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Innovation and Competition of Two/Multi-Sided Market: Response from Competition Law

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Abstract

Burgeoning two-sided/multi-sided platforms have brought about new antitrust issues concerning whether the traditional analytical tools for antitrust review shall be directly applied to two-sided/multi-sided markets. This article explores the characteristics of two-sided/multi-sided markets, the competitive strategies of two-sided/multi-sided platforms, and the challenge to and issues of antitrust enforcement and competition policy arising from two-sided/multi-sided markets. Then in light of decisions of Taiwan Fair Trade Commission (“Taiwan FTC”) concerning two-sided/multi-sided markets, the author suggests Taiwan FTC pay more attention to foreclosure activities adopted by two-sided/multi-sided platforms and their possible adverse effect to innovation. In addition, Taiwan FTC should also be wary of the market power possibly enjoyed by the two-sided/multi-sided platforms jointly established by several large-sized and leading enterprises by means of conglomerate mergers and its ripple effect. Moreover, the market share of one two-sided/multi-sided platforms owned by a conglomerate operating diverse business

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should not be calculated based upon the total revenue of that conglomerate. Finally, to avoid over intervention in innovation and competition of two-sided/multi-sided markets, Taiwan FTC should rethink if it is appropriate to use 10% market share as a threshold to evaluate exclusive contracts, tying, or other restrictive activities conducted by two-sided/multi-sided platforms.

Keywords: Two-Sided Market, Multi-Sided Market, Competition Policy, Fair Trade Act, Innovation