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Concept & Function of Market and Role of Competition Law

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Abstract:
Markets are central to every economy—they bring buyers and sellers together, shape prices, encourage innovation, and help allocate resources efficiently. However, without proper regulation, markets can become distorted by monopolies, unfair trade practices, and barriers that limit entry and consumer choice. To counter these risks, antitrust and competition laws have been developed across the world to ensure fairness and protect public interest. This paper is divided into three parts.
The **first part** explains the concept and function of markets, focusing on how they operate and the essential role competition plays in keeping them healthy. The **second part** traces the global evolution of antitrust laws, from their origins in the United States to their adoption in other parts of the world. The **third part** focuses on India's experience, highlighting the shift from the Monopolies and Restrictive Trade Practices (MRTP) Act to the more progressive and enforcement-oriented Competition Act of 2002.
Together, these sections show how competition law has become a key tool in maintaining market balance and protecting consumer welfare—both globally and within India.

1. Concept & Function of market:

1.1 Meaning of market:

'Market' is a means by which the exchange of goods and services takes place as a result of buyers and sellers being in contact with one another, either directly or through mediating agents or institutions. Markets in the most literal and immediate sense are places in which things are bought and sold. In the modern industrial system, however, the market is not a place; it has expanded to include the whole geographical area in which sellers compete with each other for customers.

Alfred **Marshall**, whose Principles of Economics (first published in 1890) was for long an authority for English-speaking economists, based his definition as "Economists understand by the term Market, not any particular market place in which things are bought and sold, but the whole of any region in which buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly."[1]

Between the first seller of an item and the ultimate buyer, most marketplaces are made up of groups of intermediaries. From the brokers in the large produce exchanges to the village grocer, there are a variety of intermediates. They may be simple traders with only a phone, or they could provide storage and significant grading, packing, and other services. A market's primary job is to gather things from different

[1] https://www.britannica.com/topic/market (last visited Apr. 20, 2025).

sources and distribute them to various destinations. From the seller's perspective, dealers channel demand for his goods; from the buyer's perspective, they put supply within reach.

There are two primary types of product marketplaces, each having its own set of supply and demand dynamics, as well as some overlap and borderline instances. These are as:

1. In which the producer offers his products for sale and accepts whatever price the market will bear;
2. In the second, the producer sets his own price and sells as much as the market will bear.[2]

In addition, the spread of financial markets, such as securities exchanges and money markets, has accompanied the growth of goods trade.

1.2 The origin of markets:

Markets as commercial area appear to have sprung from three different places. These are as :-

a. The first was at **fairs in rural areas**. A typical planter used his main produce to feed his family and pay his landlord and moneylender. He had side businesses that generated revenue, and he had wants that he couldn't meet at home. He may then travel to a market where many people could meet to sell and purchase.[3]
b. The second point **was landlord service**. Rent was largely paid in grain, and even after it was converted to money, grain sales were required to pay the cultivator's obligations. The landlord mandated a one-way transaction for rent payment. The landlord, in turn, utilised the rents to keep his troops, clients, and craftsmen, resulting in the formation of cities as commerce and manufacturing centres. A quality of living established in the urban elite, allowing its members to tend to one other as well as landlords and bureaucrats.[4]
c. International trade was the third and most significant source of markets. Merchant adventurers (the Phoenicians, the Arabs) have been risking their lives and wealth to transport the products of one place to another since ancient times. The fact that international trade was conducted by third parties was crucial to the development of the market system. Commercial dealings inside an established country were limited by concerns of rights, duties, and good conduct. Dealings in mediaeval Europe, for example, were primarily governed by the notion of the "fair price," or a system of values that guaranteed producers and merchants an income adequate to sustain their respective social positions. No holds are forbidden in commerce if the trader is not bound by any commitment on either end; merely commercial principles have total freedom. The commercial principle undercut medieval concepts of rights and responsibilities in commerce (for example, the export of English wool to Italian weavers). When commerce freed the powers of industrial production, as Adam Smith remarked, a big leap happened.[5]

