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BEHIND THE BOX OFFICE: ANTI-COMPETITIVE STRUCTURES IN THE INDIAN FILM INDUSTRY

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Abstract

Indian film industry is a phenomenon that is usually explained in terms of art, celebrity and cultural impact. However, the economics of cinema, the way movies are financed, distributed, exhibited, and monetized, are also decisive in deciding which stories are shown to audiences and under what conditions. The paper discusses the behind-the-box-office systems that have the potential to produce anti-competitive results in the film ecosystem in India. It claims that competition issues in this industry are not confined to the traditional price-fixing cartels; rather, they are also due to structural aspects of the value chain: (i) powerful and even coercive trade associations and federations; (ii) asymmetries of bargaining power between producers/distributors and large exhibitors; (iii) vertical restraints in the form of distribution and exhibition contracts, including market-allocation by territory and revenue-sharing schemes; (iv) information asymmetries involving box-office reporting and auditability; (v) technology-related lock-ins.

The paper summarizes major enforcement cases and controversies of multiplex associations, producers organizations, film exhibitors federation, film chambers and trade unions using Indian competition law, particularly, Section 3 (anti-competitive agreements) and 4 (abuse of dominance) of Competition Act, 2002. The major case studies are FICCI-Multiplex Association of India v. United Producers/Distributors Forum (collective boycott and penalty); Film and Television Producers Guild of India v. Multiplex Association of India (purported exhibitor cartel; no infringement found); the Kerala federation issues of boycotts and market foreclosure; the Karnataka issue of dubbed films restrictions; and enforcement of restrictive engagement clauses by film-industry trade unions. The paper also incorporates the advocacy-based market study recommendations by Competition Commission of India on film distribution that focus on transparency, association-based boycotts limit, and revenue-sharing, auditing, and digital-cinema systems reforms.

The paper wraps up with a policy agenda of competition compliance by associations, enforceable transparency standards of box-office reporting, reform of legacy VPF mechanisms, pro- competitive contracting norms, and careful merger/market power surveillance in exhibition and adjacent digital infrastructure, and recognizes the necessity to strike a balance between competition enforcement and legitimate collective bargaining and cultural-policy goals.

Keywords

Competition law; Indian film; film distribution; multiplex exhibition; trade association; boycott; cartel; vertical restraint; box-office transparency

Introduction

There is a paradox that influences cinema markets. Movies are distinguished cultural products, however, the distribution channels that convey them, territories of distribution, screens of exhibition, marketing pipelines, ticketing systems, and digital projection facilities, tend to act as bottleneck facilities. The outcome is that competition issues within film industries often become less about artistic competition and more about the regulation of access: who has screens, who has territories, who shares revenue and who does not, and can market participants freely contract without any collective action.

These questions are important in India because of three reasons that are interrelated. To begin with, the language, regional, and format fragmentation of the industry (single screens and multiplexes, theatrical and non-theatrical rights) can be accompanied by the concentrated control at the major nodes, especially, the chains of exhibitions, trade associations, and intermediary systems that control reporting and digital projection.¹ Second, due to the short commercial windows and great uncertainty of films, bargaining power and timing are decisive: a late release or refusal to show can ruin the economic value of a project. Third, the ecosystem is dense in terms of association. Legitimate coordination (e.g. standard-setting, dispute resolution) is often offered by producer bodies, distributor associations, exhibitor federations, film chambers, and labor unions, but can also support bans, boycotts, and forced dealing restrictions which are similar to classic anti- competitive behavior.²

¹ Richard Whish and David Bailey, *Competition Law* (10th edn, OUP 2021) 559–610.

² *FICCI–Multiplex Association of India v United Producers/Distributors Forum* (2011) Case No 01/2009, Competition Commission of India.

The paper explores the concept of anti-competitive structures in the Indian film industry in the context of competition-law. It does not presuppose that all concentrated positions are illegal. The competition law generally denounces (i) agreements that have or are likely to have an appreciable adverse effect on competition (AAEC) and (ii) the misuse, rather than the existence, of dominance.³ The important thing to do, then, is to distinguish between coordination that facilitates effective contracting and dispute resolution and coordination that limits output, markets, locks out competitors or provides unfair terms.

The analysis is done in four steps. Section 2 maps the industry value chain and the forms of contracting that create recurrent issues of competition. Section 3 establishes the legal framework governing it: Sections 3 and 4 of Competition Act, 2002⁴ and the post-2023 reform environment.⁵ Section 4, through an industrial-organization prism, recognizes key anti-competitive structures in the industry, association power, vertical restraint, information asymmetry, technology lock-in, and labor-market foreclosure. Section 5 provides enforcement and litigation case studies. Section 6 is a synthesis of lessons and reforms: compliance structure of associations, ticketing and box office auditability, revenue-sharing design competitive, VPF/technology sunset, and specific scrutiny of merger-driven market power.

