

News / Explained / Explained Global / US accuses Amazon of 'illegal monopoly': Why the country has sued the online giant

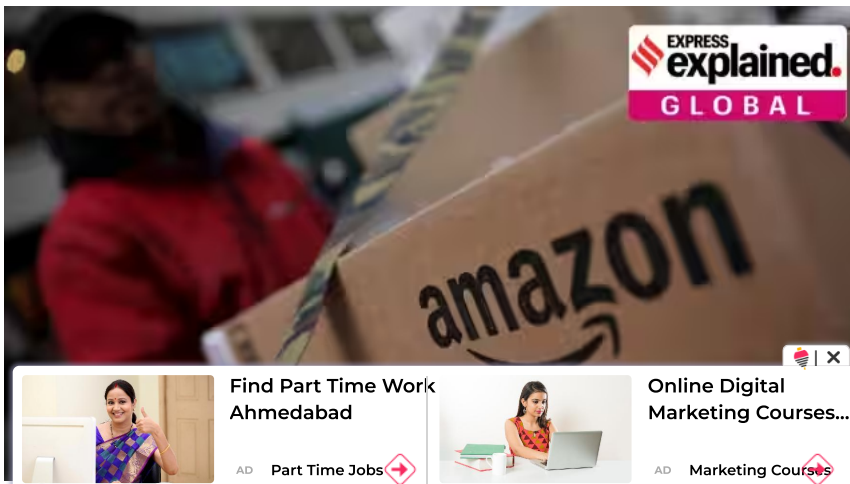
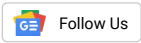
US accuses Amazon of 'illegal monopoly': Why the country has sued the online giant

The FTC and 17 state attorneys general have sued Amazon alleging the company's actions allow it to stop rivals and sellers from lowering prices, degrade quality for shoppers, overcharge sellers, stifle innovation, and prevent rivals from fairly competing against Amazon.

Written by [Soumyarendra Barik](#) [Follow](#)
New Delhi | September 27, 2023 14:03 IST



ADVERTISEMENT



Amazon boxes are seen stacked for delivery in the Manhattan borough of New York City, January 29, 2016. (Reuters/Mike Segar/File Photo)

Listen to this article

00:00 1x 1.5x 1.8x

The United States' Federal Trade Commission (FTC), along with other regulators, has filed a much-anticipated lawsuit against online retail giant Amazon. The lawsuit alleges that the company uses punitive and coercive tactics to unlawfully maintain its monopoly – and exploits its power to benefit itself while raising prices and degrading service for its customers.

This is being seen as the most high-profile case initiated by the FTC in recent years against a big tech company. Moreover, it has been widely anticipated since the appointment of Lina Khan as the regulator's chair. Khan has had Amazon in her crosshairs for years.

"The lawsuit seeks to hold Amazon to account for these monopolistic practices and restore the lost promise of free and fair competition," Khan has said in a statement. In 2017, Khan, then only 29, published a major academic article, arguing the online retailer had escaped anti-competition scrutiny.

Amazon has said that it "fundamentally disagrees" with the FTC's allegations calling some of them "wrong or misleading". The company has added it will challenge the

More Explained

EXPLAINED

Why delimitation is seen as political battle between BJP, rest



EXPLAINED

Expert Explains | View from China on India-Canada spat



EXPLAINED

Musk's X biggest source of disinformation: What new survey claims



EXPLAINED

China-Philippines tussle: All about the South China Sea dispute



Must Read

SPORTS

Mihir Vasavda at Asian Games: In a dramatic shootout, Esha Singh fires a great comeback to win silver in 25m pistol



SPORTS

Mihir Vasavda at Asian Games: Golden girl Sift Kaur says, 'Having the India flag fly in China is a great experience'



SPORTS

Asian Games: Rajasthan Royal Anant Jeet Singh Naruka challenges Abdullah Al Rashidi's



Some of the allegations made by the FTC have previously been investigated by India's competition watchdog, the Competition Commission of India (CCI).

