UNITED STATES OF AMERICA BEFORE FEDERAL TRADE COMMISSION

031 0201

COMMISSIONERS:	Timothy J. Muris, Chairm Mozelle W. Thompson Orson Swindle Thomas B. Leary Pamela Jones Harbour	an	
In the Matter of ITRON, INC.,))))	Public Record Version
	orporation;)	
and SCHLUMBERGER ELECTRICITY, INC. a corporation.)))))	Docket No. C-4114

DECISION AND ORDER

The Federal Trade Commission ("Commission"), having initiated an investigation of the proposed Acquisition by Respondent Itron, Inc. ("Itron") of Schlumberger Electricity, Inc. ("Schlumberger"), hereinafter referred to as "Respondents," and 51% of the shares of Walsin Schlumberger Electricity Measurement Corporation (a Taiwan corporation), and certain foreign assets of Schlumberger Canada Limited, Schlumberger Distribucion S.A. de C.V., Schlumberger Servicios S.A. de C.V., and Axalto S.A. (formerly Schlumberger Systemes S.A.), all owned indirectly by Schlumberger Limited, and Respondents having been furnished thereafter with a copy of a draft of Complaint that the Bureau of Competition proposed to present to the

and waivers and other provisions as required by the Commission's Rules; and

The Commission, having thereafter considered the matter and having determined that it had reason to believe that Respondents have violated the said Acts, and that a Complaint should issue stating its charges in that respect, and having accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, and having duly considered the comments received from interested persons pursuant to section 2.34 of its Rules, now in further conformity with the procedure described in Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission hereby makes the following jurisdictional findings and issues the following Decision and Order ("Order"):

subsidiaries, divisions, groups and affiliates controlled by Schlumberger Electricity, Inc., and the respective directors, officers, employees, agents, representatives, predecessors, successors, and assigns of each.

- C. "Hunt" means Hunt Technologies, Inc., its directors, officers, employees, agents, representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by Hunt Technologies, Inc., and the respective directors, officers, employees, agents, representatives, predecessors, successors, and assigns of each.
- D. "Acquirer" means either Hunt Technologies, Inc. or any other entity that receives the prior approval of the Commission to acquire the RF AMR Assets pursuant to Paragraphs II. and III. of this Order.
- E. "Acquisition" means the proposed acquisition by Itron of Schlumberger Electricity, Inc., 51% of the shares of Walsin Schlumberger Electricity Measurement Corporation (a Taiwan corporation), and certain foreign assets of Schlumberger Canada Limited, Schlumberger Distribucion S.A. de C.V., Schlumberger Servicios S.A. de C.V., and Axalto S.A. (formerly Schlumberger Systemes S.A.), all owned indirectly by Schlumberger Limited, by means of a Purchase Agreement, dated July 16, 2003, and all amendments thereto.
- F. "AMR" means automatic meter reading.
- G. "Closing Date" means the date on which Respondents (or a Divestiture Trustee) and an Acquirer close on a transaction to license the RF AMR Assets as required by Paragraphs II.B. and III.B. of this Order.
- H. "Commission" means the Federal Trade Commission.
- I. "Confidential Business Information" means all information that is not in the public domain related to research, development, manufacture, marketing, commercialization, distribution, importation, cost, pricing, supply, sales, sales support, or the use of particular assets.
- J. "Copyrights" means any copyrights, mask works, and other copyrightable works whether registered or unregistered.
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schedules thereto, related to the licensing of the RF AMR Assets.