1.3 Concepts of Market:

The term ‘Market’ has three concepts:[6]

1. **Place Concept:** A market is a convenient meeting place for buyers and sellers to gather together in order to conduct buying and selling activities, e.g., a spot, cash or physical market, wholesale or

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[2] **OECD**, “Financial Markets”, *OECD*, available at: https://www.oecd.org/en/topics/policy-issues/financial-markets.html (last visited Apr. 20, 2025).
[3] **Encyclopaedia Britannica**, “Market: The Historical Development of Markets”, *Encyclopaedia Britannica*, available at: https://www.britannica.com/money/market/The-historical-development-of-markets (last visited Apr. 20, 2025).
[4] Ibid.
[5] Mark Casson & John S. Lee, “The Origin and Development of Markets: A Business History Perspective”
[6] https://www.businessmanagementideas.com/management/marketing-functions/market-meaning-concept-and-types-management/4479 (last visited Apr. 20, 2025).

retail market.[7]

2. **Market Concept:** A market is a small or large area in which the price-making forces of demand and supply tend to operate freely through modern means of communication such as phone, telex, correspondence, and where informed buyers and sellers can establish close and continuous contacts to carry on exchange of goods and services without formal face-to-face meetings.
   Many commodities have a national or global market in this sense. The term 'market' refers to an economic idea. In this sense, the location of the exchange meeting is purely a question of convenience. A money market, for example, is a highly organised market for the entire country with no central meeting location for money borrowers and lenders.[8]
3. **Demand Concept:** The term market is also used to represent customer demand. In this context, market refers to individuals having wants to be met, money to spend, and the willingness to spend it. The human person is a desirous animal with unending, diverse, and ever-changing desire.
   Want-satisfaction is a constant process, and sellers compete fiercely to generate, capture, and keep the market (customer demand) for their goods. When a seller's goods has no demand, he may be priced out of the market. There is a life cycle for every product. What was fashionable yesterday may not be fashionable tomorrow.
   The following picture shows the market concept [9]:-

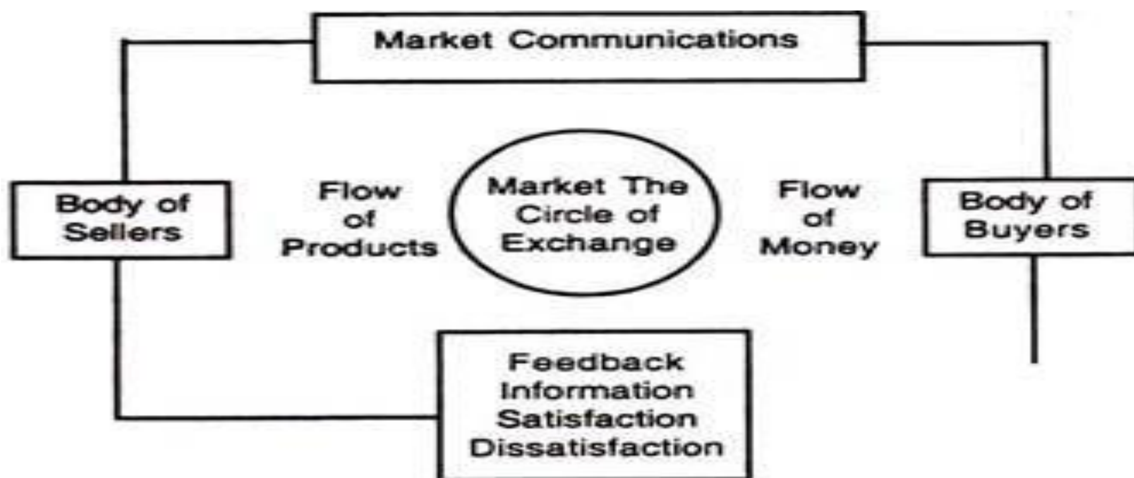

Fig. 1. The Market

1.4 Conditions for the development of a wide market for commodities:

Extensive demand and supply: A commodity with a large market is likely to have a large demand. Wheat has a larger market than wool since wool has a restricted need in warm areas, but wheat is needed practically everywhere. Similarly, a commodity's market may be highly restricted due to its limited availability (e.g., works of art).[10]

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[7] Ibid
[8] Ibid
[9] Ibid
[10] **Kansas State University**, "Economics of Commodity Storage", *Kansas State University*, available at: https://entomology.k-state.edu/doc/finished-chapters/s156-ch-27-economics-of-commodity-storage.pdf (last visited Apr. 22, 2025).