2. Indian Film Industry as Competition-Relevant Value Chain

2.1. Production to exhibition: where competition issues exist

The problems of competition typically occur in the situations when (i) the market participants are horizontal competitors (e.g., several exhibitors, several distributors) and can coordinate; (ii) vertical relationships (producer-distributor-exhibitor) include restraints that preclude competition; or (iii) a firm becomes a gatekeeper at a critical point (dominance, leveraging, discrimination). The film chain in India has all the three.

On a high level, the chain consists of:

Production: funding, talent, acquisition of IP, and development of creativity.

Distribution: territorial distribution, sub-distribution, scheduling, prints/digital distribution, marketing coordination.

Exhibition: screen assignment, show time scheduling, ticket pricing and bundling,

³ Competition Act 2002, ss 3–4.

⁴ **The Competition Act, 2002**, No. 12 of 2003 (India) (as amended).

⁵ **The Competition (Amendment) Act, 2023**, No. 9 of 2023 (India).

collection reporting and settlement.

Ancillary windows: satellite, music and digital/OTT and other licensing markets.

Production may be disaggregated, but distribution and exhibition may be more structurally constrained: territorial exclusivity, small screens and release windows. This implies that even temporary collective measures, boycotts, calls of non-cooperation, refusal to supply or exhibit can have disproportionate foreclosure impacts.

2.2. Types of contracting

Theatrical distribution and exhibition economics are commonly applied using a small number of contract forms. A competition authority has identified that distribution arrangements may be in the form of revenue sharing, minimum guarantee, fixed fee among others.⁶ These arrangements define the allocation of risks and bargaining positions and they may become the center of collective bargaining or collective coercion.⁷

- Revenue sharing: parties divide net box-office receipts (after taxes and some deductions).
- Minimum Guarantee (MG): a distributor (or exhibitor, depending on structure) is guaranteed an initial sum, usually recoverable at the expense of revenues.
- Fixed fee / hire: a fixed amount regardless of performance.

Both forms may be pro-competitive in case of independent and transparent negotiations. The competition threat arises when associations or dominant gatekeepers present homogenous terms, limit negotiations, or organize refusal to deal unless some terms are taken.

2.3. Institutional infrastructure as associations

The peculiarity of the film economy in India is that there are associations and federations on all levels, production guilds, distributor federations, exhibitor federations, chambers of commerce, and labor unions. Ideally, such institutions can minimize transaction costs (standard-setting, arbitration/mediation, collective problem-solving). Practically, the experience of enforcement has revealed the following problems:

- Bans and boycotts (e.g. not allowing members to deal with certain parties).
- Non-member exclusion (e.g. no work with non-members).
- Territorial protectionism (e.g. limiting dubbed films or foreign entrants).

⁶ *Film & Television Producers Guild of India v. Multiplex Ass'n of India (MAI) & Ors.*, Case No. 37 of 2011, Order (Competition Comm'n of India Jan. 3, 2013).

⁷ Competition Commission of India, *Market Study on the Film Distribution and Exhibition Industry in India* (CCI 2022).

- Collective price/term-setting (homogenous revenue-share templates or coordinated negotiation strategies).

The CCI market-study advocacy specifically cautions associations against bans and boycotts and against the industry being prohibited to work with non-members.⁸ The warning is not hypothetical; it is the implementation of actions of enforcement in regions and segments.

3. Legal Framework

3.1. Section 3

The Competition Act, 2002, Section 3, outlaws agreements in the context of production, supply, distribution or provision of services that result in or are likely to result in AAEC in India. The Act does not just deal with written agreements but also with practices carried on or decisions made by associations. This is essential to the cinema markets: much of the restrictions in film trade are manifested in association circulars, non-cooperation directives, and concerted action instead of contract.

Section 3(3) has a presumption of AAEC of some horizontal agreements between competitors, such as agreements that:

- determine prices;
- restrict or regulate supply/markets; or
- geographically allocated share markets (among others).

In comparison, vertical restraints under Section 3(4) are evaluated more in the nature of a rule-of-reason inquiry, and AAEC is evaluated in terms of statutory factors.

3.2. The AAEC model: Section 19(3) considerations

In assessing AAEC, the Commission is guided to look at the elements of barriers to entry, foreclosure, consumer harm, and efficiencies. The movie industry is especially vulnerable to foreclosure and entry barriers since screens and prime time slots are capacity limited; and even a brief theatrical shutdown can permanently hurt the commercial viability of a film.⁹

3.3. Section 4: misuse of dominant position in bottleneck markets

Section 4 forbids the abuse of dominance. Dominance (in statutory explanation) is described

⁸ Press Information Bureau, Gov't of India, **Competition Commission of India, Market Study on the Film Distribution Chain in India** (Oct. 14, 2022).

