Net Neutrality: Smart Cables or Dumb Pipes?

An overview on the regulatory debate about how to govern the network

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Statutory Declaration

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Abstract

The entry into force of Regulation 2015/2120 is yet another chapter in the long saga on net neutrality. However, after more than one decade of intense political, economic, legal and civil debate over how the internet should be governed, the feeling is that the correct balance between the two sides of the debate has not yet been struck.

The importance of the debate of net neutrality does not only affect the architecture of the network. The internet has undoubtedly become the main in a very short time a fundamental element of most people’s professional and personal lives. High speed access to the net is now considered as an indispensable tool for innovation, productivity and development in modern societies. As a result, deciding on the principles that will govern the internet reveals itself as a fundamental choice for the whole society, with important consequences in areas such as economic growth, fundamental rights or development of new technologies.

The purpose of this paper is to analyse the underlying principles that guide the debate on net neutrality. In order to do so, the main actors and their motivations will be carefully evaluated, with a particular focus on the economics of the market on how they relate to the positions of each side of the debate. Additionally, the strongest arguments of each position will be analysed in order to prove that, despite what some sectors of our society state, both sides have very reasonable concerns and finding the correct balance between them is essential to maintain the integrity of the market.

To conclude, the paper will analyse the main elements of Regulation 2015/2120 under the light of the elements exposed in the previous sections. Accordingly, the main critiques and inconsistencies of this new piece of legislation will be reviewed and an alternative regulatory framework based on a more flexible regulatory framework and a deeper analysis of the effects of each particular case will be evaluated. The last section will briefly analyse the need to change the current approach of case law to infringements of Art 102 TFEU in order to ensure that European competition law would have the necessary means to control abuses and discipline the market in an environment with light *ex ante* regulation.
Keywords

Abuse of Dominant Position
Discriminatory Practices
Fundamental Freedoms
Internet Service Providers
Network neutrality
Quality of Service
Regulation 2015/2120
Soft law Regulation
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“Net Neutrality represents one of the few telecommunications terms that, while very difficult to precisely define, can cause a large amount of conversation on both sides of the issue”

G. Held, (2007)
## List of Abbreviations

<table>
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<th>Abbr.</th>
<th>Description</th>
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<tr>
<td>Art.</td>
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<tr>
<td>ARCEP</td>
<td>Autorité de Régulation des Communications Electroniques et des Postes</td>
</tr>
<tr>
<td>BEREC</td>
<td>Body of European Regulators for Electronic Communications</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>ECJ</td>
<td>European Court of Justice</td>
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<td>ETNO</td>
<td>European Telecommunications Network Association</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>GC</td>
<td>European General Court</td>
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<tr>
<td>IBP</td>
<td>Internet Backbone Providers</td>
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<tr>
<td>ISP</td>
<td>Internet Service Provider</td>
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<tr>
<td>NKOM</td>
<td>Norwegian Communication Authority</td>
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<td>OSP</td>
<td>Online Service Providers</td>
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<tr>
<td>QoS</td>
<td>Quality of Service</td>
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<tr>
<td>TFEU</td>
<td>Treaty on the Functioning of the European Union</td>
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<tr>
<td>US</td>
<td>United States of America</td>
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<td>VoIP</td>
<td>Voice over IP</td>
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1 Introduction

On 30\textsuperscript{th} April 2016 - that is, the very same date that this thesis will be handed - the provisions of the new Regulation on Open Internet Access\textsuperscript{1} will enter into force in the EU. This will be yet another chapter of the long debate –some would call it saga- on net neutrality and the desirable architecture of the internet.

It is undeniable that the internet has become in a very short time a fundamental element of most people’s professional and personal lives. High speed access to the net is now considered as an indispensable tool for innovation, productivity and development in modern societies. What is more, the internet has proven during the last decade that it is a potentially limitless technology whose disruptive effects can alter almost every industry, even its own one.

The internet has also become an essential tool for our private life. More and more citizens exercise their rights of freedom of expression and information on the internet, and digital newspapers and news-agencies are quickly replacing analogical ones as the main forum for debate and knowledge exchange. The increasing role that the internet plays in our societies is also reflected in the political arena, where most political parties are starting to take a position on how the internet should be regulated. As Commissioner Kroes expressed in a speech to the European Parliament:

“\textit{I want us to show citizens that the EU is relevant to their lives. That we made the digital rules catch up with their legitimate expectations (…) I want you to be able to say that you saved their right to access the open internet, by guaranteeing net neutrality.}”\textsuperscript{2}

However, the internet is also subject to significant technological constrains. One of the most important relates to the maximum capacity of cables and their ability to carry an ever increasing amount of data while avoiding congestion issues.\textsuperscript{3} As a result of recent technological changes, Internet Service Providers (ISPs) are now able to exercise a greater

\textsuperscript{1} Regulation 2015/2120 of November 25 2015 laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users’ rights relating to electronic communications networks and services and Regulation No 531/2012 on roaming on public mobile communications networks within the Union, \textit{OJ} L 310, 26.11.2015, p. 1–18


control on the data packets that flow through their networks. This control allows them to be able to discriminate between the different content and applications, thus opening the possibility to tap new sources of revenues by charging content providers for “priority rights”.

As it could be expected, content providers do not agree with this new design of the internet and are fighting to maintain a non-discriminatory approach to data traffic. But they are not the only ones who oppose moving away from the “best-effort” guided practice that was conceived in the original structure of the internet to a differentiation of quality of service (QoS) that would allow discriminatory pricing practices. Several abuses of fundamental rights by ISPs have alarmed significant sectors of society, who believe that by granting ISPs absolute control on the data that goes through the cables they will lose control over what, when or how they can access content on the internet.

As a result of mixing these economic and political concerns, a lively debate has been sparked during the last decade. During this time both sides of the dispute have advanced legitimate arguments and, so far, governments and regulatory agencies have only been able to offer partially satisfactory measures. The question on whether the architecture of the internet should resemble a “dumb pipe” that merely connects content providers with end users or a “smart cable” network able to discriminate between different content and operate in a two sided market is still up to debate.

The first part of this paper contextualises the debate on net neutrality, analysing the different definitions of the term, the different actors in the market and their motivations. The second chapter is focused on the analysis of the need for regulation and the way the market works, paying particular attention to the underlying economic motivations of the different actors and the choice between different legislative and regulatory instruments.

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To conclude, the main provisions of Regulation 2015/2120 will be analysed according to the principles laid down in the previous sections. Based also in these ideas, some elements for improvement will be highlighted and the role of competition law in an alternative and more flexible framework will be analysed.
2  The net neutrality debate: what is it about?

The net neutrality debate has been, without a doubt, one of the most active regulatory debates of the decade.\textsuperscript{10} Almost all internet giants have at some point, expressed their position on the debate and, with an increasing role of politics in the area, it is not uncommon to find net neutrality related news on the mass-media. Even President Obama made of net neutrality one of its major proposals during his first presidential campaign.\textsuperscript{11} To contextualize the reach of the debate, this section will analyse the different definitions given to the term, their implications and the different actors involved in the market.

2.1 What is net neutrality?

After more than one decade, scholars still struggle to give a clear definition to “net neutrality”.\textsuperscript{12} The difficulty to clearly demarcate this issue is caused not only to the fact that the concept has not yet been unanimously defined by the industry or academics but also to the fact that it spans over very broad concepts -such as liberty, social fairness and non-discrimination.\textsuperscript{13}

In its academic sense, the term “net neutrality” was first introduced at the beginning of the new millennium in a paper titled “Network Neutrality, Broadband Discrimination”.\textsuperscript{14} In its most basic definition “net neutrality” refers to the prohibition for Internet Service Providers or Internet Access Providers (ISPs or IAPs) to discriminate or treat in a different way the requests of different end-users.\textsuperscript{15} As such, net neutrality refers to the idea of keeping...

\textsuperscript{10} R. QUECK, “La Neutralité de l’internet, la gestion du trafic et les services gérés” in A. STROWEL, Net Neutrality in Europe/ La neutralité de l’Internet en Europe, Bruylant, Brussels, 2013, p.111, at 111
\textsuperscript{13} M. CAVE, P. CROCIONI, supra note 12, p.670
an “open and neutral” access to the Internet for actors upstream (content providers) and downstream (end-users), and to avoid any discriminatory or blocking practices by ISPs.

Nonetheless, the definitions given to net neutrality vary greatly between different authors depending on the nationality, role and motivations of the writer. Some scholars prefer to avoid technical matters in their definitions and keep the reach of the term as broad as possible, thus making the definition easier to relate to consumer’s rights, fundamental freedoms and even data protection. This is the case for leading scholars such as William Baumol, who defines net neutrality as a set of proposals whose aim is to prevent ISPs from “charging more for priority delivery”, or Barbara Van Schewick which refers to net neutrality as a set of “non-discriminatory rules that prevent operators to discriminate against third parties”. This broad approach has also been endorsed by the European Union which in its regulation Regulation 2015/2120, where net neutrality is referred as the “safeguard of equal and non-discriminatory treatment of traffic in the provision of internet access services and related end-users rights”.

The flexibility of the definition of net neutrality is clearly shown by the ambiguous position of some of the most important companies of the sector. In 2010 Google reached an important agreement with Verizon (an American telecom operator) and consequently considerably changed its position regarding net neutrality. Shortly after the agreement was signed, Eric Schmidt -former CEO of Google- quickly specified that Google fully supported net neutrality but restricted its definition to non-discrimination between data of the same type instead of discrimination of all data. Consequently, according to this non-strict definition of net neutrality, discrimination within services “such as video and voice” would be perfectly possible.