Durability: Perishable commodities cannot be stored for long periods of time and cannot be transported, hence they cannot have a large market. A long-lasting item that can be sent to distant locations has a large market (e.g., the markets for cotton-textiles, electrical goods, wrist watches, etc.).[11]

Portability of the commodity: Portability means the easy transferability of the thing from one place to another. Some goods (e.g., gold, silver, synthetic goods, cotton textiles, etc.) can be easily and cheaply sent from one place to another. These goods have wide markets. But bulky articles of low value like bricks and sand cannot be easily transported and so they have limited markets.[12]

Cognizability: Certain things are clearly identifiable. Jute or raw cotton items with separate patents and trade-marks, for example, can be easily distinguished and recognised. A buyer can place orders for such items from a vendor who is located far away, specifying merely the grade or brand and the quantity required. As a result, there is a large market for such items.

Suitability for grading and sampling: Only when a commodity can be correctly graded and identified via specimens can it be easily recognised. Cotton, wheat, jute, and other standardised items with unique brand names and trademarks may be easily marketed through sample, resulting in large marketplaces. Cattle, horses, and used automobiles, on the other hand, are plainly not for sale without a thorough inspection.[13]

1.5 Functions of Markets:

Organised markets are concerned with the distribution of commodities from manufacturers to ultimate consumers via wholesalers and retailers. These marketplaces are critical to the entire manufacturing process. When it comes to the economic relevance and functioning of markets:-

1. The most obvious use is to bring buyers and sellers together in one location.
2. They also lessen price variations caused by the product's seasonal character. One of the functions of market experts is to keep commodities in stock so that prices do not fall too quickly during periods of high output or rise too quickly during periods of low output. They thus benefit both producers and consumers in the first situation.
3. In this regard, speculators, who are frequently chastised, help to stability by purchasing when prices are low (thus avoiding additional price declines) and selling when prices increase (thus preventing prices rising too far).
4. Finally, the creation of centralised markets allows both producers and consumers to benefit from specialised services that can only be sustained when markets are large enough to provide economies of scale.

The market is the place where goods are exchanged. Here, buyers and sellers talk about the articles and determine the price at which purchase and sale will be made. To quote Bates and Parkinson, **“It is preferable to speak of the market as the area in which producers, both manufacturers and distributors, compete and in which buyers seek to satisfy their wants.”** In fact, the nature of the marketing problem depends on the product itself as also to some extent on the geographical distribution of markets and incomes.[14]

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[11] Ibid.
[12] Ibid.
[13] Ibid.
[14] *Marketing Fundamentals*, 2nd ed., Pearson Education, 2010.

2. Evolution and development of Anti trust laws:

2.1 Introduction:

What if the two largest telecom companies of IDEA and Jio merged? It is likely that the mega-company that resulted would dominate the mobile network industry, squeezing out all of the other smaller competitors. Concerns over this sort of merger, as well as other attempts by huge firms to form monopolies or dominate the market, drove state and federal policymakers to take steps to mitigate the dangers associated with such practises in the late 1800s.

The growth of corporate monopolies dominating the manufacturing and mining industries disturbed the United States in the late 1800s. The end of the Civil War signalled the start of a period of rapid industrialisation. Many huge corporations arose, particularly in the oil and steel sectors, which were becoming increasingly important to the country. Manufacturing and distribution businesses expanded rapidly in a wide range of sectors, from sugar to cattle to tobacco. The issue was that the expansion was so rapid that supply outpaced demand. As a result of the increasing rivalry, several businesses attempted to restrict the number of rivals by using trade restraints such price fixing, monopolies, and mergers.

Some of the rivals were larger and more powerful than others, and they aimed to limit market competition by reducing the number of smaller businesses attempting to compete with them. Some of the biggest corporations joined forces to form business trusts. A business trust is a trust arrangement that allows businesses to keep their earnings as beneficiaries while still maintaining legal ownership and control of the company's assets. Businesses who were members of these trusts were able to become larger by cooperating with one another and shutting out other rivals.

2.2 Unfair Business Practices[15]:

Companies attempted to create scenarios that would force some competitors out of business while increasing their market share. This approach led in mergers and consolidations that concentrated power in a few hands by putting the majority of industries under their control. Because the trusts could fix prices and afford to absorb some losses, they would push prices down until rivals could no longer compete because they couldn't afford to operate at the reduced rates.

Because smaller rivals continued to go out of business, the markets began to concentrate under a few corporations. The trusts permitted cooperative enterprises to preserve pricing and other practises that smaller rivals couldn't match. This design hindered both enterprises and consumers from engaging in free commerce. As a result, the trust's few enterprises grew in influence, causing the government to seek steps to rein in the situation. To prevent this type of trade restriction, the government decided to pass legislation.

2.3 Rule of Reason:

Commercial trusts were not the only ones that engaged in unethical business activities. Agreements between rivals, contracts between sellers and purchasers, and methods that formed or sustained cartels, monopolies, and mergers all had problems. Because there were no formal statutes governing these acts, the courts were unsure how to handle them. Initially, courts appeared to be split in their opinions, approving and punishing various types of trade constraint. State-by-state rulings were inconsistent, and criteria needed to be developed. The determining factor seems to be whether the restrictions stopped other merchants from entering the market.

The norm utilised by the courts was the rule of reason. The rule of reason looked at the contract's objective, which was classified as either naked or accessory constraint. Contracts that encourage a

[15] https://openstax.org/books/business-law-i-essentials/pages/11-1-history-of-antitrust-law (last visited Apr. 23, 2025).

widespread constraint of competition are known as naked restraint. It was called a bare constraint if it was developed with the objective of long-term influence without bounds. Ancillary constraint arises when the limitation is temporal and geographically constrained. The constraint would be temporary and restricted in extent with auxiliary restraint. The courts were more consistent with supplementary restraint than they were with bare constraint. Initially, it appeared that there was no complete common law that was implemented consistently throughout states.This problem was concerning enough to warrant a solution, **and in 1890, the first antitrust law was enacted.**[16]

2.4 Antitrust laws:

It aims to ensure fair trade practises by regulating economic rivalry. They were established to prevent trade restrictions imposed by trusts and other huge corporation activities. These restrictions frequently resulted in price fixing, production control, and regional market control. Many nations saw these results as a threat to fair trade practises. As a result of the formation of the Standard Oil trust in 1887, the federal government recognised the problem and enacted antitrust laws. The Standard Oil Trust arose when oil corporations transferred their shares to a trustee in order to form a more powerful block of oil businesses that could successfully compete with them.

The **Sherman Antitrust Act of 1890** [17]was the first antitrust law passed, and it served as the foundation for later antitrust legislation. The Sherman Act was a solid start, but it did not go far enough to eliminate trusts, and major corporations continued to have a powerful grip on industries. A few huge corporations owned about half of the nation's manufacturing assets at the turn of the century. It became clear that more legislation was required. President Theodore Roosevelt branded himself a "trustbuster" and launched a crusade to make the judicial system more effective.[18]

In 1914, further antitrust legislation was approved, including the **Clayton Act** [19]and the **Federal Trade Commission Act**[20]. These acts are still in place, and Congress has updated them since 1914 to continue to extend and deepen coverage. Antitrust laws are projected to save consumers millions of dollars each year by prohibiting commercial tactics that raise prices unjustly on products and services.[21]

2.5 Judicial advancements by US supreme court

The United States Supreme Court, however, used the **"Rule of Reason**" interpretation of the Sherman Act in 1920, stating that not every contract or combination limiting trade is illegal. The Sherman Act only prohibits "unreasonable" trade restraints such as acquisitions, mergers, exclusionary measures, and predatory pricing. This view gave huge corporations a lot more leeway. The court changed its position in a case concerning the **Aluminum Company of America (1945)**, ruling that a corporation's size and structure were adequate grounds for antitrust action. Since then, the monopoly restriction has been frequently enforced, sometimes resulting in the breakup of the guilty corporation.

One of the largest antitrust suits since that time was brought against **Microsoft Corporation**. A decision in 1999 found the company had attempted to create a monopoly position in Internet browser software, but a court-ordered breakup of Microsoft was overturned by an appeals court in 2001. In **2019** the Supreme Court allowed a large class action lawsuit alleging violations of antitrust law to proceed

[16] ibid
[17] Sherman Antitrust Act of 1890, 15 U.S.C. § 1 et seq. (1890).
[18] Federal Trade Commission (n.d.). The antitrust laws. https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/antitrust-laws (last visited Apr. 23, 2025).
[19] Clayton Antitrust Act, 15 U.S.C. § 12 et seq. (1914).
[20] Federal Trade Commission Act, 15 U.S.C. § 41 et seq. (1914).
[21] Hylton, Keith N., *Antitrust Law: Economic Theory and Common Law Evolution*, Cambridge University Press, 2003.

against **Apple Inc.** In the same year, the Justice Department began a broad review of potentially anticompetitive behaviour by "market-leading online platforms," presumably including Google and Facebook, and a coalition of attorneys general from 48 states, the District of Columbia, and Puerto Rico announced coordinated antitrust investigations into alleged monopolistic practices by Google.[22]

3. India and competition law:

Consumers profits from competition in the marketplace, which is portrayed as rivalry between enterprises. It has now become an important aspect of the economy. Although economic agents' motivations may be simply personal, the competition's outcome benefits society as a whole. Consumers, businesses, and the economy as a whole benefit from competition. Competition provides customers with a wider range of options at lower prices, while also promoting development, productivity, and resource allocation. Competition, it is frequently claimed, sows the seeds of its own demise. This means that there may be times when a company reaches a position where it can restrict others from competing fairly.

As a result, codification of rules to foster and sustain market competition by regulating anticompetitive behaviour and practises by diverse market actors is required. In the United States of America, competition law is known as antitrust law. Antitrust laws stabilise the market by preventing monopolies and unfair corporate activities. Other countries outside the United States use the phrase competition law. A national antitrust legislation protects and encourages market competition inside a country's borders. International competition authorities safeguard global competition. Its goal is to safeguard customers' interests.

Many countries have enacted their own competition laws to combat anti-competitive behavior and unfair trade practices. The primary goal of competition law is to prevent certain market behaviours that harm businesses, customers, or both, and to regulate market practises that violate market ethics.

"The importance of competition in an increasingly innovative and globalised economy is clear. Vigorous competition between firms is the lifeblood of strong and effective markets. Competition helps consumers get a good deal. It encourages firms to innovate by reducing slack, putting downward pressure on costs and providing incentives for the efficient organization of production. As such, competition is a central driver for productivity growth in the economy, and hence the UK's international competitiveness." [23]

3.1 Background of Competition Law in India:-

The Monopolies and Restrictive Trade Practices Act of 1969 was India's first competition law (MRTP Act). Three studies contributed to the creation of the **Monopolistic and Restrictive Trade Practices Act, 1970(MRTP) Act**[24]. The first was a study of the industrial **licencing system** under the Industrial (Development and Regulation) Act, 1951, by a commission led **by R.K. Hazari**. The committee came to the conclusion that the licencing system's operation had resulted in unequal growth of some Indian businesses. [25]

The second was a study of the country's income distribution and levels by a group directed by **Professor P.C. Mahalonobis**. According to the conclusions of the committee, India's top 10% of the population holds up to 40% of the country's wealth. The committee also acknowledged that the country's

[22] https://www.britannica.com/event/Sherman-Antitrust-Act (last visited Apr. 23, 2025).
[23] White Paper Productivity and Enterprise (Cm. 5233, July 2001)
[24] Monopolies and Restrictive Trade Practices Act, 1969, No. 54 of 1969, Government of India.
[25] Hazari, R.K., *Industrial Planning and Licensing Policy: Final Report*, Planning Commission, Government of India, 1967.

government's planned economy model was causing huge corporate houses to expand, and recommended that detailed data on all aspects of economic power concentration be gathered.[26]

The third study was carried out by the **Monopolies Inquiry Commission** (**MIC**), which was established by the government in April 1964 and led by **K.C Das Gupta**. It was ordered to investigate the amount and impact of power concentration in private hands, as well as the prevalence of monopolistic and restrictive trade practises in key economic sectors. The MIC reported in October 1965 that there was a concentration of economic power in terms of products and industries. As a result of its findings, MIC produced a law to control the economic system's activities in order to prevent economic power concentration. The measure also establishes monopoly control and prohibits monopolistic and restrictive commercial practises that are harmful to the public interest.[27]

The MRTP Act is founded on the principles of unrestricted interplay of market forces, maximum material progress via rational resource allocation, availability of high-quality goods and services at reasonable costs, and, lastly, a just and fair bargain for consumers. The act has a unique aspect in that it includes both the production and distribution of goods and services. According to the 'behavioural theory', firms, enterprises, and bodies that engage in trade practises that are damaging to the public interest are investigated to see if the acts are considered an Unfair Trade Practice, Restriction, or Monopoly. In accordance of the 'Reformist Theory', the MRTP Act stipulates that if the Commission determines after an inquiry that a business has engaged in monopoly or an Unfair Trade Practice, it can advise and require the firm to cease or not repeat the trade practice. The MRTP Act also allows a business to furnish assurance that it has taken efforts to guarantee that the prejudicial trade practice does not exist. The MRTP Act's foundation is mostly based on a directive or reforming approach. So, punishment was ineffective as a deterrent.

3.2 Key Differences between MRTP Act and Competition Act:

The fundamental points of differences between Competition Act [28]and MRTP Act are as follows:

- The MRTP Act is a competition statute designed to avoid economic power concentration in the hands of a few. The Competition Act, on the other hand, shifts the emphasis from monopoly control to market competition.
- While the Competition Act is penal, the MRTP Act is reformatory.
- Under the (MRTP) Act, a firm's dominance was judged by its size. The Competition Act, on the other hand, evaluates a firm's market dominance based on its structure.
- •There were 14 violations against the rule of natural justice under the MRTP Act. The competition act, on the other hand, only lists four crimes that contradict the concept of natural justice.
- MRTP Act does not mention any sanctions, the Competition Act does.
- The primary goal of the MRTP Act was to regulate monopolies. The Competition Act, on the other hand, aims to promote and maintain market competition.
- The chairperson was appointed directly by the Central Government under the MRTP Act. In the Competition Act, on the other hand, the chairperson is appointed by a committee of retired judges.

In summary, these acts are distinct in a variety of situations. The MRTP Act has several flaws, and the Competition Act addresses all of the areas where the MRTP Act falls short. The MRTP Commission's

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[26] Mahalanobis, P.C., *Report of the Committee on Distribution of Income and Levels of Living*, Government of India, 1961.
[27] Government of India, *Report of the Monopolies Inquiry Commission*, Vol. I & II, Manager of Publications, Delhi, 1965.
[28] Competition Act, 2002, No. 12 of 2003, Government of India.

function is strictly advisory. On the other hand, the Commission has a variety of punitive powers, and it encourages Suo Moto and punishes corporations, which has a detrimental impact on the market.

3.3 Objective of Competition Policy and Law:

The primary goal of competition law is to prevent firms and businesses from engaging in anti-competitive behaviour. The full benefit of economic reforestation is thought to be better realised in the presence of a competitive environment. Consumer protection is another essential purpose of competition law. It has been observed that competition law objectives differ from nation to country, and even within a country, they can alter and adapt in response to changes in the economy.

In the case of **Competition commission Vs. Steel Authority of India**[29]**,** Supreme Court of India held that in 2010 the main objective and advantage of competition law are: "The main goal of competition law is to promote economic efficiency by using competition as one of the tools for helping to create markets that are responsive to consumer preferences. The benefits of perfect competition are threefold: allocative efficiency, which assures efficient resource allocation, productive efficiency, which ensures low production costs, and dynamic efficiency, which encourages creative practises."

The general notion is that competition law and policy are concerned with issues of competition and competitiveness, resulting in, among other things, goods and services being supplied at competitive rates and consumers having a choice of products. Competition would also have a broader applicability in terms of general economic governance and growth, as well as improved regional and global trade and development balances.

To understand the objectives of competition law, it is important to understand that objectives can be final or intermediate The difference is that intermediate objectives are short-term planned results that will aid in the achievement of ultimate objectives, whereas the long-term outcome will be determined by the interaction of other objectives.

Similarly, competition policy has end and intermediate goals.

The intermediate goal of competition policy may be defined as the preservation of the competition process or free competition in the economy, or the prevention of unjustifiable restrictions on competition, in order to accomplish freedom of trade, freedom of choice, and market access. The achievement of these goals will be crucial in achieving another intermediate goal: economic efficiency.

There are two types of economic efficiency:static and dynamic. 'Static effency' refers to maximisation of total producer and consumer surplus in a given market at a point in time, while 'dynamic efficiency' refers to maximisation of the sum of such surplus over time or over a specific period to reflect innovation and technical progress. As a result, achieving static and dynamic efficiency in the economy is one of the intermediate goals of competition policy.

3.4 The key instruments of the Competition Act are:

A. The Anti-competitive agreements
B. Abuse of dominance
C. The Mergers or Combinations.[30]

A. Anti-Competitive Agreements

Anti-Competitive Agreements - Classified mainly into two types:

- Horizontal Agreements, **Section 3(3)** cartel, bid-rigging etc.: between two or more enterprises operating at same level of business.

[29] 2010 (10) SCC 744
[30] Supra 28.

- Vertical Agreements, **Section 3(4)** exclusive supply/distribution, tie-in arrangement, Resale price maintenance, refusal to deal etc.

1. **Horizontal Agreements:**

- Directly or indirectly determining purchase or sale price.
- Limit or control production, supply, market, technical development, investment or provision of services.
- Shares the market by way of allocation of geographical area
- Bid rigging/collusive bidding
- Shall presume rule applies to Horizontal Agreements.
- Burden of proof is on the person or enterprise.[31]

Penalty:

Up to 3 times of profit of contravening enterprise for each year of the continuance of such agreement or 10% of its average turnover, whichever is higher.**[32]**

Case Study:

Case No 29/2010 (CCI Order Date 20th June, 2012 was remanded back to CCI on violation of principles of natural justice vide COMPAT order dated 11.12.2015): Cement Manufacturer's Association (CMA) and 11 cement manufacturing companies were found to have entered into cartel, price fixing, limiting the production and supply of cement. Builders' association of India was the informant. CCI's orders of 20.06.2012 and 31.08.2016- imposed penalty above Rs. 6,714 crore - pending in NCLAT.[33]

2. **Vertical Agreements:-**

Agreements between different level of production and distribution chain are called vertical agreements viz. Manufacturer-Dealer; Dealer-Supplier and Wholesaler-Retailer etc.

Following agreements are prohibited under Competition Act:

- Tie-in arrangements.
- Exclusive Supply Agreement.
- Exclusive Distribution Agreement.
- Refusal to Deal.
- Resale Price Maintenance.[34]

Case Study:

Shamsher Kataria vs. Honda Siel Cars ltd. (Case No.03/2011). In a first major Order passed under section 3(4) of the Competition Act,2002, CCI had imposed penalty of more than Rs.2500 Crores upon 14 major car manufacturers for violating the Act. It was held that all the major auto manufactures were not allowing its spare parts and diagnostic tools to be sold in the open car market and forcing the consumers to buy it from their authorized dealers.[35]

B. **Abuse Of Dominance:-**

Section 4 (2) of the Act,2002 specifies the following practices by a dominant enterprises or group of en

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[31] https://www.legalserviceindia.com/legal/article-1814-competition-law-in-india.html#:~:text=The%20main%20objectives%20of%20the,To%20ensure%20freedom%20of%20trade (last visited Apr. 24, 2025).
[32] Competition Act, 2002, No. 12 of 2003, section 3(3).
[33] Supra 31.
[34] Competition Act, 2002, No. 12 of 2003, section 3(4).
[35] Competition Commission of India. (2014). *Order in Case No. 03/2011: Shri Shamsher Kataria v. Honda Siel Cars India Ltd. & Ors.* Retrieved from https://www.cci.gov.in/antitrust/orders/details/750/0 (last visited Apr. 24, 2025).

terprises as abuses:

1. directly or indirectly imposing unfair or discriminatory condition in purchase or sale of goods or service;
2. directly or indirectly imposing unfair or discriminatory price in purchase or sale (including predatory price) of goods or service;
3. limiting or restricting production of goods or provision of services or market;
4. limiting or restricting technical or scientific development relating to goods or services to the prejudice of consumers;
5. denying market access in any manner;
6. making conclusion of contracts subject to acceptance by other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts;
7. using its dominant position in one relevant market to enter into, or protect, other relevant market.[36]

C. Combinations / Acquisitions:-

According to **Section 5 of the Act**, **combination** is defined as: "Acquisition of one or more enterprises by one or more persons or merger or amalgamation of enterprises shall be a combination of such enterprises and persons or enterprises."[37]

The merging of two or more enterprises or businesses is referred to as a combination under competition law. The government monitors mergers and acquisitions across the country to support small businesses and ensure that they are not overshadowed or devoured by larger corporations. Mergers of large profit organisations make it difficult, if not impossible, for smaller businesses to compete and generate money. The accumulation of significant wealth in some commercial sectors, as well as differing customer tastes, may result in significant economic and social inequities within the country.

3.5 Exceptions of anti-competitive agreements:

The provisions relating to anti-competitive agreements will not restrict the right of any person to use or restrain any infringement of intellectual property rights (IPR). To impose such reasonable conditions as may be necessary for the purposes of protecting any IPR, which may have been conferred under the following intellectual property right statutes;

- The Copyright Act, 1957;
- The Patents Act, 1970;
- The Designs Act, 2000; etc.

CONCLUSION:

In conclusion, this paper highlights the crucial role markets play in driving economic activity. Markets are more than just places for buying and selling; they are dynamic systems where competition encourages innovation, sets prices, and ensures resources are allocated efficiently. However, when left unregulated, markets can become distorted by monopolies or unfair practices, which harm both consumers and smaller businesses. This is where antitrust laws come into play, and the global history of these laws shows a gradual shift towards protecting fair competition and preventing market abuse. From early efforts in the U.S. to the development of modern regulations, antitrust laws have evolved to keep up with changing market conditions.

[36] Competition Act, 2002, No. 12 of 2003, section 4.
[37] Competition Act, 2002, No. 12 of 2003, section 5.

In India, the journey from the MRTP Act to the Competition Act, 2002, reflects the country's growing recognition of the need for strong competition laws. The establishment of the Competition Commission of India has been a significant step in ensuring that markets are open, fair, and free from anti-competitive behavior. This evolution has not only aligned India with global standards but has also helped foster a more competitive business environment, benefiting both consumers and companies.

Overall, the paper underscores the importance of competition laws in maintaining the integrity of markets. Fair competition is key to driving economic growth, innovation, and ensuring that the benefits of the market are shared more equally among all participants. By keeping markets competitive, we can create a healthier economy that works for everyone.