- V. "Meter Manufacturer" means a company that manufacturers residential Electricity Meters, including, but not limited to, Elster, GE, Landis + Gyr, and Sensus, and their successors.
- W. "Neptune" means Neptune Technology Group, Inc., a corporation organized, existing, and doing business under and by virtue of the laws of the State of Alabama, with its office and principal place of business located at 1600 Alabama Highway 229, Tallassee, Alabama, 36078.
- X. "Patents" means any and all United States patents, patent applications, continuations, continuations-in-part, divisionals, reissues, and reexaminations thereof.
- Y. "Person" means any natural person, partnership, association, or corporate or governmental organization or entity.
- Z. "R-300" means Schlumberger's transmitter known as the R-300 in electromechanical or solid state configuration that is installed on or within an electricity meter and sends a consumption reading using RF waves and using only Itron's protocol to a remote RF AMR Receiving Device.
- AA. "Respondents" means Itron and Schlumberger, individually and collectively.
- BB. "RF" means radio frequency.
- CC. "RF AMR Assets" includes the following:
 - 1. The RF AMR Electric Endpoint Intellectual Property; and
 - 2. The RF AMR Mobile Receiving Device Intellectual Property.
- DD. "RF AMR Electric Endpoint" means the Electric ERT and the R-300.
- EE. "RF AMR Electric Endpoint Intellectual Property" means all intellectual property owned or licensed by Respondents to use, make, distribute, offer for sale, promote, advertise, sell, import or export, or have used, made, distributed, offered for sale, promoted, advertised, sold, imported or exported RF AMR Electric Endpoints, including but not limited to, Software, inventions, technology, formulations, specifications, Patents, patent applications, Trade Secrets, Copyrights, know-how, research materials, technical information, designs, drawings, manufacturing information, integration information, testing and quality control data related to RF AMR Electric Endpoints including, but not limited to,

(i) all algorithms, circuits, documentation, tools, data, communication protocols; and (ii) all such technology that relates to ANSI standards applicable to either the Electric ERT or the R-300, and including further, without limitation:

- 1. the Electric ERT and R-300 Trademarks; and
- 2. the following RF AMR Electric Endpoint related documentation:
 - a. Reference designs;
 - b. Assembly documentation;
 - c. Approved supplier lists;
 - d. Complete bill of material information;
 - e. Printed circuit board build data;
 - f. Functional test design information to enable testers to be built and operated;
 - g. Laser tune operational specifications and design requirements;
 - h. In circuit test specifications and design requirements;
 - i. Manufacturing process information;
 - j. Control and design information as related to serial numbers;
 - k. Product acceptance criteria; and
 - l. Quality metrics.
- FF. "RF AMR Mobile Receiving Device" means a handheld or vehicle transportable data collection unit, including, but not limited to, a handheld or laptop computer, used to remotely gather electricity, gas, or water consumption data from an RF AMR Electric Endpoint or water or gas ERT using only Itron's protocols.

electricity, gas, or water consumption data transmitted via RF technology.

- II. "Sensus" means Sensus Metering Systems, Inc., a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 8609 Six Forks Road, Raleigh, North Carolina 27615.
- JJ. "Software" means all computer software and firmware (in source code and object code forms) owned, licensed or used by, or developed for, Respondents for the radio transmission of data from a meter to an RF AMR Mobile Receiving Device, including all upgrades, enhancements or new releases of such software, and all tools, documentation, commentaries, flow-charts, data or other materials used in the development, maintenance and support of such software.
- KK. "Trademarks" means any trademarks, trade names, service marks, logos, and other source-identifying symbols or devices, and any combination thereof and variations thereof, whether registered or unregistered.
- LL. "Trade Secrets" means any proprietary inventions, discoveries, improvements, know-how, works-in-progress, processes, designs, concepts, and ideas that are: (i) not generally known and not readily ascertainable by proper means; and (ii) maintained by Respondents as proprietary and confidential.

II.

IT IS FURTHER ORDERED that:

- A. Within ten (10) days after the Effective Date, Respondents shall grant a royaltyfree, perpetual, irrevocable, transferable (subject to the specific terms in the Hunt License and Supply Agreement), non-exclusive (subject to the specific terms in the Hunt License and Supply Agreement) license to the RF AMR Electric Endpoint Intellectual Property, in good faith, to Hunt pursuant to and in accordance with the Hunt License and Supply Agreement (which agreement shall not vary or contradict, or be construed to vary or contradict, the terms of this Order, it being understood that nothing in this Order shall be construed to reduce any rights or benefits of Hunt or to reduce any obligations of Respondents under such agreements), and such agreement, if approved by the Commission as the Licensing Agreement for the RF AMR Electric Endpoint Intellectual Property, is incorporated by reference into this Order and made a part hereof as non-public Appendix A.
- B. If, at the time the Commission determines to make this Order final, the Commission notifies Respondents that Hunt is not an acceptable acquirer of the RF AMR Electric Endpoint Intellectual Property or that the manner in which the

licensing was accomplished is not acceptable, then, after receipt of such written notification:

- 1. Respondents shall immediately notify Hunt of the notice received from the Commission and shall as soon as practicable effect the rescission of the Hunt License and Supply Agreement; and
- 2. Respondents shall, within six (6) months from the date this Order becomes final, grant an irrevocable, non-exclusive, perpetual, transferable, royalty-free license to the RF AMR Electric Endpoint Intellectual Property, at no minimum price, to an acquirer that receives the prior approval of the Commission and in a manner that receives the prior approval of the Commission.
- C. Any Licensing Agreement that has been approved by the Commission between Respondents and an Acquirer of the RF AMR Electric Endpoint Intellectual Property shall be deemed incorporated into this Order, and any failure by Respondents to comply with any term of such Licensing Agreement shall constitute a failure to comply with this Order.
- D. Pending licensing of the RF AMR Electric Endpoint Intellectual Property, Respondents shall take such actions as are necessary to maintain the viability and marketability of the RF AMR Electric Endpoint Intellectual Property and to prevent the destruction, removal, wasting, deterioration, or impairment of any of the RF AMR Electric Endpoint Intellectual Property.
- E. Respondents shall:
 - 1. Within fifteen (15) days after the Closing Date, deliver to the Acquirer, at Respondents' expense
 - a. A copy of all RF AMR Electric Endpoint Intellectual Property relating to the Electric ERTs in its control as it exists as of the Closing Date including, but not limited to, copies of all plans, drawings, designs, specifications, schematics, source code compilers, reports, studies, data, component sources, and test equipment information relating to the Electric ERT; and
 - b. A list of Respondents' customers who have purchased Electric ERTs within the five (5) years prior to the Effective Date.
 - 2. Within ninety (90) days after the Closing Date, deliver to the Acquirer, at Respondents' expense, a copy of all RF AMR Electric Endpoint Intellectual Property relating to the R-300 in its control as it exists as of

the Closing Date including, but not limited to, copies of all plans, drawings, designs, specifications, schematics, source code compilers, reports, studies, data, component sources, and test equipment information relating to the R-300.

- 3. For a period of three (3) years after the Closing Date, provide the Acquirer with:
 - a. updates to the RF AMR Electric Endpoint Intellectual Property that are being incorporated and made for sale to customers at least ninety (90) days in advance of such updates being made available to customers; and
 - b. at the Acquirer's request, technical assistance in connection with those updates.
- F. At the Acquirer's request, the Respondents shall enter into an agreement with the Acquirer in which Respondents shall manufacture and deliver, in a timely manner and under reasonable terms and conditions, approved by the Commission, a supply of RF AMR Electric Endpoints for a period of time sufficient to allow the Acquirer to manufacture RF AMR Electric Endpoints independently of Respondents.
 - 1. If Hunt is approved as the Acquirer and the Hunt License and Supply Agreement is approved as the Licensing Agreement, the supply of RF AMR Electric Endpoints shall be pursuant to this Order and the terms of the Hunt License and Supply Agreement, which is non-public Appendix A to this Order.
 - 2. During the term of agreement provided for in this Paragraph II.F., Respondents may enter in an agreement with one or more of the Acquirer's customers whereby the Respondents shall provide a warranty for an RF AMR Electric Endpoint that it manufactures for the Acquirer and which is supplied to customers of the Acquirer. Such warranty agreement shall be in substantially the form set forth in the "Hunt Customer License and Warranty Agreement" attached as an Exhibit to the Hunt License and Supply Agreement. **PARURIDEDHOWNER**,

Endpoints; and Respondents shall take all steps necessary to prevent all such persons from obtaining or obtaining access to such information.