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19 B. VAN SCHEWICK, supra note 5, p.329
20 Regulation 2015/2120 of November 25 2015, supra note 1, p.1
22 Emphasis added
However, it is not uncommon to find more detailed and technical definitions. These definitions usually do not focus on the impact of net neutrality in society but on the requirements needed to ascertain whether a network is neutral or not. A great example of this approach is given by Alejandro Pisany, which defines neutrality of a network as the delivery of Internet Protocol (IP) by “without discrimination in its five essential elements24: protocols used, ports of connection, contents requested or point of origin and destination”25. As a result of this approach, the term net neutrality is detached from its more political meanings and merely focuses on the description of a practice in the telecommunications market. Another great example of a technical definition was elaborated by BEREC, who in turn received its input from the Norwegian Communications Authority (NKOM).26 This definition emphasises that “all electronic communication passing through a network must be treated equally. That all communication is treated equally means that it is treated independent of (i) content, (ii) application, (iii) service, (iv) device, (v) sender address, and (vi) receiver address”27. As such, the term “net neutrality” refers to an absolute ban on four kinds of activities: content blocking (blocking access to different sites and services on the internet) prioritization of a company’s own services (which is particularly relevant in vertically integrated undertakings) voluntary service degradation or bandwidth throttling practises (intentional slowing of certain internet services or applications).28

2.2 Actors in the market

As in any other regulated market, the debate over net neutrality is heavily influenced by the actors that operate in it. In order to understand their different positions it is necessary to discern their different motivations and to identify the conflicting points. Although there are many different ways to classify them, in this section they will be divided according to their primary function between: owners of the infrastructure (ISPs or network operators), content providers and end users.29

24 Also referred as the “five alls”
25 A PISANTY, supra note 3, p. 129
27 BEREC, supra note 15, p 4.
28 L. DE MUYTER, Y. DESMEDT, supra note 4, pp. 47-48
29 N. ECONOMIDES, supra note, p.4
2.2.1 Network Operators/ Internet Service Providers:

ISP(s) manage the infrastructure necessary for connecting the source of the data (e.g. a content provider) to end-users. The requirements of these two extremes of the network define the standards that net operators have to satisfy, as they need to fulfil the expectations and demands of both ends of the pipe.

This is far from an easy task as each of the activities of end users may result in very different kinds of demand, which includes different data transit requirements, bandwidth use and stability needs.\textsuperscript{30} To satisfy these requirements net operators need to monitor the traffic on their networks. Since congestion will result in random packets being dropped from the net,\textsuperscript{31} the quality of service will be degraded for all users. However, since revenue to ISPs is provided by the end-users, it is in their interest to ensure the quality of the service remains acceptable for most of them.\textsuperscript{32} Striking a good balance becomes even more complex for ISPs when the fact that packets need to go through different net operators before arriving to the end users is taken into consideration.

It is also important to realize that network operators and ISPs are terms that, although they design undertakings in the same side of the market are not exactly the same thing. ISPs are divided in different tiers depending on the number of networks they control and their extension. A network operator is an ISP in the lower tiers (last mile connection), usually providing service to a limited geographic area and relying on higher tiers to connect to other networks.\textsuperscript{33}

2.2.2 End Users:

The most important characteristic of end users is found in its sheer numbers and huge diversity. To most of them the way the network works is irrelevant; they pay their ISPs (and some even pay to specific content providers) to have access to a number of services. In exchange for this payment, they expect -as any other consumer- a service whose quality will enable them to enjoy the services they have acquired. However, when the network becomes congested some or all end users will experience degraded quality of service. In many cases, their lack of expertise about how the system works makes them prone to side against the net operator, which in many countries have a reputation for being ineffective or to favour certain

\textsuperscript{30} A Pisanty, supra note 3, p. 129
\textsuperscript{31} P. Larouche, supra note 7, p.78
\textsuperscript{33} A Pisanty, supra note 3, p. 129
clients. What is more, their ability to “vote with their feet” on bad traffic management practices from their ISPs is often hindered by the lack of alternatives or the difficulty to switch between providers.

2.2.3 Content Providers:

If network operators are characterised for their relatively low numbers, online service providers (or OSPs) are potentially almost infinite. This diversity is not restricted to their numbers, since the services that they provide are also extremely different and require different data intensities. This high variety is not a problem as long as the combined flow of data is lower than the capacity of the network. However, if the opposite problem arises, the capacity of the network will be exhausted and delays of loss of data will happen. Although there are different strategies to mitigate the damage caused by network overload (such as data compression or buffering) each content provider and service delivered has different requirements and such strategies may be very damaging to their products.

The most relevant element regarding the debate over net neutrality is the relation between content providers and net operators. Since massive data transfers issued by content providers are likely to create congestion in some parts of the network, most of the debate focuses on who should bear the costs of increasing the capacity of the network. Content providers rely on ISPs’ investment and management of the network to reach end consumers. Since most content providers are heavily dependent on network effects, it is in their interest that net operators invest as much as possible in “last mile” connections. However, net operators are well aware of their strategic role and try to make content providers participate in their investment.

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34 B. THORNGREN, “Net Neutrality; not as neutral as it sounds” (2006), 1, Ericsson Business Review, pp.35-39
35 P. LAROCHE, supra note 15, p.81
36 P. LAROCHE, supra note 15, p.78
37 L. POUZIN, supra note 30, p. 75
39 This has already led to some complaints in some Member States such as the dispute between Cogent and France Telecom over their peering agreements generated by Megaupload (Decision n°12-D-18 of the French Competition Council of 20 September 2012) or KPN’s decision to start deep packet inspection and VoIP throttling in the Netherlands.
2.3 The two sides of the debate:

Once the different actors in the market have been identified, it is possible to frame the different views over net neutrality. As in many other regulatory debates, the views over net neutrality are divided between proponents and opponents with very little common ground between these two perceptions.\(^{40}\)

Opponents of net neutrality are usually led by ISPs, and although they are less vocal than their opponents, it is not uncommon to find some scholars and regulators on this side of the debate.\(^{41}\) From their point of view, the need for price discrimination is a direct consequence of the higher prices they have to face to deliver higher volumes of content at higher speeds.\(^{42}\) It is also common to find arguments on this side of the debate relating to protection of investments and promoting innovation.\(^{43}\) According to this approach, price discrimination is positive for society as it would help ISPs to finance the huge costs of developing the infrastructure necessary for the connections’ next generation.\(^{44}\)

As it can easily be inferred, the position against net neutrality is mostly based on economic factors. In many ways, the position held by most ISPs is the result of recent technological changes in the market and clearly reflects the concern of ISPs to find new business models.\(^{45}\) In the longer term ISPs fear becoming relegated to the role of a mere “data pipe” between content providers and end users.\(^{46}\) Under these circumstances ISPs would lose all their market power and would be relegated from the most important decisions of the market. To prevent the “commoditization” of their services, ISPs try to turn their services into a two-sided market that would allow them to preserve some relevance.\(^{47}\) One of the best strategies to connect end users and content providers is precisely by being able to offer discriminatory pricing and therefore, to be able to adapt to different providers or end users demands and to compete between themselves.

\(^{40}\) K. STYLIANOU, “The Persistent Problems of Net Neutrality or Why are We Still Lacking Stable Net Neutrality Regulation” in A. STROWEL, Net Neutrality in Europe/ La neutralité de l’Internet en Europe, Bruylant, Brussels, 2013, pp.211, at 213
\(^{41}\) A. STROWEL, supra note 7, p.6
\(^{42}\) A. STROWEL, supra note 7, p.6
\(^{43}\) NET CONFIDENT COALITION, “Ensuring Network Stability and Consumer Confidence in Competitive Markets”, [2009], p.3
\(^{44}\) NET CONFIDENT COALITION, supra note, 43, p.3
\(^{46}\) P. LAROUCHE, supra note 7, p.78
\(^{47}\) P. LAROUCHE supra note 7, p. 78
According to the original design of the internet, traffic management would be guided by a “best effort” service. This means that all packets are treated equally and the network does its best to deliver them, without granting any guarantees regarding delay or packet losses. On the contrary, a network that offers QoS (quality of service) practices may prioritize between different packets, and thus guarantee a certain delay or stability for a sum of money. This possibility can be particularly important—and valuable—for congestion-sensitive applications.

More importantly, the effects of the new technologies can already be felt in the market and are forcing ISPs to look for new sources of revenue. Although the cannibalization of revenue from the fixed voice telephony services at the beginning of the decade was easily compensated by increasing revenues from the development of broadband internet access, the math does not look so clear regarding revenues from mobile lines. In this case the threat is much higher, since revenues from mobile telephony have traditionally been higher and, with the development of 3G and 4G, competition by applications is higher. This shift in revenues could heavily affect the profitability of ISPs and, consequently, settling the debate in a satisfactory manner is an essential part of their future business strategy.

If the position of net neutrality opponents is mainly driven by economic reasons, the reasons that drive net neutrality proponents are founded in elements of freedom, non-discrimination and consumer’s rights. Net neutrality supporters claim that ISPs already have the ability to discriminate between the content that goes through its network and, consequently, to block or favour certain kinds of contents. According to their point of view, the potential harm of such restrictions would not only be limited to competition between content providers and their freedom of choice, but could also easily extend to matters relating freedom of expression or personal privacy. As a result of this broader approach net neutrality proponents usually increase substantially the reach of their definition.

