



EUROPEAN COMMISSION

Brussels, 23/07/2003  
C(2003) 2627 final

COMMISSION DECISION

of 23/07/ 2003

relating to a proceeding under to Article 81 of the EC Treaty and Article 53 of the EEA  
Agreement

(COMP/C.2-37.398 - Joint selling of the commercial rights of the UEFA Champions  
League)

(Only the English text is authentic)

(Text with EEA relevance)

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THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Agreement on the European Economic Area,

Having regard to Council Regulation No 17 of 6 February 1962, First Regulation implementing Articles 85 and 86 of the Treaty<sup>1</sup>, as last amended by Regulation (EC) No 1216/1999<sup>2</sup>, and in particular Articles 6 and 8 thereof,

Having regard to the application for negative clearance submitted by UEFA on 1 February 1999 pursuant to Article 2 of Regulation No 17 and the notification with a view to obtain an exemption submitted by UEFA on 1 February 1999 and as amended on 13 May 2002 pursuant to Article 4 of Regulation No 17,

Having regard to the Commission decision of 18 July 2001 to initiate proceedings in this case,

Having given the undertakings concerned the opportunity<sup>3</sup> to make known their views on the objections raised by the Commission pursuant to Article 19(1) of Regulation No 17 and Commission Regulation (EC) No 2842/98 of 22 December 1998 on the hearing of parties in certain proceedings under Articles 85 and 86 of the Treaty<sup>4</sup>,

After consulting the Advisory Committee on Restrictive Practices and Dominant Positions,

WHEREAS:

## 1. INTRODUCTION

1. This decision relates to the rules, regulations and all implementing decisions taken by *Union des Associations Européennes de Football* (UEFA) and its members concerning the joint selling arrangement regarding the sale of the commercial rights<sup>5</sup> of the UEFA Champions League, a pan-European club football competition. The '*Regulations of the UEFA Champions League*' provide UEFA, as a joint selling body, with the exclusive right to sell certain commercial rights of the UEFA Champions League on behalf of the participating football clubs. The joint selling arrangement restricts competition among the football clubs in the sense that it has the effect of co-ordinating the pricing policy and all other trading conditions on

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<sup>1</sup> OJ 13, 21.2.1962, p. 204/62.

<sup>2</sup> OJ L 148, 15.6.1999, p. 5.

<sup>3</sup> OJ C 196, 17.8.2002, p. 3.

<sup>4</sup> OJ L 354, 30.12.1998, p. 18.

<sup>5</sup> Media rights (radio, television, Internet and UMTS), sponsorship, suppliership, licensing and IPRs.

behalf of all individual football clubs producing the UEFA Champions League content. However, the Commission considers that such restrictive rules can be exempted in the specific circumstances of this case. UEFA's joint selling arrangement provides the consumer with the benefit of league focussed media products from this pan-European football club competition that is sold via a single point of sale and which could not otherwise be produced and distributed equally efficiently.

## 2. PARTIES

2. UEFA is a company, registered in the register of companies under the terms of the Swiss civil code, with its headquarters located in Nyon, Switzerland.<sup>6</sup> UEFA is an association of national football associations. Its membership comprises national football associations situated in the European continent.<sup>7</sup> Currently, UEFA has 51 members. 21 of these member associations are located in the EEA.<sup>8</sup>
3. UEFA is the regulatory authority of European football. UEFA has the sole jurisdiction to organise or abolish international competitions in Europe in which member associations and / or their football clubs participate. Other international competitions or tournaments require the approval of UEFA<sup>9</sup> except for those organised by Fédération Internationale de Football Association (FIFA). UEFA organises a number of European football tournaments in addition to the UEFA Champions League.
4. UEFA's congress is the supreme controlling organ of UEFA. Each national football association has one vote at the congress.<sup>10</sup> The congress adopts UEFA's statutes. It elects the president<sup>11</sup> and the Executive Committee<sup>12</sup>. The Executive Committee consists of the president and 13 members who must hold office within a national member association.<sup>13</sup> The Executive Committee manages UEFA, except to the extent it has delegated responsibility to the Chief Executive Officer<sup>14</sup> whom it also

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<sup>6</sup> Article 1 of UEFA's Statutes (Edition 2000).

<sup>7</sup> Article 5 of UEFA's Statutes.

<sup>8</sup> In the UK there are four UEFA member associations: England, Wales, Scotland and Northern Ireland.

<sup>9</sup> Article 48 of UEFA's Statutes.

<sup>10</sup> Article 18 of UEFA's Statutes.

<sup>11</sup> Article 13(1)(f) of UEFA's Statutes.

<sup>12</sup> Article 13(1)(g) of UEFA's Statutes.

<sup>13</sup> Article 21 of UEFA's Statutes.

<sup>14</sup> Article 23(2) of UEFA's Statutes.

appoints.<sup>15</sup> The Executive Committee draws up the regulations governing the conditions for participation in and the staging of UEFA competitions, including the 'Regulations of the UEFA Champions League'. It is a condition for entry into the UEFA Champions League competition that each member association and/or football club affiliated to a Member Association agrees to comply with the statutes and regulations and decisions of the competent UEFA organs.<sup>16</sup>

### **3. THE NOTIFIED AGREEMENT**

#### **3.1. The UEFA Champions League**

##### *3.1.1. The origins of the UEFA Champions League*

5. The UEFA Champions League is UEFA's most prestigious club competition. Originally created as the European Champion Clubs' Cup prior to the 1955/56 season, the competition changed format and name in time for the 1992/93 season. The UEFA Champions League is open to each national football association's domestic club champions, as well as the clubs, which finish just behind them in the domestic championship table. The number of clubs that can be entered by an association depends on the football association's position in UEFA's coefficient ranking list. Including the qualifying stages, a total of 72 football clubs participate in the UEFA Champions League.

##### *3.1.2. The UEFA Champions League format*

6. The UEFA Champions League format applicable at the time of the notification<sup>17</sup> consisted of two qualifying phases prior to the UEFA Champions League. The UEFA Champions League itself consisted of the group matches and a final knockout phase of quarterfinals, semi-finals and a final. The UEFA Executive Committee decided on 10-11 July 2002 to replace the second group stage with a "knock-out" phase as from the 2003/04 season. With the elimination of the second group stage, there will be a total of 125 matches and a total of 13 match days in the 2003/04 UEFA Champions League format.
7. In the 2003/04 season the competition consists of the following phases. 80 football clubs participate in three initial qualifying rounds playing a total of 160 matches, which is required to find 16 qualifiers to join the top 16 automatic qualifiers playing in the UEFA Champions League. The UEFA Administration seeds football clubs for the qualifying rounds and the group stage in accordance with the club rankings established at the beginning of the season. These rankings are drawn up on the basis of a combination of the national associations' coefficient and the football clubs' individual performance in the UEFA club competitions during the same

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<sup>15</sup> Article 24(1)(e) of UEFA's Statutes.

<sup>16</sup> Article 49 of UEFA's Statutes.

<sup>17</sup> Regulations for the UEFA Champions League 1998/99.

period. For the qualifying rounds, a draw between the same number of seeded and unseeded football clubs determines the pairings. For the third qualifying round the UEFA administration is empowered to form groups in accordance with set principles. For the purpose of the draw, the 32 football clubs involved in the UEFA Champions League group stage are seeded into eight groups of four in accordance with the aforementioned rankings. All matches are played according to UEFA's match calendar. The venues, dates and kick-off times of all qualifying matches must be confirmed and communicated to the UEFA administration by the national associations of the football clubs concerned.

8. Member associations and their affiliated organisations or football clubs sell the media rights of these three qualifying rounds themselves. UEFA does not participate in the selling of these rights and UEFA consequently does not undertake organisational and administrative responsibilities other than conducting the draw procedure and appointing referees and a 'match delegate' to oversee sporting/disciplinary standards. UEFA is not involved in the selection or appointment of third party service providers to provide services that are required in connection with a match. Nor is UEFA involved in production of full audio visual match coverage for each match or appointment of commercial partners: sponsors, suppliers, or licensees.
9. The football clubs have not extended the joint selling arrangement to these three qualifying rounds and the manner in which these rights are sold are therefore not relevant for the purposes of this decision. It would appear that the UEFA and football clubs have decided not to extend the joint selling arrangement to these matches as demand for such early stage qualifying matches is rather low and of a local nature. The matches that will take place between small and big clubs due to UEFA's seeding system are without pan-European cross-border appeal. Demand is typically from broadcasters of the two countries of the football clubs. It would moreover greatly increase the costs for UEFA to maintain the consistency of branding and presentation of the UEFA Champions League if it were to include all the qualifying matches in the joint selling concept (more than 100 matches). UEFA would have to make site surveys and visits to all the additional match venues. It would have to ensure compliance with all standard UEFA Champions League broadcaster facilities. It would have to make sure "clean" stadia would be provided for the UEFA Champions League commercial partners and so forth. UEFA would have to monitor all the other obligations, which clubs must meet for participation in the UEFA Champions League. This would explain the fact that UEFA and the football clubs do not find it efficient to sell those media rights jointly or indispensable to restrict football clubs in their individual marketing.
10. The qualifying-phase matches are played according to a knockout system with each club playing each opponent twice in home and away matches. The team which scores the greater aggregate of goals in the two matches qualifies for the next stage (second qualifying round, third qualifying round or the UEFA Champions League group stage, as applicable). The football clubs defeated in the first and second qualifying rounds are eliminated from the competition. The 16 clubs defeated in the third qualifying round are entitled to play in the first round of the current UEFA Cup.



11. Beginning in September these 32 football clubs then contest the group stage, comprising eight groups of four clubs. The winners and runners-up from these eight groups – in total 16 football clubs - then advance to a second knockout phase on a home and away basis. The surviving football clubs contest the quarterfinals. For the quarterfinal (8 clubs) and semi-final stage (4 clubs), the clubs play two matches against each other on a home and away basis, with the team scoring the greater aggregate of goals qualifying for the next round. The two winners of the two semi-finals play in the final, which is staged as a single match.
12. The games are played on Tuesday or Wednesday nights from September with the final played in May. As a rule, matches in the UEFA Champions League kick off at 20.45 hours Central European Time. The UEFA Champions League therefore avoids clashing with the fixtures of domestic leagues, which are mostly played weekends and the UEFA Cup, which is mostly played on Thursdays.

### 3.1.3. *UEFA's role in the UEFA Champions League*

13. UEFA has the organisational and administrative responsibility for the UEFA Champions League. UEFA conducts the draw procedure and approves the participants. UEFA appoints referees, match delegates and referee observers and covers their expenses. It is the disciplinary body supervising and enforcing all aspects of the competition. UEFA selects and appoints a wide range of third party service providers to provide services that are required in connection with a match.<sup>18</sup>
14. *Television Event and Media Marketing AG (T.E.A.M.)*, an independent marketing company, assists UEFA in the implementation and follow-up of the commercial aspects of the UEFA Champions League. As an agent under UEFA's control and responsibility, T.E.A.M. conducts negotiations with the commercial partners. The agreements are signed and executed by UEFA, which assumes all legal responsibilities.
15. UEFA arranges for the production of full audio visual match coverage for each match. UEFA's broadcast partners act as host-broadcaster for the matches within their territory. UEFA assumes the responsibility towards the broadcasters if any match should be cancelled or postponed.
16. In addition to media operators, UEFA has three types of commercial partners: sponsors, suppliers,<sup>19</sup> and licensees.<sup>20</sup>

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<sup>18</sup> The range of services that UEFA arranges include: product development, sales, after sales services and client relations with broadcasters, sponsors, suppliers, licensees and participating clubs, media services (booking of commercial spots and broadcast sponsorship throughout the world), legal services, television production services, auditing and monitoring of UEFA Champions League television programs throughout the world, research services, operational implementation of the commercial concept, hospitality services, financial and administrative services, and statistical and information services (competition analysis).

<sup>19</sup> For example there is a computer and telecommunications supplier, which provides technical support to the broadcast graphics service and, in return, receives on-screen credits in all the European live match broadcasts and during the highlights programme.

#### 3.1.4. *The football clubs' role in the UEFA Champions League*

17. The participating football clubs provide a team of football players and the stadium. UEFA has no direct contacts with the stadium owners. The football clubs are obliged to follow the guidelines set out by UEFA and act under UEFA's supervision. They are responsible for fulfilling safety and security requirements. The football clubs also provide facilities for the press, hospitality areas, offices, working areas and seats for UEFA's commercial partners. UEFA appoints a "Venue Team" that carries out a "site survey" to ensure that the stadium is equipped to stage an UEFA Champions League match.

### **3.2. The notification**

18. UEFA notified the rules, regulations and implementing decisions regarding its joint selling arrangement to the Commission on 19 February 1999. The notification included standard rights agreements for conclusion with television broadcasters, sponsors and suppliers. The Commission issued a statement of objections on 18 July 2001, which stated that the notified joint selling arrangement relating to the sale of the television broadcasting rights infringed Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement. It also stated that the joint selling arrangement was not eligible for exemption under Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement.
19. The statement of objections concluded that the notified joint selling arrangement prevented the individual football clubs participating in the UEFA Champions League from taking independent commercial action in respect of the TV rights and excluded competition between them in individually supplying TV rights to interested buyers. The effect of such joint selling arrangement was the restriction of competition. The implication for third parties is that they only have a single source of supply. The statement of objections moreover found that the possible efficiencies and benefits that the joint selling arrangement could provide for the TV broadcasting market were negated by the commercial policy pursued by UEFA. The reason was that UEFA sold the free-TV and pay-TV rights on an exclusive basis in a single bundle to a single TV broadcaster per territory for several years in a row. Since the broadcasting rights agreements covered all TV rights of the UEFA Champions League, it made it possible for a single large broadcaster per territory to acquire all TV rights of the UEFA Champions League to the exclusion of all other broadcasters. It also left a number of rights effectively unexploited. Such a broad exclusivity did not have any beneficial effects on the TV broadcasting market and was not in line with the Helsinki Report on Sport.<sup>21</sup>

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<sup>20</sup> The UEFA Champions League licensing concept allows for selected companies to produce high quality products related to the UEFA Champions League, for example, UEFA Champions League Video Game, UEFA Champions League Videos or UEFA Champions League CD-ROM Football Encyclopaedia.