- G. Respondents shall make available, at the Acquirer's request, technical assistance to the Acquirer to assist in the manufacture and sale of RF AMR Electric Endpoints. For a period not to exceed 18 months following the Closing Date, Respondents' obligation to make such assistance available shall include, among other things:
 - 1. advice to enable the Acquirer to obtain all necessary permits, consents, and approvals from any Governmental Entity to sell the RF AMR Electric Endpoints; and
 - personnel, assistance, and training, at an Itron facility to manufacture the 2. RF AMR Electric Endpoints, including but not limited to, technical assistance relating to the process technology, quality assurance, quality control, and sales training. Respondents shall continue providing such assistance and training until the Acquirer is reasonably satisfied that it can manufacture and sell the RF AMR Electric Endpoints in substantially the same manner and quality employed or achieved by or on behalf of Respondents. Respondents shall provide such assistance to the Acquirer in a timely manner. Pursuant to this Paragraph II.G., Respondents shall make available 200 hours of such assistance without cost to the Acquirer. PROVIDED, HOWEVER, Respondents' obligation to make available technical assistance pursuant to this Paragraph II.G. shall not extend more than three (3) months beyond the ending of Respondents' supplying RF AMR Electric Endpoints to the Acquirer pursuant to any supply agreement approved under this Order.
- H. Respondents shall not:
 - 1. Restrict in any way the use of Confidential Business Information related to the RF AMR Electric Endpoints by the Acquirer's employees who were at any time employed by Respondents and involved in the research, development, manufacturing, distribution, sale, or marketing of the RF AMR Electric Endpoints; and
 - 2. Use or disclose, directly or indirectly, any of the Acquirer's Confidential Business Information (other than as necessary to comply with the requirements of this Order) related to the research, development, manufacturing, marketing, or sale of the RF AMR Electric Endpoints.
- I. The purpose of the licensing and transfer of the RF AMR Electric Endpoint Intellectual Property is to ensure the continued use of the RF AMR Electronic

Endpoints in the same business in which the RF AMR Electronic Endpoints were engaged at the time of the announcement of the Acquisition, and to remedy the lessening of competition resulting from the Acquisition as alleged in the Commission's Complaint.

III.

IT IS FURTHER ORDERED that:

A. At the written request of the Acquirer and within ten (10) days of such request, Respondents shall grant a royalty-free, perpetual, irrevocable, transferable by Respondents to comply with any term of such Licensing Agreement shall

Warranty Agreement" attached as an Exhibit to the Hunt License and Supply Agreement.

- G. Respondents shall not:
 - 1. Restrict in any way the use of Confidential Business Information related to the RF AMR Mobile Receiving Devices by the Acquirer's employees who were at any time employed by Respondents and involved in the research, development, manufacturing, distribution, sale, or marketing of the RF AMR Mobile Receiving Devices; or
 - 2. Use or disclose, directly or indirectly, any of the Acquirer's Confidential Business Information (other than as necessary to comply with the requirements of this Order) related to the research, development, manufacturing, marketing, or sale of the RF AMR Mobile Receiving Devices.
- H. Within ten (10) days after the Effective Date, Respondents shall assign, without any charge for the act of assignment, all rights and obligations of the agreement dated April 17, 1995, between Respondent Itron and Schlumberger Industries, Inc., Electricity Division and Schlumberger Industries Electricity Division of Schlumberger Canada Limited ("1995 Agreement") either (i) to DAP and Neptune, or, (ii) if DAP and Neptune decline the assignment, within sixty (60) days after the Effective Date, to another manufacturer of RF AMR Receiving Devices.
 - 1. The assigned rights shall include, among other things, all rights as are granted in the 1995 Agreement relating to meter reading systems that have the capability to read data transmitted from an Electric ERT and an R-300. *PROVIDED, HOWEVER*, the Respondents are not required by this Paragraph to assign the rights to make an Electric ERT or R-300 or the rights to the production of an Electric ERT or R-300.
 - 2. The Respondents shall submit a copy of the assignment to Commission staff prior to the assignment to DAP and Neptune.
 - 3. If Respondents assign the 1995 Agreement to a person other than DAP and Neptune, Respondents shall make such assignment only to a manufacturer of RF AMR Receiving Devices that receives the prior approval of the Commission, and only in a manner that receives the prior approval of the Commission.
 - 4. In the event Respondents fail within sixty (60) days after the Effective Date to assign the contract rights as required in this Paragraph III.H., the

the Interim Monitor in a manner consistent with the purposes of the Order and in consultation with the Commission.

