

EU's DMA must take care not to disturb 'feedback loop' that fuels innovation, Régibeau says

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In Brief

Lawmakers must take care not to disturb the connection between competition and innovation with the new Digital Markets Act, the chief economist of the European Commission's competition department has said. Pierre Régibeau emphasized the importance of "appropriability" of innovation, and said there are a number of dimensions of the DMA — such as interoperability, self-preferencing and data access — which "if badly managed, could adversely affect appropriability."

Lawmakers must take care not to disturb the connection between competition and innovation with the new Digital Markets Act, the chief economist of the European Commission's competition department has said.

Pierre Régibeau was speaking in a webinar* yesterday evening that addressed the question of whether the bloc's proposed DMA could "disincentivize the core innovation that drives the economy forward."

"There is a kind of 'feedback loop' between competition and innovation, and it works through appropriability" — a term which describes an innovator's ability to capture the benefits from the use of his innovation by others, Régibeau said.

"You can create competition — and competition gives an incentive to innovate to escape from competition — but that is not sufficient in itself if you cannot capture enough of the reward. You are never going to get all of the reward for what you create, so that in itself creates a presumption for improving appropriability of innovation," he said.

"There are a number of dimensions [of the DMA] that if badly managed, could adversely affect appropriability" Régibeau said, mentioning "interoperability, self-preferencing and data access" as examples.

The DMA is a flagship regulation proposed by the commission in December (see [here](#)) that is designed to loosen the grip of large US tech companies on EU markets. It designates "gatekeepers" of size and influence, and then aims to oblige them to abide by a list of dos and don'ts.

On data access, for example, Régibeau said that "in order to retain an incentive to generate this data, one has to respect who is responsible for the emergence of this data."

"If you look at the data we use, some of it is generated by yourself, some is generated by [others], some is generated by the platform."

"If the data has been developed by the platform, access should not necessarily be free, and then we hit — as we always do in those cases — the tradeoff between rewarding 'appropriability' and having enough competition. So yes, I think in terms of data access, one should be careful."

Régibeau added that "competition policy and the DMA have to be very careful not to choose a type of

market structure.”

“By creating an ecosystem, you are also enabling, facilitating, innovation by others, and that is something we have to be very careful about,” he said.

“You have to realize that while you have an ecosystem — and that ecosystem might be big, and might be frightening, and might be used for evil — ecosystems also do compete with each other, and competition between ecosystems invading each others’ turf is certainly one of the main motors of competition in digital markets,” he said.

“We have to be careful what this becomes in practice, as the DMA makes its way through the approval process. But the DMA is not something that is going to be adopted in two weeks — it is going to be challenged, it is going to be a long process.”

“So I realize, yes, there are dangers with the DMA, but I don’t think that the DMA has to be dangerous, I think at the stage we are at, there is still all to play for,” he said.

**** High-Level Roundtable on Competition and Innovation: Why Europe Needs Dynamic Models in Digital Markets — and How Europe Can Build Them, webinar organized by the Lisbon Council, April 12, 2021***

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