

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Jon Leibowitz, Chairman
Pamela Jones Harbour
William E. Kovacic
J. Thomas Rosch

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| In the Matter of |) | |
| |) | |
| PFIZER INC., |) | Docket No. C-4267 |
| a corporation, |) | |
| and |) | |
| |) | |
| WYETH, |) | |
| a corporation. |) | |
| |) | |
| |) | |

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Respondent Pfizer Inc. (“Pfizer”), a corporation subject to the jurisdiction of the Commission, and Respondent Wyeth (“Wyeth”), a corporation subject to the jurisdiction of the Commission, have agreed to merge in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent Pfizer is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its corporate head office and principal place of business located at 235 East 42nd Street, New York, New York 10017.
2. Respondent Pfizer is engaged in, among other things, the research, development, manufacture, distribution, and sale of human pharmaceutical products, as well as animal health products through its Pfizer Animal Health division.

3. Respondent Wyeth f/k/a American Home Products Corporation is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its headquarters at 5 Giralda Farms, Madison, New Jersey 07940.
4. Respondent Wyeth is engaged in, among other things, the research, development, manufacture, distribution, and sale of human pharmaceutical products, as well as animal health products through its Fort Dodge Animal Health (“Fort Dodge”) division.
5. Respondents are, and at all times herein have been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affect commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED ACQUISITION

6. Pursuant to an Agreement and Plan of Merger among Pfizer, Wagner Acquisition Corp., and Wyeth dated as of January 25, 2009 (the “Merger Agreement”), Pfizer proposes to acquire all of the issued and outstanding shares of Wyeth (the “Acquisition”). The consideration received by Wyeth shareholders is valued at approximately \$68 billion.

III. THE RELEVANT MARKETS

7. For the purposes of this Complaint, the relevant markets in which to analyze the effects of the Acquisition are the manufacture and sale of:
 - a. killed cattle vaccines for the prevention or treatment of viral respiratory disease, including infectious bovine rhinotracheitis, bovine virus diarrhea (type 1 and/or 2), disease caused by parainfluenza 3, and/or disease caused by bovine respiratory syncytial virus;
 - b. modified-live cattle vaccines for the prevention or treatment of viral respiratory disease, including infectious bovine rhinotracheitis, bovine virus diarrhea (types 1 and/or 2), disease caused by parainfluenza 3, and/or disease caused by bovine respiratory syncytial virus;
 - c. cattle vaccines for the prevention or treatment of reproductive disease caused by *Leptospira* and/or *Campylobacter fetus* bacteria;
 - d. cattle vaccines for the prevention or treatment of disease caused by *Pasteurella multocida* and/or *Mannheimia haemolytica* bacteria (“cattle pasteurilla vaccines”);
 - e. pharmaceutical products for the treatment of “lactating-cow” mastitis;

- f. pharmaceutical products for the treatment of “dry-cow” mastitis;
 - g. dairy cattle broad-spectrum antibiotics with low milk-withholding times;
 - h. cattle macrocyclic lactone parasiticides;
 - i. cattle benzimidazole parasiticides;
 - j. canine combination vaccines for the prevention or treatment of disease caused by distemper, adenovirus (type 1 and/or 2), parainfluenza, parvovirus, coronavirus, and/or *Leptospira* bacteria;
 - k. canine monovalent vaccines for the prevention or treatment of disease caused by parvovirus;
 - l. canine monovalent vaccines for the prevention or treatment of disease caused by coronavirus;
 - m. canine monovalent vaccines for the prevention or treatment of disease caused by *Leptospira* bacteria;
 - n. canine vaccines for the prevention or treatment of disease caused by *Bordetella bronchiseptica* bacteria;
 - o. feline combination vaccines for the prevention or treatment of feline panleukopenia, rhinotracheitis, chlamydia, and/or disease caused by calicivirus;
 - p. feline vaccines for the prevention or treatment of feline leukemia;
 - q. companion animal vaccines for the prevention or treatment of rabies;
 - r. companion animal cephalosporin antibiotics;
 - s. equine tapeworm parasiticides containing praziquantel;
 - t. equine vaccines for the prevention or treatment of disease caused by equine herpesvirus; and
 - u. equine joint-injected steroids for the prevention or treatment of joint inflammation.
8. For the purposes of this Complaint, the United States is the relevant geographic area in which to analyze the effects of the Acquisition in each of the relevant lines of commerce.

IV. THE STRUCTURE OF THE MARKETS

9. The markets for killed cattle respiratory vaccines are highly concentrated, with Pfizer and Fort Dodge accounting for over 50 percent of all killed respiratory vaccines in the United States. The most commonly used killed respiratory vaccine is the 5-way vaccine, which prevents infectious bovine rhinotracheitis (“IBR”), types 1 and 2 of bovine virus diarrhea (“BVD”), parainfluenza 3 (“PI3”), and bovine respiratory syncytial virus (“BRSV”). The proposed acquisition will give Pfizer 61 percent of the market for killed 5-way respiratory vaccines, which represents approximately two-thirds of the \$15.3 million in killed respiratory vaccines sold in the United States, leaving Novartis Animal Health (“Novartis”) as Pfizer’s only other significant competitor in this market.
10. The markets for modified-live cattle respiratory vaccines are highly concentrated, with Pfizer and Fort Dodge accounting for over 53 percent of all modified-live respiratory vaccines in the United States. As is the case in the killed respiratory vaccine markets, the largest portion, approximately 53 percent, of the \$63 million in modified-live respiratory vaccine sales is represented by sales of the 5-way modified-live respiratory vaccine, which prevents IBR, BVD (types 1 and 2), PI3, and BRSV. As a result of the proposed acquisition, Pfizer would control over 68 percent of 5-way modified-live respiratory vaccine sales in the United States.
11. The markets for cattle reproductive vaccines include, most significantly: (1) the market for modified-live 10-way vaccines, which contain modified-live viral respiratory and *Leptospira* antigens; (2) the market for killed 10-way vaccines, which contain killed viral respiratory and *Leptospira* antigens; and (3) the market for lepto/vibrio vaccines, which contain *Leptospira* and *Campylobacter fetus* antigens. Each of these markets is highly concentrated. Pfizer and Fort Dodge represent 83 percent of the \$13 million modified-live 10-way sales in the United States, with Intervet/Schering-Plough Animal Health (“ISP”), AgriLaboratories, Ltd. (“AgriLabs”), and Boehringer Ingelheim Vetmedica, Inc. (“BI”) accounting for 11 percent, 4 percent, and 2 percent, respectively. The acquisition also would provide Pfizer with 76 percent of sales in killed 10-way vaccines, with Novartis as the only significant remaining competitor with 18 percent, and AgriLabs a distant third with 6 percent of this \$9 million market. Finally, in the \$2.6 million lepto/vibrio vaccine market, Pfizer and Fort Dodge are the third- and second-largest producers, respectively—collectively accounting for almost 39 percent of the market—while Novartis leads the lepto/vibrio market with 41 percent. Pfizer and Novartis would account for nearly 80 percent of lepto/vibrio vaccine sales in the United States following the proposed acquisition.
12. The markets for cattle pasteurilla vaccines in the United States are highly concentrated. Currently, Pfizer, Fort Dodge, BI, ISP, and Merial are the only significant suppliers in these markets. The proposed acquisition would reduce the number of competitors in these markets, leaving Pfizer significantly larger than any of its remaining competitors.

13. The markets for lactating-cow and dry-cow mastitis treatments are highly concentrated, with Pfizer and Fort Dodge together accounting for more than 90 percent of sales in each of these markets. The proposed acquisition would increase the Herfindahl-Hirschman Index (“HHI”) by 3,292 points to 8,588 points in the lactating-cow mastitis market, as well as increase the HHI by 4,260 points to 9,011 points in the dry-cow mastitis market.
14. The proposed acquisition would combine two of only three companies that sell dairy cattle broad-spectrum antibiotic products with low milk-withholding times in the United States. Pfizer’s products are considered the most effective antibiotics for dairy cows and have a zero-day withholding period, while Fort Dodge’s product has a low withholding period of two to four days. A generic version of one of Pfizer’s products was recently introduced. As a result of the proposed acquisition, Pfizer would have a near monopoly in the \$162 million market for broad-spectrum antibiotics with low milk-withholding times for dairy cattle.
15. Pfizer, Fort Dodge, and Merial are the only three branded players in the U.S. market for cattle macrocyclic lactone parasiticides. The proposed acquisition would significantly increase the concentration in this market, leaving Pfizer with approximately 42 percent of this \$118 million market. Suppliers of generic macrocyclic lactone products do not provide a serious competitive constraint due to their poor reputation in this market. Further, such suppliers sell generic versions of only Merial’s product; there are no generic versions of Pfizer’s or Fort Dodge’s products currently available. The proposed acquisition would increase the HHI in this market by 875 points to 2,381 points.
16. Only Pfizer, Fort Dodge, and ISP offer cattle benzimidazole parasiticides in the United States. ISP accounts for 67 percent of this \$16 million market, with Pfizer and Fort Dodge the only two other market participants. As a result of the proposed acquisition, the HHI in this market would increase by 271 points to a post-acquisition HHI of 5,613 points.
17. Pfizer, Fort Dodge, Merial, and ISP are the only four significant companies that supply canine combination vaccines in the United States. Total U.S. sales of canine combination vaccines are \$126 million. The proposed acquisition would reduce the number of significant suppliers of canine combination vaccines from four to three.
18. Pfizer, Fort Dodge, Merial, and ISP are the only four companies that supply canine monovalent parvovirus vaccines in the United States, a \$2.1 million market. The proposed acquisition would give Pfizer control of 66 percent of the market and would increase the HHI by 2,193 points, from 2,932 to 5,125 points.
19. Pfizer, Fort Dodge, Merial, and ISP are the only four companies that supply canine monovalent coronavirus vaccines in the United States. After the proposed acquisition, Pfizer would have an 81 percent share of this \$2.3 million market. The HHI in this market would increase by 2,155 points to a post-acquisition HHI of 6,869 points.

20. The proposed acquisition would combine the only two companies that currently supply canine monovalent leptospira vaccines in the United States. Pfizer has a 53 percent share of this \$9.2 million market, and Fort Dodge controls the remaining 47 percent of the market. The proposed acquisition would result in Pfizer having a monopoly in the market for canine monovalent leptospira vaccines, with the HHI increasing from 5,019 to 10,000 points.
21. Pfizer, Fort Dodge, ISP, Merial, and BI are the only five companies that supply canine bordetella vaccines in the United States, sales of which total \$53.3 million. The proposed acquisition would reduce the number of suppliers of canine bordetella vaccines from five to four, with Pfizer significantly larger than its three remaining competitors.
22. Pfizer, Fort Dodge, Merial, and ISP are the only four significant companies that supply feline combination vaccines in the United States. Total U.S. sales of feline combination vaccines are \$28 million. The proposed acquisition would reduce the number of significant suppliers of feline combination vaccines from four to three and produce a firm that is considerably larger than its two remaining competitors.
23. Pfizer, Fort Dodge, Merial, and ISP are the only four companies that supply feline leukemia vaccines in the United States, sales of which total \$38 million. The proposed acquisition would reduce the number of suppliers of feline leukemia vaccines from four to three, with Pfizer again significantly larger than its two remaining competitors.
24. Pfizer, Fort Dodge, Merial, and ISP are the only four companies that offer companion animal rabies vaccines in the United States, sales of which amount to \$60 million. The proposed acquisition would reduce the number of suppliers of companion animal rabies vaccines from four to three.
25. Pfizer and Fort Dodge are the only two suppliers of branded companion animal cephalosporins in the United States. The only other companion animal cephalosporins are generic human and animal cephalosporin products that may be used to treat companion animals. These products, however, have limited competitive significance because of dosing differences found in the generic human products and a relative lack of technical and research support offered with the generic animal products. After the proposed acquisition, Pfizer would have a 70 percent share of this \$52 million market. The HHI in this market would increase by 709 points to a post-acquisition HHI of 4,900 points.
26. The market for equine tapeworm parasiticides containing praziquantel in the United States is highly concentrated. Pfizer has a 33 percent share of this approximately \$22 million market; Fort Dodge has a 31 percent market share; and Merial has a 36 percent market share. As a result of the proposed acquisition, Pfizer would have 64 percent of the market for equine tapeworm parasiticides, leaving only Merial as a competitor to Pfizer. The HHI in this market would increase by 2,027 points to a post-acquisition HHI of 5,375 points.

27. Pfizer, Fort Dodge, ISP, and BI are the only suppliers of equine herpesvirus vaccines in the United States, sales of which total \$30 million. The proposed acquisition would reduce the number of suppliers of equine herpesvirus vaccines from four to three, with Pfizer significantly larger than its two remaining competitors.
28. The proposed acquisition would combine the only two companies offering joint-injected steroids to treat joint inflammation in equines in the United States. Pfizer has a 60 percent share of this \$7.3 million market, while Wyeth has a 40 percent share. The proposed acquisition would increase the HHI by 4,804 points and create a monopoly in the market for equine joint-injected steroids.

V. ENTRY CONDITIONS

29. New entry into the relevant markets would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition set forth in Paragraph 31 below. New entry into the relevant markets is a difficult process because of, among other things, the time and cost associated with researching and developing the products, obtaining approval from the United States Food and Drug Administration (in the case of pharmaceutical products) or the United States Department of Agriculture (in the case of biological products) to market the products, and gaining customer acceptance. As a result, new entry into any of these markets sufficient to achieve a significant market impact within two years is unlikely.
30. Expansion by smaller competitors into the relevant markets would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition set forth in Paragraph 31 below.

VI. EFFECTS OF THE ACQUISITION

31. The effects of the Acquisition, if consummated, may be to substantially lessen competition and to tend to create a monopoly in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. by eliminating actual, direct, and substantial competition between Pfizer and Wyeth for the sale of each of the relevant products in the United States;
 - b. by increasing the likelihood that the merged entity will exercise market power unilaterally in the U.S. markets for each of the relevant products;
 - c. by increasing the likelihood and degree of coordinated interaction between or among suppliers in the U.S. markets for each of the relevant products;

- d. by reducing the merged entity's incentives to pursue further innovation in the U.S. markets for each of the relevant products; and
- e. by increasing the likelihood that U.S. customers would be forced to pay higher prices for each of the relevant products.

VII. VIOLATIONS CHARGED

- 32. The Merger Agreement described in Paragraph 6 above constitutes a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.
- 33. The Acquisition described in Paragraph 6 above, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this fourteenth day of October, 2009, issues its Complaint against said Respondents.

By the Commission, Commissioner Harbour and Commissioner Kovacic recused.

Donald S. Clark
Secretary

SEAL: