



MARKET STRUCTURE OF THE INTERNET PLATFORM AND ITS ANTITRUST PROBLEM

——CUPL (CHINA UNIVERSITY OF
POLITICAL SCIENCE AND LAW)

Prof. Shuguang Li

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I . Platform and Undertakings of the Platform

(I) WHAT IS A PLATFORM?

A PLATFORM IS A MULTI-SITED PLATFORM MARKET WITH CROSS-GROUP NETWORK EXTERNALITIES, WHICH HAS TWO OR MORE DIFFERENT CUSTOMER GROUPS.

IT HAS THE FOLLOWING CHARACTERISTICS:

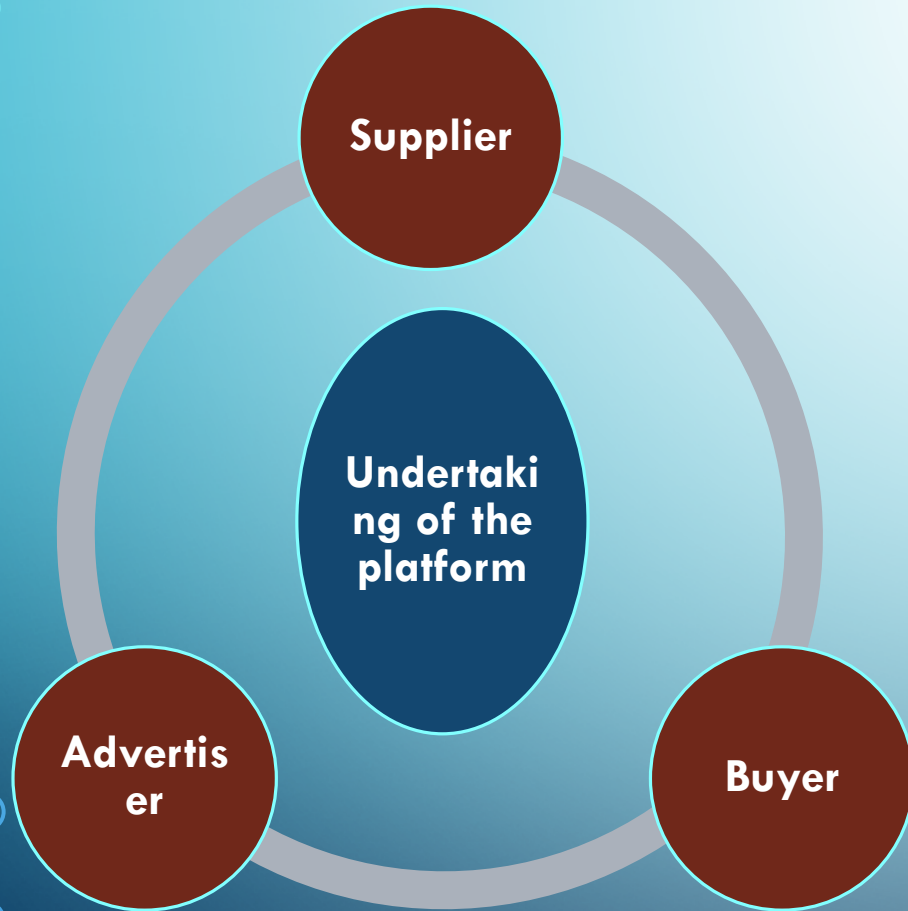
- **OPENNESS**
- **CROSS-GROUP NETWORK EXTERNALITIES**
- **THE VARIATIONS OF PRICE STRATEGY**
- **AGGREGATION AND INTEGRATION**

(II) The significance of the platform to the traditional economy——Destroy or reconstruct?

The platform breaks the unilateral market structure of traditional economy, and has made a huge impact on traditional economic industries. The platform economy brings the following new growth points to market economy:

- Promoting innovation in small and medium-sized enterprises
- Improving employment model
- Promoting New Economy Growth

- **(III) Platform structure and platform types**



- **Transaction aid platform**
- **Audience-makers Platform**
- **Need-supply Fit Platform**
- **Middleman type Platform**

II. THE ANTITRUST PROBLEM IN THE MARKET OF INTERNET PLATFORM

(I) The platform economy brings new challenges to antitrust

- **The challenges of the free business model**
- **The challenges of the multilateral market**
- **The challenges of the multidimensional products on the platform**

(II)The Core Problem of Antitrust of the Platform——Exclusivity Agreements

- Platform undertaking's exclusivity agreements:

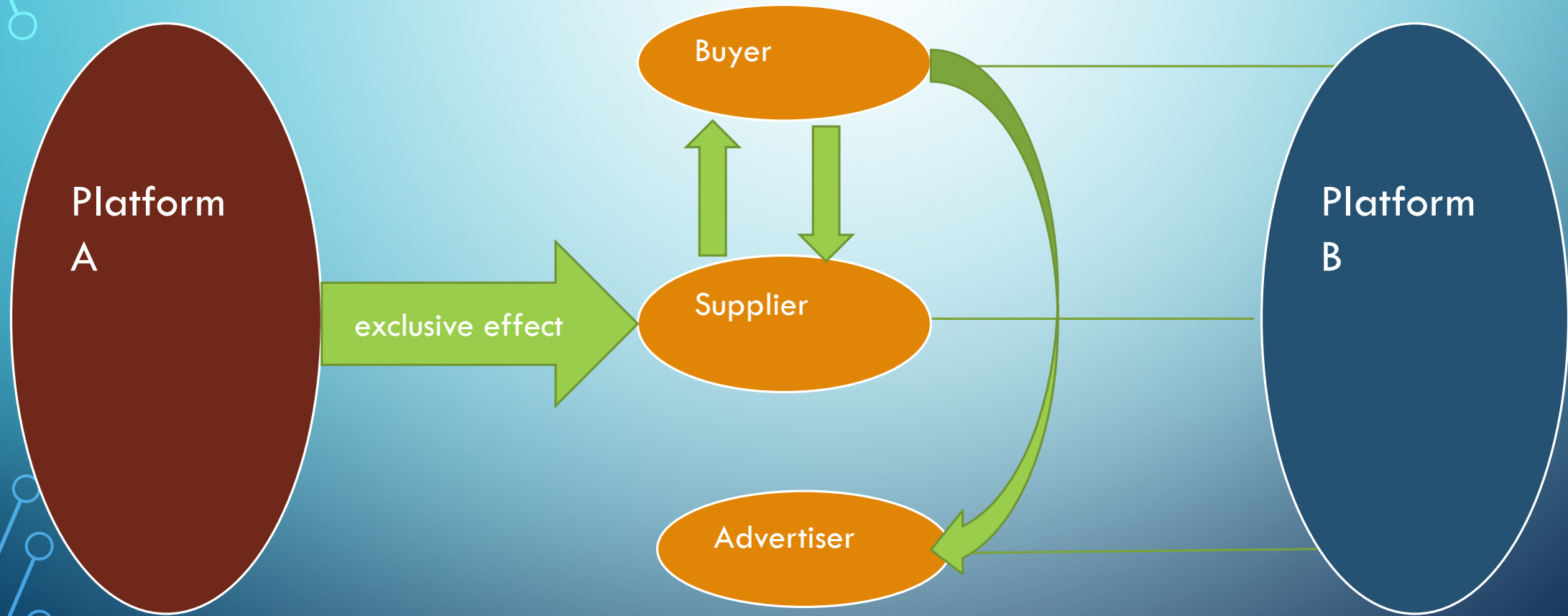
The platform undertaking reaches a deal with the trading counterpart, which requests that the other party can only deal with itself or a designated third party, or to ask the other party to accept other trading arrangements that have exclusive effect.

- The role of exclusivity agreements in platform competition:

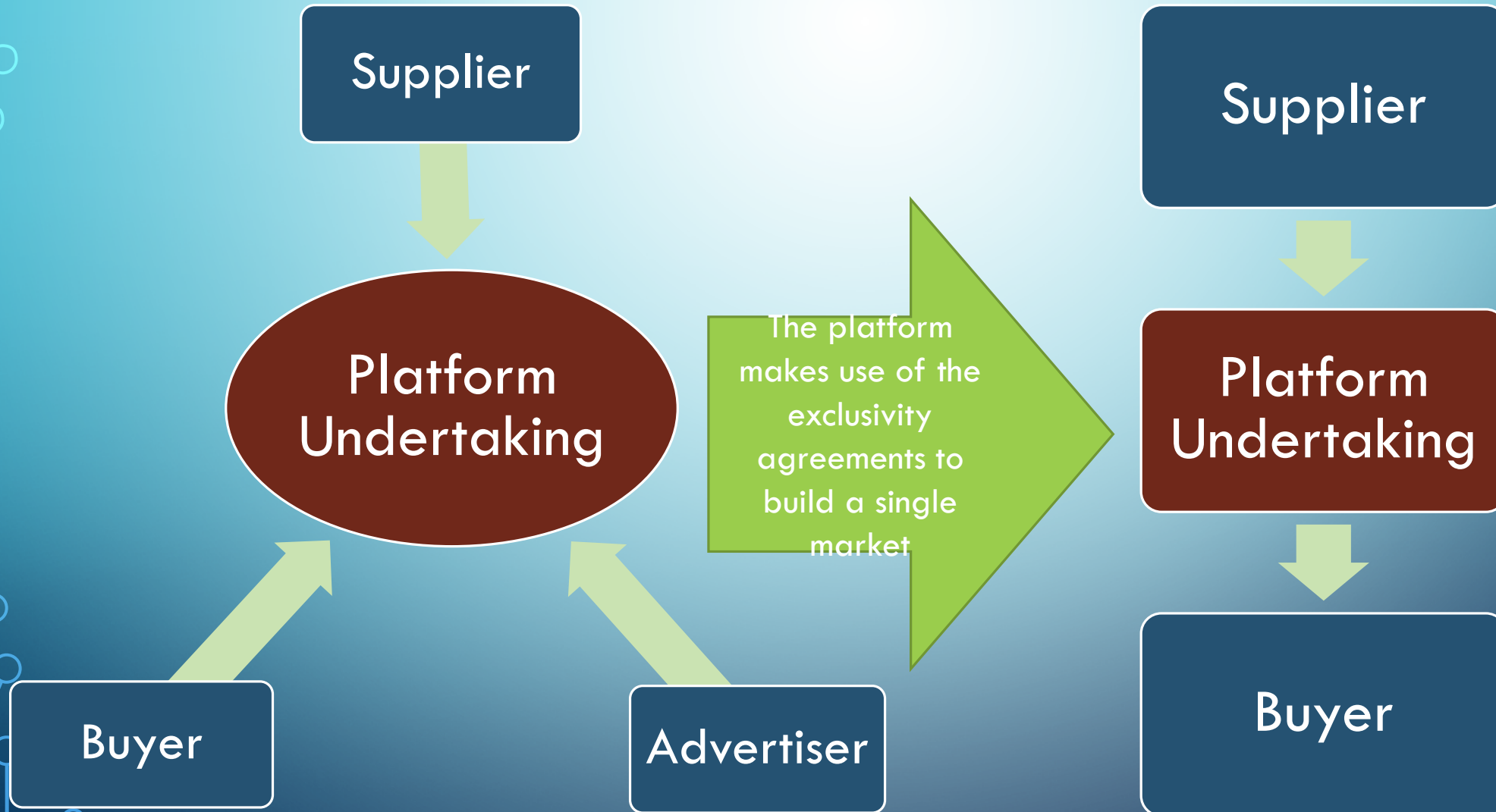
The exclusivity agreement is an important tool for platform undertakings to restrict user multi-attribute to undermine the network effect of their opponents and to break the competition bottleneck in order to seek for a monopoly.

The following two diagrams show how platform undertakings achieve their monopoly purposes through exclusivity agreements in multilateral markets and unilateral markets.

- The Conduction effect of exclusivity agreements on multilateral markets



- The monopoly effect of exclusivity agreements on unilateral markets



III. ANTITRUST STRATEGY OF THE PLATFORM MARKET

(I) General Principles:

Relevant market theory: Compare the related market conditions in the exclusivity agreement's duration with the relevant market conditions before the agreement appeared or possible market conditions (after removal of the agreement), and judge comprehensively whether the exclusivity agreement of the platform undertakings has the consequences of limiting or excluding competition, and on this basis, make antitrust regulations.

(II) Regulation Constituents:

- The Market structure of the Platform Undertaking
- The Market Share of the Platform Undertaking
- The Market Share of the Competitors
- The Market Share of the counterpart of the agreement
- The Market entry Barrier
- Maturity of the Market
- Nature of the Products

(III) Exemption of antitrust

- Exemption of SME: Exclusivity agreements reached between small and medium sized enterprises with small market share can exempt antitrust investigations.
- Exemption of Innovation: When the platform undertaking implements exclusivity agreement in the creation of new market demand, the anti-monopoly law enforcement agencies can suspend the anti-trust investigation within a certain period of time.
- Exemption of IP (Intellectual Property): The platform undertakings shall exempt the anti-trust investigation if the intellectual property terms agreed upon with the counterpart of the transaction conform to relevant laws, administrative rules and regulations. However, the abuse of intellectual property by platform undertakings to produce obvious anti-competitive consequences is excluded.
- National economic security and Social welfare exemption: The exclusivity agreement implemented by platform undertakings to safeguard national economic security or to realize social public interests such as environmental protection and disaster relief is exempt from antitrust investigation.