Federal Trade Commission
Office of the Secretary
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, D.C. 20530

*Submitted via Regulations.gov*

**Re: Request for Information for Public Comment on Corporate Consolidation Through Serial Acquisitions and Roll-Up Strategies**

## Introduction

Public Knowledge and the Responsible Online Commerce Coalition (ROCC) submit these comments in response to the Department of Justice's (DOJ) and the Federal Trade Commission's (FTC) (hereinafter the "Agencies") Request for Public Comment on Corporate Consolidation Through Serial Acquisitions and Roll-Up Strategies. Public Knowledge promotes freedom of expression, an open internet, and access to affordable communications tools and creative works. Public Knowledge works to shape policy on behalf of the public interest. ROCC is made up of a broad coalition of businesses, small and large, that rely on Amazon and other online platforms to reach their customers. ROCC's central aim is to ensure a level playing field on which businesses that offer the best products can prosper because consumers can easily find and buy their genuine products for the best price.

We commend the Agencies for issuing this critical Request for Information (RFI) on serial acquisitions to investigate the detrimental impact they can have on competition, consumer choice, and innovation. We also praise the FTC's ongoing 6(b) study aimed at scrutinizing partnerships and investments among artificial intelligence (AI) providers.[1] We appreciate the opportunity to provide these comments in the face of several Big Tech companies entering into a series of partnerships and investments with AI companies as well as acqui-hires[2] in ways that are

[1] Federal Trade Commission, FTC Launches Inquiry into Generative AI Investments and Partnerships (Jan. 24, 2024), https://www.ftc.gov/news-events/news/press-releases/2024/01/ftc-launches-inquiry-generative-ai-investments-partnerships (last visited Sept. 19, 2024).

[2] We use the term "acqui-hire" to refer to both traditional acqui-hires as well as "reverse acqui-hires."

likely to reduce competition in AI markets and increase barriers to entry. Reverse acqui-hires can be particularly effective at enabling dominant firms to sidestep regulatory scrutiny while effectively neutralizing competitors. The Agencies should rightfully investigate the full impact of these transactions, whether or not they trigger regulatory review under the antitrust law's reporting requirements.

**Big Tech Companies Have Engaged in a Series of Concerning Partnerships and "Acqui-Hires" with AI Startups**

The partnerships between Big Tech companies and AI startups raise significant competition concerns. Microsoft, Google, and Amazon, among others, have pursued strategic investments, acqui-hires, and collaborations that suggest a concerted strategy to control AI innovation and build higher barriers to entry for competitors.[3]

Microsoft's partnerships and investments in AI startups, including its $10 billion investment in OpenAI and $15 million in Mistral AI, suggest a roll-up strategy aimed at securing a dominant position in AI markets.[4] In addition, Microsoft's acqui-hiring of key talent from Inflection and Google DeepMind further increases its control over AI development, giving it a competitive edge that smaller companies struggle to match.[5] By consolidating talent and technology, Microsoft is effectively raising barriers to entry for new firms and stifling competition in a rapidly evolving market. Similarly, Google's investments in Anthropic[6] and its acquisition of DeepMind exemplify how Big Tech appears to be consolidating AI expertise and market power.[7] Google's deal with Anthropic could serve to lock up revenue streams and exclude rivals from a key distribution channel.[8] Amazon's AI partnerships, including its deal with Adept, show that this pattern extends across the industry. Amazon's deal with Adept, where 66% of its employees

[3] *See, e.g.*, Alex Heath, How Big Tech Is Swallowing the AI Industry, THE VERGE (July 1, 2024), https://www.theverge.com/2024/7/1/24190060/amazon-adept-ai-acquisition-playbook-microsoft-inflection (last visited Sept. 20, 2024).

[4] Karen Gilchrist, Microsoft Invests in Europe's Mistral AI to Expand beyond OpenAI, CNBC (Feb. 27, 2024), https://www.cnbc.com/2024/02/26/microsoft-invests-in-europes-mistral-ai-to-expand-beyond-openai.html (last visited Sept. 20, 2024).

