August 7, 2026

The Honorable Richard Simpson
Chairperson
California Law Revision Commission
c/o Legislative Counsel Bureau
925 L Street, Suite 275
Sacramento, CA 95814
VIA EMAIL: sreilly@clrc.ca.gov

Re: Comments on Memorandum 2026-29, Draft Language Options for Mergers and Acquisitions

Dear Chair Simpson and Members of the California Law Review Commission:

The Connected Commerce Council (3C) appreciates the opportunity to comment on the California Law Review Commission's (CLRC's) Memorandum 2026-29[1], which presents the draft language options on merger and acquisition enforcement reviewed by the commission during its May 22, 2026 meeting.

3C represents digitally empowered small businesses, many of which are likely to be impacted, directly or indirectly, by changes to existing M&A enforcement standards. We note that each option presented within the memorandum significantly exceeds existing federal M&A enforcement standards. As the CLRC considers whether to advance any of these options, 3C respectfully urges the Commission to carefully evaluate their potential effects on California entrepreneurs and small-business owners, and to strive to avoid inadvertently discouraging M&A activity that generates innovation and broad economic benefits.

Memorandum 2026-29 treats mergers and acquisitions exclusively as a big-business issue. But M&A activity is vitally important to small businesses — driving innovation, efficiencies, and cost-savings that help small businesses attract customers, boost sales, compete with larger rivals, and better serve their customers and communities. Microsoft's acquisition of LinkedIn, Google's acquisition of Android, and Facebook's acquisition of Instagram, for instance, made revolutionary new low-cost marketing and sales tools broadly accessible to small businesses. These tools — made possible by pairing startups' creative innovations with top tech companies'

[1] Cal. Law Revision Comm'n, Staff Memorandum 2026-29: Draft Language Options for Mergers and Acquisitions (July 24, 2026), https://clrc.ca.gov/pub/2026/MM26-29.pdf

scale and resources — helped spur a U.S. small-business renaissance[2], and have proven particularly empowering to minority[3] founders.

Indeed, acquisition is often the means by which innovation is not only commercialized, but also made accessible to small businesses. Offering innovative startups the financial and operational resources required to rapidly bring their new products to market, acquisition plays a key role in ensuring small and local businesses have access to cutting-edge new tools that help them save time and money, grow, and compete with much larger rivals. Amazon's acquisition of robotics company Kiva Systems, for example, helped the online retailer dramatically improve order-fulfillment efficiency — slashing shipping time and costs, and allowing millions of small Amazon sellers to compete on a level playing field with retail giants.

In addition, an established body of research[4][5][6] shows that much M&A activity — particularly vertical, minority, or conglomerate investments — raises few or no competitive concerns. Rather, such transactions typically generate critical efficiencies and capital infusions, making them largely pro-competitive and consumer-beneficial. Notably, former FTC chair Lina Khan stated in 2024 that in any given year, the FTC flags only 2%[7] of M&A transactions as even potentially problematic.

3C advocates for policies that foster small-business innovation, growth, and success. Accordingly, we support policies that promote market competition and caution against those that stifle or distort it. Overly stringent new M&A enforcement standards would likely suppress the innovation, efficiency, capital formation, and growth that often flow from competitively neutral or beneficial transactions — harming California's small businesses and startups, jeopardizing its status as a center of innovation and investment, and degrading its broader economy.

Those outcomes would run counter to 3C's desire to give California small businesses the best possible chance to grow, innovate, attract investment, and compete in an increasingly global market. More importantly, the outcomes would seriously undermine the CLRC's stated desire to ensure the "promotion and protection of free and fair competition, which is fundamental to a healthy marketplace that protects all trade participants, including workers and consumers, and to an environment that is conducive to the preservation of our democratic, political, and social institutions."

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[2] "America Is in the Midst of an Extraordinary Startup Boom," *The Economist*, May 12, 2024, https://www.economist.com/finance-and-economics/2024/05/12/america-is-in-the-midst-of-an-extraordinary-startup-boom.

[3] "Ethnic Minorities Are Driving America's Startup Boom," The Economist, Feb. 12, 2026, https://www.economist.com/finance-and-economics/2026/02/12/ethnic-minorities-are-driving-americas-startup-boom.

[4] Carl Shapiro and Ali Yurukoglu, "Trends in Competition in the United States: What Does the Evidence Show?," NBER Working Paper 32762 (2024), https://doi.org/10.3386/w32762.

[5] Kulick, Robert B. and Prince, Jeffrey and Ramirez Pierce, Elena, Integrating the Literature: Theory and Evidence from a Reassessment of the Empirical Research on Vertical Integration (October 10, 2025). Available at SSRN: https://ssrn.com/abstract=5588150 or http://dx.doi.org/10.2139/ssrn.5588150

[6] Banerjee, S., Mukherjee, A. & Poddar, S. Pro-competitive horizontal merger with cost reducing investments and network externalities. *Econ Theory Bull* **13**, 145–162 (2025). https://doi.org/10.1007/s40505-024-00285-7

[7] Rebecca Szkutak, "FTC Chair Lina Khan Says the Agency Is Going After the 'Mob Bosses' in Big Tech," TechCrunch, June 11, 2024, https://techcrunch.com/2024/06/11/ftc-chair-lina-khan-says-the-agency-is-going-after-the-mob-bosses-in-big-tech/

Given the rapid pace of change in today's digitally- and AI-driven economy, an unnecessarily restrictive M&A enforcement regime would act as a drag on competition and merger-driven competitive market activity — harming California's small businesses, broader economy, and residents. Moreover, most M&A activity is competitively beneficial or neutral, and problematic transactions are rare. Accordingly, as the CLRC weighs advancement of any changes to California's M&A enforcement standards, 3C urges the Commission to consider potential harms to California entrepreneurs and small-business owners, and to strive to avoid inadvertently discouraging M&A activity that helps California's small businesses grow, innovate, compete, and succeed.

Thank you again for giving us the opportunity to comment on this important issue.

Sincerely,

Rob Retzlaff
Executive Director
Connected Commerce Council