

Mergers: Commission approves Qualcomm's acquisition of NXP, subject to conditions

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"We use our smartphones for many different things and now also more and more as mobile wallets, to pay for public transport or make other secure payments. With this decision, we ensure that Qualcomm's takeover of NXP will not prevent consumers from continuing to enjoy the benefits of these innovative technologies at competitive prices."*

Today's decision follows an [in-depth review](#) of the proposed acquisition of NXP by Qualcomm. Qualcomm and NXP have dominant or strong market positions with highly complementary products and own a significant amount of intellectual property relevant to smartphone manufacturers:

- **Qualcomm** mainly develops and supplies **baseband chipsets for smartphones**. These are chips that allow smartphones to connect to cellular networks.
- **NXP** supplies several types of semiconductors, including **near-field communication (NFC) and secure element (SE) chips** for smartphones. These are chips enabling short-range connectivity, which are used in particular for secure payment transactions on smartphones.
- **NXP** also developed and owns **MIFARE**, a leading technology used as a ticketing/fare collection platform by several transport authorities in the European Economic Area (EEA).
- **Both Qualcomm and NXP** hold a significant amount of **intellectual property**, including standard and non-standard essential patents related to NFC chips.

The Commission's competition concerns

Following its in-depth market investigation, the Commission had the following competition concerns with the transaction as notified:

- The merged entity would have had **the ability and incentive to make it more difficult for other suppliers to access NXP's MIFARE technology**, by raising the licensing royalties or by ceasing to license MIFARE altogether. The merged entity would also have had the ability and incentive to degrade the **interoperability of Qualcomm's baseband chipsets and NXP's NFC and SE chips with rivals' products**. As a result, smartphone manufacturers would have preferred the merged entity's products over those of rival suppliers, who risked being marginalised.
- The merged entity would have combined the two companies' significant **intellectual property portfolios related to NFC technology**. This would have increased the merged entity's bargaining power, allowing it to charge significantly higher royalties for its NFC patents than absent the transaction.

The Commission initially also had concerns relating to competition in the markets for semiconductors used in the automotive sector. However, the in-depth investigation did not confirm these.

The proposed remedies

To address the competition concerns identified by the Commission, Qualcomm offered the following commitments:

- To address the concerns related to **MIFARE**, Qualcomm committed to offer licenses to NXP's MIFARE technology and trademarks, for an eight-year period, on terms that are at least as advantageous as those available today. This would enable competitors of the merged entity to have access to MIFARE technology and trademarks and compete effectively with the merged entity.
- To address the competition concerns related to **interoperability**, Qualcomm committed to ensure that, for an eight-year period, it would provide the same level of interoperability between its own baseband chipset and the NFC and SE products it acquires from NXP with the corresponding products of other companies.
- Finally, to address the Commission's competition concerns in relation to the licensing of NXP's NFC patents,
 - o Qualcomm offered **to not acquire NXP's standard essential NFC patents**. It also offered to not acquire certain of **NXP's non-standard essential NFC patents**. NXP will transfer these patents to a third party, which would be bound to grant worldwide royalty-free licenses to these patents for three years.
 - o Qualcomm would still acquire certain **other NXP's non-standard essential NFC patents**. However, Qualcomm committed, for as long as it owns these patents, i) not to enforce its rights against other companies; and ii) to grant worldwide royalty-free licenses to these patents.

The Commission concluded that the proposed transaction, as modified by the commitments, would no longer raise competition concerns. The Commission's decision is conditional upon full compliance with the commitments.

Companies and products

Qualcomm is a leading semiconductors company, which develops and supplies integrated circuits for mobile devices, notably cellular baseband chips. Qualcomm also licenses the rights to its intellectual property portfolio, including rights to patents which are essential to the implementation within wireless production of cellular communication standards.

NXP Semiconductors manufactures and sells different categories of semiconductors, including semiconductors for the automotive sector and semiconductors for the mobile device sector, notably, NFC solutions.

Merger control rules and procedures

The transaction was notified to the Commission on 28 April 2017 and the

Commission opened an [in-depth investigation](#) on 9 June 2017.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

There are five on-going phase II merger investigations: the [proposed acquisition of Cristal by Tronox](#), the proposed acquisition of [Ilva by ArcelorMittal](#), the [proposed merger of Essilor and Luxottica](#), the [proposed acquisition of Monsanto by Bayer](#), and the [proposed creation of a joint venture by Celanese and Blackstone](#).

More information will be available on the Commission's [competition](#) website, in the [public case register](#) under the case number [M.8306](#).