decades-long skeet reign before setting for silver

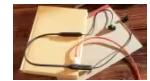
TECHNOLOGY

iPhone 15 Pro Max review, in 9 questions you wanted to ask



TECHNOLOGY

Neckband earphones buying guide: How to find your perfect pair



TECHNOLOGY

CMF Watch Pro first look: Focused on colour, material, and finish indeed



LIFESTYLE

How prolonged blood pressure is a serious heart health risk



FTC's allegations against Amazon

The FTC and 17 state attorneys general have sued Amazon alleging the company's actions allow it to stop rivals and sellers from lowering prices, degrade quality for shoppers, overcharge sellers, stifle innovation, and prevent rivals from fairly competing against Amazon.

The complaint alleges that Amazon violates the law not because it is big, but because it engages in a course of "exclusionary conduct" that prevents current competitors from growing and new competitors from emerging.

They said that Amazon's anticompetitive conduct occurs in two markets: the online superstore market that serves shoppers and the market for online marketplace services purchased by sellers.

These tactics include anti-discounting measures that punish sellers and deter other online retailers from offering prices lower than Amazon, keeping prices higher for products across the internet; and conditioning sellers' ability to obtain "Prime" eligibility for their products on sellers using Amazon's costly Fulfilment service, which has made it substantially more expensive for sellers on Amazon to also offer their products on other platforms.

The FTC, along with its state partners, is seeking a permanent injunction in federal court that would prohibit Amazon from engaging in its "unlawful conduct and pry loose Amazon's monopolistic control to restore competition," a statement has said.

Best of Explained

- [Bengaluru bandh today: Why the Cauvery water-sharing issue has flared up again](#)
- [Debate over anti-smoking ads on OTT: How Indian films, TV saw warnings come in](#)
- [ExplainSpeaking: What's the link between GDP growth and employment in India](#)

[CLICK HERE FOR MORE](#)

'Misguided approach': Amazon's response

Amazon said that the FTC has filed a "misguided" lawsuit which, if successful, will force the company to engage in practices that "actually harm consumers and the many businesses that sell in our store — such as having to feature higher prices, offer slower or less reliable Prime shipping and make Prime more expensive and less convenient".

lead to higher prices. But that's not how competition works. The FTC has it backwards and if they were successful in this lawsuit, the result would be anticompetitive and anti-consumer because we'd have to stop many of the things we do to offer and highlight low prices — a perverse result that would be directly opposed to the goals of antitrust law,” the company has said in a statement.

It has added that its Fulfilment by Amazon (FBA) service was optional for sellers and its fees are an average of 30 per cent less expensive than standard-shipping methods offered by other major third-party logistics providers, and an average of 70 per cent less expensive than comparable two-day shipping alternatives.

“The FTC’s allegation that we somehow force sellers to use our optional services is simply not true. Sellers have choices, and many succeed in our store using other logistics services or choosing not to advertise with us,” the company said.

Also in Explained | Why Amazon will lay off 9,000 more employees

Parallels with India

In 2020, the CCI ordered an investigation based on allegations by the trade body Delhi Vyapar Mahasangh that Amazon and Flipkart had entered into exclusive sales agreements with smartphone makers to sell certain phones through a small number of preferred sellers.

The Mahasangh also alleged that Amazon and Flipkart had given preferential treatment to certain sellers by giving them higher search rankings and offering to pay for part of the discount that such sellers would offer during key sales periods such as Flipkart’s Big Billion Days and Amazon’s Prime Day.

ALSO READ



Expert Explains | View from China on India-Canada spat: 'US to blame, Ind...



Enter, a baby: Twist in saga of top Chinese leader's disappearance



'Some terrorists found safe haven in Canada': Why Sri Lanka has backed India



China-Philippines tussle: Everything you need to know about the South Chi...

At the time, the CCI noted that arrangements between smartphone brands and online platforms leading to a few sellers selling certain phones exclusively on a single platform, coupled with alleged links between the platforms and these sellers, merited an investigation.

First published on: 27-09-2023 at 14:03 IST

TAGS: Explained Global Express Explained

NEXT STORY