<sup>21</sup> See also point 4.2.1.3. of the REPORT FROM THE COMMISSION TO THE EUROPEAN COUNCIL with a view to safeguarding current sports structures and maintaining the social function of sport within the Community framework - *The Helsinki Report on Sport* – of 10 December 1999:

20. In most countries football is not only the driving force for the development of pay-TV services but is also an essential programme item for free-TV broadcasters. Joint selling of free-TV and pay-TV rights combined with wide exclusive terms therefore has significant effects on the structure of the TV broadcasting markets as it can enhance media concentration and hamper competition between broadcasters. If one broadcaster holds all or most of the relevant football TV rights in a Member State, it is extremely difficult for competing broadcasters to establish themselves successfully in that market.

### **3.3. UEFA's amendment of the notification**

21. UEFA replied to the statement of objections on 16 November 2001. On 8 January 2002 UEFA submitted an outline of a new joint selling arrangement. Subsequently, on 12 March 2002, UEFA presented a rights segmentation table for the exploitation of not only the TV broadcasting rights but, also, all the other media rights of the UEFA Champions League. These include rights for radio, television, Internet, Universal Mobile Telecommunications System (UMTS) and physical media such as DVD, VHS, CD-ROM, etc.
22. UEFA's proposal for a new joint selling arrangement means a reduction of UEFA's exclusive right to sell the UEFA Champions League media rights. The new joint selling arrangement would allow also the football clubs to sell on a non-exclusive basis in parallel with UEFA certain media rights relating to action in which they are participating. UEFA's proposal also implies an unbundling of the media rights by splitting them up into several different rights packages that would be offered for sale in separate packages to different third parties.
23. UEFA's proposal for a new joint selling arrangement was the subject of several meetings between UEFA and the Commission and it was modified in a number of points at the request of the Commission. Subsequent to the introduction of these modifications, the Commission's preliminary view was that the competition concerns as expressed in the statement of objections would be remedied by UEFA's proposal. The Commission therefore intended to take a favourable view in respect of UEFA's proposal, which UEFA notified to the Commission on 13 May 2002. However, the Commission's preliminary approval was subject to giving third parties the opportunity to comment on the proposal following the publication of a notice pursuant to Article 19(3) of Regulation No 17.
24. That notice was published in the *Official Journal of the European Communities* on 17 August 2002 and prompted reactions from a number of interested third parties. The third party comments, which are summarised below in section 5, resulted in the

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*“Any exemptions granted in the case of the joint sale of broadcasting rights must take account of the benefits for consumers and of the proportional nature of the restriction on competition in relation to the legitimate objective pursued. In this context, there is also a need to examine the extent to which a link can be established between the joint sale of rights and financial solidarity between professional and amateur sport, the objectives of the training of young sportsmen and women and those of promoting sporting activities among the population. However, with regard to the sale of exclusive rights to broadcast sporting events, it is likely that any exclusivity which, by its duration and/or scope, resulted in the closing of the market, would be prohibited.”*

Commission requesting UEFA to make further amendments in its joint selling arrangement. UEFA agreed to amend its joint selling arrangement in most respects, but not all. At a meeting on 4 April 2003 UEFA was informed that the Commission intended to attach conditions to the exemption decision. It was subsequently notified thereof by letter dated 5 May 2003, in which UEFA was invited to communicate its position on the Commission's intention to impose a condition. UEFA indicated in its reply of 15 May 2003 that it could accept the Commission's intention.

### **3.4. UEFA's amended joint selling arrangement**

25. UEFA proposes, as a general principle, that media rights contracts be concluded for a period not exceeding three UEFA Champions League seasons.

#### *3.4.1. TV broadcasting rights*

##### 3.4.1.1. Football matches subject to joint selling

26. As already explained in recital 7, UEFA's joint selling arrangement does not apply to the three initial qualifying rounds prior to the UEFA Champions League. The individual football clubs sell the TV broadcasting rights of those matches individually. This involves 80 football clubs playing 160 matches. UEFA's joint selling arrangement applies only to the UEFA Champions League group stage and final knockout phases. The joint selling arrangement therefore applies to a total of 32 football clubs playing a total of 125 matches during a total of 13 match days from September to May. In UEFA's terminology, a match day consists of two calendar days (currently Tuesday and Wednesday).

##### 3.4.1.2. Tendering procedure

27. The award of the rights contracts follows an 'Invitation to Tender' giving all qualified broadcasters an equal opportunity to bid for the rights in the full knowledge of the key terms and conditions.
28. UEFA will, from time to time, publish criteria on the standards which broadcasters must satisfy for televising the UEFA Champions League. A 'Qualified Broadcaster' is a television broadcast organisation that holds a television broadcast license for the relevant territory and that has the appropriate infrastructure, resources and standing to broadcast UEFA Champions League programming. Contracts for the award of the rights are advertised on the UEFA web-site ([www.uefa.com](http://www.uefa.com)) at appropriate times and all qualified broadcasters in the contract territory are entitled to request the Invitation to Bid documentation. All rights packages are, in principle, put on the market at the same time.
29. The Invitation to Bid documentation contains relevant details of all rights packages together with key terms and conditions and an explanation of the information which interested parties must provide with their bid. All qualified broadcasters are entitled to request a presentation to explain the various rights packages on offer and the sales process. All qualified broadcasters must be given a reasonable time limit in which to submit their bids.

30. UEFA has indicated that it will evaluate the bids in accordance with a number of objective criteria, including in particular the following:
- (a) price offered for the rights package or packages;
  - (b) acceptance by the bidder of all relevant broadcast obligations;
  - (c) level of audience penetration of the bidder in the contract territory;
  - (d) proposed method of delivery or transmission;
  - (e) proposed promotional support offered for the UEFA Champions League;
  - (f) production capability and host broadcast expertise;
  - (g) combination of rights packages offered in the contract territory;
  - (h) balance between free and pay television.
31. Negotiations may take place with individual bidders on the basis of offers received. The content of all offers remains confidential.

#### 3.4.1.3. Rights packaging

32. UEFA will offer its TV rights in several smaller packages on a market-by-market basis. The precise format may vary depending on the structure of the TV market in the Member State in which the rights are being offered.
33. UEFA will have the exclusive right to sell two main live rights packages for free-TV or pay-TV each comprising two matches per match night.<sup>22</sup> UEFA Champions League matches are currently played Tuesdays and Wednesdays. The packages will usually include 2 picks per match day. These two packages would cover 47 matches out of a total of 125. Consequently, when the competition has reached the final stages the two main live packages will absorb all TV rights of the UEFA Champions League.
34. UEFA will likewise initially have the exclusive right to sell the remaining matches.<sup>23</sup> UEFA has decided to sell them for live pay-TV/pay-per-view exploitation. However, if UEFA has not managed to sell the rights within one week after the draw for the group stage of the UEFA Champions League, UEFA will lose its exclusive right to sell these TV rights. Thereafter, UEFA will have a non-exclusive right to sell these TV rights in parallel with the individual home clubs participating in the match.<sup>24</sup> UEFA's rights segmentation means that the football clubs selling the live TV rights comprised by package 5 individually are restricted to sell these only to pay-TV or pay-per-view exploitation.

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<sup>22</sup> Referred to as package 1 and 2 and also as the Gold and Silver packages in UEFA's rights segmentation table.

<sup>23</sup> Referred to as package 4 in UEFA's rights segmentation table.

<sup>24</sup> Referred to as package 5 in UEFA's rights segmentation table.

35. The right of UEFA and the individual football clubs to sell these remaining matches will be subject to picks made by the broadcasters having bought the main live packages 1 and 2.
36. UEFA will moreover have the exclusive right to sell a highlight package covering all matches of the UEFA Champions League available as of 22.45 on each match night.<sup>25</sup>
37. Football clubs exploiting UEFA Champions League footage individually must present the footage in a club-focused manner and relating only to matches in which they are participating. Broadcasters who exploit the TV rights which are sold by the individual clubs are not allowed to package such rights into a single product which would appear as an UEFA Champions League branded product. In particular regarding live TV rights, UEFA defines an UEFA Champions League branded programme as one consisting of more than two live UEFA Champions League matches per day.
38. As of Thursday midnight, that is to say, one day after the last matches of the match week the football clubs can exploit the deferred TV rights in parallel with UEFA. UEFA exploitation must be related to action from the whole UEFA Champions League competition. The individual football clubs' exploitation must be related only to matches in which they participate. The individually sold matches must be "club branded" and must not be bundled with rights of other clubs to create an alternative UEFA Champions League branded product. In this context UEFA accepts programmes with delayed TV rights on club channels containing 100% UEFA Champions League content. Regarding club magazine programmes, UEFA defines a programme as UEFA Champions League branded, when it contains more than 50% UEFA Champions League content. In general programming, a programme should not contain more than 30% UEFA Champions League content to avoid being defined as UEFA Champions League branded. Where an entire match is shown on a delayed basis (that is to say, the full 90 minutes) on a club magazine programme or in general programming then the respective 50% and 30% rule would not apply and the programme could consist mostly or entirely of that single match.
39. UEFA will have the exclusive right to sell live TV rights outside the EEA. Deferred rights available to clubs are subject to the same rules both inside and outside the EEA.

#### *3.4.2. Internet rights*

40. Both UEFA (in respect of all matches) and the football clubs (in respect of matches in which they participate) will have a right to provide video content on the Internet 1½ hours after the match finishes that is to say, as from midnight on the night of the match. Live streaming will not be made possible because of the technical development of the Internet at this stage, which does not permit the maintenance of

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<sup>25</sup> Referred to as package 3 in UEFA's rights segmentation table.

a satisfactorily high quality. This will of course change over time, making it necessary to revisit the embargo in the foreseeable future.

41. UEFA will offer "competition specific" or "UEFA branded" products whereas the football clubs will offer "club specific" or "club branded" products. For Internet rights UEFA accepts club channel programmes containing 100% UEFA Champions League content. Club magazine programmes may contain no more than 50% UEFA Champions League content without being defined as a UEFA Champions League branded product. In general programming the maximum permissible UEFA Champions League content is 30% of the programme. Where an entire match is shown on a delayed basis (that is to say, the full 90 minutes) on a club magazine programme or in general programming then the respective 50% and 30% rule would not apply and the programme could consist mostly or entirely of that single match.
42. Both UEFA and the football clubs may choose to provide their services themselves or via Internet Service Providers. The content will be based on the raw feed produced for television. UEFA intends to build a service that will produce UEFA Champions League content for streaming of moving pictures on the Internet. This service can be exploited both via 'www.uefa.com' and via the football clubs' websites. UEFA will offer technical expertise and know-how in the new media area to clubs.
43. Clubs may acquire the raw feed from UEFA or they may participate in the UEFA service. Clubs may customise and edit the content for the purposes of creating a club focused and club branded product. UEFA will apply its principle of financial solidarity by redistributing the revenues from new media. However, for the initial three-year period (seasons 2003/4 – 2005/6), football clubs will not pay any solidarity fee for the raw feed but only technical costs – a situation, which will be reviewed at the end of the second season (2004/5). Any fee must be transparent and fair, reasonable and non-discriminatory and submitted to an arbitration system to solve possible disputes. UEFA will establish a revenue sharing mechanism from the income generated from 'www.uefa.com'.

#### 3.4.3. *Wireless 3G/UMTS rights*

44. Both UEFA (in respect of all matches) and the clubs (in respect of matches in which they participate) will have a right to provide audio/video content via UMTS services available maximum 5 minutes after the action has taken place (technical transformation delay). This content will be based on the raw feed produced for television. UEFA will apply a revenue sharing system in respect of the income generated from the raw feed or the UMTS content.
45. UEFA intends to build a 3G/UMTS wireless product that will be based on an extensive video database to be developed by UEFA. UEFA will offer the rights on an exclusive or non-exclusive basis to operator(s) with an UMTS licence, initially and exceptionally for a period of 4 years and subsequently for periods of 3 years.
46. Clubs may acquire the raw feed from UEFA or they may participate in the UEFA service. The clubs may customise and edit the content for the purposes of creating a

club focused and club branded product. This product may not consist solely or mostly of UEFA Champions League content and must include other club-related multimedia content as well. Clubs will pay a fee for the UEFA wireless service and/or the raw feed. This fee must be transparent and fair, reasonable, and non-discriminatory and submitted to an arbitration system to solve possible disputes.

#### 3.4.4. *Physical media rights*

47. Both UEFA and the football clubs are entitled to exploit the physical media rights of DVD, VHS, CD-ROM, and so forth to archive material from the previous UEFA Champions League season with an embargo of 48 hours after the Final. While UEFA's rights extend to all action in the UEFA Champions League, the rights of the football clubs include only action in which they participate.

#### 3.4.5. *Audio rights*

48. Both UEFA (in respect of all matches) and the football clubs (in respect of matches in which they participate) may sell licenses to live radio broadcasting of UEFA Champions League football matches on a non-exclusive basis.

#### 3.4.6. *Other commercial rights*

49. UEFA also jointly sells other commercial rights relating to the UEFA Champions League which associate third parties with the UEFA Champions League brand such as sponsorship rights, suppliership rights, licensing rights and other intellectual property rights.

##### 3.4.6.1. *Sponsorship rights*

50. UEFA has a UEFA Champions League sponsorship package, which comprises traditional elements of event sponsorship with programme sponsorship and commercial airtime in the event broadcasts. Sponsors purchase a defined package of event rights including, among others, elements such as perimeter boards, sponsor logo identification on backdrops, tickets, advertisement in each match day programme, sponsor identification on tickets, use of official designations and the UEFA Champions League logo.
51. In addition, media rights are available to sponsors, which consist, among others, of the broadcast sponsorship rights for up to two sponsors per programme, billboards in the opening and closing sequences of the UEFA Champions League programmes as well as “break-bumpers”.<sup>26</sup> They also get an option to purchase commercial airtime in and around UEFA Champions League programmes through UEFA.

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<sup>26</sup> A “break-bumper” is an editorial graphic element at the beginning and end of a commercial break, which is used to separate the match programme from commercial spots. It normally includes UEFA Champions League and sponsor identification.