⁹ Competition Act 2002, ss 3(5), 19(3), 27 and 48.

as a state of power that allows an enterprise to function without being influenced by the competitive forces or to influence competitors/consumers/market in its favor. Notably, the Act does not prohibit dominance itself, but abusive practices including unfair or discriminatory terms and conditions, denial of access to markets or the use of dominance in other markets.¹⁰

In film markets, Section 4 problems may occur in which:

- a big exhibitor chain may discriminate among producers or may lay additional requirements;
- access is controlled by a digital-cinema infrastructure provider; or
- reach and monetization can be determined by a gatekeeper platform.

The market-study advocacy of the CCI points out imbalances of bargaining power and cautions against restrictions on trade in exhibition that infringe on the freedom of trade of producers, which may overlap with Section 4 where dominance is determined.¹¹

3.4. IP interface: Section 3(5) and the context of the Copyright Act

Cinematograph films, music, scripts and derivative rights are IP-intensive: the right to exploit the work is determined by the copyrights in film markets. The IP protection is accommodated under competition law in Section 3(5), which allows reasonable conditions required to safeguard some IP rights, such as in the Copyright Act, 1957. The most important analytical observation is that IP protection fails to shield anti-competitive behavior; the exemption is limited by reasonableness and necessity.

This interface is important in that film trade disputes frequently purport a rights enforcement defense to behavior that appears to amount to market foreclosure (e.g., refusal to supply/exhibit, territorial restrictions). Competition analysis should thus draw the line between legitimate IP protection and collective restraints that are beyond what is required to protect rights.

3.5. Remedies and personal liability

The Commission is allowed to provide cease-and-desist orders and penalties among other directions under Section 27. The movie industry has experienced cease-and-desist injunction and monetary fines, including on associations.¹²

Section 48 individual liability is relevant when the associations operate by office-bearers. The

¹⁰ Competition Act 2002, s 4.

¹¹ Competition Commission of India, *Market Study on the Film Distribution and Exhibition Industry in India* (CCI 2022).

¹² Competition Act 2002, ss 3, 27 and 48.

2025 ruling of the Supreme Court in the Kerala federation litigation (following a Crown Theatre information) puts into perspective the issues regarding (i) association boycotts and (ii) the procedural conditions of sanctioning office-bearers and imposing behavioral directions to natural justice commitments.¹³ The case highlights the fact that the enforcement of the film-sector sometimes necessitates consideration of the governance layer of associations, rather than the name of the entity.

3.6. The Competition (Amendment) Act, 2023

The Competition (Amendment) Act, 2023 presents important procedural and substantive changes (to be implemented on notified dates), such as settlement/commitment processes mechanisms and other changes. In the case of the film industry, the high-level applicability is that competition authorities now have a potentially wider range of tools available to them to solve disputes and achieve changes in conduct without full adjudication, which is a significant factor in time-sensitive, release-window-dependent markets.¹⁴

4. A Typology of Anti-Competitive Structures in the Indian Film Industry

This part creates a systematic map of competition risks in Indian cinema. It is not aimed at branding the industry as anti-competitive in nature but to determine the common structural circumstances that predispose anti-competitive behavior and complicate its enforcement.

4.1. Collective boycotts and non-cooperation

One of the most competition-sensitive types of behavior is a collective boycott since it is aimed at the market access directly. In film markets, boycott processes manifest themselves in a variety of forms:

- Groups of producers/distributors who decline to supply to multiplexes in order to renegotiate revenue share.
- Exhibitor federations intimidating distributors that they will not screen films unless they do business with some cinemas.
- Cinema rooms that limit or deter the viewing of some types of movies (e.g., dubbed movies).
- Labor unions preventing hiring unless one is a member and breaking shoots when they

¹³ *FICCI–Multiplex Association of India v United Producers/Distributors Forum* (2011) Case No 01/2009, Competition Commission of India.

¹⁴ *Excel Crop Care Ltd v Competition Commission of India* (2017) 8 SCC 47.

do not comply.

The recommendations of the CCI market study clearly direct associations not to ban and boycott, but not to forbid work with non-members. That suggestion is consistent with enforcement history in other regions, where association decisions have been considered as anti-competitive as such under Section 3.

4.2. Territorial market allocation

Exclusivity of territory may be effective in film distribution. The producer who grants exclusive rights to a state, language region or overseas territory can minimize free-riding and encourage investment in marketing. Nevertheless, the allocation of territory may be anti-competitive where it is not a bilateral contracting decision but a market-sharing agreement among distributors or associations, particularly when done by threats or boycotts.

There are competition issues where:

- associations assign members territories;
- non-member entry is prohibited; or
- There is no inclusion of outside distributors irrespective of price/quality.

The threat is enhanced in India due to geography and language division as it can offer an easy template to divide the markets and cartel stability is easier.