[5] Microsoft taps DeepMind co-founder Suleyman to spearhead consumer AI push, REUTERS (Mar. 19, 2024), https://www.reuters.com/technology/microsoft-hires-deepmind-co-founder-suleyman-head-new-consumer-ai-organization-2024-03-19/ (last visited Sept. 20, 2024).

[6] Hayden Field, Google commits to invest $2 billion in OpenAI competitor Anthropic, CNBC (Oct. 27, 2023), https://www.cnbc.com/2023/10/27/google-commits-to-invest-2-billion-in-openai-competitor-anthropic.html#:~:text=Google%20agreed%20to%20invest%20up%20to%20$2%20billion?msockid=3f60b303f0af67db29aca0e6f1dd665f. (last visited Sept. 20, 2024).

[7] Catherine Shu, Google Acquires Artificial Intelligence Startup DeepMind For More Than $500M, TECHCRUNCH (Jan. 26, 2014), https://techcrunch.com/2014/01/26/google-deepmind/ (last visited Sept. 20, 2024).

[8] *See, e.g.*, Jack Corrigan, What Google's Antitrust Defeat Means for AI, TIME (Aug. 29, 2024), https://time.com/7015493/google-antitrust-defeat-ai-monopolies/ (last visited Sept. 20, 2024).

were hired by Amazon, is a clear example of a reverse acqui-hire[9] (so-called because a more traditional acqui-hire would involve buying the company.)[10]

This pattern of behavior has rightly drawn attention from lawmakers. In a July 2024 letter to the FTC and DOJ, led by U.S. Senator Ron Wyden, several Senators raised concerns about how major tech companies, including Microsoft, are entrenching themselves as dominant firms in the Gen AI space. The letter noted that through "partnerships, equity deals, acquisitions, cloud computing credits, and other arrangements," these firms are consolidating power across different layers of the AI ecosystem, from hardware to applications.[11] These concerns are well-founded. Without proper scrutiny from the antitrust agencies, serial acqui-hires and substantial investments in AI players could add to Big Tech's existing gatekeeper power, as well as insulating the companies from actual or potential competition.

**These Deals Could Harm Competition as De-Facto Vertical Mergers, Killer Acquisitions, and Acquisitions of Potential Competitors**

These partnerships create a "roll-up" effect, where emerging AI startups are either acquired or made dependent on the tech giants. Big Tech already has a history of serial acquisitions–in recent years, tech companies have engaged in hundreds of relatively small acquisitions of both AI and non-AI companies that fly under the radar because they fail to reach the size threshold necessary to trigger oversight from antitrust enforcers.[12] This has allowed Big Tech to shape numerous digital markets and expand their dominance unchallenged. Similarly, Big Tech's recent AI partnerships and hiring strategies have enabled them to evade regulatory scrutiny while they quietly swallow up the majority of successful AI startups.[13] But because this conduct is also not expressly an "acquisition" or "merger" under existing law, Big Tech can continue to entrench its market dominance unchecked.[14]

---

[9] Heath, *supra* note 3.

[10] Clare Duffy, Big Tech's AI Acquihires Are a Growing Antitrust Concern, FORTUNE (July 17, 2024), https://fortune.com/2024/07/17/big-ai-acquihire-microsoft-inflection-amazon-adept-antitrust-cma-ftc/.

[11] Letter from Ron Wyden, U.S. Senator, to Fed. Trade Comm'n and Dep't of Just. on AI Competition (July 11, 2024), https://www.wyden.senate.gov/imo/media/doc/letter_to_ftc___doj_on_ai_competition.pdf.

[12] *See, e.g.*, David Goldman, Google's Antitrust Defeat Could Fuel AI Monopolies, TIME (Sept. 20, 2023), https://time.com/7015493/google-antitrust-defeat-ai-monopolies/ ("In a forthcoming report, my colleagues at Georgetown University's Center for Security and Emerging Technology and I found Apple, Microsoft, Google, Meta, and Amazon have collectively acquired at least 89 AI companies over the last decade, and those acquisitions tended to target younger startups, a signal that the tech giants may be targeting innovative AI firms before they pose a competitive threat."); *see also* Cat Zakrzewski, Secret Tech Acquisitions Have Left the FTC in the Dark, WASH. POST (Sept. 20, 2021), https://www.washingtonpost.com/technology/2021/09/20/secret-tech-acquisitions-ftc/.

