Statement of the Department of Justice Antitrust Division on the Closing of Its Investigation of the Merger of Paramount Skydance and Warner Bros.

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The Antitrust Division of the U.S. Department of Justice ("Division") issued the following statement today in connection with the closing of the Division's investigation into the proposed acquisition of Warner Bros. Discovery ("WBD" or "Warner Bros.") by Paramount Skydance ("Paramount"), together (the "Parties"):

The Division has completed its analysis of the proposed merger of Paramount and Warner Bros. and determined based on the evidence received in its investigation that the transaction is not likely to result in harm to competition or American consumers, including with respect to: (1) streaming video on demand ("SVOD"); (2) linear television; and (3) studio development, production, or distribution of films for theatrical release. Over the course of a rigorous eight-month investigation led by the Division's career staff, the Division received from the Parties over two million documents from over 80 custodians, substantial productions of data, as well as extensive documents, data, and advocacy from third parties across the media and entertainment ecosystem. State Attorney General offices ("States") participated in the Division's investigation by virtue of the Parties' voluntary waivers of confidentiality, which allowed the Division and States to share information with each other and for the States to attend and participate in the Division's depositions.

In December 2025, Netflix entered into an agreement to acquire WBD. Subsequently, Paramount submitted an all-cash tender offer. The Division reviewed both the Netflix proposed acquisition and Paramount's competing offer. As a consequence of the competitive bidding process between Netflix and Paramount to acquire Warner Bros., the Division's review of the competitive impacts of an acquisition of WBD began prior to Paramount reaching a definitive agreement with WBD. Throughout the investigation, the Division benefited from the comparative perspectives and contrasting visions presented in these competing proposals on the evolving media and entertainment landscape and the strategic value of WBD.

Warner Bros. has been a repeated acquisition target in the media and entertainment industry. It is thus familiar to the Division from prior investigations and enforcement actions, including *AOL/TimeWarner* (2001), *AT&T/TimeWarner* (2018), and *WarnerBros./Discovery* (2022). The legacy of these transactions illustrates the challenges that arise when the commercial rationale for a deal lacks clear alignment with competitive incentives of the acquiring firm or the competitive

evolution of the marketplace. In technology-driven industries, the disruptors of the recent past may quickly become the entrenched monopolists of the present day. It is with this historical experience and present enforcement sensitivity to the contestability of dynamic markets that the Division conducted a thorough investigation of the proposed transaction to assess whether the proposed transaction presented any harm to competition. The extensive investigatory record reviewed by the Division suggests that the impact of the transaction will be to increase competition across the media and entertainment ecosystem, with benefits for American consumers and workers.

I. Streaming Video On Demand ("SVOD")

First, the Division analyzed whether the proposed transaction was likely to harm competition in streaming video on demand ("SVOD"). Streaming has become one of the most prevalent forms of distribution of media content in the digital age. SVOD was pioneered by Netflix in its successful displacement of legacy home video distribution and successful disruption of traditional linear and broadcast offerings. The decline of Blockbuster Video reflects the healthy disruptive potential that drives the American economy as new and innovative solutions displace legacy offerings to meet evolving consumer preferences. Following Netflix's pioneering role in the emergence of SVOD almost twenty years ago, large tech firms like Amazon, and later legacy media firms like Disney, entered and built SVOD platforms to compete for and meet shifting consumer preferences for scripted content and digital distribution. By comparison, the Parties are historically late entrants into SVOD with less customers subscribing to Paramount+ and Warner Bros.' HBO Max and discovery+ offerings, compared to those of the three largest streamers today.

The evidence reviewed and carefully analyzed by the Division indicates that, post-merger, competition in SVOD is not likely to be harmed. To the contrary, the combined firm is likely to *increase* competition by offering consumers a more robust competitive alternative to the larger SVOD offerings. Based on extensive interviews with market participants and review of the parties' own documents that were made in the ordinary course of business, the parties have a clear path to injecting additional competitive pressures across the media ecosystem to innovate and provide value to creators and consumers. Non-SVOD video alternatives such as YouTube, Tik-Tok, or other social media products do not appear to be competitive substitutes here under well-established antitrust legal precedents, although they compete broadly for consumer attention.

The Division also investigated whether alternative streaming video platforms and consumers might suffer if the combined company were to keep its new content and existing IP captive on its own streaming platforms, as opposed to licensing such content across the media distribution ecosystem, including to competing platforms. Such an outcome appears unlikely given the Parties' historical practices of broadly licensing content. Even when studios such as Paramount license content on exclusive terms to another streamer, they typically maximize the value of that content by moving it from one streamer to another at the end of a license term to broaden the audience exposure across differentiated distribution channels. The Division identified no evidence to suggest that

Paramount's historical practice or incentive to do so would end following the transaction.