4.3. Revenue-sharing arrangements and bargaining power

Exhibition economics revolves around revenue-sharing. The advocacy of the CCI emphasizes the imbalance of risks distribution and the imbalance of bargaining power, and proposes to substitute the sliding scale arrangements with the aggregate agreements where the parties share aggregate revenues according to a negotiated split.¹⁵ The importance of competition in this case is indirect:

- Standardized templates or sliding-scale templates are not unlawful as such.
- The issue is that when standardization is enforced on a collective (association-wide) or by a gatekeeper, it is hard to have small producers negotiate individualized terms.
- When an exhibitor association arranges revenue-share conditions or jointly declines to exhibit unless the same is done, the activity may be comparable to price/term fixing or output limitation.

¹⁵ Competition Commission of India, *Market Study on the Film Distribution and Exhibition Industry in India* (CCI 2022).

Therefore, competition analysis should look at: (i) who dictates terms; (ii) is there independent negotiation; and (iii) is there coordinated refusal to deal.¹⁶

4.4. Box-office opacity and information asymmetry as a competition issue

The competition law tends to concentrate on the prices, output and exclusion. However, in film markets, information, particularly box-office coverage, may be a market power tool. Unless producers can check collections, they are unable to bargain effectively and they can be susceptible to unjust settlement terms.

The CCI market study has identified this and suggests, implementation of box-office surveillance systems that create and keep ticketing records and reports and are not subject to manipulation by stakeholders; and independent auditors are to be empanelled to check systems and avoid tampering.¹⁷

These proposals view transparency as a competitive-enhancing infrastructure: the correct reporting lowers the bargaining asymmetry and prevents conflicts that otherwise lead to collective actions (boycotts, non-cooperation calls). That is, transparency is not a form of governance, but a market design instrument that minimizes the incentives to collusion and coercion.

4.5. Vertical integration and concentration in exhibition

Vertical integration is not necessarily anti-competitive; it may decrease transaction costs and enhance coordination. In film markets, however, the capacity to exhibit is limited, and screens are the limited input. When an exhibitor becomes part of distribution or production (or has a special treatment of related parties), it may be subject to discrimination, foreclosure, and leveraging.

This is especially relevant in cases where a big exhibitor is able to:

- focus on its own distribution channel;
- condition access to screens on acceptance of some terms; or
- establish de facto monopoly by time.

Legal review can be done under Section 4 (where there is dominance) or under merger control where combinations give rise to AAEC risk. In situations where combinations cannot be

¹⁶ Competition Act 2002, ss 3 and 4.

¹⁷ Richard Whish and David Bailey, *Competition Law* (10th edn, OUP 2021) 559–610.

notified because of thresholds, competition issues may be brought to the fore through information proceedings under Sections 3 and 4 as in the case of litigation concerning exhibitor structures and claims of vertical integration issues.¹⁸