#### 3.4.6.2. Suppliership rights

52. In addition to the sponsorship rights, the UEFA Champions League concept allows for four supplier packages. For example there is a computer and telecommunications supplier, which provides technical support to the broadcast graphics service and, in return, receives on-screen credits in all the European live match broadcasts and during the highlights programme.

#### 3.4.6.3. Licensing rights

53. The UEFA Champions League licensing concept allows for selected companies to produce high quality products related to the UEFA Champions League, for example, UEFA Champions League Video Game, UEFA Champions League Videos or UEFA Champions League CD-ROM Football Encyclopaedia.

#### 3.4.6.4. Other intellectual property rights

54. UEFA is the registered holder of various categories of intellectual property right such as trademark and design rights for example, the UEFA Champions League “Starball” logo, which is the recognised trademark of the UEFA Champions League along with the UEFA Champions League music. The UEFA Champions League logo, name, and the trophy have been protected as trademarks. The official music, which was commissioned by UEFA, forms part of the UEFA Champions League competition. This anthem is always played with the television opening and closing sequences as well as during the countdown to kick-off in all UEFA Champions League stadia around Europe. UEFA holds the copyright in the music. Clubs, which qualify for the UEFA Champions League, may use the orthographic, musical and artistic forms developed in connection with the UEFA Champions League logo for non-commercial promotional purposes for the duration of the competition.

## 4. THE RELEVANT MARKET

### 4.1. Product markets

#### 4.1.1. *UEFA's submission*

55. UEFA submits that although the UEFA Champions League is a very important sport event, it does not constitute a separate relevant product market. UEFA argues that it is part of a much wider market with a large number of sports events in addition to the UEFA Champions League, which allow broadcasters, sponsors and suppliers to achieve the same commercial objective, such as the national club football leagues. In addition, there are other prestigious and quality sports events on the market. Furthermore, non-sport content, in particular, popular films, soap operas and comedy shows can also attract very sizeable audiences. UEFA moreover argues that the Commission should differentiate between UEFA Champions League matches involving domestic clubs and UEFA Champions League matches not involving domestic clubs. UEFA also submits that the free-TV market and the pay-TV market constitute distinct relevant product markets.

#### 4.1.2. *The markets*

56. The Commission considers that the following markets are relevant to an assessment of the effects of the joint selling arrangements:
- (a) the upstream markets for the sale and acquisition of free-TV, pay-TV and pay per view rights;
  - (b) the downstream markets on which TV broadcasters compete for advertising revenue depending on audience rates, and for pay-TV / pay-per-view subscribers;
  - (c) the upstream markets for wireless / 3G / UMTS rights, Internet rights and video-on-demand rights, which are emerging new media markets at both the upstream and downstream levels that parallel the development of the markets in the pay-TV sector;
  - (d) the markets for the other commercial rights namely sponsorship, suppliership and licensing.

#### 4.1.3. *The upstream market for the acquisition of TV broadcasting rights of football events played regularly throughout every year*

57. Viewer preferences are decisive for all types of broadcasters in their content acquisition policy as they determine the value of programmes to broadcasters.<sup>27</sup> All broadcasters are actual or potential buyers of TV broadcasting rights of football events and football is equally important to all broadcasters whichever the market they operate in.<sup>28</sup> Broadcasters acquire programmes in order to attract large audiences whether they are financed fully or partially by advertising revenues (to sell the opportunity to advertisers to get exposure to the audience) or not (to comply with their public service obligations). Pay-TV operators buy programmes to entice people to subscribe to their services.
58. The characteristics of programmes that can achieve a desired purpose can delimit the ambit of the market for the acquisition of TV broadcasting rights. Substitutability can therefore be tested by analysing the extent to which other programmes achieve this desired purpose. If a specific type of content can regularly attract high audience numbers, specific audiences or provide a certain brand image, which cannot be achieved by means of other content, it may be considered that such content constitutes a separate relevant product market. Consequently, there are no other programmes which place a competitive restraint on the rights holders' ability to determine the price of these TV broadcasting rights.

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<sup>27</sup> In a similar way as the customer substitutability determine the upstream market for the supply of digital interactive TV services by service providers to content providers, see Commission Decision 1999/781/EC in Case IV/36.539 British Interactive Broadcasting/Open, OJ L 312, 6.12.1999, p.1.

<sup>28</sup> Commission Decision IV/M.553 - RTL/Veronica/Endemol, OJ L 134, 5.6.1996, p. 32 and Commission Decision 1999/242/EC - TPS, OJ L 90, 2.4.1999, p. 6.

59. The Commission's investigation of the situation throughout the Community has gathered evidence suggesting the existence of a separate market for the acquisition of TV broadcasting rights of football events that are played regularly throughout every year. That conclusion represents an expansion of the conclusions reached in previous cases.
60. In the *TPS* case<sup>29</sup> the Commission found that it is universally acknowledged that films and sporting events are the two most popular pay-TV products and it suggested that a separate market might exist for rights to broadcast sports events. The Commission found that sports programmes have particular characteristics; they are able to achieve high viewing figures and reach an identifiable audience, which is especially targeted by certain advertisers. However, the Commission did not adopt a precise definition of the market in that case.
61. In the case regarding *UEFA's Broadcasting Regulations*<sup>30</sup>, the Commission's investigation suggested the likelihood of the existence of a separate market for the acquisition of TV broadcasting rights of football events played regularly throughout every year. This definition would, in practice, mainly involve national first and second league and cup events as well as the UEFA Champions League and the UEFA Cup. It was suggested that a distinction could be made between football events that do not take place on a regular basis throughout the year. The reason is that the latter do not constitute an equally regular source of programming for broadcasters. Although the decision found that all elements were present for the definition of a separate market for the TV broadcasting rights of football events played regularly throughout every year, the Commission did not actually define the relevant product market in that case.
62. The Commission's market investigation in the case regarding the merger of the sports rights trading subsidiaries, *Sport+ SNC and UFA Sports GmbH* with the *Groupe Jean-Claude Darmon S.A.*<sup>31</sup> demonstrated that although sports broadcasting rights may constitute a distinct field from other television programming, that market ought to be further sub-divided into other separate product markets and that, at least within the EEA, football broadcasting rights may not be regarded as substitutes to other sports broadcasting rights. The Commission therefore concluded that there is a separate market for the acquisition and re-sale of football broadcasting rights to events that are played regularly throughout every year. In practice this involves matches in the national leagues (primarily the First Division) and cups, the UEFA Champions League and the UEFA Cup. It was concluded that events that take place more intermittently are not part of that market definition.<sup>32</sup>

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<sup>29</sup> Commission Decision 1999/242/EC - TPS, OJ L 90, 2.4.1999, p. 6.

<sup>30</sup> Commission Decision 2001/478/EC - UEFA Broadcasting Regulations, OJ L 171, 26.6.2001, p. 12.

<sup>31</sup> Commission Decision COMP/M.2483 - Canal+/RTL/GJCD/JV, (IP 01/1579).

<sup>32</sup> In the same manner the Commission stated in the *Newscorp/Telepiù* case, that there exists a separate market for the acquisition of exclusive broadcasting rights for football events played every year where

63. In the present case, the Commission also considers that the relevant product market can appropriately be defined as the market for the acquisition of TV broadcasting rights of football events played regularly throughout every year. This definition would in practice mainly include national First and Second division and cup events as well as the UEFA Champions League and UEFA Cup. The TV rights of football events create a particular brand image for a TV channel and allow the broadcaster to reach a particular audience at the retail level that cannot be reached by other programmes. In pay-TV football is a main driver of the sale of subscriptions. As regards free TV, football attracts a particular consumer demographic and hence advertising, which cannot be attracted with other types of programming.

#### 4.1.3.1. Channel brand image

64. Football is important to broadcasters due to its ability to act as a developer of a brand image of a channel. Football has a distinct high profile among desirable viewers. Football generally provides high audience figures and produces events which takes place regularly throughout most of the year<sup>33</sup> Viewers are attracted not only to one match but also to the tournament as a whole. Football tournaments – not least those that are branded such as the UEFA Champions League - therefore guarantee viewership for long periods and induce viewers regularly to make an appointment to view a particular channel, which they associate with football. This contributes to developing the brand image of a channel.
65. The development of a brand image is increasingly important in a TV industry where the number of channels among which the viewers can choose increases rapidly and where products are generally homogenised.<sup>34</sup> With a wider choice available to viewers, it becomes increasingly difficult for a TV channel to attract and maintain audience loyalty. Branding therefore encourages audiences to schedule their viewing habits to make appointments to view a particular channel. However, such loyalty may be achieved only by offering a ‘differentiated’ product including eye-catching programmes and by strongly associating the channel with those programmes. If a channel usually broadcasts certain programmes, such as the UEFA Champions League, which is in itself a strongly branded event, viewers may develop a habit of screening that channel as their first port of call in determining their viewing choices. The creation of a brand loyalty to a channel encourages viewers to use the channel as a ‘point of reference’ for their viewing. This has beneficial effects on other programmes broadcast by the channel.

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national teams participate (the national league, primarily first division and cups, the UEFA Champions League and the UEFA Cup). Commission Decision COMP/M.2876 - Newscorp/Telepiù, (IP/03/478).

<sup>33</sup> For example, in Germany the Bundesliga commences in August and ends in May. There are 306 games played in the tournament, which are all broadcast live throughout the season.

<sup>34</sup> Vlaamse Media Maatschappij state in an answer of 26 November 1999 to the Commission’s request for information that: *“The acquisition (and broadcasting) of sports rights (programmes) is, in general not a profitable investment as such. However, the broadcasting of sports programmes, especially popular sports such as football and cycling, are important for the image and the branding of the channel.”*

66. While the ability to build up brand loyalty to a particular channel is important to all types of channels, it is especially important for advertising-funded TV channels. They must be able to present audiences to advertisers for all their broadcasts otherwise they will not be able to sell their advertising space. Football is particularly attractive in that respect, because it has a wide following with continuously high audience figures. Viewers wanting to watch a particular match may often switch to that channel well in advance of the match and some of them may 'hang on' after the match to see whether the following broadcast is interesting. In some cases this is reflected in the advertising rates that are high not only in the advertising slots immediately before and after the match but also in respect of the programmes that are broadcast before and after the match.
67. The Commission's investigation has confirmed that the development of a brand image is of particular importance for broadcasters when determining whether or not to acquire football rights.<sup>35</sup> Broadcasters consider that football enables them to create a brand image without which their channels would not be able to develop. The availability of alternative programming does not alter their interest in or demand for broadcasting rights of football events.<sup>36</sup>
68. One of the particular values of football for broadcasters in brand building is its regularity. Unlike many other sport events, football is characterised by national and European tournaments which are played regularly throughout most of the year. The UEFA Champions League is one of the most recognised among those tournaments with a strongly developed own brand. Football, unlike other sports, therefore allows broadcasters to achieve high viewing figures on a regular, sustained and continuous basis if they can get access to these rights. Although there are league events for other sports and whilst such sports may produce large audience figures, they do not achieve the same continued viewing figures as football. This is of significant value for the branding of a channel, since it can only be achieved over a sustained period.
69. The quest for a brand image is so strong that broadcasters in certain circumstances do not mind losing money on individual programmes if they are of such a quality that they can pull viewers to the channel. For some broadcasters football could be

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<sup>35</sup> RTL considers in its answer of 15 November 1999 to the Commission's request for information that *"The actual prices for football rights are so high that...they cannot be covered by the revenues generated with football programming."* If such rights are still acquired anyway, it is reasonable to think that this is because of branding purposes.

<sup>36</sup> NOS in its reply of 16 November 1999 to the Commission's request for information of 21 September 1999 considers that: *"Only to a limited extent NOS' interest in football is affected by the availability of TV rights for other sports...because it is the No. 1 sports in the Netherlands...football plays a key role in NOS' sports programming...providing other sports broadcasts by NOS with an audience they would not normally attract."* NOS also states that: *"...football is a unique product in 'a league of its own'. No other sport has audience figures/market share that come close to those of football...enhance the image of NOS."* ONdigital in its reply of 23 November 1999 to the Commission's request for information of 20 September 1999: *"Our interest in football is not affected by the availability of other film, series, game shows or other content again, because of the unique market position football holds in the UK and partly because football is likely to appeal to a different market segment."* Richard Russell Associates have described sport as a 'driver' for BSkyB's 10-year old business in 'Sports Television: The ever changing face', 16 February 1999, p.10 & 12.

considered as a kind of loss leader, because they may be willing to invest more in acquiring the TV rights than they can, strictly speaking, hope to recuperate looking at the possible revenues that they can make from the individual broadcasts in isolation.<sup>37</sup>

70. These features of the TV rights of football have the consequence that the prices which broadcasters are willing to pay for those rights exceed all other prices, including events such as Formula One.<sup>38</sup> ONdigital states that “*Football rights are the most expensive of any sport...*”<sup>39</sup> The total expenditure on sports as a whole has recently seen substantial increases. Football accounted for the single highest proportion of TV channels total sports expenditure.<sup>40</sup> The European average was 44.6% in 1998.<sup>41</sup> The high percentage dedicated to the acquisition of TV rights of football represents the importance which broadcasters attach to football compared to the acquisition of the broadcasting rights to other sporting events.

#### 4.1.3.2. A particular audience

71. In order to attract the widest possible audiences, broadcasters will seek to have a balanced schedule with a range of different programmes. Catering to a wide audience is part of the public service remit for public service broadcasters. Pay-TV broadcasters wish to cater to the tastes of as many people as possible in order to sell subscriptions. For commercial free-TV broadcasters the reason for having a balanced schedule is that they generally sell “packages” of advertising slots spread across various programmes instead of individual slots during particular programmes.<sup>42</sup> Producers wishing to advertise during for example, the UEFA

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<sup>37</sup> In its reply of 26 November 1999 to the Commission’s request for information of 21 September 1999 Vlaamse Media Maatschappij states that “*Actually, acquisition of TV rights for sport (especially football) is not a profitable operation as such...However...the branding of VMM’s channels will be the decisive parameter for deciding the acquisition of TV rights for football games.*” For instance ONdigital, which has acquired the pay-TV rights to the UEFA Champions League and provided these rights on a promotional basis free to subscribers, states in its reply of 23 November 1999 to the Commission’s request for information of 20 September 1999 that “*In the early stages of platform growth building the subscriber base is considered to be more important than pure profit.*” Further in its reply ONdigital states that “*ONdigital believes that the brand image and value attached to its consumer offer is directly affected by the sports content available on the platform.*”

<sup>38</sup> Kagan Euro TV Sports, 26 July 1996.

