



## **DETERMINATION OF MERGER NOTIFICATION M/06/065 – IBM/ FILENET**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by IBM Corporation of FileNet Corporation**

**Dated 05/10/06**

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### **Introduction**

1. On 8 September 2006, the Competition Authority (“the Authority”), in accordance with Section 18 (1) (a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby IBM Corporation (“IBM”) would acquire sole control of FileNet Corporation. (“FileNet”).

### **The Undertakings Involved**

2. IBM, the acquirer, is a global company active in the development, production and marketing of a wide variety of information technology (IT) solutions comprising software, systems and services. In the financial year ended 31 December 2005 IBM had worldwide turnover of \$91,134 million
3. IBM’s Irish subsidiary, IBM Ireland Limited, operates a sales and marketing business in the State, as well as a manufacturing business, a software group and software development lab, a telesales and marketing centre, an international banking unit and a corporate treasury centre. In the financial year ended 31 December 2005, IBM generated turnover of €[...] million in the State.
4. FileNet, the target, is predominantly active in the development and marketing of content management and to a lesser extent, integration server software platform (“ISSWP”) and archive and hierarchical storage management (“AHSM”).<sup>1</sup> In the financial year ended 31 December 2005 FileNet had worldwide turnover of \$421.8 million.
5. FileNet’s Irish subsidiary, FileNet SSC Ireland Limited, operates a customer service centre which services FileNet’s customers throughout the Europe Middle East and Africa (“EMEA”) region. FileNet also operates a manufacturing facility in the State which performs software duplication, distribution of FileNet products throughout the EMEA region and localisation of software products. In the financial year ended 31 December 2005 FileNet’s revenues in the State were €[...] million.

### **Analysis**

6. The activities of the parties overlap in content management (“CM”), ISSWP and AHSM.

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<sup>1</sup> Sales of CM software represent approximately [...] % of FileNet’s worldwide revenue.

7. It is in the content management where the greatest overlap occurs. In 2006 International Data Corporation's ("IDC")<sup>2</sup>, estimated that there are currently approximately 55 companies engaged in the marketing and provision of CM software indicating a highly fragmented sector. In the CM software sector the parties each hold approximately [0-20]% worldwide share which and a combined worldwide share of [0-30]%. In the EMEA region the combined share is slightly higher at [0-30]%.
8. The nearest competitors in this sector, based on market share, are EMC ([0-30]% worldwide and [0-30]% EEA) and Open Text ([0-30]% worldwide and [0-30]% EMEA). There are a number of other competitors in this sector including Microsoft, Hummingbird, Interwoven, Stellent and Vignette who have shares of approximately [less than 20%] each.
9. The CM sector has been subject to recent entry by significant competitors in the IT industry including Microsoft, Oracle and SAP. In addition the purchasers of CM solutions are large and sophisticated companies who have a choice of a number of suppliers of CM solutions. Furthermore, there are no obvious entry barriers and any potential entrants are likely to find both entry and expansion relatively easy due to the existence of powerful servers, increased bandwidth, availability of open source products and the abundance of highly qualified and competitive labour supply in other economies.
10. It is also clear that the geographic market within which CM suppliers compete is broader than the State and may even be worldwide. All leading suppliers of CM market and distribute their products globally and transport costs are low in relation to price. Software is typically supplied on CDs through mail and in some instances the customer can download the software from a website.
11. In both ISSWP and AHSM software FileNet have very small market share. Based on IDC estimates FileNet has a worldwide share of [0-10]% (EMEA share of [0-10]%) and in AHSM its worldwide share is even smaller at [0-10]% ([0-10]% in the EMEA region). Based on IDC data IBM has worldwide market shares of [0-20]% and [0-30]% in ISSWP and AHSM respectively.
12. As with CM, the geographic markets within which ISSWP and AHSM suppliers compete are likely to be broader than the State.
13. The proposed transaction does not, therefore, give rise to competition concerns.

## **Determination**

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by IBM Corporation of FileNet Corporation will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

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<sup>2</sup> IDC 2006 WW Market Forecaster

**For the Competition Authority**

Dr. Paul K. Gorecki  
Member of the Competition Authority