

ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDER  
TO AID PUBLIC COMMENT

In the Matter of ON Semiconductor Corporation  
File No. 1610061

1. INTRODUCTION

The Federal Trade Commission (“Commission”) has accepted from ON Semiconductor Corporation (“ON”), subject to final approval, an Agreement Containing Consent Order (“Consent Agreement”) designed to remedy the anticompetitive effects that would likely result from ON’s proposed acquisition of Fairchild Semiconductor International, Inc. (“Fairchild”).

On November 18, 2015, ON announced that it had entered into a definitive agreement involving an all-cash tender offer to acquire all of the outstanding shares of common stock of Fairchild for approximately \$2.4 billion (“Acquisition”). The proposed Acquisition would combine the two largest suppliers of insulated bipolar transistors (IGBTs) used in automotive ignition systems (“Ignition IGBTs”) worldwide. The Commission’s Complaint alleges that the proposed Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, by substantially lessening competition in the worldwide market for Ignition IGBTs.

Under the terms of the proposed Decision and Order (“Order”) contained in the Consent Agreement, ON is required to divest its Ignition IGBT business to Littelfuse, Inc. (“Littelfuse”) no later than 10 days from the close of the Acquisition. The divestiture package includes design files and intellectual property associated with the manufacture and sale of Ignition IGBTs, customer and distributor relationships with respect to Ignition IGBT technology transfers and transitional services such as manufacturing support. In short, the Consent Agreement provides Littelfuse with everything it needs to compete effectively in the Ignition IGBT market.

The Commission has placed the Consent Agreement on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the Consent Agreement and the comments received, and decide whether it should withdraw from the Consent Agreement, modify it, or make the Order final.

2. THE PARTIES

Headquartered in Phoenix, Arizona, ON is a semiconductor developer and manufacturer providing a highly diversified portfolio of semiconductor products, including power and signal management, image sensing, and other standard and custom devices, for a variety of applications, including communications, computing, consumer, industrial, and automotive designs, manufactures, and sells Ignition IGBTs, among other products, in its Automotive Product Division.



and Fairchild, the proposed Acquisition likely would lead to unilateral effects in the form of higher prices and reduced innovation.

## 5. ENTRY

Entry into the Ignition IGBT market is not likely to deter or counteract any anti competitive effects of the proposed Acquisition. Given the niche nature of the Ignition IGBT market declining demand, and the lengthy time it would take to qualify new products with customers entry is unlikely and would not be timely. Market participants confirmed that it would take at least three to four years before a new entrant could become a viable supplier. Existing IGBT manufacturers, moreover, are not rapid entrants. The process of designing an IGBT for ignition systems and qualifying it with customers would take years.

## 6. THE PROPOSED CONSENT AGREEMENT

The Consent Agreement restores the competition lost from the proposed Acquisition by requiring ON to divest its Ignition IGBT business to Littelfuse, a publicly traded company based in Chicago, Illinois. The proposed divestiture includes everything needed for Littelfuse to compete effectively in the worldwide market for Ignition IGBTs.

Under the Order, ON is required to divest its Ignition IGBT business to Littelfuse no later than 10 days from the close of the Acquisition. The divestiture package consists of the following assets: design files; patents and technologies for Ignition IGBTs; licenses to manufacturing process technology; a process to facilitate the transfer of customer and distributor relationships with respect to Ignition IGBTs; technology transfers and transitional services including manufacturing support; and, if Littelfuse requests, assignment of ON personnel to support the transfer from ON to Littelfuse of the technology and know-how for production of Ignition IGBTs. No physical assets are being divested because a third party will manufacture Ignition IGBTs for Littelfuse.

The Order requires that, at the request of Littelfuse and in a manner approved by the Commission, ON must provide transitional manufacturing for a period of up to three years with a possible option to extend the period up to two years. Similarly, the Order also requires ON to provide support services such as logistical and administrative support for up to three years with a possible option to extend the period for up to two years. In addition, the Order includes other standard terms designed to ensure the viability of the divested business.

A Monitor will monitor ON's compliance with the obligations set forth in the Order. If ON does not fully comply with the divestiture and requirements of the Order, the Commission may appoint a Divestiture Trustee to divest the Ignition IGBT business and perform ON's other obligations consistent with the Order.

The divestiture of ON's Ignition IGBT business will preserve competition that would otherwise have been lost as a result of the Acquisition. Potential customers have confirmed that the divested assets include everything necessary to compete effectively as a viable business. Similarly, potential customers have confirmed that the divestiture would be a competitive option as a supplier.

## 7. OPPORTUNITY FOR PUBLIC COMMENT

The purpose of this analysis is to facilitate public comment 3(pBa)4(s)-11S4. 3(p.MC /P <<.002