

tl;dr - Most-Favored-Nation Clauses

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# ICLE tl;dr

**Background...** California Attorney General Rob Bonta recently filed a state-law antitrust [suit](#) against Amazon, alleging that it imposes most-favored-nation clauses (MFNs) on its retailers and wholesalers, and that these dampen competition between Amazon and those firms.

**But...** The California suit argues that Amazon's MFNs are tantamount to a cartel. This is symptomatic of broader misunderstandings about the competitive effects of MFNs, as well as the legal standards to which they should be subjected.

MFNs are vertical restraints. Barring exceptional circumstances—such as evidence of horizontal collusion—they should thus be analyzed under the rule of reason. This approach is consistent with economic research surrounding these clauses, the U.S. Supreme Court's case law on retail-price maintenance (a close analogue), and the stance taken by competition authorities around the globe, notably the European Commission.

[Read the full explainer here.](#)

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