
Mergers: Commission Approves Acquisition of Nuance by Microsoft



The European Commission has approved unconditionally, under the EU Merger Regulation, the proposed acquisition of Nuance Communications, Inc. ('[Nuance](#)') by Microsoft Corporation ('[Microsoft](#)'). The Commission concluded that the transaction would raise no competition concerns in the European Economic Area ('EEA').

Nuance is a transcription software company with a strong focus on the healthcare sector and customer engagement solutions. Microsoft is a global technology company, which offers productivity and business software, cloud computing, and personal computing.

The Commission's Investigation

Based on its market investigation, the Commission found that the transaction, as notified, would not significantly reduce competition in the transcription software, cloud services, enterprise communication services, customer relationship management, productivity software and PC operating systems markets.

During its investigation, the Commission examined:

- The horizontal overlaps between the activities of Nuance and Microsoft in the markets for transcription software. The Commission found that Microsoft and Nuance offer very different products. While Nuance offers mostly out-of-the-box solutions to end-users, Microsoft provides application programming interfaces ('APIs') as part of its Azure Cognitive Services that developers can use to integrate speech recognition technology into their programmes. Furthermore, the Commission considers that the combined entity will continue to face strong competition from other players.
- The vertical link between Microsoft's cloud computing and Nuance's downstream transcription software for healthcare. The Commission's market investigation showed that competing transcription service providers in healthcare do not depend on Microsoft for cloud computing services and transcription service providers in the healthcare sector are not particularly important users of cloud computing services and.
- The conglomerate links between Nuance's transcription software products and a number of Microsoft's products. The Commission found that the combined entity would not have the ability and/or incentive to foreclose its competitors in the markets for (healthcare) transcription software, enterprise communication services, customer relationship management software, productivity software and PC operating systems. Windows is currently in any event the only PC operating system for which Nuance's transcription software is available. Finally, the combined entity will continue to face strong competition from other players.
- The use of data transcribed with Nuance's software. The Commission concluded that Nuance can use this data only to provide its services. It is not used by any other company and cannot be used for any other purpose due to contractual restrictions and data protection legislation. Also, access to such data does not provide an advantage that would allow Microsoft to shut out competing healthcare software providers given that important transcribed information is typically stored in third-party applications like electronic health record systems that combine data from several sources, as opposed to Nuance's fragmented speech data.

The Commission therefore concluded that the proposed transaction would raise no competition concerns on any of the markets examined in the EEA and cleared the case unconditionally.

Companies and Products

[Nuance](#), headquartered and primarily active in the US, offers a range of software products that mainly integrate transcription technology and it has healthcare and enterprise as main business units. Healthcare consists of health-related speech and Artificial Intelligence ('AI') solutions that help physicians conduct administrative tasks more efficiently. The healthcare business segment also contains Nuance's Dragon Professional & Consumer (*i.e.*, AI-powered transcription solutions for professional and consumer customers). In enterprise, Nuance provides voice engagement, digital engagement and voice biometrics for customer service and sales engagement.

[Microsoft](#), headquartered in the US, offers a wide range of products and services to customers including (i) productivity and business software, *e.g.*, Office Commercial (including Microsoft 365, Office Consumer, LinkedIn, and Dynamics products and services; (ii) cloud software, *e.g.*, Microsoft Azure, Windows Server, Microsoft SQL Server, Visual Studio including as well as Enterprise Services, such as Premier Support Services and Microsoft Consulting Services; and (iii) personal computing products such as Windows, Windows Commercial, patent licensing, MSN advertising, and Devices (*e.g.*, Microsoft Xbox and Surface PCs), Gaming and Search.

Merger Control Rules and Procedures

The transaction was notified to the Commission on 16 November 2021 following a referral pursuant to Article 4(5) of Council Regulation (EC) No 139/2004.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

A non-confidential version of today's decision will be available on the Commission's [competition](#) website, in the public [case register](#) under the case number [M.10290](#).

Source: [European Commission](#)

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