



FTC Accepts Proposed Consent Order in Broadcom Limited's \$5.9 Billion Acquisition of Brocade Communications Systems, Inc.

Broadcom agrees to restrictions on its access to competitively sensitive information of customer, Cisco Systems, Inc.

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Semiconductor manufacturer Broadcom Limited has agreed to establish a firewall to remedy the FTC's concerns that its proposed \$5.9 billion acquisition of Brocade Communications Systems, Inc. is anticompetitive. These concerns arise because of Broadcom's current access to the confidential business information of Brocade's major competitor, Cisco Systems, Inc., that could be used to restrain competition or slow innovation in the worldwide market for fibre channel switches.

Fibre channel switches are part of storage area networks that transfer data between servers and storage arrays in data centers. Because fibre channel switches can quickly and securely transfer large amounts of data, they are often used for mission-critical applications. According to the complaint, San Jose, California-based Broadcom makes the fibre channel application specific integrated circuits, or ASICs, that are custom-tailored to carry out the functions of each switch.

Brocade and Cisco are the only two competitors in the worldwide market for fibre channel switches, and Broadcom supplies both companies with ASICs to make fibre channel switches. The complaint alleges that Broadcom's acquisition of Brocade could harm worldwide competition in the fibre channel switch market because as Cisco's supplier, Broadcom has extensive access to Cisco's competitively sensitive confidential information.

As the new owner of Brocade, Broadcom could use that information to unilaterally exercise market power or to coordinate action among Brocade and Cisco, increasing the likelihood that customers would pay higher prices for fibre channel switches, or that innovation would be lessened, according to the complaint.

The proposed consent order, prevents Broadcom from using Cisco's competitively sensitive confidential information for any purpose other than the design, manufacturing and sale of fibre channel ASICs for Cisco. It requires Broadcom's business group responsible for developing, producing, selling and marketing fibre channel ASICs for Cisco to have separate facilities and a separate information technology system with security protocols that allow access only to

authorized individuals, and provides for other information firewall protections. To assure compliance, the Commission will appoint a monitor for five years, and the Commission may extend the appointment for up to an additional five years.

Further details about the consent agreement are set forth in the [analysis to aid public comment](#) for this matter.

Competition enforcement agencies around the world reviewed this transaction. Commission staff cooperated with antitrust agencies in the European Union, China, and Japan, often working closely with their staff to analyze the proposed transaction and potential remedies, and reach outcomes benefiting consumers in the United States.

The Commission vote to issue the complaint and accept the proposed consent order for public comment was 2-0. The FTC will publish the consent agreement package in the Federal Register shortly. The agreement will be subject to public comment for 30 days, beginning today and continuing through August 2, 2017, after which the Commission will decide whether to make the proposed consent order final. [Comments can be filed electronically](#) or in paper form by following the instructions in the “Supplementary Information” section of the Federal Register notice.

NOTE: The Commission issues an administrative complaint when it has “reason to believe” that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of up to \$40,654.

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