- 2. The Interim Monitor shall act in a fiduciary capacity for the benefit of the Commission.
- 3. The Interim Monitor shall serve until the later of:
 - a. the completion by Respondents of the licensing of all relevant assets required to be assigned, granted, licensed, divested, transferred, delivered, or otherwise conveyed pursuant to this Order in a manner that fully satisfies the requirements of the Order and notification by Respondents to the Interim Monitor that the Acquirer is fully capable of producing or having produced an RF AMR Electric Endpoint independently of Respondents; or
 - b. the completion by Respondents of the last obligation of any agreement entered into between Respondents and an Acquirer pursuant to Paragraphs II.F. and II.G. of this Order.
- 4. Subject to any demonstrated legally recognized privilege, the Interim Monitor shall have full and complete access to Respondents' personnel, books, documents, records kept in the normal course of business, facilities and technical information, and such other relevant information as the Interim Monitor may reasonably request, related to Respondents' compliance with their obligations under the Order, including, but not limited to, their obligations related to the RF AMR Assets. Respondents shall cooperate with any reasonable request of the Interim Monitor and shall take no action to interfere with or impede the Interim Monitor's ability to monitor Respondents' compliance with the Order.
- 5. The Interim Monitor shall serve, without bond or other security, at the expense of Respondents on such reasonable and customary terms and conditions as the Commission may set. The Interim Monitor shall have authority to employ, at the expense of the Respondents, such consultants,

Interim Monitor's duties, including all reasonable fees of counsel and other reasonable expenses incurred in connection with the preparations for, or defense of, any claim, whether or not resulting in any liability, except to the extent that such losses, claims, damages, liabilities, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the Interim Monitor.

- 7. Respondents shall report to the Interim Monitor in accordance with the requirements of this Order and/or as otherwise provided in any agreement approved by the Commission. The Interim Monitor shall evaluate the reports submitted to the Interim Monitor by Respondents, and any reports submitted by the Acquirer with respect to the performance of its or Respondents' obligations under the Order or the Licensing Agreement. Within one (1) month from the date the Interim Monitor receives these reports, the Interim Monitor shall report in writing to the Commission concerning performance by Respondents of its obligations under the Order.
- 8. Respondents may require the Interim Monitor and each of the Interim

IT IS FURTHER ORDERED that:

A. If Respondents have not licensed the RF AMR Assets as required by Paragraphs II. and III. of this Order, the Commission may appoint a Divestiture Trustee to license the RF AMR Assets in a manner that satisfies the requirements of Paragraphs II. and III. In the event that the Commission or the Attorney General brings an action pursuant to 5(l

2. The Divestiture Trustee shall have twelve (12) months from the date the Commission approves the trust agreement described herein to accomplish the licensing, which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve (12) month period, the Divestiture Trustee has submitted a licensing plan or believes that the licensing can be achieved within a reasonable time, the licensing period may be extended by the Commission; *PROVIDED*, *HOWEVER*,

responsibilities. The Divestiture Trustee shall account for all monies derived from the licensing and all expenses incurred. After approval by the Commission and, in the case of a court-appointed Divestiture Trustee, by the court, of the account of the Divestiture Trustee, including fees for the Divestiture Trustee's services, all remaining monies shall be paid at the direction of the Respondents, and the Divestiture Trustee's power shall be terminated. The compensation of the Divestiture Trustee shall be based at least in significant part on a commission arrangement contingent on the licensing of all of the relevant assets that are required to be licensed by this Order.

