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June 15, 2021

The Honorable Amy Klobuchar, Chairwoman  
Committee on the Judiciary  
Subcommittee on Competition Policy, Antitrust, and Consumer Rights  
425 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Mike Lee, Ranking Member  
Committee on the Judiciary  
Subcommittee on Competition Policy, Antitrust, and Consumer Rights  
361A Russell Senate Office Building  
Washington, D.C. 20510

**RE: Hearing on “Protecting Competition and Innovation in Home Technologies”**

Dear Chairwoman Klobuchar, Ranking Member Lee, and members of the subcommittee,

R Street appreciates the Committee’s work to protect American consumers and competition as the economy continues to move into the digital age. This hearing presents an opportunity for members to gain a better understanding of the market intricacies for connected home devices.<sup>1</sup> However, recent antitrust discussions appear to focus more on the individual competitors and firms which may struggle to keep up with market leaders, rather than competition as a whole and the effect on consumers.<sup>2</sup> As the Committee continues to investigate these markets, R Street urges members to focus on the welfare of consumers, rather than the welfare of firms who may struggle to keep up.<sup>3</sup>

The market for home technologies is dynamic. Companies create products and services due to competition: if a market leader stops innovating, rival firms will develop the next generation of services and products. Connectivity allows devices to provide new functionalities, and larger firms can leverage these devices to create efficiencies that make the network greater than just the sum of its parts. To some extent, interoperability between a single firm’s products will act as a competitive advantage over rivals, as the rival’s single device may not connect to the other devices in a home or lack the full range of functionalities an integrated product would. A Google Nest, for example, can use the virtual assistant to control speakers that play music, while security cameras keep the homeowner informed of any developments outside.

As a result, a rival manufacturer may struggle to develop a product that can offer the same capabilities. However, that doesn’t mean that competition as a whole is harmed. The competitive pressures that



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drive innovation will continue to provide significant benefits to consumers as firms must continue to innovate or lose customers to competitors.

That is not to say harms to competition cannot exist in these markets. If a firm can exert monopoly power to engage in anticompetitive conduct that excludes competition entirely—meaning the firm can then extract monopoly rents from the consumer—the regulator should step in to mitigate the harms and punish the anticompetitive conduct. This will ensure that rivals will continue to put competitive pressure on the current dominant firms, promoting further innovation and pro-competitive benefits.

R Street commends the Committee for its continued work to ensure markets stay competitive. However, protecting consumers and competition as a whole must remain the goal, with an understanding that integration of products can provide significant benefits. Some rival firms may struggle to compete when an established firm can leverage efficiencies from connectivity between their devices, but that does not mean competitive processes—nor consumers—are harmed. Instead, Congress must carefully consider whether conduct in a given market hurts the competitive process as a whole, and therefore hurts consumers.

Sincerely,

Jeffrey Westling,  
Technology and Innovation Policy Resident Fellow  
R Street Institute

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<sup>1</sup> “Hearing on ‘Protecting Competition and Innovation in Home Technologies,’” Before the Subcommittee on Competition Policy, Antitrust, and Consumer Rights of the Committee on the Judiciary, 117th Cong., June 11, 2021. <https://www.judiciary.senate.gov/meetings/protecting-competition-and-innovation-in-home-technologies>.

<sup>2</sup> Jeffrey Westling, “Should Antitrust Protect Competitors or Competition,” *Techdirt*, Oct. 23, 2020. <https://www.techdirt.com/articles/20201022/12073345562/should-antitrust-protect-competitors-competition.shtml>.

<sup>3</sup> Jeffrey Westling, “Don’t let Senator Hawley fool you: protecting consumers remains the goal,” *R Street Institute*, Apr. 21, 2021.