



ICLG

The International Comparative Legal Guide to:

Cartels & Leniency 2014

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A practical cross-border insight into cartels and leniency

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Finland



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1 The Legislative Framework of the Cartel Prohibition

1.1 What is the legal basis and general nature of the cartel prohibition, e.g. is it civil and/or criminal?

Cartel prohibition is provided for under national statutory law, in the Competition Act (*Kilpailulaki* 948/2011; hereinafter also “the Act”). The Competition Act entered into force on 1 November 2011. Finnish competition law is of a civil and administrative nature, and does not prescribe criminal sanctions. Only undertakings are affected by the cartel prohibition. When a competition restriction may affect trade between the EU Member States, Articles 101 and 102 of the Treaty on the Functioning of the European Union (the ‘TFEU’) are applied as well.

1.2 What are the specific substantive provisions for the cartel prohibition?

Cartel prohibition is provided for in Section 5 of the Competition Act, which prescribes:

“All agreements between business undertakings, decisions by associations of business undertakings and concerted practices by business undertakings which have as their object the significant prevention, restriction or distortion of competition or which result in the prevention, restriction or distortion of competition shall be prohibited.

In particular, agreements, decisions or practices which:

1. directly or indirectly fix purchase or selling prices or any other trading conditions;
2. limit or control production, markets, technical development, or investment;
3. share markets or sources of supply;
4. apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; or
5. make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject matter of such contracts, shall be prohibited.”

In 2004, Finnish competition legislation of the time was reformed to harmonise Finnish law with EU legislation (current Articles 101 and 102 of the TFEU).

1.3 Who enforces the cartel prohibition?

The Finnish Competition Authority and the Finnish Consumer Agency merged into one authority, the Finnish Competition and Consumer Authority on 1 January 2013. The aim of the merger has been to increase the societal significance of competition and consumer issues and to improve administrative efficiency. The statutory tasks of the two agencies have remained unchanged in the reform.

Cartel prohibition is enforced by the Finnish Competition and Consumer Authority (*Kilpailu- ja kuluttajavirasto*, hereinafter the “FCCA”) and the Market Court at the first instance. The FCCA is mainly an investigative authority and does not have the power to impose fines. The power to impose sanctions has been granted to the Market Court, which acts upon a proposal from the FCCA. The proposals of the FCCA are not binding to the Market Court; however, the Market Court cannot impose a fine *ex officio*. Decisions made by the Market Court can be appealed to the Supreme Administrative Court. Private enforcement of competition law through general courts of first instance is possible but happens only rarely. However, cases relating to damages in consequence of a competition infringement are also handled in the general courts, and are becoming more common due to a few known cartel cases in Finland.

1.4 What are the basic procedural steps between the opening of an investigation and the imposition of sanctions?

Cartel investigations are conducted by the FCCA either on its own initiative or on the basis of a complaint. During its investigation, the FCCA can gather evidence and information on the cartel by conducting dawn raids, requiring undertakings to submit information and by hearing the parties or other persons.

Penalty payments based on a cartel infringement are decided by the Market Court on the proposal of the FCA. Before submitting the proposal, the FCA will provide the interested parties with a Statement of Objections regarding the imposition of the penalty payment. The Statement of Objection outlines the FCCA’s preliminary view on whether a competition infringement has taken place, and the grounds for the view. The FCCA determines a time limit during which the undertakings can express their opinions on the matter. Thus, the parties will be given the possibility to be heard, either in writing or orally, regarding the claims and grounds the FCCA will present against the party in question. After the FCCA has processed the obtained Statements of Objection, the FCCA submits the proposal on the imposition of the penalty payments to the Market Court. In the proposal, the FCCA

determines whether the requirements to grant immunity or partial leniency regarding a penalty payment have been fulfilled, if such an application has been made to the FCCA. During the proceedings in the Market Court, the court will give the undertakings an opportunity to give their opinion on the FCCA's proposal regarding the penalty payment. Further proceedings in the Market Court can be either written or oral. The court proceedings end when the Market Court makes its ruling on whether a competition infringement has taken place and on related penalty payments.

The Market Court's decision can be appealed to the Supreme Administrative Court.

1.5 Are there any sector-specific offences or exemptions?

The Competition Act does not provide for any sector-specific cartel prohibitions or sanctions. The Act does, however, exempt agreements or arrangements which concern the labour market. In addition, the Act exempts, identically to EU law, certain arrangements relating to agriculture.

1.6 Is cartel conduct outside Finland covered by the prohibition?

Yes, it is. According to Section 3 of the Act, when a cartel infringement may affect trade between the EU Member States Article 101 of the TFEU shall apply.

2 Investigative Powers

2.1 Summary of general investigatory powers.

Table of General Investigatory Powers

Investigatory power	Civil / administrative	Criminal
Order the production of specific documents or information	Yes	N/A
Carry out compulsory interviews with individuals	Yes	N/A
Carry out an unannounced search of business premises	Yes	N/A
Carry out an unannounced search of residential premises	Yes*	N/A
■ Right to 'image' computer hard drives using forensic IT tools	Yes	N/A
■ Right to retain original documents	No	N/A
■ Right to require an explanation of documents or information supplied	Yes	N/A
■ Right to secure premises overnight (e.g. by seal)	Yes	N/A

Please Note: * indicates that the investigatory measure requires the authorisation by a court or another body independent of the competition authority.

2.2 Please list specific or unusual features of the investigatory powers referred to in the summary table.

The FCCA has the right to summon representatives of the investigated undertaking or other persons for questioning, and the

individuals are under the obligation to answer truthfully to all fact relevant questions. However, the person in question does not have to answer to incriminating questions. The FCCA can also require oral explanations from representatives or staff of the relevant undertaking when conducting a search in business premises. A search in non-business premises requires advance authorisation from the Market Court. The FCCA cannot secure non-business premises overnight.

In addition, according to the new Competition Act, the FCCA has the possibility to prioritise more important cases. Therefore, the FCCA may allocate its resources in a reasonable way.

2.3 Are there general surveillance powers (e.g. bugging)?

No, the FCCA does not have authority to use general surveillance powers relating to cartel investigations.

2.4 Are there any other significant powers of investigation?

The FCCA can require an undertaking to provide the FCCA with all the information and documents needed for the investigation on the content, purpose and impact of a competition restriction and for clarifying the competitive conditions. Such an obligation can be enforced with a conditional fine. According to a new provision of the Competition Act, the FCCA can oblige an undertaking which has participated in a cartel to continue with the infringement under the FCCA's supervision.

2.5 Who will carry out searches of business and/or residential premises and will they wait for legal advisors to arrive?

Searches on all premises are carried out by officials of the FCCA or by Regional State Administrative Agencies (*Aluehallintovirasto*), possibly accompanied by persons they have authorised. If needed, the police may provide executive assistance during the searches. Searches can also be carried out by the European Commission.

The authorities are not under any obligation to wait for legal advisors to arrive, but all phases of the investigation are done in cooperation with the business undertakings; therefore the authorities can agree to wait for legal advisors to arrive before commencing the search.

2.6 Is in-house legal advice protected by the rules of privilege?

No, according to Section 38(3) of the Competition Act and corresponding to the case law of the Court of Justice of the European Union, only legal advice given by external legal advisors is legally privileged.

2.7 Please list other material limitations of the investigatory powers to safeguard the rights of defence of companies and/or individuals under investigation.

The Competition Act introduced new provisions regarding the use of leniency applications and documentation. It follows from Section 17(4) that information and evidence supplied to the FCCA regarding immunity or reduction of a penalty payment cannot be used for any purpose other than within investigations and proceedings in the competition authorities. Therefore, such documentation cannot be used in e.g. actions for damages in general courts of first instance.

In addition, an undertaking cannot be forced to admit infringement of competition law.

2.8 Are there sanctions for the obstruction of investigations? If so, have these ever been used? Has the authorities' approach to this changed, e.g. become stricter, recently?

