

Complaint

IN THE MATTER OF

**STERIS CORPORATION
AND
SYNERGY HEALTH PLC**

COMPLAINT, ETC. IN REGARD TO ALLEGED VIOLATIONS OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT AND
SECTION 7 OF THE CLAYTON ACT

Docket No. 9365; File No. 151 0032

Complaint, May 28, 2015 – Decision, October 30, 2015

This case addresses the \$1.9 billion acquisition by STERIS Corporation of certain assets of Synergy Health plc. The complaint alleges that the acquisition, if consummated, will violate Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act by significantly reducing competition in the market for contract radiation sterilization services in North America. The Order dismisses the Complaint.

Participants

For the *Commission*: Jordan Andrew, Michael Barnett, Peter Colwell, Meghan Iorianni, Lynda Lao, Steven Lavender, Jacqueline Mendel, Joseph Neeiy, Chrsiine Perez, Noah Pinegar, Amy Posner, Jonaihan Ripa, Mark Silvia, and Christine Tasso.

For the *Respondents*: Damian Didden and Nelson Fitts, Wachtell, Lipton, Rosen & Katz; Ryan Thomas, Jones Day; Steven Levitsky and Paolo Morante, DLA Piper LLP.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act (“FTC Act”), and by virtue of the authority vested in it by said Act, the Federal Trade Commission (the “Commission”), having reason to believe that Respondents Steris Corporation (“Steris”) and Synergy Health plc (“Synergy”) (collectively “Respondents”) have executed a merger agreement in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, which if consummated would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint pursuant to Section

Complaint

5(b) of the FTC Act, 15 U.S.C. § 45(b), and Section 11(b) of the Clayton Act, 15 U.S.C. § 21(b), stating its charges as follows:

I.**NATURE OF THE CASE**

1. Respondents are the second- and third-largest sterilization companies in the world, while Sterigenics International, Inc. (“Sterigenics”) is the largest. Sterilization is a critical final step in the manufacture of many healthcare products, as it is necessary to eliminate bacteria and other microorganisms living on or within products and is required by the U.S. Food and Drug Administration (“FDA”).

2. Steris is the largest provider of gamma radiation sterilization services in the United States with fourteen facilities, as well as ten ethylene oxide (“EO”) gas sterilization facilities. Sterigenics also operates fourteen gamma sterilization facilities in the United States, along with ten EO facilities, and one electron-beam (“e-beam”) radiation facility. Sterigenics also operates gamma, e-beam, and EO facilities outside the United States. Synergy operates more than three dozen contract sterilization facilities, including numerous gamma sterilization facilities outside of the United States, and currently offers only e-beam and EO sterilization services in the United States. Absent the proposed merger between Respondents (the “Merger”), Synergy planned to [REDACTED] and [REDACTED]

If consummated, the Merger would allow Steris to insulate itself against this competitive threat, which would have targeted Steris and Sterigenics’ customers, especially its core gamma sterilization customers, and resulted in lower prices, improved quality, and increased choice for contract sterilization.

3. There are three primary methods of sterilization currently used in the United States: gamma radiation, e-beam radiation, and EO gas. Customers choose sterilization methods based on each product’s physical characteristics and packaging, the volume of products requiring sterilization, and the capabilities of each sterilization modality. Gamma radiation sterilizes by exposure to

Complaint

a radioactive isotope, Cobalt 60. Gamma radiation has deep penetration capabilities and is favored by customers that need to sterilize dense products, such as implantable medical devices, and products with heterogeneity of density, such as products packaged in large quantities. E-beam, a second type of radiation sterilization, does not penetrate as deeply as gamma radiation, though it can be effective for low-density products sterilized in low volumes. EO is a non-radiation form of sterilization that exposes products to gas to kill unwanted organisms. EO is effective only if gas diffuses freely through packaging and makes contact with all product surfaces requiring sterilization.

4. X-ray radiation sterilization will be a close substitute for gamma sterilization. X-ray sterilization offers comparable, and possibly superior, depth of penetration, allowing it to compete for products that customers currently sterilize economically with gamma radiation. For many products, x-ray is the only functional alternative to gamma because of the limitations of e-beam sterilization. According to Synergy, [REDACTED]

5. The relevant product market in which to analyze the effects of the Merger is no broader than contract radiation sterilization services. EO sterilization is not an economical and practical substitute for contract radiation sterilization services, because EO gas can leave a harmful residue on products, making it unsuitable for many healthcare customers. EO sterilization also requires the use of specialized, breathable packaging and faces significant restrictions in how densely products can be packed into boxes and how those boxes can be configured in the sterilization chamber, limiting the types and volumes of products that can effectively use EO. It typically takes longer to complete than radiation sterilization as well. Thus, EO sterilization is properly excluded from the relevant market.

6. A small number of medical device manufacturers use their own in-house sterilization facilities to sterilize a portion of their products. In-house sterilization is properly excluded from the relevant market because only the largest suppliers of medical devices and other products can cost-effectively sterilize any portion of their products in-house. Performing gamma

Complaint

sterilization internally makes economic sense only if a company produces or distributes a very large volume of product [REDACTED] at a single facility. Very few companies produce the single-location volume required to justify the large upfront investment and ongoing costs associated with establishing and operating in-house sterilization. Industry trends show that medical device manufacturers and other customers are shifting more of their sterilization needs to contract providers, rather than using more in-house sterilization. Even those that have in-house capabilities rely on contract sterilizers to provide some portion of their sterilization needs as well as back-up sterilization services in the event the in-house facilities temporarily shut down.

7. Today, e-beam is an uneconomical alternative for the vast majority of products that are sterilized with gamma radiation. Indeed, although e-beam has been available for thirty years, it still represents only about [REDACTED] of all contract radiation sterilization services sold in the United States while gamma accounts for the remaining [REDACTED]. At current prices, the amount of product that customers would likely switch to e-beam sterilization in the face of a small, but significant and non-transitory increase in price (“SSNIP”) for contract gamma sterilization services would be small. However, some customers are concerned about the availability and pricing of gamma sterilization in the future due to questions about the supply of Cobalt 60. As a result, e-beam may become a closer economic substitute to gamma in the future than it is today. Thus, the relevant market is no broader than contract radiation sterilization.

8. The competitive impact of the proposed merger will be most pronounced for customers that would not switch to e-beam even if gamma sterilization prices were to increase by substantially more than a SSNIP. Thus, there is also a relevant market for contract gamma and x-ray sterilization services sold to targeted customers that would not switch to e-beam in the event of a SSNIP.

9. Customers purchase gamma sterilization services from suppliers located near their manufacturing or distribution sites in order to minimize transportation costs and turnaround times. The relevant geographic markets initially affected by the proposed

Complaint

transaction are the areas that Synergy would have served through its planned x-ray facilities in the [REDACTED], area and [REDACTED], which were set to open in [REDACTED]. Synergy also planned to begin operating x-ray plants in [REDACTED]. All [REDACTED] Synergy plants would have competed directly with nearby Steris facilities.

10. The Merger will result in substantial competitive harm in all [REDACTED] relevant markets, each of which is already highly concentrated under the Merger Guidelines and case law. The [REDACTED] million market for all contract radiation sterilization services surrounding [REDACTED] [REDACTED] currently has an HHI level of over [REDACTED] while the other four markets—[REDACTED]—are also highly concentrated with HHIs ranging from at least [REDACTED] to more than [REDACTED]. Analyzing the impact of the merger in the [REDACTED] market for contract gamma and x-ray sterilization services sold to targeted customers, which has [REDACTED] million in sales, yields an HHI of approximately [REDACTED]. Similarly, each of the other [REDACTED] geographic areas has an even higher current concentration level in a market for contract gamma and x-ray sterilization services sold to targeted customers.

11. Synergy, although a significant competitor outside the United States, is a small U.S. contract radiation player today because it offers only e-beam sterilization services. Synergy is an actual potential entrant with its x-ray sterilization business, which would substantially augment its competitive significance. Synergy's entry with contract x-ray services would reduce concentration substantially in each relevant market and result in other procompetitive effects.

12. [REDACTED]

[REDACTED] Since then, Synergy has taken numerous steps to further that plan. By September 2014, Synergy's Senior Executive Board ("SEB") [REDACTED]

Complaint

[REDACTED]
[REDACTED] the development team had secured numerous letters of interest from significant customers, and the team had transitioned from planning to implementation.

13. Synergy's proposed merger with Steris was announced on October 13, 2014. In the weeks following, Synergy continued to [REDACTED] but its focus shifted given that [REDACTED]
[REDACTED]

14. In January 2015, the FTC issued Second Requests to Steris and Synergy that made clear that the FTC's investigation was focused on Synergy's efforts to enter the United States with x-ray. In February, the head of Synergy's sterilization business, Andrew McLean, [REDACTED]. While Mr. McLean claimed [REDACTED], customers remain interested in x-ray as an alternative to gamma and in Synergy as an alternative to Sterigenics and Steris. In actuality, Synergy [REDACTED] in an effort to salvage the sale to Steris. The President of Synergy's Applied Sterilization Technologies ("AST") business, Gaet Tyransky, explained to the x-ray team leaders in February: [REDACTED]
[REDACTED]

15. Synergy's U.S. x-ray entry would have had a large and lasting competitive impact, and a de-concentrating effect, in each relevant market. Synergy recognized that filling the facilities would take time because Synergy would be introducing a new technology to the market and because customers must validate certain of their products for sterilization in the new x-ray facilities. Synergy conservatively expected its U.S. x-ray sterilization business to grow to a [REDACTED] of U.S. contract gamma sterilization sales. Synergy's executives anticipated that the [REDACTED]
[REDACTED]

Complaint

██████████ Synergy assigned a ██████████ that Steris and Sterigenics would ██████████

██████████ Customers, including some of the world's largest medical device companies, share Synergy's expectation that its x-ray entry would provide them with an important alternative to contracting with Steris and Sterigenics for gamma sterilization services.

16. New entry or expansion is not likely to prevent the anticompetitive effects of the transaction—Synergy has entry advantages in x-ray that no other firm can match, including its global scale, a reputation as a quality service provider, a head-start of several years, and, as of the date of the transaction, a ten-year exclusive agreement with the world's only supplier of commercially viable x-ray sterilization machines. No other firm is attempting to enter the United States with x-ray sterilization services capable of competing effectively with gamma sterilization.

17. New entry with e-beam sterilization is expensive and time consuming and would not prevent the anticompetitive effects of the acquisition for targeted contract gamma and x-ray sterilization customers. Entry into gamma is extraordinarily costly, difficult, and time consuming, and is unlikely because of the uncertain future availability and pricing of Cobalt 60, and the demanding regulatory environment.

18. Respondents cannot show that efficiencies resulting from the Merger will offset the Merger's anticompetitive effects. Most of the cost savings that Respondents claim will result are neither verifiable nor merger-specific or likely to be passed on to customers. According to the executive tasked with evaluating potential efficiencies, Steris's purported cost savings figures ██████████

Complaint

II.**BACKGROUND****A.****Jurisdiction**

19. Respondents, and each of their relevant operating entities and parent entities are, and at all relevant times have been, engaged in commerce or in activities affecting “commerce” as defined in Section 4 of the FTC Act, 15 U.S.C. § 44, and Section 1 of the Clayton Act, 15 U.S.C. § 12.

20. The Merger constitutes an acquisition subject to Section 7 of the Clayton Act, 15 U.S.C. § 18.

B.**Respondents**

21. Respondent Steris is a publicly traded corporation organized under the laws of Ohio with headquarters in Mentor, Ohio. Steris provides contract sterilization services in the United States and infection prevention and surgical products and services in more than 60 countries around the world. Steris had total revenues of over \$1.6 billion in 2014, of which [REDACTED] derived from contract gamma sterilization services performed at facilities in Ohio, California, Illinois, Massachusetts, New Jersey, New York, Puerto Rico, South Carolina, Texas, and Utah.

22. Respondent Synergy is a publicly traded company registered in the United Kingdom, with its headquarters in Swindon, Wiltshire, United Kingdom. Synergy provides contract sterilization services in more than a dozen countries, as well as sterilization services for reusable surgical instruments and linen servicing for hospitals. Synergy had global revenues of approximately \$590 million in 2014. Outside of the United States, Synergy’s AST business offers contract gamma, x-ray, e-beam, and EO sterilization services. In the United States, Synergy Health U.S. Holdings Inc. is headquartered in Tampa, Florida. Synergy currently offers U.S. e-beam sterilization

Complaint

services at facilities in Ohio, California, Colorado, and Pennsylvania and EO sterilization in Florida, which earned [REDACTED] and [REDACTED], respectively, in 2014.

C.

The Merger

23. On October 13, 2014, Steris and Synergy signed an agreement and plan of merger (“Merger Agreement”), pursuant to which Steris would acquire all shares of Synergy in a transaction valued at \$1.9 billion. The Merger Agreement currently has a termination date of July 12, 2015, which has been extended by mutual agreement of the Respondents twice.

III.

THE RELEVANT PRODUCT MARKET

24. The relevant product market in which to analyze the effects of the Merger is no broader than the market for contract radiation sterilization services. The effects of the Merger can also be analyzed properly in a narrower market for the sale of contract gamma and x-ray sterilization services to targeted customers that cannot economically or functionally switch to e-beam sterilization. Defining the relevant product market broadly or narrowly does not change the fact that Steris, Synergy, and Sterigenics are the only significant market participants or that substantial anticompetitive effects will result from the Merger.

A.

Background on Contract Radiation Sterilization Services

25. Contract radiation sterilization services include gamma, x-ray, and e-beam sterilization services provided by third parties.

Contract Gamma Sterilization Services

26. Gamma sterilization involves exposing products to Cobalt 60, a highly radioactive isotope, to kill microorganisms located on or within products and packaging. As Cobalt 60 decays, it emits energy in the form of photons, which do not have mass or an

Complaint

electric charge, allowing them to penetrate deeply into dense material.

27. Gamma sterilization is ideal for large volumes of dense products, such as large totes of medical devices, because it can penetrate several feet deep into containers. Gamma irradiators run continuously because Cobalt 60 emits radiation constantly and cannot be turned off. To prepare products for gamma sterilization, contract sterilizers transfer them to irradiation containers, called totes, and place the containers near the Cobalt 60 source, exposing the products to gamma radiation for a set amount of time. The totes range in size from forty to seventy cubic feet, which is significantly larger than the containers used in the e-beam sterilization process. Typically, a batch of products sterilized using gamma radiation has a total turnaround time of about three to four days, including the time required to receive a shipment, irradiate it, and send it back to a customer's facility.

28. In the United States, there are a large number of products that can only be sterilized cost-effectively using contract gamma sterilization services. Steris's website includes a guide for their customers of products "where Gamma Irradiation is the Method of Choice." These include lab ware products; soft tissues that are recovered from donor cadavers, processed in boxes, and shipped on dry ice; liquids; filled media plates; products with a high moisture content; wet dressings that are temperature sensitive or hermetically packaged; prep pads; serums; devices or device components that are designed with occluded areas; filled syringes; and certain biological products. Other products that gamma sterilization is best suited for include products contained in impermeable packaging, orthopedic implants, surgical stents, single-use medical supplies, and many products sterilized efficiently in large batches. Gamma sterilization is particularly well suited for these products, as well as other products of dense or varied and complex construction, because gamma radiation passes more easily through these materials than e-beam particles.

Contract X-ray Sterilization Services

29. X-ray sterilization uses a very high-powered electron beam machine to produce x-ray radiation. Historically, x-ray sterilization has not been used in the United States, in large part

Complaint

because no machine existed that was capable of sterilizing products as cost effectively as gamma or other sterilization methods. Recently, however, [REDACTED] has developed equipment that can perform x-ray sterilization at a cost comparable to, and possibly lower than, gamma sterilization. [REDACTED] accelerators have made x-ray sterilization a commercially viable alternative for products that are currently sterilized with gamma radiation.

30. X-ray sterilization combines the best features of e-beam and gamma sterilization. It offers the depth of penetration of gamma radiation, which makes it suitable for sterilizing dense products and packaging, and the quick turnaround times of e-beam sterilization. X-ray sterilization may provide significant advantages over gamma sterilization. It requires shorter processing times than gamma sterilization, providing potential inventory management advantages. It can also process multiple products with different dose requirements in the same irradiation cycle, making it more efficient than gamma sterilization. X-ray sterilization is also well-suited for processing large batches of products, and, because it uses electricity rather than Cobalt 60, x-ray does not raise many of the environmental and regulatory issues of gamma sterilization. Synergy expects that x-ray will offer quicker turnaround times, less oxidation and discoloration on plastic products, and less temperature-based damage.

Contract E-beam Sterilization Services

31. E-beam sterilization uses electrically powered accelerators to produce high-energy electron beams to kill unwanted microorganisms. The unique characteristics of the e-beam irradiation process often make it the most effective method for sterilizing small volumes of low-density, homogeneous products. E-beam machines are more efficient than using Cobalt 60 because they can be turned on and off as needed, which ensures that they produce radiation only when they are in use. Small batches of products can often be sterilized more quickly with e-beam irradiation than gamma irradiation; an e-beam machine can sterilize some products in only a few minutes.

32. The primary drawback of e-beam sterilization is that the radiation produced does not penetrate nearly as deeply as gamma radiation, and products sterilized with e-beam radiation must be

Complaint

placed into smaller containers than those used in gamma sterilization. These containers are about twice the size of a copy paper box and can only hold approximately two cubic feet of product, so products delivered from customers must be loaded into small totes and exposed to e-beam radiation one box at a time. For products that are packed in dry ice, such as human tissue, the products must be unpacked from their boxes before being sterilized with e-beam. For large volumes of products, the e-beam loading process requires considerably more handling than gamma sterilization, and e-beam sterilization is not a cost-effective option for denser products. Indeed, according to customers, for many dense products, such as liquids and orthopedic implants, sterilization with e-beam technology is simply “impossible” and “[not] a viable option.” Because of the significant differences between the two methods of radiation sterilization, e-beam sterilization is not a cost-effective or practical substitute for most products that currently use gamma sterilization services.

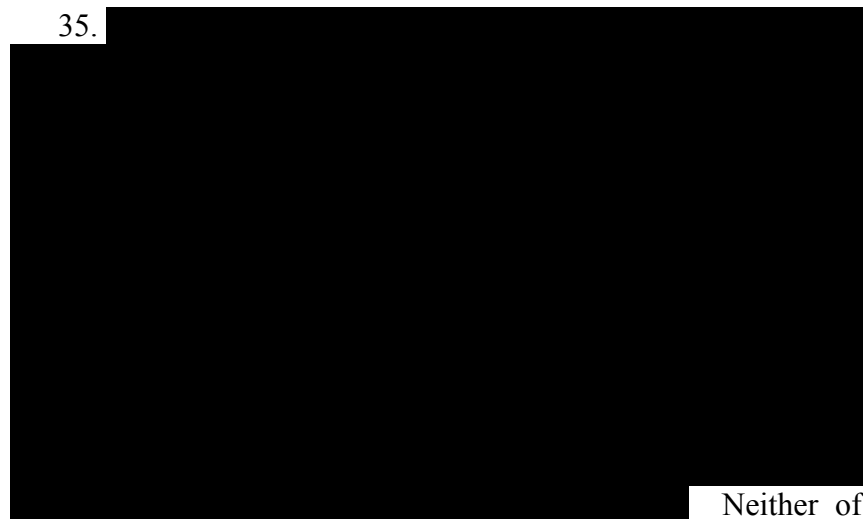
B.**The Market for Contract Radiation Sterilization Services**

33. Today, gamma sterilization accounts for [REDACTED] of radiation sterilization services sold in the United States, and e-beam the remaining [REDACTED]. The majority of products currently sterilized in the United States using contract gamma sterilization services currently cannot be sterilized practically using any other method of sterilization. Contract x-ray sterilization services would compete directly with contract gamma sterilization services, and may compete with e-beam to some extent. Therefore, it is appropriate to include x-ray in the relevant market for contract radiation sterilization services.

34. Customers currently do not view e-beam sterilization as a functional or economical substitute for gamma (or x-ray) sterilization for the majority of products. Nor do Steris or Sterigenics [REDACTED]. For this reason, there is little switching between the two sterilization methods.

Complaint

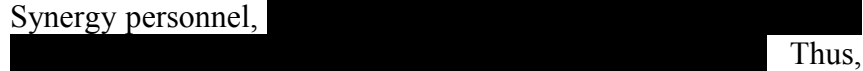
35.



Neither of these estimates shows how much volume actually would switch in the face of a SSNIP. In fact, because of the limitations of e-beam, a SSNIP today would not induce customers to switch a significant volume of products from gamma sterilization to e-beam sterilization.

36. In the future, it is possible that, if contract gamma sterilization is more expensive or capacity constrained due to Cobalt 60 supply issues, there could be some switching to e-beam sterilization. Because of the possibility that contract e-beam sterilization services may become a competitive option for more contract gamma customers in the future, it may be appropriate to include contract e-beam services in the relevant product market.

37. Both x-ray and gamma sterilization services are suitable for the same high-density, heterogeneous products. X-ray sterilization services will likely be able to sterilize a number of products as well as, or better than, the gamma sterilization services these products rely on today, including: orthopedic implants, liquids, other dense products, impermeable packaging, and boxes of products that have varying densities. According to Synergy personnel,

 Thus, Synergy's x-ray strategy was to take market share from gamma sterilization. Current gamma sterilization customers confirm that x-ray is a substitute for gamma.

Complaint

EO Sterilization Is Not a Substitute for Radiation Sterilization Services

38. EO sterilization is properly excluded from the relevant product market. The technical differences between EO sterilization and gamma sterilization are substantial, and very few products can be cost effectively sterilized using both methods of sterilization. Accordingly, customers would not switch from radiation sterilization to EO in the face of SSNIP for contract radiation sterilization services.



39. Unlike radiation sterilization methods, EO sterilizes by exposing products to a toxic gas that kills unwanted organisms. EO is a carcinogenic gas that is poisonous to humans. The EO sterilization process involves a number of steps, including placing the product in a chamber, filling the chamber with EO gas, degassing the chamber after sterilization, and aerating the product to remove or reduce EO residue on the product. EO sterilization requires that the design of products and packaging allow EO gas to move freely over material requiring sterilization. Thus, products must be packaged in permeable material and loaded in a configuration that allows the EO gas to reach all surfaces. The volume density and overall configuration of the load can limit gas exposure and removal after processing. The EO sterilization process also exposes products and packaging to a range of pressures at an elevated temperature, so products must be designed to withstand this environment. Even when EO could theoretically be used to sterilize some products, the process often takes significantly longer than other sterilization methods because products that have been exposed to EO must be quarantined for a period of days until all the gas has dissipated and no or acceptable levels of residue remain on the product.

In-House Sterilization Is Not a Viable Substitute for Most Customers

40. In-house gamma sterilization services are properly excluded from the relevant product market. Most customers

Complaint

cannot use in-house gamma sterilization to meet any of their needs cost effectively, and customers do not rely on in-house gamma sterilization facilities to satisfy all of their requirements. A minimum of approximately [REDACTED] of gamma-sterilized product annually at a single production or distribution facility is required to justify moving their sterilization for that facility in-house. Generally, only large medical device manufacturers produce sufficient volumes at a single location to justify the large upfront investment and ongoing expenses of opening and operating an in-house gamma facility. Small customers are not capable of bringing gamma sterilization in-house economically, and no in-house sterilizer in the continental United States sells excess capacity to its competitors. Thus, only approximately 20% of gamma sterilization is performed in-house. Further, industry trends show that medical device manufacturers and other customers are shifting more of their sterilization needs to contract providers, rather than using more in-house sterilization.

41. There are substantial regulatory and practical barriers to establishing a gamma facility in the United States. Moreover, it is likely to become more difficult to justify establishing in-house gamma sterilization capabilities in the future because there are questions about the future availability and supply of Cobalt 60.

[REDACTED]

42. Customers would not increase the volume of products sterilized with in-house gamma sterilization by an amount sufficient to make a SSNIP for all contract gamma sterilization services unprofitable. Even large customers that have in-house sterilization capabilities require contract gamma sterilization services as backup when their facilities are down, as well as contract services in areas where they do not produce enough product to justify an in-house facility. Further, even if some customers would switch some of their volume to in-house facilities in response to a SSNIP, a hypothetical monopolist could still profitably increase prices by price discriminating against the

Complaint

majority of customers who cannot economically switch to in-house.

C.

