Amazon.com Inc.’s partnership with Anthropic PBC

Decision on relevant merger situation

ME 7100/24

SUMMARY

1. Amazon.com, Inc. (**Amazon**) has entered into a partnership with Anthropic PBC (**Anthropic**), which has resulted in Amazon acquiring certain rights with respect to the Anthropic business (the **Partnership**). Amazon and Anthropic are together referred to as the Parties.

2. Amazon is a US-listed multinational company active in several business areas, including those relevant to the development and deployment of foundation models (**FMs**). This includes as an FM developer, the supply of compute to FM developers through Amazon Web Services, Inc. (**AWS**), the supply of FM development tools, and the provision of access to FMs through Amazon Bedrock.

3. Anthropic is a US-based Public Benefit Corporation, specialising in artificial intelligence (**AI**) safety and research and is the developer of the Claude family of FMs. Anthropic has raised capital through a variety of funding rounds from firms including Alphabet, Menlo Ventures, Spark Capital, as well as Amazon.

4. The Partnership involves the following core elements:

   (a) A $4 billion investment by Amazon in Anthropic, with $1.25 billion invested in September 2023 and $2.75 billion in March 2024, which is convertible into non-voting equity in certain circumstances.

   (b) A non-exclusive arrangement for the supply of compute by AWS to Anthropic, including use of AWS Trainium and Inferentia chips to build, train, and deploy its future FMs. Through the Partnership, Anthropic is using AWS as its primary cloud provider for certain workloads. The Parties have also committed to collaborate on the development of future Trainium and Inferentia technology.

(c) A non-exclusive long-term commitment by Anthropic to provide access to its models on Amazon Bedrock.

(d) Non-exclusive licensing of Anthropic's FMs to Amazon for use in Amazon services.

(e) Amazon has also secured certain rights in connection with its investment, including consultation rights (and a right to advise and address Anthropic) on significant Anthropic business issues; and a right of first notification regarding any potential change of control over Anthropic (so as to enable Amazon to submit a counteroffer within a certain time period).

5. The Competition and Markets Authority (**CMA**) has considered whether it is or may be the case that a relevant merger situation has been created as a result of the Partnership. A relevant merger situation arises when (i) two or more enterprises cease to be distinct, (ii) either the UK turnover test or the share of supply test is met, and (iii) in the case of a completed transaction, the reference is made not more than four months from the later of the merger taking place or material facts being notified.

6. In relation to the first criterion, two or more enterprises cease to be distinct if they are brought under common ownership and control. Control is not limited to acquisitions of outright voting control but may include situations falling short of voting control, including through the exercise of material influence. The CMA will consider factors such as the acquirer's ability to influence the management of the target's business including the strategic direction of the company and its ability to define and achieve its commercial objectives. Material influence is the lowest level of control that may give rise to a relevant merger situation, and requires a case-by-case analysis of the overall relationship between the acquirer and the target, having regard to all the circumstances of the case.

7. The CMA considered whether certain elements of the Partnership, taken together, may result in Amazon having material influence over Anthropic. However, the CMA did not need to reach a conclusion on material influence as the Partnership does not meet the second criterion in paragraph 5 above. In particular, the CMA found that Anthropic's UK turnover does not exceed £70 million in the UK, nor do the Parties, on the basis of the available evidence, together account for a 25% or more share of supply of any description of goods or services in the UK.

8. The CMA does not therefore believe that it is or may be the case that a relevant merger situation has been created.

9. The Partnership will therefore not be referred under section 22 of the Act.