

Alphabet Inc.'s partnership with Anthropic PBC

Decision on relevant merger situation

ME/7108/24

The Competition and Markets Authority (**CMA**)'s decision on relevant merger situation under section 22(1) of the Enterprise Act 2002 (the **Act**) issued on 19 November 2024. Full text of the decision published on 24 December 2024.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. Alphabet Inc (**Google**) has entered into a partnership with Anthropic PBC (**Anthropic**), which has resulted in Google acquiring certain rights with respect to the Anthropic business (the **Partnership**). Google and Anthropic are together referred to as the **Parties**.
2. Google is a US-listed multinational company active in several business areas, including in relation the development and commercialisation of foundation models (**FMs**). Google develops and supplies its own Gemini family of FMs and associated chatbot. It also supplies compute to FM developers and provides access to FMs (both its own and other third party FMs) through Google Vertex (**Vertex AI**).
3. Anthropic is a US-based Public Benefit Corporation, specialising in artificial intelligence (**AI**) safety and research and is the developer of the Claude family of FMs. Anthropic has raised capital through a variety of funding rounds from firms including Amazon, Menlo Ventures, Spark Capital, as well as Google.
4. The Parties offer, through Gemini and Claude, two of the leading FMs in an evolving market as well as downstream AI applications, such as chatbots. There is also a vertical relationship between the Parties as Google provides compute and distribution services to FM developers, including Anthropic. Google also offers

various products and services in its ecosystem in which FMs (including its own) are currently or planned to be integrated, such as search.

5. The Partnership involves the following core elements:
 - (a) A series of acquisitions by Google of non-voting Anthropic shares.
 - (b) Extension by Google of convertible debt financing to Anthropic via a series of convertible notes, which are convertible in certain circumstances to non-voting Anthropic shares.
 - (c) A non-exclusive arrangement for the supply of compute capacity by Google to Anthropic.
 - (d) A non-exclusive agreement to distribute Anthropic FMs on Vertex AI.
 - (e) Certain additional rights including consultation rights (and a right to advise and address Anthropic) on significant business issues.
6. Certain terms of the Partnership are set out in a side letter between the Parties (the **Side Letter**). The earliest iteration of the Side Letter was signed in October 2022, with the most recent version signed in August 2024. The CMA first became aware of the rights contained in the Side Letter on 18 April 2024 in the context of the CMA's Amazon/Anthropic merger inquiry.
7. The CMA has considered whether it is or may be the case that a relevant merger situation has been created as a result of the Partnership. A relevant merger situation arises when (i) two or more enterprises cease to be distinct, (ii) either the UK turnover test or the share of supply test is met, and (iii) in the case of a completed transaction, the reference is made not more than four months from the later of the merger taking place or material facts being notified.
8. In relation to the first criterion, two or more enterprises cease to be distinct if they are brought under common ownership and control. Control is not limited to acquisitions of outright voting control but may include situations falling short of voting control, including through the exercise of material influence. The CMA will consider factors such as the acquirer's ability to influence the management of the target's business including the strategic direction of the company and its ability to define and achieve its commercial objectives. Material influence is the lowest level of control that may give rise to a relevant merger situation, and requires a case-by-case analysis of the overall relationship between the acquirer and the target, having regard to all the circumstances of the case.
9. The CMA does not believe that Google has acquired material influence over Anthropic as a result of the Partnership. In its assessment, the CMA considered Google's commercial relationship with Anthropic through the Partnership as a

whole, including by focusing on the following potential sources of influence in the round: through Google (i) exercising influence at shareholder and/or board level (including through its consultation rights); and (ii) being an important source of (a) compute; (b) distribution services through Vertex AI; and/or (c) funding. The CMA also reviewed a significant volume of the Parties' internal documents to establish whether Google may have the ability to exercise material influence in other unspecified ways. The available evidence did not indicate that Google has the ability to exercise material influence over Anthropic through the Partnership.

