU does not demand that the predator will reclaim the losses. Rather, it is concerned with the ability of the pricing behavior to drive out the competitors and market competition out of shape. The enforcement strategy of the European Commission implies the systematic analysis. The authorities first create dominance, and then determine whether pricing is below the relevant cost measures, including average variable cost and average avoidable cost. When the prices are lower than these limits, there is a tendency to assume that it is predatory. Market context and intent are also of importance in EU jurisprudence. Some indicators that can be used to prove that there is abuse include internal communications, pricing, and behaviour of the market. This interventionist strategy shows larger policy objectives, such as integration of markets, fair play and shield of competition mechanisms. Opponents, though, believe that it can be over-enforced and might deter tough competition.

Comparative Enforcement Philosophies

The contrast between the enforcement philosophies of India, the United States, and the European Union is evident in the differences between those regions. The United States is consumer protection and economic efficiency conscious which presupposes a good evidence of recouping and economic viability. This will reduce false positives and can ignore strategic predation. The European Union stresses on the competitiveness and market form, which can be interfered with without evidence of recovery. This lessens the threat of market concentration but could augment regulation measures. India opts in a hybrid way. It has both US and EU components, with the primary focus on the priority and economical analysis without fear of punishing aggressive pricing. Such variations represent more general policy decisions.

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Competition law is not a purely technical discipline but rather it is influenced by the economic interests, institutional capability and development interests.

Predatory Pricing and Identification Tests

There are various analytical tools that competition bodies use in determining predatory pricing. These are cost benchmarks, recoupment analysis, intent evaluation and effects-basedness. Cost benchmarks give an objective point of reference when it comes to the evaluation of pricing behaviour. Nevertheless, they should be applied with respect to the market conditions and firm strategy. Recoupment analysis looks at the ability of the predator to recoup the losses in terms of increase in future prices. This is the key test of the U.S. antitrust law but minor evidence in EU law. Intent test takes into account internal communications and strategic planning documents. Though an intent is not full enough, it helps to deal with the bigger picture of an economic analysis, such as the influence of pricing on competition, such as entry barriers and foreclosure. The growing complexity of the modern markets demands a combination of these tools.

Predatory Pricing in Indian Competition Jurisprudence

The real world outlines of the doctrine of predatory pricing in India have largely been determined by the rulings of the Competition Commission of India (CCI) and further appellate interpretations. Although statutory framework on predatory pricing as expounded in Section 4 of Competition Act, 2002 defines predatory pricing as a pricing that is below-cost, with an intention to diminish competition or eliminate competition, its actual meaning has been established by the case law. Indian jurisprudence is characterized by the conservative and economically conscious perspective where low pricing is viewed as a question of dominance in the market, market structure, and competitive impact, and not necessarily unlawful. The Indian competition authorities have reiterated in the past that predatory pricing cannot be evaluated independently. It will have to be analysed in the environment of market power, entry barriers, and how the firm can afford to lose its losses. This has therefore placed a rather high bar to the creation of predation especially in new sector that is characterized by a high rate of technological and structural transformation.

MCX Stock Exchange v. National Stock Exchange of India Ltd.

MCX Stock Exchange v. is one of the most important and the earliest cases that dealt with

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predatory pricing in India. National Stock Exchange of India Ltd. It was the first case to be closely scrutinized by the CCI on the issue of predatory pricing and is the basis of some of the foundational principles established in later jurisprudence.

Background and Facts

The case was a result of the complaint filed by MCX Stock Exchange (MCX-SX) over National Stock Exchange (NSE), which is the largest stock exchange in India. MCX-SX claimed that NSE was practicing predatory pricing through offering zero-charge transactional fees in the currency derivatives business. The pricing policy of NSE was surrounded with incentives and free of fees and competitors could barely make a profit. NSE was also dominant in various markets of the stock exchange at that time. The currency derivatives division was however new and competitive. MCX-SX claimed that the zero pricing scheme developed by NSE was aimed at elimination of potential new entrants and the extermination of new competitors.