**The Market for Contract Gamma and X-ray Sterilization
Services Sold to Targeted Customers**

43. The anticompetitive effects of the Merger will be most significant in the market for contract gamma and x-ray sterilization services sold to customers that cannot economically or functionally switch affected products to e-beam sterilization. As Steris noted in a presentation to the FTC, [REDACTED]

44. [REDACTED]

[REDACTED] Thus, contract gamma sterilization providers can target and effectively price discriminate against customers that make products that cannot economically or functionally use any method of sterilization other than gamma radiation, charging them higher prices than customers that could cost-effectively use other means of sterilization.

45. While customers could switch some portion of products currently utilizing contract gamma sterilization services to e-beam sterilization, especially if future prices for contract gamma sterilization increase as a result of Cobalt 60 supply issues, that group is likely relatively small. For those products that cannot switch from contract gamma sterilization services—e.g., dense medical devices, products that contain liquid, and products that are sterilized efficiently in large containers—e-beam sterilization providers will not constrain the prices of contract gamma

Complaint

sterilization service providers. Nor will the possibility of utilizing an in-house sterilization facility constrain contract gamma sterilization prices. Only contract x-ray sterilization services would provide competition against the contract gamma services that these customers must use today. Thus, even if a SSNIP to *all* contract gamma sterilization and x-ray customers would be unprofitable because some customers would switch to e-beam sterilization, a hypothetical monopolist of contract radiation sterilization services could profitably impose a SSNIP on targeted customers that cannot switch.

IV.

RELEVANT GEOGRAPHIC MARKETS

46. The relevant geographic markets in which to analyze the competitive effects of the Merger are the areas within approximately [REDACTED] miles of each of the [REDACTED] locations where Synergy planned to build an x-ray sterilization plant: [REDACTED]

47. Contract radiation sterilization providers compete for customers generally located within approximately 500 miles of their plants. Contract radiation sterilization customers are located throughout the country, but most strongly prefer to purchase services in the areas around their manufacturing and distribution sites in order to minimize transportation costs and turnaround times. Transportation costs can be a significant part of the total cost of contract sterilization, and the delay and added cost of shipping a product away from a company's supply chain and back again can create significant logistical issues and become cost prohibitive. However, some customers may be able to use sterilization providers that are beyond this radius if the provider has a facility near its regular shipping routes. Contract radiation sterilization companies therefore locate their plants near the customers for which they expect to compete and evaluate competition and set prices regionally.

48. [REDACTED]

Complaint

[REDACTED]

49. In the first phase of its entry into the United States, Synergy planned to build [REDACTED]

50. Synergy's [REDACTED] x-ray sterilization facility would compete directly with Steris's [REDACTED] facilities. Synergy identified potential customers for this facility throughout [REDACTED]

[REDACTED] Synergy planned to open its x-ray plant in [REDACTED].

51. Synergy's [REDACTED] x-ray facility was also set to open in [REDACTED]. This facility, which would compete with Steris's [REDACTED] gamma plant and Sterigenics' [REDACTED] gamma facility, planned to target key customers throughout [REDACTED].

52. In the second phase of its rollout, Synergy planned to build additional x-ray sterilization facilities in [REDACTED] in [REDACTED]

[REDACTED] Synergy's [REDACTED] x-ray plant would compete with Steris's [REDACTED] gamma facilities. Its [REDACTED] x-ray facility would compete with Steris's [REDACTED] gamma plant. And Synergy's [REDACTED] facility would compete with Steris's gamma plants in [REDACTED]

53. After building all [REDACTED] x-ray facilities, Synergy would have a plant within 500 miles of the supply chain of the vast majority of U.S. sterilization customers.

Complaint

V.

MARKET STRUCTURE

54. Steris and Sterigenics are currently the only providers of contract gamma sterilization services and the leading providers of radiation sterilization services. When the proposed Merger was announced, Synergy had begun implementing its strategy to bring a disruptive product to the U.S. contract sterilization market. Synergy's entry into the United States with contract x-ray sterilization services would compete directly with Steris and Sterigenics' contract gamma businesses, and would produce substantial consumer benefits that no other market participant or potential entrant could replicate.

A.

Market Participants**Contract Gamma Sterilization Services**

55. Steris has twelve gamma sterilization facilities in the United States: Ontario, California; Libertyville, Illinois (three separate facilities); Northborough, Massachusetts; Wippany, New Jersey; Chester, New York; Groveport, Ohio; Vega Alta, Puerto Rico; Spartanburg, South Carolina; El Paso, Texas; and Sandy, Utah. Steris achieved \$ [REDACTED] in revenues from contract sterilization services in 2014, with approximately \$ [REDACTED] coming from its U.S. contract gamma sterilization operations.

56. Sterigenics, the largest contract sterilization services provider in the world, and the only other U.S. contract gamma sterilization provider, is headquartered in Oak Brook, Illinois. It has fourteen U.S. gamma sterilization facilities located in the United States: West Memphis, Arkansas; Corona, California; Gilroy, California; Hayward, California; Tustin, California; Gurnee, Illinois; Schaumburg, Illinois; Rockaway, New Jersey; Salem, New Jersey; Charlotte, North Carolina; Haw River, North Carolina; Westerville, Ohio; Fort Worth, Texas; and Mulberry, Florida. In 2014, Sterigenics earned an estimated \$ [REDACTED] from its U.S. contract gamma sterilization facilities.

Complaint

Contract X-ray Sterilization Services

57. Synergy is the third major global provider of contract sterilization services, but does not offer contract gamma sterilization services in the United States. Synergy had a well-developed strategy to enter the United States with contract x-ray sterilization services that would have competed with contract gamma sterilization services. Outside of the United States, Synergy already owns and operates a facility in Däniken, Switzerland, that performs both gamma and x-ray sterilization services.

58. Prior to the proposed Merger, Synergy expected to win a [REDACTED] share of U.S. contract gamma sterilization services revenue. Synergy expected that its first [REDACTED] x-ray facilities in the [REDACTED] areas would earn a combined \$ [REDACTED] in [REDACTED] and \$ [REDACTED] in [REDACTED], by which time all [REDACTED] of its facilities would be operational. Synergy forecasted its annual x-ray revenues to reach \$ [REDACTED].

59. Some small e-beam sterilization services providers, like [REDACTED], may attempt to provide x-ray sterilization services by modifying their e-beam machines, but these firms will not be able to compete with gamma sterilization services because, among other reasons, their e-beam machines are incapable of producing the power and throughput of gamma sterilization or Synergy's x-ray sterilization. Instead, they will be relegated to small-scale x-ray sterilization for a limited group of customers.

Contract E-beam Sterilization Services

60. Synergy is the leading provider of contract e-beam sterilization services in the United States with e-beam facilities located in San Diego, California; Denver, Colorado; Saxonburg, Pennsylvania; and Lima, Ohio. Synergy earned \$ [REDACTED] from its U.S. e-beam contract sterilization services in 2014. [REDACTED]

Complaint

61. Sterigenics operates an e-beam facility in San Diego, California, that generated approximately \$ [REDACTED] in sterilization sales in 2014. Sterigenics also operates a facility in Bridgeport, New Jersey, that is dedicated to [REDACTED]. The Bridgeport facility generated \$ [REDACTED] in 2014.

62. Steris does not currently provide e-beam sterilization services in the United States [REDACTED].

63. There are several smaller providers of e-beam sterilization in the United States that operate one or two locations.

- [REDACTED] headquartered in [REDACTED] has two contract e-beam sterilization services facilities, one in [REDACTED] and the other in [REDACTED]. Medical device customers are skeptical of working with [REDACTED] for sterilization, however, citing a lack of technical expertise. Steris characterizes [REDACTED] as being limited to industrial irradiation of wire, cable, and tubing. In 2014, [REDACTED] earned approximately \$ [REDACTED] in revenue from e-beam sterilization services.
- [REDACTED] operates a contract sterilization facility in [REDACTED]. In 2014, the company earned approximately \$ [REDACTED] in revenue from contract e-beam sterilization services. [REDACTED] lacks the expertise and efficiency of Steris, Sterigenics, and Synergy.

Complaint

- [REDACTED] is a [REDACTED] company that opened a contract e-beam sterilization facility in [REDACTED] in [REDACTED]. In 2014, the company's revenues from the [REDACTED] facility approached \$[REDACTED], of which approximately \$[REDACTED] were attributable to [REDACTED] sterilization. [REDACTED] serves mostly [REDACTED] because [REDACTED] [REDACTED] question its technical expertise and experience with their products. Even though Steris has [REDACTED] gamma sterilization facilities serving the area, [REDACTED].
- [REDACTED] is based in [REDACTED] where the company plans to open a facility to provide contract e-beam sterilization services beginning in [REDACTED]. The company has been working for [REDACTED] years to establish that facility but has no sales at this time.

