LAWS6315 Principles of Competition Law

THE CHINESE UNIVERSITY OF HONG KONG · POSTGRADUATE · TERM ONE 2026/27

Full guide + ask Sia about LAWS6315

SIDE 1/2 ISSUE → RULE → APPLICATION → QUALIFIED CONCLUSION OPEN-BOOK EXAM SHEET market · coordination · distribution · dominance · Hong Kong route

0 · Exam Map

COURSE FACTS

In-class exam · 90% Preser

Three-hour in-class examination. Assessment weights total 100%.

"In-Class Exam (Open Book Exam)" *(LAWS6315 Principles of Competition Law session outline, Term 1 2026-27)* · "Students writing answers to exam questions must ensure that they acknowledge the work of others, including the work of authors whose books, articles and other materials they are permitted to take into the exam venue." *(LAWS6315 Course Outline, Term 1 2026-27)*

1 · Master Answer Spine

GUIDE METHOD

MOVE	WHAT EARNS SPACE
Issue	Actors, ownership/control, supply level, contact, clause, candidate market.
Rule	First or Second Conduct Rule; distinctive actor and conduct conditions.
Apply	Give each fact a job: constraint, contact, mechanism, counterfactual, qualification.
Conclude	Likely route + fact that could reverse it + evidence/institution next.

PROBLEM ORDER

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relationship → market/constraint → conduct → object/effect or abuse → efficiency/merits → Hong Kong effect → institution
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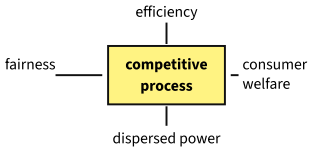
Route before doctrine: competitors at the same level suggest horizontal coordination; supplier–dealer terms suggest a vertical file; one powerful undertaking acting alone suggests unilateral conduct. One strategy can create all three, but each keeps its own elements and conclusion.

★ Protect rivalry, not every rival. Lost sales or exit may show better price, quality or innovation. Identify the mechanism that weakens independent rivalry before alleging competition harm.



Objective compass: name the protected value; different objectives can support different interventions.

POLICY CHECK	ASK
Current gain	Price, quality, choice, output?
Future structure	Entry, switching, data, multi-homing?
Error cost	False positive or false negative?
Remedy fit	Targets mechanism; less restrictive?

EXAM USE → *A qualified conclusion is stronger than certainty unsupported by the missing fact.*

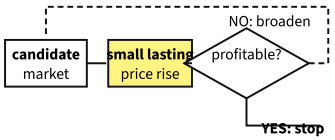
2 · Define the Market

GUIDE C2

Relevant market = product + geographic boundary used to identify effective competitive constraints. It is an analytical tool, not liability.

STEP	EVIDENCE / DECISION
1 Focal offer	Product, place, customer group, competitive dimension.
2 Alternatives	Characteristics, price, intended use; distinguish preference from demonstrated switching.
3 Hypothesis	SSNIP; use SSNDQ for zero-price/quality competition.
4 Switch?	If enough demand moves to defeat deterioration, broaden and repeat.
5 Qualify	Benchmark, costs, data quality, discrimination, geographic scope.

Run product and geographic substitution separately and consider distinct customer groups where discrimination is feasible. Actual switching, procurement records, customer documents, entry and expansion carry more weight than labels or stated preference alone.



Hypothetical-monopolist loop: broaden only when switching defeats the change.

REVENUE SCREEN

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old revenue = old price × old quantity
new revenue = raised price × retained quantity
profitability supports the candidate boundary; it does not mechanically define it.
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CELLOPHANE WARNING

If the current price is already elevated by power, one further rise may induce switching to weak substitutes and make the market look too broad. Test against a competitive benchmark, not blindly against the current price.

A narrow or broad boundary matters because it gives meaning to shares, concentration, foreclosure and power. Still ask whether customers, rivals and entrants can discipline the undertaking after drawing it.

HHI: STRUCTURE, NOT VERDICT

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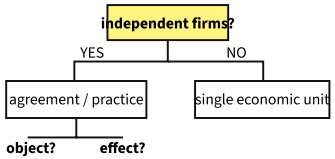
HHI = ∑(percentage market share)²
merger ΔHHI = 2ab when all other shares are unchanged
```

3 · Horizontal Coordination

GUIDE C3 · FCR

The **First Conduct Rule** route asks whether independent undertakings coordinated by agreement, concerted practice or association decision and whether the object or effect restricts competition in Hong Kong.

ELEMENT	FACTS THAT DO WORK
Independent?	Decisive common control may create one economic unit; count decision-makers, not company names.
Contact	Meeting, message, association channel; opportunity alone is not the shared understanding.
Coordination	Future prices/bids, allocated customers, rotation, compensation, implementation.
Alternative	Common costs, regulation, demand or rational observation may explain parallel conduct.
Plus factor	Identify the fact the innocent account cannot explain.



Relationship first: coordination requires independent undertakings; then choose object or effect.

THREE BOXES THAT MUST NOT BLUR

ROUTE	CORE INQUIRY	DO NOT SUBSTITUTE
Object	Content, aims and legal-economic context reveal sufficient harm.	No separate market-effects proof; no need for subjective intent or success.
Effect	Coverage, power, entry, switching and likely conditions against counterfactual.	Suspicion or restrictive form alone.
Efficiency	Improvement; fair consumer share; indispensability; meaningful rivalry remains.	Party convenience or benefit alone.

Cartel families: price fixing, bid rigging, market sharing and output restriction remove an independent competitive dimension. Information exchange is contextual: analyse content, timing, recipients and use.

A shared understanding may be enough; it need not be formal, written or enforceable. Conversely, similar conduct alone does not prove that independent choice was replaced.

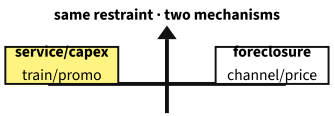
EXAM USE → *Begin with the best innocent explanation; the unexplained fact is where the coordination inference strengthens.*

4 · Vertical Restraints

GUIDE C5 · FCR

Different supply-chain levels usually perform complementary functions. A restraint can fund training, advice, promotion or product-specific investment and can also control dealer choice, soften rivalry or close a route to market.

RESTRAINT	CONCERN	POSSIBLE BENEFIT / HINGE
Minimum RPM	Dealer cannot discount; focal price.	Free-riding claim; is a price floor necessary?
"Recommended" price	Practical control if monitoring + pressure/sanction.	Actual sustained discounting supports freedom.
Exclusive supply / territory	Channels or customers tied; entrant denied scale.	Investment; coverage, term, alternatives.
Selective distribution	Dealer access limited.	Objective criteria, quality/service, narrower design.



power · coverage · duration · alternatives

Balance the concrete benefit path against the concrete foreclosure path; the label never decides.

APPLICATION SEQUENCE

1 CLAUSE → FREEDOM REMOVED	What decision can the dealer/customer no longer make?
2 HARM MECHANISM	Intra-brand price rivalry? Inter-brand access? Focal point? Minimum scale?
3 BENEFIT MECHANISM	What investment, who pays, who can appropriate, how restraint changes incentive?
4 SCOPE	Market/brand power, covered outlets/customers, duration, renewal, switching, online/overseas routes.
5 NECESSITY	Service standard, certification, fee, grant, reimbursement or shorter term?

Intra-brand = rivalry among dealers of the same brand. **Inter-brand** = rivalry between substitute brands. Weaker discounting inside one brand may coexist with stronger service rivalry between brands; state both.

Recommended ≠ free in practice. Monitoring, threats, delayed supply, rebate loss or retaliation can turn form into RPM.

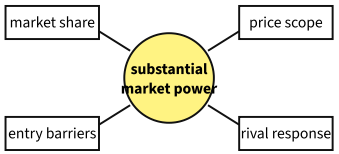
EXAM USE → *Name the service the restraint buys and the route to market it closes.*

5 · Dominance & Abuse

GUIDE C6 · SCR

The **Second Conduct Rule** route separates: relevant market → substantial, durable market power → abusive conduct → competitive harm → merits/justification. Size or success is not itself the wrong.

POWER EVIDENCE	QUESTION
Share + period	Meaningful only in a defensible market; durable or temporary lead?
Customer constraint	Switching, multi-homing, data portability, buyer-sponsored alternatives?
Rival/entry constraint	Expansion, capacity, sunk cost, network effects, regulation, contracts?
Behavioural evidence	Pricing freedom; worsening terms or exclusion without enough customer loss?



Power is an evidence web. No node proves it; even power does not prove abuse.

ABUSE: TRACE THE PATH, DO NOT LABEL

PRACTICE	NEEDED MECHANISM / QUALIFICATION
Loyalty / renewal	Makes switching unattractive; coverage, duration and realistic rival access.
Tying / exclusivity	Power in one offer closes customers/inputs/scale in another; separability matters.
Low price	Predatory theory needs more than aggressive price; compare lower cost or better integration.
Discriminatory / locked access	Does an equally efficient rival lose an input, distribution route or data needed to challenge?

Two fatal shortcuts: "high share = dominance" ignores market, entry, buyer power and durability. "rival exited = abuse" ignores competition on the merits. Ask why customers switched and whether access was closed.

Comparative discipline: US analysis stresses monopoly power plus exclusionary acquisition or maintenance; EU analysis recognises a special responsibility while preserving competition on the merits. Use either only as a proposition, then return to Hong Kong's substantial-power and abuse inquiry.

CONCLUSION SYNTAX

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power finding | precise practice | foreclosure path | likely effect | merits explanation | decisive missing fact
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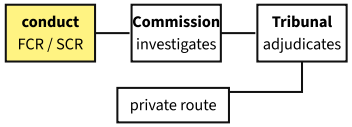
6 · Hong Kong Route

GUIDE C7

ROUTE	ACTOR CONDITION	CONDUCT / INQUIRY
First Conduct Rule	Two or more independent undertakings.	Agreement, concerted practice or association decision; restrictive object or effect.
Second Conduct Rule	One undertaking with substantial market power.	Abuse linked to that power; exclusion/other mechanism, effect and merits.

A strategy may raise both routes on *distinct elements*. Choose by relationship, not vocabulary: coordination between independent actors points to the First; unilateral use of substantial power points to the Second.



Attach doctrine to the actor and forum: Commission investigates; Tribunal adjudicates.

TERRITORY, EVIDENCE, INSTITUTION

HONG KONG EFFECT	Ask which local customers, tenders, prices, routes, supply or exclusion are affected. Place of signing is not the whole question.
EVIDENCE	Documents, chronology, ownership/control, communications, clause operation, switching, entry and customer response.
PROCEDURE	Competition Commission investigates and advances enforcement; Competition Tribunal determines matters within jurisdiction; identify any private route separately.

COMPARATIVE AUTHORITY: TWO-STAGE USE

1. **Extract proposition:** economic idea or legal reason from US/EU/other regime.
2. **Test local fit:** compare text, objective, institution and burden.
3. **Return:** apply Hong Kong statutory language and procedural route.

Never import the outcome. Per se reasoning and an object classification may both economise on effects proof but belong to distinct legal structures.

USABLE FINAL SENTENCE

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Likely [rule] because [actor + conduct + mechanism]; conclusion turns on [missing fact]. Obtain [evidence] / take [Commission, Tribunal or private] route next.
```

EXAM USE → *A statement that "competition law may apply" is too abstract: name rule, actor, harm, territorial link and next step.*

Forward this to your tutorial group

V2 · 2026-10-19

In-class open-book exam (date and session as announced on Blackboard). Check your unit's exam rules for any limit on what may be brought in.

LAWS6315 Principles of Competition Law · Worked Drills & Fast Recall

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Full guide + ask Sia about LAWS6315

SIDE 2/2 FOUR DRILLS · TRAPS · IRAC/ILAC · FAST RECALL OPEN-BOOK EXAM SHEET work to conclusion · state what the evidence cannot establish

7 · IRAC / ILAC at Speed

EXAM METHOD

Use the same frame for every route. The grade descriptors reward issue recognition, application and realistic conclusions; copied doctrine without factual work is not the method.

On the first pass, turn commercial detail into a relationship map. On the second, assign each fact to an element, competing account or evidential gap. Draft only after the routes are separated; this prevents a dramatic fact from pulling the whole answer toward the wrong prohibition.

plan once · repeat for each distinct issue

ISSUE actor + fact → **LAW** rule + test → **APPLY** 2 views → **CONCLUDE** qualify

missing fact → test both outcomes

IRAC/ILAC: separate files for horizontal, vertical and unilateral issues; do not blend conclusions.

STAGE	OUTPUT BEFORE MOVING ON
First read	Circle actors, control links, communications, clauses, customers, place and time.
Plan	One-line theory per route; candidate market only as far as the theory requires.
Draft	Rule with distinctive element; fact-to-element application; benign account; decisive hinge.
Close	Likely result, qualification, evidence and Commission/Tribunal/private step.
Final pass	Every authority supports a proposition; every number states its limit; every issue has its own conclusion.

HIGH-YIELD SENTENCE STEMS

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The issue is whether [relationship/conduct] satisfies [rule].
[Fact] supports [element] because [mechanism]. By contrast, [fact] supports [innocent/efficiency/merits account].
The likely conclusion is [x], but [missing fact] could reverse it because [y].
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BAD SHORTCUT	REPAIR
"Looks anti-competitive."	Name lost constraint and consumer/process harm.
"Foreign case decides."	Extract proposition; test Hong Kong fit.
"Unclear, so no answer."	Give alternative readings and evidence needed.

TIMING → *The examination lasts three hours. Use the paper's actual questions and marks to control time; preserve a final pass for route, qualification and acknowledgement.*

8 · Drill 1 – HHI Merger

GUIDE C2 WORKED

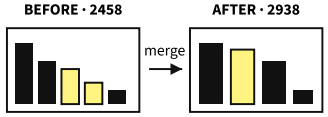
Facts. Shares are 35%, 25%, 20%, 12% and 8%. The 20% and 12% firms merge. Compute both HHIs and the change; state the legal limit.

BEFORE

$35^2 + 25^2 + 20^2 + 12^2 + 8^2$
$= 1225 + 625 + 400 + 144 + 64 = \mathbf{2458}$

AFTER

$35^2 + 32^2 + 25^2 + 8^2$
$= 1225 + 1024 + 625 + 64 = \mathbf{2938}$
$\Delta HHI = 2938 - 2458 = \mathbf{480}$
check: $2 \times 20 \times 12 = \mathbf{480}$



The arithmetic changes structure; it does not itself prove power or adverse effect.

IRAC/ILAC LINE	ANSWER
Issue	What does concentration suggest under the stated market boundary?
Rule/tool	HHI sums squared percentage shares; larger firms receive greater weight.
Application	HHI rises 480, from 2458 to 2938.
Conclusion	Supports scrutiny; does not prove adverse effect.

COMPANION MARKET DRILL

An emergency translation provider already charges far above historic levels; some hospitals would switch after a further 5% rise. **Do not** conclude broad market automatically. The existing price may already exercise power: a ***Cellophane fallacy***. Seek competitive benchmark, actual substitutes, switching evidence and cost/data assumptions.

NUMBER SUPPORTS	Structure under the chosen boundary.
NUMBER CANNOT ESTABLISH	Entry barriers, buyer power, durability, mechanism, infringement.

MINI-DRILL: TRAINING + PRICE FLOOR

A technical-device supplier requires training and fixes a minimum resale price. Training and demonstration can be product-specific investment vulnerable to free riding, but this does not automatically justify preventing every discount.

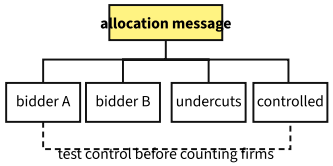
PROVE	COMPARE
Specific investment, market power, coverage, consumer benefit.	Certification, service standards, fees, grants or reimbursement.
How discounting appropriates the service benefit.	Whether the price floor travels farther than the benefit requires.

9 · Drill 2 – Bids & Control

GUIDE C3/C7 WORKED

Facts. Four Hong Kong contractors bid. Two follow an association allocation message, one undercuts it and one is controlled by the first. Analyse under the First Conduct Rule.

Work relationship → coordination → object/effect → territorial link → evidence and institution.



Count independent decision-makers, then classify message, implementation and undercutting.

ISSUE	APPLICATION	PROVISIONAL RESULT
Independence	Controlled contractor may be in the first bidder's single economic unit.	Do not count separately without decisive-influence evidence.
Coordination	Association message allocates tender outcomes among independent bidders.	Supports agreement/association decision and object restriction.
Undercut	May show non-participation, cheating on arrangement or withdrawal.	Communications and chronology decide.
Route	Local tenders and allocation connect harm to Hong Kong.	Preserve tender evidence; Commission route.

SECOND FILE: COMMON FUEL SHOCK

Couriers face the same fuel increase, exchange future tender intentions and then win allocated customers.

BENIGN ACCOUNT	Common fuel cost can independently explain similar surcharges.
CANNOT EXPLAIN	Future-tender exchange and customer allocation.
INFERENCE	Those facts support knowing cooperation replacing uncertainty; customer allocation is by object.

EVIDENCE MATRIX

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contact ≠ content ≠ common understanding ≠ implementation
Assign each fact to one proposition; do not let "meeting" prove everything.
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EFFICIENCY ANSWER IF RAISED

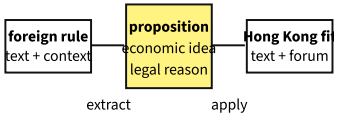
1. Improvement in production/distribution/progress?

10 · Drill 3 – Three Files

GUIDE C8 WORKED

Facts. A software platform receives future dealer prices, monitors a resale recommendation and ties migration help to payment exclusivity. Organise the answer without collapsing the routes.

FILE	RULE / BURDEN	FACTUAL HINGE
Horizontal	Future price exchange may reduce uncertainty between independent dealers.	Content, timing, recipients, subsequent use; independent explanation.
Vertical	Recommendation becomes practical resale-price control only if dealer freedom is removed.	Monitoring, pressure, sanctions, delayed supply, actual discounting.
Unilateral	Exclusive payment condition engages abuse only after substantial power is established.	Market, switching barriers, entry, durability; coverage, term, migration, separability.



Foreign authority carries a proposition, not its outcome; return to Hong Kong wording and institution.

WORKED CONCLUSION

The future price exchange is horizontal and may replace uncertainty among independent dealers with cooperation. The monitored recommendation is vertical and becomes practical control only if pressure or sanctions remove freedom. The exclusive condition is unilateral only if the platform has substantial market power; foreclosure then depends on coverage, duration, migration barriers and whether help can be separated. Conclude each route independently.

Where monitoring could be quality assurance or price discipline, analyse both readings and state which records, sanctions or dealer behaviour would distinguish them.

MIXED-PROBLEM CONTROL

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One fact may appear in two files only if it proves a different proposition in each. Monitoring may show price discipline vertically and dealer information flow horizontally.
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EXAM USE → *Relationships choose the route. Map actors and supply levels before writing doctrine.*

11 · Drill 4 – Leniency

GUIDE C4 WORKED

Facts. A firm discovers bid rotation affecting Hong Kong and another jurisdiction; a rival may already have reported it. Advise first steps without promising immunity.



priority fixed early · protection remains conditional

A marker preserves the queue; eligibility, evidence, agreement and continuing truthful cooperation still follow.

SEQUENCE	ADVICE / RISK CONTROLLED
Preserve	Lawful hold over messages, tender files, calendars and payment records; identify people/systems.
Verify core	Product, period, likely participants, affected jurisdictions; label fact, inference and unresolved claim.
Check priority	Prompt marker-availability checks in each affected jurisdiction through coordinated local advice.
One chronology	Keep factual spine consistent; tailor legal submissions; communicate corrections consistently.
Continue	Eligibility, evidence, agreement and accurate cooperation remain conditions; monitor compliance.

WHAT NEVER TO PROMISE

MARKER	Priority, not completed protection or total immunity.
LENIENCY	Enforcement treatment, not a substantive efficiency defence.
ONE JURISDICTION	Does not secure priority or equivalent protection elsewhere.
SCOPE	Does not erase infringement or guarantee immunity from private, individual or out-of-scope exposure.

IRREVERSIBLE-DECISION LENS

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delay can lose priority · rushed inaccuracy can threaten protection · uncontrolled contact can alter evidence · cross-border disclosure can affect parallel proceedings
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Jurisdiction: distinguish prescriptive capacity to apply competition rules from enforcement capacity to investigate, compel and execute. Map conduct, competitive effects and practical authority separately. End the advice by reserving private and out-of-scope exposure and by identifying how later factual corrections will be communicated consistently.

EXAM USE → *Speed protects the queue; accuracy protects the agreement.*

12 · Fast Recall Matrix

LAST PASS

FACT PATTERN	LEAD ROUTE	DO NOT STOP AT
Competitors exchange future tenders	First Conduct Rule; independence + coordination + object/effect.	Parallel outcome or meeting alone.
Supplier monitors "recommended" price	Vertical agreement; practical dealer freedom.	Contract label.
Powerful firm locks data/access	Second Conduct Rule; market + durable power + abuse path.	Share or rival exit.
Current-price SSNIP shows switching	Market-definition loop.	Current price if already elevated.
Cartel participant seeks marker	Preserve → verify → priority checks → cooperate.	Marker as immunity.

13 · Trap → Repair

COMMON ERRORS

TRAP	REPAIR SENTENCE
Harm to rival = harm to competition	Identify the independent constraint lost and why consumers/process are harmed.
Market share = power	Test market, switching, entry/expansion, buyer response, pricing freedom and durability.
Parallel price = agreement	Give common-shock explanation, then isolate contact/content/plus factor it cannot explain.
Recommended means voluntary	Test monitoring, threats, supply delay, rebates, retaliation and real discounting.
Power + conduct blended	Make separate findings, then link exclusionary practice to the power.
Missing fact ignored	State both readings, effect on element/conclusion and evidence that distinguishes them.

DEFINED-TERM FLASH DECK

CONCERTED PRACTICE	Knowing practical cooperation replacing uncertainty without formal agreement.
COUNTERFACTUAL	Likely competitive conditions without challenged conduct.
FORECLOSURE	Closing customers, inputs or channels at scale capable of weakening rivalry.
DOMINANT POSITION	Economic strength allowing appreciable independence from rivals, customers and consumers.
COMPETITION ON MERITS	Success through better price, quality, choice or innovation.
QUALIFIED CONCLUSION	Likely result + reversing fact + evidence/institution next.

FINAL CHECK PER ISSUE

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actor condition? · market only if needed? · exact conduct? · harm mechanism? · best competing account? · Hong Kong effect? · qualification? · next route?
```

LAST LINE → *Finish with the competitive constraint, the fact that could reverse the result, and the practical institutional step.*