

# Mergers: Commission opens in-depth investigation into Qualcomm's proposed acquisition of NXP

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"We use our electronic devices every day – mobile phones or tablets. As semiconductors are used in practically every electronic device, we are dependent on them in those devices. With this investigation, we want to ensure that consumers will continue to benefit from secure and innovative products at competitive prices."*

The proposed transaction involves the acquisition of the whole of NXP by Qualcomm and would combine two of the leading players in the semiconductor industry. More specifically, Qualcomm develops and supplies baseband chipsets (both standalone and integrated with an application processor) enabling cellular telecommunications standards such as UMTS and LTE. NXP is an important provider of semiconductors, in particular for the automotive industry. With respect to mobile devices, NXP is a leading provider of near-field communication ("NFC") chips and secure elements ("SEs").

## **The Commission's preliminary concerns**

The Commission's initial market investigation raised several issues relating in particular to semiconductors used in mobile devices, such as smartphones, and in the automotive industry. The Commission is concerned that, following the transaction:

- The merged entity would hold strong market positions within both baseband chipsets and NFC/SEs chips, and would have the ability and incentive to exclude their rival suppliers from these markets through practices such as bundling or tying.
- The merged entity would have the ability and incentive to modify NXP's current intellectual property licensing practices, in particular in relation to NFC technology, including by bundling the acquired NFC intellectual property to Qualcomm's patent portfolio. The Commission will investigate whether such conduct could lead to anticompetitive effects, such as increased royalties for customers and/or exclusion of competitors
- The merger would remove competition between companies active in the markets for semiconductors used in the automotive sector and, in particular, in the emerging Vehicle-to-Everything ("V2X") technology, which will play an important role in the future development of "connected cars".

The transaction was notified to the Commission on 28 April 2017. The Commission now has 90 working days, until 17 October 2017, to take a decision. The opening of an in-depth investigation does not prejudice the outcome of the investigation.

## **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 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).

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