10. In relation to the second criterion for jurisdiction, the CMA found that the UK turnover test was not met, as Anthropic's UK turnover does not exceed £70 million in the UK. The CMA considered whether the UK share of supply test could be met, including on the basis that the Parties currently offer two of the leading FMs globally. However, the CMA did not need to reach a conclusion on share of supply as the Partnership does not meet the first criterion.
11. The CMA does not therefore believe that it is or may be the case that a relevant merger situation has been created.
12. The Partnership will therefore not be referred under section 22 of the Act.

ASSESSMENT

PARTIES

13. Google is a US company based in Mountain View, California. In 2023, Google's worldwide turnover was £243.18 billion,¹ of which £[§<] was generated in the UK.² Among other things, Google is active in the development and commercialisation of FMs (primarily through its Gemini family of FMs and associated chatbot) and associated activities, including through its subsidiary, Google DeepMind. Google announced the launch of Gemini on 6 December 2023 as a native multimodal family of models capable of functioning with text, code, audio, image and video.³ The Gemini family of models now includes various sizes from Gemini 1.5 Flash to Ultra. Gemini products are available through the Gemini Advanced subscription, Gemini Developer API and Vertex AI. Google's FM-associated activities include the supply of cloud compute to FM developers and distribution of FMs via Vertex AI.⁴

¹ [Form 10-K for Alphabet INC filed 01/31/2024](#).

² The turnover figures have been converted from US Dollars to Great British Pounds using the Bank of England's exchange rate on 19 November 2024 (0.7911).

³ [Introducing Gemini: Google's most capable AI model yet](#).

⁴ [Google Gemini](#); [Gemini Developer API](#); [Vertex AI](#).

14. Anthropic is an AI safety and research company based in San Francisco, USA.⁵ Anthropic is constituted as a Delaware Public Benefit Corporation and has raised capital through a variety of funding rounds from firms such as Google, Amazon, Menlo Ventures and Spark Capital. In 2023, Anthropic's worldwide turnover was £[§<],⁶ of which £[§<] was generated in the UK.^{7, 8} Anthropic has developed the Claude family of FMs. Anthropic recently introduced its Claude 3 family of models, which according to Anthropic offers increased capabilities in analysis, forecasting, nuanced content creation, code generation and multi-language communication.⁹ On 22 October 2024, Anthropic announced an upgraded Claude 3.5 Sonnet model, as well as a new Claude 3.5 Haiku model. Anthropic has stated that the upgraded Claude 3.5 Sonnet delivers across-the-board improvements over its predecessor, with particularly significant gains in coding. Anthropic has also stated that Claude 3.5 Haiku matches the performance of Claude 3 Opus, its prior largest model, on many evaluations for the same cost and similar speed to the previous generation of Haiku.¹⁰ Anthropic models are available to use on Anthropic's claude.ai, the Claude iOS app, the Claude API, as well as on Google's Vertex AI and Amazon Bedrock.¹¹
15. As is evident from the above, there are horizontal overlaps in the Parties' activities, both in terms of the development of FMs (i.e. Gemini and Claude) and the supply of FMs to end users through API access (i.e. Vertex AI and Anthropic's first-party FM distribution). The Parties also overlap in the development and supply of chatbots powered by the FMs that the Parties each develop in-house (i.e. the Gemini App and Claude App) as well as emerging use cases such as AI agents.¹² As described below, there are also vertical relationships between the Parties, including Google's role as a major supplier of cloud compute to Anthropic and FM distribution via Vertex AI. Google also offers various products and services in its ecosystem in which FMs (including its own) are currently or planned to be integrated, such as search.¹³

⁵ [Anthropic - Making AI systems you can rely on.](#)

⁶ Anthropic response of 13 June 2024 to the CMA's section 109 of 29 May 2024 in the Amazon/Anthropic merger inquiry, question 12, Annex ANTH-CMA-00001895.

⁷ Anthropic response of 2 May to the CMA's Enquiry Letter of 8 April 2024 in the Amazon/Anthropic merger inquiry, question 8, Annex A.

⁸ The turnover figures have been converted from US Dollars to Great British Pounds using the Bank of England's exchange rate on 19 November 2024 (0.7911).

