

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Maureen K. Ohlhausen, Acting Chairman
Terrell McSweeney

In the Matter of)	
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)	
Broadcom Limited,)	
a corporation; and,)	
)	Docket No. C-4622
)	
Brocade Communications Systems, Inc.)	
a corporation.)	
)	
_____)	

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Respondent Broadcom Limited (“Broadcom”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire Respondent Brocade Communications Systems, Inc. (“Brocade”), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act (“FTC Act”), as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges

3. Respondent Broadcom is engaged in, among other activities, the design, manufacture, and sale of application specific integrated circuits (“ASICs”) for fibre channel switches.

4. Respondent Brocade is engaged in, among other activities, the design, manufacture, and sale of fibre channel switches.

5. Respondents are, and at all times relevant herein have been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affect commerce, as “commerce” is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

II. THIRD PARTY CISCO SYSTEMS, INC.

6. Cisco Systems, Inc. (“Cisco”) is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its executive office and principal place of business located at 170 West Tasman Drive, San Jose, CA 95134.

7. Cisco is engaged in, among other activities, the design, manufacture, and sale of fibre channel switches.

III. THE PROPOSED ACQUISITION

8. Pursuant to an Agreement and Plan of Merger dated November 1, 2016, the Respondents agreed that Broadcom would acquire Brocade for approximately \$5.9 billion (“the Acquisition”), including \$400 million in debt. The Acquisition is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

IV. THE RELEVANT MARKET

9. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is fibre channel switches. The fibre channel switch is part of a fibre channel storage area network, which employs the fibre channel interconnect protocol to enable stable, high-throughput data transfers between servers and storage arrays in data centers. Fibre channel switches provide quick and secure access to large amounts of data and are often used for mission-critical applications. Fibre channel switch customers would not turn to alternative switching technologies in response to a small but significant price increase because doing so would be risky and expensive.

10. Each fibre channel switch contains an ASIC, which is an integrated circuit that is custom-tailored to carry out the functions of the fibre channel switch. It is the most costly and technically complex component of the switch. The ASIC is designed through collaboration between the switch manufacturer and an ASIC provider. Switch manufacturers typically develop proprietary intellectual property, and ASIC providers, like Respondent