B.**Market Concentration**

64. Each relevant market is currently highly concentrated under the Horizontal Merger Guidelines and relevant case law, and Synergy's U.S. x-ray strategy would have resulted in substantial de-concentration and procompetitive effects in each relevant market.

65. The Horizontal Merger Guidelines and courts measure concentration using the Herfindahl-Hirschman Index ("HHI"). HHI levels are calculated by totaling the squares of the market shares of each firm in the relevant market. Changes in HHI levels are the difference between pre- and post-merger HHI levels. Under the Horizontal Merger Guidelines, a relevant market is "highly concentrated" if it has an HHI level of 2,500 or more. In highly concentrated markets, the Horizontal Merger Guidelines view changes in the HHI level of 200 points or more as evidence

Complaint

that a merger should be presumed likely to create or enhance market power, unless Respondents rebut this presumption by submitting persuasive evidence showing the merger is unlikely to enhance market power.

66. In the approximately \$ [REDACTED] Midwest market for contract radiation sterilization services, the current HHI is over [REDACTED]. The [REDACTED] other relevant markets where Synergy plans to establish x-ray sterilization facilities, [REDACTED] are also highly concentrated, with HHIs of more than [REDACTED] respectively.

67. Each relevant market for contract gamma and x-ray sterilization services sold to targeted customers is also highly concentrated. There are only two suppliers of contract gamma sterilization services today, and absent the Merger Synergy's x-ray sterilization would provide a third alternative. The high market concentration for these targeted customers is evidenced by the high concentration for contract gamma sterilization services: in the \$ [REDACTED] contract gamma sterilization business in the [REDACTED] the current HHI level is approximately [REDACTED]. In the other [REDACTED] areas where Synergy plans to enter, concentration levels are even higher, ranging from [REDACTED]. The market shares and concentration levels in gamma markets are a good proxy for the market shares and concentration in gamma/x-ray markets for targeted customers.

VI.

ANTICOMPETITIVE EFFECTS

68. The anticompetitive effects of the Merger arise from the elimination of the likely future competition from Synergy's deployment of x-ray sterilization in the United States. Steris and Sterigenics are two of the three significant contract radiation sterilization providers and the only two contract gamma providers in the United States in each of the geographic markets at issue. Synergy, as the only major worldwide sterilization company without a gamma offering in the United States, was on the verge of entering with what it considered to be a disruptive sterilization

Complaint

technology, x-ray, that would allow it to compete directly for Steris and Sterigenics' customers.

69. By October 2014, just days before the announcement of the Merger, Synergy determined that it would [REDACTED]. Synergy envisioned building a total of [REDACTED] sites and achieving broad mainstream adoption of x-ray sterilization technology by [REDACTED].

70. Synergy also considered the competitive impact its entry would have on U.S. gamma sterilization competitors, and concluded that Steris and Sterigenics would [REDACTED]. With the proposed acquisition, there will be no [REDACTED], nor will this promising sterilization technology be available to U.S. sterilization customers.

A.**Synergy Was Entering the Relevant Markets Prior to the Merger****The Early Stages of Synergy's U.S. X-ray Plan**

71. In 2012, months after Synergy's acquisition of the x-ray facility in Däniken, Switzerland, the company's founder and CEO, Dr. Richard Steeves, proposed a plan to launch x-ray sterilization in the United States to [REDACTED].

This plan, Dr. Steeves explained in an April 2013 Synergy leadership conference, [REDACTED].

[REDACTED]

Complaint

72. In May 2013, Dr. Steeves told Synergy's board of directors (the "PLC Board") that the x-ray launch in the United States [REDACTED]

The following month, [REDACTED]

[REDACTED] Before Mr. McLean had even started his job, Dr. Steeves told him that [REDACTED] and that developing a U.S. x-ray business [REDACTED]

The X-ray Plan Ramp-Up

73. In 2014, the Synergy x-ray team took the project from the conceptual stage to the planning and implementation phase.

74. The team worked with [REDACTED] to configure equipment to be used and, on September 15, 2014, reached an agreement with [REDACTED] for the exclusive right to [REDACTED] x-ray technology in the United States. [REDACTED]

75. The x-ray team also worked to cultivate customer interest to support the business case and procured letters of interest ("LOIs") from many customers in August and September 2014. Key customers [REDACTED]

[REDACTED] all submitted LOIs, as did T [REDACTED]

Complaint

76. The team prepared a business case for [REDACTED]
[REDACTED]
On September 17, 2014, Synergy's SEB [REDACTED]
[REDACTED] There are seven members of the SEB:
Synergy's CEO (Dr. Steeves); Synergy's COO (Adrian Coward);
Synergy's Group Finance Director (Gavin Hill); Synergy's Group
Company Secretary; CEO of the AST business (Mr. McLean); an
executive from Synergy's healthcare services division; and a
human resources executive. [REDACTED]
[REDACTED] The details of the strategy
presented to the SEB [REDACTED]
[REDACTED] This
presentation:

- Sought [REDACTED] and
[REDACTED]
- Identified [REDACTED]
[REDACTED]
- Explained that Synergy will target [REDACTED]
[REDACTED]
- Stated that [REDACTED] would be to [REDACTED]
[REDACTED] and [REDACTED]
- Described [REDACTED] to be to [REDACTED]
[REDACTED] and [REDACTED]

77. The same day, Mr. McLean emailed the x-ray team that
the SEB had [REDACTED]
[REDACTED]

Complaint

[REDACTED]

78. The day after the SEB meeting, September 18, 2014, Synergy's PLC Board met and discussed the U.S. x-ray strategy. Dr. Steeves, Mr. Coward, and Mr. Hill, all members of the SEB, are three of the seven members of the PLC Board; three of the four remaining members are outside directors, and one is the Non-Executive Chairman of the PLC Board. Mr. Coward explained that Synergy [REDACTED]

[REDACTED] He requested that the PLC Board [REDACTED]

[REDACTED] Dr. Steeves also explained to his fellow PLC Board members that, [REDACTED]

[REDACTED] The PLC Board approved [REDACTED]

79. After the September SEB and PLC Board meetings, the U.S. x-ray project was renamed [REDACTED] and implementation of the x-ray plan began. Synergy expanded the size of the team to [REDACTED] employees, including personnel from operations, engineering, accounting, and maintenance to assist through construction and start-up of operations. On October 7, 2014, Mr. McLean brought the team together for [REDACTED]

[REDACTED] The slide presentation that [REDACTED]

- [REDACTED]

- [REDACTED]

Complaint

The slides also cautioned that, [REDACTED]

80. The Merger of Synergy and Steris was announced less than a week later, on October 13, 2014.

Synergy's Actions Post-Merger Announcement

81. In the weeks following the announcement of the deal, Synergy recognized that [REDACTED]

[REDACTED] As Mr. Tyranski wrote a week after he learned of the transaction, [REDACTED]

[REDACTED] The Synergy x-ray team also recognized that [REDACTED]

[REDACTED] Thus, Synergy [REDACTED]

[REDACTED] but acknowledging that the [REDACTED]

82. The PLC Board, in its November 2014 meeting, [REDACTED]

83. Synergy's management continued to believe that [REDACTED] and that [REDACTED]

[REDACTED] Synergy's senior management expected to [REDACTED] while acknowledging that [REDACTED]

84. [REDACTED]

[REDACTED] The [REDACTED] team leader created a [REDACTED]

Complaint

detailed timeline describing each step needed to begin operations [REDACTED] the new date set for opening the first facility after the rollout plan was [REDACTED]. The agreement with [REDACTED] reached on [REDACTED] was memorialized in writing and executed on [REDACTED] giving Synergy [REDACTED]. [REDACTED] was pushed back from [REDACTED] to [REDACTED] to accommodate the anticipated closing of the Steris transaction.

85. The x-ray strategy continued to have the open support of Synergy leadership. The plan to enter the United States with [REDACTED] followed on by [REDACTED] was incorporated into the FY 2016 Strategic Plan for the AST business. In a November 4, 2014, statement to investors attached to a security filing, Synergy reported:

We are pleased to announce that we have signed an agreement with IBA for X-ray technology to be deployed in the United States, supplemented by our in-house knowledge and expertise. Our X-ray services are now the fastest growing of our AST technologies, driven by the higher levels of quality, favourable economics and faster processing speed, which helps our customers to reduce their working inventories. Most recently the first FDA approval of a Class III medical device was achieved by one of our major global customer partners, paving the way for further conversions.

