

Amazon.com Inc.'s partnership with Anthropic PBC

Decision on relevant merger situation

ME 7100/24

The Competition and Markets Authority (**CMA**)'s decision on relevant merger situation under section 22(1) of the Enterprise Act 2002 (the **Act**) issued on 27 September 2024. Full text of the decision published on 17 October 2024.

Please note that [§<] indicates figures or text which have been deleted at the request of the parties for reasons of commercial confidentiality.

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; [§<].
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.

ASSESSMENT

PARTIES

10. Amazon has its principal executive offices in Seattle, USA and is publicly listed on NASDAQ. In 2023, Amazon's total worldwide turnover was \$575 billion.¹ Amazon is active in a variety of business areas, including in several areas relevant to the development and deployment of FMs. This includes Amazon's own FM development activities through its Titan family of models,² its supply of compute (through AWS) to FM developers (including through supplying both NVIDIA chips and Amazon's own custom Trainium³ and Inferentia⁴ chips), its supply of FM development tools such as Amazon SageMaker,⁵ and the provision of access to FMs through its Amazon Bedrock service.⁶
11. Anthropic is an AI safety and research company, based in San Francisco, USA.⁷ Anthropic is constituted as a Delaware Public Benefit Corporation and has raised capital through a variety of funding rounds from firms such as Amazon, Alphabet, Menlo Ventures and Spark Capital. In 2023, Anthropic's worldwide turnover was \$[redacted],⁸ of which \$[redacted] was generated in the UK.⁹ Anthropic has developed the Claude family of FMs. Anthropic recently introduced its Claude 3 family of models, which according to Anthropic offer increased capabilities in analysis, forecasting, nuanced content creation, code generation and multi-language communication.¹⁰ Anthropic also launched its Claude 3.5 Sonnet model on 21 June 2024, the first release in the forthcoming Claude 3.5 model family. Anthropic has stated that Claude 3.5 Sonnet raises the industry bar for intelligence, outperforming competitor models and Claude 3 Opus on a wide range of evaluations, with the speed and cost of its mid-tier model, Claude 3 Sonnet.¹¹ Anthropic models are available to use on Anthropic's claude.ai, the Claude iOS app, the Claude API, as well as on Google Cloud's Vertex AI Model Garden and Amazon Bedrock.¹²

¹ [Amazon.com, Inc. 2023 Annual Report.](#)

² [Amazon Titan in Amazon Bedrock.](#)

³ [AWS Trainium.](#)

⁴ [AWS Inferentia.](#)

⁵ [Amazon SageMaker.](#)

⁶ [Amazon Bedrock.](#)

⁷ [Anthropic - Making AI systems you can rely on.](#)

⁸ Anthropic response of 13 June 2024 to the CMA's section 109 of 29 May 2024, question 12, Annex ANTH-CMA-00001895.

⁹ Anthropic response of 2 May to the CMA's Enquiry Letter of 8 April 2024, question 8, Annex A.

¹⁰ [Introducing the next generation of Claude.](#)

¹¹ [Claude 3.5 Sonnet.](#)

¹² [Introducing the next generation of Claude; Claude 3.5 Sonnet.](#)

THE PARTNERSHIP

12. Amazon and Anthropic have entered into the Partnership to advance generative artificial intelligence.¹³ 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 invested in March 2024.¹⁴ This investment is in the form of two convertible notes which can convert into non-voting equity in Anthropic in certain circumstances. [§<].¹⁵
 - (b) A non-exclusive arrangement for the supply of compute capacity by AWS to Anthropic including use of AWS Trainium and Inferentia chips to build, train and deploy Anthropic's future models. Through the Partnership, AWS has become Anthropic's primary cloud provider.¹⁶ Amazon also announced that it will collaborate with Anthropic on the development of future Trainium and Inferentia technology.¹⁷ In 2023, Anthropic sourced [§<]% of its compute from AWS.¹⁸
 - (c) A non-exclusive commitment to provide access to existing Anthropic models on Amazon Bedrock and a long-term commitment by Anthropic to provide AWS customers around the world with access to future generations of Anthropic FMs on Amazon Bedrock.¹⁹ [§<].²⁰
 - (d) Non-exclusive licensing of FMs developed by Anthropic to Amazon for use in Amazon services. Amazon explained that its developers and engineers will be able to use Anthropic models via Amazon Bedrock so they can incorporate generative AI capabilities into their work, enhance existing applications, and create new products/services across Amazon's businesses.²¹
13. In addition to the elements described above, Amazon has secured certain rights in relation to Anthropic [§<], which Amazon disclosed to the CMA on 18 April 2024 in response to the CMA's Enquiry Letter. These rights include:²²

¹³ [Amazon and Anthropic announce strategic collaboration to advance generative AI.](#)

¹⁴ [Amazon and Anthropic announce strategic collaboration to advance generative AI](#); [Amazon and Anthropic deepen their shared commitment to advancing generative AI.](#)

¹⁵ Amazon's response of 2 May 2024 to CMA Enquiry Letter of 8 April 2024, paragraphs 4.3-4.4.

¹⁶ [Amazon and Anthropic deepen their shared commitment to advancing generative AI](#); [What you need to know about the AWS AI chips powering Amazon's partnership with Anthropic.](#)

¹⁷ [Amazon and Anthropic announce strategic collaboration to advance generative AI](#); [Access to the most powerful Anthropic AI models begins today on Amazon Bedrock](#)

¹⁸ Anthropic response of 6 June 2024 to CMA's section 109 notice of 29 May 2024, question 4.

¹⁹ [Amazon and Anthropic deepen their shared commitment to advancing generative AI](#); [Anthropic's Claude 3 models on Amazon Bedrock](#)

²⁰ Amazon's response of 18 April 2024 to CMA's Enquiry Letter of 8 April 2024, Annex 3.17.

