The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2026

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

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COMPETITION LAW IN INDIA: LEGAL FRAMEWORK, ENFORCEMENT AND EMERGING CHALLENGES

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ABSTRACT

This study delves into the expansion and framework of India's Competition Law (CL), with a primary focus on the Competition Act, 2002, and the pivotal role of the "Competition Commission of India (CCI)" in fostering fair market competition. Consumers should be guaranteed the bottom feasible prices for the utmost quality goods & services through competition legislation. By controlling market forces, CL aims to guarantee that buyers can choose from a variability of products and facilities offered at fair prices. This study intends to synthesize information from these secondary sources by means of content analysis, comparative evaluation, and legal analysis; the goal is to offer thorough a picture of India's present CL. Relying on pre-existing data and possible biases in sources are limitations that the study recognizes. The overarching goal of the study is to shed light on the current state and potential future developments of India's framework for CL as it pertains to protecting consumers' rights in the marketplace.

Keywords: Competition Law, India, anti-competitive, market

INTRODUCTION

India's Competition Law (CL) framework is primarily governed by the Competition Act, 2002, which seeks to safeguard consumer interests while fostering and maintaining market competition. This law superseded its predecessor "Monopolies and Restrictive Trade Practices (MRTP) Act, 1969", addressing its inadequacies and adapting to the evolving economic landscape post-liberalization in 1991. It makes sure you never get complacent, or you risk being taken over. Schumpeterian forces of creative destruction apply to competition in a dynamic environment. This requires an industry that is malleable, with the ability to reorganize & adjust

quickly to new conditions.[1] If this happens, and if resources like labor and capital are to move to more productive. The convenience of use premise necessitates significantly faster insolvency procedures than are currently in existence.[2] Market competition, economic efficiency, and consumer welfare are the goals of CL, which is a protection word for a set of regulations enacted to that end. Businesses are subject to regulations under CL when their actions distort or misuse market power.[3] Rodger and MacCulloh point out that CL concerns intervention in the marketplace when there is some problem with the competition process and/or when there is market failure[4]. In Haridas Exports[5]. The regulation of competition in a specific market within a country's territory is the focus of CL, as noted by the Supreme Court.

One way of looking at modern CL is as a basic set of rules that try to ensure that markets work as intended. Its purpose is to prevent firms, either singly or in concert, from abusing their position of market power in order to ensure that markets can function freely[6].Thus, the fundamental argument in favor of CL is that monopolies rob society of the social benefits that competition creates, and that governmental regulations can mitigate or even eradicate this harm. When a society implements a reliable system of regulation, its overall well-being will improve[7]. In India, Competition in its earlier form was inspired by the far-reaching constitutional values than by industrial or economic developmental challenges. The MRTP Act, 1969, gave effect to the expression 'socialist' used in the preamble and Articles 38 and 39 of the Constitution of India. The Supreme Court in "D.S Nakara v. Union of India"[8] observed that the principal object of socialist states is to wipe out the inequality in economic conditions, status and standard of life. In a democratic welfare economy, the role of the state is never overlooked.

OBJECTIVE

i. To explore the development and framework of India's competition law, focusing on the Competition Act, 2002 and the rule of the CCI

[1] Schumpter J.A., Capitalism, socialism and democracy, Harper & Brothers, 1942
[2] Report of High-level Committee on Competition Policy and Law, para 2.9.2
[3] Fox, Eleanor M, Competition Law International Economic law, Oxford University Press , 2002 pp.340-382
[4] Rodger, Barry and Angus MacCullah, Competition Law in the EC and UK, Cavendish Publishing, London (2004)
[5] Hardas Exports v. All India Float Glass Manufacturer Association AIR 2002 SC 2778
[6] Scherer and Ross, " Industrial Market Structure and Economics Performance" quoted in Ananat, TC: Competition Advocacy
[7] Agnew, J.H. Competition Law, Allen and Unwin, London, 1985 at p1
[8] AIR 1983 SC 183

ii. To access the impact of India's competition law enforcement in curbing anti-competitive practices and promoting fair market competition.

iii. To analyze the core provisions of India's competition law and the challenges in its implementation amidst a dynamic environment

THEORETICAL FRAMEWORK

Theories of competition law encompass a range of perspectives that have evolved to address the regulation and promotion of competitive markets, reflecting both economic principles and legal frameworks. Traditionally, competition law is grounded in the principles of classical economics, as articulated by Adam Smith and other early economists. They advocated for minimal government intervention, believing that free markets, driven by the "invisible hand" of self-interest, would naturally lead to efficient resource allocation and consumer benefits. This laissez-faire approach significantly influenced early antitrust laws, particularly in the United States, where the Sherman Antitrust Act of 1890 sought to curb monopolistic practices and promote market competition.