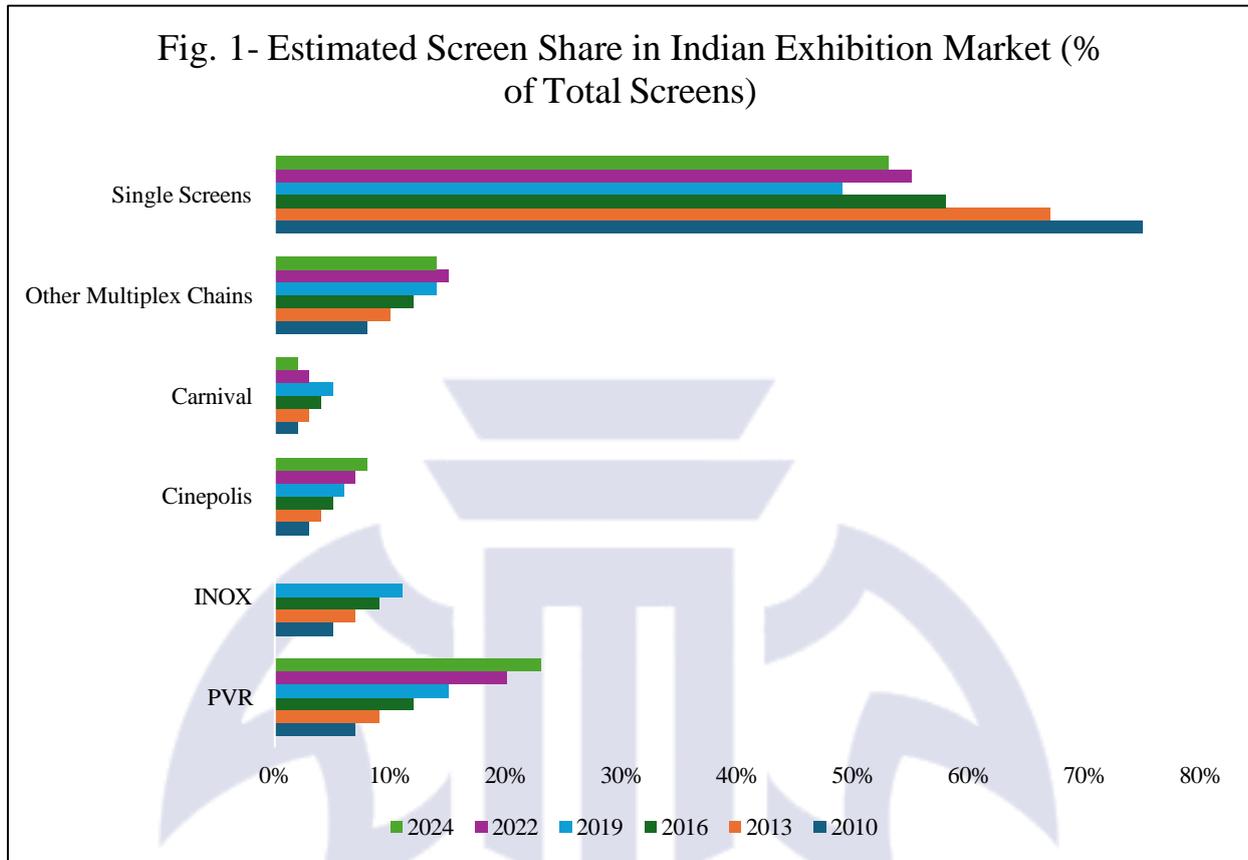


Table 1 illustrates the structural transformation of India’s exhibition market over time. It shows a steady rise in multiplex concentration, particularly PVR and INOX (later merged), alongside a sharp decline in single-screen cinemas. The data suggests increasing consolidation, strengthening bargaining power and potential gatekeeping influence in theatrical distribution markets.

4.6. Lock-in technology

Digital projection changed the way exhibitions were done, however, it brought new intermediaries: digital-cinema equipment (DCE) vendors and contractual fee models such as Virtual Print Fees (VPF). The market study by the CCI directly deals with VPF and suggests that VPF paid to multiplexes can be eliminated first, with slower elimination of single screens because they rely on VPF-based lease models. It also calls upon mutually acceptable VPF charges to be negotiated until a sunset is enacted.

¹⁸ JSA Advocates & Solicitors, **NCLAT Upholds CCI Order Dismissing Complaint Against PVR–INOX** (analysis of vertical integration allegations and appellate outcome).

Competition wise, there are a number of risks that can be caused by technology related fees, Extra requirements of influential exhibitors or intermediaries. Lock-in through long-term contracts with one-sided provisions (also warned by the market study).

Discrimination (e.g. between major studios and small producers), which may lead to an issue under Section 4 in case dominance is created.

In fact, subsequent reporting states that the CCI has, at least prima facie, commissioned an inquiry into claims of ongoing VPF charges and discrimination in exhibition markets.¹⁹ Although the validity of such accusations is determined by the definition of the market and the presence of dominance, the fact that VPF has become a conflict hotspot in recent years indicates that digital infrastructure is a competition hotspot.

4.7. Labor market limitations

The production of films depends on special labor, artists, technicians, and crews. Collective bargaining is potentially socially useful. However, competition law comes into play when unions or associations engage in practices that restrain supply, market allocation or restrict contact with non-members, which is not required in the pursuit of legitimate labor purposes.

One of the most notable enforcement incidents was the provisions that required producers to be able to hire members of specific groups of film employees and established vigilance measures to enforce the restrictions, the CCI deemed such practices as violative of Section 3 provisions (as explained in official press communication).²⁰ The most important competition issue is that limiting hiring to members and enforcing compliance may be a form of collective refusal to deal, which prevents competition in service provision markets and increases the costs to producers.

It is a sensitive field: competition policy should not be used to weaken the valid worker protections. The analytical difference is between (i) collective wage/condition bargaining, and (ii) coercive restrictions that preclude non-member participation, that enforce by NOC-like controls, or that disrupt production, as an enforcement mechanism.

¹⁹ CCI Orders Probe into PVR INOX for Alleged Abuse of Dominance Over VPF Fee, *Economic Times* (Oct. 1, 2025).

²⁰ Press Information Bureau, Gov't of India, CCI Finds Film Employee Groupings/Trade Associations Engaged in Anti-Competitive Conduct (Oct. 31, 2017).

4.8. New chokepoints

Though the present paper concentrates on the film industry structures, where theatrical distribution and exhibition are highly emphasized, the issue of anti-competitive becomes more and more topical in digital licensing and windowing. Competition among the producers and between platforms can be formed by exclusive licensing, preferred placement, algorithmic discoverability, and bundling of rights. The market study of the CCI observes that there are bottlenecks, unequal distribution of risks and newer technologies implying that competition policy is conscious of the changing structures although enforcement is still case-specific. The future-oriented competition plan of Indian cinema should thus take into account the whole lifecycle of monetization and not just box office.