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48 B. VAN SCHEWICK, Supra note 5, p. 3
50 L. DE MUYTER, Y. DESMEDT, supra note 4. p.55
51 L. DE MUYTER, Y. DESMEDT, supra note 4. p.55
52 M. CAVE , P. CROCIONI, supra note 12, p.670.
53 R. FRIEDEN, supra note 45, p. 28
54 B. VAN SCHEWICK, D FARBER, supra note 6, p.31
and include political elements in their analysis. In many cases this results in non-economic elements playing a fundamental role in the proposed regulation for the market.\textsuperscript{56}

The potential harm of data and price discrimination is enhanced by the fact that very often end users do not have the possibility to choose between different ISPs. In many areas of the United States and the European Union users only have access to one—potentially two—last mile internet access providers.\textsuperscript{57} As a result, many end users are not able to vote with their feet against any unnecessary service degradation and are defenceless against any kind of arbitrary discrimination. However, this threat is less significant for content providers as it is easier to shift between different internet backbone providers at the “entry side of the pipe”.\textsuperscript{58}

The banner of network neutrality has rallied many heterogeneous groups. Among them it is easy to find human rights organizations, consumer rights advocates and leading technological companies such as Microsoft or Yahoo! \textsuperscript{59} An important number of governments\textsuperscript{60} have shown their support to net neutrality until this date and so has, as expressed in Commissioner Kroes speech of June 4\textsuperscript{th} 2013, the European Commission.\textsuperscript{61}

A closer analysis of the motivations of internet giants and end users shows the reasons behind this unlikely alliance. It is beyond any kind of doubt that it is in both groups’ interest that the service is delivered unconstrained by any throttling, blocking or any other element that may affect negatively its quality.\textsuperscript{62} End users want to enjoy the best quality for the service they have paid and content providers want their services to arrive uninterrupted to their users without having to make additional payments to the ISPs. As the saying says, “\textit{Si Paris vaut bien une messe}”, enjoying free-of-charge access to the network is certainly worth showing a strong position on fundamental rights matters for these internet giants.

Taking all into account, it is easy to realize that net neutrality partisans are not only concerned about potentially higher prizes for their internet connection. On the contrary net neutrality is for them the best tool to guarantee access to an open internet and that no

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\textsuperscript{56} M. CAVE, P. CROCIONI, \textit{supra note} 12, p.670.
\textsuperscript{57} R. FRIEDEN, \textit{supra note} 45, p.29
\textsuperscript{58} R. FRIEDEN, \textit{supra note} 45, p. 29
\textsuperscript{59} A. STROWEL, \textit{supra note} 21,p.6
\textsuperscript{60} An important number of countries have passed laws guaranteeing net neutrality. The Netherlands and Chile led the way, that was joined, among others, by the Colombia, Peru, Slovenia, the U.S, Brazil, Mexico and, more recently, the European Union.
\textsuperscript{61} N. KROES, \textit{supra note} 2, p.4
\textsuperscript{62} A PISANTY, \textit{supra note} 3, p.129
\textsuperscript{63} Quote attributed to Henry IV of France, a convinced protestant that decided to abandon his beliefs and convert to catholicism in order to be able to rule France.
\end{flushleft}
company will be able to take control of the network. Contrary to the “laissez faire” approach defended by net neutrality opponents, partisans believe that market regulation and state intervention are positive for innovation and business opportunities.

Table 1: Definition of Net Neutrality and prevalent position

<table>
<thead>
<tr>
<th>Actor</th>
<th>Position on Net Neutrality</th>
<th>In Favour/ Opposing</th>
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<tbody>
<tr>
<td>Telecom Operators</td>
<td>Regulation is not necessary. Specific market rules are sufficient.</td>
<td>Opposing</td>
</tr>
<tr>
<td>Content Providers</td>
<td>Regulation is essential to ensure fair competition. They want to avoid double payments to ISPs</td>
<td>In Favour</td>
</tr>
<tr>
<td>Technically aware users</td>
<td>Conflicting views. Aware of pros and cons of “hard-core” net neutrality regulation</td>
<td>In Favour/ Opposing</td>
</tr>
<tr>
<td>Technically Unaware users</td>
<td>Net Neutrality relates to democratic values and freedom of speech</td>
<td>In Favour</td>
</tr>
</tbody>
</table>

Source: R. Wojcik and own elaboration.

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64 R. Wojcik, “Net Neutral Quality of service Differentiation in Flow-Aware Networks” (2011) AGH University of Science and Technology, Krakow, p. 37
65 A. Strowel, supra note 21, p.5
66 R. Wojcik, supra note 64, p.12
3 Net neutrality and the desired regulatory framework

Both sides of the debate have extensively argued about the (numerous) benefits of their position and the (even more numerous) disadvantages of the proposals of the opposing side. Despite the polarisation of the debate, both sides have been able to put forward very sensible arguments from a legal, political and economic point of view. This section will try to review the most important of them.

3.1 The case for regulation: Competition law and fundamental rights infringements by ISPs

The most important regulatory concern for net neutrality proponents is related to the ability of ISPs to block access to specific services and, by doing that, restrict consumer’s rights and thwart innovation on the internet. Although even net neutrality opponents recognise that this outcome is far from desirable, ISPs have proven that falling into this sort of anticompetitive behaviour can be too tempting to resist.

Two good examples of this kind of behaviour were displayed by Madison River and Comcast in 2005 and 2007 respectively. Madison River, a phone company based in North Carolina, decided to block a telephony application called Vonage because it was perceived as a threat to its core business. Similarly, Comcast—which at the time of the infringement was the second largest ISP in the U.S. - shut down different peer-to-peer services, including those of Vuze, a company that legally delivered television content. As in the previous case, the fact that Vuze competed with part of Verizon’s core business seemed to be at the decision to block their services.

However, as some net neutrality proponents have underlined, the ability by ISPs to block specific content is not limited to competition-related issues. In 2007, AT&T deleted...
part of a statement issued by the grunge band Pearl Jam because their critics towards George W. Bush violated their content policies.\textsuperscript{75} Similar breaches of freedom of expression or consumer’s right have been done by Verizon Wire (who blocked a message campaign by a pro-abortion group) or AOL, which blocked some critics to its new pay-to-send email scheme\textsuperscript{76}. More recently, there have been allegations that Telefónica is slowing down connections to Netflix in Spain in order to protect their cable TV service.\textsuperscript{77}

Table 2: Brief selection of net neutrality breaches and harmed values

<table>
<thead>
<tr>
<th>ISP/ Content Provider</th>
<th>Year</th>
<th>Discrimination</th>
<th>Harm to Competition/Fund. Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madison River/ Vonage</td>
<td>2004</td>
<td>Service was blocked</td>
<td>Competition</td>
</tr>
<tr>
<td>Telus/TWU</td>
<td>2005</td>
<td>Webpage was blocked</td>
<td>Fundamental Rights</td>
</tr>
<tr>
<td>AOL/ Dearol</td>
<td>2006</td>
<td>Webpage was blocked</td>
<td>Fundamental Rights</td>
</tr>
<tr>
<td>Verizon/ Naral (Pro-abortion Association)</td>
<td>2007</td>
<td>Service was blocked</td>
<td>Competition &amp; Fundamental Rights</td>
</tr>
<tr>
<td>AT&amp;T/ Pearl Jam</td>
<td>2007</td>
<td>Content of a statement was modified</td>
<td>Fundamental Rights</td>
</tr>
<tr>
<td>Comcast/ Bit Torrent</td>
<td>2008</td>
<td>Blocking of application</td>
<td>Competition</td>
</tr>
<tr>
<td>Free/Google</td>
<td>2013</td>
<td>Blocking of sponsored links</td>
<td>Competition</td>
</tr>
</tbody>
</table>

\textit{Source:} R. Wojcik\textsuperscript{78}, B. Feltén\textsuperscript{79} and own elaboration.

Although all these cases cannot be considered under any means as a coordinated and far reaching strategy to put a competitor out of the market\textsuperscript{80} or to manipulate public opinion, they clearly show that ISPs have the ability to control the traffic that flows through their

\textsuperscript{75} B. Van Schewick, D. Farber, \textit{supra note 6}, p.32
\textsuperscript{76} R. Wojcik, \textit{supra note 64}, p. 16
\textsuperscript{78} R. Wojcik, \textit{supra note 64}, p.37
\textsuperscript{80} J. Sidak, \textit{supra note 70}, p.357.
networks. Consequently, it is safe to assert that, at least, there are some aspects highlighted by net neutrality partisans that should be taken into account when assessing the necessity of net neutrality regulation.

3.2 The indispensability of discriminatory practices for network managing

Even if ISPs have proven that they have the ability to put in practice the practices extremely dangerous practices for society; their arguments against net neutrality should not been automatically discarded by regulators. What it is more, most of the industry agrees that some kind of network management and control over its content is necessary. Even BEREC, the European body of regulators for Electronic Communications, acknowledges the usefulness and need for control and blocking practices under certain circumstances. Data packets screening plays an essential role in controlling spam, phishing and other harmful practices on the internet. Even law enforcement sometimes requires selective blocking of applications or websites (for instances in cases of child-abuse imagery or to prevent Distributed Denial of Services (DDoS) attacks).

In order to prevent such practices, ISPs need to perform Deep Packet Inspections (DPI). This practice is in itself contrary to the end-to-end perception of internet traffic, as it requires ISPs to abandon their position as a mere “data pipe” in order to actively discriminate against different kinds of content. However, as both scholars and ISPs recognise ensuring the stability of the internet without these tools would probably be not possible.