Synergy's Actions After the FTC Issued Second Requests

86. On January 9, 2015, the FTC issued Second Requests to Respondents specifically requesting documents and information relating to potential competition between their x-ray and gamma sterilization businesses.

87. At a February 19, 2015, meeting with FTC staff, Mr. McLean announced that [REDACTED]

Complaint

88. On February 24, 2015, Mr. McLean executed a declaration to evidence this [REDACTED] using an alleged [REDACTED] as a pretext for doing so. As support for that [REDACTED], Mr. McLean attached copies of e-mails he personally received just days before. That evening, Mr. Tyranski wrote the x-ray team leaders: [REDACTED]

[REDACTED] Mr. Tyranski planned to [REDACTED] The next day, they informed [REDACTED] that Synergy would be [REDACTED] Peter Grief, a [REDACTED] team member, recognized that it was [REDACTED] but he was [REDACTED]

B.**Synergy's U.S. X-ray Entry Would Result in Substantial Procompetitive Effects****Synergy's Entry Would Have a Significant De-concentrating****Effect on the Relevant Markets**

89. Synergy expected its x-ray entry would have a large and lasting competitive impact. Synergy expected to win a [REDACTED] share of all of the contract gamma sterilization business of Steris and Sterigenics in the United States.

90. Synergy projected approximately \$[REDACTED] in sales for its [REDACTED] x-ray facility in [REDACTED], increasing to approximately \$[REDACTED] annually by [REDACTED]. Synergy planned to target [REDACTED]

among others, all of whom have expressed interest in converting product to x-ray and who are currently Steris and/or Sterigenics customers.

91. To provide a sense of the magnitude of the de-concentrating effect that Synergy's x-ray entry would have produced, it is informative to calculate future nationwide HHI levels with and without the Merger based on Synergy's ordinary course documents, even though the markets here are local.

Complaint

Synergy's x-ray entry, at a minimum, would reduce the HHI for U.S. contract radiation sterilization by more than [REDACTED] points. For contract gamma sterilization, Synergy's x-ray entry, at a minimum, would reduce the HHI by more than [REDACTED] points.

92. To provide a sense of the magnitude of the de-concentrating effect that Synergy's x-ray entry would have produced on a local level, it is informative to calculate future HHI levels for the [REDACTED] facility, which would have opened in [REDACTED]. Based on Synergy's revenue projections, in [REDACTED], the HHI would have decreased, at a minimum, by more than [REDACTED] points in the market for contract radiation services and by at least [REDACTED] points in the contract gamma/x-ray market.

93. [REDACTED] documents confirms that Synergy's [REDACTED]

- [REDACTED]

- [REDACTED]

Synergy's X-ray Entry Would Have Created Substantial**Price and Non-Price Benefits for Customers**

94. Synergy expected to enter the highly concentrated relevant markets and win the business of the incumbents' highest value customers. Synergy knew that, in response to its entry, Steris and Sterigenics would vigorously defend their business and fight to keep their core gamma customers by, among other things, lowering prices.

95. Synergy designed its x-ray strategy to [REDACTED]

In response to its entry, Synergy expected Steris and Sterigenics to [REDACTED]

[REDACTED] In the face of this competitor response, which

Complaint

Synergy described as [REDACTED]
[REDACTED] Synergy planned to set its x-ray rates at a level that would compete directly with gamma sterilization. Synergy also planned to exploit [REDACTED] and [REDACTED]

96. Synergy officials called the U.S. x-ray strategy [REDACTED] and anticipated a [REDACTED]. Even after Respondents announced the Merger, Synergy executives continued to tout x-ray's competitive potential. In a November 2014 email, Synergy's CEO told Steris's CEO that [REDACTED]
[REDACTED]

97. Mr. Tyranski, Synergy's AST President, testified that the [REDACTED] for Synergy's U.S. x-ray strategy was [REDACTED], which Synergy planned to [REDACTED]. He acknowledged that [REDACTED] would be the [REDACTED] for Synergy's U.S. x-ray business. Similarly, Synergy's AST Business Analyst testified that [REDACTED]
[REDACTED]

[REDACTED] He explained that Synergy [REDACTED] because [REDACTED]
[REDACTED]

98. Dr. Steeves testified that Synergy [REDACTED]
[REDACTED]

[REDACTED]

Complaint

[REDACTED]

Dr. Steeves concluded that [REDACTED] given Synergy's goal of [REDACTED]

99. Customers, including [REDACTED], share Synergy's expectation that its x-ray entry would provide them with an alternative to contracting with Steris and Sterigenics for gamma sterilization services. Customers believe that Synergy's x-ray services would compete directly with Steris and Sterigenics' gamma sterilization offerings and could be a potentially superior alternative to gamma sterilization. Moreover, many customers state that they would consider validating new products for x-ray sterilization and switching a portion of their products that are currently sterilized with contract gamma radiation to Synergy's x-ray sterilization when it becomes available.

100. Some customers are concerned that, because Sterigenics controls the limited supply of Cobalt 60, their gamma sterilization prices may rise significantly in the future. Thus, these customers are interested in moving their business to x-ray sterilization if Synergy enters, to protect themselves from these anticipated gamma sterilization price increases.

101. Customers anticipate that their purchases of x-ray sterilization services will grow incrementally. Synergy understood that [REDACTED] and therefore expected [REDACTED]. Despite the time and costs required to switch to x-ray, many customers state that they are willing to switch current and/or future products due to the benefits of contract x-ray sterilization. In fact, even though Synergy has not yet opened a facility in the United States, J&J already invested \$[REDACTED] to validate its Class III medical device,

Complaint

Surgicel, with Synergy's x-ray sterilization services. The FDA approved x-ray sterilization for Surgicel in September 2014.

102. Other companies, including [REDACTED], have also tested sample products at Däniken to determine the feasibility and effects of using x-ray sterilization on their products, and several more are interested in doing so. [REDACTED] and others have been in recent discussions with Synergy regarding the possibility of validating their FDA Class III products at Synergy's Däniken, Switzerland, x-ray facility.

103. Numerous significant purchasers of contract gamma sterilization services have expressed concern that, if Respondents consummate the Merger, the substantial competitive benefits of Synergy's U.S. x-ray entry will never materialize. Customers have explained that having the credible threat of switching to an independent Synergy's x-ray sterilization services would provide them greater bargaining leverage when negotiating contract gamma sterilization prices with Steris and Sterigenics. Even more valuable to these customers is the prospect of a sterilization option that promises to be a superior technology, with better performance, greater efficiency, and possibly lower prices. Customers fear that, if the Merger closes, terminating Synergy's independent entry with x-ray sterilization services will deprive them of these substantial price and non-price benefits.

104. Customers have also expressed concern that Steris likely has significantly less incentive to bring competitive x-ray sterilization services to the United States than an independent Synergy. Moreover, even if the combined company were to proceed with some form of U.S. x-ray rollout, customers would lose the benefits of having an independent alternative to Steris's gamma sterilization services.

VII.**ENTRY WILL NOT PREVENT THE MERGER'S
COMPETITIVE HARM**

105. Neither new entry nor expansion by existing firms would be timely, likely, or sufficient to offset the anticompetitive effects of the Merger. Entry by a new gamma or e-beam sterilization

Complaint

provider would not prevent the harm created by Steris acquiring Synergy and preventing Synergy's independent entry into the U.S. x-ray sterilization business. No other firm could enter the United States with x-ray sterilization services that would recreate the benefits that Synergy's entry would have provided.

A.**Barriers to Entry for X-ray Sterilization Services****Synergy Has X-ray Entry Advantages Unmatched by Any Other Firm**

106. Synergy is the firm best positioned to enter the relevant markets with x-ray sterilization services. Synergy's desire to be a global supplier of contract sterilization services provides it with an incentive to enter the United States with x-ray sterilization services that no other firm in the world shares. Today, Synergy is small player in the U.S. contract radiation sterilization services business because the only radiation sterilization that it provides is e-beam, so it cannot compete for the vast majority of customers' business. X-ray is the only technology that can compete directly for all gamma sterilization customers, especially those that need to sterilize large volumes of dense products.