If an undertaking does not allow the FCCA to conduct a search on its premises or allow e.g. access to its documents or does not provide information requested by the FCCA, the FCCA can impose a conditional fine to enforce such obligations. If an undertaking still fails to fulfil its obligations, the Market Court can order the conditional fine to be paid on the FCCA's application.

Further, it is a criminal offence, punishable with fines or imprisonment, to provide the FCCA with false evidence.

These sanctions have not been imposed in Finland so far.

3 Sanctions on Companies and Individuals

3.1 What are the sanctions for companies?

The maximum administrative penalty payment allowed by the Act is 10% of the turnover of the undertaking or association of undertakings that participated in the restriction on competition. The amount of the penalty payment is calculated on the basis of the year that the undertaking last participated in the competition restriction. The payment is calculated based on the relevant economic entity's turnover, e.g. a fine to be imposed on a parent company of a company group is calculated on the basis of the turnover of the whole group.

In Finland, the cartel infringement fines have in total amounted to EUR 82 million in the asphalt cartel case and to EUR 51 million in the raw wood cartel case.

Although the FCCA may not impose a penalty payment by itself, it has the power to order an undertaking to terminate the infringing conduct or to impose a delivery obligation on an undertaking.

Although the Competition Act does not prescribe criminal sanctions in Finland, it is, however, possible in principle that certain kinds of restrictions on competition, such as purchase cartels, could be caught by provisions regarding fraud and hence would be subject to criminalisation according to the Penal Code (*Rikoslaki* 39/1889).

3.2 What are the sanctions for individuals?

Finnish competition law does not prescribe sanctions for private individuals. However, even a natural person can be considered a business undertaking under certain conditions.

3.3 Can fines be reduced on the basis of 'financial hardship' or 'inability to pay' grounds? If so, by how much?

Section 13 of the Competition Act prescribes that all relevant circumstances shall be considered in setting the amount of the penalty payment, including the gravity, extent and duration of the competition restriction. Such grounds as 'financial hardship' or 'inability to pay' have not been applied in cartel cases in Finland, but the relevant provision seems to leave discretion to the courts in this respect. However, both the FCCA's guidelines regarding the amount of the penalty payment and the preparatory works of the Act point out that the purpose of the aforementioned 10% limit is to ensure that a penalty would not be unreasonable.

3.4 What are the applicable limitation periods?

The limitation periods set in Section 19 of the Competition Act correspond to the limitation periods of the EU competition law. A penalty payment cannot be imposed if the FCCA has not made its proposal regarding the imposition of a penalty payment to the Market Court within five years from the day on which the infringement has been committed, or from the day a continuous infringement has ceased. If the FCCA has taken investigatory measures relating to a competition infringement, a new limitation period will begin; the maximum limitation period, however, is ten years from the above-mentioned days on which the infringement is considered to have ended.

3.5 Can a company pay the legal costs and/or financial penalties imposed on a former or current employee?

As no penalty payments regarding infringement of competition law can be imposed to employees, this issue does not arise in Finland.

3.6 Can an implicated employee be held liable by his/her employer for the legal costs and/or financial penalties imposed on the employer?

In theory, an employer would have the right to sue an employee for damages if the employee has caused harm to their employer. According to the Tort Liability Act (*Vahingonkorvauslaki*) Chapter 4 Section 1, an employer is liable for damage caused by him to an amount deemed reasonable in view of the extent of the injury or damage, the nature of the act, the status of the person causing the injury or damage, the needs of the person suffering the same, and other circumstances. However, no damages could be claimed if the employee caused the harm with only minor negligence. A court would be required to adjust the amount of damage according to what is reasonable unless the infringement was committed intentionally.

4 Leniency for Companies

4.1 Is there a leniency programme for companies? If so, please provide brief details.

Yes, the Finnish leniency programme is regulated in Sections 14 through 18 of the Competition Act. The FCCA has issued guidelines regarding the leniency programme, the conditions for granting full immunity or partial leniency and the FCCA's procedure in these matters.

Leniency legislation enables the competent authorities to grant an undertaking either full immunity from a penalty payment or partial leniency. According to Section 14 of the Act, full immunity requires that the business undertaking:

- provides the FCCA with information and proof which enables the FCCA to conduct a dawn raid; or
- provides the FCCA with information after a dawn raid on the basis of which the FCCA can state that a cartel infringement has taken place.

In addition, the business undertaking shall provide the information before the FCCA has obtained it elsewhere.

According to Section 15, partial leniency can be granted to a business undertaking if it provides the FCCA with information and proof which are of significance in stating the competition infringement, or the width or the nature of the infringement. Partial

leniency can be granted provided that the FCCA has not received the information from other sources.

Section 15 sets forth three levels of partial leniency: after the full immunity has been granted to the whistle-blower, percentage levels are followed in regards to the other leniency applicants. The first to provide the FCCA with significant information can gain a 30-50% reduction on the competition infringement fine, the second 20-30%, and a maximum reduction of 20% will be applied to other applicants.

The prerequisites, which concern both the applications of full immunity and partial leniency, are defined in Section 16 of the Act. To obtain leniency, the business undertaking shall:

- end its participation in the competition infringement immediately;
- co-operate with the FCCA through the whole investigation;
- not destroy any evidence before or after the delivery of its leniency application; and
- keep the submission of its leniency application confidential.

Both full immunity and partial leniency require an application from the undertaking in question. At the end of its investigation, the FCCA will make a decision on whether the prerequisite conditions have been fulfilled. Until then, leniency is granted conditionally by the FCCA.

The decision to grant immunity rests with the FCCA. If the business undertaking co-operates with the FCCA through the cartel investigation, the FCCA can decide to propose full immunity or partial leniency of a penalty payment to the Market Court.

4.2 Is there a 'marker' system and, if so, what is required to obtain a marker?

Where justified, an application can be accepted on the basis of only limited information. The applicant is then granted time to perfect the information and evidence to qualify for immunity. During this time the FCCA will not process information from other leniency applicants, and it will not consider other information before it has decided whether the undertaking will be granted conditional full immunity.

4.3 Can applications be made orally (to minimise any subsequent disclosure risks in the context of civil damages follow-on litigation)?

Applications can be made orally, but an oral application would be recorded or its content documented and would eventually be made available to the public and to the interested parties. However, to obtain full immunity, the business undertaking applying for leniency shall provide the FCCA with information on the basis of which an inspection can be executed, or a competition infringement can be stated. Therefore, the FCCA demands for written evidence in addition to an oral application.

4.4 To what extent will a leniency application be treated confidentially and for how long? To what extent will documents provided by leniency applicants be disclosed to private litigants?

According to Section 7 of the Act on the Openness of Government Activities (*Laki viranomaisen toiminnan julkisuudesta* 621/1999), a document delivered to an authority for the consideration of a matter or otherwise in connection with a matter within its jurisdiction or duties shall enter the public domain when the authority has received

it. According to Section 24(1)(15) of the act, documents containing information on inspections or other supervisory tasks of authorities are secret if access to the official documents would compromise the inspection or the achievement of its objectives.

During a leniency procedure, the FCCA decides on a case-by-case basis the availability of its documents to the public in general or to other parties to the case. The FCCA will keep the identity of the leniency applicant and the information supplied secret for as long as the investigation is on-going. The identity of the leniency applicant will usually be disclosed at the time at which the FCCA submits Requests for Information to other undertakings. This will occur after dawn raids have taken place.

Documents containing information on inspections or other supervisory tasks of authorities are also, according to Section 24(1)(15), secret if access would, without a cogent reason, be liable to cause injury or suffering to a party. According to this provision, if the access to the application and related documents would cause injury to the leniency applicant, the documents will remain secret to the public even after the investigation is closed. In addition, The Finnish Supreme Administrative Court has in its judgment 883/2006 (*Metsäliitto Osuuskunta v. the Finnish Competition Authority*) confirmed that a too early exposure of cartel investigation documents can endanger the whole investigation. Therefore, not even the other parties are allowed to learn the content of the documents in the FCCA's possession. Before the FCCA submits its proposal on the penalty payments to the Market Court, the FCCA provides the interested parties with Statements of Objections regarding the imposition of penalty payments. The investigations are by this phase finished and the documents will become available to the other interested parties.

After a cartel investigation has been ended by the FCCA, private litigants may demand access to the official (public) documents regarding the investigation. These documents may include, among others, documents provided by a leniency applicant. The decision to grant access to an official document is made by the authority in possession of the document and regarding each individual document. A document can be deemed as a secret official document in case it includes e.g. business secrets of an undertaking. Only reasons defined in the Act on the Openness of Government Activities may be taken into account when defining the nature of a document; as a starting point all documents of an authority are public. Thus, there is a risk that third parties may obtain the documentation provided to the authority and use that information in private proceedings against a leniency applicant or other members of a cartel.

4.5 At what point does the 'continuous cooperation' requirement cease to apply?

According to Section 16(1)(2) of the Act, continuous cooperation must be extended until the FCCA has fully investigated the restriction on competition. The requirement will apply until procedures in the matter have been concluded at the FCCA: in practice the obligation will end when the FCCA makes its proposal on the sanctions to the Market Court.

4.6 Is there a 'leniency plus' or 'penalty plus' policy?

No, 'leniency plus' is not available under the Finnish leniency policy. According to the preparatory works of the Competition Act, the information or evidence supplied by the undertaking must directly relate to the cartel investigation at hand for the prerequisites for leniency to be fulfilled.

5 Whistle-blowing Procedures for Individuals

5.1 Are there procedures for individuals to report cartel conduct independently of their employer? If so, please specify.

Anyone can make a complaint to the FCCA or unofficially tip off the FCCA. Because there is no threat of competition law sanctions for private individuals, a private person would not directly benefit from making a complaint.

6 Plea Bargaining Arrangements

6.1 Are there any early resolution, settlement or plea bargaining procedures (other than leniency)? Has the competition authorities' approach to settlements changed in recent years?

No, the Competition Act does not empower the FCCA, which is primarily an investigatory authority, to enter into a settlement or plea bargaining with an undertaking. According to the preparatory works of the Competition Act, such procedures would not offer substantial benefits for handling infringement cases and would not fit well into the existing legal framework or Finnish legal tradition.

7 Appeal Process

7.1 What is the appeal process?

With regard to penalty payments, their imposition and amount are decided on the FCCA's proposition by the Market Court at the first instance.

The Market Court's decisions can be appealed to the Supreme Administrative Court in 30 days after the Market Court's decision. Complaining on a matter regarding a competition infringement does not require permission from the Supreme Administrative Court. The decision of the Supreme Administrative Court will be final in the matter.

Most decisions made by the FCCA can be appealed to the Market Court, but decisions regarding the fulfilment of prerequisites for immunity and partial leniency may only be contested as part of the proceedings regarding imposition of a penalty payment.

7.2 Does an appeal suspend a company's requirement to pay the fine?

No, according to Section 44(2) of the Act, the Market Court's decision is to be followed irrespective of an appeal. The Supreme Administrative Court can, however, give a ruling to the contrary.

7.3 Does the appeal process allow for the cross-examination of witnesses?

An oral hearing is a typical part of the court proceedings in cartel cases. During the oral hearing, witnesses can be cross-examined by both the FCCA and the defence.

8 Damages Actions

8.1 What are the procedures for civil damages actions for loss suffered as a result of cartel conduct? Is the position different (e.g. easier) for 'follow on' actions as opposed to 'stand alone' actions?

According to the preceding Act on Competition Restraints, only undertakings were entitled to claim damages based on a competition infringement.

One of the major changes introduced in the Competition Act is that parties other than undertakings are also allowed to claim damages arising out of a competition law infringement by civil action. The right to damages is stated in Section 20 of the Act: a business undertaking, or an association of business undertakings which infringe the cartel prohibition, is obliged to compensate the damage caused by the competition infringement. The obligation to compensate the damages is wider than in traditional tort law; among others, indirectly injured parties such as consumers may be entitled to damages.

Actions for damages are raised according to the main rule in the general courts of first instance.

In general, damages as a consequence of a competition infringement are "follow on" cases: the competition infringement has already been stated by an authority. A "follow on" action lightens the claimant's burden of proof, but a "stand alone" action may provide a faster judgment. In a "stand alone" action the general court of first instance can decide to suspend proceedings until a competition authority has issued a final decision regarding the restriction of competition at hand. The court may also ask the FCCA to give its statement in a matter regarding damages.

8.2 Do your procedural rules allow for class-action or representative claims?

Class-actions have not been brought in competition infringement cases in Finland. Since 2007, class-actions of a certain kind have been possible; they can be brought only by the Consumer Ombudsman. Therefore the grounds for the class-action shall be within the ombudsman's jurisdiction, e.g. concern a business's practices in relation to consumers. So far, no class-actions have been raised in courts.

8.3 What are the applicable limitation periods?

According to Section 20(3) of the Competition Act, actions for damages must be brought before ten years have elapsed from the day on which the infringement was last committed, or in the case of a continuing infringement, within ten years from the day on which the infringement has ceased. In addition, if an infringement has been found by a competition authority, follow-on actions can be brought until one year has passed from the day on which the FCCA's decision or a judgment of one of the courts became final.

8.4 Does the law recognise a "passing on" defence in civil damages claims?

Such a defence may, at least in theory, be allowed, because according to general legal principles regarding damages, only a measure that has caused the injured party coverable damage can be claimed. The practice in question should have caused the infringed party, for example, extra costs or prevented the party from gaining

some economic benefit. Finnish legal practice in this field is, however, still developing.

8.5 What are the cost rules for civil damages follow-on claims in cartel cases?

According to the main rule as prescribed in the Code of Judicial Procedure (*Oikeudenkäymiskaari*), the losing party in a civil matter will be ordered to pay the winning party's legal costs which relate to necessary measures taken by the winning party.

8.6 Have there been any successful follow-on or stand alone civil damages claims for cartel conduct? If there have not been many cases decided in court, have there been any substantial out of court settlements?

Damages actions have been sporadic, and several of them have been withdrawn with the parties having settled their dispute. In known final cases, no damages have been adjudged. However, the asphalt cartel, a raw wood cartel and automobile spare part cartel, for example, have resulted in civil damages actions, but the proceedings at the Helsinki District Court are still underway.

9 Miscellaneous

9.1 Please provide brief details of significant recent or imminent statutory or other developments in the field of cartels, leniency and/or cartel damages claims.

The District Court of Helsinki investigates currently the claims for damages in the Asphalt Cartel case. The preparatory sessions for trial were commenced in January 2012. The main proceedings took

place from September 2012 to April 2013. According to the District Court, a decision can be announced at the earliest in the end of October 2013.

The District Court is also currently investigating the claims for damages in the Automobile Spare Part Cartel case. The Supreme Administrative Court convicted the companies of the cartel in 2012. In the case the boycotted automobile spare part company filed a claim for damages worth EUR 56 million against the companies which participated in the cartel.

9.2 Please mention any other issues of particular interest in Finland not covered by the above.

The Asphalt Cartel case, in which the penalty payment was almost altogether EUR 83 million, the Raw Wood Cartel, in which one party received full immunity from penalty payments, and the Automobile Spare Part Cartel case have been important for the development of Finnish competition law and private enforcement.

The Finnish Parliament passed a bill on 28 May 2013 of a new Section 4a to the Competition Act. According to this piece of legislation, a Finnish grocery trade operator is automatically considered to be in a dominant market position in a nationwide market if its market share exceeds 30%. This means that the two major operators in grocery trade, S and K Groups, shall more actively take into consideration the provision prohibiting the abuse of dominant position in their future activities. The amendment will enter into force on 1 January 2014.

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