



## **Dominance**

# The regulation of dominant firm conduct in 39 jurisdictions worldwide

2009

**Contributing editors: Thomas Janssens and Thomas Wessely** 



Published by **DEAL**in association with

Blake Dawson

ELIG Attorneys-at-Law

Elvinger Hoss & Prussen

Freshfields Bruckhaus Deringer

Gómez/Jaeckel Abogados Consultores

Hoet Peláez Castillo & Duque

J Sagar Associates

Lambadarios Law Offices

Magalhães, Nery e Dias Advocacia

Marques Mendes & Associados

Matheson Ormsby Prentice

Merilampi Attorneys Ltd

Nielsen Nørager

Pestalozzi

Raidla Lejins & Norcous

SAI Law & Economics

Salans Europe LLP

SimmonsCooper Partners

Stikeman Elliott LLP

Tuca Zbârcea & Asociatii

Vejmelka & Wünsch

Vinge

Wardyński & Partners

Webber Wentzel

Yulchon, Attorneys at Law



#### **Dominance 2009**

Contributing editors

Thomas Janssens and Thomas Wessely Freshfields Bruckhaus Deringer

**Business development manager** Joseph Samuel

**Marketing managers** 

Alan Lee Dan Brennan George Ingledew Edward Perugia Robyn Hetherington Dan White Tamzin Mahmoud Elle Miller

**Marketing assistant** Ellie Notley

Subscriptions manager Nadine Radcliffe Subscriptions@ GettingTheDealThrough.com

Assistant editor Adam Myers

**Editorial assistants** Nick Drummond-Roe Charlotte North

**Senior production editor** Jonathan Cowie

Subeditors Jonathan Allen Laura Zúñiga Kathryn Smuland Sara Davies

Editor-in-chief Callum Campbell

Publisher Richard Davey

**Dominance 2009** 

Published by Law Business Research Ltd 87 Lancaster Road London, W11 1QQ, UK Tel: +44 20 7908 1188 Fax: +44 20 7229 6910 © Law Business Research Ltd 2009

No photocopying: copyright licences do not apply. ISSN 1746-5508

The information provided in this publication is general and may not apply in a specific situation. Legal advice should always be sought before taking any legal action based on the information provided. This information is not intended to create, nor does receipt of it constitute, a lawyer–client relationship. The publishers and authors accept no responsibility for any acts or omissions contained herein. Although the information provided is accurate as of February 2009, be advised that this is a developing area.

Printed and distributed by Encompass Print Solutions. Tel: 0870 897 3239

Law Business Research

Overview Onno Brouwer, Thomas Janssens, Thomas Wessely and Joanna Goyder Freshfields Bruckhaus Deringer	3
Australia Bill Reid, Daniel Preston and Alice Muhlebach Blake Dawson	7
Austria Axel Reidlinger and Marlen Grillmayer Freshfields Bruckhaus Deringer	13
Belgium Laurent Garzaniti and Melissa Van Schoorisse Freshfields Bruckhaus Deringer	19
<b>Brazil</b> Carlos Francisco de Magalhães, Gabriel Nogueira Dias, Francisco Niclós Negrão and Thais de Sousa Guerra <i>Magalhães, Nery e Dias Advocacia</i>	26
Canada Susan M Hutton Stikeman Elliott LLP	31
China Alex Potter and Michael Han Freshfields Bruckhaus Deringer	39
Colombia Jorge Jaeckel and Claudia Montoya Gómez/Jaeckel Abogados Consultores	46
Czech Republic Tomáš Fiala Vejmelka & Wünsch	51
Denmark Henrik Peytz and Betina Schiønning Nielsen Nørager	56
European Union Thomas Wessely and Christian Horstkotte Freshfields Bruckhaus Deringer	62
Finland Arttu Mentula, Erkko Ruohoniemi and Salla Mäntykangas Merilampi Attorneys Ltd	71
France Jérôme Philippe and Lucas Niedolistek Freshfields Bruckhaus Deringer	77
Germany Ulrich Scholz and Christian Krohs Freshfields Bruckhaus Deringer	86
Greece Constantinos Lambadarios and Lia Vitzilaiou Lambadarios Law Offices	93
Hong Kong Connie Carnabuci, Margaret Wang and Tamsin Westley Freshfields Bruckhaus Deringe	r 99
India Farhad Sorabjee and Manas Chaudhuri J Sagar Associates	108
Ireland Helen Kelly and Donogh Hardiman Matheson Ormsby Prentice	113
Italy Tommaso Salonico and Gian Luca Zampa Freshfields Bruckhaus Deringer	119
Japan Kazuki Okada, Akinori Uesugi, Akiko Yamakawa and Kaori Yamada Freshfields Bruckhaus Deringer	127
Korea Sai Ree Yun, Youngjin Jung, Sung Moo Jung Yulchon, Attorneys at Law	133
Latvia Dace Silava-Tomsone Raidla Lejins & Norcous	139
Lithuania Irmantas Norkus and Ilona Janciauskaite Raidla Lejins & Norcous	145
Luxembourg Patrick Santer and Léon Gloden Elvinger Hoss & Prussen	152
Mexico Lucía Ojeda, Luis Alberto Aziz and Valentina Ibarra SAI Law & Economics	156
Netherlands Onno W Brouwer and Marc Knapen Freshfields Bruckhaus Deringer	162
Nigeria Babatunde Irukera and Ikem Isiekwena SimmonsCooper Partners	169
Poland Dorothy Hansberry-Bieguńska, Sabina Famirska and Antoni Bolecki Wardyński & Partners	173
Portugal Mário Marques Mendes and Pedro Vilarinho Pires Marques Mendes & Associados	180
Romania Raluca Vasilache and Anca Jurcovan Tuca Zbârcea & Asociatii	186
Russia Jacky Baudon and Alexander Viktorov Freshfields Bruckhaus Deringer	191
Slovakia Katarína Pecnová Salans Europe LLP	197
South Africa Anthony Norton, Daryl Dingley and John Oxenham Webber Wentzel	202
Spain Francisco Cantos and Salomé Santos Freshfields Bruckhaus Deringer	208
Sweden Johan Karlsson and Hanna Eklinder Vinge	212
Switzerland Christoph G Lang and Christian F Brauchlin Pestalozzi	218
Turkey Gönenç Gürkaynak and K Korhan Yıldırım ELIG Attorneys-at-Law	225
United Kingdom Alex Potter, Kier Liddell and Timothy Lamb Freshfields Bruckhaus Deringer	231
United States M J Moltenbrey and Thomas Ensign Freshfields Bruckhaus Deringer	240
Venezuela José Gregorio Torrealba R Hoet Peláez Castillo & Duque	246

Raidla Lejins & Norcous LATVIA

# Latvia

#### **Dace Silava-Tomsone**

Raidla Lejins & Norcous

#### General

#### 1 Legislation

What is the legislation applying specifically to the behaviour of dominant firms?

The behaviour of dominant firms is regulated by the Competition Law (CL), effective as of 1 January 2002. The secondary legislation comprises regulations issued by the Cabinet of Ministers.

Article 13(1) of the CL, which is nearly a carbon copy of article 82 of the EC Treaty, prohibits abuse of a dominant position in any manner in the territory of Latvia.

#### 2 Non-dominant to dominant firm

Does the law cover conduct through which a non-dominant company becomes dominant?

The CL empowers the Competition Council (CC) to prohibit a merger as a result of which a dominant position is created or strengthened, or competition is substantially lessened. Also, the CL prohibits and declares null and void agreements between market participants, the purpose or effect of which is hindrance, restriction or distortion of competition in the territory of Latvia, including agreements regarding:

- any form of direct or indirect fixing of prices or tariffs or guidelines for their formation, as well as regarding exchange of information relating to prices or provisions regarding sale;
- restriction or control of the volume of production or sales, markets, technical development or investment;
- division of markets by territory, customers, suppliers or other conditions:
- provisions that make the conclusion, amendment or termination of a transaction with a third person subject to acceptance of obligations which, according to commercial practice, are not relevant to the particular transaction;
- participation or non-participation in tenders or auctions or regarding provisions for participation (or non-participation), except for cases when competitors have publicly announced their joint tender and the purpose of such tender is not to hinder, restrict or distort competition;
- applying unequal provisions in equivalent transactions with third parties, creating competitive disadvantage for such third parties; and
- action (or failure to act) as a result of which another market participant is forced to leave a relevant market or the entry of a potential market participant into the market is made more burdensome.

The above list is not exhaustive and aims to highlight only the gravest violations of the competition rules. Each agreement has to be assessed on its own merits and against the background of possible effects on competition.

#### 3 Object of legislation

Is the object of the legislation and the underlying standard a strictly economic one or does it protect other interests?

The object of the CL is defined as the protection, maintenance and development of free, fair and equal competition in the interests of the public in all economic sectors and restriction of market concentration.

#### 4 Non-dominant firms

Are there any rules applying to the unilateral conduct of non-dominant firms? Is your national law relating to the unilateral conduct of firms stricter than article 82?

At the beginning of 2008, the concept of dominance in retail trade was introduced in the CL. According to article 13(2), a market participant or several market participants are in a dominant position in retail trade if, taking into account the purchasing power of such participants of the retail market and the dependency of the suppliers on such participants in the relevant market, they have the capacity to directly or indirectly apply or impose upon the suppliers unfair and unjustified trading provisions, conditions or payments and may hinder, restrict or distort competition in any relevant market in Latvia for a significant length of time.

Any market participant who is in a dominant position in retail trade shall be prohibited from abusing such dominant position in the territory of Latvia. A dominant position in a retail market is considered to be abused by the following behaviour:

- applying or forcing unfair or unreasonable conditions in respect
  of return of goods, except in the case of return of goods of inferior quality, or the return of goods the supply of which, or the
  increase of the volumes of supply of which, were initiated by the
  supplier itself;
- applying or forcing unfair or unreasonable payments in respect of placement of goods in retail premises, except if those payments are justified by introducing a new product unknown to consumers into the market;
- applying or forcing unfair or unreasonable payments in order to enter into a contract, unless these payments are justified on the grounds that the contract is entered into with a new supplier that as such requires a special appraisal;
- applying or forcing unfair or unreasonable payments for supplies of goods to a new retail location;
- applying or forcing unfair or unreasonable payment settlement periods for supplied goods; or
- applying or forcing unfair or unreasonable sanctions in respect of violation of the terms of a transaction.

Furthermore, the CL contains a general prohibition against unfair competition practices, equally applicable to all market participants. The law prohibits activities that may result in the violation of laws or

www.gettingthedealthrough.com 139

LATVIA Raidla Lejins & Norcous

fair commercial usages and in the hindrance, restriction or distortion of competition. The list of unfair competition practices includes:

- use or imitation of a legally used name, distinguishing marks or other features of another market participant if such use may be misleading as regards the identity of the market participant;
- imitation of the name, external appearance, labelling or packaging of goods produced or sold by another market participant, or use of trademarks, if such imitation or use may be misleading as regards the origin of the goods;
- dissemination of false, incomplete or distorted information regarding other market participants or their employees, as well as economic significance, quality, form of production, characteristics, quantity, usefulness, prices, their formation and other provisions in respect of the goods produced or sold by such a market participant, if it may cause losses to such other market participant;
- obtaining, use or distribution of information which contains the commercial secrets of another market participant without the consent of such participant; and
- coercion of employees of another market participant with threats or bribery to create advantages for one's own economic activity, thereby causing losses to the market participant.

#### 5 Sector-specific control

Is dominance controlled according to sector?

Except for certain provisions applying to the financial sector, no other industries are specifically regulated by the CL.

Certain sector-specific provisions governing activities of the public utilities and other service providers are contained in special laws. For example, the Energy Law expressly prohibits operators of the energy systems to abuse their position by undertaking activities not directly related to fulfilment of their tasks, imposes the obligation to ensure transmission capacities to autonomous producers of energy. Another example is the Electronic Communications Law, which provides that an electronic communications merchant with a significant influence in access and interconnection markets can be made subject to obligations of transparency, equal treatment, provision of access to electronic network, etc.

Public utilities are supervised by the Public Utilities Commission. One of its tasks is promotion of competition in the regulated sectors.

#### 6 Status of sector-specific provisions

What is the relationship between the sector-specific provisions and the general abuse of dominance legislation?

Potential violations of the provisions of the CL in the regulated sectors shall be investigated in the light of sector-specific legislation and requirements.

For example, during 2003 and 2004 the CC received a number of complaints about potential abuse of a dominant position in the telecoms sector via the imposition of unfair methods for calculating tariffs for interconnections and applying discriminating provisions to new operators. The CC was unable to address the situation, however, because the Electronic Communications Law provides that the contents of the agreements on interconnections and the procedures for their negotiation are subject to the authority of the Public Utilities Commission. Meanwhile, the CC, in a case regarding alleged abuse of a dominant position by AS Latvenergo (a major Latvian electricity generation company), has ruled that even if the abuse has allegedly resulted due to incorrect application of the rules regulating calculation of tariffs for connection, it does not preclude the CC from investigating the case and assessing whether the dominant position has been abused by the regulated undertaking. This approach has been confirmed by the court of first instance.

#### 7 Enforcement record

How frequently is the legislation used in practice?

The CC annually reviews between 10 and 20 cases dealing with alleged abuse of dominant position and finds violations in two to five cases.

Nevertheless, the limited number of abuse of dominance cases has not yet created a sufficient basis for dominant companies to evaluate their standard of conduct against the local precedents. The competitors of dominant undertakings are well aware of the provisions of the CL and do not hesitate to resort to them in cases when abuse is perceived. On the other hand, dominant undertakings are generally well aware of the increased degree of scrutiny their position may invoke.

#### B Economics

What is the role of economics in the application of the dominance provisions?

Decisions of the CC are mostly based on factual and legal analysis of the market data, information obtained from the market participants and earlier EU precedents. Although the staff of the CC partly comprises economists, so far complex economic analysis or economic expert witness opinions usually are not the part of the proceedings.

#### 9 Scope of application of dominance provisions

To whom do the dominance provisions apply? To what extent do they apply to public entities?

The dominance provisions apply to any market participant. A market participant is defined as any party (including foreign parties) that carries out or intends to carry out commercial activities in Latvia or whose activities affect or may affect competition in Latvia.

According to the case law of the CC, the CL is applicable in respect to state or municipal institutions when they act as market participants in commercial transactions. If state or municipal institutions act within the scope of their public functions, the CL does not apply.

#### 10 Definition of dominance

How is dominance defined?

According to the CL, a dominant position is defined as an economic (commercial) position in a relevant market of a market participant or several market participants if such participant or participants have the capacity to significantly hinder, restrict or distort competition in any relevant market for a sufficient length of time by acting with full or partial independence from competitors, clients or consumers.

#### 11 Market definition

What is the test for market definition?

The CL contains definitions of relevant product and geographical markets.

The relevant product market is defined as a specific product market, which also includes all those products that may substitute a specific product in a particular geographical market, taking into consideration the factor of substitution of supply and demand and specific characteristics of the product and its use.

The relevant geographical market is a geographical territory in which competition conditions in a relevant product market are sufficiently homogeneous for all market participants, and therefore this territory can be distinguished from the other territories.

In November 2006 the CC issued Guidelines on Determining of the Relevant Market and Evaluation of the Competition Conditions. Raidla Lejins & Norcous LATVIA

In August 2008 the CC issued Guidelines on Application of Article 13(2) of the CL. Among other things, the Guidelines explain the relevant market definition for the purposes of article 13(2) of the CL. Neither guidelines has a binding effect. EU case law and the guidelines of the European Commission may also be used as reference by the CC and market participants.

In general, the market definition does not differ for merger control purposes.

#### 12 Market-share threshold

Is there a market-share threshold above which a company will be presumed to be dominant?

The current definition of a dominant position refers only to market power. Consequently, there is no formal market-share threshold above which a company will be presumed to be dominant. However, in line with the earlier wording of the CL, one may expect that the CC will pay particular attention to the companies having a market share above 40 per cent.

#### 13 Collective dominance

Is collective dominance covered by the legislation? If so, how is it defined?

The CL does not address collective dominance as a separate issue. However, the definition of a dominant position refers to the 'economic position of a market participant or several market participants'. In 2005, the CC analysed the issue of collective dominance in decision dealing with the review of application by NIKO-LOTO alleging collective dominance held by Latvijas Krajbanka and Latvijas Hipoteku un Zemes Banka in the market of services of managing accounts of privatisation certificates held by legal entities. In a particular case the CC, with reference to EU case law, concluded that there was no economic relationship between the two banks on the basis of which the banks would present themselves as a collective entity in the market of servicing transactions with privatisation certificates.

In 2007 the CC closed an investigation in alleged abuse of collective dominance case against three companies engaged in fuel retail sale – Latvija Statoil, Neste Latvija and Lukoil Baltija R. The CC stated that the three companies held a collective dominant position; however, no abuse of the collective dominant position was found. The joint market share of the parties involved during the period investigated was 49.98 per cent. In its argument the CC referred to a number of EU cases, namely, *Italian Flat Glass, Airtours* and *Gencor/Lonrho*. The CC stated that several legally independent entities may hold a collective dominant position if there is an economic relationship between them thus creating a 'joint unit' in respect of certain activities undertaken by such entities against competitors, clients or consumers and stated that the essence of the collective dominant position are parallel activities within the framework of oligopoly, that is, tacit collusion or tacit coordination.

#### 14 Dominant purchasers

Does the legislation also apply to dominant purchasers? If so, are there any differences compared with the application of the law to dominant suppliers?

The CL general provisions on dominance do not distinguish between various roles of dominant undertakings. Dominance provisions apply to any dominant market participant acting in an abusive way (see question 15).

The provisions of the CL governing dominance in retail trade are specifically designated to regulate activities of those purchasers that have substantial purchasing power in retail trade (see question 4 above).

Although in August 2008 the CC issued Guidelines on Application of article 13(2) of the CL, so far article 13(2) of the CL has not been applied in practice and currently it remains unclear how these provisions will be applied by the CC.

#### **Abuse in general**

#### 15 Definition

How is abuse defined?

An open list of categories of abusive conduct includes:

- refusal to enter into transactions with other market participants, or amending the provisions of a transaction without an objectively justifiable reason;
- restriction of the amount of production or sale of goods, the market or technical development to the detriment of consumers without an objectively justifiable reason;
- imposition of provisions according to which the entering into, amendment or termination of transactions with other market participants makes such participants dependent on them, or that make these market participants accept such additional obligations as, by their nature and commercial use, have no connection with the particular transaction;
- direct or indirect imposition or application of unfair purchase or selling prices or other unfair trading provisions; and
- application of unequal provisions in equivalent transactions with other market participants, creating for them, in terms of competition, disadvantageous conditions.

The CL follows form-based approach to identifying anti-competitive conduct. Lack of negative effect or elimination of negative effect by the undertaking that has committed an abuse of dominant position in certain circumstances may serve as grounds for a decrease of penalties to be imposed.

#### 16 Exploitative and exclusionary practices

Does the concept of abuse cover both exploitative and exclusionary practices?

The concept of abuse covers both exploitative and exclusionary practices (see question 15).

#### 17 Link between dominance and abuse

What link must be shown between dominance and abuse?

There is no requirement to demonstrate that dominance and abuse occurs in the same market. For example, abuse may occur when the undertaking dominant in one relevant market leverages its economic power to gain position in another market. Likewise, there is no requirement to demonstrate economic benefit of the dominant market participant to prove the abuse.

#### 18 Defences

What defences may be raised to allegations of abuse of dominance?

The market participant may prove that it does not hold a dominant position in any particular given relevant market by providing information that shows that it does not possess an ability to act independently of its competitors, clients or consumers for a sufficiently long period of time.

If the dominant position of the market participant is demonstrated and certain of its activities are claimed to be abusive, various

LATVIA Raidla Lejins & Norcous

factual defences may be raised, such as an objectively justified reason for refusal to enter into a transaction with any particular market participant, or economic circumstances that result in the setting of a particular price for the products.

#### Specific forms of abuse

#### 19 Price and non-price discrimination

The CL expressly provides that the abuse of dominant position may involve direct or indirect imposition or application of unfair purchase or selling prices or other trade conditions, as well as applying unequal provisions in equivalent transactions with third parties, creating competitive disadvantage for such third parties.

For example, the CC determined that Rimaida, being in a dominant position in the market for distribution of the film *Terminator 3: Rise of the Machines*, imposed unfair (in particular circumstances discriminating) sales prices on a number of market participants, thus creating a competitive disadvantage. Although the CC noted that the abuse of dominant position is normally considered a grave violation of the CL, it imposed only the minimum penalty on the company in view of the fact that unfair prices were applied in connection with distribution of one film only and did not result in substantial adverse consequences in the relevant markets.

In 2008, the CC also fined Latvian national copyright management society AKKA/LAA. The CC determined that the fee imposed by AKKA/LAA for public play back of music in shops and similar places was different in various cities of Latvia. The CC considered that such differentiation was unfair as AKKA/LAA was unable to show objective and clear justification for the application of substantially different fees depending on the place where the respective undertaking was located.

#### 20 Exploitative prices or terms of supply

Direct or indirect imposition or application of unfair (including exploitative) purchase or selling prices or other trade conditions is expressly prohibited under the CL.

Thus, the CC took a decision in 2006 to impose a penalty of 117,128 lats (approximately €170,000) on AGA, which held a dominant position in the market for compressed bottled medical oxygen when it imposed a substantial price increase on its products, although such an increase was not justified by any cost considerations. The CC determined that the profit of the company from the sales of various volumes of the product ranged from 84 per cent to 1,005 per cent and did not accept the argument that the price increase was related to new legislative requirements due to EU accession, necessity to improve production facilities or losses of the business. Simultaneously, it was found that the prices imposed were discriminatory towards some market participants with difference in price amounting to up to 281 per cent.

#### 21 Rebate schemes

Pricing practices that have a foreclosing effect on competitors and potential competitors of a dominant undertaking are prohibited. The case law of the CC, however, shows that the schemes involving rebates are not unlawful per se, even if instituted by dominant undertakings.

The CC has reviewed the discount policy of an entity in a dominant position, the Latvian Post Office. The CC confirmed that volume-based discounts are lawful and should not be considered as discriminatory. It also confirmed that discounts which are granted in relation to customers' service or cooperation may be permissible (in

the relevant case the customers that sent large volumes of mail did their own sorting and were granted a discount for those activities).

In 2006 the CC found a violation of article 82 of the EC Treaty in the rebates applied by Airport Riga. The rebate system introduced by Airport Riga provided for volume rebates on the airport fees varying during various periods from 0 to 80 per cent, depending on the number of passengers carried from Riga. The CC concluded that the rebate system introduced was not justified by volume-based efficiencies and as such was discriminatory.

#### 22 Predatory pricing

Under the CL there are no express provisions dealing with predatory pricing. But, the list of abusive conducts as provided under the law is not exhaustive. Predatory pricing by definition (as a practice aimed at hindrance, restriction or distortion of competition) would qualify as an abuse of dominant position.

The *Statoil/Neste/Lukoil* collective dominance case reviewed by the CC (see question 13) involved alleged predatory pricing. In that case no abuse was found because the periods during which the price reductions took place were too short (a few days).

#### 23 Price squeezes

There are no express provisions in the CL regarding price squeezes. But the abuse of dominant position may involve direct or indirect imposition or application of unfair purchase or selling prices or other trade conditions. Price squeezes are likely to qualify under this provision.

#### 24 Refusal to deal and access to essential facilities

The CL provides that abuse of dominant position may take a form of refusal to enter into transactions with other market participants or amending the provisions of a transaction without an objectively justifiable reason.

Thus, the CC determined that Liepajas Siltums, holding a dominant position in the market of supplying heat in the city of Liepaja and holding under the law an exclusive right to seal hot water meters, without objectively justifiable reason had refused to enter an agreement with the participant of the market of supply and sealing of hot water meters. Liepajas Siltums was ordered to enter an agreement.

#### 25 Exclusive dealing, non-compete provisions and single branding

Exclusive dealing, non-compete provisions and single branding generally fall under provisions of the CL that prohibit agreements between market participants regarding the division of markets by territory, customers, suppliers or other conditions. Although not expressly stated, such activities may also qualify as an abuse of dominant position if undertaken by a dominant undertaking.

Regulations of the Cabinet of Ministers No. 797 of 29 September 2008 – On Exemptions from Prohibition of Vertical Agreements Provided under Article 11 of the Competition Law – impose a market share cap of 30 per cent. Consequently, vertical agreements block exemption is not available for the market participants holding dominant position if their market share exceeds 30 per cent. Such dominant undertakings are allowed to engage in exclusive dealing and single branding arrangements and impose non-compete provisions on the counterparties only if such practice can be objectively justified from a commercial point of view.

Raidla Lejins & Norcous LATVIA

#### 26 Tying and leveraging

Tying and leveraging by a dominant firm may be illegal under Latvian law. The CL provides that dominant undertakings are precluded from the imposition of provisions according to which the entering into, amendment or termination of transactions with other market participants makes such participants dependent on them, or these market participants accept such additional obligations as, by their nature and commercial use, have no connection with the particular transaction.

The CC found abuse of dominant position in the activities of Hoetika-ATU. The company was in a dominant position in the market of removing household waste and offered customers discounts on this service on a condition that they use its disinfestation and disinfection services. It was ordered to discontinue the illegal practices.

In a high-profile case, Lattelekom was fined for abusing its dominant position by offering 'Comfort ISDN', a package that combined three different services: lease of digital office telephone switchboards, connection of two ISDN lines, and voice telephony services in the public fixed-telecoms network. Lattelekom was in a dominant position in the voice telephony services market in the public fixed-telecoms network, and offered ISDN line subscription fee discounts and discounts on 'Comfort ISDN' service fees, constricting the market for the leasing of digital office telephone switchboards.

In 2008 Latvijas propana gaze was fined for abuse of dominant position in the market of leasing of gas equipment and in the market of supplying liquefied petroleum gas. According to the standard client agreements of Latvijas propana gaze, clients were not allowed to use gas equipment leased from Latvijas propana gaze with the liquefied petroleum gas supplied by other companies.

#### 27 Limiting production, markets or technical development

The CL provides that abuse of dominant position may occur as restriction of the amount of production or sale of goods, the market or technical development to the detriment of consumers without an objectively justifiable reason.

#### 28 Abuse of intellectual property rights

There are no express provisions under the CL regarding abuse of intellectual property rights. But, the list of abusive conducts as provided under the law is not exhaustive. Under certain circumstances misuse of intellectual property rights may qualify as abuse of dominant position.

#### 29 Abuse of government process

There are no express provisions under the CL regarding abuse of government process. But the list of abusive conducts as provided under the law is not exhaustive. Potentially, abuse of government process may qualify as abuse of dominant position.

## 30 'Structural abuses' – mergers and acquisitions as exclusionary practices

Creation or strengthening of a dominant position is covered by substantive merger control law: mergers resulting in the creation or strengthening of a dominant position may be prohibited. At the same time, it is not excluded that structural operations of undertakings not falling within the scope of merger control could also be considered prohibited under abuse provisions.

#### 31 Other types of abuse

A case-specific approach is taken by the CC when investigating circumstances of potential abuse. The list of examples of abusive conduct as provided under the law is by no means exhaustive. Any type of activity may be found to be abusive if it is determined that by practising it, the dominant undertaking abuses its special economic position.

#### **Enforcement proceedings**

#### 32 Prohibition of abusive practices

Is there a directly applicable prohibition of abusive practices or does the law only empower the regulatory authorities to take remedial actions against companies abusing their dominant position?

Abusive practices are prohibited. The CL empowers the CC to determine that the abuse of a dominant position has taken place and to impose a legal obligation on the market participant (for example, to cease illegal activities or to undertake certain activities).

#### 33 Enforcement authorities

Which authorities are responsible for enforcement and what powers of investigation do they have?

The CC monitors the compliance of dominant market participants with the competition rules. Violations of the CL may also be found by the courts.

The CC collects information necessary for adopting a decision on the matter. As a general rule, the persons involved must provide the information requested by the CC within seven days of the relevant request.

The CC's investigative powers are quite broad and include:

- requests for information the CC has the right to request necessary information, including confidential information, from any natural or legal persons, and state and municipal institutions, as well as to receive oral or written explanations from the relevant persons;
- inspection visits the CC may conduct inspection visits, including visits without advance notice, to the market participants.
   During the inspections, the officials of the CC may request oral or written explanations, review any documents and receive these documents or copies thereof;
- seizure of relevant documents and property;
- entrance into vehicles, private residences and other moveable
  or immoveable property of the market participants and inspection of property and documents contained therein the searches
  are conducted on the basis of the decision of a court and in the
  presence of the police. If there is a suspicion that the relevant
  documents are located in third parties' moveable or immoveable property, the CC also has the right to inspect such property,
  subject to the court's decision; and
- adopting a decision on administrative violation if a person fails to supply requested information or cooperate with the CC as prescribed by law.

#### 34 Sanctions and remedies

Which sanctions and remedies may they impose?

Upon finding the abuse of a dominant position, the CC adopts a decision regarding the establishment of the infringement, imposition of the legal obligation and imposition of a fine.

The abuse of a dominant position may be punished by a fine of up to 5 per cent of the net turnover of a market participant for the

LATVIA Raidla Lejins & Norcous

#### **Update and trends**

After a lengthy discussion, the heavily criticised concept of dominance in retail trade was finally introduced in March 2008. Although the CC issued Guidelines on Application of Article 13(2) of the CL in August 2008, dealing with dominance in retail trade, this issue is still highly controversial. It remains to be seen whether the CC will apply article 13(2) of the CL in practice and what will be the impact of this controversial concept on the retail trade sector in Latvia.

previous financial year, but no less than 250 lats. If the market participant fails to fulfil the imposed legal obligation, the CC may increase the fine up to 10 per cent of the net turnover of the market participant for the previous financial year, but not less than 500 lats.

Powers to impose legal obligation so far for the most part have involved decisions to order suspension of illegal activities. In some cases more forward-looking behavioural remedies have been ordered. Thus, in case finding abuse of dominant position in the activities of AGA (see question 20), the CC ordered AGA to explain a methodology of price determination and price calculation, to ensure maintenance of separate accounting for the segment of medical gases business.

Structural remedies are not expressly provided for under the CL and have not been imposed in dominance cases so far; however, presumably 'imposition of the legal obligation' may also involve provision of structural remedies.

#### 35 Impact on contracts

What are the consequences of an infringement for the validity of contracts entered into by dominant companies?

The CL prohibits and declares null and void agreements between market participants, the purpose or effect of which is hindrance, restriction or distortion of competition in the territory of Latvia.

#### 36 Private enforcement

To what extent is private enforcement possible? Does the legislation provide a basis for a court or authority to order a dominant firm to grant access (to infrastructure or technology), supply goods or services or conclude a contract?

The CL expressly provides that any person that has suffered losses due to an infringement of the CL is entitled to claim compensation of losses and statutory interest from the guilty market participant. Thus, in addition to the fine imposed by the CC for the breach of the CL, the guilty market participant may be obliged to compensate for losses caused to any third party as a result of abuse of a dominant position.

The CC or the court is entitled to impose legal obligation on the market participant upon determination of violation of the CL. The case law of the CC shows that 'imposition of legal obligation' has been interpreted broadly to cover imposition on the market participants of various obligations, including obligation to grant access and to enter into contracts for supply of goods and services.

Thus, for example, the merger of Telia Aktiebolag and Sonera Corporation was cleared by the CC subject to certain conditions in view of the fact that it resulted in the companies of the group obtaining a dominant position in a number of markets. Among others, the CC imposed an obligation on the market participant for a period of three years to ensure free and non-discriminatory access by any third party to its international telecoms infrastructure, taking into account the technical capacities.

#### 37 Availability of damages

Do companies harmed by abusive practices have a claim for damages?

According to the CL, any person that has suffered losses due to the infringement of the CL is entitled to claim compensation of losses and statutory interest from the guilty market participant.

Award of compensation is within the jurisdiction of the courts of general jurisdiction and not the CC. Therefore, an action for damages must be brought before the relevant court.

There are no publicly available decisions granting damages in claims for abuse of dominant position.

#### 38 Recent enforcement action

What is the most recent high-profile dominance case?

The most recent high-profile dominance case is *AKKA/LAA* (see question 19). AKKA/LAA was fined 11,134 lats.

### RAIDLA LEJINS & NORCOUS

# Dace Silava-Tomsone dace.silava-tomsone@rln.lv Kr Valdemara 20 Tel: +371 6724 0689 Riga 1010 Fax: +371 6782 1524 Latvia www.rln.lv



#### **Annual volumes published on:**

Air Transport Merger Control

Anti-Corruption Regulation Mergers & Acquisitions

Arbitration Mining

Banking Regulation Oil Regulation

Cartel Regulation Patents

Construction Pharmaceutical Antitrust
Copyright Private Antitrust Litigation

Corporate Governance Private Equity
Dispute Resolution Product Liability
Dominance Project Finance
e-Commerce Public Procurement

Electricity Regulation Real Estate

Environment Restructuring & Insolvency

Franchise Securities Finance

Gas Regulation Shipping

Insurance & Reinsurance Tax on Inbound Investment

Intellectual Property & Antitrust Telecoms and Media

Labour & Employment Trademarks

Licensing Vertical Agreements

For more information or to purchase books, please visit: www.GettingTheDealThrough.com



Strategic research partners of the ABA International section



THE QUEEN'S AWARDS FOR ENTERPRISE 2006



The Official Research Partner of the International Bar Association