5. Case Studies: Enforcement and Litigation Patterns

5.1. *FICCI–Multiplex Association of India v. United Producers/Distributors Forum* (Case No. 01 of 2009)

This issue was brought about by revenue sharing between producers/distributors and multiplex exhibitors. The Director General concluded that the conduct was directed to regulating distribution and exhibition of films in multiplexes and compelling multiplexes to greater revenue ratios, and was contravention of Section 3(3).²¹

The Commission eventually established a violation of the Section 3(3)(a) and Section 3(3)(b). Notably, it has given a cease-and-desist order and fined, allegedly, Rs. 1 lakh on each of the conflicting sides, in addition to mentioning extenuating circumstances. The quantum of penalty was small by the standards of what competition law can allow, but the doctrinal point of the case is that coordinated action by producers/distributors was treated as cartel-like behavior and indicated that association-based collective action, even in the context of a dispute resolution, can give rise to Section 3 liability.

This case is an example of a common dilemma: in case of unsuccessful negotiations, industry bodies can transform the bargaining process into coercion, when collective refusals to supply/exhibit are used. Although the dispute may be based on the perceived unfair terms, the competition law opposes the solutions that are detrimental to the competitive process, especially those that limit the output or access to the market.

²¹ *FICCI–Multiplex Ass'n of India v. United Producers/Distributors Forum & Ors.*, Case No. 01 of 2009, Order (Competition Comm'n of India May 25, 2011).

5.2. Producers Guild of India v. Film & Television

In this subsequent controversy, the Producers Guild complained that the multiplex operators, as a collective, refused to show movies of members of the informant so as to negotiate the price of their services, in violation of Section 3 concerns. The issue also addressed the importance of theatrical distribution as being critical and outlines distribution terms (revenue share, minimum guarantee, fixed fee).²²

The DG took into account a number of evidentiary materials and made a conclusion of contravention in accordance with the provisions of Section 3, such as allegations of coordinated negotiation behavior. Nevertheless, the Commission finally found that the opposite parties had not been proven guilty of any violation of Section 3 or Section 4, and it terminated proceedings. It also noted that claims of violation of Section 4 were not proven in the absence of dominance findings.²³

The result is a classic example of an antitrust dilemma: in markets where companies are subjected to comparable costs and incentives, parallel behavior is not sufficient to establish agreement. This ruling implies that although there is a suspicion of coordination, enforcement requires a significant amount of evidence of concerted action, rather than mere similarity of terms. In the case of policy, this highlights the importance of structural solutions which minimize the incentives to coordinate, through transparency and auditability, as opposed to the use of ex post cartel discoveries alone.

5.3. Kerala federation issues

Some of the most educative film-sector competition cases have been generated in Kerala, and have mostly been focused on exhibitor federations and distributor pressure.

In this case, the CCI allegedly discovered anti-competitive conducts by the federation and fined and issued cease and desist orders.²⁴ The case is often referred to as an example of association behavior that limits access to the market and freedom of trade.

²² *Producers Guild of India v Film and Television Producers Guild / Multiplex Operators* (Case No 01/2009, Competition Commission of India).

²³ Competition Act 2002, s 4.

²⁴ *Kerala Cine Exhibitors Ass'n v. Kerala Film Exhibitors Fed'n & Ors.*, Case No. 45 of 2012, Order (Competition Comm'n of India June 23, 2015).

Another associated controversy was the claim that distributors were intimidated that their movies would not be shown in federation member halls in the event that the distributors transacted with the informant cinema (Crown Theatre). The judgment of the Supreme Court of 2025 describes the history of the procedure: the Commission established that Section 3(1) read with Section 3(3)(b) was violated by the federation and acted under the Section 48 concerning office-bearers, and the appellate proceedings concerned penalties and behavioral guidelines in the context of the principles of natural justice.²⁵ The discussion in the Court highlights that despite the Commission having wide remedial powers (such as omnibus directions), they must be exercised in line with the natural justice requirements.

These controversies demonstrate the way federations can act as gatekeepers: threatening distributors and organizing refusals to screen, they can make sure that specific cinemas are not allowed in the market. They also demonstrate why the enforcement frequently has to target not just the liability of entities but also the involvement of office-bearers and governance systems within which boycotts are effected.

5.4. Karnataka "dubbed films" restrictions

In *Kannada Grahakara Koota v. The CCI* considered restrictions on the release/exhibition of dubbed films in Karnataka in Karnataka Film Chamber of Commerce (Case No. 58 of 2012).²⁶ These conflicts are often based on claims made on cultural or local-industry protection grounds, but in terms of competition may serve to act as entry barriers that divide markets based on language/region and limit consumer choice.

