



# Department of Justice

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## **JUSTICE DEPARTMENT FILES ANTITRUST LAWSUIT AGAINST MICROSEMI CORPORATION**

### *Lawsuit Seeks to Restore Competition in Markets for Semiconductor Devices Used in Critical Military and Space Applications*

WASHINGTON — The Department of Justice filed a civil antitrust lawsuit today against Microsemi Corporation alleging that through its acquisition of Semicoa Inc. assets, Microsemi eliminated or reduced competition in the development, manufacture and sale of certain semiconductor devices used in military and space programs essential to the security of the United States. The Department alleges that as a result of the transaction, prices for these products have increased and likely will continue to increase and that there is likely to be lower quality service.

The Department's lawsuit asks the court to require Irvine, Calif.-based Microsemi to undo the transaction by selling off the Semicoa assets it acquired in July 2008. The Department also intends to seek preliminary relief to preserve the Costa Mesa, Calif.-based Semicoa assets pending a trial of the Department's claims.

The Department's complaint alleges that the acquisition eliminated competition and created a monopoly for small signal transistors that meet the most stringent standards of the Department of Defense (DOD). The complaint also alleges that the acquisition reduced from three to two the number of likely competitors for ultrafast recovery rectifier diodes that meet the most stringent DOD standards.

Transistors and diodes are semiconductor devices used to control the flow of electric current. Small signal transistors are a class of transistors commonly used in communications and other signal processing applications that operate at low power levels, amplifying electrical signals. Rectifier diodes also operate at low power levels, converting alternating current to direct current. Ultrafast recovery rectifier diodes are distinguished by extremely high alternating speeds, which minimize power loss and waste heat generation.

"Critical military and aerospace systems used by the Department of Defense and NASA depend on the performance of the small signal transistors and ultrafast recovery rectifier diodes at issue. The Department brought this lawsuit to restore to customers the benefits of competition in both pricing and responsive and timely delivery of these vital components," said Deborah A. Garza, Acting Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "While consolidation within the defense industry in certain circumstances may be

beneficial, in this case, the Departments of Justice and Defense are united in the view that Microsemi's acquisition of the Semicoa assets is not likely to result in savings to DOD but would result in higher costs, lower quality of service, and increased supply vulnerability."

The complaint alleges that post-acquisition Microsemi raised prices significantly on small signal transistors certified by the Defense Supply Center Columbus (DSCC), a component of the DOD, at the Joint Army-Navy Technical Exchange-Visual Inspection (JANTXV) and Joint Army-Navy Space (JANS) levels of reliability on its qualified manufacturers list or QML. Industry participants rely upon DSCC's QML certifications and qualifications for electronic components used in space, military and commercial applications. The Department said that without competition from Semicoa, Microsemi has the power to selectively raise prices to customers that Microsemi is aware cannot substitute lower grade components for JANTXV and JANS small signal transistors. In addition, Microsemi has threatened to impose on these customers less favorable terms of service than were provided before the acquisition, the Department said in its complaint.

The Department also said that Semicoa's entry into the manufacture and sale of JANTXV and JANS diodes likely would have benefitted customers with lower prices, shorter delivery times and more favorable terms of service. Prior to the acquisition, Semicoa was developing these diodes and was poised to compete aggressively with Microsemi.

The July 2008 transaction was not required to be reported under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which requires companies to notify and provide information to the Department and the Federal Trade Commission before consummating certain acquisitions. As a result, the Department did not learn about the transaction until after it had been consummated.

The Department alleges that Microsemi violated Section 7 of the Clayton Act, which deals with mergers, and Section 2 of the Sherman Act, which deals with monopolization.

Microsemi is a Delaware corporation with its principal place of business in Irvine, Calif. Its products include a range of high performance analog and mixed signal integrated circuits and high reliability semiconductors that are shipped to customers throughout the United States. Microsemi manufactures these products in facilities located in Arizona, California and Massachusetts. Microsemi's FY 2008 sales were approximately \$500 million.

Semicoa is a California corporation with its principal place of business in Costa Mesa, Calif. Prior to the acquisition, its products included a range of high reliability semiconductors, which were shipped to customers throughout the United States. Semicoa's 2007 sales in the United States were approximately \$14.7 million. All of Semicoa's assets were sold to Microsemi in July 2008 except for one optoelectronic business not relevant to the Department's lawsuit.

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