⁹ [Introducing the next generation of Claude.](#)

¹⁰ [Introducing computer use, a new Claude 3.5 Sonnet, and Claude 3.5 Haiku](#)

¹¹ [Introducing the next generation of Claude; Claude 3.5 Sonnet.](#)

¹² Third Party responses to the CMA's questionnaires from its investigation into the partnership between Microsoft, Inc. and Inflection, dated 10 July 2024.

¹³ [AI Foundation Models: Technical Update Report](#), CMA, 16 April 2024, paragraph 5.11.

THE PARTNERSHIP

16. Google and Anthropic's Partnership to date involves the following core elements:
- (a) A series of acquisitions by Google of non-voting Anthropic shares, with \$[X].¹⁴ The Parties have since agreed that [X].¹⁵ As at August 2024, Google held [X]% of Anthropic's fully diluted equity.¹⁶
 - (b) Extension of convertible debt financing to Anthropic via a series of convertible notes, with \$[X]. These notes are convertible in certain circumstances to non-voting Anthropic shares.¹⁷
 - (c) A non-exclusive arrangement for the supply of compute capacity by Google to Anthropic.¹⁸ Google explained that pursuant to these agreements Anthropic had made a \$[X] compute commitment, leading to a \$[X] commitment over [X].¹⁹ Google also announced that Anthropic was using Google's own TPU v5e accelerator chip technology to efficiently scale serving for its Claude LLM,²⁰ though the compute capacity supplied by Google also covers access to accelerator chips from other providers such as NVIDIA. In 2023, Anthropic sourced [X]% of its compute from Google.²¹
 - (d) A non-exclusive agreement to distribute Anthropic models on Google's Vertex AI.²² In October 2024, Google announced that Anthropic's upgraded Claude 3.5 Sonnet was available on Vertex AI for US customers. This built on previous announcements relating to other Anthropic models becoming generally available on Vertex AI.²³
17. In addition to the elements above, Google has secured certain rights in relation to Anthropic through the Side Letter. The earliest iteration of the Side Letter was signed in October 2022, with the most recent version signed in August 2024. The CMA first became aware of the rights contained in the Side Letter on 18 April 2024

¹⁴ Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, question 4.

¹⁵ Google response of 3 October 2024 to the CMA's RFI of 30 September 2024.

¹⁶ Anthropic response of 13 August 2024 to the CMA's section 109 notice of 5 August 2024, Annex Q2.1.

¹⁷ Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, question 4; Google response of 3 October 2024 to the CMA's RFI of 30 September 2024.

¹⁸ [X]. See Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, Annexes 3.15-3.30.

¹⁹ Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, question 4.

²⁰ [Announcing Cloud TPU v5e GA for cost-efficient AI model training and inference](#).

²¹ Anthropic response of 6 June 2024 to CMA's section 109 notice of 29 May 2024 in the Amazon/Anthropic merger inquiry, question 4

²² This is detailed in a Strategic Alliance Agreement signed in March 2024. See Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, Annex 3.40.

²³ [Announcing Anthropic's upgraded Claude 3.5 Sonnet on Vertex AI](#); [Announcing Anthropic's Claude 3.5 Sonnet on Vertex AI](#); [Announcing Anthropic's Claude 3 models on Google Cloud Vertex AI](#).

in the context of the CMA's Amazon/Anthropic merger inquiry.²⁴ The rights Google has obtained include:

- (a) a right to consult with and advise Anthropic management on significant business issues, including [REDACTED];
- (b) [REDACTED]; and
- (c) [REDACTED].²⁵

PROCEDURE

18. The CMA's mergers intelligence function identified the Partnership as warranting an investigation, having found that there was a reasonable chance that the test for a reference to an in-depth phase 2 investigation would be met (i.e. a reasonable chance that an investigation would reveal that it is or may be the case that a relevant merger situation has been created, and the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition.²⁶