II. Linear Television

Second, the Division analyzed whether the proposed transaction would harm competition related to linear television. Consistent with the above-referenced consumer switching toward streaming, linear television has faced a steady decline as consumers move away from standard cable and satellite packages. The "cord cutting" phenomenon has substantially reduced revenue to both linear network owners and traditional linear distributors. This trend has accelerated in recent years as streaming services have become the primary means by which many people watch movies and television. Like broadcast television, a segment in which the transaction presents no competitive overlap, linear television has historically managed the competitive pressures from streaming alternatives by securing exclusive rights to live programming such as sports and news – segments in which streaming alternatives historically posed limited competitive significance. Today, however, streaming solutions (including non-SVOD offerings) compete aggressively for live programming such as premier sports rights, news, and political commentary (e.g., video podcasts), putting increasing competitive pressure on legacy linear and broadcast networks to secure live programming at higher costs. The evidence reviewed and carefully analyzed by the Division shows that the proposed acquisition is not likely to harm competition for linear television given the robust competitive landscape for live programming.

III. Studio Development, Production, and Distribution of Films for Theatrical Release

Third, the Division analyzed whether the transaction would harm competition for studio development, production, or distribution of films for theatrical release. Similar to the Division's analysis of SVOD competition, the Division benefited in its assessment of competition for theatrical release on the comparative perspectives and strategic visions outlined in the competing proposals for Warner Bros. studio. Today, the Parties compete against traditional studios such as Disney, Sony, Universal, Lionsgate, and MGM (now owned by Amazon), as well as smaller independents such as A24, NEON, and Blumhouse. In recent years, Netflix and Apple have also entered and signaled a continued interest in theatrical release as a complementary business to SVOD.

The substantial body of evidence available to the Division indicates that the transaction is not likely to harm competition in studio development, production, or distribution of films for theatrical release. Instead, the evidence shows extensive competition within the industry, which has generated greater output and diversity of film offerings, and is likely to continue unabated. In fact, even since the transaction was announced, the evidence shows competition for theatrical production and distribution has increased. Smaller studios have turned to innovative content development and distribution strategies to challenge traditional assumptions regarding the conditions necessary for successful theatrical release. Indeed, this remains true looking even at

narrow categories like “tentpole” or “blockbuster” theatrical production and distribution.

For example, non-legacy studios have been successful in developing, producing, and distributing films with significant budgets above $100 million, with additional large budget films soon to be offered in theaters by studios including Lionsgate (*Hunger Games*), Netflix (*Narnia*), A24 (*Elden Ring*), and others. Moreover, recent box office successes since the announcement of the transaction show that a studio’s legacy does not determine whether it can succeed at developing, producing, or distributing in the domestic box office today: including, for example, Amazon MGM (*Project Hail Mary*), A24 (*Backrooms*), Lionsgate (*Michael*), Blumhouse (*Obsession*). These disruptive industry developments suggest a potential inflection point in the evolving competitive landscape for theatrical production and distribution, supporting the Parties’ incentive to continue to generate and distribute content.[1]

The Division also analyzed multiple potential theories of harm articulated by complainants and evaluated each substantively on the merits to identify whether any would result in harm to consumers as opposed to harm to a competitor.[2]

One theory pointed to the purported effects of the *Disney/Fox* transaction as a comparable event study from which to infer that the proposed transaction risks a reduction in theatrical output. The fatal conceit of that analogy, however, is that the *Disney/Fox* transaction closed a year before the COVID pandemic began, which drove dramatic changes in studio output and audience content consumption patterns. In the years following the pandemic, Disney substantially increased its total spending on content production in the aggregate across its theatrical and streaming platforms. Moreover, as an entertainment and hospitality business focused historically on developing core franchise IP to monetize across a diversified business, the incentives of Disney with respect to total output of theatrical content do not clearly align with a pure-play media business like Paramount.

Another theory raised whether the merger would harm competition for labor as an input for the production and distribution of scripted content. While taking seriously the potential impact of the proposed transaction on the creative community and domestic labor groups, the substantial evidence does not suggest a likelihood of reduction in output. That is because the demand for creative workers and labor is correlated with the Parties’ incentives to maintain or expand output. Thus, the expressed labor concerns do not raise actionable antitrust concerns.

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The Division’s mandate is to investigate and, if necessary, litigate proposed mergers that harm competition or American consumers. This investigation included a review of reams of documentary evidence, hours of deposition testimony of senior-level executives, interviews with third-party witnesses, and staff-led meetings with the Parties themselves. These investigative efforts all led to the same conclusion: the film and television industry is highly dynamic, and the

proposed transaction is not likely to harm competition or American consumers.

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[1] Consistent with controlling Supreme Court precedent, these facts raise serious questions regarding rigid reliance on historical market shares to sustain a legal presumption of harm regarding competition for theatrical release. *See United States v. General Dynamics Corp.*, 415 U.S. 486, 508 (1974).

[2] *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 427 U.S. 477, 488 (1977) (citing *Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962) ("the antitrust laws…were enacted for 'the protection of competition, not competitors'")).

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