²¹ [Amazon and Anthropic announce strategic collaboration to advance generative AI.](#)

²² Amazon's response of 18 April to CMA Enquiry Letter of 8 April 2024, Annex 3.3.

- (a) An entitlement to consult with and advise Anthropic management on significant business issues, including [redacted]. Anthropic has also agreed to [redacted].²³
- (b) A right for Amazon to address Anthropic on concerns regarding significant business issues facing Anthropic [redacted].^{24, 25}
- (c) [redacted].²⁶

PROCEDURE

14. The CMA's mergers intelligence function identified the Partnership as warranting an investigation, having found that there was a reasonable chance that the test for a reference to an in-depth phase 2 investigation would be met (ie a reasonable chance that an investigation would reveal that it is or may be the case that a relevant merger situation has been created, and the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition (SLC)).²⁷

JURISDICTION

15. The 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. Under section 23 of the Act, 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 merger, the reference is made not more than four months from the later of the merger taking place or material facts being notified.
16. Each of Amazon and Anthropic is an enterprise. Two or more enterprises cease to be distinct if they are brought under common ownership or control.²⁸ Control is not limited to the acquisition of outright voting control but may include situations falling short of outright voting control, including material influence, de facto control and a controlling interest.²⁹
17. The ability to exercise material influence is the lowest level of control that may give rise to a relevant merger situation. When making its assessment, the CMA focuses on the acquirer's ability to influence materially policy relevant to the behaviour of the target entity in the marketplace. The policy of the target in this context means the management of its business, and therefore includes the strategic direction of a

²³ Amazon's response of 18 April to CMA Enquiry Letter of 8 April 2024, Annex 3.3, section 2(b).

²⁴ [redacted].

²⁵ Amazon's response of 18 April to CMA Enquiry Letter of 8 April 2024, Annex 3.3, section 2(c).

²⁶ Amazon's response of 18 April to CMA Enquiry Letter of 8 April 2024, Annex 3.3, section 3(a) – (e).

²⁷ See Mergers guidance on the CMA's jurisdiction and procedure, 25 April 2024 ([CMA2](#)), paragraph 6.4.

²⁸ Section 26 of the Act. [CMA2](#), paragraph 4.5.

²⁹ Section 26 of the Act. [CMA2](#), paragraph 4.16.

company and its ability to define and achieve its commercial objectives.³⁰ The CMA will also consider the commercial realities and results of a given transaction, focusing on substance rather than legal form, and have regard to the status and expertise of the acquirer, as well as the identity and corporate policy of the target company (so as to consider whether the acquirer may be able materially to influence policy formulation through means other than a shareholding).³¹

18. The assessment of material influence 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.³² The variety of commercial arrangements entered into by firms makes it difficult to state categorically what will (or will not) constitute material influence.³³
19. The CMA has described above certain elements of the Partnership that would need to be considered in the round when assessing whether enterprises have ceased to be distinct within the meaning of section 26 of the Act.
20. The CMA notes in this context that Amazon has consistently stated that it has not acquired material influence over Anthropic as a result of the Partnership.³⁴
21. The CMA has previously explained that agreements to provide compute infrastructure to an FM developer as well as distribution agreements between an FM developer and a cloud service provider (**CSP**) may in certain circumstances result in an acquisition of material influence.³⁵ This may occur where the conditions are such that the agreement creates a dependency on the compute supplier or CSP such that it enables it to influence materially the commercial policy of the FM developer.³⁶ The CMA also considers that the other categories of agreements and rights set out in the description of the Partnership above (including those consultation and advice rights [§<] in relation to significant Anthropic business issues) are, in principle capable of contributing to a finding of material influence in certain circumstances.
22. However, as described below, in this case neither the turnover test nor the share of supply test is met. It has therefore not been necessary for the CMA to conclude on whether Amazon has acquired material influence over Anthropic as a result of the Partnership.

³⁰ [CMA2](#), paragraph 4.17.

³¹ [CMA2](#), paragraph 4.24; 4.26.

³² [CMA2](#), paragraph 4.18.

³³ [CMA2](#), paragraph 4.20.

³⁴ See, for instance, Amazon's response of 2 May 2024 to the CMA Enquiry Letter of 8 April 2024, paragraph 6.2 and Amazon's submission to the CMA of 3 May 2024 ('The Minority Investment does not give rise to a relevant merger situation under the Enterprise Act 2002').

³⁵ See case [ME/7102/24 – Microsoft/Mistral](#), paragraphs 12 and 14.

³⁶ See case [ME/7102/24 – Microsoft/Mistral](#), paragraphs 12 and 14.

23. Taking each of the turnover and share of supply test in turn:
- (a) The UK turnover of Anthropic did not exceed £70 million in the last financial year. The turnover test in section 23(1)(b) of the Act is therefore not met.
 - (b) Amazon and Anthropic submitted that they do not account for a share of supply in the UK of 25% or more and, accordingly, that the share of supply test in section 23(2)(b) of the Act is not met. The CMA considered various descriptions of goods and services supplied by both Amazon and Anthropic and various measures of share of supply. In doing so, the CMA requested relevant information from Amazon, Anthropic, and third parties. Having carefully analysed the information obtained, the CMA has not found a basis on which the share of supply test is met. For these reasons, the CMA does not believe that the share of supply test in section 23(2)(b) of the Act is met.

DECISION

24. On the basis of the information available to it, the CMA does not believe that it is or may be the case that a relevant merger situation has been created because neither the turnover test nor the share of supply test set out in section 23 of the Act is met.
25. The Partnership will therefore not be referred under section 22 of the Act.

Joel Bamford
Executive Director, Mergers
Competition and Markets Authority
27 September 2024