JURISDICTION

19. The CMA has considered whether it is or may be the case that a relevant merger situation has been created as a result of the Partnership. Under section 23 of the Act, a relevant merger situation arises when (i) two or more enterprises cease to be distinct, (ii) either the UK turnover test or the share of supply test is met, and (iii) in the case of a completed merger, the reference is made not more than four months from the later of the merger taking place or material facts being notified.
20. Each of Google and Anthropic is an enterprise. The CMA has considered whether as a result of the Partnership, these enterprises have ceased to be distinct. Two or more enterprises cease to be distinct if they are brought under common ownership or control.²⁷ Control is not limited to the acquisition of outright voting control but may include situations falling short of outright voting control, including material influence and de facto control.²⁸
21. The ability to exercise material influence is the lowest level of control that may give rise to a relevant merger situation. When making its assessment, the CMA focuses on the acquirer's ability materially to influence policy relevant to the behaviour of the target entity in the marketplace. The policy of the target in this context means

²⁴ Case ME/7100/24 – [Amazon/Anthropic](#).

²⁵ Anthropic response of 17 May 2024 to the CMA's section 109 notice dated 1 May 2024 in the Amazon/Anthropic merger inquiry, Annex ANTH-CMA-00000001; Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, Annex 3.7; Google response of 3 October 2024 to the CMA's RFI of 30 September 2024, Annex 7.

²⁶ See Mergers guidance on the CMA's jurisdiction and procedure, 25 April 2024 ([CMA2](#)), paragraph 6.4.

²⁷ Section 26 of the Act. [CMA2](#), paragraph 4.5.

²⁸ Section 26 of the Act. [CMA2](#), paragraph 4.16.

the management of its business, and therefore includes the strategic direction of a company and its ability to define and achieve its commercial objectives.²⁹

22. The assessment of material influence requires a case-by-case analysis of the overall relationship between the acquirer and the target, having regard to all the circumstances of the case.³⁰ The variety of commercial arrangements entered into by firms makes it difficult to state categorically what will (or will not) constitute material influence.³¹ Potential sources of influence that may individually or collectively confer material influence include: the ability to influence the target's policy through exercising votes at shareholders' meetings, whether because it has the right to block special resolutions or because, given other factors, it is able to do so in practice;³² the ability to influence the board of the target through board representation;³³ or other arrangements, such as customer/supplier relationships between the acquirer and the target, the provision of consultancy services to the target or, in certain circumstances, financial dependency of the target on the acquirer.³⁴ However this list is not exhaustive.³⁵ The CMA will also consider the commercial realities and results of a given transaction, focusing on substance rather than legal form, and have regard to the status and expertise of the acquirer, as well as the identity and corporate policy of the target company (so as to consider whether the acquirer may be able materially to influence policy formulation through means other than a shareholding).³⁶
23. Based on the available information as at the date of this decision, the CMA does not believe that Google has acquired material influence over Anthropic as a result of the Partnership. In its assessment, the CMA considered Google's ability to influence Anthropic's policy through the following potential sources of influence, considered in the round:
- (a) influence at shareholder and board level;
 - (b) influence through supply arrangements; and

²⁹ [CMA2](#), paragraph 4.17.

³⁰ [CMA2](#), paragraph 4.18.

³¹ [CMA2](#), paragraph 4.20.

³² For example, where: the distribution of remaining shares mean that the acquirer is the largest shareholder or where patterns of attendance and voting at recent shareholders' meetings mean that a shareholding of less than 25% would be able to block special resolutions in practice; the acquirer's minority shareholding affords special voting or veto rights over relevant policy or strategic matters sufficient to confer material influence; or the status and expertise of the acquirer enables it to influence materially policy formulation, for example, through meetings without other shareholders. The CMA may also consider as additional relevant factor whether a company's appetite for pursuing certain strategies would be reduced because of a perception that such strategies would be likely to cause conflict with the acquirer. [CMA2](#), paragraphs 4.19 – 4.20 and 4.24 – 4.27.

³³ [CMA2](#), paragraphs 4.19 – 4.20 and 4.28 – 4.30.

³⁴ Specifically, where such dependency results in the acquirer gaining material influence over the target's commercial policy, eg because it could threaten to withdraw loan facilities if a particular policy is not pursued. [CMA2](#), paragraphs 4.19 – 4.20 and 4.31 – 4.32.

³⁵ [CMA2](#), paragraph 4.20.

³⁶ [CMA2](#), paragraph 4.24; 4.26.

- (c) any other sources of influence.

Influence at shareholder and board level

24. Google holds an [X]% non-voting minority stake in Anthropic.³⁷ The arrangements between the Parties envisage that any future conversion of Google's debt investments in Anthropic would be to non-voting shares.³⁸ The Parties have also agreed [X].³⁹
25. Google has not obtained any board representation rights as a result of its various investments in Anthropic.⁴⁰ Anthropic also confirmed that, to its knowledge, no trustee of its Long-Term Benefit Trust⁴¹ currently works, or previously has worked, at Google,⁴² [X].⁴³ [X].⁴⁴
26. In the absence of any voting rights or board representation, the CMA considered whether other rights attaching to Google's investments in Anthropic might allow it to exercise substantially greater influence than might be expected to result from its non-voting minority shareholding. In particular, the CMA considered:
- (a) the role of consultation rights which enable Google to consult with Anthropic management regarding significant business issues, [X].⁴⁵ The CMA considers that, in principle, rights of this nature could provide, or contribute to, means of influencing a target's commercial policy. However, while not determinative, in this case the CMA notes that other investors in Anthropic including [X] possess the same or similar consultation rights,⁴⁶ and that these investors' interests in Anthropic's strategic direction may not necessarily align with Google's. In this context, the CMA considers that Google is unlikely to have the ability to exert material influence through its consultation rights alone. The CMA also found no evidence that Anthropic

³⁷ Anthropic response of 13 August 2024 to the CMA's section 109 notice of 5 August 2024, Annex Q2.1.

³⁸ Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, question 4.

³⁹ Google response of 3 October 2024 to the CMA's RFI of 30 September 2024.

⁴⁰ Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, question 4.

⁴¹ Anthropic explained that the Long-Term Benefit trust is an independent body of financially disinterested trustees whose work and authority helps to align Anthropic's corporate governance with Anthropic's mission of developing and maintaining advanced AI for the long-term benefit of humanity. The trust holds a class of stock which allows it to elect and remove a set number of Anthropic's board members, with this number set to increase in future. See Anthropic response of 9 September 2024 to the CMA's section 109 notice of 27 August 2024, question 2.

⁴² Anthropic response of 9 September 2024 to the CMA's section 109 notice of 27 August 2024, question 1.

⁴³ Anthropic response of 24 September 2024 to the CMA's section 109 notice of 27 August 2024, question 1.

⁴⁴ Anthropic response of 9 September 2024 to the CMA's section 109 notice of 27 August 2024, question 6.

⁴⁵ Anthropic response of 17 May 2024 to the CMA's section 109 notice dated 1 May 2024 in the Amazon/Anthropic merger inquiry, Annex ANTH-CMA-00000001; Google response of 28 June 2024 to the CMA's Enquiry Letter dated 13 June 2024, Annex 3.7; Google response of 3 October 2024 to the CMA's RFI of 30 September 2024, Annex 7

⁴⁶ Anthropic response of 13 August 2024 to the CMA's section 109 notice of 5 August 2024, question 1.

was in practice deferring to Google's interests when deciding its commercial policy.⁴⁷

- (b) The CMA also considered the extent to which Google's particular expertise and status in the industry⁴⁸ might allow it to exert substantially greater influence than might be suggested by its non-voting shareholding. While Google has a strong position throughout the FM supply chain and other adjacent areas in which FMs are currently (or will potentially) be integrated, the CMA notes that other significant investors in Anthropic, including Amazon also have considerable expertise and status. In addition, other current shareholders are largely sophisticated investors or have their own technical expertise. Whilst not determinative, the Parties' internal documents reviewed by the CMA did not suggest that Google was seeking to influence Anthropic's commercial policy, or that Anthropic, or its shareholders, have given particular weight to Google's expertise or status when making strategic decisions.
- (c) [REDACTED].