In the 20th century, neoclassical economic theories further refined the understanding of market dynamics, introducing more sophisticated analyses of market structures such as perfect competition, monopolistic competition, oligopoly, and monopoly.[9] Neoclassical theorists emphasised the importance of marginal utility, cost, and equilibrium, advocating for regulatory interventions to correct market failures like externalities, information asymmetries, and public goods.[10]

This theoretical framework underpinned major legal developments in the USA and the UK. In the USA, the Clayton Act of 1914 and the Federal Trade Commission Act of 1914 expanded the scope of antitrust regulations to address anti-competitive mergers and unfair business practices. In the UK, the Monopolies and Restrictive Practices (Inquiry and Control) Act of 1948 and subsequent legislation evolved to incorporate neoclassical insights, focusing on preventing abuses of market power and ensuring consumer welfare.

[9] Z. Seyda Deligonul & S. Tamer Cavusgil, Does the comparative advantage theory of competition really replace the neoclassical theory of perfect competition?, 61.4 Journal of Marketing 65-73 (1997)
[10] Lefteris Tsoulfidis et. Al., Competition , classical and neoclassical, CLASSICAL POLITICAL ECONOMICS AND MODERN CAPITALISM: THEORIES OF VALUE, COMPETITION , TRADE AMD LONG CYCLES 197-245 (2019)

Modern competition law blends these traditional theories with contemporary economic insights, reflecting a balanced approach to market regulation. Current antitrust policies in the USA and the UK aim to promote competition, innovation, and consumer protection through rigorous analysis and enforcement of competition rules.[11] The integration of classical and neoclassical theories has resulted in a dynamic legal framework that adapts to changing market conditions and addresses new challenges, such as digital market dominance and global competition. This evolution demonstrates the enduring relevance of economic theories in shaping effective competition law and policy.

These competition law theories provide the intellectual and economic foundations for understanding and regulating market competition. These theories have evolved over a substantial period, reflecting changes in economic thought and legal practice.

STATUTORY PROVISIONS

The Competition Act, 2002, sets multiple goals instead for focusing on one. Given the state of economic scenario the nation was subjected to it would not have been wise to blindly follow the regime of developed counties as they were in the different zone of development. The preamble of the Act broadly recognizes the four-core focal engagements;

I. To discourage anti-competitive practices
II. Promoting healthy market competition
III. Consumer welfare
IV. To ensure freedom of trade vis-à-vis the competitors in the Indian market.[12]

There are certain definitions that plays a very crucial role in the development of the competition with others states and the definition are being mentioned in the the Competition Act 2002:

a. Agreements

If two or more people can understand each other, it's likely that they have reached an agreement. Agreement is defined as "a manifestation of mutual consent by two or more persons regarding their relative rights and duties regarding past or future performances" Black's Law Dictionary defines it. According to the Iyers Law Lexicon, an agreement is defined as "the joining of minds

[11] Jeffrey L. Synder , Internatinal Competition : Toward a normative theory of US antitrust law and policy, 3 BU INT'L LJ 257 (1985)
[12] The Competition Act, 2002

in an action or course of action," "the mutual consent to do something, the coming together of parties, in opinion or final determination," etc.

A second definition offered by Osborn is the act of two or more people agreeing to change the rights and responsibilities of one another[13]. The agreement does not call for a formal contract to be formed under the Competition Act. A broad variety of inferred, informal, & unwritten agreements—which may incorporate any arrangement, understanding, or coordinated action—as well as explicitly stated and formally entered into agreements are included in the definition and interpretation of the term "agreement."

Therefore, any agreement made by the undertakings could be deemed anti-competitive. A gentleman's pledge is included in the definition of "agreement" and may be deemed anti-competitive if its intent is to impede competition. It doesn't matter what the parties to such an agreement intended for it to be enforceable. Parties may nonetheless be in agreement for the purposes of the Act even if they do not want their agreement, understanding, or cooperative activity to be enforceable through legal means.

In the case of **Bayer AG v Commission**[14] at European Union , the meaning of agreement was appraised by the General Court and specified that the concept: “Focuses on the presence of a consensus of wills among at least two parties, with the form of the will being immaterial so long as it accurately represents the parties' desire”. There is no need for enforcement procedures to support an agreement; however, simple understandings and gentleman's agreements have been deemed to be agreements, even though neither is legally binding. Article 101(1) defines an agreement as a "protocol" that shows the parties' true intent to work together[15]. It is possible to treat linked agreements as a single contract. A verbal or informal agreement is also possible. During negotiations, there may be "inchoate" agreements and understandings that are enough to constitute an agreement, but they may be conditional or partial. According to Article 101(1) Treaty on Functioning of the European Union (TFEU), this is the widely accepted view. As long as it accurately represents the parties' intention, the form in which an agreement is expressed is irrelevant; what matters is that there is a concurrence of wills between at least two parties.

[13] Osborn’ s Concise Law Dictionary 8th Edition Page 26
[14] Case T-4/96(2000) ECR II-3383
[15] Whish Richard and Bailey David, Competition Law, Oxford University press, 2012+

In the Indian context, the definition of 'agreement' in the Competition Act is a comprehensive definition that not only comprises written agreements having force of law but also covers any 'arrangement', 'understanding' or 'action in concert' between the parties.

These terms enlarge the scope of the word 'agreement' used under the Act. The definition under Section 2 (b) of the Competition Act, 2002 is as under. "Agreement" includes any arrangement or understanding or action in concert,—

i. "Whether or not, such arrangement, understanding or action is formal or in writing;

or

ii. "Whether or not such arrangement, understanding or action is intended to be

enforceable by legal proceedings";

This definition is giving way too much wider connotation to the word "agreement" than what is generally assumed under the Indian contract Act, 1872[16]. That is precisely the reason why legislators have refrained from using the term "contract" under the Competition Act .the definition is even wider than that of MRTP Act, 1969, which demonstrated streaks of section-6(3) of the Restrictive Trade Practices Act, 1976[17].

b. Parties to an Agreement

Businesses, individuals, partnerships, associations, or any mix thereof are all considered prohibited contracting parties under Section 3 of the Competition Act of 2002. Section 3 & 4 of the Competition Act 2002 are applicable to enterprises. The term 'enterprises' is defined under section 2(h):"enterprise means a person or a department of the Government, who or which is, or has been engaged in any activity, relating to the production, storage, supply, distribution, acquisition or control of articles or goods, or the provision of services, of any kind, or in investment, or in the business of acquiring, holding, underwriting or dealing with shares, debentures or other securities of any other body corporate, either directly or through one or more of its units or divisions or subsidiaries, whether such unit or division or subsidiary is located at the same place where the enterprise is located or at a different place or at different places, but does not include any activity of the Government relatable to the sovereign functions

[16] Section 2(e) an Section 2(h) of the act
[17] RTP Act, 1976 of the United Kingdom

of the Government including all activities carried on by the departments of the Central Government dealing with atomic energy, currency, defense and space".

Explanation.-For the dedications of this clause,—

a) "activity" includes profession or occupation.

b) "article" includes a new article and "service" includes a new service.

c) "unit" or "division," in relation to an enterprise, includes

i. a manufacturing facility set up for the purpose of making, storing, distributing,

acquiring, or controlling items.

ii. any outpost set up to offer any kind of service.