107. At the time Synergy executed the Merger Agreement, it had already devoted over two years to its U.S. x-ray entry strategy, and was in the implementation phase. It acquired the Däniken, Switzerland, x-ray sterilization facility in 2012, and has operated it for more than two years, developing an expertise with x-ray sterilization on a commercial scale. Synergy viewed the Däniken facility as [REDACTED]

[REDACTED] For well over a year, customers had been sending products to Däniken for x-ray testing so they could validate products for sterilization at the U.S. x-ray facilities as soon as they became available.

108. At the time of the Merger Agreement, Synergy had also secured a unique technology advantage: exclusive access to IBA's x-ray machines. No other x-ray machine available today can economically achieve the power generation and throughput capabilities of IBA's machines and compete effectively with

Complaint

contract gamma sterilization services. In fact, Synergy's Däniken facility manager testified that [REDACTED]

[REDACTED] He further estimated that [REDACTED] five to fifteen years to develop technology that could achieve what [REDACTED] machines can do today. At the time of the Merger announcement, [REDACTED] had agreed [REDACTED]

[REDACTED] Synergy viewed that [REDACTED]

109. No potential entrant could replicate the substantial benefits that Synergy's entry into the United States with x-ray sterilization services would have provided. No potential x-ray entrant has the ability to compete as effectively as Synergy would have. In order to enter the United States and compete as effectively as Synergy, a potential entrant would need to win the business of large medical device manufacturers that prefer to sterilize most of their products with the three major sterilization suppliers. Steris, Sterigenics, and Synergy have the experience and scale and scope of operations to meet the needs of large medical device manufacturers effectively and economically. No potential entrant has the reputation or size of operations that these large customers require. Nor does any potential entrant have access to an x-ray plant like Synergy's Däniken facility, where it could test and validate products for potential customers. In addition, no company has an agreement with IBA to use its x-ray equipment, and [REDACTED]

[REDACTED] Finally, any firm seeking to enter the United States with x-ray sterilization services would be two or more years behind where Synergy was at the time it executed the Merger Agreement with Steris.

110. No firm is currently working to enter the United States with x-ray sterilization services that could compete as effectively as Synergy. [REDACTED]

Complaint

Some companies have contemplated converting low-power e-beam sterilization machines into low-power x-ray sterilization machines; however, these machines could not compete effectively or economically with contract gamma sterilization as Synergy planned to do with its high-power x-ray machines. Low-power x-ray machines, like e-beam machines, lack the penetration and throughput capabilities to sterilize large volumes of dense products. Only gamma sterilization and high-power x-ray sterilization services can sterilize these products economically and effectively.

B.

Barriers to Entry for Gamma Sterilization Services

111. Entry by establishing a gamma sterilization plant is extraordinarily difficult and time consuming, and is very unlikely to occur in a timely fashion, if ever. Despite the growth in demand for gamma sterilization services, no contract provider has built a new gamma sterilization facility in the United States in over fifteen years. The barriers to entry for a gamma sterilization facility are significant. Establishment of a commercial-scale gamma sterilization business requires a substantial sunk investment, significant technical expertise, and regulatory authorizations that are difficult or impossible to obtain. Strict regulations govern gamma sterilization facilities because of the safety and environmental risks associated with storage of large volumes of radioactive material, and future legislative restrictions threaten to prohibit opening a new gamma facility in the United States altogether.

112. It is expensive to build and operate a gamma sterilization facility. The initial capital investment to build a single plant is between [REDACTED]. Further, to compete effectively for gamma sterilization business, an entrant would likely have to establish at least two facilities to be able to ensure that services are not interrupted during routine or unexpected shutdown periods.

113. Even more significant than the capital investment required are the regulatory barriers to entry. Cobalt 60 is an unsafe material that poses considerable environmental and health risks,

Complaint

so its procurement, handling, and storage are heavily regulated. The Nuclear Regulatory Commission and the International Atomic Energy Agency regulate the design of gamma sterilization facilities and the shipping of Cobalt 60. The Environmental Protection Agency and state agencies also regulate environmental safety aspects of handling and storing Cobalt 60 at gamma sterilization facilities. Because of this strict regulatory regime, building and licensing a gamma sterilization facility can take years, if future plant construction will be permitted at all.

114. In addition to the high cost and challenging regulatory environment, the future of gamma sterilization in general is uncertain. According to the CEO of Synergy's AST business, [REDACTED]

[REDACTED] The future availability of Cobalt 60 is also unpredictable, and the prices for this essential input are expected to increase. A new gamma sterilization entrant would have to secure Cobalt 60 from Sterigenics, with which it would also have to compete. The many obstacles to gamma sterilization entry contributed to Synergy's decision to pursue entry with x-ray technology, rather than gamma, to target the U.S. gamma sterilization business.

C.

Barriers to Entry for E-beam Sterilization Services

115. E-beam sterilization entry is time-consuming, expensive, difficult, and would not prevent the competitive harm from the proposed transaction. It takes [REDACTED] to plan and open an e-beam sterilization facility, and may take significantly longer. For example, one firm seeking to open [REDACTED]

[REDACTED] After building a sterilization plant, a potential entrant would need to secure customers willing to use its facility. Most customers need to test and validate their products with a potential e-beam sterilization provider before committing to use its services. It is difficult, and sometimes impossible, to conduct such testing before an e-beam facility is operational. Opening a new e-beam sterilization facility typically costs [REDACTED]

Complaint

[REDACTED] including the costs for obtaining a building, a conveyor system, an electron accelerator, and required shielding equipment. Customers, even smaller localized ones, generally require contract e-beam sterilization providers to offer backup facilities for times when an e-beam machine is unavailable, whether for maintenance or in case of mechanical failure. Thus, an entrant would likely have to build a facility with multiple e-beam machines or multiple facilities to enter and compete effectively for any significant amount of business.

116. Even if it were possible to enter the market in a timely fashion with e-beam sterilization services, such entry would not prevent the anticompetitive harm from the Merger. The evidence shows that there is a large universe of contract gamma sterilization customers that cannot switch to e-beam, but would switch to x-ray if it were available. E-beam entry would not affect the ability of contract gamma or x-ray sterilization providers to target these customers for price increases. Moreover, there is no evidence that any small fringe e-beam sterilization firm, or a *de novo* entrant, is likely to expand or enter the market in a significant manner. As Steris explains:

[REDACTED]

As a result, these fringe providers have been unable to grow beyond a tiny share, collectively, of contract radiation sterilization services.

117. The only company likely to enter into the e-beam sterilization business in the future and have a significant market impact is [REDACTED]

[REDACTED]

Complaint

VIII.**EFFICIENCIES WILL NOT COUNTERACT THE
MERGER'S COMPETITIVE HARM**

118. Extraordinary merger-specific efficiencies are necessary to outweigh the Merger's likely significant harm to competition in the relevant markets. Respondents cannot demonstrate cognizable efficiencies sufficient to outweigh the substantial competitive harm likely to result from the Merger.

119. The cost savings that Respondents claim will result are not verifiable, nor are they merger-specific or likely to be passed on to customers. According to the executive tasked with evaluating potential efficiencies, Steris' purported cost savings figures [REDACTED]
[REDACTED]

IX.**VIOLATION****COUNT I—ILLEGAL AGREEMENT**

120. The allegations of Paragraphs 1 through 119 above are incorporated by reference as though fully set forth.

121. The Merger Agreement constitutes an unfair method of competition in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

COUNT II—ILLEGAL ACQUISITION

122. The allegations of Paragraphs 1 through 119 above are incorporated by reference as though fully set forth.

123. The Merger, if consummated, may substantially lessen competition in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and is an unfair method of competition in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

Complaint

NOTICE

Notice is hereby given to the Respondents that the twenty-eighth day of October, 2015, at 10 a.m., is hereby fixed as the time, and the Federal Trade Commission offices at 600 Pennsylvania Avenue, N.W., Room 532, Washington, D.C. 20580, as the place, when and where an evidentiary hearing will be had before an Administrative Law Judge of the Federal Trade Commission, on the charges set forth in this complaint, at which time and place you will have the right under the Federal Trade Commission Act and the Clayton Act to appear and show cause why an order should not be entered requiring you to cease and desist from the violations of law charged in the complaint.