[13] Heath, *supra* note 2.

[14] Amba Kak, Sarah Myers West & Meredith Whittaker, Make no mistake—AI is owned by Big Tech, MIT TECHNOLOGY REVIEW (Dec. 5, 2023), https://www.technologyreview.com/2023/12/05/1084393/make-no-mistake-ai-is-owned-by-big-tech/ (last visited Sept. 20, 2024).

The adoption of AI is accelerating quickly, along with a growing variety of applications. As AI becomes more integrated into technology infrastructure, or the "tech stack," big companies profit while competition suffers. The complexity and cost of developing AI already creates significant barriers to entry for new market entrants. The Big Tech-AI partnerships lead to less AI disruptors and by proxy, less competitive pressure. Dominant tech companies are consequently disincentivized from innovating in response to consumer needs. Moreover, the demand for AI expertise drains the pool of applicants in the startup market, making it difficult for smaller companies to attract and retain skilled talent.

As such, antitrust enforcement agencies should pay particular attention to how Big Tech has approached AI.[15] AI has several characteristics of a market disruptor in the tech industry, which is already prone to tipping (when small, new, or potential competitors play an outsized role in shifting the market). To protect competition, it is especially important to recognize the harms of pseudo-acquisitions of potential or nascent competitors like AI companies, and even block agreements that might be allowed in other contexts.[16]

As touched on above, recent consolidation trends between Big Tech and AI firms pose serious risks to competition, potentially functioning as de facto vertical mergers, killer acquisitions, or acquisitions of potential competitors, and raising concerns under the newly minted Merger Guidelines. For instance, Google's current position as a digital gatekeeper enables it to leverage its existing monopoly power over search into significant market power in AI markets. The integration of Gen AI features into platforms already controlling substantial portions of the digital ecosystem—such as search engines and content aggregation sites—exacerbates the unequal power dynamics among market participants in digital markets, including publishers, journalists, artists, and other producers of creative content. Ultimately, the incorporation of AI into search increases Google's ability to unilaterally dictate the terms upon which users engage with accessing information online, including access to creative content.

Moreover, consolidation in this sector also raises labor-related concerns, particularly with respect to monopsony power. As major firms control more of the marketplace, workers in the AI and creative industries will have fewer employers to sell their labor and work product to, effectively

---

[15] *See, e.g.*, U.S. House of Representatives, Subcommittee on Antitrust, Investigation of Competition in Digital Markets, Majority Staff Report and Recommendations, at 387 (Oct. 2020), https://democrats-judiciary.house.gov/uploadedfiles/competition_in_digital_markets.pdf. ("Ongoing acquisitions by the dominant platforms raise several concerns. Insofar as any transaction entrenches their existing position, or eliminates a nascent competitor, it strengthens their market power and can close off market entry. Furthermore, by pursuing additional deals in artificial intelligence and in other emerging markets, the dominant firms of today could position themselves to control the technology of tomorrow.")

[16] Charlotte Slaiman, Testimony Before the Subcommittee on Antitrust, Commercial, and Administrative Law, Vertical Mergers: Implications for Competition and Consumers (July 2023), https://publicknowledge.org/wp-content/uploads/2023/07/Public-Knowledge-Charlotte-Slaiman-Vertical-Mergers-Testimony-July-2023.pdf.

reducing wages and labor mobility. Gen AI tools, in particular, have an impact on creative workers, potentially scaling the exploitation of intellectual labor. This consolidation threatens to amplify these harms exponentially, as Big Tech has used its market power to start cutting one-sided deals with big media companies for access to data.[17] If these practices are not checked, they could fundamentally reshape the competitive landscape, not just for content creators, but also for workers and consumers across the broader tech and AI industries.