Yet, the role of ISPs is not only limited to guaranteeing safety on the net. Another argument put forward with fervour by ISPs relates to technological progress and the need of

81 B. VAN SCHEWICK, D. FARBER, supra note 6, p.32
83 M. CAVE, P. CROCI ONI, supra note 12, p.669
84 F. SORESEN, supra note 26, p.110
85 L. BELLl, supra note 55, p.18
86 NET CONFIDENT COALITION, supra note 43, p.3
88 A. PISANTY, supra note 86, p. 56
90 NET CONFIDENT COALITION, supra note 43, p. 4
regulation to respect the principle of technological neutrality. 91 According to them, regulators should keep present that adopting net neutrality principles may seriously damage, or even completely block, the development of technologies that are highly demanded in the present market such as remote medical supervision92. A recurrent argument relates to the development of telemedicine and the improvement of VoIP (Voice over IP) services, which are to bandwidth intensive technologies in which the stability and speed of the connection clearly determine the utility of the service and, with it, the willingness of users to pay for them93. According to ISPs, should net neutrality principles be enforced, these technologies could not be developed with enough guarantees under the current technology94.

Additionally, net neutrality opponents defend that there are enough reasons to disregard the–sometimes desperate–pleas of net neutrality partisans for specific regulation. According to them, a framework with minimum regulatory intervention, acting in concurrence with competition law, should be enough to deal with any possible abuses.95 This limitation of ex ante regulation is deemed positive by ISPs as it interferes less with technological development and the natural evolution of the markets96. Equally, they maintain that need of this kind of regulation is unnecessary as ex post competition law is enough to constrain any harm to competition or consumers97. In any case—and unsurprisingly—the preference between net neutrality opponents for a semi self-regulatory model with post infringement enforcement by the competent authorities is very clear.98

3.3 Economics of net neutrality

3.3.1 Potential efficiencies of a discriminatory environment

The launch by European Commission of its “Telecommunications Single Market” Regulation seemed to signal the end of the previously timid and limited ex ante regulatory

91 NET CONFIDENT COALITION, supra note 43, p. 2
93 NET CONFIDENT COALITION, supra note 43, p. 2
95 M. CAVE, P. CROCIONI, supra note 12, p.674
96 NET CONFIDENT COALITION, supra note 43, p. 2
97 M. CAVE, P. CROCIONI, supra note 12, p.674
approach. As it has been argued, this approach—although with some exceptions—was a product of the particularities and deep economic implications of this specific market and probably one of the main reasons the constant resolutions calling for net neutrality by the European Parliament—three in only four years—had been previously ignored.

The main economic argument underlying net neutrality regulation has been bluntly presented in several occasions by César Alierta, CEO of Telefónica. Essentially, the argument is that infrastructure providers need to make enormous investments in order to be able to deliver appropriate bandwidth to the maximum number of users and to keep up with increasing demand while content providers “piggyback” on their efforts in order to reap huge profits. According to this idea, OSPs should help with the effort, even if this means that their profits should be lower. This argument has been subsequently repeated by ETNO, the European Telecommunications Network Organization, through its spokesperson Luigi Gambardella.

The case for price discrimination directly derives from the Alierta/ETNO argument. If users of the network (OSPs) need to participate economically in the expansion of the networks, one of the easiest ways to collect these funds is by charging their use of the net. What is more, by charging also the service provider, ISPs effectively turn the market into a two sided market with two different pricing strategies, since they also charge end users an “access fee”.

The implications of this dual pricing scheme will have extremely important consequences on the strategies adopted by ISPs to maximize their benefits. ISPs are well aware of the sensitivities of the content provided by OSPs and their willingness to pay in order to avoid congestion. Some applications, such as email services, are very insensitive to

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100 It is worth remembering that Article 22, section 3 of Directive 2009/136/EC of 25 November (citizen’s right directive) foresaw that national regulators could impose minimum levels of quality where there was a significant level of degradation.
101 J. Barata, supra note 98, p. 53
102 J. McNamee, M. Fernández Pérez, supra note 99, p. 183
103 For instance in 2013 in the WCIT- World Conference on International Telecommunications in Dubai or, more recently in the Spanish Confederation for Executives Summit of 2015, that took place in October 2015
104 A. Pisanty, “Network Neutrality under the Lens of Risk Management”, supra note 87, p. 57
105 A. Pisanty, “Network Neutrality Debates in Telecommunications Reform...” supra note 3, p. 135
106 J.P. Choi, B.C. Kim, supra note 91, p. 449
107 N. Economides, supra note 9, p. 13
108 J.P. Choi, B.C. Kim, supra note 91, p. 450
109 And indirectly, by the demands of end-users, who at least indirectly will pay for part of these additional cost.
sporadic interruptions or delays. On the contrary, services such as video streaming or VoIP can be rendered useless if there are delays or packet losses caused by congestion in the network.\textsuperscript{110} These different requirements mean that different OSPs will have different incentives to interact with ISPs and, potentially, to accept a change in the way the current system works.\textsuperscript{111}

Unluckily, most economic models are not able to distinguish the different motivations of OSPs and prefer to model their behaviour homogeneously.\textsuperscript{112} Equally, most models are analysed according to a monopoly perspective, stressing the “bottleneck role” of ISPs between both sides of the “data pipe”.\textsuperscript{113} Despite their limitations, these models underline several dilemmas faced by ISPs that are not easy to realize from a purely legal perspective.

One of them, and perhaps the most surprising from a competition law perspective, is that the incentives of each group of actors are not as clear-cut as their initial positions\textsuperscript{114} would lead us to believe.\textsuperscript{115} On the contrary, some studies suggest that end-users could benefit from discriminatory policies as prices for accessing the network could fall.\textsuperscript{116} The fact that content providers would participate in a more active way in the development of the lower tiers of the network would diminish the pricing pressure on the “end” side of the pipe and, if there is a competitive environment for this market, prices could fall significantly.\textsuperscript{117} Nonetheless, this conclusion needs to be taken with caution, as it largely depends on the set of assumptions of the used model used and has been nuanced by other authors.\textsuperscript{118}

Unsurprisingly, most models predict that ISPs’ welfare is likely increase under a discriminatory environment and that content providers would be the main losers in a such scenario.\textsuperscript{119} As a result of this, if the additional costs are properly allocated between the correct service providers, a discriminatory environment could have a positive impact on social welfare in the short term.\textsuperscript{120} What it is more, some studies have found that if freedom to choose between different qualities of network is considered as a valuable element for

\textsuperscript{110} NET CONFIDENT COALITION, \textit{supra} note 43, p.2
\textsuperscript{111} J.P. CHOI, B.C. KIM, \textit{supra} note 91, pp. 449
\textsuperscript{113} J.P. CHOI, B.C. KIM, \textit{supra} note 91, pp. 449
\textsuperscript{114} Cf. Chapter 2.2
\textsuperscript{115} J. BARATA, \textit{supra} note 97, p.53
\textsuperscript{116} J.P. CHOI, B.C. KIM, \textit{supra} note 91, p. 455
\textsuperscript{117} J.P. CHOI, B.C. KIM, \textit{supra} note 91, p. 455
\textsuperscript{119} J. BAUER, J. OBAR, \textit{supra} note 112, p.9
\textsuperscript{120} H.K. CHENG, S. BANDYOPADHYAY, H. GUO, \textit{supra} note 118, p.75
content providers and end-users, then pro-net neutrality policies are likely to have a negative effect on society.\textsuperscript{121}

Another interesting aspect highlighted by the literature is found in the strategic pricing dilemma that ISPs face. On the one hand, ISPs are willing to expand the capacity of their networks as bigger capacity allows them to offer better service (in terms of speed, data, etc.) to more end-users. Logically, a better service is valued higher by consumers, who will be logically willing to pay more.\textsuperscript{122} On the other hand, the increased capability of the net will negatively affect the sale price of “priority rights” to content providers. As a result of the increased capacity, congestion will disappear and the price that content providers pay for priority rights will drop until the increasing demand saturates again the net. As it can be seen, this dynamic introduces two important opposing forces in the pricing strategy of ISPs and results in weaker investment incentives under a discriminatory framework.\textsuperscript{123}

Under a discriminatory network, the models also identify that the possibility to charge higher priority rights to content providers can give strong incentives to ISPs to incur in more severe quality degradation. Among other factors, this incentive depends greatly on the proportion of quality-sensitive content providers.\textsuperscript{124} However, the threat of quality degradation disappears under net neutrality regulation because it would merely result in a loss of end users.\textsuperscript{125}

Although the literature has expressed important concerns over the hazards of market integration strategies by ISPs\textsuperscript{126}, the common assumption that market structure for ISPs is shaped as a monopoly limits the scope of the analysis in a substantial part of the literature, particularly relating to horizontal infringements.\textsuperscript{127} Some authors have highlighted the high market shares-and tied to it, high market power- and extremely strong incentives for bundling strategies as the main source of concern from a competition law perspective.\textsuperscript{128} Alternatively, other scholars have preferred to focus their analysis on the interplay between vertical integration and exclusionary strategies\textsuperscript{129} for competing services\textsuperscript{130}. On the other side of the debate, models based on the role of congestion and rent extraction from content

\begin{footnotesize}
\begin{enumerate}
\item[122] N. ECONOMIDES, supra note 9, p.9
\item[123] J.P. CHOL, B.C. KIM, supra note 91, p. 455
\item[124] J.P. CHOL, B.C. KIM, supra note 91, p. 456
\item[125] H.K. CHENG, S. BANDYOPADHYAY, H. GUO, supra note 118, p.76
\item[126] B. VAN SCHEWICK, D FARBER, supra note 6 , p.33
\item[127] H.K. CHENG, S. BANDYOPADHYAY, H. GUO, supra note 118, p.76
\item[128] N. ECONOMIDES, supra note 9, p.10
\item[129] J. BARATA, supra note 97, p.53
\item[130] B. VAN SCHEWICK, D FARBER, supra note 6, p.33
\end{enumerate}
\end{footnotesize}
providers find that vertical integration should not give rise to regulatory concerns since, under their set of assumptions, there would no incentive to incur in anticompetitive practices and vertical integration could lead to important efficiencies. Considering the mixed results, the net effect of such behaviour is still difficult to ascertain.