- 6. Respondents shall indemnify the Divestiture Trustee and hold the Divestiture Trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the Divestiture Trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of, any claim, whether or not resulting in any liability, except to the extent that such losses, claims, damages, liabilities, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the Divestiture Trustee.
- 7. The Divestiture Trustee shall have no obligation or authority to operate or maintain the relevant assets required to be licensed by this Order.
- 8. The Divestiture Trustee shall report in writing to Respondents and to the Commission every sixty (60) days concerning the Divestiture Trustee's efforts to accomplish the divestiture.
- 9. Respondents may require the Divestiture Trustee and each of the Divestiture Trustee's consultants, accountants, attorneys, and other representatives and assistants to sign a customary confidentiality agreement; *PROVIDED*, *HOWEVER*, such agreement shall not restrict the Divestiture Trustee from providing any information to the Commission.
- E. If the Commission determines that a Divestiture Trustee has ceased to act or failed to act diligently, the Commission may appoint a substitute Divestiture Trustee in the same manner as provided in this Paragraph V.
- F. The Commission or, in the case of a court-appointed Divestiture Trustee, the court, may on its own initiative or at the request of the Divestiture Trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the licensing required by this Order.

G. The Divestiture Trustee appointed pursuant to this Paragraph may be the same Person appointed as Interim Monitor pursuant to the relevant provisions of this Order.

VI.

IT IS FURTHER ORDERED that if Hunt licenses the RF AMR Assets pursuant to Paragraphs II. and III. of this Order, Hunt shall not, for a period of five (5) years from the date this Order becomes final, sell or otherwise convey, directly or indirectly, all or substantially all of the RF AMR Assets (excluding transactions in the ordinary course of business, such as sales of inventory to customers) to any Meter Manufacturer without sixty (60) days prior notice to the Commission. Such notice shall contain the proposed agreement with all attachments and documents that would be responsive to Item 4©) of the Premerger Notification and Report Form under the Hart-Scott-Rodino Premerger Notification Act, Section 7A of the Clayton Act, 15 U.S.C. § 18a, and Rules, 16 C.F.R. § 801-803, relating to the proposed transaction. The Bureau of Competition may request additional information and documents related to the proposed transaction and may allow the transaction to consummate before the sixty-day time period has run. *PROVIDED*, *HOWEVER*, that prior notification shall not be required by this paragraph for a transaction for which notification is required to be made, and has been made, pursuant to Section 7A of the Clayton Act, 15 U.S.C. § 18a.

VII.

IT IS FURTHER ORDERED that:

- A. If Hunt is approved as the Acquirer pursuant to Paragraph II.A., then beginning thirty (30) days after the date this Order becomes final, and every sixty (60) days thereafter until Respondents have completed their supply and technical assistance obligations under Paragraphs II.F. and II.G. of this Order, Respondents shall submit to the Commission a verified written report setting forth in detail the manner and form in which they intend to comply, are complying, and have complied with the terms of the entire Order. Respondents shall submit at the same time a copy of their reports concerning compliance with this Order to the Interim Monitor, if any Interim Monitor has been appointed.
- B. If Hunt is not approved as the Acquirer pursuant to Paragraph II.A., then beginning thirty (30) days after the date this Order becomes final, and every thirty (30) days thereafter until Respondents have licensed the RF AMR Assets pursuant to Paragraphs II.B. and III.B. and have completed their supply and technical assistance obligations under Paragraphs II.F. and II.G. of this Order, Respondents shall submit to the Commission a verified written report setting forth in detail the manner and form in which they intend to comply, are complying, and have complied with the terms of the entire Order. Respondents shall submit at the same time a copy of their reports concerning compliance with this Order to the Interim Monitor, if any Interim Monitor has been appointed. Respondents shall

include in their reports, among other things that are required from time to time, a full description of the efforts being made to comply with this Order, including a description of all substantive contacts or negotiations related to the licensing of the relevant assets and the identity of all parties contacted. Respondents shall include in these reports copies of all written and electronic communications to and from such parties, all internal memoranda, and all reports and recommendations concerning the completion of such obligations.

C. Beginning twelve (12) months after the date this Order becomes final, and annually thereafter on the anniversary of the date this Order becomes final, for the next four years, Respondents shall submit to the Commission verified written reports setting forth in detail the manner and form in which they are complying and have complied with this Order.

VIII.

By the Commission, Commissioner Harbour recused.

C. Landis Plummer Acting Secretary

SEAL

ISSUED: August 5, 2004

NONPUBLIC APPENDIX A

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