

INTERNATIONAL STRATEGIC ALLIANCES IN  
HIGH TECHNOLOGY INDUSTRIES  
A LAW AND ECONOMIC ANALYSIS FROM  
AN ANTITRUST PERSPECTIVE

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## Abstract

In the 1990s we have witnessed a great trend of forming international strategic alliances in high technology industries. International strategic alliances link two or more complementary resources to introduce new products or to create effective production processes in order to prevail in critical global competition. In high technology industries, the market structure is different from the traditional market. The idiosyncrasies in these industries such as huge capital investment, optimal economies of scale, strong network externalities, and inclination of standardization present significant market failures facing an individual high technology company no matter what its size is. Strategic alliances are utilized to overcome these market failures. International strategic alliances can, on the one hand, promote competition, and create innovation efficiency; on the other hand, strategic alliances collaborating two or more otherwise independent market agents may provoke competition concerns. This thesis thus is engaging an antitrust analysis to international strategic alliances in high technology industries. Antitrust policy is basically one of industrial policies. To understand and evaluate an antitrust policy will be unworkable without an economic analysis. This dissertation attempts to analyze the competition effects of international strategic alliances from a law and economic perspective.

This study shows that in high technology industries competition concerns do not result from the collusion effects but from the exclusion effects, which particularly harm the innovation. Strategic alliances are formed to promote innovation in the first place. Most strategic alliances are embodied in a variety of exclusionary practices as exclusive dealings, tying arrangements, cross licensing and grantbacks, as well as vertical

integration. These exclusionary practices are used to ensure the innovation function, maximize profits and prevent from free riding. They are usually used to expand the market power of the innovation, however. As a result, the sequential or complementary innovation will be deterred. A healthy antitrust policy should be based on equilibrium of initial and sequential, cumulative and complementary innovations that high technology industries mostly depend on.

## Table of Contents

Abstract	iv
Acknowledgements	vi
I. Introduction	1
II. Strategic Alliances in High Technology Industries	17
A. Market Failures in High Technology Industries	17
1. High Risk Investments and Sunk Costs	18
2. Economies of Scale	21
3. Network Externalities	27
4. Complementary, Compatibility, and Standardization	34
B. Economic Functions of Strategic Alliances	39
1. Obtaining Capital and Spreading Risk	43
2. Reaching Economies of Scale	46
3. Transferring or Developing Technologies	54
4. Setting Standards	61
5. Accessing Global Markets	65
III. Competitive Effects of Strategic Alliances	70
A. Pro-competitive Effects	70
1. Enhancing Economic Efficiencies	70
2. Reducing the Wasteful Duplication	77
B. Anti-competitive Effects	81
1. Collusion Effects	83
a. Decreasing Competition	83
b. Reducing Innovation and Rivalry	88
2. Exclusion Effect	92
a. Leveraging Market Power into Another Market	97
b. Raising Rivals' Costs	105
c. Increasing Barriers to Entry	109
IV. Analyses of Horizontal Strategic Alliances	114
A. From the Per Se Illegal to the Rule of Reason	115
B. Current Approaches	120
1. The Balance-based Analysis	120
2. The Merger-based Analysis	123
3. The Integration-based Analysis	130
4. The Purpose-based Analysis	133
C. Market Power Screen	135
D. Internal Control of Alliances and Ancillary Restraints	141
1. The Price and Output Restrictions	147
2. Restrictions on Competing with the Alliance and between Participants	148
3. Market Exclusivity and Territorial Allocation	149
4. The Removal and Imposition of Ancillary Restraints	151
E. Exclusion of Access to the Alliance	152

F. The Law in Taiwan	162
G. Summary for Horizontal Strategic Alliances	166
V. Exclusionary Strategies in Vertical Alliances	170
A. Exclusive Dealing	171
B. Competitive Effects of Exclusive Dealing	172
1. Exclusive Dealing in Imperfect Markets	175
2. The Law of Exclusive Dealing in Taiwan	180
C. Tying Arrangements	180
1. Tying in Strategic Alliances	180
2. Economics of Tying	181
3. Exclusion Effects of Tying	183
4. Developments of Laws of Tying	186
5. The Law of Tying in Taiwan	188
D. Grantback Provisions and Cross Licensing	189
1. Economics of Grantbacks and Cross Licensing	190
2. Exclusion Effects of Grantbacks and Cross Licensing	192
3. The Law of Grantbacks in Taiwan	195
E. Vertical Integration	195
1. Strategic Partners in Vertical Integration	195
2. Economics of Vertical Integration	197
3. Price Discrimination and Vertical Integration	201
4. Anticompetitive Effects of Vertical Integration	202
a. Evading the Price Regulation	202
b. Foreclosure Effects	203
c. Deterring Innovation	206
5. The Law of Vertical Integration in Taiwan	206
F. Summary for Exclusive Practices	207
VI. International Conflicts and Coordination	209
A. Policy Conflicts	210
B. United States Jurisdiction over International Operations	212
1. Developments of Law	212
2. Antitrust Enforcement Guidelines for International Operations	216
C. Jurisdiction of Fair Trade Law of Taiwan over International Agreements	218
1. The Fair Trade Law	218
2. The Operating Guidelines for Investigation Proceeding of Cases involving Foreign Factors	219
D. The Application of Public International Law	220
E. Harmonization and Cooperation	221
1. Harmonization	221
2. Cooperation	223
VII. Conclusion	225
Appendix A: A Comparison between Taiwanese and Korean Semiconductor Industries	228
Appendix B: Six Largest Semiconductor Firms in Taiwan	233

Appendix C: Characteristics of International Strategic Alliances in Taiwanese  
Semiconductor industry

234

Bibliography

237