Any individual or government agency can be included in the preceding definition. "Enterprise" can mean anything from a person or group doing business to a large corporation. While it's true that some of an entity's operations qualify as sovereign functions, this is by no means an exhaustive list. In order to determine if an entity is enterprise or not, one must look at its functional rather than institutional aspects[18]

Hon'ble Delhi High Court, in *UOI v. CCI* Order of 23/02/2012[19]also clarified that It is possible for a business to conduct some sovereign functions while not doing others, and for the actions performed by the business to not refer to sovereign functions. However, the exemption under Section 54 would only apply to the parts of the business that directly relate to the government's sovereign functions. Therefore, it is the functional aspects and not the institutional aspects that are dominant in judging whether an entity is an enterprise".

c. Relevant market

When defining the relevant market, it is necessary to include a description of the environment in which potentially damaging economic activity might take place. Thus, it is of paramount importance to identify a market & relevant market in order to characterize the deviations and prevent anti-competitive conduct. In the first step, it is assumed without proof that anti-competitive practices are in place. It then asks a series of questions to narrow down the smallest market where such behavior could be tolerated. In order to evaluate whether the action in

[18] Makam, Ganesh " An overview of Competition Law in India: A Comprehensive analysis
[19] UOI V. CCI, 2012

question has or could have an anticompetitive effect 81, the smallest market must first be determined and drawn.

Since the term "relevant market," as used in Section 2(r) of the Competition Act, originates in the field of Economics, its scope must be broad, and it must be subject to modification in light of the particular circumstances of each case[20]. As stated in Section 2(r) of the Competition Act of 2002, “It is clear from the above definition that the responsibility of identifying the relevant market is left to the Commission. The Commission may do this by looking at the relevant product market, the relevant geographic market, or both”. In addition, determining what constitutes a relevant product market or relevant geographic market necessitates an understanding of economic theory, legal precedent, and statistical analysis of massive datasets.

d. **Regulation of combinations under sections 5 and 6**

Three pillars support the foundation of competition law: consumer welfare, limiting anti-competitive market practices, or maintaining or enhancing market competition. The three aspects are connected to one another. Among these, the guideline of combinations is one area of CL where Indian law is still developing. Jurisprudential elements related to this area are being incorporated from research on how EU and USA jurisdictions have handled similar cases. The EU Merger Regulation, Regulation 139/2004, contains rules on the control of mergers or, to use a different phrase frequently used in EU law, concentrations.

In a real merger, two companies combine into one. One famous example of this is the 1996 merger of Ciba- Geigy and Sandoz, which became the multinational pharmaceutical & chemical corporation Novartis[21]. With the merger of Glaxo Wellcome and SmithKline Beecham in the year 2000, the world was gifted the renowned pharmaceutical company known as Glaxo Smithkline. Keep in mind that the definition of a “merger" under the Competition Act covers a far broader spectrum of business deals than what is mentioned above. If fewer competitors enter the market and consumers suffer as a result, the merger may have violated CL. A merger's potential negative horizontal effects are the primary consideration of competition authorities. While less prevalent, vertical, and conglomerate effects are not out of

[20] Dr. S Chakarvarthy, relevant market in competition case analysis
[21] Competition policy and liberal trade policy seek to achieve the same objective namely economic efficiency

the question either. Multiple issues, including conglomerate, vertical, and horizontal ones, may originate from the same source[22]

The phrase "combination" in Indian law encompasses not only mergers and amalgamations but also the acquisition of a company's assets, shares, or voting rights by another group or corporation. Merger regulations were first enacted in 2011 under the Competition Act. Notifying the government in advance is a requirement for large firms planning to merge or acquire other large firms. Any merger involving AAEC is illegal. The CCI evaluates the efficiency and effectiveness of a combination based on its effect on market competition, in line with the merger thresholds announced through the Combination Regulations of 2011. In India, the legal and philosophical frameworks surrounding the regulation of combinations to prevent anticompetitive market practices are continuously expanding.

The Competition Act 2002 regulates the combinations under sections 5[23] and 6 read with sections 20(3), 29, 30 and 31. The regulation provisions under the CL are limited in its scope. The pertinent question of inquiry under these provisions is limited to that of preventing anti-competitive effect of mergers or acquisition. Companies often combine through mergers as a means to increase their market power and shield themselves from competition. For each instance, the Commission would look into the specifics of the action, the market that is relevant, and the negative impact on competition. According to the Competition Act of 2007, Section 5 explains the exceeding thresholds.