You are notified that the opportunity is afforded you to file with the Commission an answer to this complaint on or before the fourteenth (14th) day after service of it upon you. An answer in which the allegations of the complaint are contested shall contain a concise statement of the facts constituting each ground of defense; and specific admission, denial, or explanation of each fact alleged in the complaint or, if you are without knowledge thereof, a statement to that effect. Allegations of the complaint not thus answered shall be deemed to have been admitted.

If you elect not to contest the allegations of fact set forth in the complaint, the answer shall consist of a statement that you admit all of the material facts to be true. Such an answer shall constitute a waiver of hearings as to the facts alleged in the complaint and, together with the complaint, will provide a record basis on which the Commission shall issue a final decision containing appropriate findings and conclusions and a final order disposing of the proceeding. In such answer, you may, however, reserve the right to submit proposed findings and conclusions under Rule 3.46 of the Commission's Rules of Practice for Adjudicative Proceedings. Failure to file an answer within the time above provided shall be deemed to constitute a waiver of your right to appear and to contest the allegations of the complaint and shall authorize the Commission, without further notice to you, to find the facts to be as alleged in the complaint and to enter a final decision containing appropriate findings and conclusions, and a final order disposing of the proceeding.

Complaint

The Administrative Law Judge shall hold a prehearing scheduling conference not later than ten (10) days after the Respondents file their answers. Unless otherwise directed by the Administrative Law Judge, the scheduling conference and further proceedings will take place at the Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Room 532, Washington, D.C. 20580. Rule 3.2l(a) requires a meeting of the parties' counsel as early as practicable before the pre-hearing scheduling conference (but in any event no later than five (5) days after the Respondents file their answers). Rule 3.3l(b) obligates counsel for each party, within five (5) days of receiving the Respondents' answers, to make certain initial disclosures without awaiting a discovery request.

NOTICE OF CONTEMPLATED RELIEF

Should the Commission conclude from the record developed in any adjudicative proceedings in this matter that the Merger challenged in this proceeding violates Section 5 of the Federal Trade Commission Act, as amended, and/or Section 7 of the Clayton Act, as amended, the Commission may order such relief against Respondents as is supported by the record and is necessary and appropriate, including, but not limited to:

1. If the Merger is consummated, divestiture or reconstitution of all associated and necessary assets, in a manner that restores two or more distinct and separate, viable and independent businesses in the relevant markets, with the ability to offer such services as Steris and Synergy were offering and planning to offer prior to the Merger.
2. A prohibition against any transaction between Steris and Synergy that combines their businesses, except as may be approved by the Commission.
3. A requirement that, for a period of time, Steris and Synergy provide prior notice to the Commission of acquisitions, mergers, consolidations, or any other combinations of their businesses in the relevant markets with any other company operating in the relevant markets.

Final Order

4. A requirement to file periodic compliance reports with the Commission.
5. Any other relief appropriate to correct or remedy the anticompetitive effects of the transaction or to restore Synergy as a viable, independent competitor in the relevant markets.

IN WITNESS WHEREOF, the Federal Trade Commission has caused this complaint to be signed by its Secretary and its official seal to be hereto affixed, at Washington, D.C., this twenty-eighth day of May, 2015.

By the Commission.

**ORDER RETURNING MATTER TO ADJUDICATION
AND DISMISSING COMPLAINT**

On October 7, 2015, this matter was withdrawn from adjudication pursuant to Rule 3.26(c) of the Commission Rules of Practice, 16 C.F.R. § 3.26(c). The Commission has now determined to return this matter to adjudication for the sole purpose of dismissing the Complaint. Accordingly,

IT IS ORDERED that this matter be, and it hereby is, returned to adjudication;

and

IT IS FURTHER ORDERED that the Complaint in this matter be, and it hereby is, dismissed.

By the Commission.

Statement of the Commission

Statement of the Commission

We have voted unanimously today to end the administrative litigation regarding Steris Corporation's acquisition of Synergy Health PLC. Although we still have competitive concerns about this acquisition, we have concluded that further adjudication would not serve the public interest.

This matter involves the merger between Steris and Synergy, the second and third largest sterilization companies in the world. Until recently, Synergy sought to introduce emerging x-ray sterilization technology in the United States to compete with Steris and other providers of sterilization services. The Commission investigated whether the transaction would harm competition by terminating those entry plans.

On May 28, 2015, the Commission voted unanimously to issue an administrative complaint alleging that the transaction violated Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act because it was likely to substantially lessen future competition for contract radiation sterilization services in certain regional markets in the United States. The following day, the Commission asked the United States District Court for the Northern District of Ohio to enjoin the transaction pending the conclusion of the administrative litigation. On September 24, following a hearing, the district court denied our request for injunctive relief. We elected not to appeal that ruling. On October 1, Steris made a motion to withdraw this matter from administrative litigation and to terminate it.¹

In evaluating whether to dismiss administrative litigation following the denial of a preliminary injunction, the Commission considers the following factors: the district court's findings, any new evidence developed during the preliminary injunction proceeding, whether the transaction raises important issues

¹ Under Commission Rule 3.26, upon such a motion, an administrative case is automatically removed from adjudication pending a determination by the Commission about whether to proceed with the administrative proceeding, unless Complaint Counsel argues that the motion is procedurally improper. 16 C.F.R. § 3.26(c). Here, Complaint Counsel did not raise any procedural objection.

Statement of the Commission

requiring resolution, the costs and benefits of further litigation, and any other matter that bears on the public interest.² Although we still have reason to believe that Steris's acquisition of Synergy is likely to have anticompetitive effects, after considering these factors, we have decided that, on balance, it is appropriate to dismiss this case.

Foremost in our thinking is the fact that the district court's denial of preliminary relief would render it difficult for us to craft meaningful relief were we to find the merger unlawful at the conclusion of the administrative proceeding. In particular, because Steris currently provides contract sterilization services using an alternative technology, gamma radiation, the merged company is unlikely to continue Synergy's efforts to bring x-ray sterilization technology into the United States market. Thus, even if the transaction were found to be anticompetitive following an administrative hearing, it is unlikely that there would be any asset or business to divest that would recreate the competitive environment that likely would have emerged in the absence of the merger, at least for the foreseeable future.

This inability to devise meaningful relief largely negates the potential benefits of continuing the administrative litigation, whereas the costs remain substantial. We therefore conclude that the public interest warrants terminating the administrative litigation.

² Fed. Trade Comm'n, Administrative Litigation Following the Denial of a Preliminary Injunction: Policy Statement, 60 Fed. Reg. 39741 (Aug. 3, 1995), available at https://www.ftc.gov/sites/default/files/documents/federal_register_notices/administrative-litigation-following-denial-preliminary-injunction-policy-statement/950803administrativelitigation.pdf. The Commission recently affirmed that it will continue to consider these factors. See Fed. Trade Comm'n, Revisions to Rules of Practice, 80 Fed. Reg. 15157, 15158 (Mar. 23, 2015), available at https://www.ftc.gov/system/files/documents/federal_register_notices/2015/03/150323rulespracticefrn.pdf.

Complaint

IN THE MATTER OF

**NATIONAL ASSOCIATION OF ANIMAL
BREEDERS, INC.**

CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATION OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT.

Docket C-4558; File No. 141 0215

Complaint, November 02, 2015 – Decision, November 02, 2015

The complaint alleges that National Association of Animal Breeders, Inc. (hereinafter “NAAB”) acting as a combination of its members and in agreement with at least some of its members, restrained competition among its members. NAAB is a non-profit corporation of animal breeders, with about twenty-four regular members, and about twenty-seven non-voting associate members. Many of NAAB’s members are organizations that are in the business of artificial insemination. In order to become a member of the NAAB, organizations must agree to and operate under their code of ethics. NAAB restrained competition by adopting and maintaining provisions in its Code of Ethics that restrain its members from naming competitors in printed materials that contain certain information about the competitors, and disclosing or publicizing prices of bulls purchased or sold. The consent order requires NAAB to cease and desist from restraining its members from naming members or other competitors when making statements comparing the products and services of a member with the products and services of any other member or competitor, and publicizing or disclosing price information relating to the purchase or sale of animals.

Participants

For the *Commission*: Armando Irizarry, and Karen Mills.

For the *Respondent*: Gregory J. Commins Jr., BakerHostetler.

COMPLAINT

The Federal Trade Commission (“Commission”), 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, having reason to believe that the National Association of Animal Breeders, Inc. (“Respondent” or “NAAB”), a corporation, has violated and is violating the provisions of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public