Issues

CCI central legal issues were:

1. Whether NSE dominated the concerned market?
2. Whether zero pricing was below-cost pricing?
3. Whether they were to eliminate competition by such pricing?
4. Whether the conduct was of a character to constitute abuse of dominance under Section 4?

Decision and Reasoning

The CCI believed that NSE had strong market and financial ability that could support its losses in the currency derivatives market. The Commission noted that zero pricing in the case of a dominant enterprise may also distort the market competition and establish barriers to entering the market. The CCI made it clear that CCI did not consider pricing below cost illegal per se but rather only problematic when it is accompanied by the intent of exclusion and foreclosure capability. The action of NSE was thus deemed as an abuse of dominance.

Fast Track Call Cab Pvt. Ltd. v. ANI Technologies Pvt. Ltd. (Ola Case)

The advent of online platforms and services operating through apps posed new problems as far predatory pricing legislation is concerned. The Ola case gave the CCI a chance to look at the

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pricing strategy within the platform-based markets.

Background and Facts

The suit was filed by Fast Track Call Cab claiming that ANI Technologies (Ola) was involved in predatory pricing by providing heavy discounts and incentives to passengers and drivers. These subsidies were paid by capital of investors and were aimed at the quickest market share increase. India taxi aggregation market was full of competition and especially between Ola and Uber. The two services had stiff discounts, which frequently led to a low fare that was lower than the operational cost.

Issues

The case put complicated questions:

1. Should platform markets be different in the same way as traditional markets?
2. Whether the predatory pricing includes discounts funded by investors?
3. Whether there was dominance in a fast changing digital market?

Decision and Reasoning

The CCI believed that predatory pricing should be established in case dominance was demonstrated. Without an obvious dominance, there could not be seen as abusive aggressive pricing tactics. The Commission acknowledged the specific features of online markets, such as network effects and fast growth. It noted that low prices, when used during market entry, can be a subset of market entry strategies and not exclusionary practice. The case has demonstrated how the prevailing tests of predatory prices in platform economies are flawed.

Doctrinal Significance of Indian Jurisprudence

The Indian case law reflective of a systematic approach is as follows:

1. Dominance is essential;
2. Intent per se is not a sufficient condition;
3. Effects on the market need to be measured;
4. Digital markets need contextual analysis.

These values indicate a moderate enforcement policy that is focused on competition protection and promotion of innovation.

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Predatory Pricing under the United States Antitrust Jurisprudence

The evolution of the doctrine of predatory pricing in the United States is a symptom of attachment to the economic theory and a strong tendency to maintain aggressive price competition. The U.S. antitrust law focuses on consumer welfare and economic efficiency unlike some jurisdictions which use a structural approach. Consequently, predatory pricing allegations are approached with seriousness and must be proven with a lot of rigour.

Matsushita Electric Industrial Co. v. Zenith Radio Corp.

Background and Facts

The case entailed claims that the Japanese electronics manufacturers engaged in a conspiracy to sell television sets in the United States at artificially low prices with a view of killing off the American competitors and having monopoly of the market. The manufacturers in the United States said that predatory intent was evidenced by being able to sell products at a low price over a long period.

Legal Issues

The Supreme Court had to consider whether the evidence produced by the plaintiffs could prove that they had a plausible predatory pricing conspiracy and whether the strategy would make economic sense.

Judicial Reasoning

The Court stated that the claims of predatory pricing methods should be considered against the economic reality. It pointed out that continuous low cost pricing would ensure that firms would experience massive losses and that recovery would be achieved through removal of competitors and the capacity to increase prices in the future. The Court was rather doubtful about the plausibility of the conspiracy that was being alleged, because according to the Court, such conspiracy would have to be coordinated among multiple firms and high financial cost would have to be made. It ruled that the plaintiffs have to provide solid economic evidence that predatory pricing was reasonable and had high chances of success.

Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.

Background and Facts

The contention was created in the cigarette business where there was a price war in the generic cigarette segment. Brooke Group accused Brown and Williamson of selling at prices that were

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below cost to kill competition and continue to dominate.

Legal Issues

The Supreme Court was considering the possibility of price cuts in a competitive marketplace leading to predatory pricing and establishing what criteria should be used to determine predatory pricing.

Judicial Reasoning

The Court developed a two-pronged test which involves:

1. Evidence that the prices were lower than a reasonable cost measure;
2. Evidence of a dangerous likelihood of recouping.

The Court justified that in the absence of recouping the losses, predatory pricing would only be beneficial to the consumers. Hence recovery was to form part of liability The Court further reiterated that price wars are likely to be the result of intense competition and that competition law cannot be used to deter such competition unless it is actually threatening to the competition in the market.

Doctrinal Characteristics of U.S. Approach

The antitrust jurisprudence of the U.S. has some peculiarities:

To begin with, great focus on economic analysis and empirical evidence. Market modelling and cost data are significant to the courts. Second, the recoupment provision means that intervention is only made in the event of long-term harm. Third, doubt of intent-based analysis; economic viability is given importance. Fourth, favoring false negative results that will promote competitive prices. Though this is a more transparent and predictable way, critics believe that the method cannot reflect strategic predation in the digital markets of the present where the recoupment can be accomplished through control of data, and not through price increments.

Predatory Pricing under the Competition Law in European Union: Overview of major judicial developments.

The European Union competition law is more interventionist in regard to predatory pricing compared with the United States. The application of Article 102 of the Treaty on the Functioning of the European Union is aimed at the prevention of abuse of dominance and

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maintenance of market order. In contrast to U.S. jurisprudence, recoupment is not required to be proved; the focus is placed on the exclusionary effect, as well as, the ability of pricing behavior to distort competition.

AKZO Chemie BV v. Commission

The AKZO case is considered as the cornerstone of the predatory pricing in the EU law. The case was concerned with the claim that AKZO is a large chemical manufacturer that sold organic peroxide products at below cost to eliminate a smaller company The European Court of Justice created a systematic cost-based examination. Selling below the average cost of variable was assumed predatory since no rational company could sell below the operation cost without aim of eliminating competition. It is also predatory when the pricing is between the average variable cost and the average total cost with evidence of exclusionary intent.

Wanadoo case was on internet service pricing strategies used by the subsidiary of France Telecom. During the initial growth period of the market the company was able to provide broadband services at lower prices. The Court determined that the recoupment evidence was not necessary to prove the predatory pricing by the EU law. The critical issue was whether the behavior could exclude the rivals and reinforce the dominance. The ruling was a major deviation of antitrust law in the United States and strengthened the structural method of competition in the EU.

Post Danmark Case

In Post Danmark, the Court addressed pricing policies embraced by a monopoly post service provider. The question was whether the selective price cuts to large customers amounted to predatory behavior. The Court stressed the effects-based approach which concentrated on whether the action had the potential to preclude competition by equally efficient competitors. This was an indication of the changing narrow cost standards towards the wider market analysis.

Intel v. Commission

The Intel case is a current trend in terms of EU competition jurisprudence. Although the case concerned mostly the issue of rebates, the Court emphasized that the economic effects and

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market structure are to be analyzed to deal with abusive conduct. This decision stressed that competition law should focus on actual and potential market impacts as opposed to the application of formalistic tests only.

Doctrinal Features of EU Approach

There are a number of consistent themes in EU jurisprudence:

1. High insistence on dominance and market organization;
2. Dependence on cost measures, especially, AVC and ATC;
3. Recoupment not required;
4. Increasing dependence on effects-based analysis.

This strategy will echo the EU overall aim of maintaining competitive market formats and foreclosure is avoided.

Comparative Evaluation AND Digital Market Realities

The comparative analysis of predatory pricing laws across India, the United States, and the European Union reveals that while the concept of predatory pricing is universally recognized, its interpretation and enforcement vary significantly. These differences arise from divergent economic philosophies, institutional capacities, and policy objectives. The increasing complexity of global markets, particularly the rise of digital platforms, has further intensified debates regarding the adequacy of traditional legal doctrines in addressing predatory conduct.

Comparative Evaluation: India, United States and European Union

The United States adopts a cautious and economically driven approach, rooted in Chicago School principles and the consumer welfare paradigm. Predatory pricing claims are subject to strict scrutiny, and liability arises only when below-cost pricing is accompanied by a dangerous probability of recoupment. This framework seeks to minimize false positives and ensure that aggressive competition is not discouraged. However, this approach has been criticized for underestimating strategic market behaviour. In industries characterized by network effects and venture capital financing, firms may sustain losses for extended periods without immediate recoupment. Recoupment may occur through non-price mechanisms such as data monetization, platform dominance, and ecosystem control. In contrast, the European Union adopts a structural and interventionist approach. EU competition law prioritizes the protection of competitive market structures and allows intervention when pricing conduct is capable of

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excluding competitors. Recoupment is not a mandatory requirement, and authorities focus on the exclusionary potential of pricing strategies.

This approach is particularly relevant in markets where dominance can quickly translate into market foreclosure. However, critics argue that it risks over-enforcement and may discourage aggressive competition that benefits consumers. India's approach reflects a hybrid model. The Competition Act requires proof of dominance before predatory pricing can be established, ensuring that only firms capable of distorting market structure are targeted. At the same time, Indian authorities recognize the importance of market effects and economic analysis. This balanced approach is particularly significant in a developing economy where market expansion, innovation, and foreign investment are policy priorities. Indian jurisprudence demonstrates caution in intervening in emerging sectors such as telecommunications and digital platforms, where aggressive pricing may reflect legitimate market entry strategies.

Critical Analysis of Existing Legal Approaches

The comparative study suggests that no single jurisdiction offers a complete solution to predatory pricing. Each approach reflects trade-offs. The U.S. model minimizes regulatory intervention but may fail to capture strategic predation in digital markets. The EU model effectively addresses exclusionary conduct but may risk overreach. India's hybrid approach offers flexibility but requires stronger institutional capacity and economic expertise. A key limitation across jurisdictions is the reliance on price-based analysis. Modern predatory strategies often involve non-price mechanisms such as data accumulation, algorithmic pricing, and ecosystem control. Competition law must therefore evolve beyond traditional cost benchmarks. Another issue is the difficulty of distinguishing predation from innovation. Aggressive pricing may be a legitimate strategy for new entrants, particularly in technology markets. Competition authorities must carefully differentiate between pro-competitive disruption and anti-competitive exclusion.

Conclusion

Predatory pricing remains one of the most complex and debated doctrines in competition law. It reflects the tension between encouraging aggressive competition and preventing exclusionary conduct. The comparative study of India, the United States, and the European Union demonstrates that legal approaches are shaped by economic philosophies and policy

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priorities. In traditional markets, predatory pricing doctrine relied on cost benchmarks and recoupment analysis. However, the rise of digital platforms and globalized markets has transformed the nature of competition. Firms now compete through ecosystems, data control, and network dominance, requiring a re-evaluation of existing legal frameworks. While U.S. law emphasizes economic feasibility and consumer welfare, EU law prioritizes market structure and exclusionary effects. India adopts a balanced approach but must strengthen institutional capacity to address emerging challenges. The future of predatory pricing law lies in its ability to adapt to technological change. Competition authorities must move beyond static analysis and adopt dynamic, forward-looking approaches that consider long-term market effects. Ultimately, the objective of competition law remains the preservation of competitive markets. Predatory pricing, when unchecked, can undermine this objective by enabling market concentration and reducing innovation. Effective regulation must therefore strike a careful balance—protecting competition without discouraging legitimate price competition.

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