• *PVR Cinemas –DT Cinemas[24]:* With certain modifications, the CCI has approved PVR's acquisition of DT Cinema's Chandigarh and Delhi NCR multiplexes and single-screen theaters in an order dated May 4, 2016. According to the CCI order, the PVR promised not to build any new theaters or buy any existing theaters in South Delhi for a period of five years. Other commitments included giving up seven screens at Airia Mall in Gurgaon and fifteen screens at Garden Galleria in Noida. Furthermore, the cost garnered much-required interest. The PVR Cinemas chain in South Delhi has pledged to cap ticket prices and beverages and food prices for both PVR and DT Cinemas for five years. The price caps will only be raised by a maximum of 5% during the fourth and fifth year of the agreement.

[22] Whish Richard and Bailey David, Competition Law, Oxford University Press
[23] Revished threshold under S.O 675(E)
[24] Cobination Registration No. C-2015/07/288

• *Abbott Laboratories Case*[25]*:* The CCI has granted approval for Abbott Laboratories to acquire the VCDs business of St. Jude's Medical, Inc. The corporation, which was founded and is publicly traded in the United States, is well recognized as a major player in the health care industry worldwide. It notified the Commission on August 1, 2016, that it had acquired St. Jude Medical, Inc.'s Vascular Closure Devices business. This notification was issued in accordance with a merger agreement and plan that the Parties executed on April 27, 2016. In 2015, the Parties had a combined market share in India of somewhere between 90 and 100 percent in the 'small hole' VCDs and the specific hole sizes within 'small hole' VCDs, according to the Commission.

• *Sun Pharma Ranbaxy*[26]*:* Sun Pharmaceutical Industries Limited & Ranbaxy Laboratories Limited gave notice to the Competition CCI under subsection (2) of Section 6 of the Competition Act, 2002 on May 6, 2014. According to the terms of the proposed merger, Ranbaxy & Sun Pharma will merge under a Scheme of Arrangement approved under Sections 391-394 and other relevant provisions of the Companies Act, 1956 & Companies Act, 2013. During its meeting on December 5th, 2014, the Commission authorized the proposed combination with conditions by issuing an order under subsection (7) of Section 31 of the Act. The Commission required the Parties to make the following changes per the Order:

a. Sun Pharma will sell off all Tamlet-branded products containing Tamsulosin & Tolterodine.
b. Ranbaxy must sell off:

i. All Leuprorelin-containing products currently sold by the company under the Name of the brand Eligard. If the divestiture of Eligard's distribution rights is not accomplished during the First Divestiture Period, Sun Pharma will sell its Lupride-branded leuprorelin products (as stipulated in the Order).
ii. All currently available Terlipresslin-containing products sold and distributed under the Terlibax brand name.
iii. Products are currently sold and distributed under the Rosuvas EZ brand name and include Rosuvastatin and Ezetimibe.
iv. Olanex F refers to all currently available medications that combine Olanzapine & Fluoxetine.

[25] Combination Registration No. C-2016/08/418
[26] Combination Registration No. c-2014/05/170

v. Products now sold under the Raciper L brand name & containing the active ingredients levosulpiride & esomeprazole.
vi. Olmesartan + Amlodipine + Hydrochlorthiazide sold & distributed as Triolvance.

Therefore, in order to comply with the commission's conditional permission for their merger, the two companies have been given all-clear by the CCI to sell seven brands to Emcure Pharma. The CCI had ordered the sale of the "divestment products" on an earlier directive dated December 2014; in March 2015, the CCI approved the agreement with Emcure to buy those products. The CCI argued that the merger of Sun Pharmaceutical Industries or Ranbaxy Laboratories violated competition laws "prima-facie," and as a result, it ordered the products' divestiture under its "conditional" approval of the deal. These seven brands were at the center of this argument. The reflection on the Indian Competition Act, 2002 takes researcher further to interface issues involved in the functioning of two laws namely the Competition Act and Intellectual Property (IP) Laws.

CONCLUSION

The purpose of the Competition Act of 2002, according to this article, was to increase competition in the Indian market rather than to prevent monopolies. It is the goal of the CL to ensure both consumer protection and fair market competition. Therefore, the goal of anti-monopoly legislation is not to outlaw monopolies. The goal is not monopoly per se that violates CL principles; rather, it is the exclusion and regulation of anti-competitive practices by businesses that attain monopoly through anti-competitive agreements. The CL identifies monopolistic behavior as harmful to society and provides mechanisms to enhance competition and challenge it, while the IPR regime allows right holders to maximize the exploitation of IP laws.

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