3.3.2 Net neutrality proponent’s response

In general, net neutrality proponents are less focused on the market impact of regulation and take a more defensive approach, often complementing their “simpler” market analysis with political and civil rights issues. However some important economic reasons to rely on net neutrality have been emphasized during the last years.

Net neutrality proponents have been quick to undermine the importance of Alierta/ETNO argument by pointing out that OSPs also have to face important costs relating to the development of the infrastructure, particularly at the stage of backbone communications. Accusations of “free-riding” or “piggy-backing” are dismissed by net neutrality proponents on the basis that network operators only cover the final stages of the total covered distance.

Another argument commonly put forward relates to the low costs of traffic management—that is, the cost that can be attributed to avoiding congestion from the OSPs services- and their negligible impact when compared with the total costs of developing a network. As the following figure shows, traffic management costs amount to approximately 0.66% of the total monthly cost per consumer, or, expressed in different words, to only 10 cents of a total cost of 15.1 € per month. According to net neutrality proponents, the important difference in magnitude between these numbers does not support the demand of ISPs to receive additional payments to compensate the costs caused by incurring in traffic management activities.

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131 J. SIDAK, supra note 70, p. 379
132 J.P. CHOI, B.C. KIM, supra note 91, p. 455
133 J. BAUER, J. OBAR, supra note 112, p.14
134 B. FELTEN, supra note 79 , p.69
135 B. FELTEN, supra note 50 , p.69
Net neutrality proponents have also expressed their concerns over some aspects of market integration and investment incentives. In the eyes of ISPs, forbidding price discrimination equals to price regulation.\textsuperscript{139} On the other hand, net neutrality partisans argue that this measure is necessary due to the lack of effective competition.\textsuperscript{140} This absence of effective competition between different ISPs erodes competitive pressures in the market and favours positions of excessive market power, which in turn can generate exploitative abuses.\textsuperscript{141} Although pro-net neutrality scholars are aware that price control can have negative effects on the investment incentives of ISPs\textsuperscript{142}, they also highlight that this detrimental effect is also found under price discrimination strategies due to the conflicting incentives created between increasing net capacity for end-users and its diminishing effect on the rents charged to content providers for their priority rights.\textsuperscript{143}

In an extremely interesting turn, net neutrality proponents have in occasions shifted the attention to the perverse incentives created by deficient government regulation on the deployment of broadband infrastructure. According to this approach, the restrictive

\begin{table}[h]
\centering
\caption{Estimated cost spread of a consumer ADSL customer in France. \textit{Source: ARCEP Modeling, 2012}}
\begin{tabular}{|c|c|}
\hline
Total cost per subscriber & Costs related to external traffic management (mostly transit costs) \\
around 15.1\€/month & Costs related to aggregation and transport network. Part of these costs (1 to 1.5\€ per month) vary according to traffic intensity of a subscriber. \\
\hline
0.1 \€/month & Costs related to the access network (excluding NGA investment). These costs do not vary according to traffic. \\
\hline
2\€/ month & \\
\hline
13\€/ month & \\
\hline
\end{tabular}
\end{table}

Source: \textit{ARCEP}\textsuperscript{137}, \textit{FELTEN}\textsuperscript{138}

\textsuperscript{137} ARCEP, \textit{supra} note 136, p.21
\textsuperscript{138} B. FELTEN, \textit{supra} note 50, p.69
\textsuperscript{139} NET CONFIDENT COALITION, \textit{supra} note 56, p.4
\textsuperscript{141} H.K. CHENG, S. BANDYOPADHYAY, H. GUO, \textit{supra} note 120, p.73
\textsuperscript{142} I. BALTATESCU, \textit{supra} note 140, p.115
\textsuperscript{143} J.P. CHOI, B.C. KIM, \textit{supra} note 91, p. 455
regulation imposed by governments creates an entry barrier for new ISPs and protects the incumbent’s market power position,144 thus resulting in a severe lack of competition at the end-user level.145 Accordingly, reducing regulatory barriers would allow for the entrance of new market players, whose competitive pressure would erode the incentives for unnecessary anti-competitive behaviour (such as service degradation) and would incentivise capacity investment.146

Once again, content providers and end-consumer interests’ seem to be aligned. The recent development of Google Fiber –Google’s own experimental broadband infrastructure— in some regions of the U.S. has provided a clear case to evaluate the effect of the entry of new competitors in the net operators’ market. The local governments of Kansas City and Austin -probably influenced by the huge media impact of Google’s new project—substantially lowered their requirements for “right of way”, granting access to Google Fiber for very little cost. The entrance of a new operator resulted in higher competition between ISPs and lower prices for all internet connections.147 Given the positive results in the selected regions, the plea for higher competition between ISPs and more transparent regulation on the side of governments has been reinforced by net neutrality partisans148.

3.4 Regulatory approaches to Net Neutrality

The debate about net neutrality was first sparked by technological change in the technical capabilities of ISPs to control and discriminate between the data that flowed through the infrastructure.149 By leaving behind the “application blind” original design of the internet, the whole design of the principles that should guide internet infrastructure was suddenly open to debate150. Although the possibility to discriminate between different content was seen with scepticism from the beginning, scholars and regulators were also quick to realize that content discrimination could be an essential tool to deal with the ever-
increasing demand of end-consumers. The importance of both sides of the debate was already highlighted by the creator of the term “net neutrality”\textsuperscript{151}. However, as the need for regulation became more and more evident, the debate polarised quickly.\textsuperscript{152}

In order to tackle demands for regulatory intervention,\textsuperscript{153} governments and regulatory agencies have tried different regulatory frameworks. Using previous experiences, at least three different approaches can be identified: use of legislation, actions through regulation and intervention by means of soft-law elements. These different strategies differ in the goals they want to secure and the experiences are worth analysing in order to draw conclusions about the most desirable framework for regulation in a field as sensitive as net neutrality.

**LEGISLATION:** Hard law was the preferred choice of many of the jurisdictions that pioneered net neutrality regulation. Legislation has commonly been the choice in those countries in which abuses by ISPs were perceived as a direct threat to fundamental liberties, thus causing a higher concern to society and a more important impact in the political debate.\textsuperscript{154}

This approach has proven particularly popular in South America, where Brazil\textsuperscript{155}, Colombia\textsuperscript{156}, Chile\textsuperscript{157}, Peru\textsuperscript{158} and Mexico\textsuperscript{159} have updated their telecommunications law in order to tackle concerns over net neutrality. In Europe, this strategy was chosen by the Netherlands\textsuperscript{160} and Slovenia\textsuperscript{161} - the two pioneers of net neutrality regulation in Europe.\textsuperscript{162}

\textsuperscript{151} T. WU, supra note 14, p. 141-179
\textsuperscript{152} K. STYLIANOU, supra note 40, p. 214
\textsuperscript{153} B. VAN SCHEWICK, D FARBER, supra note 6, p.31
\textsuperscript{154} R. LAYTON, supra note 11, p.158
\textsuperscript{161} O Razglasitvi Zakona O Elektronski Komunikacijah ZEKom.1 (2012, December 21), Available at http://www.uradni-list.si/1/content?id=111442 Accessed on 22/04/2016
and, more recently has been adopted by the European Union through Regulation 2015/2120.163

The benefits of introducing legislation through hard norms have been widely studied. First and foremost, legislation gives legal certainty and ensures a stable framework in which the different actors of the market can act.164 This is particularly important in sectors, such as broadband development, where investments in infrastructure account for the bulk of the costs and the recovery of the expense is planned over long periods of time.165 Legislation also has the benefit of higher legitimacy, due to the democratic process in which it is drafted and which usually implies the use of public enquiries and consultation of the different stakeholders in the market.166 In addition, and opposed to norms issued by regulatory bodies, legislation can only be challenged under very special circumstances,167 thus ensuring the stability and durability of the system.

Experience shows that most legislative approaches take an extremely favourable position towards net neutrality.168 In some cases, such strategies have been criticized for neglecting the valid concerns raised by net neutrality opponents.169 Traditionally national parliaments have adopted extremely hard rules banning quality of service, zero rating and tackling any foreclosure threats, with only very limited exceptions in order to guarantee the stability of the net under special circumstances (e.g. criminal enforcement, suppression of spam or management under exceptional demand). In some cases, national legislation even foresees notification systems for users that may be problematic in terms of congestion issues before proper action is taken.170

REGULATION: Depending of the conferred competences, regulatory bodies can in occasions issue their own rules on matters such as net neutrality. Some countries have preferred this approach to issuing “hard” laws. The two most relevant examples are Canada171 and the U.S.172

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163 Regulation 2015/2120, supra note 1.
164 J. BARATA, supra note 97, p.51
165 B. FELTEN, supra note 79, p.69
166 R. LAYTON, supra note 11, p.159
167 R. LAYTON, supra note 11, p.159
168 K. STYLIANOU, supra note 40, p.213
169 K. STYLIANOU, supra note 40, p.213
170 R. LAYTON, supra note 11, p.159
In many ways, the choice between regulation and “hard” law reflects a choice between democratic legitimacy and technical knowledge. Although this division needs to be nuanced (parliaments can be assisted by experts and regulators can improve the democratic legitimacy of their actions by consultations), the strategy choice has very important consequences in the regulatory framework. As the experience in different countries has shown, pure regulatory approaches are usually less influenced by the debate on civil rights on the net and take and, consequently, more likely to take into account the economics and context of the market. As a result, regulatory intervention can be more balanced than in cases of direct parliamentary intervention.

