

ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDER
TO AID PUBLIC COMMENT
In the Matter of Honeywell International Inc., File No. 131-0070

I. Introduction

The Federal Trade Commission (“Commission”) has accepted from Honeywell International Inc. (“Honeywell”), subject to final approval, an Agreement Containing Consent Orders (“Consent Agreement”). The Consent Agreement, which contains a proposed Decision and Order (“Order”), is designed to reduce the anticompetitive effects resulting from

III. Scan Engines

The relevant line of commerce in which to analyze the effects of the proposed Acquisition is 2D scan engines. 2D scan engines have a 2D image sensor that captures an image (such as a barcode) through a digital photograph. A 2D scan engine then translates the image into a digital format that computer processors can interpret and analyze. Products such as retail store scanners, kiosks and rugged mobile handheld computers utilize 2D scan engines to capture and decode digital data.

Customers of 2D scan engines demand scanners that can accurately read all types of one-dimensional and 2D images, and have a good field of view and reading range. 2D scan engines are the only scanning products that meet these specifications. One-dimensional scan engines are unable to read most types of 2D images and are not viable substitutes for 2D scan engines. Scanning functions on smart phones and similar consumer devices do not offer the speed, accuracy, reading range or field of view of 2D scan engines. As a result, customers would likely not switch to alternative scanning products (such as one-dimensional scan engines or smart phones) in response to a five to ten percent increase in the price of 2D scan engines in sufficient numbers to make that price increase unprofitable to a hypothetical monopolist.

The relevant geographic area in which to analyze the effects of the Acquisition on the 2D scan engine market is the United States. 2D scan engine suppliers who want to sell their scan engines to customers who intend to incorporate the scan engines into products that will be sold into the United States must own or have a license to U.S. patents covering 2D scan engine technology and be able to indemnify their customers against the threat of a patent suit.

The market for 2D scan engines in the United States is highly concentrated. Honeywell, ipters to m

The proposed Acquisition increases the likelihood of coordinated interaction between Honeywell and the major remaining player in the market, Motorola. Industry participants recognize that Honeywell, Intermed and Motorola are the “Big Three” players in the market. As noted above, the fringe 2D scan engine companies do not constrain the pricing of the “Big Three.” Accordingly, the proposed Acquisition increases the risk that the two remaining players, Honeywell and Motorola, will compete less aggressively, diminishing the level of competition in the market.

New entry, repositioning or expansion will not be sufficient to deter or counteract the anticompetitive effects of the proposed Acquisition in a timely manner. The most significant barrier to entry and expansion in the United States is IP. For example, although 2D scan engine companies other than Honeywell, Intermed and Motorola have the ability to, and do, manufacture 2D scan engines, customers who incorporate the scan engines into products for sale into the United States are generally unwilling to purchase from them because they cannot provide customers with indemnification from patent infringement suits.

IV. The Consent Agreement

The Consent Agreement eliminates the competitive concerns raised by Honeywell’s proposed acquisition of Intermed by requiring Honeywell to license Honeywell and Intermed’s U.S. patents covering technology used in 2D scan engines. The Consent Agreement requires Honeywell to license the relevant patents to Datalogic, or another licensee approved by the Commission through a license agreement approved by the Commission.

Datalogic has the industry experience, reputation and resources to replace Intermed as an effective competitor in the U.S. 2D scan engine market. It is headquartered in Bologna, Italy, with its North American design headquarters in Eugene, Oregon. Datalogic is well positioned to replace the competition that will be eliminated as a result of the proposed Acquisition. The company has developed 2D scan engines that markets outside of the U.S. These 2D scan engines are of similar quality to those offered by Honeywell and Intermed. However, Datalogic does not currently compete against Honeywell and Intermed in the sale of 2D scan engines in the

