

Halliburton-Baker Hughes Merger Hits Antitrust Roadblock

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On April 6, 2016, the United States Justice Department [announced the filing of an antitrust suit](#) in the U.S. District Court for the District of Delaware to block the proposed merger between Halliburton and Baker Hughes—citing its potential to “eliminate vital competition, skew energy markets and harm American consumers.” Originally brokered in 2014, the \$35 billion deal would bring together the second and third largest oil field service firms in the world. Attorney General Loretta Lynch has voiced concerns that this merger of two of the top three firms would serve to create “non-competitive duopolies” in twenty-three separate markets throughout the United States.

The [suit against Halliburton and Baker Hughes](#) comes as part of an [increase in antitrust litigation](#) by the Justice Department and the Federal Trade Commission. Also under scrutiny are the proposed mergers between Anthem and Cigna, Aetna and Humana, and Staples and Office Depot. These challenges come on the heels of stringent new regulations on tax inversions, a large motivator for mergers, that have already thwarted the proposed \$150 billion merger between Pfizer and Allergan.

Halliburton and Baker Hughes defended the deal in a [joint statement](#) citing its “pro-competitive” character and its ability to provide customers with “access to high quality and more efficient products and services.” The press release also highlighted a divestiture proposal that the companies have offered to the Justice Department in an attempt to assuage stated concerns about the merger. The proposal addressed concerns regarding the creation of a duopoly by outlining how the proposal can help to facilitate the entry of new competition in the affected markets.

If these negotiations remain unsuccessful, or if the district court strikes down the merger, then Halliburton faces an immediate payment of \$3.5 billion to Baker Hughes for failure of the merger to clear antitrust review. However, the consequences of this antitrust suit extend beyond the immediate effects on the two companies involved. This heightened scrutiny of mergers, taken in conjunction with the recent inversion regulations, may be evidence of a Justice Department crackdown on mergers of larger firms that could impact a wide range of businesses.