

Press release

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Are there ‘Killer Acquisitions’ in Israel?

The Israel Competition Authority examined what happened to 21 Israeli “start-ups” that were acquired by giant technology companies. The findings were submitted to the OECD

The digital economy giants provide new challenges to competition authorities worldwide. One of the questions that the growing power of technological giants has raised, among both academics and competition authorities around the world, is whether there is a need to strengthen the supervision by competition authorities of the acquisitions of start-ups by large technology companies. Such supervision presents complex challenges to competition authorities, including because of the complexity and dynamism of the development of technology and digital markets, and because start-ups are often acquired in their early stages of development or operation. As a result, in many cases, at the time of their acquisition, such start-ups do not have revenues, customers, a clear business model or other indications that guide competition authorities on the start-ups’ competitive potential.

Recently there have been discussions on the question of whether large technology companies acquire start-ups in order to prevent, eliminate or remove from the market, products or technological developments, which may compete with them in the future. This phenomenon has been titled as “killer acquisition”.

In June 2020, the OECD Competition Committee held a discussion on the subject of “Start-ups, Killer Acquisitions and Merger Control”.¹

¹ See the OECD roundtable on "Start-ups, Killer Acquisition and Merger Control" at <http://www.oecd.org/daf/competition/start-ups-killer-acquisitions-and-merger-control.htm>.

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As part of the Israel Competition Authority preparation for this discussion, and to follow up on this discussion, the Israel Competition Authority held an ex-post examination of acquisitions of Israeli start-ups during the years 2014-2019 by the five large technology companies – Google, Apple, Facebook, Amazon and Microsoft.

The main purpose of this examination was to inquire whether in retrospect, indications of killer Acquisitions exist, that is an acquisition made for the purpose of eliminating the competing products from the markets. The Authority examined 21 transactions of start-ups by these large technology companies in the relevant years.

In the framework of the examination, indication of a removal (or an "elimination") of an acquired product, where not found. That is, a retrospective review of 21 transactions done over five years, does not support the existence of a killer acquisition concern. The findings have been submitted to the OECD.

However, this examination of itself does not necessarily rule out the need to increase the supervision over acquisitions of start-ups by large technology companies, and the need to re-examine the "traditional" merger review.

To read the full documents submitted by the Israel Competition Authority to the OECD, go to the Authority's website at

<https://www.gov.il/he/departments/publications/reports/startups-acquisitions>

and at

<https://www.gov.il/he/Departments/publications/reports/roundtableo62020>

or the OECD website at

[https://one.oecd.org/document/DAF/COMP/WD\(2020\)17/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2020)17/en/pdf).