The bigger structural argument is that the rationales of cultural protection can be applied to justify restrictions that resemble the classic market foreclosure. Competition law does not reject the applicability of cultural policy, but examines whether the bans or coercive rules imposed by associations are reasonable, legal and not merely cartel tools.

5.5. Conduct of the Delhi distribution/exhibition association

In Delhi, there have been cases of distributor/exhibitor association where the association has been accused of limiting screening and exerting collective pressure on the market players. As

²⁵ *Competition Comm'n of India v. Kerala Film Exhibitors Fed'n*, Civil Appeal No. 9726 of 2016 (Sup. Ct. India Sept. 26, 2025).

²⁶ *Kannada Grahakara Koota v. Karnataka Film Chamber of Commerce*, Case No. 58 of 2012, Order (Competition Comm'n of India July 27, 2015).

an illustration, the conflicts between Motion Pictures Association institutions and motion pictures firms have been tried in competition courts, which are indicative of coordination patterns imposed by associations in the distribution/exhibition markets.²⁷ These issues support the theme of recurring enforcement: associations that organize refusals to deal may well be covered by the prohibition of Section 3.

5.6. Trade unions and restrictive engagement clauses

According to the 2017 enforcement communication by the CCI on the groupings of film employees, it was found that some of the provisions of the MoU that prohibited producers to hire only members of certain unions and the mechanisms to enforce these prohibitions were in breach of Section 3 provisions. This is essential since it enlarges the scope: the anti-competitive formations in cinema do not just pertain to the film distribution of the content; it also involves the labor and service market that is needed to create the content.

The issue of structure is two fold, Foreclosure of non-member service providers, which decreases competition and may increase prices; and Enforcement Production disruption, which may spill over to downstream markets (release schedules, distribution commitments, exhibition contracts).

5.7. PVR-INOX and modern exhibition issues

The most recent controversies have involved claims that exhibitor consolidation and integration into distribution may have anti-competitive impacts. According to the legal reporting, the issues of vertical integration concerns in the PVR-INOX case have been reviewed by the competition-law procedures and appellate review procedures, and the courts/tribunals have focused on the evidentiary standards and statutory standards.²⁸

As mentioned above, the market-study recommendations of the CCI recommended a gradual VPF sunset and interim negotiation protection.²⁹ Later reports indicate that VPF is still disputed, with claims that further VPF fees might constitute abuse of dominance or

²⁷ *UTV Software Commc'ns Ltd. v. Motion Pictures Ass'n, Delhi & Ors.*, Case No. 09 of 2011, Order (Competition Comm'n of India May 8, 2012).

²⁸ Competition Commission of India, *Combination (PVR Ltd/INOX Leisure Ltd)* (order approving combination); see also appellate proceedings before the National Company Law Appellate Tribunal (NCLAT).

²⁹ Competition Commission of India, *Market Study on the Film Distribution and Exhibition Industry in India* (CCI 2022).

discriminatory practices, leading to inquiry at least to a prima facie level. Although we are not adjudicating such allegations here, the trend is the same: where a fee was originally conceived as transitional infrastructure financing, its continuation can become a competition problem when it is linked to market power and non-transparent conditions.³⁰

Synthesis: What These Cases Tell Us about the Anti-Competitive Structures.

The case studies do not indicate one villain of a monopoly. Rather, they expose a set of structural vulnerabilities repeated:

Association density + enforcement ability: Associations have the ability to enforce compliance using plausible threats (loss of screens, labor disruption, non-cooperation).

Time sensitivity: The release windows are brief, and therefore even a temporary loss of value can be ruined by coercion, making it very effective.

Capacity limitations: Screens and prime showtime are a limited resource.

Opacity: In the case of opaque revenue reporting, bargaining is conflict-prone and can lead to collective action.

Technology dependence Digital cinema and fee structures generate long-term dependencies and possible lock-in.

Regulatory overlap: The interaction between cultural policy, censorship and state-level regulation and the restraints of the privates can make competition analysis difficult.

The CCI market study recommendations can be viewed as an effort to resolve these structural weaknesses by designing the market, in particular, transparency systems, discouragement of association boycotts, and contracting reforms. The more profound meaning is that enforcement can be not enough without structural incentives of boycotts and coercion being decreased.

7. Policy and Reform Proposals

This part suggests reforms that are consistent with the principles of competition law and are aware of the realities in the industry.

7.1. Association compliance architecture

Issue: There are recurring vectors of bans and boycotts.

Proposal: Mandate associations to implement internal compliance systems, such as:

- written competition compliance policies;

³⁰ Competition Act 2002, ss 3 and 4.

- recorded decision-making processes and minutes;
- training for office-bearers;
- express ban on boycotts and non-member exclusion; and
- safe internal dispute resolution (mediation panels) which are not coercively enforced.

The market study recommendation of the CCI to institutionalize mediation and educate the members on the competition law gives an anchoring template. An effective compliance regime would minimise the enforcement risk and market disruption.

7.2. Box-office transparency

Issue: The information asymmetry surrounding collections undermines bargaining and may be used in order to make unfair terms.

Proposal: Introduce an industry-wide auditability standard, tamper resistant ticketing logs, controlled access and records that can never be changed, and periodic independent audits (financed by the stakeholders in proportion).

This is in line with the recommendation of the CCI that monitoring systems that cannot be altered and independent auditing. Transparency as a competition policy issue minimizes the room of coercion, minimizes the frequency of disputes, and enhances the competition of contracts.

7.3. Pro-competitive contracting norms

Issue: Standard templates and sliding-scale arrangements may be the points of coordinated behavior.

Proposal: Negotiate flexibility and discourage collective imposition, Favor custom-made contracts; Do not have association-wide must-follow term sheets;

Apply aggregate revenue share models where necessary; Show all deductions in standard forms (promotion charges, equipment fees) which are auditable.

The proposal of aggregate agreements on sliding scales in the market study gives a starting point. Competition policy must not impose any particular model; it must not impose models by coordinated refusal to deal.

7.4. VPF, digital-cinema infrastructure

Issue: The transitional technology charges may continue and become embedded rent systems.

Proposal: Work out a VPF sunset roadmap and non-discrimination commitments, Clear time-limited or depreciation-based sunset schedules on multiplex situations; Single screen treatment

where leasing dependence exists; Evident representation of service/value relating to any continuing fee; Application that is not discriminatory when applied to producers unless there is an objective reason.

This is a direct indication of the recommendation of the market study to first phase out VPF of multiplexes and to control DCE-provider negotiation to prevent disruptions. In case of dominance, non-discrimination and the ban of supplementary obligations may also be demanded by competition law.

7.5. Exhibition merger and market power surveillance

Issue: Even in cases where transactions are not notifiable or where approval is given, the problem of exhibition consolidation can result in the formation of gatekeeper power.

Proposal: Enhance post-merger surveillance and supervision, regular market research on the concentration and contracting in the exhibitions; specific investigations into discrimination and refusal of access to the market in case of complaints; examination of vertical integration incentives (favouring affiliated distributors).

This is not meant to punish scale but to avoid foreclosure and discriminatory access to screens.

7.6. Labor markets

Issue: The enforcement of the union can be reduced to coercive non-member exclusion.

Proposal: Principle boundary: wages/conditions should be legitimately bargained; coercive limitations on recruitment of members, NOC-type barriers and production disruptions to enforce exclusivity must be considered competition sensitive.

According to the 2017 enforcement communication, the restrictive engagement clauses and vigilance enforcement were considered as competition violations. A fixed line would secure employees and minimize the chances of labor organizations becoming market foreclosing gatekeepers.

7.7. Cultural policy congruence

One of the most frequent arguments is that competition law does not take into account cultural goals (local industry sustainability, local language promotion). Competition should be viewed as a complement to diversity, which is the more appropriate way to go: open access and lowered barriers to entry can increase the diversity of films that are exposed to audiences. The cultural goals may be achieved with the help of open policy tools (subsidies, grants, quotas where legal),

but not with the help of the bans imposed by the association and depriving consumers of the right to choose and competitors of the right to compete.

8. Conclusion

The Indian film industry has anti-competitive issues that are structural and institutional as opposed to episodic. The architecture of the industry, which is characterized by the association governance, the dependence of releases on time, the capacity limitations in screens and showtime, the opaqueness of reporting, and the dependence on technology, allows the coordinated coercion and market foreclosure to take place, and sometimes quickly and irreversibly.

The Indian competition law offers a viable conceptual framework to these issues. Section 3 makes decisions of association and cartel-like conduct such as collective boycotts and market-sharing. Section 4 can deal with discrimination and denial of market access in which dominance is created. The enforcement history shows a readiness to impose punishment on association-motivated supply restraints (as in the 2011 multiplex case) and a restraint where the evidence of concerted action is inadequate (as in the 2013 producers guild case). An alternative approach, which is complementary to advocacy interventions, is redesigning contracting practices, setting auditability norms, deterring bans and boycotts, and rationalizing VPF and digital infrastructure.

The policy agenda ought to be coherent and thus include: (i) high compliance and enforcement of association against boycotts; (ii) transparency-by-design box-office reporting; (iii) contracting flexibility that is competition friendly; (iv) technology sunset regulation to avoid lock-in rents; and (v) close monitoring of power of the exhibition market. These reforms would not just enhance efficiency and consumer welfare but also create cultural diversity by reducing the structural barriers that prevent the screening of some films.