<sup>39</sup> Ondigital’s reply of 23 November 1999.

<sup>40</sup> According to Kagan’s ‘European media sports rights’, April 1999, football took the major share of the total rights expenditure in most Member States in 1998 (the share of the nearest rival is in brackets): Austria 32,4% (skiing 11,3%); Belgium 53,6% (cycling 9,5%); Denmark 45,4% (handball 13,2%); Finland 32,1% (ice hockey 16,9%); France 37,8% (motor racing 9,3%); Germany 42% (tennis 6,6%); Greece 43,3% (basketball 41,4%); Ireland 47% (horse racing 13,1%); Italy 65,2% (motor racing 7,4%); Netherlands 54,5% (motor racing 9,3%); Portugal 44,3% (motor racing 11,8%); Spain 51,6% (basketball 10,1%); Sweden 39,5% (ice hockey 19,1%); United Kingdom 51,6% (rugby 11,7%).

<sup>41</sup> Kagan’s ‘European media sports rights’ April 1999.

<sup>42</sup> ITV’s reply of 12 November 1999 to a request for information of 10 September 1999.

Champions League will also purchase slots during other types of programmes. This reflects the optimum strategy for an advertiser whose aim is to reach as large a proportion of its potential customers as possible. Showing adverts across a range of carefully selected programmes, each one of which will be watched by different potential customer groups, is the best way to do this.<sup>43</sup> The fact that football is a regular and frequent event, which attracts high viewing figures, enhances the value of football programmes as part of an advertising package, because it allows the advertiser to make frequent contacts with a potential customer with a distinct profile.

72. In deciding on a “package”, advertisers will not randomly pick programmes during which to show their adverts. The profile of the audience, which a programme attracts, will be a crucial factor to be taken into account. This reflects the *raison d'être* of advertising: companies essentially advertise in order to attract new customers or to keep the existing ones. In order for an advert to fulfil this purpose those who have at least a potential interest in the product being shown must see it.<sup>44</sup>
73. Not all types of viewers are of equal value to broadcasters (and advertisers). Some people watch more TV than others do. People have different spending powers and patterns. Amongst the most sought-after viewers are men with an above average spending power and who are in the age groups of 16-20 and 35-40, because those groups are generally considered to have a less fixed spending pattern compared to older people. They are therefore more likely to try new products and services. The problem for broadcasters and advertisers is that these groups contain a high proportion of “light viewers” of television,<sup>45</sup> who do not, as a rule, watch much television. It is therefore much harder for advertisers to get their message through to these target groups via television advertising compared to other groups of the population, for example, women aged 55 or over, who on average watch a great deal more television. The attractiveness, and elusiveness, of the target group make programmes watched by them of significant value to broadcasters that are keen to have programmes that attract this audience.
74. The Commission’s investigation of the situation in the Member States has shown that football, which is a mass attractive sport with high viewing figures, is the programme, which seems to be the most effective tool to address this particular

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<sup>43</sup> Thus a football boot producer will for example reach a larger number of potential buyers by showing one advert during the final of a football tournament, when ‘aficionados’ are likely to be watching, and another during a feature film, when the weekend player may be watching, than showing two adverts during the football final. In this way a larger number of potential buyers will be contacted.

<sup>44</sup> For example, whilst a producer of breakfast cereals may have a broader target group, a meat producer is unlikely to wish to place an advert during a programme dedicated to vegetarian issues, even if this programme is very popular. Thus if broadcasters wish to have the business of meat producers, they can not only show programmes about vegetarianism – they must also televise programmes which are watched by people who are at least willing to eat meat (even if the programmes attract fewer viewers).

<sup>45</sup> Channel 5’s reply of 19 November 1999.

group of the population. Two-thirds of the viewers are male and in the appropriate age groups.<sup>46</sup>

75. A result of football being a tool to reach a hard-to-get-to audience is that broadcasters are able to charge higher rates for advertising in connection with football compared to other programmes. The price of advertising slots during the transmission of football is higher than during the transmission of other sports, for example, the UEFA Champions League allows broadcasters to charge premiums of between 10-50% depending on the teams involved and the stage of the tournament.<sup>47</sup>
76. The attraction of programmes and hence the level of competition for the TV rights to them varies according to the type of sport and the type of event. Mass sports like football generally attract large audiences. By contrast, minority sports achieve very low ratings. In most Member States football constantly achieves the highest audience figures. In 1997, football accounted for 21 of the top 25 European sports broadcasts. The popularity of football for viewers is also expressed in the number of hours dedicated to the broadcast of sport. Between 1996-1997, the number of hours dedicated to football transmission was 13 939. The second most transmitted sport was tennis which achieved less than half this at 5 115 hours.<sup>48</sup> These figures led the authors of Kagan to comment that *“the TV sports hours breakdown illustrates soccer’s position as the most valuable sport to cover.”*<sup>49</sup> Kagan confirms its findings in its 2002 report, where it states that: *“Soccer is by far the most popular programming on TV in Western Europe, where it made up a massive 79% of total sports programming in 2000.”*<sup>50</sup>

#### 4.1.3.3. Conclusion regarding the upstream market

77. The Commission’s investigation shows that there are no programmes which place a competitive restraint on the ability of the holder of the TV rights to football events

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<sup>46</sup> RTL considers in its reply of 15 November 1999 to the Commission’s request for information of 20 September 1999 that it *“would lose advertising revenue if it substituted the UEFA Champions League by other football events or other sports events. Even if the viewer profile would be the same, the viewing times for these events would be much less because these sports events are less attractive.”* Young & Rubicam Europe state in its reply of 21 October 1999 to the Commission’s request for information of 8 October 1999: product *“categories targeting female consumers are unlikely to advertise in sports programmes.”* Channel 5’s reply. *“These (football) audiences are more male in profile than the average, younger than the average, and more upmarket than the average.”* ITV stated in its reply of 12 November 1999 to the Commission’s request for information of 10 September 1999 that the audiences to the UEFA Champions League *“are more male in profile than the average, younger than the average and more upmarket than the average.”* McCann-Erickson’s reply of 3 November 1999 to the Commission’s request for information of 8 October 1999 supports this.

<sup>47</sup> McCann-Erickson’s reply of 3.11.1999 to a Commission request for information of 8 October 1999.

<sup>48</sup> Kagan Euro TV Sports, 26 July 1996, page 8.

<sup>49</sup> Kagan Euro TV Sports, 26 July 1996, page 163.

<sup>50</sup> Kagan World Media, 2002, page 3.



being played regularly throughout every year to determine the price of these TV rights. TV rights to other sports events or other types of programmes such as feature films do not put a competitive restraint on the holder of the TV rights to such football events. Including such rights in the market definition would make the definition too wide. In other words, there is no substitutability between the TV rights to football and the TV rights to other types of programmes.

78. Some have suggested that narrower market definitions may exist, such as for matches involving only national clubs. Assuming that such market definitions were correct, they would nevertheless not substantially alter the market share of UEFA. As such it is not necessary to consider such alternative market definitions for the purposes of this case.
79. The Commission therefore concludes that there is a separate market for the acquisition of TV broadcasting rights to football which is played regularly throughout every year. This definition would, in practice, mainly involve matches in national league and cup events as well as the UEFA Champions League and UEFA Cup.

*4.1.4. The downstream markets on which broadcasters compete for advertising revenue depending on audience rates and pay-TV subscribers*

80. The acquisition of TV broadcasting rights of football events is closely linked with the downstream television markets in which the football events are broadcast as an important element of the TV broadcasters' competition for advertisers on free-TV, which depends on viewer interest/ratings and/or pay-TV subscribers, who may in particular be enticed into subscribing to a TV channel by means of football.

*4.1.5. The upstream and downstream markets for the acquisition of media rights for new media (wireless 3G/UMTS and Internet) of football*

81. UEFA's joint selling arrangement is not limited to TV rights, but also covers all other forms of media rights to the UEFA Champions League. Although not addressed in the Commission's statement of objections, they were included in UEFA's amendments to the notified new joint selling arrangement.
82. Regarding the new media rights such as wireless and Internet content rights, these markets are very much in their infancy. This is largely due to the fact that these technologies are currently at an early stage of development and also to the lack of infrastructure, which is presently available to deliver those services to the consumers. Therefore, there is no clear empirical evidence on which to base market definitions. It is nevertheless possible to draw some conclusions, however broad, which would permit a realistic appraisal of the restrictive effect of UEFA's joint selling arrangement on those new media markets.
83. First, content rights will be necessary for the development of the new services in the same way, as content rights are necessary for TV broadcasting services, where football content is being used to entice consumers to take up pay-TV subscriptions and to attract advertisers to TV channels. As these new services allow increasingly

narrowly targeted forms of content delivery, it will be possible to identify and supply narrower customer demands than is the case with current media delivery systems. As such, it is likely that relatively narrow upstream content markets will emerge, given the ability to supply narrow downstream markets. It is therefore likely that football content rights, in relation to TV broadcasting, will also constitute a separate relevant product market in relation to new media and that football content will have a similar function. It is likely that new media operators will wish to acquire football content to attract advertisers and subscribers.

84. Secondly, it is likely that each different form of exploitation will provide a specific service to specific consumers. On demand services delivered via wireless mobile devices or via the Internet will not compete with live TV broadcasting. Likewise mobile clip services will not compete with television highlights packages.<sup>51</sup>
85. It is therefore likely that new media markets will emerge at both the upstream and downstream levels, which parallel the development of markets in the pay-TV sector.

*4.1.6. The upstream and downstream markets for the other commercial rights - sponsorship, suppliership and product licensing*

86. UEFA jointly sells a number of other commercial rights related to the UEFA Champions League such as sponsorship, suppliership and product licensing. These commercial rights are likely to form part of wider product markets for commercial advertising. However, since it is not likely that UEFA's sale of these commercial rights would appreciably restrict competition, it is not necessary for the purposes of this case to exactly define the scope of the relevant product markets.

## **4.2. The geographic markets**

87. UEFA submits that the geographic scope of the affected markets is essentially national in character because of cultural factors and national audience preferences.

*4.2.1. The geographic scope of the upstream market*

88. Media rights to football events like the UEFA Champions League are normally sold on a national basis. This is due to the character of distribution, which is national due to national regulatory regimes, language barriers, and cultural factors. The Commission therefore considers the geographic scope of the upstream markets for the media rights to be national.
89. The geographic scope of the relevant product markets for the other commercial rights could be wider than national as the sponsors etc. associate themselves with the UEFA Champions League as such and not with individual football clubs. However, since it is not likely that UEFA's joint selling arrangement regarding these commercial rights would appreciably restrict competition, it is not necessary

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<sup>51</sup> See Commission Decision Comp/JV.48 – Vodafone/Vivendi/Canal+ (Vizzavi).

for the purposes of this case to exactly define the geographic scope of the relevant product markets.

#### 4.2.2. *The geographic scope of the downstream market*

90. The reasons for defining the geographic scope of the upstream markets as national, such as varying regulatory regimes, language barriers, and cultural factors, are also decisive in the downstream market. A pay-TV broadcaster normally only sells subscriptions to viewers in a certain territory. TV advertising is normally adapted to fit the tastes and languages of a certain territory. The same would seem to apply to new media services. The Commission therefore considers the geographic scope of the downstream markets to be national or at least confined to linguistic regions.

### 5. **THIRD-PARTY OBSERVATIONS**

91. The Commission published a notice in the *Official Journal* of the European Communities pursuant to Article 19(3) of Regulation No 17, which prompted reactions from a number of interested third parties.
92. The football associations welcome the compromise. G14, a European Economic Interest Grouping whose 18 founding members are leading European football clubs, in particular considers that the achievement of a segmentation of media rights in separate windows addresses in a satisfactory manner the objections raised by the Commission. G14 moreover considers that the mix of joint and individual sales strikes the right balance between solidarity and protection of the consumer and the freedom of individual clubs. G14 therefore supports the compromise solution and the new marketing model while emphasising that the implementation should involve active participation of the parties concerned within the decision-making bodies of UEFA.
93. Some pay-TV broadcasters are concerned that the reorganisation of the UEFA Champions League media rights sales system will increase competition in the TV broadcasting markets and that it therefore does not take account of the current economic reality for pay-TV in Europe. The reduction of exclusivity through the splitting up into several packages and short embargoes reduce the value for broadcasters. They consider that a sport event only has value when it is held in exclusivity by one broadcaster. The segmentation of rights, which the Commission strives for, risks reducing the value of the event and could lead to more (too much) football on TV and viewers having to buy several subscriptions. They also fear competition from Internet/UMTS and wish for more restrictions imposed on new media rights *inter alia* with longer embargoes, which would hold back the development of these new media.
94. Other free-TV broadcasters are positive to the opportunities created by the new solution and note *inter alia* that whether the package solution will further the opportunity for more than one free-TV broadcaster to broadcast UEFA competitions will have to be proved in practice. They note that the UEFA Cup already allows more than one free-TV broadcaster to broadcast UEFA competitions. A free-TV broadcaster states that it is unable to determine on the

basis of the facts provided whether the new system would, in practice, alleviate the concerns risen in the statement of objections. It is however, concerned about the reduced level of exclusivity created by the packaging. The third package of live rights is of no real value to broadcasters as the national games by definition will be included in the Gold and Silver packages.

95. One sport rights agency congratulates UEFA and the Commission for having agreed on a compromise that generally accepts the principle of joint selling. It considers that this principle guarantees the attraction of the product and the “UEFA Champions League” brand as being in the consumers’ interest and is best fitted to reconcile all the different interests at stake. However, it regrets the deviation from the joint selling principle created by package 5, as this may negatively influence the UEFA Champions League brand.
96. Other sport rights agencies are not convinced that the compromise solves the issues objected to by the Commission regarding the TV broadcasting rights to football events, which represent 15-40% of the value of broadcasting rights to regular football events. They argue that a joint selling arrangement is not necessary to establish the UEFA Champions League as a brand. Nor do they consider that solidarity or that a single point of sale are relevant arguments under Article 81(3). They further argue that the compromise is likely to serve as a model for other football competitions, including for the UEFA Cup. They consider that packages 1 and 2 will contain all commercially valuable matches whereas matches contained in package 5 have very little commercial value. Only UEFA can market a wireless and Internet service covering the whole UEFA Champions League. In addition, football clubs are restricted in marketing club branded and related services. They are therefore concerned that clubs may not create a product competing with the UEFA Champions League. Finally, they point out that clubs must pay a fee for the raw feed and that Internet rights are available only at midnight.
97. A telecommunication operator that has interests in free-TV, Internet and Wireless welcomes the Commission’s initiative of opening the market for the sale of the UEFA Champions League media rights. It considers that packages 1 and 2 should be unbundled allowing broadcasters to bid for single matches and that, at least, a broadcaster should be prevented from bundling the two packages. It also argues that the same package should be sold to both a free-TV and a pay-TV broadcaster. It furthermore considers that TV broadcasters should be allowed to resell the rights to ISPs and Wireless providers.
98. Internet services providers would like to have live rights. They consider that the embargo is too long for deferred exploitation and that Internet and TV are two distinct markets. They regret that deferred rights are reserved for UEFA and the football clubs and that Internet service providers are excluded from competing for the rights.
99. Only one national competition authority has submitted comments to the Commission. It considers that the compromise does not resolve the problems identified in the statement of objections and as such does not qualify for exemption. It considers that on the horizontal level the UEFA arrangement remains restrictive of competition as UEFA continues to maintain the exclusive right to sell all

matches. In respect of the vertical level the new commercial model does not alleviate competition concerns, as the two main packages are still effectively only within the reach of large broadcasters. It moreover considers that the football clubs' sale of package 5 to pay-TV/pay-per-view is an illusion as in Germany there is only one pay-per-view broadcaster.

100. Finally, radio broadcasters query how UEFA is able to sell radio rights in view of the right of information of the public. They argue that the right of the public to have access to information cannot be considered as a market like TV.
101. UEFA was informed that, on the basis of the third party comments, the Commission had identified certain issues where a modification of the compromise would be required. The issues raised by the third party comments were discussed with UEFA in a number of meetings and gave rise to an exchange of correspondence following which UEFA agreed to amend its joint selling arrangement to accommodate those comments. The modifications relate, in particular, to restrictions imposed on football clubs' individual sale of media rights (for example, bundling, field of use restrictions) and achieving a more equitable balance between and mix of joint and individual selling. Also Internet Service Providers are granted better access to content.

## **6. APPLICATION OF ARTICLE 81 OF THE TREATY AND ARTICLE 53 OF THE EEA AGREEMENT**

### **6.1. Jurisdiction**

102. In this case, the Commission is the competent authority to apply both Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement on the basis of Article 56 of the EEA Agreement, since UEFA's joint selling arrangement has an appreciable effect on competition in the common market as well as on trade between Member States.

### **6.2. Article 81 (1) of the Treaty and Article 53 (1) of the EEA Agreement**

103. Article 81(1) of the Treaty prohibits as incompatible with the common market all agreements between undertakings, decisions by associations of undertakings and concerted practices, which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market.
104. Article 53(1) of the EEA Agreement (which is modelled on Article 81(1) of the Treaty) contains a similar prohibition. However, the reference in Article 81(1) of the Treaty to "trade between Member States" is replaced by a reference to "trade between contracting Parties" and the reference to competition "within the common market" is replaced by a reference to competition "within the territory covered by the...[EEA] agreement".

### 6.3. Agreements or decisions between undertakings and associations of undertakings

105. The Court of Justice has ruled that, having regard to the objectives of the Community, sport is subject to Community law to the extent it constitutes an economic activity within the meaning of Article 2 of the Treaty.<sup>52</sup>
106. Football clubs engage in economic activities<sup>53</sup> and they are undertakings within the meaning of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement. The membership of the national football associations consists of those football clubs. The national football associations are therefore associations of undertakings within the meaning of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement. The national football associations are also undertakings themselves in so far as they engage in economic activities.<sup>54</sup> The members of UEFA are the national football associations. UEFA is therefore both an association of associations of undertakings as well as an association of undertakings. UEFA is moreover an undertaking in its own right as it also engages directly in economic activities.
107. Notwithstanding the fact that some of these entities are non-profit making bodies, UEFA, the national football associations and the football clubs are all undertakings within the meaning of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement.

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<sup>52</sup> See judgements of the Court of Justice in Case 36/74, *Walrave v Union Cycliste Internationale*, [1974] ECR 1405, paragraph 4; Case 13/76, *Donà v Mantero*, [1976] ECR 1333, paragraph 12; Case C-415/93, *URBSF v Bosman*, [1995] ECR I-4921, paragraph 73; Joined Cases C-51/96 and C-191/97, *Christelle Delière v Ligue francophone de judo et disciplines associées ASBL, Ligue belge de judo ASBL, Union Européenne de judo (C-51/96) and François Pacquée (C-191/97)* [2000] ECR 2549, paragraphs 41-42; Case C-176/96, *Jyri Lehtonen and Castors Canada Dry Namur-Braine ASBL v Fédération royale belge des sociétés de basket-ball ASBL (FRBSB)*, [2000] ECR 2681 paragraphs 32-33.

<sup>53</sup> For example, selling tickets, transferring players, distributing merchandising articles, concluding advertising and sponsorship contracts, selling broadcasting rights, etc. The size of the undertaking does not matter and the concept does not presuppose a profit-making intention. See opinion of Advocate General Lenz in Case C-415/93, *URBSF v Bosman*, [1995] ECR I-4921, paragraph 255 referring to the judgment in Joined Cases 209 to 215 and 218/78, *Van Landewyck v. Commission* [1980] ECR 3125, paragraph 88.

<sup>54</sup> Opinion of Advocate General Lenz in Case C-415/93, *URBSF v Bosman*, [1995] ECR I-4921, paragraph 256. Commission Decision 92/521/EEC - *Distribution of package tours during the 1990 World Cup*, OJ L 326, 12.11.1992, p. 31, paragraph 49: (“... FIFA is an entity carrying on activities of an economic nature and constitutes an undertaking within the meaning of Article 85 of the EEC Treaty”) and paragraph 53 (“The [*Federazione Italiana Gioco Calcio = the national Italian football association*] also carries on activities of an economic nature and is consequently an undertaking within the meaning of Article 85 of the EEC Treaty”). Judgment in Case T-46/92, *Scottish Football Association v Commission*, [1994] ECR II-1039, from where it can be concluded that the Scottish Football Association is an undertaking or an association of undertakings within the meaning of Article 81 and 82. See also joined Cases C-51/96 and C-191/97, *Christelle Delière v Ligue Francophone de Judo et Disciplines ASBL and Others*, [2000] ECR 2681 paragraphs 52-57, Case T-513/93 *Consiglio Nazionale degli Spedizionieri Doganali v Commission of the European Communities* ECR [2000] II-1807.

108. Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement are applicable to associations of undertakings in so far as:
- the activities of the association or of the undertakings belonging to the association are calculated to produce the results which Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement aim to suppress;<sup>55</sup> and / or
  - the association intended to and did co-ordinate the conduct of its members on the market.<sup>56</sup>
109. The Regulations of the UEFA Champions League constitute a decision taken by an association of associations of undertakings within the meaning of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement.<sup>57</sup>
110. The Regulations of the UEFA Champions League provide the regulatory basis for the manner in which the commercial rights of the UEFA Champions League are sold. UEFA's Executive Committee adopts the Regulations of the UEFA Champions League. UEFA's Congress, the membership of which consists of the national football associations of which the football clubs are members, appoints the Executive Committee. The Regulations of the UEFA Champions League are binding on the national football associations and on the football clubs. The football clubs playing in the UEFA Champions League, which are co-owners of the commercial rights of the UEFA Champions League, confirm the binding nature of the UEFA Statutes, the Regulations of the UEFA Champions League and other decisions relevant to the competition taken by the competent bodies of UEFA, referred to in the entry form, which they sign when they sign up for participation in the UEFA Champions League.
111. In agreement with the aforementioned competent bodies of UEFA, associations and football clubs, UEFA adopted a new joint selling arrangement regarding the UEFA Champions League media rights, the content of which is summarised above under sections 1.4 to 1.6.
112. UEFA will, in the future, conclude rights contracts with third parties on the basis of the principles enshrined in the notified joint selling arrangement. The vertical rights agreements with television broadcasters that were originally notified are no longer applicable following the introduction of the new joint selling arrangement and will therefore not be addressed in this Decision.

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<sup>55</sup> Joined Cases 209 to 215 and 218/78 FEDETAB, 1980 [ECR] 3125 at paragraph 88.

<sup>56</sup> Case 45/85 Sachversicherer at paragraph 32.

<sup>57</sup> If the Statutes were categorised as an agreement between undertakings, this would not change the situation since Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement apply in the same way to both categories. See Case C-415/93, *URBSF v Bosman*, [1995] ECR I-4921 at paragraph 46.

#### **6.4. Restriction of competition**

113. The notified joint selling arrangement grants UEFA the exclusive right to sell jointly certain commercial rights on behalf of the football clubs participating in the UEFA Champions League. This includes media rights that relate to the UEFA Champions League as a whole and involving action from all matches of the UEFA Champions League. Those media rights, which are listed in section 1.6 above, relate to all types of media rights and are not restricted to the rights for specific markets. As such, the restrictive effects of UEFA's joint selling arrangement are capable of manifesting themselves on any of the markets where the rights could be used.
114. UEFA's joint selling arrangement has the effect that through the agreement to jointly exploit the commercial rights of the UEFA Champions League on an exclusive basis through a joint selling body, UEFA, prevents the individual football clubs from individually marketing such rights. This prevents competition between the football clubs and also between UEFA and the football clubs in supplying in parallel media rights to the UEFA Champions League to interested buyers in the upstream markets. This means that third parties only have one single source of supply. Third party commercial operators are therefore forced to purchase the relevant rights under the conditions jointly determined in the context of the invitation to bid, which is issued by the joint selling body. This means that the joint selling body restricts competition in the sense that it determines prices and all other trading conditions on behalf of all individual football clubs producing the UEFA Champions League content. In the absence of the joint selling agreement the football clubs would set such prices and conditions independently of one another and in competition with one another. The reduction in competition caused by the joint selling arrangement therefore leads to uniform prices compared to a situation with individual selling.
115. UEFA's joint selling arrangement also has the effect that certain restrictions are imposed on football clubs in respect of the exploitation of those commercial rights that they have not granted to UEFA for joint selling, but which are exploited by themselves individually. The restrictions imposed on individual football clubs concern in particular:
  - (a) a restriction on football clubs' individual selling of live TV rights, which restricts them to selling such live rights only to pay TV/pay-per-view broadcasters and prevents the sale of such rights to free-TV broadcasters (package 5 of the rights segmentation table),
  - (b) embargoes on the exploitation of deferred media rights, in particular TV and Internet rights, (packages 6, 7 and 12 of the rights segmentation table),
  - (c) a limitation on the bundling of individually sold live and deferred media rights restricting the football clubs from selling their individually sold media rights to end-users (broadcasters) which would exploit those rights as a UEFA Champions League focused product (packages 5, 6, 11 and 12 of the rights segmentation table).



116. UEFA's joint selling arrangement therefore restricts competition in the upstream markets not only between football clubs but also between UEFA and the football clubs in supplying commercial rights to interested buyers. In addition, the notified joint selling arrangement has an impact on the downstream broadcasting markets as football events are an important element of TV broadcasters' competition for advertisers or for subscribers for pay-TV and pay-per-view services. Such an arrangement has as its effect the restriction of competition. It is therefore also caught by the prohibition in Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement.<sup>58</sup>

*6.4.1. Scope of the present procedure*

117. Under the new sales policy the media rights are no longer all offered to a single operator but are split up into a large number of smaller rights packages. It is not the object of the present procedure to ascertain whether individual rights contracts between UEFA and a broadcaster would restrict competition within the meaning of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement. Nor is it possible to ascertain in the context of the present procedure whether competition would be restricted if a single operator acquired several packages of rights. This decision will therefore not deal with the individual rights contracts concluded by UEFA with third parties and does not in any way prejudice their evaluation under Community competition law.

**6.5. Applicability of Article 81(1) of the Treaty or Article 53(1) of the EEA Agreement**

*6.5.1. League rights and individual football clubs rights*

118. For each individual football match played in the UEFA Champions League, the two participating football clubs may claim ownership to the commercial rights. This is because it would be difficult to deny that an individual home club, as user of the football ground, has the right to deny admission to media operators wishing to record those matches. Likewise, it would be difficult to deny that the visiting club, as a necessary participant in the football match, should have some influence as to whether the match should be recorded and, if so, how and by whom.
119. Looking at a whole football tournament, it would seem that each football club would have a stake in the rights in the different constellations in which they play but their ownership could not be considered to extend beyond that. Therefore, there are in a football tournament a large number of individual ownership constellations that are independent of one another. The fact that football clubs play in a football tournament does not mean that ownership extends to involve all matches in the tournament. Nor does it mean that ownership is inter-linked to an extent where it must be held that all clubs have an ownership share in the whole league as such and in each individual match.

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<sup>58</sup> See chapter 5 (in particular chapter 5.3.1.2) of the Commission's guidelines on the applicability of Article 81 to horizontal co-operation agreements, OJ C 3, 6.1.2001, p. 2.

120. UEFA argues that it is UEFA's intellectual efforts and organisational responsibility that have created a football league with its own brand image distinct from that of the participating football clubs'. Therefore - without any joint selling arrangement - no commercial rights would be available at all. UEFA argues that it is the owner of the UEFA Champions League property rights due to the tasks it undertakes. To the extent UEFA is selling its own property, Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement are inapplicable. According to UEFA, the case therefore does not concern the joint selling arrangement but the terms on which the rights are sold to third parties. UEFA consequently argues that as long as these terms do not restrict competition, there is no infringement of Article 81(1) of the Treaty or Article 53(1) of the EEA Agreement.
121. UEFA moreover argues that if UEFA cannot be considered as the sole owner of the property rights, it should be considered a "co-owner" of the rights. Therefore, according to UEFA, the notified joint selling arrangement is fundamentally different from any conventional joint selling arrangement in which the individual undertakings pool individually owned rights which they sell jointly, as UEFA, in this case, also exploits its own property rights. UEFA stresses its view on the property rights situation with reference to the situation in the individual Member States.<sup>59</sup>
122. The Commission takes note of the fact that there is no common uniform concept in the EEA Member States regarding the ownership of the property media rights to

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<sup>59</sup> In a reply of 16 February 2000 to the Commission's request for information of 15 November 2000, UEFA explains the situation regarding ownership to the TV rights in the EEA states is as follows: In Austria, the home club is recognised as the owner of the TV rights. Belgian legislation does not determine ownership to the TV rights to football. Danish legislation does not determine ownership, but in a concrete case the Danish competition authorities have allegedly stated that they consider that the TV rights of a match played in the Danish National Championship belong to the Danish Football Association, as the owner of the tournament, and the home club of the specific match jointly. English legislation is silent about the matter. The Finnish clubs are the owners to the TV rights to the matches of the Finnish club competitions. In France it is the club participating in the European tournament, which is the owner. In Germany, the clubs are the owners of the rights and the organiser, UEFA, could be considered to be a co-owner. According to Greek and Italian legislation the clubs are the owners of the TV rights. Luxembourg legislation is silent about the matter. Dutch case law (under appeal) gives the ownership of the TV rights to the home club. In Northern Ireland, according to the Irish Football Association, the association owns the rights to the national league (no legal source quoted), however, the clubs themselves sell the TV rights to matches in European competitions. Portuguese legislation does not regulate the matter. In the Republic of Ireland it seems that the national association is the owner of the TV rights, but the TV rights to the European competitions are disposed of without interference from the football association. No information regarding the legislative situation in Scotland has been given. Reference is only made to the bylaws of the Scottish Football Association which claim ownership to the rights. Spanish legislation has not taken a position on the ownership issue. The clubs in the First and Second Division sell the rights individually. Swedish legislation is silent about the matter. No information has been submitted regarding the legal situation in Wales.

The Commission has asked the national football association in Iceland, Liechtenstein and Norway directly: In Iceland and Liechtenstein it is the clubs participating in the European competitions, which is considered as the owner. In Norway the individual clubs seem to be recognised as the owner of the TV rights.

football events nor is there any Community or EEA law concept.<sup>60</sup> Whilst it is true that if UEFA were the sole owner of the rights in a Member State no horizontal restriction of competition would occur from UEFA selling the commercial rights. However, on the basis of the information submitted by UEFA, UEFA can at best be considered as a co-owner of the rights but never the sole owner. The question of ownership is for national law and the Commission's appreciation of the issue in this case is without prejudice to any determination by national courts.

123. The Commission therefore proceeds on the basis that there is co-ownership between the football clubs and UEFA for the individual matches, but that the co-ownership does not concern horizontally all the rights arising from a football tournament. It is not considered necessary for the purpose of this case to quantify the respective ownership shares.
124. It suffices to note that there are multiple owners of the media rights to the UEFA Champions League. An agreement between the three owners (the two football clubs and UEFA) which are indispensable to produce one unit of output (the license to broadcast one match) would not be caught by Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement. However, since the agreement regarding UEFA's joint selling arrangement extends beyond that, Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement apply to the arrangement.

#### 6.5.2. *The special characteristics of sport*

125. UEFA is of the opinion that it is not appropriate to evaluate the relationship between football clubs with a 'free play of competition' test, as football clubs are not truly independent competitors. UEFA considers that this test may be valid to evaluate the merits of an agreement between independent business entities that would compete with one another under normal circumstances.
126. Furthermore according to UEFA, Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement are not applicable because the structure and operation of the UEFA Champions League serves to promote, and not to restrict competition in European football. UEFA considers that the model of financial solidarity helps to maintain a balance between clubs and to encourage recruitment of young players, which serves to promote competition in European football. As a result of the financial policies implemented by UEFA, competition between clubs in Europe is enhanced and the number of competitors on the market is increased.
127. The Court of Justice has ruled that, having regard to the objectives of the Community, sport is subject to Community law to the extent it constitutes an economic activity within the meaning of Article 2 of the Treaty.<sup>61</sup>

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<sup>60</sup> Article 295 of the Treaty provides that: "*The Treaty shall in no way prejudice the rules in Member States governing the system of property ownership.*"

<sup>61</sup> See judgements in Case 36/74, *Walrave v Union Cycliste Internationale*, [1974] ECR 1405, paragraph 4; Case 13/76, *Donà v Mantero*, [1976] ECR 1333, paragraph 12; Case C-415/93, *URBSF v Bosman*, [1995] ECR I-4921, paragraph 73; Joined Cases C-51/96 and C-191/97, *Christelle Delière v Ligue*

128. UEFA and the football clubs are economic competitors in selling commercial rights (property rights and media rights) to football matches. If there were no joint selling arrangement these parties would be selling the rights individually and in competition with one another.
129. In fact, the object of the notified agreement is not the organisation of the UEFA Champions League but the sale of the commercial rights of the UEFA Champions League. The Commission is aware that some form of co-operation among the participants is necessary to organise a football league and that there is, in this context, certain inter-dependence among clubs. This interdependence between all clubs does not, however, extend to all activities of the UEFA Champions League participants. Clubs already compete in the areas of sponsorship, stadium advertising, and merchandising. Clubs also compete for players. Consequently, the decision of an association of associations of undertakings to sell the commercial rights jointly on behalf of its members, which is an area in which the clubs are economic competitors, is not necessary in terms of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement to stage a football league. These provisions are therefore applicable to such an arrangement. Any need to take the specific characteristics of sport into account such as the possible need to protect weaker clubs through a cross-subsidisation of funds from the richer to the poorer clubs, or by any other means, must be considered under Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement.
130. According to UEFA its joint selling arrangement is a pre-requisite for the existence of the UEFA Champions League. UEFA would not organise the UEFA Champions League without its joint selling arrangement and without being able to re-distribute the revenues. UEFA considers that the joint selling arrangement does not impede trade between Member States and that the re-distribution of revenue by UEFA serves to enlarge the competitive base in European football. In UEFA's view, its financial policy pursues objectives that have been recognised by the Court of Justice in the *Bosman* case<sup>62</sup>, that is to say, the objective of maintaining a balance between clubs by preserving a certain degree of equality, and encouraging the recruitment of players.
131. The Commission fully endorses the specificity of sport, as expressed for example in the declaration of the European Council in Nice in December 2000. On that occasion the Council encouraged the mutualisation of part of the revenue from the sales of TV rights, at the appropriate levels, as beneficial to the principle of solidarity between all levels and areas of sport. However, while UEFA's interest in the commercial aspects is understandable, it has not demonstrated that a joint selling arrangement is an indispensable prerequisite for the re-distribution of revenue. The UEFA Cup demonstrates that a pan-European football competition

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*francophone de judo et disciplines associées ASBL, Ligue belge de judo ASBL, Union Européenne de judo (C-51/96) and François Pacquée (C-191/97), [2000] ECR 2549, paragraphs 41-42; Case C-176/96, Jyri Lehtonen and Castors Canada Dry Namur-Braine ASBL v Fédération royale belge des sociétés de basket-ball ASBL (FRBSB), [2000] ECR 2681 paragraphs 32-33.*

<sup>62</sup> Case C-415/93, *URBSF v. Bosman*, [1995] ECR I-4921.

can exist without a joint selling arrangement for the sale of the TV rights, as in this case the individual football clubs are selling the TV rights individually. There are also national examples of this from in Spain, Italy and Greece. A re-distribution of revenue can be undertaken in other ways without being linked to any joint selling arrangement. It can be implemented through a taxation system or through voluntary contributions. Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement are therefore applicable to such a joint selling arrangement. In any event it is more appropriate to consider any such argument under Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement.

### 6.5.3. *Appreciability of the restriction on competition*

132. In assessing the appreciability of the restrictions of competition, the Commission notes that premium sports, in particular football, are regarded as one of the main drivers of television. UEFA sold the UEFA Champions League TV rights for more than 800 million CHF in 1999 (EUR 526 million). In 1999/2000 season in a Community wide average, the UEFA Champions League accounts for around 20% of the money paid for TV rights of football events by broadcasters.<sup>63</sup> Having in mind that football accounts for the single highest proportion of TV channels' sports expenditure<sup>64</sup>, the Commission considers that the effect of UEFA's joint selling arrangement is to bring about an appreciable restriction of competition in the broadcasting market.

## 6.6. **Effect on trade between Member States**

133. Article 81(1) of the Treaty is aimed at agreements which might harm the attainment of a single market between the Member States, whether by partitioning national markets, or by affecting the structure of competition within the common market. Similarly, Article 53 (1) of the EEA Agreement is directed at agreements that undermine the achievement of a homogeneous European Economic Area.
134. The commercial rights of the UEFA Champions League are sold throughout the EEA. UEFA's joint selling arrangement therefore affects trade between Member States. If the media rights were sold by the individual football clubs or on a non-exclusive basis, it would change the flow of trade in the TV rights.
135. The UEFA Champions League is the most prestigious pan-European club football tournament, involving 32 of the best European clubs. The agreement establishing

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<sup>63</sup> This figure is calculated on the basis of the acquisition of domestic and UEFA tournaments. Source: A study commissioned by UEFA from Oliver & Ohlbaum Associates, London.

<sup>64</sup> According to Kagan's, 'European media sports rights', April 1999, football took the major share of the total rights expenditure in most Member States in 1998 (the share of the nearest rival is in brackets): Austria 32,4% (skiing 11,3%); Belgium 53,6% (cycling 9,5%); Denmark 45,4% (handball 13,2%); Finland 32,1% (ice hockey 16,9%); France 37,8% (motor racing 9,3%); Germany 42% (tennis 6,6%); Greece 43,3% (basketball 41,4%); Ireland 47% (horse racing 13,1%); Italy 65,2% (motor racing 7,4%); Netherlands 54,5% (motor racing 9,3%); Portugal 44,3% (motor racing 11,8%); Spain 51,6% (basketball 10,1%); Sweden 39,5% (ice hockey 19,1%); United Kingdom 51,6% (rugby 11,7%).

the joint selling arrangement between the football clubs participating in the UEFA Champions League has an appreciable effect on trade between Member States.

## **7. ARTICLE 81(3) OF THE TREATY AND ARTICLE 53(3) OF THE EEA AGREEMENT**

136. In evaluating the restrictions of competition created by UEFA's joint selling arrangement pursuant to the criteria for exemption set out in Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement, the Commission has considered the benefits generated by the restrictive arrangement. Where the benefits are such as to offset the restrictive effects then an exemption under Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement is justified.
137. The assessment required under Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement is therefore whether the benefits generated by the notified joint selling arrangement outweigh the negative effects that it deploys, namely:
- (a) the grant by the football clubs to UEFA of the exclusive right to sell certain of the commercial rights relating to the UEFA Champions League, and
  - (b) the restrictions agreed to by the football clubs in selling their commercial rights individually.
138. Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement provide that the provisions of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement respectively may be declared inapplicable to any agreements between undertakings which contribute to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which do not impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives, nor afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question. The following sections contain an assessment in relation to each of those four conditions.

### **7.1. Improvement in production or distribution and/or promoting technical or economic progress**

139. UEFA considers that its joint selling arrangement facilitates the business operations of UEFA's commercial partners by creating a single point of sale. The creation of a single point of sale is of particular interest for an international tournament such as the UEFA Champions League, because this tournament involves a great number of football clubs from many different countries. In addition to the practical difficulties that may create, there is moreover the issue that the ownership structures vary from Member State to Member State with the possibility of the presence of multiple different co-owners of the media rights to each match. Furthermore, there is dispersed demand from broadcasters who are likewise of different nationalities and operating in many different national markets.
140. Moreover, UEFA argues that the creation of a single point of sale is a pre-requisite for the existence of the UEFA Champions League product. Since no individual club knows before the start of the season how far it will get in the tournament it could

not sign a commercial agreement with a broadcaster giving the broadcaster any certainty that the football clubs will make it to the very end of the UEFA Champions League season. This provides an element of uncertainty for broadcasters. Similarly, joint selling of the rights by UEFA allows sponsors and other suppliers to receive a uniform package for the duration of the competition guaranteeing them media exposure for the entire period of the event, which allows them to structure their advertising budgets accordingly.

141. UEFA also considers that its joint selling arrangement enables UEFA to maintain the uniform excellence and consistency of the “product” at a level and quality which it would not be possible to achieve if the media rights were handled on an *ad hoc* basis by individual football clubs selling the media rights to a succession of different operators. This is essential for the maintenance of the distinctive UEFA Champions League brand, which is of particular interest to UEFA’s commercial partners.
142. UEFA finally argues that UEFA’s financial solidarity model supports the development of football from the grass roots upwards. It improves production and stimulates the development of the sport in the smaller countries. This results in a more competitive base for the future of European football allowing even the smallest and financially weakest football clubs to compete with the biggest and strongest football clubs.

#### *7.1.1. Single point of sale of a league product*

143. Joint selling of the media rights of a football tournament provides an advantage for media operators, football clubs and viewers since it leads to the creation of a single point of sale for the acquisition of a packaged league product.
144. The advantages of a single point of sale are attractive in the context not only of a national football tournament, but also of an international competition where the difficulties in selling the rights are greater and where the efficiencies of joint selling may be particularly high. The creation of a single point of sale is of particular interest for an international tournament such as the UEFA Champions League, because this tournament involves a great number of football clubs from many different countries. In addition to the practical difficulties that may create, there is moreover the issue that the ownership structures vary from Member State to Member State. Furthermore, there is dispersed demand from broadcasters who are likewise of different nationalities and operating in many different national markets.
145. Joint selling moreover allows the creation of packages of UEFA Champions League rights. This allows media operators to provide coverage to consumers of the league as a whole and over the course of an entire season. The creation of a single point of sale facilitates the existence of the UEFA Champions League product in view of the hybrid character of the UEFA Champions League which is a combination of a league and a knock-out competition where only a limited number of football clubs reach the final stages of the competition. Therefore, an individual club could not enter into a commercial agreement, which would give a broadcaster any guarantee of being able to plan its programme schedule for the whole UEFA Champions League season right to the final round. The joint selling of the TV

rights solves this problem, as the broadcaster does not buy the rights of particular football clubs, but the right to broadcast the matches which are played on certain days.

146. The benefits of this packaged approach are evident in every match week when rights to the entire UEFA Champions League allow a comprehensive *highlights programme* to be produced which offers the possibility to show the most interesting bits of the action of the match days/week in question.
147. The benefits are also evident in respect of *live coverage*. Joint selling provides media operators and consumers with an overview of the whole UEFA Champions League, benefiting, for example, those viewers who have a general interest in the UEFA Champions League as a whole. By ensuring that clubs grant rights to UEFA, which are then licensed to media operators, UEFA can offer a complete package of rights to such operators. This package currently includes, for example, the first pick of matches played on each match day. It is obviously impossible to know at the start of the season which matches will be most interesting throughout the course of the season. The package therefore provides media operators with an opportunity to purchase, and then sell to consumers, a distinct and valuable media service, with guaranteed coverage of the most interesting matches throughout the whole season.
148. It is conceivable that media operators could put such a package together even without joint selling. However, this would require the acquisition of significantly more rights than is currently the case. For a media operator to create the same end product in the context of individual sale of all media rights would risk being significantly less efficient, involving more acquisition and transaction costs.<sup>65</sup> The only guarantee of an equally interesting selection of matches would be if one media operator were to buy all of the rights available individually either before the start of the football season or consecutively as the football season develops depending on the performance of the football clubs.
149. In addition, instead of having to conduct negotiations with football clubs throughout the 51 different UEFA member territories with the communication difficulties and transaction costs that is likely to entail, broadcasters can acquire the league media rights packages from the original rights holders through a single outlet. Also in this respect, joint selling therefore reduces the transaction complexity and costs for broadcasters. Broadcasters can establish predictable commercial, technical and programming plans for a whole football season, which enhances the selling of advertising slots and subscriptions. It enables advertisers to build a campaign around the TV coverage of a league and is instrumental in securing broadcast sponsorship.
150. Joint selling reduces broadcasters' financial risk. In a situation with individual selling of the media rights by the football clubs they risk a reduction in the value of

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<sup>65</sup> ITV in its reply of 12 May 1999 to the Commission's notice in the Official Journal C 99 of 10.4.1999, p. 23 state that joint selling by a central selling *body* "...also significantly reduces the transaction complexity for broadcasters."



the rights acquired from an individual club if that club performs badly in the league. Joint selling therefore allows a higher level of investment in the league product leading to more innovative match coverage such as better general presentation in both the stadium and the studio.

151. Even in respect of competitions where the media rights are sold by the individual clubs, the rights are generally aggregated and packaged in later levels of the transaction chain by intermediaries such as sports agents or by the broadcasters creating clearing houses or joint exploitation bodies. A certain level of packaging or aggregation of the individual rights therefore seems optimal or even necessary for an efficient exploitation of the media rights of a football tournament.
152. Viewers benefit from being offered multiple forms of coverage of the UEFA Champions League. The viewer is interested in having a choice between various forms of broadcasts of the matches of a league. A viewer is likely to wish to have a choice of being able to watch a match live in its total length and also to be informed about several matches in brief on a delayed basis at several different times. The viewer wants to gain information not only about a single match but also about all matches on a given match day. A jointly sold packaged league product is more likely to provide viewers with the product desired as a broadcaster cannot simply acquire the rights to a single match but also needs rights to provide a certain coverage of the other matches of the league on every match day.<sup>66</sup>
153. Football clubs benefit from the sale of the commercial rights via a single point of sale/a joint selling agency. The football clubs avoid having to build up own commercial departments of the magnitude that is necessary to deal with the complexity of developing a commercial policy and executing the rights deals in a large number of countries. It is likely that it would be extremely difficult for many football clubs to be able to build up such commercial departments and it is therefore likely that an outsourcing of such function would be necessary in any circumstances. It would seem that the individual football clubs could more easily carry out such a task in respect of national competitions, as the national market would be much more easily accessible in terms of language, culture, communication and commercial transparency.

#### *7.1.2. Branding*

154. UEFA's second argument that it is able to create and maintain the uniformity and consistency in quality of a UEFA Champions League product via its joint selling arrangement is not without merit. These are factors that contribute to establishing the reputation of a brand, which is associated with a uniform and high quality TV coverage underpinned by a homogeneous presentation which increases the attractiveness for the viewer.<sup>67</sup> These are also factors that attract the best football clubs who want to participate in this particular international tournament. The UEFA Champions League has, in fact, become the most prestigious Pan-European

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<sup>66</sup> Taurus Holding in a letter of 22 January 2002.

<sup>67</sup> KrichMedia in a letter of 17 September 2002 in reply to the Article 19(3) notice.

club football tournament with the participation of the very best European football clubs.

155. Among the factors underlying the success of the UEFA Champions League and distinguishing it from other tournaments is, among others, due to the specific tasks undertaken by UEFA including the ‘dressing-up’ of the stadium facilities, the recording of the match and the on-screen presentation, including on-screen signage, music, etc.
156. Furthermore, the organisational steps undertaken by UEFA and the joint selling of the league media products provide benefits for broadcasters in terms of a common and consistent look to the on-screen presentation of the matches by all partner broadcasters throughout the UEFA Champions League season. This is of benefit to viewers as they are enabled to immediately recognise a UEFA Champions League branded media product associated with quality football – which in turn stimulates viewers’ interest and demand.
157. UEFA's joint selling of packages of media rights to broadcasters lead to more objectivity in the media coverage of the UEFA Champions League. It provides coverage of the league in a manner that protects the league media product and the brand better than in a situation where one football club would be presented with a favourable bias to the detriment of other clubs and the league brand<sup>68</sup>. This improves the coverage of and the interest in the UEFA Champions League brand, thereby improving the production and the distribution of the UEFA Champions League media product.

*7.1.3. Football clubs individual sale of live TV rights unsold by the joint selling body*

158. UEFA's exclusive right to sell the live TV rights comprised by package 4 of the rights segmentation table becomes a non-exclusive right one week after the draw for the first round for the UEFA Champions League, which normally takes place in August. Following that cut-off date, where UEFA fails to sell such rights, the football clubs will have an opportunity to offer such rights to the pay-TV/pay-per-view market on a non-exclusive basis in parallel with UEFA. These are the rights referred to in package 5 of the rights segmentation table.
159. The philosophy behind the Commission’s insistence in giving the football clubs an opportunity for individual sale of such live TV rights is twofold. First, the efficiencies and benefits of joint selling can be argued where the joint selling body fails to find demand in the market for such rights. Secondly, maintaining competition between UEFA and the football clubs in bringing such rights to the market helps to avoid rights to the UEFA Champions League remaining unused, where there is demand for them. Football clubs should therefore also be able to meet demand from free-TV broadcasters. For example, a risk of unused rights is likely to occur in territories where there are no pay-TV/pay-per-view broadcasters or where the existing pay-TV/pay-per-view broadcasters have already satisfied their

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<sup>68</sup> Taurus Holding in a letter of 22 January 2002.

demand with the Gold or Silver rights packages. In such cases, only free-TV broadcasters seem likely as potential buyers of such rights and there are no efficiencies in preventing them from potentially acquiring such rights. This decision should therefore be made subject to the condition that the provision in package 5 of the rights segmentation table restricting football clubs from selling live TV rights to free-TV broadcasters does not apply where there is no reasonable offer from any pay-TV broadcaster.

*7.1.4. Football clubs individual sale of deferred media rights*

160. The amended joint selling arrangement provides that a number of additional types of deferred TV rights, as well as new media rights will be exploited not only by UEFA but also by the individual clubs in parallel. However, these additional media rights are made available for exploitation by UEFA and the football clubs only after some embargoes introduced to secure products for which there is much viewer interest and to establish the reputation of the UEFA Champions League brand, which is strictly associated with a uniform and high quality TV coverage underpinned by a homogeneous presentation. Consequently, deferred TV rights are available as of midnight one day after the last of the games of the relevant match week. Archive rights are available 48 hours after the final. Given the current development of the Internet and to ensure that the UEFA Champions League Internet product remains a quality product, these rights are available 1½ hours after the game. This will of course change over time, making it necessary to revisit the embargo in the foreseeable future.
161. Under these circumstances, the Commission considers that the negative effects arising from the joint selling arrangement are outweighed by the increased amount of content made available for a wider distribution, thereby promoting technical or economic progress of the media content itself and the new media carriers distributing them.

*7.1.5. Enhancing the focus of the respective UEFA Champions League and football clubs' brands*

162. Football clubs exploiting UEFA Champions League footage individually will present the footage in a club-focused manner and relating only to action in which they are participating. Football clubs or the broadcasters exploiting the media rights in question<sup>69</sup> cannot package the rights from several football clubs into a single product which would appear as an UEFA Champions League branded product. In particular regarding live TV rights, UEFA defines as an UEFA Champions League branded product as one consisting of more than two live UEFA Champions League matches per day. Regarding delayed TV rights and Internet rights UEFA would accept programmes containing 100% UEFA Champions League content on a club channel. However, UEFA defines a UEFA Champions League branded programme as one presented as a club magazine programme, which contains more than 50% UEFA Champions League content. In general programming, the maximum

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<sup>69</sup> The bundling limitation logically does not apply to the whole sale level, as there is no risk that viewers would experience any brand confusion caused by a bundling at that level.

permissible UEFA Champions League amounts to 30% of the programme. Where an entire match is shown on a delayed basis (that is to say, the full 90 minutes) on a club magazine programme then the 50% rule would not apply and the programme could consist mostly or entirely of that single match. Similarly, if a whole match were broadcast in general programming on a channel then the 30% rule would not apply in that situation.

163. The definitions of UEFA Champions League branded products will optimise the global interaction between UEFA Champions League branded and club branded products. The provisions regarding branding are aimed at furthering the development of the UEFA Champions League brand as being a unique independent quality labelled football media product distinguished from club branded products existing in parallel with the UEFA Champions League branded products. The definitions are designed to ensure that club rights do not metamorphose into a product which could be confused with the UEFA Champions League. This contributes to safeguarding the identity and reputation of the UEFA Champions League product, as the UEFA Champions League brand in many circumstances serves as a vehicle and a platform for exposure and promotion of the individual football clubs within and outside the EEA. This will be of benefit, in particular, to smaller clubs with less well-known brands in a wider geographic area who are likely to get broader television exposure through this means.

#### 7.1.6. *Solidarity*

164. In its notification UEFA advanced as a justification for exemption the issue of financial solidarity. UEFA argues that its financial solidarity model supports the development of European football by ensuring a fairer distribution of revenue. The solidarity model could therefore be said to improve production and to stimulate the development of the sport.<sup>70</sup>
165. The Commission understands that it is desirable to maintain a certain balance among the football clubs playing in a league because it creates better and more exciting football matches which could be reflected in/translate into better media rights. The same applies to the education and supply of new players, as the players are a fundamental element of the whole venture. The Commission recognises that a cross-subsidisation of funds from richer to poorer may help achieve this. The Commission is therefore in favour of the financial solidarity principle, which was also endorsed by the European Council declaration on sport in Nice in December 2000<sup>71</sup>.

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<sup>70</sup> Case 26/76 *Metro v Commission* [1977] ECR 1975, Case 42/84 *Remia v Commission* [1985] ECR 2545 and Case 56 & 58/64 *Consten & Grundig v Commission* [1966] ECR 299.

<sup>71</sup> “The European Council thinks that moves to encourage the mutualisation of part of the revenue from such sales, at the appropriate levels, are beneficial to the principle of solidarity between all levels and areas of sport.”

166. However, the Commission found that the efficiencies and the consumer benefits created by the originally notified joint selling arrangement in 1999 did not outweigh the negative impact of the restrictions of competition inherent in that system.
167. The Commission nevertheless considers that it is not necessary for the purpose of this procedure to consider the solidarity argument any further. An exemption, under Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement, of the new and amended joint selling arrangement is justified because of the creation of a branded league product which is sold in packages via a single point of sale.

*7.1.7. Conclusion regarding improvement in production or distribution and/or promoting technical or economic progress*

168. The Commission accepts that the decision of the football clubs and UEFA regarding the joint selling arrangement improves production and distribution of the UEFA Champions League within the meaning of Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement by enabling the creation of a quality branded content product and by providing an advantage for media operators, football clubs and viewers, since it leads to the creation of a single point of sale for the acquisition of a packaged league product. However, since no such benefits arise from the restriction of football clubs' freedom to sell live TV rights under package 5 to other broadcasters than pay-TV/pay-per-view broadcasters this decision should be subject to a condition, which will enable football clubs to sell their live TV rights to free-TV broadcasters, where there is no reasonable offer from any pay-TV broadcaster.

**7.2. Fair share of the benefit to consumers**

169. The Commission considers that UEFA's joint selling arrangement provides consumers with a fair share of the benefits, which are in particular created by the single point of sale as explained above under section 7.1.1.
170. The Commission considers that the creation of a UEFA Champions League packaged content, which is available from a single point of sale, is a genuine benefit, which flows from UEFA's joint selling arrangement. Media operators, as consumers of football content, get more efficient and easier access to this unique content which is in addition carrying the UEFA Champions League quality brand label.
171. UEFA's joint selling arrangement therefore creates efficiencies, which allow media operators to invest more in new improved production and transmission technologies, quality television coverage, quality production and presentation *etc.* It is also likely to lead to a more intensive and innovative exploitation of the rights to the benefit of the consumer. The sale of the UEFA Champions League media rights in separate packages by means of a public bidding procedure should enhance the possibility for more broadcasters, including small and medium sized companies, to obtain UEFA Champions League content. The UEFA Champions League joint selling arrangement also ensures that companies interested in new media and deferred media rights and archives will have the opportunity to bid for such content rights.

172. The Commission also considers that viewers get access to better quality media coverage of the UEFA Champions League product allowing them to watch all premium matches of every match day over the course of the entire season which are of particular interest to them. Viewers also benefit from a facilitation of access to deferred media content and archive material, which may be of special interest to them.
173. However, as indicated in section 3.4.1.3, the Commission considers that the restriction in package 5 of the rights segmentation table limiting football clubs to selling such TV rights to pay-TV/pay-per-view broadcasters does not lead to an improvement in production or distribution and/or the promotion of technical or economic progress. In addition, no benefits to consumers are likely to arise from such restrictions. In fact, the main justification put forward by UEFA to justify the restriction was linked to UEFA's fear that in the absence of the restriction, there would be a risk of severe economic devaluation of the main rights packages. It is difficult to see how such restriction designed to maintain or raise prices and to remove content from free-TV broadcasters could be regarded as enhancing consumer benefits.

### **7.3. Restrictions that are indispensable**

#### *7.3.1. Indispensability of restrictions to create a league product sold via a single point of sale*

174. The Commission notes that media rights of sport competitions most often are aggregated in some form at some level of the exploitation chain before they are offered to the viewer. The Commission is neutral as to who undertakes this task. The Commission notes that UEFA could have a legitimate interest in creating a UEFA Champions League focused product, separate from any interest that any other operators may have in creating aggregated products based on UEFA Champions League footage. The interests may overlap, but would not always coincide. UEFA could therefore not necessarily rely on broadcasters, sport right agents or others to create a UEFA Champions League focused product on its behalf. If UEFA wishes to ensure the benefits for itself, its members and its supporters of a UEFA Champions League media product, it would appear indispensable for UEFA to take a role in ensuring the production of such product. Under the notified joint selling arrangement UEFA is therefore able to ensure the production of a quality product, which represents the UEFA Champions League in an objective and independent manner.
175. Secondly, it would appear that the complexity of producing such a product through individual sales by the clubs could compromise the quality and availability of a UEFA Champions League product, and could be less efficient for media operators, in particular since the UEFA Champions League is a pan-European football tournament involving participants from many different countries. As a practical matter, an interesting UEFA Champions League media product would have to encompass matches of interest to consumers throughout the season. As it is impossible to predict accurately at the start of the season, which matches will still be of interest at the end of the season, it would not be possible for media operators to buy those matches in advance. The alternative – buying a significant number of

matches from a number of different clubs – would be inefficient and still not guarantee success. Media products of football leagues are generally aggregated into a media product covering the league as a whole. The Commission accepts that such aggregation seems indispensable to present a worthwhile product that interests viewers. The Commission will therefore simply have to examine the terms on which the aggregation takes place – not the identity of the body performing the task.

176. Thirdly, it also seems indispensable that clubs are not able to sell on their own behalf precisely the same rights as those that are included in the jointly sold UEFA Champions League package. Where the same intellectual property is in the hands of two different sellers, it is likely that the combined revenue from the two possible sales would be significantly less than that which would be received were there only to be one seller. This is because a media operator would be less interested in rights which are available to all of its competitors, as there would be a reduced possibility to distinguish its product from those products of its competitors.
177. In other words, it does not seem possible to alter the arrangements in such a way that the clubs grant UEFA a non-exclusive licence to all of their media rights while at the same time maintaining the improvements and efficiencies referred to in the first requirement of Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement. However, where the joint selling body has failed to sell the aggregated media rights - the media rights sold by UEFA being a composite product - the right of the joint selling body should not remain exclusive, but the individual co-owners should have an opportunity to test market demand for their individual rights. It would moreover not be indispensable for the proper functioning of the joint selling body if any further restrictions were to be imposed on the football clubs when selling those rights individually.<sup>72</sup>
178. The Commission also accepts that it is indispensable for UEFA to have the exclusive right to sell the UEFA Champions League live and delayed TV rights outside Europe as it provides the likelihood of a wider and more efficient distribution of the UEFA Champions League. UEFA is, in principle, able to present a product of much wider appeal than any individual football clubs would be able to do.
179. It is therefore likely that a centrally packaged product, identifiable as a UEFA Champions League product and focussed not on one individual football club but on the UEFA Champions League as a whole, is most efficiently produced through joint selling. UEFA's role in co-ordinating this work through the mechanism of joint selling is indispensable to the provision to consumers of a UEFA Champions League media product.
180. The Commission therefore accepts that the restrictions of competition in UEFA's joint selling arrangement are indispensable within the meaning of Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement to provide the efficiencies and

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<sup>72</sup> On this point see also section 3.4.3.2.

improvements leading to consumer benefits as long as the joint selling body is able to find demand for the jointly sold media rights.

### 7.3.2. *Individual football clubs sale of own media rights*

181. It is a feature of European football that clubs typically participate in a number of different leagues, cups and tournaments over the course of a season. A successful UEFA Champions League team, for example, will also participate in national leagues and cups.
182. Each individual football club has a group of supporters, which is particularly interested in the fate and actions of that particular club. Consequently, there is demand for club related items including club-related media products. Clubs already carry out a large number of commercial activities aimed at providing their fans with targeted services.
183. For the football fan with an interest in one particular club, regardless of the tournament in which the club is participating, the UEFA's new joint selling arrangement provides good opportunities to follow the club. While UEFA's joint selling arrangement is focussed on the development of the UEFA Champions League brand, it nevertheless also allows clubs to pursue their relationship with their own fans.
184. The football clubs are subject to limited restrictions in selling their media rights individually. However, these restrictions are considered to be indispensable for the functioning of UEFA's joint selling arrangement.
185. UEFA's joint selling arrangement provides that the clubs may address their fans with live television if UEFA has not managed to sell those live rights. Football clubs may furthermore address their fans via deferred television, mechanical reproduction media, Internet, UMTS etc.
186. The live TV rights, which could be sold by the football clubs<sup>73</sup>, concern the football matches which are not picked by the broadcasters that have bought the Gold and Silver live television packages or sold by UEFA as part of package 4 of the rights segmentation table. The rights that are referred to in packages 4 and 5 cover the same matches. In order to improve the chances of these residual rights finding a buyer, it is considered indispensable for UEFA, as the joint selling body, to be given a first exclusive right to sell those live TV rights.
187. If the joint selling body, UEFA, fails to sell the rights in package 4 within one week after the draw for the group stage of the UEFA Champions League, UEFA loses its exclusive right to sell them. After this cut-off date both the football clubs holding the live TV rights to the matches in question also have an opportunity to sell those rights (referred to as package 5 in the rights segmentation table) on a non-exclusive basis in competition with UEFA.

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<sup>73</sup> Package no. 5 of the rights segmentation table.



188. However, UEFA's rights segmentation means that the football clubs are restricted to selling the residual live TV rights to pay-TV or pay-per-view broadcasters. The Commission considers that this is a restriction imposed on the football clubs, which is not indispensable for the attainment of the objectives set out in Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement. Once the joint selling body has proven inefficient in selling the residual rights in question at the cut-off date it cannot be considered indispensable to the proper operation of the joint selling arrangement and to the attainment of the resulting benefits that the football clubs are prevented from selling those rights to free-TV broadcasters where there is no reasonable offer from any pay-TV broadcaster. This would be likely to occur in territories where there are no pay-TV/pay-per-view broadcasters or where the existing pay-TV/pay-per-view broadcasters have already satisfied their demand with the Gold or Silver rights packages.
189. This decision should therefore be made subject to the condition that, to the extent there is no reasonable offer from any pay-TV/pay-per-view broadcaster, the restriction imposed by the joint selling arrangement under package 5 in the rights segmentation table, aimed at preventing football clubs from selling their live TV rights to free-TV broadcasters, shall not apply.
190. The embargoes that are imposed on the exploitation of deferred media rights and which apply equally to rights sold jointly by UEFA as well as the rights sold individually by the football clubs, are indispensable to enhance focus on the league product and in particular the highlights product<sup>74</sup> covering the UEFA Champions League in its entirety. The embargoes contribute to creating a product for which there is much viewer interest and to establishing the reputation of the UEFA Champions League brand, which is closely associated with uniform and high quality TV coverage underpinned by a homogeneous presentation which affects the acceptance by the viewer. As regards the embargoes imposed on the exploitation of the Internet rights, the need to maintain such embargoes for quality reasons will, of course, change over time with the development of Internet technologies.
191. Moreover, football clubs exploiting UEFA Champions League footage individually must present the footage in a club-focused manner and relating only to action in which they are participating. Football clubs or bodies to whom they cede their media rights are not allowed to package the rights from several football clubs into a single product which would appear as an alternative UEFA Champions League branded product. In particular regarding live TV rights, such a product is defined as one consisting of more than two live UEFA Champions League matches per match day. Regarding delayed TV rights and Internet rights, UEFA would accept programmes containing 100% UEFA Champions League content on a club channel. However, UEFA defines a UEFA Champions League branded programme as one presented as a club magazine programme, which contains more than 50% UEFA Champions League content. In general programming, the maximum permissible UEFA Champions League could amount to 30% of the programme. Where an entire match is shown on a delayed basis (that is to say, the full 90 minutes) on a

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<sup>74</sup> Package 3 of the rights segmentation table.

club magazine programme then the 50% rule would not apply and the programme could consist mostly or entirely of that single match. Similarly, if a whole match were to be broadcast in general programming on a channel then the 30% rule would not apply in that situation.

192. The Commission accepts that provisions regulating the possibilities for third parties to bundle media rights sold by the individual football clubs are indispensable to preserve the integrity and branding of the jointly sold UEFA Champions League media rights. However, following receipt of the comments in reply to the notice published pursuant to Article 19(3) of Regulation No 17, the Commission requested clarifications of the rules, which lead to a reduction of their scope and intensity. It therefore has become possible for a single broadcaster to exploit two individually sold live matches contemporaneously. The Commission considers that opening up this possibility is likely to render the impact of the restriction so marginal that it will not be felt by the end-users of the rights, the broadcasters, as the rights available for any single broadcaster would be sufficient to satisfy existing demand from broadcasters for this type of residual matches. Likewise, regarding deferred rights, it has become possible to broadcast a whole match irrespective of the definition of a UEFA Champions League branded programme.

#### **7.4. No elimination of competition**

193. Commercial rights are available from a number of football tournaments, which fall within the scope of the relevant markets. For example, according to UEFA the TV rights of UEFA Champions League represent on average only 20% of the rights in the relevant market. Since new media rights affect emerging markets, it is not yet possible to ascertain the position of the UEFA Champions League content in those markets. However, it is not likely to be more significant than its position in the traditional TV rights markets. The media rights of the UEFA Champions League are therefore just one possibility for media operators wishing to acquire content concerning football events taking place regularly throughout every year.
194. Moreover, jointly sold media rights of the UEFA Champions League are split up into several different rights packages, which are offered for sale in a competitive bidding procedure open to all interested media operators. This allows several media operators to acquire media rights of the UEFA Champions League from UEFA.
195. Finally both UEFA and the football clubs sell certain categories of UEFA Champions League media rights on a non-exclusive basis. Interested buyers therefore have several possible sources of supply from the owners of such rights.
196. The joint selling of the media rights of the UEFA Champions League by UEFA is therefore unlikely to eliminate competition in respect of a substantial part of the media rights in question.

#### **7.5. Conclusion**

197. In the light of the foregoing, it can be concluded that the cumulative conditions of Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement are fulfilled

and an exemption can therefore be granted in respect of the joint selling arrangement.

## **8. CONDITIONS AND DURATION OF EXEMPTION**

198. Under Article 8(1) of Regulation No 17, conditions may be attached to a declaration of exemption. In this case, the clause of the joint selling arrangement preventing football clubs from individually selling live TV rights to free-TV broadcasters is a restriction on competition which does not satisfy all the conditions of Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement. Such a restriction cannot be considered as improving the production or distribution of goods or promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and not imposing on the undertakings concerned restrictions which are not indispensable to the attainment of those objectives.
199. The exemption should therefore be subject to the condition that football clubs must not be prevented from selling their live TV rights to free-TV broadcasters where there is no reasonable offer from any pay-TV broadcaster. The Commission considers that no reasonable offer would exist, in particular, when there is no offer from any pay-TV broadcaster, which is comparable to the offer from the free-TV broadcaster.
200. Pursuant to Article 8(1) of Regulation No 17, a decision in application of Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement is to be issued for a specified period. The notified joint selling arrangement works with cycles of contract periods of three years. It is therefore appropriate to define the duration of this exemption accordingly and to let the joint selling arrangement operate for two contract periods. Exemption should therefore be granted pursuant to Article 8(1) of Regulation No 17 from 13 May 2002, date of notification of the last version of the joint selling arrangement, until 31 July 2009.

## **9. CONCLUSION**

201. It is concluded that UEFA's joint selling arrangement leads to the improvement of production and distribution by creating a quality branded league focused product sold via a single point of sale. Moreover consumers receive a real fair share of the benefits deriving from it. Furthermore, the restrictions inherent in UEFA's joint selling arrangement are indispensable for achieving these benefits, save for the provision prohibiting individual football clubs from selling live TV rights to free-TV broadcasters. Finally, it is concluded that the joint selling of the media rights to the UEFA Champions League by UEFA is unlikely to eliminate competition in respect of a substantial part of the media rights in question. It is therefore appropriate to grant an exemption pursuant to Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement, subject to a condition,

**HAS ADOPTED THIS DECISION:**

## Article 1

1. Pursuant to Article 81(3) of the Treaty and Article 53(3) of the EEA Agreement, the provisions of Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement are declared inapplicable from 13 May 2002 until 31 July 2009 to the amended version of UEFA's joint selling arrangement in respect of the media rights to the UEFA Champions League, as described in this decision.
2. The exemption in paragraph 1 shall be subject to compliance with the condition that the restriction prohibiting football clubs from selling live TV rights to free-TV broadcasters shall not apply where there is no reasonable offer from any pay-TV broadcaster.

## Article 2

On the basis of the facts in its possession there are no grounds under Article 81(1) of the Treaty and Article 53(1) of the EEA Agreement for action by the Commission in respect of UEFA's joint selling arrangement for sponsorship, suppliership and IPR licensing relating to the UEFA Champions League.

## Article 3

This Decision is addressed to:

Union des Associations Européennes de Football  
Route de Genève, 46  
1260 Nyon 2  
Switzerland

Done at Brussels, 23/07/2003

*For the Commission*

*Mario MONTI*

*Member of the Commission*