

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS:

Lina M. Khan, Chair
Noah Joshua Phillips
Rohit Chopra
Rebecca Kelly Slaughter
Christine S. Wilson

In the Matter of

Broadcom Incorporated,
a corporation.

Docket No. C-

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. § 41, et seq., and by virtue of the authority vested in it by said Act, the Federal Trade Commission (“Commission”), having reason to believe that Broadcom Inc. (“Broadcom”), a corporation, hereinafter sometimes referred to as “Respondent” has violated the provisions of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this Complaint stating its charges in that respect as follows:

NATURE OF THE CASE

1. Respondent Broadcom possesses monopoly power in markets for the sale of several semiconductor components (chips) used in connection with the delivery of subscription video and broadband internet services (hereinafter defined, the “Monopolized Products”). The Monopolized Products are incorporated by Broadcom’s customers into set-top boxes and broadband internet access devices.

2. Broadcom also is a supplier in markets for the sale of other semiconductor components related to the Monopolized Products (as hereinafter defined, the “Related Products”). The Related Products are also incorporated by Broadcom’s customers into video set

boxes ("STBs") that consumers use to access television and other video services, and broadband internet access devices such as modems and gateways ("Broadband Devices") used to access internet service (collectively, "Customer Devices"). Broadcom also provides essential ongoing engineering and software support services ("ESS Services") for devices containing its components.

10. The products at issue in this Complaint are components incorporated into Customer Devices that are purchased by providers of subscription video (e.g., television) or internet connectivity services ("Service Providers"). Service Providers use Customer Devices to provide their services to end consumers.

15. When a Service Provider launches a device model, it provides the devices to its end-customers. Once deployed on a Service Provider's network, Customer Devices remain in

18. As early as 2016, Broadcom recognized that it faced competitive threats to its monopoly power as to the Monopolized Products from ~~low~~ priced, nascent rivals. Broadcom understood that nascent rivals could, by working with key OEMs and Service Providers,

commitments to purchase, use, or bid Related Products from Broadcom on an exclusive or near-exclusive basis. Through a series of long-term contracts entered with both OEMs and Service Providers, and through an accompanying campaign of threats and retaliation, Broadcom induced customers to purchase or use Broadcom's Relevant Products on an exclusive or near-exclusive basis. As a result, sales opportunities for Broadcom rivals were severely restricted.

OEM Agreements

26. Between 2016 and the present, Broadcom negotiated and entered into agreements with leading OEMs, pursuant to which the OEMs agreed, contract and renewal terms spanning multiple years, to purchase, use, or bid Broadcom Relevant Products in STBs and Broadband Devices on an exclusive or near-exclusive basis
27. Broadcom induced OEMs to enter these agreements by communicating that OEMs that broadly committed to Broadcom would be treated as favored or "strategic" partners. Customers that did not broadly commit to Broadcom would be mere "tactical" customers, facing higher prices and less favorable price terms and conditions than their rivals, including disadvantageous technology access, product allocation, delivery lead times, and bid support. In other words, OEMs that did not accept exclusivity, the "tactical" customers, would find themselves at a significant commercial disadvantage relative to other, competing OEMs that did agree to purchase exclusively from Broadcom.
28. In all, Broadcom entered exclusive or near-exclusive agreements with at least ten OEMs, which collectively are responsible for a majority of STB and Broadband Device sales worldwide, and even higher percentages of STB and Broadband Device sales in the United States.
29. These OEMs included the largest and most capable Customer Device OEMs, those with the largest market shares, the most extensive engineering and design capabilities, and the strongest reputations and relationships with downstream Service Provider customers.

Service Provider Agreements

30. In parallel with its pursuit of exclusive agreements with OEMs, in 2016 Broadcom also began seeking exclusivity and high share commitments from major Service Providers, first in the United States, and later around the world.
31. As a lever to extract these commitments, Broadcom threatened that if a Service Provider did not limit its purchases from Broadcom's rivals, Broadcom would implement large increases in the fees it charged for ESS Services on devices containing Broadcom Monopolized Products, including Broadcast STB SOCs, that were already deployed on the Service Providers' networks.

32.

40. In another example, when an OEM that did not yet have an exclusive agreement with Broadcom submitted a bid to a Service Provider using a Broadcom component, Broadcom responded by cutting off all supply and support to that OEM and announcing significantly increased prices. As a result

56. Further, by requiring exclusivity and loyalty commitments for Monopolized Products and by conditioning the availability of, or sales or support terms for Monopolized Products on exclusivity and loyalty commitments for other Relevant Products, Broadcom weakened rivals. Winning a design award for a Relevant Product covered by such a commitment would in effect require a rival to compensate its customers for the penalties—increased prices and/or degraded terms—that Broadcom would impose on the customer as to other projects and for other covered products. Broadcom's actions thus thwarted the ability of rival suppliers of Relevant Products to compete with Broadcom on the merits, resulting in harm to customers.
57. Additionally, as Broadcom recognized, a major OEM or Service Provider could—if unencumbered by exclusivity or loyalty commitments to Broadcom—facilitate entry or expansion by a rival supplier of Relevant Products. But Broadcom's conduct foreclosed rivals from the many significant benefits of engagement with major Service Providers and OEMs, including sales and engineering business planning, relationship, and reputational benefits. Broadcom's conduct has also impeded rivals' product development efforts as it prevented or discouraged customers from engaging in development work with non-Broadcom suppliers. The loss of opportunities to work with key OEMs and Service Providers on important projects thus degraded rivals' ability to improve their capabilities, offer better products to customers, and position themselves to win business in the future. These opportunities are critical to ensure ongoing innovation and price competition.
58. Broadcom has further harmed innovation and impeded rivals from effectively competing on the merits because, as a result, Broadcom's conduct has caused Broadcom's rivals to divert resources away from, divested from, and/or are considering exiting markets for Monopolized Products.
59. The acts and practices of Broadcom as alleged herein have had the purpose, capacity, tendency, and effect of maintaining Broadcom's monopoly power in the relevant markets for Monopolized Products and of restraining competition unreasonably in the relevant markets for all Relevant Products.
60. There are no legitimate procompetitive efficiencies that justify Broadcom's conduct or that outweigh the substantial anticompetitive effects thereof.
61. Any legitimate objectives of Broadcom's conduct as alleged herein could have been achieved through significantly less restrictive means.

VIOLATION OF FTC ACT

62. The allegations in all of the paragraphs above are alleged and incorporated by reference as though fully set forth herein.

63. Broadcom has willfully engaged in anticompetitive and exclusionary acts and practices that enhance or maintain its monopoly power in the markets for Monopolized Products. Broadcom has entered a series of agreements that unreasonably restrain trade in markets for all Relevant Products. These acts and practices constitute unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act as amended, 15 U.S.C.4§. Such acts and practices, or the effects of them, will continue or recur in the absence of appropriate relief.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this [insert] day of [insert month], 2021, issues its complaint against Respondent.

By the Commission.

[INSERT SECRETARY NAME]
Secretary