

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)	
)	
AUTODESK, INC.,)	
a corporation,)	
)	Docket No. C-3756
and)	
)	
SOFTDESK, INC.,)	
a corporation)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and of the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Autodesk, Inc. (“Autodesk”) entered into an Agreement and Plan of Merger with Softdesk, Inc. (“Softdesk”), whereby Autodesk agreed to acquire all of the outstanding shares of Softdesk, in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and that such acquisition, if consummated, would have violated Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, 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:

A. THE RESPONDENTS

1. Respondent Autodesk, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 111 McInnis Parkway, San Rafael, California, 94903.

2. Respondent Softdesk, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 7 Liberty Hill Road, Henniker, New Hampshire, 03242.

3. At all times relevant herein, Respondents Autodesk and Softdesk have been and are now engaged in commerce as “commerce” is defined in Section 1 of the Clayton Act, 15 U.S.C. § 12, and are corporations whose business is in or affecting commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

B. THE PROPOSED ACQUISITION

4. In December 1996, Autodesk and Softdesk entered into an Agreement and Plan of Reorganization whereby Autodesk would acquire 100% of the voting securities of Softdesk in exchange for shares of Autodesk common stock with a value of \$90 million (the "Acquisition").

5. Autodesk is a public company that develops and markets computer-aided design ("CAD") software for the architecture, engineering and construction (the "AEC") industries. Autodesk offers a portfolio of software products including a CAD engine marketed and sold under the name "AutoCAD," for use with Windows operating systems on personal computers. Autodesk has had annual sales in excess of \$530 million.

6. Softdesk is a public company that also develops and markets CAD software for the AEC market. Softdesk has had annual sales in excess of \$40 million. Softdesk offers a portfolio of applications software that are used in conjunction with and to supplement CAD engines, primarily Autodesk's AutoCAD. Softdesk was also developing a CAD engine, known as "IntelliCADD."

C. RELEVANT MARKET

7. One relevant line of commerce within which to analyze the effects of Autodesk's acquisition of Softdesk is the market for CAD engines for Windows-based personal computers.

8. CAD engines are used by professional engineers to design and draw structures or other building projects for a variety of industries. CAD engines are the software platform which allows draftsmen to draw lines, shapes, and objects with their computer. CAD engines can be a stand-alone product or used in conjunction with application software that enhances and increases the capabilities of the CAD system.

9. Customers using Windows-based CAD engines would not be likely to switch to UNIX-based CAD systems even if the price of Windows-based CAD engines increased substantially. Professional engineers at one time used CAD engines designed for use on UNIX-based mainframe computers. With the increase in the power of personal computers and their decline in price, engineers now principally use Windows-based CAD engines. Unix-based CAD software is still in use today, but is primarily limited to use in highly technical and sophisticated projects involving three-dimensional rendering of drawings. UNIX-based CAD software, and the hardware necessary to operate it is substantially more costly than Windows-based CAD software and hardware.

10. The relevant geographic market within which to analyze the effects of Autodesk's acquisition of Softdesk is either the United States or the world. While software is easily transported, there are no significant imports into the United States of Windows-based CAD engines.

D. MARKET STRUCTURE

11. The relevant market for Windows-based CAD engines is highly concentrated. Autodesk commands a dominant market share of the Windows-based CAD engines in North America, controlling nearly 70% of the installed base with approximately 1.4 million seats.

12. Among CAD engines in the marketplace for use on Windows-based personal computers, Autodesk's AutoCAD product is viewed by many in the industry as the de facto standard for Windows-based CAD systems. There are other CAD engines available in the market for use on personal computers, with varying degrees of file compatibility and transferability with AutoCAD, which is necessary to be an effective competitor in this market.

E. CONDITIONS OF ENTRY

13. De novo entry or fringe expansion into the relevant market would require an expenditure of substantial sunk costs and would be time-consuming and, therefore, such entry is not likely.

14. Entry sufficient to deter or defeat reductions in competition resulting from Autodesk's acquisition of Softdesk's IntelliCAD product requires developing a CAD engine that offers file compatibility and transferability with AutoCAD. The large installed base of AutoCAD users necessitates that any new CAD engine developed and offered in the market offer file compatibility and transferability to AutoCAD in order to gain sales. Users of AutoCAD have a large number of drawings in the AutoCAD format. Moreover, many users must share files they create with others who must be able to read and edit those files using their CAD software. Since most engineers use AutoCAD any alternative CAD engine must have the capability to read and be compatible with AutoCAD files without losing substantial amounts of data or information.

F. SOFTDESK'S ENTRY INTO THE CAD ENGINE MARKET

15. Softdesk, although historically a developer and seller of CAD application software, was developing and had tested a CAD engine, referred to as "IntelliCADD," for use on Windows-based personal computers. IntelliCADD provides file transferability and compatibility with Autodesk's AutoCAD generated files and application software. The IntelliCADD product is a direct competitor to and substitute and replacement for AutoCAD.

16. Softdesk had developed the IntelliCADD product for more than two years and was testing its IntelliCADD product with customers until sometime prior to the proposed merger with Autodesk. In approximately June 1996, Softdesk determined that it no longer had the financial ability to support continued development and marketing of the IntelliCADD product. The head of the team that had developed the product proposed to purchase the technology and formed Boomerang Technology, Inc. (“Boomerang”) for the purpose of acquiring the product, completing its development, and bringing the product to market. Boomerang negotiated with Softdesk for the purchase of the IntelliCADD product and exchanged draft purchase agreements with Softdesk. Softdesk, however, terminated those negotiations at around the time that Autodesk agreed to acquire Softdesk. Softdesk representatives previously told Boomerang that Softdesk would sell the IntelliCADD product to Boomerang if Softdesk were purchased by someone other than Autodesk, but would not sell it to Boomerang if Softdesk were purchased by Autodesk.

17. After being advised by Commission staff that Autodesk’s acquisition of Softdesk raised competitive concerns in the market for personal computer-based CAD engines, Softdesk resumed negotiations with Boomerang and divested and sold all of its rights in the IntelliCADD product to Boomerang pursuant to a Technology Transfer Agreement dated February 21, 1997. On that same date, Boomerang assigned and sold all of its rights to the IntelliCADD product to Visio Corporation.

18. Softdesk’s development of the IntelliCADD product provided the market with a potential CAD engine that offered file compatibility and transferability with AutoCAD, thus providing direct head-to-head competition to AutoCAD.

19. Customers who had tested the IntelliCADD product reacted favorably to it. Some customers delayed or postponed the purchase of AutoCAD in anticipation of IntelliCADD being made available in the market. By the time Autodesk agreed to acquire Softdesk, the IntelliCADD product was within months of being introduced in the market.

G. EFFECTS OF THE PROPOSED ACQUISITION

20. The acquisition by Autodesk of Softdesk’s IntelliCADD product would have substantially lessened competition in the market for Windows-based CAD engines by, among other things:

- a. eliminating substantial, direct head-to-head competition between Autodesk and Softdesk;
- b. eliminating actual potential competition from Softdesk in the relevant market;

- c. preserving and maintaining Autodesk's market power;
- d. substantially increasing the risk of unilateral exercise of market power;
- e. maintaining high prices, or preventing the lowering of prices, for Windows-based CAD engines; and
- f. reducing service to customers of Windows-based CAD engines.

H. VIOLATIONS CHARGED

21. The agreement described in paragraph 4 violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

22. The acquisition of Softdesk's IntelliCADD product by Autodesk, if consummated, would have violated 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 eighteenth day of June, 1997, issues its complaint against said respondents.

Donald S. Clark
Secretary

SEAL: