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12

13
14 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
15 **COUNTY OF SAN FRANCISCO**

16
17 **THE PEOPLE OF THE STATE OF CALIFORNIA,**

18 Plaintiff,

19 v.

20 **AMAZON.COM, INC.,**

21 Defendant.

COMPLAINT FOR VIOLATIONS OF:

(1) THE CARTWRIGHT ACT (BUS. & PROF. CODE § 16720, *et seq.*); AND

(2) THE CALIFORNIA UNFAIR COMPETITION LAW – UNLAWFUL AND UNFAIR PRONGS (BUS. & PROF. CODE § 17200, *et seq.*);

DEMAND FOR JURY TRIAL

REDACTED

PUBLIC—REDACTS MATERIALS FROM CONDITIONALLY SEALED RECORD

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1 California Attorney General Rob Bonta brings this civil antitrust and unfair competition
2 action on behalf of the People of the State of California (“the People”), in his law enforcement
3 capacity, to enjoin defendant Amazon.com, Inc. and its affiliates (“Amazon”) from unlawful
4 conduct in violation of California’s Cartwright Act and the California Unfair Competition Law, to
5 recover *parens patriae* damages, disgorgement, restitution, penalties, and fees and costs, and to
6 restore competition among online retail stores involving California consumers and merchants.

7 The People allege as follows:

8 **I. INTRODUCTION**

9 1. The policy and spirit of the California antitrust laws are to promote the free play of
10 competitive market forces and the lower prices to consumers that result. Amazon, the dominant
11 online retail store in the United States, has violated the policy, spirit, and letter of those laws by
12 imposing agreements at the retail and wholesale level that have prevented effective price
13 competition across a wide swath of online marketplaces and stores. Amazon claims these
14 agreements improve the “customer experience.” After all, Amazon says, if consumers see (or
15 pay) a higher price on Amazon than on Walmart.com or eBay, for example, consumers will be
16 dissatisfied with Amazon. It is better for the Amazon “customer experience” if consumers do not
17 see lower prices off Amazon—regardless of whether they are actually getting the lowest prices
18 possible.

19 2. But the California antitrust laws are not concerned with making consumers think
20 they are getting low prices when they are not. Rather, these laws are concerned with protecting
21 market competition, including the unhindered setting of prices through the forces of supply and
22 demand. Amazon makes consumers *think* they are getting the lowest prices possible, when in
23 fact, they cannot get the low prices that would prevail in a freely competitive market because
24 Amazon has coerced and induced its third-party sellers and wholesale suppliers to enter into
25 anticompetitive agreements on price. The intent and effect of these agreements is to insulate
26 Amazon from price competition, entrenching Amazon’s dominance, preventing effective
27 competition, and harming consumers and the California economy.

1 3. In these anticompetitive agreements, Amazon’s third-party sellers and wholesale
2 suppliers agree not to offer, and to prevent Amazon’s competitors from offering, lower prices
3 elsewhere—including Walmart.com, Target.com, eBay, their own websites, and other online
4 stores—and incur steep penalties if these other online stores have lower prices. Without basic
5 price competition, without different online sites trying to outdo each other with lower prices,
6 prices artificially stabilize at levels higher than would be the case in a competitive market.
7 Competing sites do not offer lower prices the way they would in a competitive market, not
8 because Amazon competed successfully, not because Amazon is a more efficient retailer and
9 marketplace, but because Amazon forbids it by contract.

10 4. Amazon imposes these agreements at two levels—the retail level via third-party
11 sellers that sell on Amazon’s Marketplace, and the wholesale level via wholesale suppliers that
12 sell directly to Amazon. At the retail level, Amazon coerces the third-party sellers on its
13 Marketplace into agreeing not to offer their products at a lower price elsewhere. From 2012 to
14 March 2019, this agreement was codified most expressly in the “Price Parity Provision” of
15 Amazon’s Business Solutions Agreement (“BSA”) with Marketplace sellers. After a German
16 regulatory authority found that the Price Parity Provision “resulted in significant price increases
17 in e-commerce,”¹ and Senator Richard Blumenthal called for an investigation of the practice,
18 Amazon quietly retired the specific language from its BSA in March 2019.

19 5. But despite removing that language, Amazon continued to interpret and apply
20 other provisions of its BSA to mandate the same price parity agreement from third-party sellers.
21 As an internal Amazon document put it, despite “[REDACTED]
22 [REDACTED]” Sellers on Amazon’s Marketplace
23 agree to this price parity policy in Amazon’s Seller Code of Conduct, its Fair Pricing Policy, and
24 its Standards for Brands Selling in the Amazon Store, all of which are incorporated into
25 Amazon’s Business Solutions Agreement, which binds all sellers and is a required agreement to
26 sell on Amazon’s Marketplace. And irrespective of its written agreements and policies, Amazon

27 ¹Bundeskartellamt [BKartA] [Federal Cartel Office], Nov. 26, 2013, B6-46/12 at 3,
28 https://www.bundeskartellamt.de/SharedDocs/Entscheidung/EN/Fallberichte/Kartellverbot/2013/B6-46-12.pdf?__blob=publicationFile&v=2.

1 strictly enforces a de facto retail price parity agreement by imposing escalating penalties on
2 sellers that fail to comply with price parity, until they do comply. These sanctions have included
3 disqualifying them from winning the “Buy Box” (the box containing the “Add to Cart” button on
4 the product detail page the shopper clicks to add the product to her cart), demoting their offers to
5 the bottom of Amazon’s organic search results, and blocking them from creating new offers in
6 their third-party seller accounts altogether.

7 6. Amazon also enforces price parity at the wholesale level, through one-sided
8 minimum margin agreements with its wholesale suppliers that Amazon—not the suppliers—
9 requests and insists on. Under these agreements, suppliers *explicitly agree*, against their own
10 interests, to make true-up payments to Amazon if Amazon’s price-matching in response to other
11 online stores’ lower prices results in Amazon making less than the “minimum margin” specified
12 in the agreement. In other words, Amazon’s wholesale suppliers agree to be punished if they
13 discount or fail to prevent discounting by Amazon’s rivals, thereby powerfully disincentivizing
14 that discounting. [REDACTED]
15 [REDACTED]

16 7. Amazon’s retail- and wholesale-level price parity agreements cause third-party
17 sellers and wholesale suppliers to impose higher prices or enforce minimum advertised price
18 policies on Amazon’s rivals, to charge higher prices on their own websites and on competing
19 marketplaces, and to withhold selection from these competing online stores and their own sites.
20 These actions hamper the ability of Amazon’s rivals to compete by offering lower prices.
21 Amazon calls these machinations [REDACTED]
22 [REDACTED]. As a result, merchants on their own direct-to-consumer
23 sites, and numerous online retailers, have dramatically cut back on discounting and other price
24 competition, including in some cases abandoning or pivoting away from a discount model
25 altogether. Absent these agreements, a greater selection and total output of lower-priced products
26 would be available across online stores.

27 8. Amazon’s own internal documents demonstrate that it is aware that [REDACTED]
28 [REDACTED]

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Indeed, Amazon admitted to the [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]—i.e., price competition. Amazon forbids such pricing competition by contract.

9. Amazon’s price parity agreements with its third-party sellers and wholesale suppliers are facially anticompetitive, horizontal price restraints. Amazon’s third-party sellers and wholesale suppliers are not just vertically-situated inputs to Amazon’s online retail store. They are also, individually and collectively, a powerful horizontally-situated threat to Amazon, because they can and do sell their own products directly to consumers through their own websites. Internal Amazon documents confirm that Amazon viewed the early growth of competing direct-to-consumer online stores as “[REDACTED]” Amazon committed to “[REDACTED]” Amazon has done so—has neutralized this threat—by coercing these merchants to agree not to compete with Amazon on price on their own direct-to-consumer websites. According to Amazon’s documents, these price parity agreements—specifically, the Amazon Standards for Brands policy and implementation measures—“[REDACTED]” competition from direct-to-consumer online stores.

10. Amazon is able to extract these anticompetitive terms from its third-party sellers and wholesale suppliers because it enjoys substantial market power. Amazon is the dominant online retail store in the United States and a critical outlet and distribution channel for these merchants. For hundreds of thousands of third-party sellers, Amazon sales are effectively their entire business—lose Amazon, and they lose their livelihood. Even for larger brands and other merchants that sell wholesale to Amazon, sales on Amazon regularly represent 20-30% or more of their total sales, particularly in certain product categories like consumer electronics.

1 11. Because of this market power over third-party sellers and wholesale suppliers,
2 Amazon can—and does—charge substantially higher fees and demand substantially higher
3 profitability on its sales of their products than it could in a competitive market. [REDACTED]
4 [REDACTED] these higher fees translate into higher prices on Amazon, but
5 Amazon does not truly care if consumers pay higher prices. Amazon knows its price parity
6 agreements prevent rivals from stealing market share away with lower prices reflective of their
7 lower fees. So Amazon keeps raising fees, leading to higher prices on Amazon, leading to higher
8 prices off Amazon due to price parity—a vicious anticompetitive cycle in which Amazon wins
9 and its third-party sellers, its wholesale suppliers, consumers, and competition lose.

10 12. The evidence uncovered by the Office of the Attorney General is widespread and
11 sourced from multiple levels of the market, including the internal files of Amazon and the
12 Office’s independent investigation of data, documents, and witnesses. Individual third-party
13 sellers and wholesale suppliers have told the Office that they would offer lower prices or allow
14 discounting on competing sites if Amazon did not demand price parity. Ecommerce
15 consultants—experienced market participants who advise third-party sellers and wholesale
16 suppliers on how to sell and be successful on Amazon—tell their clients not to offer or allow
17 lower prices off Amazon. They have confirmed to the Office that their clients would offer lower
18 prices and greater selection and allow more discounting off Amazon were it not for Amazon’s
19 price parity policies. And major online retail stores—i.e., Amazon’s primary competitors—
20 confirmed to the Office that sellers told them that they cannot offer lower prices or participate in
21 discount events, or in some cases offer their products at all, on those competing retail sites
22 because of Amazon price parity. Moreover, [REDACTED] the Office’s
23 data analyses confirm that merchants generally do *not* lower their prices on or to Amazon to
24 comply with the prohibition on relative discounting off Amazon. Rather, Amazon has misled
25 consumers into believing they are getting the low prices that would prevail in a competitive
26 market when, in fact, it has deliberately caused prices to be generally higher everywhere else than
27 they would be absent price parity.
28

1 13. As the United States Congress and competition authorities domestic and abroad
2 have investigated this conduct, Amazon has misled enforcers about its conduct or, in real-time,
3 altered its behavior to appear to eliminate the suspect conduct. Amazon then either painted a
4 misleading picture to investigators that it never engaged in the conduct to begin with, or engaged
5 in different conduct with the same purpose and effects.

6 14. For example, internal Amazon documents confirm that just months after Amazon
7 eliminated the Price Parity Provision from its BSA, [REDACTED]
8 [REDACTED]. An Amazon Director observed that [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED] In other words, Amazon *claimed* to antitrust
12 enforcers that it was no longer enforcing price parity, but it continued to do just that. Amazon
13 even anticipated that “[REDACTED]
14 [REDACTED]
15 [REDACTED]”

16 15. To remedy and effectively combat Amazon’s anticompetitive practices requires
17 significant relief. Amazon must pay damages to compensate the People for preventing
18 competition from competing online stores and raising prices to consumers above what they would
19 be in a competitive market. Amazon must also give up its ill-gotten gains and pay penalties,
20 provided by statute to serve as a deterrent to other companies contemplating similar actions. And
21 Amazon must cease its anticompetitive behavior.

22 16. In further support of this action, the People state as follows:

23 **II. JURISDICTION AND VENUE**

24 17. This action is brought under the Cartwright Act, California Business and
25 Professions Code section 16720, *et seq.*, and the California Unfair Competition Law, California
26 Business and Professions Code section 17200, *et seq.*, for equitable, monetary, and other relief
27 due to Amazon’s unlawful conduct.
28

1 18. At all relevant times alleged in this Complaint, Amazon did and continues to do
2 substantial business in or affecting the State of California, and the injuries that have been
3 sustained as a result of Amazon’s illegal conduct occurred in part in California, rendering this
4 Court’s exercise of jurisdiction over Amazon proper.

5 19. Venue is proper in the City and County of San Francisco because Amazon does
6 business in San Francisco. Venue is further proper in the City and County of San Francisco
7 because many acts giving rise to the claims asserted herein were committed in San Francisco, and
8 the injuries that have been sustained as a result of Amazon’s illegal conduct occurred in part in
9 the City and County of San Francisco.

10 **III. THE PARTIES**

11 20. Plaintiff is the People of the State of California. Rob Bonta is the Attorney
12 General of the State of California (“the Attorney General”) and the chief law enforcement officer
13 of the State under the California Constitution, article V, section 13. The Attorney General is
14 authorized to bring an action for equitable nonmonetary and monetary relief under the Cartwright
15 Act and Unfair Competition Law on behalf of the People under California Business and
16 Professions Code sections 16750, 16754, 16754.5, 17203, 17204, and 17206.

17 21. This authorization includes securing mandatory injunctions to restore and preserve
18 fair competition under Business and Professions Code section 16754.5, in addition to prohibitory
19 injunctions, and securing restitution, injunctive relief, and civil penalties under California
20 Business and Professions Code sections 17204, 17206, and 16750(a). The Attorney General has a
21 unique role in representing the People and the State of California in antitrust cases in carrying out
22 the public interest in this State, particularly where equitable actions are concerned.

23 22. Defendant Amazon.com, Inc. (“Amazon”) operates the leading online retail store
24 in the United States, which includes the Amazon Marketplace, where millions of third-party
25 sellers sell products directly to consumers, and where Amazon resells products purchased
26 wholesale from suppliers to consumers. For over twenty years, Amazon has advertised,
27 marketed, promoted, offered for sale, and sold goods and services in California.

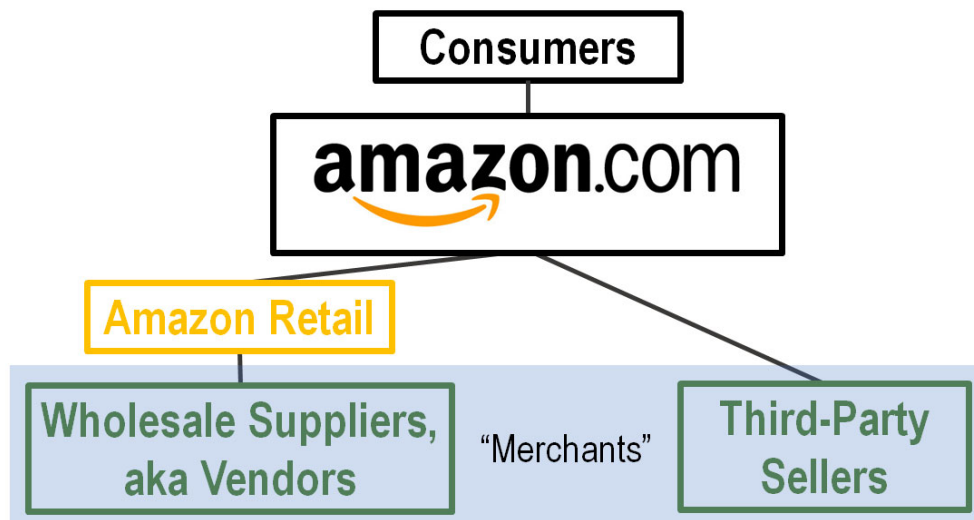
1 **IV. BACKGROUND**

2 23. Amazon began its business as an online bookseller. Over time, it expanded
3 beyond books with the aspiration of becoming “the everything store.” Originally, Amazon
4 followed a traditional retail model: it purchased products directly from wholesale suppliers (or
5 “vendors”) at a wholesale price, and resold them to consumers through its online store at a retail
6 price. Today, a little less than half of the sales of Amazon are represented by these “first-party
7 sales”—Amazon the retailer selling products on its own platform. Amazon earns profits on these
8 sales (1) by generally selling products for a higher retail price than Amazon paid for them
9 wholesale and (2) charging/collecting from its wholesale suppliers various fees and funding,

10 [REDACTED]

11 [REDACTED].

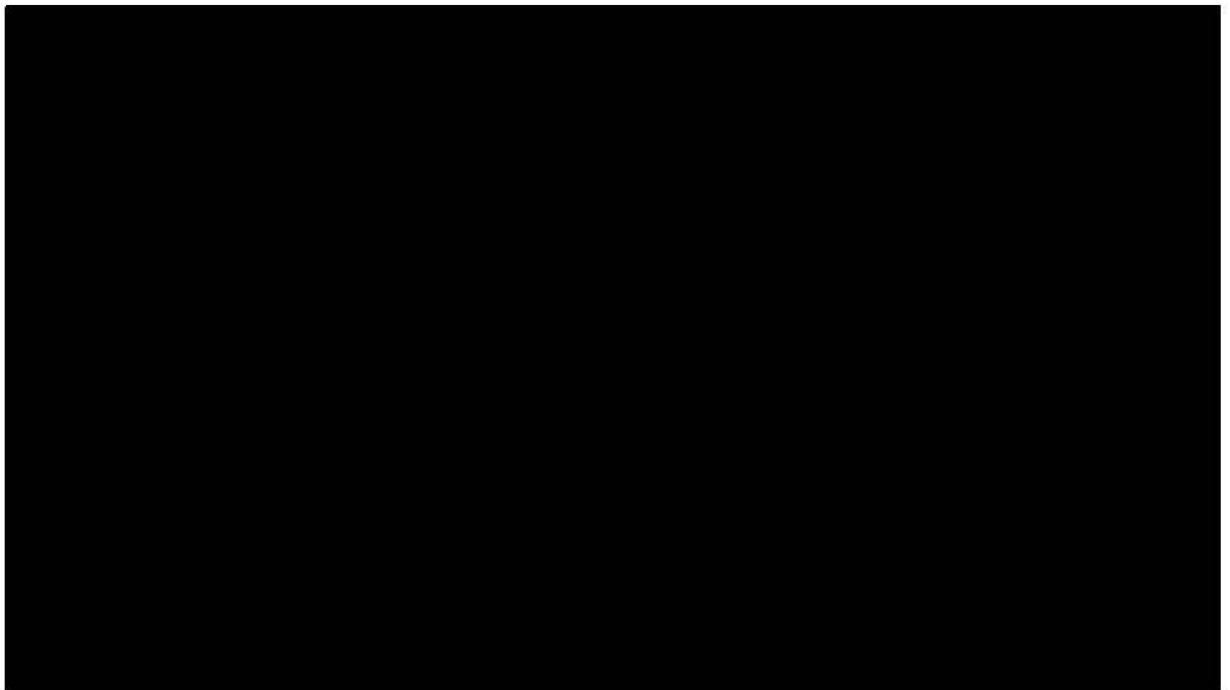
12 24. The balance of sales in Amazon’s store are “third-party” sales through Amazon’s
13 Marketplace. Third-party sellers include “brands” that sell their own branded products, brand
14 representatives that sell on behalf of brands, and resellers. Third-party sellers pay Amazon
15 “referral” fees (a percentage or minimum dollar amount per unit sold), shipping and fulfillment
16 fees, storage fees, sponsored products and other advertising fees, and other miscellaneous fees
17 (such as stocking fees). On average, third-party sellers pay Amazon fees equal to approximately
18 █% of their revenues from sales on Amazon. This Complaint refers to third-party sellers and
19 wholesale suppliers together as “merchants.”



1 25. In 2005, Amazon introduced “Amazon Prime,” an express shipping membership
2 program. For a flat membership fee of \$79 per year, members were entitled to unlimited, express
3 two-day shipping for free, with no minimum purchase requirement. Non-Prime members could
4 still qualify for free shipping if they met certain order size thresholds. Amazon has expanded its
5 Prime program over the years to include additional benefits, including free video and music
6 streaming. Today, an Amazon Prime membership costs \$139 per year, and Amazon counts over
7 160 million Prime members in the United States alone—in a country with approximately 130
8 million households. Products in Amazon’s store available for express Prime shipping are denoted
9 with the Prime “badge.”

10 26. As Amazon built its Prime program, it substantially expanded its shipping and
11 fulfillment capabilities. As of 2020, approximately █% of all third-party orders are “Fulfilled by
12 Amazon” (“FBA”):

13 **Percentage of Third-Party Transactions Fulfilled by Amazon, 2014-2020:**



25 27. Third-party sellers that use FBA keep their inventory in Amazon’s fulfillment
26 centers. After a consumer places an order online, Amazon does the picking, packing, and
27 shipping, and provides customer service to complete the order. Amazon also offers a “Multi-
28 Channel Fulfillment” service, which third-party sellers can use to fulfill non-Amazon orders.

1 Third-party sellers send their inventory for all of the channels through which they sell their
2 products to Amazon's fulfillment centers, and Amazon then fulfills those orders regardless of
3 whether they were made on or off Amazon.

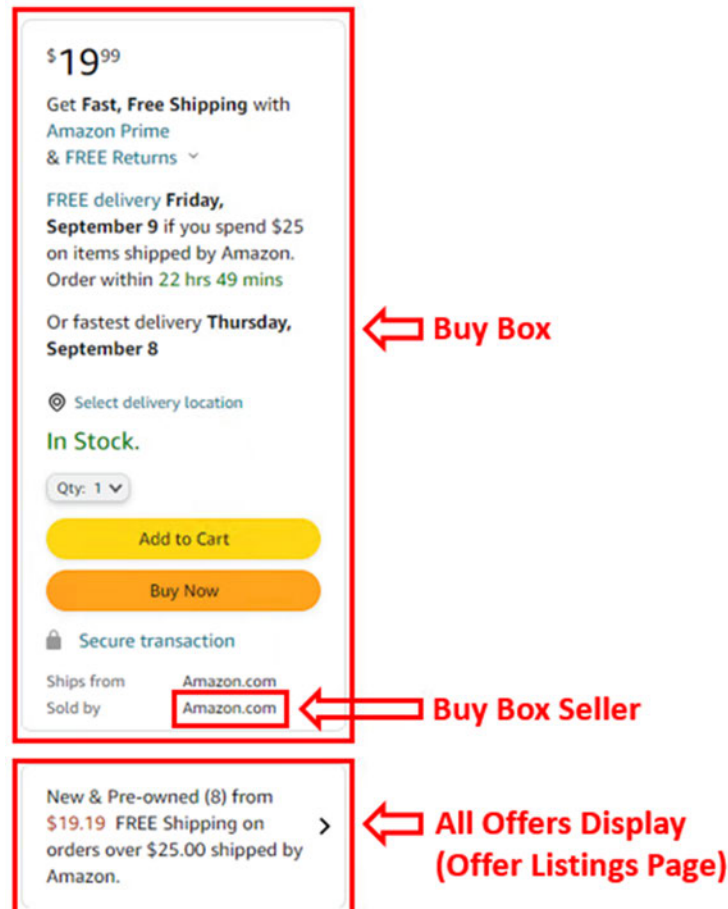
4 28. Amazon used to have a program called "Seller Fulfilled Prime," where sellers
5 could fulfill orders for their products themselves and still receive the Prime badge on their
6 products on Amazon, so long as they satisfied Prime standards. Amazon effectively discontinued
7 this program in 2021. Today, if third-party sellers wish to avoid Amazon's FBA fees, they can
8 fulfill orders themselves, but their products will not receive the Prime badge in Amazon's store,
9 which significantly adversely affects sellers. As one third-party seller put it, "the way Amazon
10 treats those of us sellers who do not participate in FBA is completely unfair and biased."

11 29. Around the second half of 2017, there was a significant expansion in the amount of
12 advertising Amazon displayed in its online store. Wholesale suppliers and third-party sellers
13 were now asked to pay Amazon additional fees if they wanted their products to appear near the
14 top of relevant search results, in banner ads on the search results page, and on product detail
15 pages as recommended alternatives in "widgets" (e.g., brief advertising slogans like, "Explore
16 more from [Brand]," "4 stars and above," etc.). Before this time, Amazon would determine
17 which products to feature (and in what order) in search results and recommendation widgets
18 based on their relevance to shoppers, not advertising bids.

19 30. To purchase a product in Amazon's online store, the shopper first clicks on the
20 "product detail page" for that product (from clicking on a search result or widget for that
21 product). The "Buy Box" is the box on the right side of the product detail page where the
22 shopper can click "Add to Cart" or "Buy Now."² Amazon generally includes only one Buy Box
23 on a product detail page, and Amazon decides which seller's offer to include in the Buy Box (i.e.,
24 which seller will make the sale if the shopper clicks on the "Add to Cart" or "Buy Now" button in
25 the Buy Box). If more than one seller has a given product (or "ASIN") on offer in the Amazon

26
27 ² Amazon changed the official name from "Buy Box" to "Featured Offer" a few years
28 ago, but many employees and executives in the company, and sellers virtually unanimously, still
refer to it as the "Buy Box," not the "Featured Offer." This Complaint uses the original term
"Buy Box" for clarity.

store at the same time, all of the other offers that Amazon has not selected for the Buy Box are listed on the “All Offers Display” (formerly the “Offer Listings Page”), a link to which is listed under the Buy Box:



31. Most Amazon shoppers do not even realize that if they click through to the All Offers Display, they can view other offers for the same product; instead, they interpret the Buy Box offer as “the offer”—the only means of purchasing the product. It is no wonder then that the Buy Box captures approximately █% of the sales of any given product on Amazon. According to Amazon, losing the Buy Box █ As one seller put it, “when Amazon removes the price from the buy box . . . customers stop buying that product.” An ecommerce consultant reported, “Based on my experience as a seller and advising sellers on

1 Amazon, Buy Box suppression is ‘death to a listing.’” Another stated, “Without the Buy Box,
2 you will not make sales.”³

3 32. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED].

13 33. [REDACTED], Amazon has employed what it refers to as a “[REDACTED]” pricing
14 strategy—if a competitor that Amazon monitors lowers prices, Amazon will lower its prices to
15 match. As Jeff Wilke, Amazon’s CEO of Worldwide Consumer through February 2021,
16 explained in an internal Amazon interview: “[REDACTED]

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]

27 _____
28 ³ Ryan Faist, *How Pricing Strategy Helps You Win the Amazon Buy Box*, Channel Key
(Feb. 9, 2022), <https://channelkey.com/how-pricing-strategy-helps-you-win-the-amazon-buy-box>.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]”
5 34. Amazon provides pricing tools to its third-party sellers that encourage them to
6 adopt the same [REDACTED] pricing strategy. Specifically, Amazon encourages its third-party sellers
7 to use its Marketplace Automated Repricing Service, or “MARS.” With MARS, third-party
8 sellers can implement what Amazon calls the “Competitive Price Match Rule,” which “[u]pdates
9 your price to help stay eligible for Featured Offer [Buy Box] status and ensure that you *always*
10 *match the competitive price* (when there is one), to increase your chances of becoming the
11 Featured Offer.”⁴ “Competitive price” means the lowest price offered by other online stores
12 outside of Amazon.⁵ In pitching the MARS tool to third-party sellers, Amazon highlights: “And
13 remember, if a competitive price goes up, your offer price changes too.”⁶ In other words,
14 Amazon actively encourages adoption of a tool that lets third-party sellers automatically raise
15 their prices on Amazon if the price rises elsewhere.

16 **V. AMAZON’S MARKET POWER**

17 **A. Direct Evidence of Amazon’s Market Power**

18 35. There is substantial direct evidence of Amazon’s market power as an online retail
19 store.

20 **1. Persistent Excess Returns**

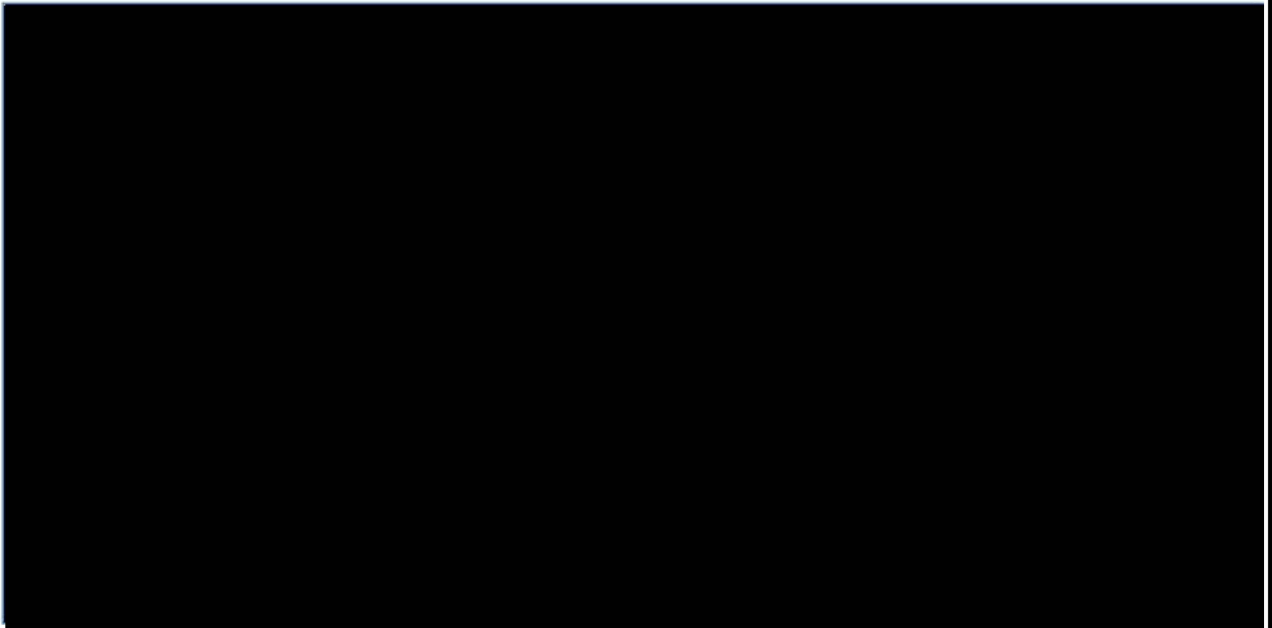
21 36. Amazon persistently earns excess returns (profit margins) above reasonably
22 normal levels. This is a direct indication of Amazon’s control over online retail store prices. As
23 shown below, Amazon has earned staggeringly high and increasing profits, and high profit
24 margins, over time from its online retail sales business:

25 ⁴ *Adjust pricing quickly and automatically*, Amazon.com,
26 <https://sell.amazon.com/tools/automate-pricing> (last visited Sept. 11, 2022).

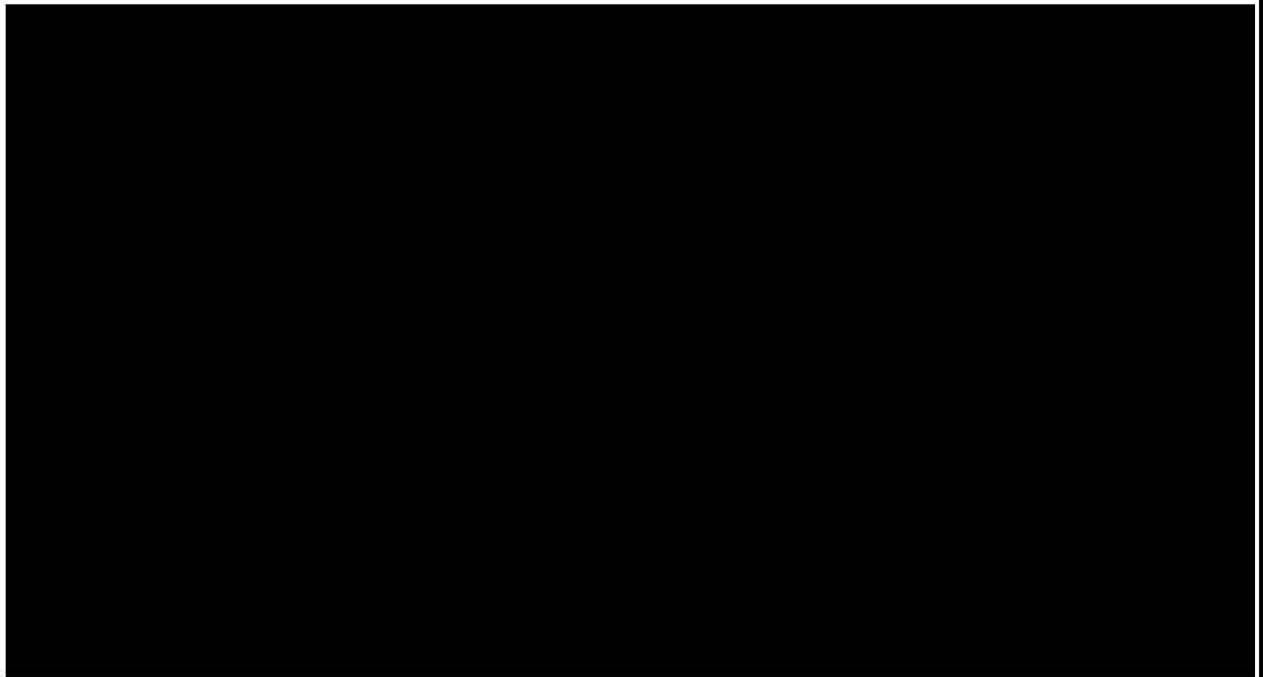
27 ⁵ *How does the Competitive External Price rule work?*, Amazon.com,
28 <https://sellercentral.amazon.com/help/hub/reference/external/E85R4NP368X5KKB?locale=en-US> (last visited Sept. 11, 2022).

⁶ Amazon Seller University, *Tips to become the Featured Offer on Amazon*, YouTube (Aug. 23, 2021), <https://youtu.be/qdapqHVGbic>.

Amazon Online Store Gross Profits, 2014-2020:



Amazon Online Store Revenues and Gross Profit Margins, 2014-2020:



37. The profit margins Amazon achieves on its online retail sales business are anything but normal. As another major retailer observed after analyzing its own profitability versus Amazon's a few years ago: "Never in the history of retail has a competitor created such a large margin gap." This is direct evidence of Amazon's market power.

1 **2. Amazon’s Power Over Merchants (Third-Party Sellers and**
2 **Wholesale Suppliers)**

3 38. Amazon is a critical outlet for third-party sellers and wholesale suppliers. In order
4 to access Amazon’s 160 million Prime-member households—the most lucrative customers
5 online⁷—without making them go outside the Amazon ecosystem (where they generally either
6 have to pay again for the fast shipping they get for free with Prime, or accept longer shipping
7 times for free delivery), third-party sellers and wholesale suppliers must sell through Amazon.
8 One survey found that 96% of all Prime members are more likely to buy products from Amazon
9 than any other online store, and 74% of all consumers go directly to Amazon when they are ready
10 to buy a specific product.⁸ Indeed, one of Amazon’s competitors concluded in 2018 that two out
11 of three online product searches end with a transaction on Amazon.com.

12 39. As a result, for hundreds of thousands of merchants—both third-party sellers and
13 wholesale suppliers—Amazon represents a critical portion of their sales—20-30% or more—that
14 they could not recover through other channels if they stopped selling on Amazon. For a
15 substantial portion of merchants whose products are sold on Amazon, Amazon is their most
16 important distribution channel.

17 40. As a well-known consumer electronics device brand that sells wholesale to
18 Amazon reported, “It would be very harmful to [our] business if [we] were to stop selling [our]
19 products on Amazon.com. Not only do a large and growing proportion of [our] sales take place
20 on Amazon.com, but a majority of [our] customers also are members of Amazon Prime. . . . [A]
21 substantial portion of [our] sales take place on Amazon.com. Indeed, as of the third quarter of
22 2022, approximately 75% of [our] online device sales in the U.S. take place on Amazon.”

23
24
25 ⁷ See Stephanie Chevalier, *Share of online consumers in the United States who are*
26 *Amazon Prime members as of August 2018, by household income*, Statista (June 15, 2022),
<https://www.statista.com/statistics/610070/amazon-prime-reach-usa-income>.

27 ⁸ Kiri Masters, *89% Of Consumers Are More Likely To Buy Products From Amazon Than*
28 *Other E-Commerce Sites: Study*, Forbes (Mar. 20, 2019),
<https://www.forbes.com/sites/kirimasters/2019/03/20/study-89-of-consumers-are-more-likely-to-buy-products-from-amazon-than-other-e-commerce-sites/?sh=1280ede64af1>.

1 41. Amazon wields even more power over some third-party sellers. Indeed, almost
2 half of Amazon’s third-party sellers generate 81% to 100% of their revenues from sales on
3 Amazon’s Marketplace.⁹

4 42. As one third-party seller put it, “We have nowhere else to go and Amazon knows
5 it.” “If we lose 90 percent of our sales because we get suspended from Amazon, the business
6 ceases to exist, basically. It doesn’t work basically anymore.” “We’re stuck with Amazon. We
7 need those sales in order to continue operating business as we do now.” Another seller said,
8 “We’re stuck. We don’t have a choice but to sell through Amazon.” Another said, “There is no
9 viable alternative to Amazon for my business.”

10 43. One ecommerce consultant that has advised scores of Amazon third-party sellers
11 explained, “In my experience, sellers have to sell on Amazon to be successful in the ecommerce
12 space. . . . The brands I advise today typically get 50% to 80% of their revenue from Amazon.
13 For most of my clients, if they were to stop selling on Amazon they would not be able to stay in
14 business or at a minimum would have to downsize significantly. Based on my experience
15 advising sellers, if you are not selling on Amazon, you are not selling online.”

16 44. An internal document from a major Amazon competitor summarized it well, based
17 on feedback from third-party sellers desperate for an alternative: “Amazon is not loved by sellers,
18 but sellers are locked into their platform.” “You have no choice but to make a deal with the
19 devil.” “You are one notice away from being shut down and losing your livelihood.” “Amazon
20 doesn’t care about you.” “We want [Amazon’s competitor] to win because [they] aren’t bullies.”

21 45. Indeed, over time, Amazon has been able to profitably impose increasingly higher
22 selling costs on third-party sellers and wholesale suppliers, without losing any meaningful
23 business to its competitors—in fact, while gaining market share.

24 46. For example, from 2014 to 2018, the percentage of total sales revenues that sellers
25 paid to Amazon (including referral fees, fulfillment fees, advertising fees, subscription fees, and
26 other fees) increased from ■% to ■% of the sales revenues of all third-party sellers, and from

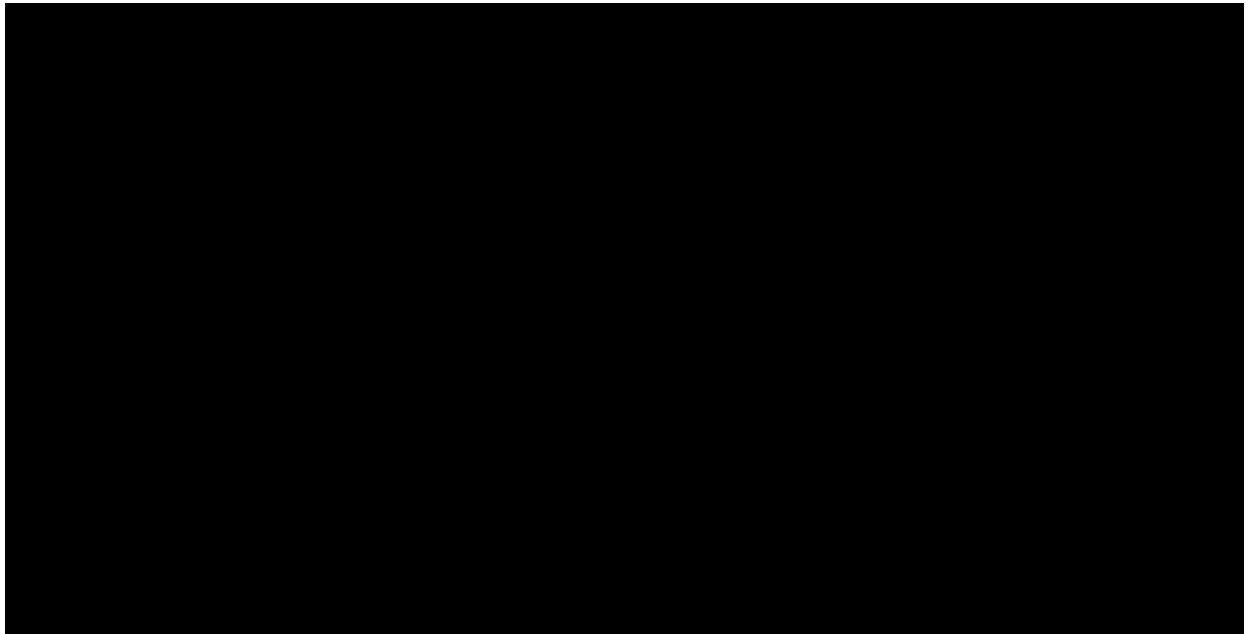
27 ⁹ Stephanie Chevalier, *Percentage of e-commerce revenue from Amazon sales according*
28 *to Amazon marketplace sellers in 2018*, Statista (May 4, 2022),
<https://www.statista.com/statistics/886918/amazon-revenue-share-of-amazon-sellers/>.

█% to █% of the sales revenues of Fulfilled by Amazon sellers. Amazon observed in 2018 that for some segments, “█
█”

47. Consistent with these findings, the Institute for Local Self-Reliance reported in December 2021 that, on average, Amazon pocketed 34% of each sale made by Marketplace sellers on its site, up from 30% in 2018 and 19% in 2014, and the average price sellers paid to simply list and sell a product on Amazon had risen by 28% since 2015.¹⁰

48. By 2021, the average fees paid by all third-party sellers to Amazon was approximately █% of their sales revenues, and that number for FBA sellers was █%. These numbers have increased since then, with dramatic (on the order of 40-50%) increases in effective FBA fees in the first half of 2022, well in excess of market-wide increases in shipping and fulfillment costs, and additional surcharges announced for the 2022 holiday season.¹¹

**Average Fees Paid to Amazon as a Percentage of All Third-Party Sales Revenues
and All Third-Party FBA Sales Revenues, 2014-Q1 2021:**

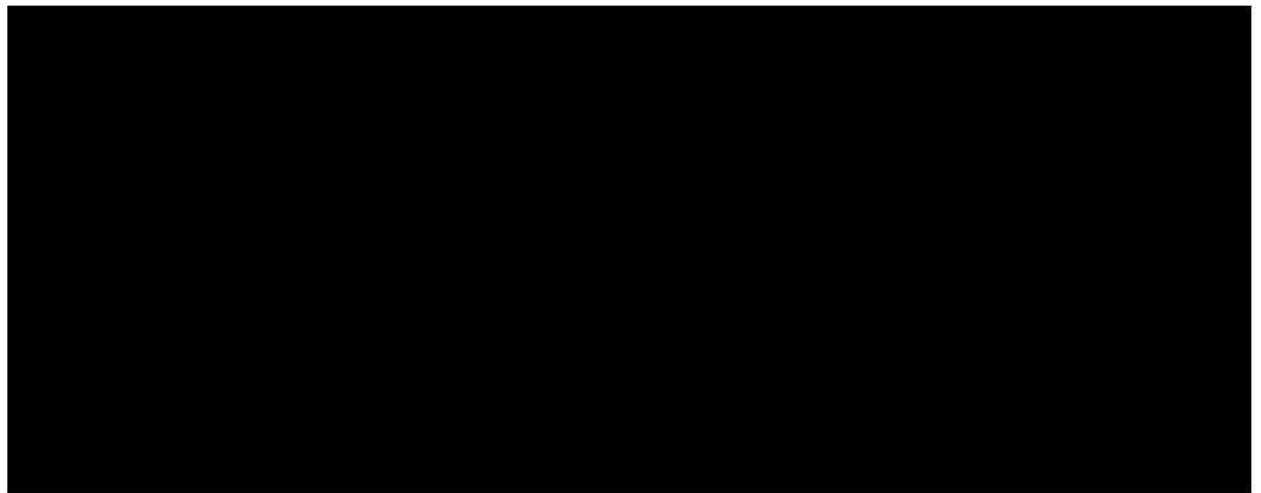


¹⁰ Stacy Mitchell, *Amazon's Toll Road: How the Tech Giant Funds Its Monopoly Empire by Exploiting Small Businesses* 4, 6, 12 (Inst. for Local Self-Reliance, Dec. 2021), available at <https://ilsr.org/wp-content/uploads/2021/11/ILSR-AmazonTollRoad-Final.pdf>.

¹¹ See Annie Palmer, *Amazon is raising seller fees for the holidays to manage through surging inflation*, CNBC.com (Aug. 16, 2022, 1:49 PM EDT), <https://www.cnbc.com/2022/08/16/amazon-to-raise-seller-fulfillment-fees-for-the-holidays.html>.

1 49. Third-party sellers stick with Amazon, they sell more and more on Amazon every
2 year, and the share of ecommerce sales that occurs on Amazon grows each year, despite the fact
3 that the total cost of selling on Amazon has increased dramatically over time. Since at least 2014,
4 third-party seller fees have been steadily increasing on the Amazon Marketplace, for example,
5 from around █% of FBA sellers' FBA sales revenues to around █%. Yet the share of these
6 third-party FBA sales on Amazon out of total ecommerce sales has grown during this same
7 period, from around █% to around █%. This is direct evidence of Amazon's market power over
8 sellers.

9 **Third-Party Sellers' Amazon Sales Volume (Revenues), 2014-2020:**



18 50. That Amazon is able profitably to impose increasingly higher merchant fees and
19 costs is no accident. In the third quarter of 2016, █
20 █
21 █ This group went
22 straight to work, █
23 █ and repeatedly observing that █
24 █

25 51. Indeed, the stated mission of Amazon Advertising is to "█
26 █" One Amazon
27 benchmarking study found that █
28 █ By the

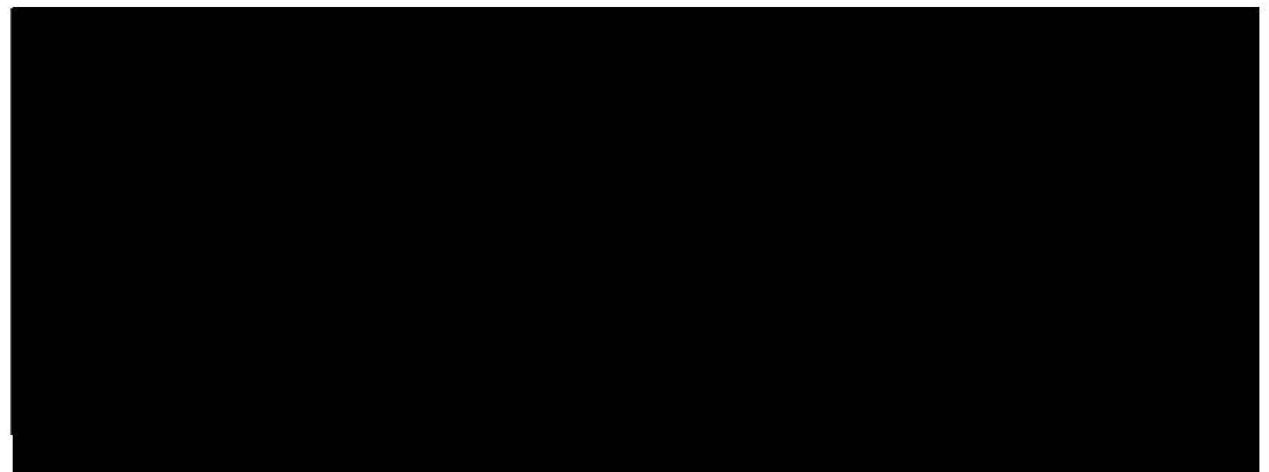
1 end of 2017, nearly [REDACTED]

2 [REDACTED] A 2020
3 survey of large brands found that at least 73% used Amazon's advertising services, with 65%
4 spending at least \$40,000 a month on advertising on the site.¹²

5 52. One seller explained, "if you want your products to be seen above the fold kind of
6 when a customer does a search, even if that search is for your own brand name, you -- you do
7 need to pay for ads." As another seller put it, "over time it became clear that if we did not
8 purchase advertisements, we would not show up in search results."

9 53. As a result of Amazon's deliberate campaign to [REDACTED]
10 [REDACTED] and sellers' increasing need to pay for sponsored products and other ads just to appear
11 in the same search results they used to appear in for a small referral fee, the average advertising
12 fees third-party sellers pay as a share of their Amazon sales revenues has increased substantially.
13 It has gone from less than [REDACTED] % of their revenues in 2014 to over [REDACTED] % of their revenues in the first
14 quarter of 2021.

15 **Average Advertising Fees Paid by Third-Party Sellers as a Percentage of Their**
16 **Amazon Sales Revenues, 2014-Q1 2021:**



25
26 ¹² Majority Staff of H. Subcomm. on Antitrust, Com. and Admin. L., 116th Cong.,
27 *Investigation of Competition in Digit. Mkts.: Majority Staff Rep. and Recommendations* 291
28 (2020),
https://judiciary.house.gov/uploadedfiles/competition_in_digital_markets.pdf?utm_campaign=4493-519 (citing Feedvisor, Brands and Amazon in the Age of E-Commerce, 2020 Ed. 12 (2020),
https://fv.feedvisor.com/CN_2020_Brands-and-Amazon-in-the-Age-of-E-Commerce.html).

1 54. Amazon’s ability profitably to impose higher and higher costs to sell on Amazon
2 can be seen not only at the overall fee level, but also with respect to specific instances of fee
3 increases. For example, following Amazon’s 2018 FBA fee increase, [REDACTED]
4 [REDACTED] If Amazon faced
5 real competition, then when Amazon increased FBA fees in 2018, [REDACTED]
6 [REDACTED]
7 [REDACTED] evidences Amazon’s market power over sellers and the market power-entrenching
8 nature of Amazon’s price parity agreements, which prevent third-party sellers from offering lower
9 prices on other channels reflective of their lower fees, thereby preventing customers from being
10 steered to lower-priced competitors.

11 55. Amazon has added and raised fees so dramatically, that the total cost of selling on
12 Amazon materially exceeds that of selling in other online stores. For example, Walmart.com
13 charges no setup, subscription, or listing fees, only a referral fee on each sale. Although it can
14 vary by seller, product type, weight, and size, and time of year, Walmart.com’s fulfillment and/or
15 storage fees are typically lower than what Amazon charges. Another competitor, eBay, generally
16 offers at least 50 free product listings before charging its \$0.35 product listing fees, and generally
17 sets its commissions below Amazon’s.

18 56. In addition, as discussed, paying for “sponsored products” (i.e., ads) on Amazon
19 has become a “must” for sellers and wholesale suppliers. Including advertising fees, fees to sell
20 on Amazon are larger than those on any other platform. Indeed, in an August 2017 study,
21 Amazon found that the [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]. Five years later, the gulf between total on-
25 Amazon and off-Amazon effective seller fees persists.

26 57. One third-party seller, ViaHart, has publicly reported its costs of selling on
27 Amazon, Walmart.com’s marketplace, eBay, and its own website in 2020, as a percentage of its
28 sales revenues on each of those sites. For every dollar in sales revenues this seller earned on

1 Amazon in 2020, it paid nearly 52 cents (and most of that to Amazon) in the form of commission
2 fees, refund costs, advertising fees, shipping, fulfillment, packaging, and storage fees, and
3 miscellaneous other fees. That was roughly 15% more expensive than selling on Walmart.com,
4 22% more expensive than selling on eBay, and over three times as expensive as selling the same
5 product on its own website.¹³ Since that time, Amazon has substantially increased its effective
6 fulfillment fees (on the order of a 50% increase), such that these figures now understate the extent
7 of the premium this seller pays to sell on Amazon.

8 58. Another third-party seller reported that “the total fees [it] incurs to sell its products
9 on Amazon have increased over time, to the point where the margins [it] earns on Amazon sales
10 are lower than the margins it earns on sales through any other channels.” Whereas the fees this
11 seller incurs to sell on Amazon represent about 50% of its Amazon sales revenues, that number is
12 30% for eBay. This seller reported that if it did not attempt to keep prices generally the same
13 across websites, it might charge higher prices on Amazon than prices on other sales channels
14 “because the fees for selling on Amazon are so high.”

15 59. Another third-party seller reported that it costs 22% less to fulfill its orders itself
16 than to use the Fulfilled by Amazon program. It also reported that the commissions or listing fees
17 it pays Amazon as a percentage of its products’ selling price are approximately 2 percentage
18 points higher (17% versus 15% of the selling price) than what it pays other retail marketplaces,
19 which include Walmart’s and Target’s marketplaces. As a result, this seller earns about 10%
20 more on sales through other online channels compared with Amazon, because it costs this seller
21 less to sell through these other channels and fulfill orders itself.

22 60. Amazon’s own [REDACTED] third-party sellers’
23 growing frustration with the cost of selling on Amazon. [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]

27 ¹³ Molson Hart, *Clarifying the Costs of Selling on Various Marketplaces*, Molson Hart,
28 <https://www.molsonhart.com/blog/clarifying-the-costs-of-selling-on-various-marketplaces> (last
visited Sept. 9, 2022).

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 61. An ecommerce consultant echoed these same sentiments: “The Amazon sellers
12 that I currently advise typically pay the following fees to sell on Amazon: (1) a referral fee that
13 typically ranges from 15% to 20% of the sale price for each product sold; (2) advertising fees that
14 typically range from 10% to 15% of total sales revenue; and (3) FBA fees typically ranging from
15 10% to 20% of the sale price per product. The cost of selling on Amazon is higher than the cost
16 to sell through any other online sales channel. In 2003, 15 cents of every dollar I sold on Amazon
17 was paid to Amazon in fees. Today, an average of 45 cents of every dollar sold by my clients on
18 Amazon goes to Amazon. I expect advertising fees and FBA fees will continue to increase over
19 time. Because of Amazon’s high fees, the margins my clients earn on Amazon sales are lower
20 than the margins they earn on sales through any other channel.”

21 62. Amazon is a similarly expensive platform for wholesale suppliers, charging them
22 [REDACTED] % fees on top of procuring their products at wholesale cost and earning the retail markup.
23 A former Amazon senior executive who now runs an ecommerce consulting company reported
24 that “in the past five years, manufacturers have consistently told me that Amazon’s gone from
25 their least expensive channel to their most expensive—by a long shot. ‘Amazon is our highest
26
27
28

1 cost-to-serve retailer.’ –said by Nearly Every Brand I’ve Ever Talked To.”¹⁴ Amazon routinely
2 earns margins of [REDACTED] % or more on its retail sales of wholesale suppliers’ products.

3 63. Not only has Amazon imposed increasingly higher selling costs on third-party
4 sellers and wholesale suppliers, well in excess of the costs of selling on and to competing sites,
5 but the value provided for Amazon’s higher costs has also decreased. Today, it is harder (or more
6 expensive) for a merchant to reach consumers with its products on Amazon than it was five to ten
7 years ago. For the price of a small referral or merchandising fee, Amazon used to feature high-
8 value, best-selling products naturally in organic search results and customer-friendly widgets
9 (e.g., “Frequently Bought Together”) on product detail pages. Now, in order to get that same
10 placement, merchants must pay several percentage points more of their sales revenues to Amazon
11 to be featured in sponsored ads in search results and on product detail pages. Otherwise, less
12 relevant ads edge them out of meaningful visibility.

13 64. In the past, the price of a small referral fee also entitled third-party sellers to an
14 Amazon category manager with whom they could consult and troubleshoot live over the phone.
15 Around 2015, Amazon suspended third-party sellers’ category manager access, forcing them to
16 contact general “Amazon Seller Support”—a call center-type experience. These days, if third-
17 party sellers want a live adviser to provide basic selling assistance that used to be free, they have
18 to pay on the order of \$60,000 or more per year, or \$20,000 per year plus 0.3% of their annual
19 sales revenues, for a “Selling Partner Premium Services” account manager. Similarly, wholesale
20 suppliers may pay [REDACTED] % of their net receipts to Amazon if they want access to Amazon’s
21 “Strategic Vendor Services,” otherwise referred to as “Brand Specialists,” to help them navigate
22 the increasingly complex selling environment on Amazon. Yet here again, third-party sellers and
23 wholesale suppliers have largely not switched to competing sites in the face of this drop in service
24 level—a direct indication of Amazon’s market power.

25 65. The treatment that sellers put up with is not limited to price hikes and reductions in
26 once-free services. As Amazon acknowledges in its own internal documents, [REDACTED]

27 ¹⁴ Andrea K. Leigh, “Free Shipping” Online: The Truth About Who Pays It, Andrea K.
28 Leigh Consulting (Feb. 19, 2020), <https://andreakleighconsulting.com/free-shipping-online-the-truth-about-who-pays-it>.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 [REDACTED] Despite the challenges posed by these fee
7 schedules, sellers put up with it because they have no other meaningful option.

8 66. As one third-party seller put it, “Amazon’s power over online merchants is not just
9 in sales, but also in the way that sellers are treated.” The typical seller on Amazon “has zero
10 bargaining power whatsoever . . . in their negotiations with Amazon. Everything is take it or
11 leave it All of the bargaining power rests with Amazon.”

12 67. Another seller reported that it has no ability to negotiate the terms of its
13 relationship with Amazon, and Amazon “changes its policies for sellers regularly and with little
14 notice.” This seller explained, “As a company whose whole business is dependent on sales on
15 Amazon, when Amazon makes a policy change with little to no notice, it dramatically impacts
16 [this seller’s] business in a negative way.”

17 68. Many sellers report that they fear retaliation by Amazon if they say anything
18 publicly about it other than to praise the company. As one seller put it, “Amazon could say like,
19 hey, this guy is a real problem and [his business’s sales] is his source of income. Let’s slowly,
20 you know, turn this knob, so to speak, to reduce their visibility -- that visibility of their items in
21 search,” or “flip a switch, that can negatively affect your business in some way.” One seller
22 reported [REDACTED]

23 [REDACTED] Amazon admits in internal documents that “[REDACTED]
24 [REDACTED]
25 [REDACTED]”

26 69. Wholesale suppliers generally put up with the same treatment from Amazon, as
27 many of them have little to no bargaining power in the relationship. Indeed, Amazon’s power
28 over some of the largest brands in the country is made plain by [REDACTED]

[REDACTED]

[REDACTED] because Amazon is a critical channel of distribution for these major brands.

70. Amazon’s ability to practice price discrimination is further evidence of Amazon’s market power. [REDACTED] Amazon’s advertising fees are really just another form of referral fee—a cost to appear in the Amazon store—tailored to each merchant’s “[REDACTED].” Specifically, Amazon auctions its advertising to charge different fees to different sellers based on their willingness to pay. Amazon can engage in this price discrimination because of its market power. Amazon can extract these higher fees from specific third-party sellers and wholesale suppliers because there is minimal concern other competitors would steal away Amazon’s higher-value merchants.

3. Amazon’s Power Over Consumers

71. Amazon also enjoys market power over consumers. When Amazon raises prices or lowers quality, consumers do not switch to competing sites like Walmart.com. For example, the attrition rate for Prime members [REDACTED]
[REDACTED]
[REDACTED]. If Amazon faced meaningful competition from other online stores, [REDACTED]
[REDACTED] evidences Amazon’s market power over consumers. One seller—whose Amazon sales represent approximately half of its total sales—reported that “consumers are dependent on Amazon,” including for product

1 reviews.

2 72. Amazon's documents recognize that [REDACTED]
3 [REDACTED]. For example, in 2019,
4 Amazon forecasted that [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 Another internal analysis forecasted that based on [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED] This
11 means that for every 1% increase in the price of Prime, Amazon would [REDACTED]
12 [REDACTED]
13 [REDACTED] In other words, Amazon's own documents establish that [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 73. Amazon has also dramatically expanded ads on its site, with lower relevance
17 thresholds than its organic search algorithms, which substantially reduced the value of its online
18 store to consumers, all the while *gaining*—not losing—market share. This is further evidence of
19 its market power on the consumer side. For example, the Amazon Central Economics team
20 reported that [REDACTED]
21 [REDACTED]
22 [REDACTED] Internally, Amazon readily concedes that [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED] Amazon tolerates showing
26 ads that are less relevant to consumers than organic search results and recommendations, knowing
27 it harms the customer experience, because ads are the source of billions of dollars of profits for
28 Amazon each year.

1 74. Many people who have been Amazon customers since before the era of “ads on
2 Amazon” have noticed the dramatic difference in customer experience. Before ads, search results
3 were “organic,” i.e., results Amazon had determined were truly relevant to the customer’s search.
4 When the customer clicked on a search result, she was taken to a product detail page where she
5 viewed the product as well as helpful recommendations and suggestions that Amazon had
6 independently determined would improve the customer experience. Now, the customer often has
7 to scroll or page down several times in search results before she comes to organic content;
8 sponsored banners appear before and in between search results, and sponsored products can take
9 up several of the top search results listings. When the customer clicks through to the product
10 detail page, she now encounters widgets all over the page, recommending sponsored products in
11 addition to or instead of the product she selected.

12 75. As one seller observed, ads on Amazon create “a negative experience for
13 customers.” As he explained it, “if you -- like you could use an algorithm to -- that is based on
14 reviews, refund rate, return rate for a given search result alone instead of who is paying the most
15 to appear at the top, and that would probably help customers find the products faster and more
16 easily than the current system where it is paid to be seen.”

17 76. [REDACTED] customers’ frustration with
18 ads that are not relevant to their shopping intent and have made the experience of shopping on
19 Amazon worse. For example, [REDACTED]

20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Amazon concluded: “[REDACTED]

[REDACTED]

[REDACTED].” Moreover,

[REDACTED]

[REDACTED]

[REDACTED]

77. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Amazon found a [REDACTED]

[REDACTED]. Meanwhile, Amazon

found, shoppers were [REDACTED]

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[REDACTED]

[REDACTED]

78. [REDACTED] this deterioration in quality: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

79. Ads on Amazon have also put significant upward pressure on both seller fees and product prices. From 2015 to 2018 alone, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] In other words, the explosion of advertising on Amazon in the second half of the 2010s [REDACTED]

[REDACTED]

80. It also coincided with [REDACTED]. For example, as paid advertising has dominated a greater and greater share of the top of search results, [REDACTED]

[REDACTED] Amazon’s Chief Economist went on to observe that nonetheless, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] A 2018 Amazon whitepaper is to the same effect—ads [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Amazon’s market power—evidence of Amazon reducing product quality, sacrificing output, in order to increase its own margins.

1 81. In response to the proliferation of less relevant content on Amazon, and
2 concomitant higher prices as sellers pass through advertising fees to consumers, consumers
3 generally have not switched to other online stores. To the contrary, each year, an estimated over
4 90% of Prime customers renew their membership, and more customers join each year,
5 increasingly shopping and spending more on Amazon than any other online store. That
6 customers do not switch to competing sites that offer a better customer experience and where
7 sellers have lower fees to pass through to consumers is further evidence of Amazon’s market
8 power.

9 82. A key reason customers do not switch to competing online stores in the face of
10 Amazon’s price hikes and quality degradation—i.e., a key reason Amazon enjoys such market
11 power—is Amazon’s price parity policies. Walmart.com, eBay, Target.com, and Amazon’s other
12 competitors generally cannot draw customers away from Amazon with lower prices, because
13 Amazon *compels* suppliers and sellers to cause the prices on those competing websites to be the
14 same or higher than the prices for the same products on Amazon. Because of the price parity
15 policies, and the artificial restriction of Amazon-alternatives, customers have little reason to shop
16 elsewhere.

17 **B. Relevant Market**

18 83. Although the overwhelming direct evidence of Amazon’s market power obviates
19 the need for further analysis or defining a relevant market and Amazon’s share of that market,
20 that analysis yields the same result: Amazon has significant market power over merchants and
21 consumers.

22 84. A market relevant to the illegal conduct described in this Complaint is the market
23 for online retail sales of new products for custom delivery (e.g., delivery to the customer’s home)
24 in the United States (“Online Retail Stores Market”). Participants in the Online Retail Stores
25 Market serve distinct sets of counterparties—merchants (wholesale suppliers and third-party
26 sellers), and consumers.

27 85. Online Retail Store sales include: (1) sales on retailers’ own websites where
28 merchants can sell and customers can purchase new products directly from the retailer for custom

1 delivery (e.g., Costco.com, BestBuy.com), (2) sales on online retail marketplaces where third-
2 party sellers can sell and customers can purchase new products for custom delivery (e.g., eBay,
3 Etsy.com), (3) sales on hybrids of these sites (e.g., Amazon and Walmart.com, where both
4 wholesale suppliers and third-party sellers can reach customers and vice versa for the purchase
5 and sale of new products for custom delivery), and (4) sales on brands' direct-to-consumer
6 websites (e.g., Spalding.com, Nike.com, etc.). In this last case, the brand self-supplies its own
7 branded products for retail sale (i.e., it is both the merchant and the online store).

8 86. [REDACTED]

11 [REDACTED] According to Amazon internal documents, "[REDACTED]

16 87. [REDACTED]

18 [REDACTED] As a 2019

19 internal Amazon document observed, [REDACTED]

1 88. Amazon goes to extraordinary lengths to ensure that the prices of third parties’
2 products on its Marketplace are not offered for less by [REDACTED]

3 [REDACTED]
4 [REDACTED] Amazon disqualifies Marketplace sellers’ offers from the coveted “Buy
5 Box” if their products are offered for lower prices by these [REDACTED] competitors at competing online
6 stores. Amazon acknowledges in internal documents that these [REDACTED]

7 [REDACTED]
8 [REDACTED]
9 89. The Online Retail Stores Market does not include sales of used items, which are
10 not reasonable substitutes for new items. Used and new versions of the same product usually
11 differ substantially in terms of price, packaging, condition, and reliability. New items can
12 typically be returned to the store for a refund or credit, whereas used items typically cannot.

13 90. The Online Retail Stores Market does not include online sales of products for
14 curbside or in-store pickup, which are not reasonable substitutes for online sales of products for
15 custom delivery, e.g., delivery to the customer’s home or workplace. Selection for curbside and
16 in-store pickup is limited to the existing selection within a brick-and-mortar store—in contrast to
17 the vast array of products available online for home delivery—and traveling to a physical store
18 for curbside or in-store pickup generally takes substantially more time and resources and is
19 substantially less convenient than receiving delivery at one’s home or other chosen, convenient
20 location. This is particularly the case for consumers without ready access to a vehicle and who
21 live in areas of high traffic congestion and high levels of sprawl. Home or workplace delivery
22 generally can take place at any time of the day or night, without the consumer needing to be
23 present, whereas consumers must carve out time from work, family, and personal care obligations
24 to accomplish curbside or in-store pickup, which is generally only available during regular
25 business hours.

26 91. The Online Retail Stores Market does not include online grocery sales, i.e., online
27 sales of grocery products for delivery from local grocery stores, such as Amazon Fresh online
28 sales (which are generally delivered within a delivery window from a physical grocery store in

1 close proximity to the customer, as opposed to being fulfilled in a matter of days through a
2 national fulfillment and distribution network). These grocery store sales generally are
3 substantially different from non-grocery sales in their origin (e.g., farms), shelf lives (e.g., milk,
4 meat), and storage and transport requirements (e.g., refrigerated and frozen items), and as a result
5 generally are sourced and delivered in a fundamentally different way from non-grocery items.
6 Because of these differences, competition in online grocery sales is generally localized, and a
7 consumer buying the same item via the online grocery channel and the online retail store channel
8 could very well pay a different price on one channel versus the other. [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 92. The Online Retail Stores Market does not include physical brick-and-mortar retail
14 store sales. From a consumer standpoint, online stores that offer custom delivery are separately
15 considered as a distinct sales channel with limited substitutability with brick-and-mortar stores.
16 Primarily because online stores can have an essentially unlimited range of products, available at
17 all hours and generally available to customers near or far away, online stores attract customer
18 transactions associated with very different expectations than brick-and-mortar stores, including
19 different expectations for pricing and delivery timing. As Jeff Bezos put it in his cover letter to
20 Amazon's 2020 Annual Report:

21 Customers complete 28% of purchases on Amazon in three minutes or less, and
22 half of all purchases are finished in less than 15 minutes. Compare that to the
23 typical shopping trip to a physical store—driving, parking, searching store aisles,
waiting in the checkout line, finding your car, and driving home. Research suggests
the typical physical store trip takes about an hour.

24 Simply put, physical stores and online stores are not reasonably interchangeable substitutes for
25 one another from the standpoint of consumers.

26 93. As a corollary on the merchant side, because brick-and-mortar stores have limited
27 shelf space, they physically cannot offer more than a handful or so of different brands of each
28 product they carry, and they are extremely limited in the number of different products they can

1 carry altogether. As a result of limited physical shelf space, typically top-selling products, and
2 top brands for those products, are selected for sale in brick-and-mortar stores. The merchants
3 who realistically do not have access to this shelf space to reach consumers generally can only
4 access them online. And for smaller merchants that online retail stores decline to purchase from
5 on a wholesale basis due to inventory constraints and economies of scale considerations, their
6 only realistic access to consumers is through online marketplaces and their own direct-to-
7 consumer websites.

8 94. Online stores are considered separately by most merchants as a distinct sales
9 channel with limited substitutability with brick-and-mortar stores. Primarily because online
10 stores have significantly different distribution and logistics, and very different overhead and
11 advertising costs than brick-and-mortar stores, most merchants—even those that sell through both
12 channels—do not consider physical brick-and-mortar stores to be in the same market as online
13 stores. For example, a clothing merchant reported that brick-and-mortar retail stores are
14 “differently positioned in the market” than online sales channels (including both direct-to-
15 consumer online sales and drop-ship sales to online wholesale customers) because for this
16 merchant’s online sales channels, “we accept the risk that the products we have ordered may not
17 sell. Therefore our online prices are higher. By contrast, when we sell wholesale to retailers who
18 in turn sell in brick-and-mortar stores, these buyers are committed to purchasing an entire order.
19 There is less risk for us, and we can offer a lower wholesale price. Our prices are therefore lower
20 for these stores.” Indeed, some suppliers differentiate their product offerings between online and
21 brick-and-mortar stores, and economies of scale and scope also may vary between online and
22 brick-and-mortar distribution.

23 95. Online retail stores can also collect more information on their customers, and their
24 searches and purchases, than brick-and-mortar stores. As a result, sellers can identify customers,
25 and customers can find sellers’ products, in a much more customized and targeted way than
26 physical stores are capable of providing. Every customer in a physical store has generally the
27 same shopping experience. But different customers shopping online generally have distinct
28 experiences—they are likely to be presented with different featured products and

1 recommendations (based on their purchase history and search terms), different ads, and even
2 different prices. As the Amazon Central Economics Team put it, “[REDACTED]

3 [REDACTED]
4 [REDACTED].”

5 96. For example, in 2018, the Amazon Central Economics team [REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED] Physical stores cannot replicate this kind of
14 shopping experience—they cannot offer this targeted matching that online stores provide. For
15 this reason, many sellers choose to sell their products only through online stores. This is further
16 evidence that Amazon competes in a market that does not include brick-and-mortar sales—that in
17 response to a small but substantial, non-transitory increase in the price of all products offered in
18 online stores, customers would not switch and purchase those products in physical stores instead.

19 97. Amazon recognizes that [REDACTED]

20 [REDACTED] Specifically, Amazon [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED] If
4 brick-and-mortar stores meaningfully competed with online stores like Amazon for sales,
5 Amazon would pay far more attention to the prices being offered in those physical stores. That it
6 does not indicate that brick-and-mortar stores are not in the same relevant market as online retail
7 stores.

8 98. That some consumers shopping in a brick-and-mortar store may use their mobile
9 device to check in-store prices against online prices for the same product, does not suggest the
10 Online Retail Stores Market includes brick-and-mortar stores. While some consumers may easily
11 check online prices while shopping in a physical store, it does not work the other way around—
12 consumers shopping online cannot easily check physical store prices, as doing so requires
13 physically traveling to one or more physical stores, parking, walking into the store, locating the
14 product, and checking the price. As a result, brick-and-mortar stores are not an effective check on
15 online prices.

16 99. Indeed, prices often differ between physical and online stores. For example, a
17 comparison of a given retailer's online and in-store prices for the same product will often show
18 that the prices are different, for example, slightly higher online prices to reflect the costs of
19 shipping to the customer's home.

20 100. In the face of a small but substantial, non-transitory increase in prices in the Online
21 Retail Stores Market, consumers and providers generally would not substitute away to the
22 purchase and sale of products in brick-and-mortar stores.

23 101. The relevant geographic market is the United States. Online retail stores serving
24 consumers in the United States generally do not compete with stores serving consumers outside
25 the United States. Online retail stores serving other countries are not reasonable substitutes from
26 the perspective of U.S. consumers due to a variety of factors, including language and currency
27 differences, geographical barriers to and differences in timely shipping capabilities, and
28 restrictions on cross-border purchases. In response to a small but substantial, non-transitory

1 increase in the prices (to consumers and sellers) of online retail stores serving U.S. consumers and
2 sellers, those consumers and sellers generally would not substitute away and start buying and
3 selling through non-U.S. online retail stores.

4 102. Indeed, Amazon has [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED] Similarly, Amazon's policies and practices vary by country or region. For
10 example, one Seller Code of Conduct governs U.S. sellers; other codes govern sellers abroad.

11 [REDACTED]
12 [REDACTED] In other words, the way Amazon
13 organizes itself, negotiates with suppliers, and tracks and manages its business shows that its
14 online store in the United States operates in a distinct relevant geographic market.

15 103. Amazon operates the largest online retail store in the United States, accounting for
16 an estimated over 49% of all sales in the Online Retail Store Market by gross merchandise
17 value.¹⁵ That number is many multiples of those figures for Walmart and eBay, the two next-
18 largest online retail stores.

19 104. Amazon's nearly 50% share of Online Retail Store sales is substantially under-
20 representative of its market power over merchants and consumers. If one considers only the
21 online retail store sales of Amazon and players in the market that [REDACTED] are the
22 real competitive constraints on its pricing—namely, [REDACTED] (Walmart,
23 Target, Costco, etc.) and the large marketplaces [REDACTED]
24 [REDACTED] (eBay, Newegg, etc.)—Amazon's share is approximately 60%. These competitors
25 are, [REDACTED]

26
27
28 ¹⁵ This number is 40% if online sales of used products, online sales for curbside and in-
store pickup, and online grocery sales were included in this market.

1 [REDACTED] Amazon's
2 most meaningful and effective competition.

3 105. Amazon also dominates several important categories of Online Retail Store sales
4 in the United States. Amazon's share of U.S. Online Retail Store sales of books and magazines is
5 approximately 80%, and is over 50% for consumer electronics, consumer packaged goods, and
6 toys and hobbies. Sales in these categories represent over one-third of all U.S. Online Retail
7 Store sales annually.

8 106. Amazon is also largely the only game in town for merchants who cannot reach
9 consumers through wholesale sales to retailers—those who rely on their own sales on third-party
10 marketplaces to reach customers. Amazon accounts for approximately 55% of all online third-
11 party marketplace sales. Consistent with this statistic, according to an internal document of a
12 major Amazon competitor, in 2021, 58% of U.S. monthly online marketplace visits were to
13 Amazon.com. Even these numbers are under-representative of Amazon's market power over
14 merchants, however, because they do not account for the vastly higher share of third-party
15 marketplace ecommerce fees Amazon captures—also known as Amazon's "take"—versus other
16 marketplaces. Amazon's share of third-party marketplaces' takes is nearly 90%.

17 **C. Barriers to Entry**

18 107. Amazon's market power is reinforced by high barriers to entry and expansion and
19 switching costs. A key barrier to entry and expansion is the network effects of Amazon's online
20 store: as Amazon adds more and more customers to its customer base (which includes over 160
21 million U.S. Prime users), Amazon's platform becomes increasingly valuable—in fact,
22 indispensable—for most third-party sellers and wholesale suppliers. Likewise, as Amazon
23 attracts more and more merchants selling a wider variety of goods (not sold for less elsewhere
24 due to price parity), Amazon's platform becomes more valuable to customers. More customers
25 beget more merchants, and more merchants beget more customers, making it increasingly
26 difficult for competing online stores to break in or expand to create a meaningful competitive
27 constraint.

1 108. Another barrier to entry and expansion is Amazon’s growing dominance in the
2 logistics and fulfillment space. As Amazon’s business has grown, it has developed a significant
3 logistics business surrounding fulfillment and delivery of online orders with its Fulfillment by
4 Amazon program. Approximately █% of all Amazon Marketplace transactions are fulfilled by
5 Amazon. In addition to its over 10,000 truck trailers and its own freight airline, Amazon has built
6 hundreds of package sorting and delivery centers across the United States and has established its
7 own network of contracted delivery providers exclusively dedicated to delivering packages for
8 Amazon. Amazon now handles a parcel volume comparable to those handled by the top carriers,
9 including UPS, FedEx, and the U.S. Postal Service—Amazon surpassed FedEx’s market share in
10 2020. The investment, expertise, and resources necessary for a would-be competitor to develop a
11 logistics and fulfillment infrastructure that rivals Amazon’s serve as a barrier to entry and
12 expansion in the market.

13 109. The economies of scale inherent in online retail fulfillment serve as a further
14 barrier to entry and expansion in the Online Retail Stores Market. Even where sellers prefer not
15 to depend on Amazon for fulfillment, economies of scale favor a seller maintaining all of its
16 inventory in a single fulfillment network. On top of this, sellers are effectively ineligible for the
17 “Prime” badge (without which their sales fall substantially) if they do not use Fulfilled by
18 Amazon for their Amazon orders, and Amazon penalizes sellers if they go out-of-stock by
19 removing the “Prime” badge from their product listings, which makes sellers even more reluctant
20 to split their inventory across providers. These factors serve as a further barrier to entry and
21 expansion in the Online Retail Stores Market.

22 110. Moreover, because 160 million Prime members are *already* paying Amazon \$139
23 per year (or the equivalent monthly fee) for unlimited free and fast shipping, they are generally
24 reluctant to pay Amazon’s competitors for the same kind of service. This means Amazon’s
25 competitors generally must give away to customers (or heavily discount) a service that Amazon
26 makes billions of dollars every year on—a further impediment to entry and expansion.

27 111. Amazon’s price parity agreements and policies have exacerbated the entry and
28 expansion barriers in the Online Retail Stores Market. Simply put, if you cannot discount off

Amazon, you cannot compete against Amazon. Yet that is precisely what Amazon prevents its competitors from doing, through coerced agreements with its wholesale suppliers and third-party sellers.

VI. AMAZON'S ANTICOMPETITIVE CONDUCT

112. Amazon has entered into and enforced its retail and wholesale price parity agreements with the intent and effect of expanding and entrenching its market power as an online retail store, impeding rivals, insulating the Amazon store from competition, enabling Amazon to extract anticompetitive rents through multiple channels, including supra-competitive seller fees, and pricing above competitive levels across California.

A. Retail Price Parity

113. A key tactic Amazon employs to insulate its online store from competition and perpetuate its ability to charge supra-competitive prices is coercing third-party sellers to enter into anticompetitive price parity agreements. Amazon requires each of these Marketplace sellers to sign a Business Solutions Agreement (“BSA”), through which they expressly agree to certain “Program Policies” and other selling terms.

114. For years, Amazon’s BSA contained an explicit “Price Parity Provision.” This provision required sellers to agree that the “purchase price and every other term of sale [would] be at least as favorable to Amazon Site users as the most favorable terms via Your Sales Channels,” i.e., the seller’s own website, as well as other non-Amazon online marketplaces:

S-4 Parity with Your Sales Channels.

Subject to this Section S-4, you are free to determine which of Your Products you wish to offer on a particular Amazon Site. You will maintain parity between the products you offer through Your Sales Channels and the products you list on any Amazon Site by ensuring that : (a) the Purchase Price and every other term of offer or sale of Your Product (including associated shipping and handling charges, Shipment Information, any “low price” guarantee rebate or discount, any free or discounted products or other benefit available as a result of purchasing one or more other products, and terms of applicable cancellation, return and refund policies) is at least as favorable to Amazon Site users as the most favorable terms upon which a product is offered or sold via Your Sales Channels (excluding consideration of Excluded Offers); (b) customer service for Your Products is at least as responsive and available and offers at least the same level of support as the most favorable customer services offered in connection with any of Your Sales Channels (this requirement does not apply to customer service for payment-related issues on Your Transactions, which we will provide); and (c) the Content, product and service information, and other information under Section S-1.1 regarding Your Products that you provide to us is of at least the same level of quality as the highest quality information displayed or used in Your Sales Channels. If you become aware of any non-compliance with (a) above, you will promptly compensate adversely affected customers by making appropriate refunds to them in accordance with Section S-2.2. For Amazon-Fulfilled Products, if the shipping and handling charges associated with the sale and fulfillment of any of Your Products offered on an Amazon Site are included (and not separately stated) in the item price listed for Your Product (collectively a “Shipping Inclusive Purchase Price”), then the parity obligation in (a) above will be satisfied if the Shipping Inclusive Purchase Price and each other term of offer or sale for the product on the Amazon Site are at least as favorable to Amazon Site users as the purchase price and each other term of offer or sale for the product (including any and all separately stated shipping and handling charges) pursuant to which the product or service is offered or sold via any of Your Sales Channels.

1 As the Office of the Attorney General has been informed, sellers understood this policy as a
2 prohibition on listing products off Amazon for a lower price than the price posted on Amazon,
3 and sellers refrained from selling their products for less off Amazon because they had agreed not
4 to do so in their BSA with Amazon.

5 115. Other provisions of Amazon’s BSA and incorporated program policies similarly
6 require Marketplace sellers to agree not to cause the prices of their products on other online retail
7 sites to be lower than their prices on Amazon. The term Amazon uses for this parity requirement
8 is “price competitiveness”—sellers must agree to keep their prices on Amazon and their prices off
9 Amazon “competitive.” To be “competitively priced,” the seller’s “Price + Shipping must be less
10 than or equal to” the lowest price for the item offered off Amazon by unidentified retailers
11 tracked by Amazon.¹⁶ At first glance, this sounds like a good thing—like Amazon wants price
12 competition. But it means the opposite. Amazon’s requirement of “competitive prices” actually
13 destroys competition, because it forces sellers to keep prices *off Amazon* higher than they
14 otherwise would be, in order to keep their on-Amazon prices “competitive.” “Price
15 competitiveness” is “price parity” by another name. As one third-party seller explained it,
16 “‘competitive price’ has like a very specific meaning to Amazon in this context. They’re not
17 actually talking about whether or not a price is competitive in the eyes of a customer, but they’re
18 actually more like talking about, like, what the grounds for the suppression of an item sold on
19 their website might be. . . . [T]his is some bullshit about how they’re trying to explain what their
20 pricing suppression policies are by using language that is vague and in some ways euphemistic.”

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22
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26
27 ¹⁶ *Pricing status*, Amazon Seller Central,
28 <https://sellercentral.amazon.in/help/hub/reference/external/S9A4Q8K4Q6KT8TV?locale=en-IN>
(last visited September 11, 2022).

116. In agreeing to the BSA, sellers agree to the “Amazon Standards for Brands Selling in the Amazon Store,” or “ASB” (formerly the “Manufacturers on Amazon,” or “MOA” policy). The ASB requires brands and their agents and representatives selling in the Amazon store to “maintain [Amazon’s] standards for customer experience,” including “price competitiveness”—which, again, does not mean competition, but rather that sellers must offer the same or higher prices elsewhere versus on Amazon:

Standards for Brands Selling in the Amazon Store

Amazon obsesses over providing our customers the best possible shopping experience. Since the inception of our store, one way we have ensured a great customer experience is by sourcing products directly from Brands and selling them to customers in our store ourselves. In order to preserve that customer experience, we may choose to source products from some Brands for sale by Amazon only. Other Brands can operate as sellers in the Amazon store if they can consistently maintain our standards for customer experience. However, to prevent customer confusion, if any of the Brand’s products are sold by Amazon via Amazon retail, the Brand may not sell those products via Seller Central in the Amazon store.

We measure customer experience in a number of ways, including high in-stock rates, delivery experience, price competitiveness, and selection completeness. We offer several tools and services to help you meet our standards and sell successfully in the Amazon store, including tools for inventory management and automated pricing, fulfillment services like Fulfillment by Amazon (FBA), and services to grow and protect your Brand like Brand Registry.

If you are unable to maintain our standards for customer experience, you might lose certain privileges associated with operating as a seller in the Amazon store (including having your offers featured on product detail pages), or you might lose the opportunity to operate as a seller in the Amazon store altogether. In that case, you can still offer to sell your products to Amazon so that your products can be sold through Amazon retail.

Who does this policy apply to?

This policy applies to Brands and manufacturers, as well as their agents, licensees, and other representatives selling on their behalf in the Amazon store.

What is the purpose of this policy?

To ensure that we are providing customers the best possible experience while shopping in the Amazon store.

Does this policy impact my ability to sell through other retailers?

No. You are free to sell through other retailers.

How will I know if I need to take any action under this policy?

We will notify Brands if they are impacted by this policy, whether they need to take any actions to maintain a great customer experience, what options they have to take those actions, and the deadlines for taking them.

117. According to internal Amazon documents, [REDACTED] meaning brands’ products on Amazon must be priced equal to or cheaper than other websites 95% of the

1 time or more. As Amazon's corporate witness explained under oath in response to the question

2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED] This contractual requirement in the ASB
7 program policy is effectively identical to the explicit Price Parity Provision.

8 118. Sellers also agree through the BSA to the "Amazon Marketplace Fair Pricing
9 Policy," which provides: "Amazon regularly monitors the prices of items on our marketplaces,
10 including shipping costs, and compares them with other prices available to our customers. If we
11 see *pricing practices on a marketplace offer that harms customer trust*, Amazon can remove the
12 Buy Box, remove the offer, suspend the ship option, or, in serious or repeated cases, suspending
13 or terminating selling privileges":

Amazon Marketplace Fair Pricing Policy

Sellers are responsible for setting their own prices on Amazon marketplaces. In our mission to be Earth's most customer-centric company, Amazon strives to provide our customers with the largest selection at the lowest price, and with the fastest delivery as sellers play an important role.

Amazon regularly monitors the prices of items on our marketplaces, including shipping costs, and compares them with other prices available to our customers. If we see pricing practices on a marketplace offer that harms customer trust, Amazon can remove the Buy Box, remove the offer, suspend the ship option, or, in serious or repeated cases, suspending or terminating selling privileges.

Pricing practices that harm customer trust include, but are not limited to:

- Setting a reference price on a product or service that misleads customers;
- Setting a price on a product or service that is significantly higher than recent prices offered on or off Amazon; or
- Selling multiple units of a product for more per unit than that of a single unit of the same product.
- Setting a shipping fee on a product that is excessive. Amazon considers current public carrier rates, reasonable handling charges, as well as buyer perception when determining whether a shipping price violated our fair pricing policy.

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23 119. Amazon sends the message that pricing products higher on Amazon than off
24 Amazon is a pricing practice that "harms customer trust" and violates the Amazon Marketplace
25 Fair Pricing Policy. As Amazon's corporate witness testified under oath, [REDACTED]
26 [REDACTED] Amazon's written responses to
27 investigative questions admit the same: [REDACTED]

28 [REDACTED] As Amazon admitted several years ago in

1 official correspondence to the [REDACTED]

7 Indeed, according to Amazon, this is the [REDACTED]

9 [REDACTED] Under the Fair Pricing Policy, as a condition of selling
10 in the Amazon store, third-party sellers must agree not to do anything to cause their prices
11 elsewhere to be lower than their prices on Amazon, because such “pricing practices” “harm
12 customer trust.”

13 120. Sellers reported that this is their understanding of the Fair Pricing Policy. Indeed,
14 a major ecommerce consultant to Amazon sellers describes the Fair Pricing Policy on its website
15 as follows: Amazon “track[s] the prices of all products sold on Amazon and compare[s] them
16 with other marketplaces. *If Amazon sees your product priced lower on another website, they*
17 *will penalize you.* They may remove the Buy Box, remove the offer, or suspend the ship option.
18 In serious or repeated cases, they may end your selling privileges. Pricing practices that harm
19 customer trust can include: . . . Setting a price on a product or service that is higher than recent
20 prices offered on or off Amazon.”¹⁷

27 ¹⁷ Ryan Faist, *How Pricing Strategy Helps You Win the Amazon Buy Box*, Channel Key
28 (Feb. 9, 2022), <https://channelkey.com/how-pricing-strategy-helps-you-win-the-amazon-buy-box/>.

121. In agreeing to the BSA, sellers also agree to the “Seller Code of Conduct,” in which they agree to “act fairly.”

Selling Policies and Seller Code of Conduct

All sellers are expected to adhere to the following policies when listing products on Amazon. Seller offenses and prohibited content can result in suspension of your Amazon account.

Seller code of conduct

This policy requires that sellers act fairly and honestly on Amazon to ensure a safe buying and selling experience. All sellers must:

- Provide accurate information to Amazon and our customers at all times
- Act fairly and not misuse Amazon's features or services
- Not attempt to damage or abuse another Seller, their listings or ratings
- Not attempt to influence customers' ratings, feedback, and reviews
- Not send unsolicited or inappropriate communications
- Not contact customers except through Buyer-Seller Messaging
- Not attempt to circumvent the Amazon sales process
- Not operate more than one selling account on Amazon without a legitimate business need
- Not engage in conduct that violates price fixing laws

Violating the Code of Conduct or any other Amazon policies may result in actions against your account, such as cancellation of listings, suspension or forfeiture of payments, and removal of selling privileges. More details about these policies are below.

122. Amazon conveys to sellers that in agreeing to “act fairly,” they agree to advertise the same prices off Amazon as they offer on Amazon. In a November 2021 “clarification” to the Seller Code of Conduct, Amazon explicitly stated, “we welcome sellers advertising *the same pricing and discounts off-Amazon as they offer in our store.*”

Clarification of Amazon's Policy on Rebates, Coupons, and other Marketing Incentives

US Announcements



SEAmoD Amazon Moderator

1 Nov '21

No

The Amazon Seller Code of Conduct (41) requires acting fairly, and prohibits manipulating sales rank. We have recently received several seller inquiries regarding Amazon's policy on incentives that drive customer discovery and conversion—particularly through rebates, coupons, and other marketing incentives—and are offered outside Amazon as a way of driving a purchase in our store.

We welcome and encourage coupons, discounts, deals, and other tools to lower prices for customers and drive incremental sales—but only when those incentives are part of the product offer made in our store. Amazon offers numerous programs to help you drive discovery of new products and increase sales through lower prices, and we welcome sellers advertising the same pricing and discounts off-Amazon as they offer in our store. However, we consider it a violation of the Amazon Seller Code of Conduct if off-Amazon rebates, discounts, and other schemes are designed to drive customers to products that are listed and sold without those incentives on Amazon. These practices are potentially abusive to customers and other sellers, as they may inflate search ranking, incentivize product reviews, and generate artificial traffic and conversion behaviors.

One seller stated that the November 2021 clarification to the Seller Code of Conduct “just seems like a continuation of the pricing parity policy.”

123. The Seller Code of Conduct also requires sellers to agree not to “divert[] Amazon customers to another website”:

Circumventing the Sales Process

You may not attempt to circumvent the Amazon sales process or divert Amazon customers to another website. This means that you may not provide links or messages that prompt users to visit any external website or complete a transaction elsewhere.

Of course, the most effective way sellers can divert customers to another website—i.e., enable meaningful competition with Amazon—is by offering lower prices off Amazon.

124. In August 2022, Amazon updated its BSA to add a clause “which allows Amazon to suspend or terminate your account or this Agreement immediately if your Account Health Rating falls below our published thresholds for deactivation.”¹⁸ Under this new “Account Health Rating” policy, “[t]he Account Health Rating (AHR) indicates your selling account’s *risk of deactivation due to policy non-compliance*, and it displays on the seller’s Account Health page for each store in which they sell worldwide.”¹⁹ Third-party sellers’ Account Health Rating is based on their compliance with, *inter alia*, the Marketplace Fair Pricing Policy and the Seller Code of Conduct, i.e., in part on their compliance with price parity.²⁰ Amazon explains, “To calculate your AHR, we assign a certain number of points to each policy violation based on the severity of the violation. . . . When determining the severity, we consider factors including the degree to which the violation *negatively impacts the customer experience*.”²¹ As discussed, the Amazon “customer experience” includes the experience of seeing different prices on and off Amazon—lower off-Amazon pricing “negatively impacts the customer experience,” according to Amazon. This recent amendment to Amazon’s BSA reinforces its price parity agreements with third-party sellers and potential penalties for noncompliance.

¹⁸ *Changes to the Amazon Services Business Solutions Agreement*, Amazon Seller Central, <https://sellercentral.amazon.com/help/hub/reference/external/G47071> (last visited Sept. 9, 2022).

¹⁹ *Policies included in Account Health Rating*, Amazon Seller Central, <https://sellercentral.amazon.com/help/hub/reference/external/GQ5DSES264XVXNX7> (last visited Sept. 9, 2022).

²⁰ *Id.*

²¹ *Account Health Rating program policy*, Amazon Seller Central, <https://sellercentral.amazon.com/help/hub/reference/external/G200205250> (last visited Sept. 9, 2022).

1 125. In March 2019, after the Price Parity Provision received scrutiny from various
2 regulators—including a finding by a German regulatory authority that it “resulted in significant
3 price increases in e-commerce”²²—Amazon removed the provision from its BSA. But as internal
4 Amazon records from this time period document, with [REDACTED]
5 [REDACTED] As an Amazon Director
6 explained, [REDACTED]
7 [REDACTED] Indeed, Amazon openly acknowledged internally
8 that [REDACTED]
9 [REDACTED] a superficial change that did not correspond to any modification to
10 Amazon’s actual policies and practices. That is exactly what it was. Amazon continued to
11 contractually require (and enforce) price parity through the Amazon Standards for Brands policy,
12 the Marketplace Fair Pricing Policy, and the Seller Code of Conduct.

13 126. One seller confirmed that even though Amazon got rid of the Price Parity
14 Provision in March 2019, “the policy continued.” Similarly, another merchant reported it
15 “understand[s] that Amazon maintains a strict policy”—to this day—“that a [company] may not
16 sell a product anywhere, including on its own website, for a lower price than the [company] sells
17 for on Amazon.com.”

18 127. Amazon also continued to enforce a de facto price parity agreement by widely
19 publicizing its price parity requirement and threatening and imposing a host of consequences if
20 sellers charge, or cause to be charged, lower prices off Amazon. In other words, third-party
21 sellers’ explicit agreement to keep their on-Amazon prices “competitive” with (i.e., the same or
22 lower than) off-Amazon prices, and their de facto agreement to do so, coerced by Amazon’s
23 threatened and actual penalties for pricing “discrepancies,” are “Price Parity” by another name.

24 128. At the time Amazon retired the explicit Price Parity Provision from its BSA in
25 March 2019, Amazon deliberately did *not* inform sellers that they were no longer required to
26 maintain the same or higher prices via their other sales channels as they offered on Amazon.

27 ²² BKartA, Nov. 26, 2013, B6-46/12 at 3,
28 https://www.bundeskartellamt.de/SharedDocs/Entscheidung/EN/Fallberichte/Kartellverbot/2013/B6-46-12.pdf?__blob=publicationFile&v=2.

1 While Amazon [REDACTED] at the time it retired the Price Parity
2 Provision from the BSA [REDACTED]
3 Amazon [REDACTED]

4 129. In other words, Amazon did not want its sellers to think that anything had
5 changed, because nothing *had* changed, and Amazon had a [REDACTED] in sellers
6 continuing to keep off-Amazon prices artificially high. The sole proactive communication
7 Amazon had with sellers about the retirement of the Price Parity Provision was a fleeting post on
8 the Seller Central “Help” page that read: “Effective March 11, 2019, the following changes were
9 made to the Amazon Services Business Solutions Agreement: Section S-4 Parity with Your Sales
10 Channels was removed.” Amazon did not tell sellers they were now free to price lower and offer
11 discounts off Amazon that they did not match on Amazon. That is because they were not free to
12 do so; their express and de facto contracts with Amazon still required them to abide by price
13 parity.

14 130. Nor has Amazon clarified anything since that time. While Amazon claims to
15 regulators that it welcomes sellers offering different pricing off Amazon, a corporate
16 representative for Amazon with direct responsibility for seller pricing confirmed under oath [REDACTED]
17 [REDACTED] and that Amazon [REDACTED]
18 [REDACTED]
19 [REDACTED] The only direct communications
20 are to the contrary; Amazon directly communicates to sellers, “we welcome sellers advertising
21 *the same pricing and discounts* off-Amazon as they offer in our store.”

22 131. Amazon [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED] As Amazon’s corporate representative explained under oath, [REDACTED]
26 [REDACTED]
27 That is because such obfuscation helps Amazon send its message that it is monitoring all website
28

1 prices, everywhere, all the time—and that to stay in compliance with their price parity
2 agreements, sellers must keep all of those prices the same or higher than their on-Amazon prices.

3 132. As an example of its obfuscation, when Amazon sends a seller a notification,
4 alerting the seller that its offer is “priced higher on Amazon than at other retailers,” and
5 accordingly has lost eligibility for the Buy Box, it does not disclose the identity of the “other
6 retailers” offering the lower price. Sellers interpret these notices to mean that they have violated
7 Amazon’s coerced price parity terms by pricing or causing their products to be priced lower off
8 Amazon.

9 133. Thus, one seller reported that by 2019, it “regularly observed” that if it offered a
10 lower price on its own website, or another online retailer offered a lower price for its products
11 than it was offering on Amazon, “Amazon would take away the Buy Box” and “send [it] an email
12 notification.” This seller reported that “Amazon taking away the Buy Box is Amazon saying that
13 [the seller’s] Amazon prices have to match the prices of all other sales platforms, and is a penalty
14 for having lower prices on those other sales platforms.” This seller interprets the notifications as
15 saying that the seller’s “pricing on Amazon has to match pricing Amazon could find anywhere
16 else on the Internet” and reported that “in phone conversations with our Amazon representative,
17 the Amazon representative would reiterate to use that we had to adhere to this.” Amazon itself
18 confirmed that sellers interpret these notifications as [REDACTED]

19 [REDACTED]
20 134. It matters little what external prices Amazon *actually* uses to trigger its “price
21 competitiveness” notifications and penalties, including Buy Box suppression. Through its
22 obfuscation about what external prices it uses, Amazon makes sellers think that it is tracking all
23 their off-Amazon prices (or off-Amazon prices they control) for compliance with price parity.

24 135. And in fact, Amazon largely *has* used third-party sellers’ own external prices, as
25 well as prices they influence or control, as triggers for its price parity non-compliance
26 notifications and penalties. Since Buy Box suppression started [REDACTED], Amazon has
27 disqualified sellers’ offers from winning the Buy Box (and sent corresponding “nudges” to
28 sellers) when they were higher than [REDACTED]—i.e., the prices posted on

1 [REDACTED] This included not only [REDACTED] offers,
2 but also the prices offered by [REDACTED]. Around late
3 2019, Amazon [REDACTED]

4 [REDACTED]
5 [REDACTED] Thus, from 2016 to late 2019, if an [REDACTED] posted a
6 lower offer on [REDACTED], Amazon would disqualify [REDACTED] offer from winning
7 the Buy Box as a penalty for failing to maintain price parity. After late 2019, this remained the
8 case for [REDACTED].

9 136. In early 2019, Amazon [REDACTED]
10 [REDACTED] whose prices Amazon began using to suppress third-party sellers' offers from the Buy
11 Box and for "price competitiveness" notifications, including, for example, [REDACTED]

12 [REDACTED] This included the
13 prices of [REDACTED]. To the extent any of these [REDACTED]
14 [REDACTED] were also third-party sellers on Amazon's Marketplace, Amazon would disqualify
15 them from winning the Buy Box (and notify them of such) unless they charged the same or a
16 higher price on [REDACTED]. As Amazon's Senior Vice President of North America
17 Consumer advised internally, [REDACTED]

18 [REDACTED]
19 [REDACTED]
20 137. [REDACTED], Amazon [REDACTED] Buy Box suppression [REDACTED]

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED] Thus, there are [REDACTED] whose
25 offers Amazon disqualifies from the Buy Box based on [REDACTED]

26 [REDACTED] Indeed, Amazon was motivated to do so in part precisely because [REDACTED]
27 [REDACTED] and thereby [REDACTED]
28 [REDACTED] In other words, they were engaging in

1 price competition with Amazon for the benefit of customers, and Amazon would not allow it.
2 Today, all of the [REDACTED] that sell on Amazon as third-party sellers [REDACTED]
3 [REDACTED] Amazon uses for Buy Box suppression, must keep their prices as high on [REDACTED]
4 [REDACTED] as their Amazon Marketplace offers—even if it costs them less to sell [REDACTED]
5 [REDACTED]—or else risk seeing their [REDACTED] on Amazon.

6 138. Finally, in [REDACTED] Amazon [REDACTED] Buy Box suppression and its “price
7 competitiveness” notification triggers [REDACTED]

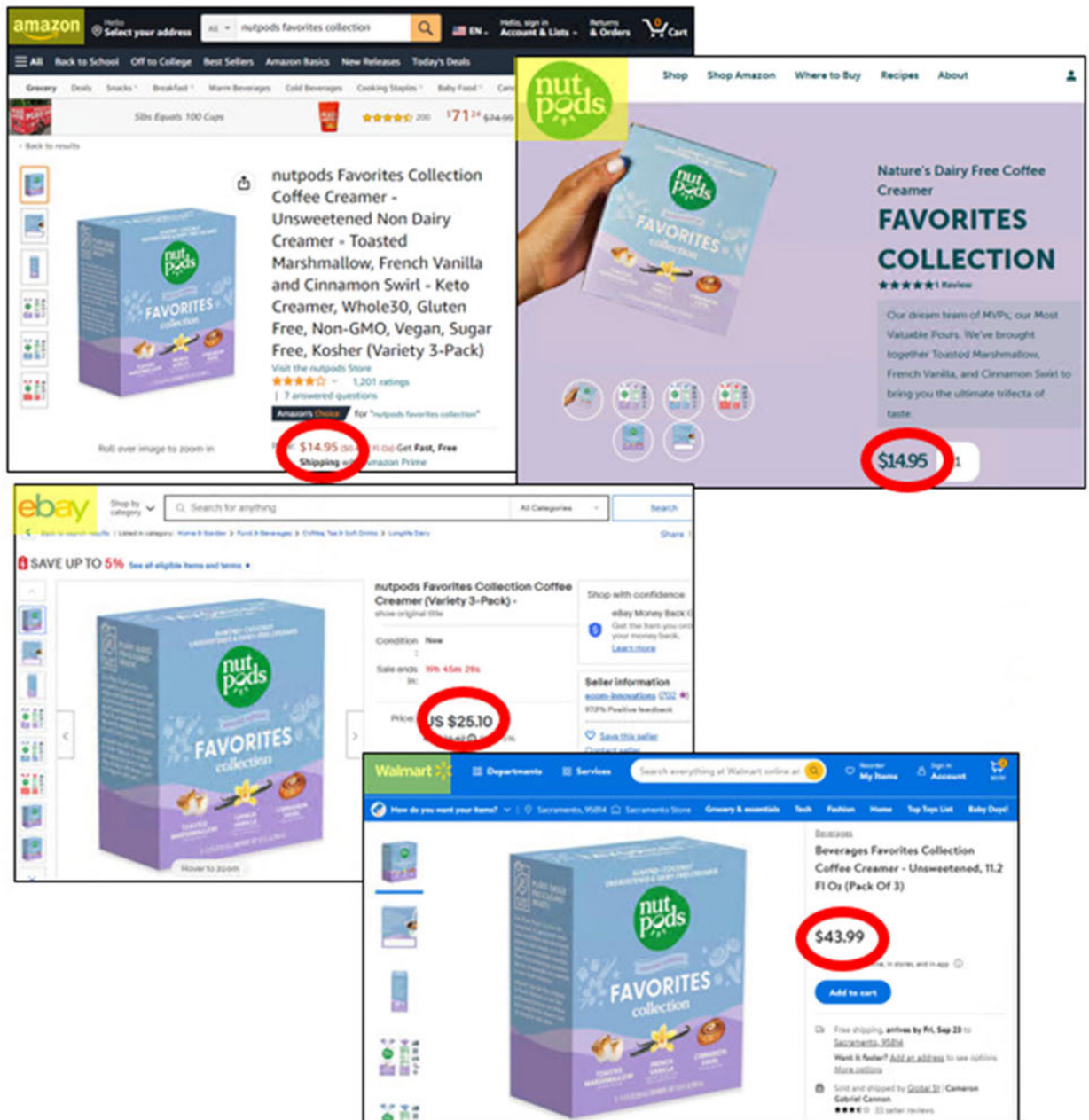
8 [REDACTED]
9 [REDACTED]
10 [REDACTED] Amazon claims that at the same time, following
11 multiple government investigations it [REDACTED]
12 disqualifying a third-party seller’s offer from winning the Buy Box [REDACTED]

13 [REDACTED] But Amazon’s [REDACTED]
14 [REDACTED]

15 139. Moreover, consistent with its obfuscation scheme, Amazon has deliberately *not*
16 told third-party sellers that [REDACTED]
17 [REDACTED]
18 for Buy Box suppression and [REDACTED] trigger notifications of non-compliance with
19 Amazon’s price parity requirements.

20 140. As a result of Amazon’s price parity enforcement, third-party sellers have learned
21 to raise their prices on eBay and other marketplaces, and their own direct-to-consumer websites,
22 to match or exceed their prices on Amazon—even though it costs them far more to sell on
23 Amazon. They continue this practice to this day, to maintain compliance with their coerced price
24 parity agreements.

141. Below is just one example: Nutpods, a direct competitor to Amazon through its own online store, www.nutpods.com, which is also a third-party seller on Amazon, charging the same price for the same product on Amazon and its own direct-to-consumer retail website, and refraining entirely from selling the same product on eBay and Walmart.com, where other third-party sellers have the product offered for substantially more:



142. As one former third-party seller, now ecommerce consultant, reported, "In my capacity as an advisor to Amazon sellers, I am aware that Amazon still requires sellers to price a product they sell on Amazon at least as low as the price offered for the same product elsewhere. I

1 currently advise sellers who, in addition to selling on Amazon, also sell on other websites
2 including online marketplaces such as Walmart.com and eBay.com, as well as online retailers
3 such as Chewy.com, Wayfair.com, and Newegg.com. All of these other websites charge much
4 lower fees to sell on their platforms than Amazon charges. Because the cost to sell on these other
5 websites is lower, my clients would like to offer lower prices on them. This includes allowing
6 online retailers selling my clients' products to run discounts, promotions or otherwise offer a
7 price that is lower than the Amazon price. However, my clients do not offer lower prices on
8 those websites because doing so would result in the suppression of the Buy Box for their Amazon
9 listing."

10 143. Another third-party seller reported, "We keep our prices for [our] products the
11 same on every website where they are sold. This is because if we sold a product on another
12 website for a lower price than on Amazon, Amazon would suppress the 'Add to Cart' or 'Buy
13 Box' button on the product's Amazon page, causing lost sales. We could afford to sell items for
14 less on eBay and Walmart and our own website, because fees are lower on these marketplaces,
15 but because Amazon costs are higher, we need to price those costs into everywhere we sell."

16 144. Notably, Amazon's primary marketplace competitors, eBay and Walmart.com, do
17 not use external prices to disqualify third-party sellers' offers from the Buy Box equivalent on
18 their marketplace sites.

19 145. Buy Box suppression and seller "nudges" are not the only tactics Amazon has
20 employed to enforce price parity. Another [REDACTED]
21 [REDACTED] on and off Amazon in compliance with their price parity obligations is the
22 "Amazon Standards for Brands" ("ASB") policy, previously called the "Manufacturers on
23 Amazon" or "MOA" policy. Under this policy, if a brand owner prices its products lower off
24 Amazon, Amazon may revoke the seller's "opportunity to operate as a seller in the Amazon store
25 altogether," and force it to sell its products "through Amazon retail" if it wants to reach Amazon
26 customers. For example, a 2017 internal Amazon email documents [REDACTED]
27 [REDACTED] including several sellers that Amazon [REDACTED]
28

1 [REDACTED] By contrast, for sellers where there was [REDACTED]

2 [REDACTED]

3 146. Amazon’s ASB policy applies not only to brands, but also to agents and
4 representatives of brands—words whose definition Amazon in its sole discretion decides and
5 stretches to the point where virtually any reseller can count as an “agent” or “representative” of a
6 brand. As Amazon reported in sworn testimony, under ASB, for these third-party sellers, [REDACTED]
7 [REDACTED] (i.e., their price for any given brand’s
8 product must be “competitive” versus—i.e., the same or lower than—off-Amazon prices for the
9 same product 95% of the time over a predefined period), [REDACTED]
10 [REDACTED]; then, [REDACTED] Amazon blocks the third-
11 party seller from selling all new products introduced by that brand. And on third-party sellers’
12 “Customer Experience Dashboards” in Amazon Seller Central, Amazon prominently displays to
13 them Amazon’s “Price Competitiveness [REDACTED]” of 95%, and shows a [REDACTED]
14 [REDACTED] “price competitiveness” falls below that threshold.

15 147. As an ecommerce consultant explained it, the ASB policy “penalizes some sellers
16 whose products are not priced equal to or cheaper than other websites, 95% of the time or more.
17 Amazon calls this ‘price competitiveness’. Some large sellers who run afoul of the new ‘95%
18 price competitive’ metric are blocked from offering major national brands If sellers adjust
19 their pricing to Amazon’s satisfaction, they are once again allowed to sell these key brands.
20 Those who don’t change their pricing may find themselves unable to sell anything at all on
21 Amazon.”²³

22 148. Amazon has also implemented [REDACTED] to punish sellers who do
23 not conform to Amazon’s pricing policies by [REDACTED] products offered
24 for lower prices off Amazon. After [REDACTED] Amazon
25 implements a [REDACTED]
26 [REDACTED] any product determined to have an “uncompetitive price” [REDACTED]

27 ²³ See Lesley Hensell, *Amazon Sellers Are Losing Control of Pricing Due to “Standards*
28 *for Brands”*, Webretailer (Nov. 8, 2021), <https://www.webretailer.com/b/amazon-standards-for-brands/>.

1 [REDACTED] Further, Amazon [REDACTED]
2 [REDACTED] are priced
3 higher than the [REDACTED]. This action has a direct and foreseeable impact on sellers [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 149. Amazon refers to the increasingly stiffer penalties it imposes for violating the price
7 parity requirement as [REDACTED] For example, a November 2018 Amazon Brand
8 Program document detailed Amazon's [REDACTED] to [REDACTED]
9 [REDACTED] A June 2019 Brand
10 Program review documented, "[REDACTED]
11 [REDACTED]
12 [REDACTED]."

13 150. As a result of Amazon's price parity agreements and enforcement, sellers maintain
14 higher prices on their own websites, maintain higher prices on other marketplaces and, in the case
15 of brands that manufacture their own products, charge higher wholesale prices to other retailers
16 and set higher price floors for resale. Indeed, an internal Amazon memo documented, "[REDACTED]
17 [REDACTED]
18 [REDACTED]"

19 151. As an ecommerce consultant who regularly works with third-party sellers on
20 Amazon reported, "In my capacity as an advisor to Amazon sellers, I am aware that Amazon has
21 previously and presently requires sellers to price a product they sell on Amazon at least as low as
22 the price offered for the same product elsewhere. If a seller does price lower on another website,
23 or enable other retailers to discount their products, the 'Add to Cart' or 'Buy Box' button for their
24 Amazon listing is typically suppressed." This consultant refers to this as Amazon's "price parity
25 policy," and reported, "As a result of Amazon's price parity policy, some sellers I've advised
26 have stopped discounting on other ecommerce websites while others have stopped selling via
27 other websites or online retailers altogether because they don't want to risk compromising their
28 Amazon business." "Because Amazon's price parity policy penalizes sellers who list their

1 products for less on other websites unless they match this price on Amazon, this disincentivizes
2 Amazon sellers who can't afford to discount the item on Amazon from offering the products for
3 less via other ecommerce websites, even if the sellers' cost structure is lower on other ecommerce
4 websites. For sellers who sell primarily on Amazon, jeopardizing their Amazon business to enter
5 into new ecommerce channels is not worthwhile."

6 152. Numerous sellers reported that in response to Amazon's price parity requirements,
7 penalties for noncompliance, and related notifications, they raised or have been unable to lower
8 their prices for the same products on their own websites and other marketplaces such as
9 Walmart.com and eBay.

10 153. Another seller reported, "In response to Amazon taking away the Buy Box, [this
11 seller] has at times ended a sale on its website earlier than planned so that Amazon would restore
12 the Buy Box."

13 154. Another reported a time when it had updated its pricing on Walmart.com to be
14 lower than its Amazon pricing for the same product: "Amazon I think algorithmically using, like,
15 automation software, noticed that the exact same product sold on Walmart was less expensive,
16 and so then they . . . kind of like hid them both in search and on the product purchase page, and
17 they sent us an email, something like you're in violation of the fair product pricing policy, and
18 you need to reprice your item in order to not be in violation of that." As a result, the seller's sales
19 on Amazon "definitely drop[ped], . . . probably 70, 80 percent, if not more." In response, the
20 seller upped its price on Walmart.com. According to this seller, "the pricing parity policy, I
21 think, pretty clearly prevents us from listing our products for less on other platforms. Because
22 when we do that, our products get suppressed on Amazon and Amazon accounts for 90 percent of
23 our sales." "Were there not this price parity policy on Amazon, we would price our products for
24 less off Amazon," this seller reported.

25 155. Third-party sellers' prevention of lower prices off Amazon in response to
26 Amazon's [REDACTED] reflects both their price parity agreement with Amazon and
27 the means through which Amazon enforces that agreement.
28

1 156. In fact, receiving a notification that Amazon has suppressed a third-party seller's
2 offer from the Buy Box generally does not cause the seller to lower its offer on Amazon. An
3 Amazon [REDACTED] internal memo from 2017 [REDACTED] Buy Box suppression [REDACTED]
4 [REDACTED]
5 [REDACTED] As Amazon later admitted internally, "[REDACTED]
6 [REDACTED]
7 [REDACTED]." A colleague responded, "[REDACTED]
8 [REDACTED]" An Amazon Director confirmed that Amazon [REDACTED]
9 [REDACTED]
10 [REDACTED] He testified he was "[REDACTED]" the
11 percentage of time that sellers lowered their prices in response to a suppression notification
12 "[REDACTED]."

13 157. A particularly noteworthy example of a third-party seller raising its prices off
14 Amazon to comply with price parity occurred in June 2019. Amazon realized that this third-party
15 seller was [REDACTED]
16 [REDACTED] An Amazon Director suggested [REDACTED]
17 [REDACTED]
18 [REDACTED] Amazon proceeded to do so, and [REDACTED]
19 [REDACTED] due to its failure to comply with price parity.

20 158. When the seller did not update its prices, Amazon [REDACTED]
21 [REDACTED]. In response, the seller
22 [REDACTED]
23 [REDACTED] Amazon [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED] causing other retailers to raise their prices [REDACTED]
28 [REDACTED]

1 159. An ecommerce consultant reported that when Amazon suppresses the Buy Box for
2 one of his clients' products, he "will check all of the other websites where [his] client lists the
3 product at issue, to identify where the product is being sold for a lower price," and "almost
4 always recommend[s] that [his] client contact the retailer in question and ask for the price to be
5 increased to match the Amazon price."

6 160. Another Amazon seller reported, "When Amazon removes the price from the buy
7 box from a particularly popular . . . product, I will try to find where that product is selling for less
8 than on Amazon, and I will try to raise the price on the other website. For example, [certain
9 items] are among our best-selling products. . . . Because these products sell so well, when [our
10 company] loses the buy box on Amazon for these [items], I will raise the price on other sites,
11 rather than discounting the price on Amazon." This seller explained, "Because we pay less in
12 fees on our own and other websites, we could sell our products for lower prices on these websites.
13 We do not do this, however, because if we do, Amazon will disqualify [our] offers from the buy
14 box." This seller "keeps prices on our own website the same as the prices on Amazon
15 specifically to avoid having the Amazon buy box suppressed."

16 161. As another example, in late 2018, an Amazon manager reported internally about [REDACTED]
17 [REDACTED]
18 [REDACTED] The seller [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED] In other words, as a result of Amazon's price parity requirement,
24 this seller believed her only option was to set a *floor* on the price that a *different* online store—
25 [REDACTED]—could charge customers for her product.

26 162. An Amazon Marketplace Director [REDACTED]
27 [REDACTED]
28 [REDACTED] or be subject to Buy Box suppression on Amazon. Another Amazon Director

1 [REDACTED] the problem was that the seller was “[REDACTED]
2 [REDACTED].” In an internal pre-meeting in advance of an [REDACTED]
3 [REDACTED] an Amazon Director reminded the Amazon brand manager of [REDACTED]
4 [REDACTED]

5 163. As another example, in January 2019, a Marketplace seller [REDACTED]
6 [REDACTED]
7 [REDACTED] Amazon’s VP of Pricing [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED] The hint was straightforward: raise your prices elsewhere if you
12 want to make sales on Amazon. Amazon’s Director of Worldwide Pricing later admitted under
13 oath that [REDACTED]
14 [REDACTED] with respect to
15 price. Yet that is exactly the real world effect of Amazon’s price parity policy.

16 164. As another example, in October 2019, Amazon [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED] Shortly thereafter, Amazon observed, “[REDACTED]
20 [REDACTED].”

21 165. In several instances, third-party sellers on Amazon, in response to Amazon’s
22 enforcement of its price parity policy, have demanded that a competing online discount retailer
23 increase its prices for their products, enforced minimum advertised price policies against this
24 Amazon competitor, or withheld selection entirely.

25 166. For example, in November 2020, a supplier of beauty products asked a competing
26 online discount retailer if “there is a way you can increase the sale prices? I am receiving
27 complaints from several of my online retail partners (especially the exclusive partner for the
28 Amazon marketplace). . . . When Amazon detects a substantially lower price for the same item,

1 Amazon will automatically reduce traffic and un-feature the item on Amazon. Thus, the sales on
2 Amazon dropped significantly and my Amazon partner was not happy about this.” The retailer
3 attempted to resist the Amazon third-party seller’s pressure to raise prices, but the seller insisted,
4 “I don’t think I can allow deep discounts for selling [my] items [on] online channels anymore .
5 . . . Can you please raise the prices to at least \$29.98? . . . I am running into a much bigger issue
6 if I can’t solve this matter by next week.” In an internal discussion after the fact, the retailer
7 observed, “they are asking to price fix and that is illegal.” Ultimately, the Amazon third-party
8 seller withheld selection from this online discount retailer entirely, thereby preventing not merely
9 discounted prices on that competing site, but the availability of the seller’s products through a
10 competing retailer to Amazon altogether.

11 167. Similarly, in August 2021, a personal care electronics brand asked this retailer,
12 “Would it be possible to update the retail on the below [item] to \$19.99 ASAP.... This is
13 currently below MAP pricing. . . . Unfortunately we will need to have this sku removed if it
14 cannot be increased This caused the amazon listing to be pulled down. We also need the
15 [other item] updated to \$36.95 in all colors.” The discount retailer responded that it could not
16 change the price and “we have to be the lowest retail in the market.” The Amazon third-party
17 seller responded, “Unfortunately Amazon has implemented strict pricing requirements and they
18 will remove any deals with lower pricing elsewhere. We are going to take an extremely big hit to
19 revenue because of this and cannot afford for this to happen again. Previously we were ok to run
20 lower than MAP pricing . . . , but moving forward we need all MAP pricing to be implemented
21 for all skus.” The discount retailer tried to work with the Amazon third-party seller to “hide” its
22 prices for the seller’s products and not display them until the customer added the product to the
23 cart, but this was not enough. A few weeks later, the seller emailed the retailer, “It looks like
24 there is an issue here again with items being below MAP/price not hidden At this point [we]
25 want[] to remove all deals and inventory until Q1 since this has happened several times and is
26 causing a big disruption to the Amazon business [W]e . . . have no choice but to remove
27 [our product] from [this retailer] unless they began to sell at or above MAP permanently going
28

1 forward We simply cannot afford buy-box shutdowns on Amazon anymore.” This Amazon
2 third-party seller no longer supplies products to this competing retailer to Amazon.

3 168. Another Amazon third-party seller, which makes apparel, emailed this competing
4 retailer in January 2020, complaining that “we have had almost 2000 skus suppressed on Amazon
5 because of [lower prices on this competing retailer’s site] Amazon has told us indirectly that
6 [you are] the issue with all of their inactive skus As much as I dislike Amazon, and like
7 [you], The fact is we sell more on Amazon I’m left with [limited] options,” including:

- 8 • “We will have to move up our price on [your site]” [or]
- 9 • “We have to stop selling our best selling styles to [you].”

10 According to this online discount retailer, its “access to product selection has been impacted by
11 Amazon behaviors.”

12 169. Another third-party seller reported to the Office of the Attorney General that it
13 briefly experimented with selling its products wholesale to Walmart for sale on Walmart.com, but
14 stopped supplying Walmart shortly thereafter in part because “Walmart aggressively discounted
15 [the seller’s] products, causing us to lose the Buy Box on Amazon and ruining our sales on
16 Amazon.” Another seller reported that he is “personally familiar with other Amazon third-party
17 sellers who have stopped selling products to competing discount retailers . . . in order to prevent a
18 discounted price on these competing sites from disqualifying their Amazon offers from the buy
19 box.” As this seller put it, “This prevents consumers from accessing these merchants’ products at
20 discounted prices online.”

21 170. An ecommerce consultant provided two examples of third-party sellers that have
22 stopped offering their products to competing retailers because of price parity. With respect to a
23 pet supply brand, “Prior to June 2022, this brand also sold their product on Chewy.com.
24 However, Chewy often ran promotions or offered coupons or other discounts that resulted in a
25 sale price that was lower than the price offered on Amazon. As a result, Amazon would suppress
26 the Buy Box for this brand’s Amazon listing, and sales would drop significantly. When Chewy
27 ran promotions, I typically advised my client to request that Chewy stop offering the discount.
28 Although this issue was generally resolved in a short time period, my clients’ loss in sales each

1 time Chewy ran a promotion ultimately led my client to stop offering their product on Chewy
2 altogether in June 2022.” With respect to a supplier of pill dispensers, “They previously sold this
3 product on Walmart.com as well. In March 2019, Walmart’s pricing system experienced an issue
4 where it would erroneously reduce the listing price for my client’s product, which in turn resulted
5 in Buy Box suppression for my client’s Amazon listing page. Walmart was unable to
6 immediately fix the issue, preventing this brand from raising the price of its product on Walmart.
7 Because their Buy Box was suppressed on Amazon, my client’s sales were declining
8 significantly. This brand receives the majority of its revenue through Amazon, and they could not
9 afford the drop in sales and views that occur when the Buy Box is suppressed. Therefore, they
10 made the decision to stop selling their product on Walmart.com altogether.”

11 171. A major competing online marketplace to Amazon itself confirmed that it has
12 heard from merchants that they would need to raise their prices on its marketplace or decline to
13 participate in a discount/sale event because a lower price on its marketplace had disqualified or
14 could disqualify their offers from the Amazon Buy Box. This rival marketplace operator reported
15 that during a sales event, certain merchants contacted it to pull their items from the event or
16 indicated that they would need to raise their prices because they reported that they had lost the
17 Buy Box on Amazon, believed they would lose the Buy Box on Amazon, or believed that they
18 would be delisted on Amazon because their item prices were lower on this competing website for
19 the event. According to this competing operator’s internal business documents, the online
20 marketplace “landscape is dominated by Amazon,” and “they make it hard to compete on price,”
21 citing a seller’s feedback that “if I as a seller offer a product for \$5 less on [a competing
22 marketplace], Amazon will do something called buybox suppression. They’ll basically kill my
23 listing and I will lose all of my digital real estate until I raise my price on [the competing
24 marketplace].”

25 172. Another major competing marketplace operator confirmed its experience and
26 understanding that some merchants believe that Amazon requires prices on this competitor’s site
27 to be the same or higher than their prices for the same products on Amazon, and that if they do
28 not comply with this requirement, they could experience negative consequences from Amazon.

1 This competing operator confirmed that some merchants have acted to keep prices on its
2 competing site the same or higher than their prices for the same products on Amazon.

3 173. Similarly, one Walmart manager reported to Bloomberg that “Walmart routinely
4 fields requests from merchants to raise prices on its marketplace because they worry a lower price
5 on Walmart will jeopardize their sales on Amazon.”²⁴

6 174. Amazon’s coerced price parity agreements with Marketplace sellers constitute
7 unlawful contracts and/or combinations in restraint of trade in violation of the Cartwright Act.
8 Amazon’s retail-level price parity acts and practices constitute unfair competition in violation of
9 the Unfair Competition Law. And Amazon’s successful imposition of its price parity policies and
10 agreements on third-party sellers—its ability to coerce them to “[REDACTED]” by
11 withholding product and demanding price increases from Amazon’s competitors, so that they can
12 keep selling on Amazon—further evidences Amazon’s market power.



13 **B. Wholesale Price Parity (Minimum Margin Agreements)**


14 175. Amazon employs similarly anticompetitive agreements with its wholesale
15 suppliers that sell directly to Amazon for resale in its online store, in order to insulate the Amazon
16 store from price competition from other online stores. With respect to \$[REDACTED] in annual sales
17 (and counting), Amazon enters into formalized minimum margin agreements with wholesale
18 suppliers, under which they explicitly agree to make true-up payments to Amazon if Amazon’s
19 price-matching results in Amazon making less than the “minimum margin” specified in the
20 agreement. Amazon refers to these as “Guaranteed Minimum Margin agreements” or “Net PPM
21 agreements.”

22 176. These minimum margin agreements essentially allow Amazon to take control of
23 pricing (and discounting) away from wholesale suppliers. If the product of a wholesale supplier
24 is offered for a lower price off Amazon, Amazon proactively lowers the on-Amazon price and
25 then demands the seller make up the difference. This hurts sellers’ profits, so the effect is not
26 lower prices, but a disincentive to lower prices off Amazon. As one ecommerce consultant put it,

27 ²⁴ Spencer Soper, *Amazon is Squeezing Sellers That Offer Better Prices On Walmart*,
28 Financial Advisor (Aug. 5, 2019), <https://www.fa-mag.com/news/amazon-is-squeezing-sellers-that-offer-better-prices-on-walmart-50909.html?section=3>.

1 “They literally spider the web and other major retailers to ensure they are basically the lowest.
2 Don’t like the price they are selling at? Tough luck says Amazon. Amazon will then direct you
3 [the wholesale supplier] to other sites like Target and Walmart and ***tell you to tell them to raise***
4 ***their price*** before they raise Amazon back up.”²⁵

5 177. As an example of how these minimum margin agreements work, consider a
6 product with a wholesale cost to Amazon of \$10, a \$2 cost to Amazon to resell the product to
7 consumers, a guaranteed margin (i.e., markup from wholesale to retail price) in the agreement of
8 \$5, and a resulting effective guaranteed net margin of \$3 to Amazon. If Amazon buys the product
9 from the vendor for \$10 and sells it for \$15, then it has made the agreed-upon minimum margin
10 (the \$5 gross markup, and the \$3 net effective margin). But what happens if the wholesale
11 supplier sells this same product to a more efficient or competitive retailer—for example,
12 Walmart.com—for the same wholesale price of \$10, and Walmart.com resells it for \$14 (either
13 because it is more efficient, e.g., incurs only \$1 per unit in reselling costs, or because it is willing
14 to accept a lower margin than Amazon)? Amazon will lower its price to \$14, knowing that it will
15 still earn its guaranteed minimum margin because the vendor will have to pay a \$1 “true-up”
16 payment to Amazon. The result is straightforward: the wholesale supplier is compelled to impose
17 a requirement on Walmart.com that it not resell the product for less than \$15 because it has to
18 make up the lost margin to Amazon, or withholds the product from Walmart.com altogether to
19 avoid discounted sales that would result in required true-up payments. In the end, consumers are
20 deprived of the cost savings that would otherwise flow from having a more efficient or
21 competitive retailer in the market, and that retailer cannot use its efficiencies or willingness to
22 accept a lower profit margin to attract customers and gain market share. As internal Amazon
23 documents put it, Amazon uses its minimum margin agreements “
24 .

25 178. On top of these formalized agreements, Amazon imposes informal or de facto
26 minimum margin agreements covering  of dollars more in sales every year, under its

27 ²⁵ Danny DeMichele, *Selling to Amazon or selling through Amazon? Vendor And Seller*
28 *Central*, Danny DeMichele (Sept. 11, 2019), [https://dannydemichele.com/selling-amazon-selling-](https://dannydemichele.com/selling-amazon-selling-amazon-vendor-seller-central/)
[amazon-vendor-seller-central/](https://dannydemichele.com/selling-amazon-selling-amazon-vendor-seller-central/).

“[REDACTED] Program,” or “[REDACTED].” Amazon jointly sets Amazon profitability targets with wholesale suppliers, and these suppliers agree to make true-up payments after the fact if Amazon failed to meet the profitability target because of price-matching—just as it does with its formalized minimum margin agreements. According to internal Amazon documents, “[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]”

179. In 2020, suppliers paid Amazon an additional approximately \$[REDACTED] in true-up payments under this program, on top of the \$[REDACTED] in true-up payments they paid under Amazon’s formalized Guaranteed Minimum Margin agreements. This corresponds to a sales coverage level for the [REDACTED] program of over [REDACTED] times the \$[REDACTED] in sales covered by formalized GMM agreements—or \$[REDACTED] in annual sales.

180. Amazon describes its [REDACTED] Program as [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] If the wholesale supplier agrees to provide [REDACTED] funding, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

181. Amazon threatens wholesale suppliers that if they do not agree to pay [REDACTED] funding to restore Amazon's profitability, its systems will associate the supplier's item with unprofitability, which will result in "[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]." One business review from 2019 noted, "[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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182.

- [REDACTED]; and
- [REDACTED]

183. Amazon vendor managers' notes from negotiations with wholesale suppliers illustrate how these profitability agreements work. For example, in a January-February 2020 review of Kitchen-category products, Amazon vendor managers noted that for a kitchen appliance supplier, Amazon had [REDACTED] As to a kitchen tools supplier, the vendor manager noted, [REDACTED]

184. Amazon's explicit and informal/de facto minimum margin agreements result in suppliers raising wholesale prices to competing online retail stores, asking those retailers to raise retail prices to consumers, charging higher prices on their own websites and on other marketplaces than they otherwise would, or withholding selection from Amazon's competitors altogether, to avoid triggering true-up payments.

185. Indeed, one former senior Amazon vendor manager who now operates an ecommerce consulting business advises Amazon suppliers on how to avoid the under-profitability triggers that lead to demands for true-up payments. He advises them to enforce minimum advertised price policies to ensure that their products are not sold elsewhere for a price that would be under-profitable for Amazon to sell at.

186. Another ecommerce consultant and former Amazon executive advised in a YouTube video entitled "Amazon Margin Guarantees – What Vendors Need to Consider," on the best "paths" for a wholesale supplier to ensure its products are profitable for Amazon to sell, including "looking at some iMAP [Internet minimum advertised price] policies" and "restricting the list of sellers that you sell to."²⁶ She further observed that one of the few reasons it "might make sense" to agree to a minimum margin agreement with Amazon is "if you have some projects in the works that will help stabilize pricing."²⁷ In other words, if you can ensure that you and no other retailer will discount your products on other channels, then you can reduce your

²⁶ Andrea Leigh, *Amazon Margin Guarantees – what vendors need to consider with Andrea Leigh*, YouTube (Sept. 17, 2019), <https://www.youtube.com/watch?v=y6dPn4emtFE>.

²⁷ *Id.*

1 risks associated with entering into such an agreement. That is precisely the effect these minimum
2 margin agreements have on wholesale suppliers—they cause them to prevent lower prices for
3 their products off Amazon.

4 187. As one example, after Amazon started price-matching a competing online discount
5 retailer, several of the competing retailer’s suppliers, who were also wholesale suppliers to
6 Amazon, voiced concerns with the retailer about its efforts to compete on price with Amazon, and
7 some told the retailer that Amazon pressured them not to have a lower price off Amazon. Some
8 of these suppliers informed the competing retailer that they could no longer do business with it if
9 it was going to match Amazon. One of them said that it would no longer sell its products to the
10 competing retailer unless the retailer priced its products higher. When the competing retailer
11 refused to raise prices, several of these suppliers stopped selling to the retailer, leaving Amazon’s
12 higher prices unchecked. Some of these suppliers eventually returned, but when they did, they
13 did not offer the retailer the full breadth of selection they had previously offered—some reduced
14 their product offerings to this retailer, and others replaced the items they previously offered with
15 less popular selection. These include a children’s toy vendor, a multi-brand owner, a swimwear
16 vendor, and an apparel supplier.

17 188. One supplier that stopped selling to this online discount retailer because of
18 Amazon was a clothing supplier. This supplier reported that it was required to enter into net
19 profitability agreements with Amazon, and that Amazon has increased the minimum profit
20 threshold under those agreements in recent years, over the supplier’s opposition. The supplier
21 reported it is effectively left with only two choices—raise its prices on other retail sites, or eat
22 into its own profitability. But reducing its profitability is not a sustainable strategy because,
23 according to the supplier, Amazon will simply “com[e] back for more and more” (i.e., higher
24 profitability thresholds). As such, these agreements influence the supplier into maintaining
25 higher prices than it otherwise would set. Specifically, this supplier is now “pricing things
26 higher” across all platforms to “manage” the increased profitability thresholds, reporting that the
27 agreements limit its ability to price aggressively with other retailers because doing so would come
28

1 back to bite them with Amazon. This supplier reported being stuck with the profitability
2 agreements.

3 189. An Amazon supplier that is a large consumer electronics device supplier explained
4 that each year, it enters into agreements with Amazon that “set out [the supplier’s] suggested
5 retail price for each product, along with an Amazon margin associated with that price. For each
6 product there is a margin percentage, which reflects Amazon’s wholesale purchase price.” This
7 supplier “understand[s] that Amazon expects the prices on its retail platform to be the lowest
8 prices available anywhere for a particular product,” and “[i]f it finds a lower price for a particular
9 item, Amazon generally lowers its own price to match the other retailer’s price, and then seeks
10 compensation from the [wholesale supplier] in an attempt to maintain its expected profit
11 margin..” This understanding is based on the supplier’s failed “experiences trying to conduct
12 special sales or promotions with individual retail partners other than Amazon.com.” For
13 example, this supplier tried to partner with another major online retailer on a promotional event
14 involving an effective discount on the supplier’s products. This led to Amazon matching the
15 discount and then demanding that the supplier make a \$100,000 payment to Amazon to
16 compensate Amazon for the lost margin. The supplier was able to negotiate with Amazon to
17 make marketing opportunity purchases, rather than a straight payment, but “only sought these
18 marketing opportunities, and only spent this money, in order to satisfy Amazon’s demand for
19 margin offset compensation.”

20 190. This supplier “would prefer not to make these payments at all,” but “has felt
21 compelled to accede to Amazon’s demands,” and “[t]his especially has been the case when
22 Amazon has demanded these payments at high-sales volume times of year, such as the winter
23 holiday shopping period between Black Friday and Cyber Monday. During these windows, [the
24 supplier] considers rejecting the demand to present too great a risk that Amazon will de-list or
25 refuse to sell certain [of this supplier’s] products on Amazon.com, which would be extremely
26 harmful financially for [this supplier].”

27 191. These experiences have “made it difficult for [this supplier] to provide discounts
28 on its website or to engage in promotions with its retailers” and “have lessened [this supplier’s]

1 appetite for offering product discounts to, or running promotions with, other retailers because
2 [this supplier] knows that Amazon likely will match the promotion and then demand from [this
3 supplier] margin offset compensation. Accordingly, [this supplier] has reduced its efforts to
4 engage in off-Amazon discounting.”

5 192. Amazon’s internal documents tell the same story: as a result of Amazon’s
6 agreements with wholesale suppliers on profitability targets, these suppliers raise their prices
7 market-wide, or enable Amazon to raise its prices for their products by withholding them from
8 competing retailers (thus removing the price-match trigger).

9 193. For example, a January-February 2020 review of Kitchen-category ASINs
10 documented as to one wholesale supplier: “[REDACTED]

11 [REDACTED]
12 [REDACTED]” With respect to a kitchen appliance item, the vendor
13 manager noted, “[REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED].”

17 194. In another example, the vendor manager noted, “[REDACTED]
18 [REDACTED].” In
19 another example, from the Pets category, Amazon observed, “[REDACTED]
20 [REDACTED]
21 [REDACTED].”

22 195. In fact, Amazon has a name for the tactics its wholesale suppliers employ with
23 other retailers to prevent discounting: [REDACTED] As
24 Amazon documented with respect to a different Kitchen supplier, [REDACTED]
25 [REDACTED] is Amazon’s naming
26 gloss on the anticompetitive practice of suppliers imposing or enforcing minimum advertised
27 price or resale price maintenance policies on, and withholding their products from, retailers that
28 compete with Amazon, so that there are no lower prices in the market for Amazon to match.

1 196. In a February 2020 business review of the Furniture category, Amazon
2 documented, “[REDACTED]

3 [REDACTED].”

4 197. A quarterly Lawn & Garden business review from 2019 documented that a
5 generator product “[REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED].” The document went on to note that another supplier had

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 198. An August 2019 business review of Furniture noted as to one wholesale supplier:

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED] As to another wholesale supplier, Amazon documented: [REDACTED]

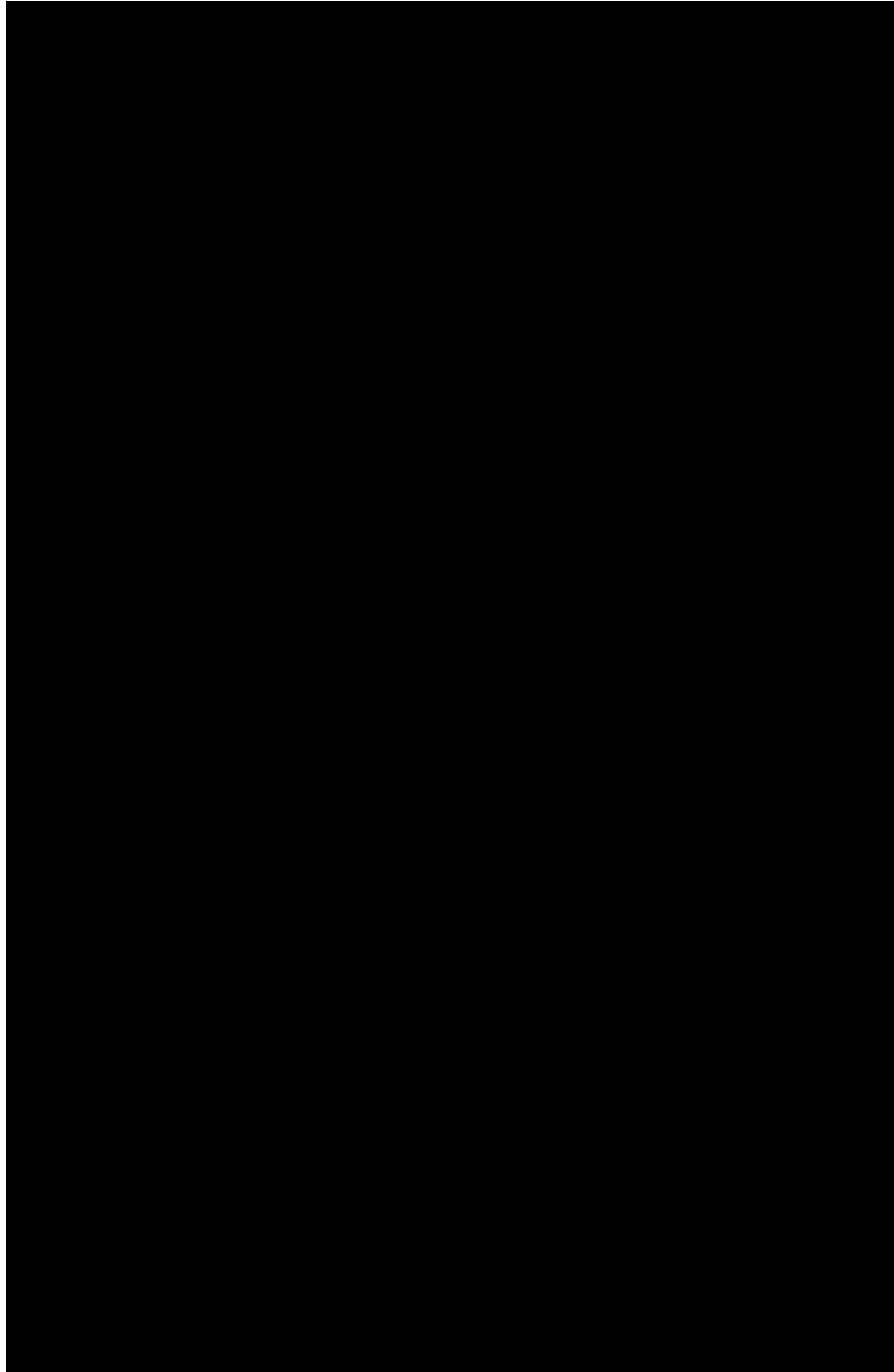
17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED] Amazon’s wholesale price parity agreements and enforcement prevent retailers
21 that wish to compete with Amazon by offering discounted prices from doing so.

1 199. Below is just one example of the end result of Amazon’s minimum margin
2 agreements. In this example, [REDACTED]—a wholesale supplier whose guaranteed minimum
3 margin agreements with Amazon covered \$ [REDACTED] in sales in 2021—has used the Amazon
4 price for its [REDACTED] as the floor price for the same product on its own website
5 and at other retailers, and has withheld the same product from several online sites to prevent
6 discounting that would result in a true-up demand from Amazon:



1 200. Amazon’s internal documents make clear that Amazon demands minimum margin
2 agreements and [REDACTED] funding as a penalty for facilitating lower prices at Amazon’s competitors.
3 For example, an Amazon February 2020 monthly business review for the Sports & Outdoors
4 category documented that Amazon had [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED] to send a message to this supplier that it should not enable discounting below MAP at
10 Amazon’s competitors. A 2020 business review of Tools, Home Improvement, Lawn & Garden
11 discussed the [REDACTED] In other
12 words, Amazon considers it a violation for one of its suppliers to facilitate lower prices at
13 competing retailers like Walmart.com and HomeDepot.com. What did Amazon do to these [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 201. Amazon’s minimum margin agreements with wholesale suppliers are generally
18 requested or demanded by *Amazon*, not the supplier. Suppliers generally seek to *avoid* such
19 agreements and any obligation to ensure Amazon’s profitability. As an ecommerce consultant
20 and former Amazon executive put it, “We’ve been getting a lot of questions from clients about
21 margin guarantees. Amazon has put some out in proposals to our clients. . . . So Why would
22 you sign up for one of these? Sounds crazy, right? . . . There’s a ton of risks, and I think the
23 risks in general outweigh the benefits. It’s basically like writing Amazon a blank check. I
24 generally think these are a pretty bad idea. If you can avoid them, that’s great.”²⁸ Even Amazon
25 admits internally that minimum margin agreements [REDACTED]
26 [REDACTED] In 2019, Amazon sought to [REDACTED]

27
28 ²⁸ Andrea Leigh, *Amazon Margin Guarantees – what vendors need to consider with*
Andrea Leigh, YouTube (Sept. 17, 2019), <https://www.youtube.com/watch?v=y6dPn4emtFE>.

[REDACTED]

202. Amazon's minimum margin agreements reduce the ability of competing online stores to offer lower prices to consumers. They do this by inducing wholesale suppliers to deny discounts to competing online stores, to request or require those competing online stores to keep their retail prices high, to price their products on their own website higher than they otherwise would, or to withhold selection from competing online stores altogether. As a result, prices are higher across online stores, and Amazon maintains its market dominance. Amazon's minimum margin agreements are particularly pernicious in their effect of preventing more efficient retailers, or retailers willing to accept a lower margin, from lowering their prices below those of Amazon's.

203. Amazon is largely unique in its enforcement of minimum margin agreements, particularly at such scale and scope [REDACTED]

[REDACTED] Amazon's online store competitors generally do not use minimum margin agreements. Amazon, on the other hand, uses minimum margin agreements [REDACTED]

[REDACTED]

204. Amazon's minimum margin agreements constitute contracts and/or combinations in restraint of trade in violation of the Cartwright Act. Amazon's wholesale-level price parity acts and practices constitute unfair competition in violation of the Unfair Competition Law. And

1 Amazon's successful imposition of its wholesale price parity policies and agreements on
2 wholesale suppliers—its ability to coerce them to “[REDACTED]” by withholding product
3 or demanding price increases from Amazon's competitors, so that they can keep selling on
4 Amazon—further evidences Amazon's market power.

5 **VII. THE ANTICOMPETITIVE EFFECTS OF AMAZON'S CONDUCT**

6 205. Through Amazon's anticompetitive agreements and enforcement of its price parity
7 policies, Amazon has insulated itself from competition, erected barriers to entry and expansion,
8 imposed supra-competitive selling costs on third-party sellers and wholesale suppliers, degraded
9 the quality of its offering, charged higher prices to consumers, and prevented consumers from
10 accessing the full output and low prices across online stores that would prevail in a freely
11 competitive market.

12 206. Amazon's retail price parity provisions and minimum margin agreements prevent
13 competing sites from offering lower prices, hinder new entrants and existing competitors from
14 successfully opening or expanding competing online stores, and thereby facilitate Amazon's
15 maintenance of its economic power. Amazon's anticompetitive agreements make it virtually
16 impossible for rival online stores to gain any significant market share by providing customers
17 with lower prices. As one seller put it, “there is no incentive to buy [on our direct-to-consumer
18 website] because the price isn't lower.” Absent Amazon's anticompetitive agreements, the
19 market would be expected to reflect lower prices at competing online stores, given the inflated
20 fees Amazon charges to merchants to sell on or through its platform.

21 207. One seller reported, “I think what would be best for -- for consumers . . . would be
22 for us to have our products on our website for less. Simultaneously, our products on Amazon
23 would be higher but at the same profit per unit, and then customers could essentially choose.” “If
24 you actually think about it and slow down, you do see how prices stay up and you are kind of like
25 -- it is this weird, like, stickiness in the market that just holds everything together with much of
26 the sales happening on Amazon.” Without Amazon's requirement that Marketplace sellers price
27 at parity, third-party sellers would keep their prices lower off Amazon (where they pay fewer
28 seller, advertising, and other fees), which would enable other online stores like eBay and

1 Walmart.com to compete more effectively with Amazon, and would lower overall retail prices to
2 consumers. This competition in turn would put pressure on Amazon to improve the seller and
3 customer experience in its online store and lower its seller fees and Prime membership fee, which
4 in turn would lower the effective prices of retail products on Amazon. As Amazon itself
5 acknowledges in internal documents, its price parity requirement “ [REDACTED]
6 [REDACTED] ”

7 208. Absent Amazon’s minimum margin agreements, wholesale suppliers would
8 charge lower wholesale prices and not impose minimum resale or advertised price requirements
9 on other online retailers, would charge lower prices in their own online stores, and would offer
10 greater selection in those stores and to Amazon’s rival online retailers, leading to lower prices to
11 consumers and increased competition against Amazon from other online marketplaces.

12 209. As a result of Amazon’s unlawful price parity agreements and enforcement,
13 California sellers and consumers have paid inflated fees and prices. There is a clear and direct
14 path from the increasingly higher Amazon fees and the prices consumers pay for products.
15 Amazon has long recognized [REDACTED]

16 [REDACTED] Amazon’s own chief economist acknowledged
17 that [REDACTED]

18 [REDACTED]
19 [REDACTED] As Amazon has observed internally,
20 [REDACTED]

21 [REDACTED] Numerous sellers have reported
22 that they incorporate the costs of selling on Amazon into their prices, and that as Amazon’s fees
23 have climbed higher and higher, they have raised their prices on Amazon commensurately.

24 210. The anticompetitive cycle is clear. Amazon exercises its market power by
25 charging excessive fees to suppliers and sellers and demanding increasingly higher profitability
26 on the products it buys wholesale from suppliers. Those merchants raise the prices for their
27 products on Amazon and to Amazon to make up for the excessive fees and profitability
28 requirements. Because of their contractual price parity and minimum margin obligations, they

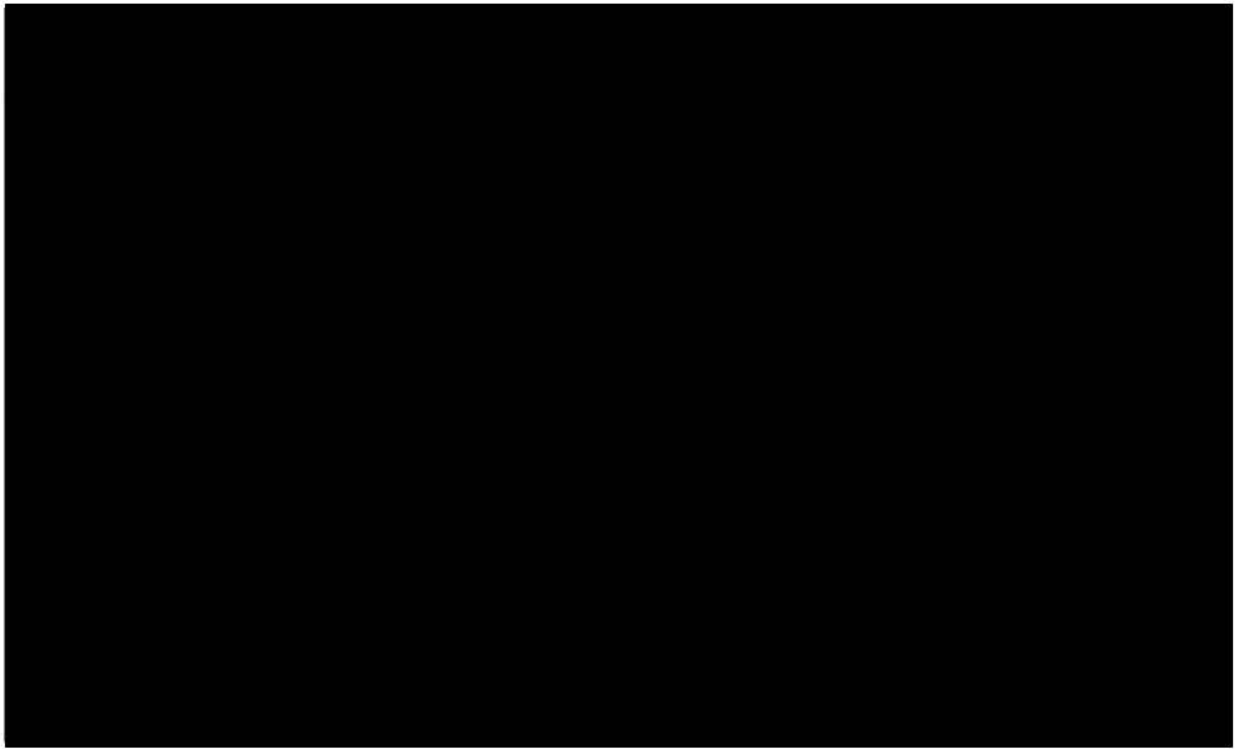
1 raise their prices on competing marketplaces, on their own websites, and to competing online
2 retailers commensurately, enforce minimum advertised price or resale price maintenance policies,
3 or withhold selection from competing retailers. As a result, other online stores cannot effectively
4 attract consumers away from Amazon with lower prices; and merchants are thus stuck selling to
5 and through Amazon to reach consumers, accepting and passing on its higher fees and embedded
6 profits throughout the market.

7 211. Amazon's anticompetitive agreements comprise a restraint of trade that
8 unreasonably prevents the price competition that is the hallmark of our free-market economic
9 system. These agreements insulate Amazon from the price discipline that flows from
10 unconstrained price competition and, in the process, stabilize prices across the market, including
11 by raising prices to a higher level than they would be in the absence of Amazon's anticompetitive
12 conduct. The anticompetitive effects of Amazon's price parity agreements outweigh any
13 procompetitive justification or effects proffered by Amazon.

14 212. Indeed, Amazon's price parity agreements with wholesale suppliers and third-
15 party sellers constitute a blatantly anticompetitive horizontal agreement on price, in which these
16 merchants—actual and potential direct horizontal competitors to Amazon in their operation of
17 their own direct-to-consumer websites—agree that those rival online stores will not compete with
18 Amazon on price. Amazon recognized that the potential growth of direct-to-consumer sales by
19 Amazon's own suppliers and third-party sellers [REDACTED] and
20 has used its price parity agreements to neutralize that threat. The anticompetitive nature and
21 effects of these arrangements are inherent in their structure and the parties' relationship to each
22 other, and self-evident without the need for any inquiry into a relevant market, Amazon's market
23 power, or any further indicia of anticompetitive effects.

24 213. Given the sheer volume of Amazon sales in California, totaling [REDACTED]
25 [REDACTED] the economic damage to the State and the People by Amazon's conduct is substantial.

Amazon Online Store Sales in California, 2014-2020:



VIII. CAUSES OF ACTION

First Cause of Action – Restraint of Trade in Violation of the California Cartwright Act (Cal. Bus. & Prof. Code Section 16720, *et seq.*)

214. The People incorporate by reference and re-allege, as though fully set forth herein, each and every allegation set forth in the preceding paragraphs of this Complaint.

215. Amazon has entered into contracts and/or combinations with its third-party sellers and wholesale suppliers for the purpose and effect to create and carry out restrictions in trade or commerce; to limit and reduce the production, and increase the price of commodities; to prevent competition in the sale of commodities; to fix at a standard and figure, whereby their prices to consumers are controlled or established, commodities intended for sale, use, and consumption in this State; and to make and enter into and execute and carry out contracts, obligations, and agreements by which Amazon's third-party sellers and wholesale suppliers bind themselves not to sell commodities below a common standard figure and fixed value; and agree to keep the prices of such commodities at a fixed and graduated figure; establish and settle the prices of

1 commodities between them and themselves and others, so as directly and indirectly to preclude a
2 free and unrestricted competition among themselves in the sale of such commodities.

3 216. Amazon's contracts and/or combinations were a substantial factor in causing harm
4 to the People.

5 217. Under California Business and Professions Code section 16760, as *parens patriae*
6 on behalf of natural persons residing in the state, the Attorney General seeks monetary relief three
7 times the total damage sustained by such persons and their property, the interest on the total
8 damages pursuant to California Business and Professions Code section 16761, and the costs of
9 suit, including a reasonable attorneys' fee.

10 218. Under California Business and Professions Code sections 16754, 16754.5, and
11 16750(a), the Attorney General seeks injunctive, declaratory and other equitable relief to require
12 Amazon to cease its anticompetitive conduct, to restore fair competition, to deny Amazon the
13 fruits of its illegal conduct—specifically the disgorgement of ill-gotten gains, to prevent the
14 resumption of that conduct or conduct with the same effect—and to impose such other relief as
15 may be just and appropriate for Amazon's violations of the Cartwright Act.

16 **Second Cause of Action – Unfair Competition in Violation of the California Unfair**
17 **Competition Law – Unlawful and Unfair Prongs (Cal. Bus. & Prof. Code Section**
18 **17200, *et seq.*)**

19 219. The People incorporate by reference and re-allege, as though fully set forth herein,
20 each and every allegation set forth in the preceding paragraphs of this Complaint.

21 220. Amazon has engaged, and continues to engage, in the acts or practices described
22 herein, which are unlawful, and which constitute unfair competition within the meaning of section
23 17200 of the Business and Professions Code. Amazon has violated Business and Professions
24 Code section 16750(a).

25 221. Amazon has engaged, and continues to engage, in the acts or practices described
26 herein, which are unfair, irrespective of the violation of any other law, and which constitute unfair
27 competition within the meaning of section 17200 of the Business and Professions Code

28 222. Under California Business and Professions Code section 17200, *et seq.*, the
Attorney General seeks injunctive, and other equitable relief to require Amazon to cease its

1 anticompetitive conduct, to restore fair competition, to deny Amazon the fruits of its illegal
2 conduct—specifically, through restitution, to prevent the resumption of that conduct or conduct
3 with the same effect—to impose a civil penalty of two thousand five hundred dollars (\$2,500)
4 against Amazon for each violation of Business and Professions Code section 17200, and to
5 impose such other relief as may be just and appropriate for Amazon’s violations of the California
6 Unfair Competition Law.

7 **IX. PRAYER FOR RELIEF**

8 WHEREFORE, the People pray that this Court enter judgment against Defendant,
9 adjudging, and decreeing that:

- 10 A. Amazon has engaged in contracts and/or combinations in violation of California
11 Business and Professions Code sections 16720 and 16750(a), and the People have
12 been injured as a result of this violation;
- 13 B. The unlawful conduct, contracts, and/or combinations alleged herein be adjudged
14 and decreed to be an unreasonable restraint of trade;
- 15 C. Amazon has engaged in acts or practices that are unlawful, and which constitute
16 unfair competition within the meaning of Business and Professions Code section
17 17200, with acts or practices violative of the California Cartwright Act, sections
18 16720 and 16750(a) of the Business and Professions Code;
- 19 D. Amazon has engaged in acts or practices that are unfair, irrespective of the
20 violation of any other law, and which constitute unfair competition within the
21 meaning of Business and Professions Code section 17200;
- 22 E. Pursuant to Business and Professions Code section 16760, that the People be
23 awarded their damages, trebled, in an amount according to proof;
- 24 F. Amazon be enjoined, in connection with its activities within, emanating from, or
25 directed at the State of California, from continuing to engage in the
26 anticompetitive conduct alleged herein, including an order appointing a Court-
27 approved monitor, to ensure Amazon’s compliance with the Court’s order;
28

- 1 G. Pursuant to Business and Professions Code sections 16750(c) and 16754.5, that the
2 Court enter all orders necessary to prevent Amazon as well as Amazon's
3 successors, agents, representatives, employees, and all persons who act in concert
4 with Amazon from engaging in any act or practice that constitutes a violation of
5 the Cartwright Act, section 16720, *et. seq.*, of the Business and Professions Code,
6 including such mandatory injunctions as may reasonably be necessary to restore
7 and preserve fair competition, and by disgorging ill-gotten gains arising from its
8 anticompetitive acts;
- 9 H. That Amazon be ordered to compensate the People for the deadweight loss to the
10 economy caused by these acts;
- 11 I. Pursuant to Business and Professions Code section 17203, that the Court enter all
12 orders necessary to prevent Amazon, as well as Amazon's successors, agents,
13 representatives, employees, and all persons who act in concert with Amazon from
14 engaging in any act or practice that constitutes unfair competition in violation of
15 Business and Professions Code section 17200;
- 16 J. Pursuant to Business and Professions Code section 17203, that the Court enter all
17 orders or judgments as may be necessary to restore to any person in interest any
18 money or other property that Amazon may have acquired by violations of Business
19 and Professions Code section 17200, as proved at trial;
- 20 K. Pursuant to Business and Professions Code section 17206, that the Court assess a
21 civil penalty of two thousand five hundred dollars (\$2,500) against Amazon for
22 each violation of Business and Professions Code section 17200, as proved at trial;
- 23 L. The People recover their costs of suit, including reasonable attorneys' fees, as
24 provided by law; and
- 25 M. The People receive such other, further, and different relief as the case may require
26 and the Court may deem just and proper under the circumstances.
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JURY TRIAL DEMAND

The People hereby demand a trial by jury for all causes of action, claims, or issues in this action that are so triable.

Dated: September 14, 2022

Respectfully Submitted,

ROB BONTA
Attorney General of California
PAULA BLIZZARD
NATALIE S. MANZO
Supervising Deputy Attorneys General

/s/ Paula Blizzard

PAULA BLIZZARD
Supervising Deputy Attorney General

*Attorneys for Plaintiff, The People of
the State of California*