

Report on e-Books Agreements from Amazon Services International, Inc.

August 15, 2017
Japan Fair Trade Commission

The Japan Fair Trade Commission (the "JFTC") received a report from Amazon Services International, Inc. ("ASII"), which engages in the e-books delivery business on the Amazon.co.jp website, that ASII would take voluntary measures on the parity clauses ("Parity Clauses") contained in the agreements with publishers or distributors ("publishers, etc.") regarding the e-books delivered from said website.

I. Report from ASII

1. The Parity Clauses

With regard to the matters concerning e-books of publishers, etc. that are delivered from the Amazon.co.jp website, including [i] retail prices to general consumers, [ii] wholesale prices to ASII, [iii] said retail and wholesale prices and the content for sales promotion purposes, [iv] lineups, [v] business models (e.g., flat-rate delivery and rental), and [vi] functions (e.g., operability), the Parity Clauses oblige those publishers, etc. to ensure the parity between their transactions with ASII or with general consumers on Amazon.co.jp website, and their transactions with other e-books delivery platform operators or with general consumers on e-books delivery platforms operated by those other operators ("other transactions").

2. Concerns over the Influence of the Parity Clauses on Competition

The JFTC has concerns about influences as shown below that may negatively affect competition when an e-books delivery platform operator imposes parity clauses on publishers, etc.

- (i) Restrict business activities of publishers, etc. by limiting reduction of prices of and enhancement of services on e-books on other transactions
- (ii) Distort competition among e-books delivery platform operators by allowing a platform operator imposing those parity clauses to achieve the lowest price of e-books and the best level of services on e-books delivered in its platform without making any competitive effort
- (iii) Reduce e-books delivery platform operators' incentive for innovation and hinder new entrants' as the improvement of transaction terms for publishers, etc. offered by a platform operator does not result in reduction of prices of and enhancement of services on e-books by publishers, etc.

3. Voluntary Measures by ASII

Voluntary measures taken by ASII are as follows.

- (i) ASII will not enforce the contractual obligations of publishers, etc. regarding the Parity Clauses.
- (ii) By August 4, 2017, ASII will notify publishers, etc. in Japan of the fact that it took the measures mentioned in (i) above.
- (iii) ASII pledges not to specify the Parity Clauses in e-books agreements that it concludes after taking the measures mentioned in (ii) above.
- (iv) ASII will have taken the measures mentioned in (i) to (iii) above for at least

five years.

The JFTC has received a report from ASII that it took the measures mentioned in (ii) above.

4. Responses by the JFTC

The JFTC recognized that the measures mentioned in 3 above would eliminate the concerns set forth in 2 above. Additionally, the JFTC requested ASII to have sufficient consultation with publishers, etc. when it intends to alter other clauses than the Parity Clauses in e-books agreements as a result of taking the measures mentioned in 3 (i) above so that the alteration would not cause disadvantage to publishers, etc.

II. JFTC's Initiatives against Suspected Violations of the Antimonopoly Act in the IT/Digital Sector

In the case where the JFTC receives information regarding a suspected violation of the Antimonopoly Act in the IT/digital sector, its IT Task Force conducts an investigation in an efficient manner.

Also, for the purpose of receiving the information regarding a suspected violation of the Antimonopoly Act in the IT/digital sector, the JFTC has set the special contact point (see the following website for details).

http://www.jftc.go.jp/houdou/pressrelease/h28/oct/161021_3.html

The JFTC will continuously monitor the status of the competition in the IT/digital sector including the e-book delivery business from the perspective of promoting free and fair competition.