The Interaction Between Blockchain and Competition Law in the Indian Competition Regime

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The interaction between blockchain and competition law is an emerging and significant area of discussion. Blockchain technology, with its decentralized nature and transparency, offers a unique approach to facilitate transactions in a secure and efficient manner. Competition law, on the other hand, aims to ensure fair competition and prevent anti-competitive practices in the market. The question arises whether the unique characteristics of blockchains may interfere with the applicability of competition law.

With the arrival of technological advancements and increasing focus on blockchain technology, there is a need to understand how this technology interacts with competition law and the potential for anti-competitive concerns.

With the skyrocketing technological advancements and immense threat to human lives, there is a growing concern for human privacy. The use of blockchain technology can be a solution to this concern as it offers a decentralized and transparent way to store and access data. However, this technology also poses a risk of anti-competitive concerns.

Blockchain technology refers to a distributed ledger technology that stores information in blocks on several nodes without the need for a central authority or the interference of intermediaries. The transactions in a blockchain take place with the consent of each node without the control of a central governing entity and are executed by the nodes based on consensus mechanisms. Such characteristics of blockchains make them the preferred mode of transaction for numerous purposes including the advancement of digital commerce which is arguably expected to store about 10% of the total gross domestic product by the year 2025-27.

Blockchain and data – A smoking gun for anti-competitive concerns

Section 3 of the Act. Astonishingly, this position was altered in the Flashlights case (CCI vs. Hyundai Motor Company and Kia Motors Corporation) and strategies, investments amongst other strategic information.

While most of these interactions have been repeatedly discussed, the one between blockchain and competition law continues to raise a number of profound questions. One of the main issues is the applicability of competition law to blockchains.

Despite its recent decision in the case of Hyundai Motor Company and Kia Motors Corporation, the Central Consumer Interface (CCI) authorities have interpreted the term to include any entity which is engaged in any specified economic activity. Therefore, if the definition of 'persons' which includes "individuals, artificial juridical persons or an association of persons or a body of individuals, whether incorporated in or outside India" will eventually encompass blockchain and their participants. Secondly, a blockchain is involved in the provision of 'services' with the use of distributed ledger system thereby falling within the ambit of the Act. In a nutshell, the enforcement of any description proceeded to the CCI has made it clear that blockchain can reasonably be treated as an enterprise and is amenable to separate provision of the Act.

Blockchain: Pro or anti-competitive?

Blockchain precisely refers to a distributed ledger technology that stores information in blocks on several nodes without the control of a central authority or the interference of intermediaries. Permissioned blockchains, on the contrary, would permit only selected nodes to edit the ledger thus substantially changing the transparency and decentralized nature of the technology.

Blockchain technology, with its decentralized nature and transparency, offers a unique approach to facilitate transactions in a secure and efficient manner. However, the unique characteristics of blockchains may interfere with the applicability of competition law.

Blockchain: Pro or anti-competitive?

The complex nature of blockchains makes their interpretation as pro or anti-competitive exceedingly difficult while noting the number of cases concerning concerns on account of the various fundamental aspects involved in their use.

The Act provides a framework for the enforcement of competition law and it is amenable to several provisions of the Act. Conclusively, a blockchain can reasonably be termed as an enterprise based on two grounds. Firstly, the CCI has interpreted the term to include any entity which is engaged in any specified economic activity. Secondly, a blockchain is involved in the provision of services with the use of a distributed ledger system thereby falling within the ambit of the Act.

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Recently, the CCI released a report on Market Study on Telcos (Regulatory Reforms). This market study examines the competition law implications of blockchain technology. The study addresses how blockchain technology can potentially disrupt traditional markets, including the telecommunications sector. The report highlights the need for a comprehensive regulatory framework to ensure fair competition and protect consumer interests. The CCI's findings indicate that blockchain technology could lead to increased competition and innovation, which could benefit consumers. However, the report also warns that the lack of a clear regulatory framework could result in anti-competitive practices. Therefore, it recommends the CCI to develop a regulatory framework that can effectively address the challenges posed by blockchain technology.