However, regulatory intervention can also be a risky choice. Under most jurisdictions, actions by regulatory agencies can be reviewed and challenged in courts. Ultimately, these challenges can strike down the whole legislation, thus introducing important elements of uncertainty and instability in the regulatory framework. The clearest example of these risks is found in the recent developments in the U.S, where Verizon was able to challenge the authority of the FCC (Federal Communications Commission) and strike down the Open Internet Order, which imposed principles of non-discrimination and no blocking on ISPs. In this case in particular, the Court of Appeals of Washington D.C. found that the FCC was competent to issue norms in elements such as net neutrality, but it found that the obligations included in those principles contravened the ban on imposing common carrier obligations to undertakings that had not been categorised by the FCC as telecommunication service providers, as was the case for ISPs. The important repercussions of an annulment such as the one at hand clearly show the significant risks of regulatory intervention by agencies, and how the in-depth and complex analysis carried out by Courts will magnify this risk when broader policy issues are at stake.

**Soft Law:** Soft law approaches are characterised for using co-regulation, conduct codes, guidelines and other different strategies to involve stakeholders in the process. This approach has been particularly popular in Asia and some of the most relevant jurisdictions in Europe (including France, the U.K. and the Scandinavian countries).

173 R. LAYTON, supra note 11, p.159
174 F. SORENSEN, supra note 162, p.233
175 R. LAYTON, supra note 11, p.159
176 K. STYLIANOUC, supra note 40, p.214
177 R. LAYTON, supra note 11, p.159
179 B. VAN SCHEWICK, Supra note 5 , p.2
181 B. VAN SCHEWICK, Supra note 5 , p.2
Soft regulation can take several forms. In the case of France, the regulator was sceptical about the role of net neutrality and the weight of American companies in the design of network principles. As a result ARCEP (Autorité de Régulation des Communications Electroniques et des Postes) published a set of principles oriented to regulate elements such as consumer rights, capacity, congestion management or transparency for all actors in the market without having to adopt a whole set of net neutrality rules. In a similar fashion, Norway holds annual stakeholder meetings to discuss the status of net neutrality in the country. By trying to find compromises between the different sides of the market, the Norwegian regulator hopes to dilute the need for hard-core regulation.

In many ways, soft-law, acting along with competition rules, has the power to overcome the defects of legislation and regulation by specialised authorities. Under a soft-law structure, regulators are relieved of the pressure of having to find the correct approach the first tome as the system allows for higher flexibility. Additionally, the risk of litigation to challenge regulatory measures is substantially lower. This can lead to the initially counter-intuitive result that soft-law can give greater legal certainty than norms issued by the a priori competent authority and subsequently challenged in court.

Soft law has also kept a good record on legitimacy issues. Net neutrality advocates and opponents can agree on common points and discard the back-or-white approach that has been widely citizen in legislation while designing a framework that will prevent -or punish- any possible abuses. As some authors suggest, name and shame strategies in a sector as relevant to public opinion as net neutrality could be a more effective restraining method than hard rules that can be easily defeated in court. In addition, the enforcement capacity of soft law rules can be complemented by a “carrot and stick” strategy: ISPs have an incentive to respect soft-rules (carrot) to avoid greater rulemaking by governments (stick).

In the light of these elements, it is not surprising that many authors have expressed their preferences for a soft-law approach instead of intervention by Parliaments or rulemaking agencies. In their view, applying a more flexible set of principles along with a

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182 R. LAYTON, supra note 11, p.161
184 K. SYLIANOU, supra note 40, p.214
185 R. LAYTON, supra note 11, p.161
186 F. SORENSEN, supra note 26, p.233
187 F. SORENSEN, supra note 26, p.233
188 K. SYLIANOU, supra note 40, p.214
189 R. LAYTON, supra note 11, p.161
190 F. SORENSEN, supra note 26, p.233
case-to-case enforcement through competition law would allow to break the lock created by the two opposing positions.\textsuperscript{191} By filtering only those practices that have been proved to be harmful to society, the regulatory framework ensures that no additional distortions are introduced in adjacent matters—such as investment or consumer protection.\textsuperscript{192}

\textsuperscript{191} K. STYLIANOU, supra note 40, p.213
\textsuperscript{192} K. STYLIANOU, supra note 40, p.213
4 Lights and shades of Regulation 2015/2120.

After having analysed the different approaches to regulation of net neutrality, this section will evaluate the provisions of Regulation 2015/2120. This examination will be complemented by the most common critiques to this piece of legislation and, to conclude, the arguments for and against an alternative regulatory framework will be analysed on the light of the previous sections.

4.1 Key elements of Regulation 2015/2120

On 27 October 2015 the European Parliament adopted the Telecoms Single Market (TSM) Regulation. This regulation is the product of a long debate in the EU institutions, which in many ways mimicked the debate that took place in societies on both sides of the Atlantic during the previous years. Already in 2009 the European Commission issued a declaration that expressed its commitment to preserve the open structure and neutrality of the internet. This advance resulted in Directive 2009/140/EC whose objective was to prevent divergent approaches by different national regulators, to empower them to sanctions violations of reasonable traffic-management practices and to protect sensitive areas relating competition within the internal market and consumer rights.

However, after the European Parliament issued four requirements demanding stronger action on the field of net neutrality, the Commission finally presented a new proposal in September 2013. The goal of this proposal, as part of the Digital Agenda strategy, was again to ensure a smooth internal telecommunications market by introducing several net neutrality provisions that would guarantee a model of open internet. After a

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193 Regulation 2015/2120, supra note 1.
194 P. LAROUCHE, supra note 7, p.77
199 F. SORENSEN, supra note 26, p. 100
long negotiation progress, the Regulation was formally approved on 1 October 2015 by the Council and 27 October 2015 by the European Parliament. This new set of rules, that will be applicable from 30 April 2016, introduces new elements in four different areas: end user’s rights, non-discrimination obligations for ISPs, rules for specialised services, and rules on zero ratings and data caps.

**End User’s rights to open internet access**

The new regulation, as the overwhelming majority of legislative instruments all around the world, takes a clear position in favour of net neutrality. As such, the Regulation bans any kind of blocking, throttling or discrimination by ISPs in the services they provide to end users.

Surprisingly, the regulation does not provide a definition of the term “net neutrality”. This ambiguity is the result of a long debate between the European Parliament and the Council about the reach of the term. While the European Parliament favoured a broader definition for the concept, the Council wanted to restrict net neutrality to the equal treatment of internet traffic. Finally, an agreement was reached between both institutions to guarantee equal treatment and free access for end users - independently of the application or technical equipment used - but this compromise was reached at the cost of not including a clear definition of the term.

**ISP non-discrimination obligation**

By extension of the definition of net neutrality, the non-discrimination requirements in Regulation 2015/2120 ban the adoption of QoS strategies by ISPs and enshrine the use of the best effort principle as the basis of network management, regardless of whether the company has a dominant position in the market. Only under very special circumstances does the Regulation allow to set aside the equal treatment of data packets. These circumstances -labelled as “reasonable traffic management measures”- aim to guarantee the stability and safety of the network. These practices, based on merely technical aspects,
are subject to a proportionality test carried out by national regulators. However, no further information is given about the requirements of this test which, historically, has resulted in some confusion about its limits and application in cases of abuse of dominant position. Additional exceptions are foreseen to allow ISPs to comply with legislative acts, orders by courts or public authorities, to prevent damage to the network or to ensure the security of those using it.

**Specialised Services**

During the negotiations, net neutrality opponents raised the possibility that some sectors that require a particularly demanding quality of connection (i.e. telemedicine or some VoIP services) could be labelled as “special services” and be excluded from the common net neutrality requirements. This effectively meant that ISPs would exempt a part of their network from network neutrality rules and devote it to these particular activities.

Once again the European Parliament and the Commission collided in their views on the matter. Finally, the possibility of offering “specialised services” is guaranteed if the service provided is clearly differentiated to those given over the traditional network and there is no detriment to the “best effort” service on the rest of the network. These safeguards want to ensure that ISPs will not use the “specialised service” category to circumvent the obligations imposed on the traditional network.

To ensure this differentiation, a substitution test is designed to ensure that the service cannot be simply delivered over the traditional network. As it was the case for the non-discrimination principle, the test is barely developed in the Regulation and national regulators need clearer rules to carry out their analysis.

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209 EUROPEAN PARLIAMENT, supra note 196. p. 3
210 D. WOOD, “Proving It: The standard and burden of proof in article 82 cases” [2008] Competition Law Insight, p.2
211 EUROPEAN PARLIAMENT, supra note 196. p. 4
212 EUROPEAN PARLIAMENT, supra note 196. p. 4
213 J. MCNAMEE, M. FERNÁNDEZ PÉREZ, supra note 99, p.188
214 EUROPEAN PARLIAMENT, supra note 196. p. 4
Zero rating and data caps

The term “data caps” refers to a limit in the amount of data a consumer can use in a certain period of time. If the limit is exceeded, the end users may experience slower connection speed, extra fees or even prevention from further use.216

Regulation 2015/2010 takes a liberal approach to these contracts and acknowledges their importance for the business model of most ISPs. As a result of this, ISPs are able to include in their contracts with end-users element such as speed, prices or volume of data.217 This element, as well as the possibility of applying higher fees once the limit is exceeded, has not raised important questions from a net neutrality perspective.218

On the other hand, “zero rating” strategies have sparked a more interesting debate. Zero rating is defined as a positive price discrimination practice that allows users to access applications, services or content without being charged or without the data consumed in that action being considered for contractual purposes.219 In essence means that access to some applications or content is given for free. Although this is undoubtedly positive for end users, it raises important concerns from a competition law perspective as it allows ISPs to favour of their affiliated content or against rival services.220

Despite these concerns, Regulation 2015/2120 does not forbid the use of zero rating by ISPs. Disappointed by the decision, some scholars and national regulators have concluded that this practice can be abusive and have expressed their opinion that it should be banned.221 On the other side of the debate, proponents of zero rating strategies argue that this is a legitimate action to promote specific content and applications and deem that the impact on competition, investment and social welfare is unequivocally positive.222 However, the text of the regulation does not provide any tool to help national regulators distinguish between anti-competitive and welfare enhancing223 practices in their jurisdiction, thus increasing the legal uncertainty on the matter.224

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216 C. MARSDEN, supra note 17, p.243
217 EUROPEAN PARLIAMENT, supra note 196, p. 6
219 C. MARSDEN, supra note 17, p.242
220 C. MARSDEN, supra note 17, p.242
221 B. VAN SCHEWICK, supra note 5 , p.102
223 The complexity of the debate is also shown in the position adopted by the U.S, where ISPs are also allowed to practice zero rating. Complaints are heard by the FCC and the debate focuses on whether a rule of reason approach is sufficient to prevent abuses in the market.
224 EUROPEAN PARLIAMENT, supra note 196. p. 7
4.2 Critiques to Regulation 2015/2120

Although most stakeholders have expressed their satisfaction with the outcome of the negotiations and the text of the Regulation, this satisfaction seems to relate more to damage limitation strategies and political gratification than delight with the legal and economic outcome of the text of the Regulation. Net neutrality proponents congratulate themselves because now have a piece of legislation that explicitly enshrines most of the principles they endorse. On the other side of the debate the mood is also relatively cheerful. Although most of the provisions are detrimental to the interests of ISPs, they have been able to keep enough backdoors open to ensure that some of their most fundamental demands are not automatically discarded. Even if the most grievous discriminatory practices have been banned (thus appeasing the European Parliament and voters in many Member State jurisdictions) ISPs are still able to implement some discriminatory practices via the so called “specialised services”, “zero rating” strategies or even through the use of traffic management actions foreseen for “exceptional circumstances”.

However, by trying to find a compromise between both sides of the net neutrality debate, the Regulation may have missed its main objective: providing a stable regulatory framework that guarantees end users’ rights and fair competition in the market. While it is true that Regulation 2015/2120 avoids the common black-or-white approach that has been heavily criticized in previous net neutrality regulation, it is also true that it offers extremely little guidance on how to deal with situations that fall out of the scope of the most grievous abuses.

In many ways, the Regulation is far from being a solid piece of legislation. For instance, Art 3.3.a recognises that “courts or public authorities vested with relevant powers” will be able to block or slow down sites. Nonetheless, recital 13 of the Regulation recognises that the text of the Charter of Fundamental Rights is applicable to any restrictions applied by traffic providers. These two elements are hard to reconcile, since the Charter recognises that any limitations in the exercise of fundamental rights (such as the

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225 EUROPEAN PARLIAMENT, supra note 196, p. 7
226 J. McNAMAE, M. FERNÁNDEZ PÉREZ, supra note 99, p.186
227 J. McNAMAE, M. FERNÁNDEZ PÉREZ, supra note 99, p.185
228 NERA ECONOMIC CONSULTING, supra note 222, p.9
229 K. STYLIANOU, supra note 40, p.213
230 Art. 3.3.a of Regulation 2015/2120.
rights of expression or information) must be always provided by law.\textsuperscript{232} As a result, the role that national regulatory bodies can play in some of their decisions to guarantee the stability and security of the net is somehow unclear and still open to debate.\textsuperscript{233}

Equally, the Regulation allows ISPs to apply reasonable, technical\textsuperscript{234} measures to manage the network\textsuperscript{235}. Unluckily, the text of the Regulation does not offer any information about the technical parameters that ISPs can use to manipulate traffic in their networks and it only states that these measures must be transparent, non-discriminatory and subject to a test of proportionality. As highlighted by some authors, this framework can be very detrimental to minority protocols (such as encrypted communications) or those whose requirements from the net are uncommon (such as FTP or P2P), thus creating the possibility for distortions to competition.\textsuperscript{236}

Regulation 2015/2120 does not offer a clearer solution for cases of zero rating. Although, due to its “positive” nature, zero rating practices have sparked less outrage than other price discriminations, the Parliament and the Council have struggled to find a compromise on this matter. Both the European Parliament’s Rapporteur and Commissioner Oettinger stated in the first reading of the legislation that zero rating practices would fall out of the scope of the regulation.\textsuperscript{237} This would have led to conflicts with jurisdictions (such as the Netherlands) that had already banned the practise.\textsuperscript{238} However, the final text Regulation decided to allow this kind of practices, therefore introducing an important source for distortions of competition.\textsuperscript{239}

In conclusion, Regulation 2015/2120 seems to offer a poor balance on the two strongest points of hard legislation: legal certainty and democratic legitimacy.\textsuperscript{240} Without clear rules –or even guidelines- to analyse the proportionality of exceptions to the non-discrimination principle or the substitutability of the specialised services,\textsuperscript{241} national regulators will find themselves ill equipped to apply the principles of the Regulation.\textsuperscript{242}

\textsuperscript{232} Art 52.1 Charter of Fundamental Rights of the European Union.
\textsuperscript{233} J. MCNAMEE, M. FERNÁNDEZ PÉREZ, supra note 99, p.187
\textsuperscript{234} As opposed to merely commercial practices
\textsuperscript{235} Art 3.3 subparagraph 2 or Regulation 2015/2120
\textsuperscript{236} J. MCNAMEE, M. FERNÁNDEZ PÉREZ, supra note 99, p.187
\textsuperscript{237} J. MCNAMEE, M. FERNÁNDEZ PÉREZ, supra note 99, p.189
\textsuperscript{238} EUROPEAN PARLIAMENT, supra note 196. p. 8
\textsuperscript{239} C. MARSDEIN, supra note 17, p.242
\textsuperscript{240} Cf. Section 3.3
\textsuperscript{241} EUROPEAN PARLIAMENT, supra note 196. p. 8
\textsuperscript{242} K. STYLIANOU, supra note 40, p.213
4.3 Improvements to Regulation 2015/2120

Under most circumstances, clear-cut legislation is considered desirable in markets where investment plays an important role. However, there are major concerns on whether the approach taken by Regulation 2015/2120 is able to have a positive impact on society apart from its provisions protecting civil rights. Some authors have even expressed that it would not be surprising to find that, under the current circumstances, ISPs will reduce their investment in infrastructure or that end users will have to bear the burden of further investment to keep up to the increasing demand.

Among the proposals to improve the content of the legislative act, a call for co-regulation and case-per-case analysis of infringements with the assistance of competition law seems to be particularly popular between specialised scholars, particularly among those who frame net neutrality in more economic terms. In reality, this approach does not differ in many points from the proposals of Regulation 2015/2120 in matters of civil rights, but it would offer a more consistent approach in economic and competition terms. By approaching the regulation at the European level to the Scandinavian model the EU could overcome the lock on the debate on net neutrality while addressing issues that are particular to the European Market. In particular, the use of the U.S. regulation on the matter as a model has been heavily criticised due to important differences in the underlying regulation for telecommunication markets (for instance on common carrier obligations), the role of content providers and ISPs and the role of sector specific regulation and competition law.

The deep implications of these three elements underline the complexity of the market, particularly when its impact on adjacent fields (such as innovation) is taken into account. Adopting “hard” net neutrality principles may even favour disproportionately the big companies that already dominate the market, as small, innovative start-ups could try to overcome their lack of network effects by paying ISPs for a better and faster service to end-

\[243\] J. BARATA, supra note 97, p.53
\[244\] J. McNAMEE, M. FERNÁNDEZ PÉREZ, supra note 99, p.187
\[245\] I. BALTADESCU, supra note 140, p.114
\[246\] K. STYLIANOU, supra note 40, p.213
\[247\] Also followed by other major jurisdictions in the EU such as France or the U.K.
\[249\] L. DE MUYTER, Y. DESMEDT, supra note 4, p 79
\[250\] R. LAYTON, supra note 121, p.174
\[251\] P. LAROCHE supra note 7, p. 78
consumers.\textsuperscript{252} As a result, banning any kind of differentiation on the market could have the undesired effect of securing the incumbent’s dominant positions.

The complexity of the market is also clearly visible at the pace it develops and changes. Some internet giants are already developing their own data centres and networks in order to provide higher quality video streaming or cloud services to end users. If the trend continues, the structure of internet traffic will move away from the “end-to-end” data pipe concept to a more modular structure.\textsuperscript{253} Under this structure, exclusionary abuses from vertically integrated operators would not be a major concern, while active differentiation in pricing and services would.\textsuperscript{254}

However, a co-regulatory approach needs important improvements in certain areas in order to ensure the necessary guarantees. One of the fields that have traditionally been pointed as a weakness of the European system is its lack of transparency, both in the contracts between end-users and ISPs and in traffic management activities. Excessively high entry barriers and exorbitant administrative burdens for new ISPs have also been signalled as a cause of low competitive pressure between network operators and a relatively low-hanging fruit for improvement.\textsuperscript{255}

The third element, and perhaps the most relevant in order to ensure a good functioning of the market, relates to the role of competition law as an effective tool to ensure a fair competitive environment. This point has sparked debates for a long time with very different positions and it is worth a brief analysis.\textsuperscript{256}

\begin{itemize}
\item \textsuperscript{252} R. LAYTON, supra note 11, p.173
\item \textsuperscript{253} R. LAYTON, supra note 11, p.174
\item \textsuperscript{254} D. WELLER & B. WOODCOCK “Internet Traffic Exchange” (2013) OECD Digital Economy Papers, OECD, p. 21
\item \textsuperscript{255} I. BALTATESCU, supra note 140, p. 115
\item \textsuperscript{256} K. STYLIANOU, supra note 40, p.215
\end{itemize}
4.4 The (uncomplete) role of competition law

By merely relying on guidelines and other soft law instruments to set the general direction of net neutrality, competition law would play a crucial to discipline the market and define the extent of anti-competitive practices. However, this approach seems to conflict with one of the most active debates on EU competition law, as it would require a strong effects-based approach to abuses of Art. 102 TFEU.

According to some authors, applying an economic-based approach to the enforcement of net neutrality principles should not cause any problems. On the contrary, they support than an approach based on a “rule of reason” test would be able to discriminate between harmful and beneficial practices and benefit society without need for further specific regulation. This model was advocated-and almost adopted- by the FCC in 2014 with its “Notice for Proposed Rulemaking (NPRM) in the Matter of Protecting and Promoting the Open internet”. As expressed by the text of the proposal, restrictions of competition would be banned, “based on the totality of the circumstances, threaten to harm internet openness and all that it protects”.

However, a comparable approach could be difficult to replicate in the EU, particularly taking into account the greater reticence of the ECJ to abandon its per se approach to infringements of Art 102 TFEU for a more economic based reasoning.

While it remains undisputed that ISPs have a position of “gatekeepers” due to the necessity of content providers need to connect to with them, it is not so clear whether that market power translates into a higher control of refusal to deal infringements by competition authorities, as the satisfaction of the criteria set in Bronner and Microsoft is far from

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257 K. STYLIANOU, supra note 40, p.215
258 K. STYLIANOU, supra note 40, p.215
259 J. McNAMAE, M. FERNÁNDEZ PÉREZ, supra note 99, p.187
261 Emphasis added.
262 FCC, supra note 260, p. 41
264 N. NIKOLINAKOS, EU Competition Law and Regulation in the Converging Telecommunications, Media and IT Sector, Amsterdam, Kluwer Law International, 2006, p.611
265 These criteria are elimination of competition on dowstream market indispensability of the facility, and absence of justification.
266 Judgement in Bronner, C-7/97, ECLI:EU:C:1998:569
267 Judgement in Microsoft, T-201/04, ECLI:EU:T:2007:289
clear, particularly regarding dispensability. However, the text of the Guidance Paper or the presence of certain circumstances - such as the existence of previous dealings - could lower the need to satisfy these criteria and favour a proper assessment of these infringements.

For cases where there is no blocking of the content but degradation in the quality or speed of the service, the current approach under 102 TFEU could also raise some questions about its applicability to net neutrality abuses. An important question concerns the coherence of how blocking access to the net and discriminatory practices are dealt. As explained in Telia Sonera, supply under disadvantageous terms does not need to satisfy the conditions laid down in Bronner as there is not refusal to supply. However, this could lead to the contradiction that the most grievous infringement (refusal to supply) could be subject to stricter requirements to find an abuse under 102 TFEU than less harmful conducts (unfavourable discriminatory conditions).

Additionally, the current scope of Art.102 would not be able to deal with some discriminatory situations likely to arise without “hard” net neutrality regulation. This is the case, for instance, for discriminatory practices directed towards applications or data packets, which would fall outside the current scope of Art. 102 TFEU as they do not translate in discrimination between firms.

But, besides these incoherencies, the reluctant response of the ECJ to a more economic driven approach to abuses of dominant positions seems to be the most important obstacle to a hypothetical reconciliation of competition law with a more flexible approach to net neutrality. Although the Commission has shown its willingness to take a less formalistic approach to abuses of dominant position, - for instance with its Guidance paper, or the reasoning in Intel or the Post Danmark cases- the GC and the ECJ have wandered over the role for economic analysis or the role in these cases or the role of per se abuses under the

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268 P. LAROCHE supra note 7, p. 83
270 A FATUR, supra note 263, p. 113
271 Judgement in Telia Sonera, C-52/09, ECLI:EU:C:2011:83
272 Judgement in Telia Sonera , ECLI:EU:C:2011:83, para 55-57
273 P. LAROCHE supra note 7, p. 84
274 P. LAROCHE supra note 7, p. 85
275 Judgement in Intel, T-286/09, ECLI:EU:T:2014:547
276 Judgment in Post Danmark I, C-209/10, ECLI:EU:C:2012:172 and Judgment in Post Danmark II C-23/14, ECLI:EU:C:2015:651,
text of 102 TFEU. In order to ensure the proper functioning of the market and the coherence with flexible regulatory principles, the ECJ needs to sacrifice the legal certainty and enforcement efficiencies provided by formalistic approach of the cases such as *Michelin* or, more recently the *Intel* case, and to decisively adopt a more economic approach when dealing with these infringements.

In this sense, the wider lecture of Art 102.c TFEU in *Post Danmark I* regarding the possibility of offering different conditions to similar clients without being considered as an abuse – as long as prices did not reach a predatory level – offers a good insight of the kind of effect-based approach demanded by a more flexible regulatory framework for net neutrality.

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277 OXERA, “The Post Danmark II judgement: effects analysis in abuse of dominance cases” (2015) *Oxera agenda October* 2015, p.3


279 Judgment in *British Airways* C-95/04, ECLI:EU:C:2007:166.

280 P. LAROCHE *supra* note 7, p. 85
5 Conclusions:

Several serious infringements to freedom of expression and information carried out by ISPs in the U.S and the European Union sparked the interest of many sectors of society on the debate about net neutrality. The need to prevent an 1984-esque future in which ISPs have absolute control over the information that is accessible to end-users has featured prominently in many political debates of western societies during the last decade, and has inspired several governments to take decisive action against such threat.

However, a closer analysis of the elements at stake reveals a more complex—although perhaps less romantic—reality. As many other regulatory debates, the debate over net neutrality personifies the economic interest of the different actors of the market. Technological change now allows ISPs to move from the “application blind” model of the net to a less application agnostic business model. As a result of this, ISPs can now discriminate between the different data that flows to their network and use this ability to tap into new sources of revenue. On the other side of the debate, content providers fear having to pay important sums to ISPs in order to reach their main source of income: end-consumers.

These purely technical concerns are reinforced by economic elements. ISPs argue that, without costly investments, they will not be able to satisfy the increasing demand and congestion will become endemic in the network. Fearing having to contribute financially to these investments, most content providers have allied themselves with sectors of civil society in order to maintain open access to the internet and preserve the democratic principles of its original design (while saving substantial amounts of money).

Although exaggerated, almost apocalyptical visions are commonly used on both sides of the debate to tilt the opinion of civil society and regulators; the truth is that net neutrality addresses important elements of sustainability and security of the network and consumer rights. In the case of the European Union, these concerns have been addressed in the framework of the Digital Market Strategy by the means of Regulation 2015/2120.

Regulation 2015/2120 is, without a doubt, an important step forward in the regulation net neutrality. After long years of debate and negotiation, the Council and European Parliament have been able to pass a piece of legislation that most stakeholders consider as acceptable. However, this satisfaction does not necessarily relate to the quality of the text. While the Regulation devotes lots of resources to guaranteeing the rights of end-users,
important issues related to the economic and competitive concerns of net neutrality are neglected or very lightly regulated. This could have important detrimental consequences for society in the following years.

One of the most important critics relates to the choice of a legislative instrument such as a Regulation and the ambiguity of most of its content. As a Regulation, this piece of legislation was expected to provide legal certainty and democratic legitimacy to the approach adopted by the EU. However, by deferring the assessment of the most complicating practices to national regulators over very vague tests, the Regulation fails both of its original purposes.

This has led some authors to wonder if, given the difficulty to correctly address the legitimate concerns of both sides of the debate, a more flexible approach to net neutrality would not had been more desirable. From their point of view, a co-regulatory approach based on flexible principles and guidelines would avoid the current black-and-white approach and would tolerate practices that are beneficial to society while punishing those who pose a threat to fair competition.

However, this flexible approach requires important changes in the way European markets work. First, transparency in the market and in traffic management practices needs to be improved. Without transparent contracts and traffic management practices, competition between ISPs is severely restricted. Secondly, governments need to lower the barriers of access to broadband services. In many areas of Europe the broadband market is very concentrated, and in many cases, only a couple of ISPs deliver to a particular area. In order to foster competition in the market switching costs have to be lowered so the threat of “voting with your feet” can be real.

Thirdly, and perhaps more importantly, there are some concerns about the ability of current European competition law to deal with net neutrality related abuses in a satisfactory way. Although 102 TFEU has explored figures that are fully applicable to this context –such as refusal to deal or exploitative abuses- case law has imposed a number of tests that, in some cases, cannot be fully transposed to a net neutrality context. Additionally, the ECJ would have to follow the steps of the Commission and adopt a more effects-based approach to 102 TFEU infringements in order to maintain coherence with a flexible set of principles while ensuring discipline in the market.
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