Influence through supply arrangements

- 27. The CMA has previously explained that access to substantial compute remains critical for developing highly capable FMs.⁴⁹ It has also previously explained that distribution via FM platforms provided by CSPs such as Vertex AI could potentially be an important route to market for FM developers.⁵⁰ Finally, the CMA has also recognised that, in certain circumstances, the provision of funding that creates financial dependency may give rise to material influence.⁵¹
- 28. In this case, Anthropic appears to have structured its supply arrangements to prevent it becoming dependent on a sole supplier. In particular,

⁴⁷ Anthropic submitted that it does not set its commercial strategy based on considering the potential impacts on the independent business interests of its investors. Anthropic response of 14 August 2024 to the CMA's section 109 notice of 5 August 2024, question 10.

⁴⁸ The expertise and status of an acquirer and its corresponding influence with other shareholders may, in certain circumstances, contribute to a finding of material influence. [CMA2](#), paragraph 4.26.

⁴⁹ The CMA's decision in Microsoft/Mistral explained that an agreement to provide compute infrastructure to an FM developer may in certain circumstances result in an acquisition of material influence. That decision explained that this may occur where the conditions are such that the agreement creates a dependency on the compute supplier such that it enables it to influence materially the commercial policy of the FM developer. See case ME/7102/24 – [Microsoft/Mistral](#), paragraph 12.

⁵⁰ The CMA's decision in Microsoft/Mistral explained that a distribution agreement between an FM developer and a CSP may in certain circumstances result in an acquisition of material influence. That decision explained that this may occur where the conditions are such that the agreement creates a dependency on the CSP such that it enables it to influence materially the commercial policy of the FM developer. See case ME/7102/24 – [Microsoft/Mistral](#), paragraph 14.

⁵¹ [CMA2](#), paragraph 4.32.

- (a) In 2023 Anthropic sourced approximately [X]% of its compute from Amazon as its primary cloud provider, while sourcing [X] requirements from Google.⁵²
 - (b) Anthropic models are available via multiple distribution channels such as Amazon Bedrock and Anthropic's first-party distribution; and
 - (c) Anthropic has continued to enter into funding arrangements with a range of investors.⁵³
29. Although non-exclusivity is not in itself a bar to finding that one (or both) suppliers have material influence, in this case the CMA's review of the Parties' internal documents did not, in the round, indicate that Google's supplier role (or its role as a source of financing) in these respects was resulting in the ability to materially influence Anthropic's commercial policy. While the CMA's review of internal documents submitted by the Parties highlighted significant levels of contact between the Parties, this was predominantly of a technical nature and related to implementation of the compute and distribution agreements between the Parties. [X].⁵⁴
30. The terms of the compute, distribution and funding agreements do not otherwise confer on Google the ability to influence materially the commercial policy of Anthropic (eg through requiring Google's consent to a given course of action).

Other source of influence

31. The CMA also considered whether other possible sources of influence might allow Google to influence materially the commercial policy of Anthropic. The CMA did not identify any other possible sources of influence that would allow Google to influence materially the commercial policy of Anthropic, either in the terms of the partnership agreements between the Parties or in the CMA's review of internal documents submitted by the Parties.

Turnover and share of supply test

32. In relation to the second criterion for jurisdiction, the CMA found that the UK turnover test was not met, as Anthropic's UK turnover does not exceed £70 million in the UK. The CMA considered whether the UK share of supply test could be met, including on the basis that the Parties currently offer two of the leading FMs

⁵² Anthropic response of 6 June 2024 to CMA's section 109 notice of 29 May 2024 in the Amazon/Anthropic merger inquiry, question 4

⁵³ Alphabet response of 12 September 2024 to CMA's section 109 notice of 23 July 2024, Annex 3.

⁵⁴ Anthropic response of 13 August 2024 to the CMA's RFI of 31 July 2024, question 2, and Annexes ANTH-CMA2-0000000078, ANTH-CMA2-0000000025, ANTH-CMA2-0000000123.

globally. However, the CMA did not need to reach a conclusion on share of supply as the Partnership does not meet the first criterion.

DECISION

33. On the basis of the findings above, the CMA does not believe that it is or may be the case that Google and Anthropic have ceased to be distinct within the meaning of section 26 of the Act.
34. The CMA therefore does not have jurisdiction to review the Partnership in its current form and it will therefore not be referred under section 22 of the Act.

Joel Bamford
Executive Director, Mergers
Competition and Markets Authority
19 November 2024