**Big Tech's Substantial Investments in and Integration with AI Companies May Lead to Significant Consumer Harm**

Consolidation in the tech stack already makes it significantly harder for consumers to switch products. When a few companies dominate the market, consumers become reliant on a specific ecosystem. This reliance can make transitioning to alternatives challenging, often resulting in the loss of access to certain features or data. Additionally, consolidated platforms may not integrate easily with competing products, creating barriers for users looking to switch. The lack of competition in technology ecosystems can lead to stagnation in innovation and service improvement and presents significant hurdles for consumers seeking to explore different products.[18]

The partnerships between Big Tech and AI companies are poised to exacerbate harms of consolidation in the tech stack. As companies vertically integrate AI into their ecosystems, they often develop proprietary models and tools that function exclusively within their platforms, further entrenching consumers in specific ecosystems and making it more difficult to switch without losing access to valuable AI-driven features.[19] For example, AI models that analyze consumer behavior can generate personalized experiences that improve user satisfaction, but they may also manipulate preferences, subtly guiding consumers toward specific products that strengthen the dominance of a few major players.[20] Additionally, AI typically requires large amounts of data to operate effectively, and if consumers' data is locked within a particular platform, transitioning to a different service could lead to significant data loss, disincentivizing

[17] *See, e.g.*, Anirban Sen, Inside Big Tech's Underground Race to Buy AI Training Data, REUTERS (Apr. 5, 2024), https://www.reuters.com/technology/inside-big-techs-underground-race-buy-ai-training-data-2024-04-05/.

[18] *See, e.g.*, How big technology systems are slowing innovation, MIT TECHNOLOGY REVIEW (Feb. 17, 2022), https://www.technologyreview.com/2022/02/17/1044711/technology-slowing-innovation-disruption/ (last visited Sep 20, 2024).

[19] Vanderbilt University, An Antimonopoly Approach to Governing Artificial Intelligence, Vanderbilt Policy Accelerator for Political Economy & Regulation (Oct. 6, 2023), https://cdn.vanderbilt.edu/vu-URL/wp-content/uploads/sites/412/2023/10/06212048/Narechania-Sitaraman-Antimonopoly-AI-2023.10.6.pdf.pdf.

[20] *See, e.g.*, Elijah Clark, How Retailers Are Using AI To Manipulate Consumer Shopping, FORBES (Nov. 18, 2023), https://www.forbes.com/sites/elijahclark/2023/11/28/how-retailers-are-using-ai-to-manipulate-consumer-shopping/ (last visited Sept. 20, 2024).

them from making a change.[21] As companies consolidate and invest in proprietary AI technologies, the range of options for consumers may decrease, resulting in stagnation in innovation and the substantial elimination of consumer choice.[22]

These concerns about undue consolidation are not limited to innovation; they extend to broader issues of quality and national security. The Big Tech and AI partnerships are particularly concerning when large language models, or LLMs, are used across a wide range of applications developed by dominant firms, potentially introducing biases or errors that could harm broad segments of the population.[23] Furthermore, large firms' control over critical AI models and the underlying infrastructure creates vulnerabilities that could be exploited by malicious actors. As the aforementioned letter by Senator Wyden indicated, "attacks on models built or controlled by large firms could compromise Americans' privacy, poison our information ecosystem, and disrupt our economy."[24]

Without strong regulatory scrutiny, the trend of vertical integration and consolidation of AI is likely to continue.[25] As a result, AI loses its potential as a critical market disruptor and alternative for consumers, and instead becomes synonymous with Big Tech products and services. Moreover, the gatekeeper problems and anticompetitive harms we are seeing in the tech industry will be replicated in AI markets. For these reasons, the partnerships between entrenched Big Tech companies and AI innovators deserve careful scrutiny.

**Conclusion**

For the reasons discussed above, Public Knowledge and ROCC urge the Agencies to investigate the detrimental impact that serial acquisitions and roll-up strategies may have on competition, consumer protection, and innovation for AI. We thank the Agencies for the opportunity to provide this critical feedback on a practice that can too often evade regulatory scrutiny.

Public Knowledge
Responsible Online Commerce Coalition

---

[21] Charlotte Slaiman, Challenging Big Tech in the Age of AI, PUBLIC KNOWLEDGE (July 25, 2023), https://publicknowledge.org/challenging-big-tech-in-the-age-of-ai/.

[22] Vanderbilt, *supra* note 19.

[23] *See, e.g.*, Heath, *supra* note 3.

[24] Wyden, *supra* note 11.

[25] *Id*.