

mechanism for dogs is a difficult task and, if not done successfully, can compromise the success of a new drug.

Likely and timely entry is only possible by companies already in late stages of clinical development or awaiting regulatory approval. There are only two entities, Schering-Plough Corporation and a joint venture of Boehringer Ingelheim GmbH and Merial, that have prescription canine products approved in Europe and in late clinical development in the United States and are expected to enter in the U.S. market in the near future.

Customers have stated that entry by these firms within the next year will not be sufficient to counter the anticompetitive effects posed by the acquisition of Pharmacia by Pfizer.

The proposed acquisition is likely to result in anticompetitive harm in the U.S. market for drugs to control the pain and inflammation associated with canine arthritis. Because of the license and supply agreement with Novartis, Pfizer, the leading company in the market, would have undue control over the supply of product needed by Novartis, and access to the competitively sensitive information of its competitor. As a result, Pfizer would be in a position to undermine the competitive position of one of only two competitors in the market for prescription drugs to treat canine arthritis.

The proposed Consent Agreement preserves competition in the market for prescription canine arthritis drugs by requiring Pharmacia to renegotiate its pre-existing license and supply agreement with Novartis to allow Novartis to operate as an independent competitor rather than a business partner. Specifically, the proposed Consent Agreement: (1) eliminates the control that Pfizer would have over Novartis's product; (2) restricts the type of information Pfizer would be able to obtain about Deramaxx; and (3) allows Novartis to compete with Pfizer in the development of a second generation canine arthritis product.

Treatments for Lactating Cow and Dry Cow Mastitis

Bovine mastitis, an infection of the udder of the cow, costs the U.S. dairy industry \$2 billion annually. There are two different types of contagious bovine mastitis: (1) lactating cow mastitis; and (2) dry cow mastitis. Lactating cow mastitis occurs when the cow is producing milk, while dry cow mastitis occurs when the cow is not producing milk. Antibiotics used to treat lactating cow mastitis are different from those used to treat dry cow mastitis, and strict

FDA regulations preclude the use of one product to treat the other type of infection. In the United States, \$27 million worth of lactating cow mastitis antibiotic products and \$25.5 million worth of dry cow mastitis antibiotic products are sold annually.

The U.S. market for bovine mastitis treatments is highly concentrated. There are only three significant competitors in the markets for lactating cow and dry cow mastitis antibiotics products Pharmacia, Wyeth, and Pfizer. Post-acquisition, Pfizer would account for 50 percent of the sales of lactating cow mastitis products and 55 percent of the sales of dry cow mastitis products. Wyeth would be the only other significant competitor in the markets for bovine mastitis treatments.

Entry into the markets for treatments for bovine mastitis is difficult, expensive, and time-consuming. Besides FDA approval of the drug, successful entry requires: (1) the ability to offer both lactating cow and dry cow products; (2) a dedicated veterinarian sales force experienced in selling and supporting dairy products; (3) a broad line of bovine health products other than mastitis treatments, such as parasiticides, vaccines, reproductive products, and antibiotics to treat other infections; and (4) a good reputation within the dairy community. Consequently, successful new entry into the market for bovine mastitis antibiotics treatments is not likely to occur in a timely fashion, if at all.

The proposed acquisition would further concentrate the market for antibiotics for the treatment of bovine mastitis in the United States. Post-acquisition, Pfizer and Wyeth would be the only significant suppliers. This is likely to lead to higher prices for drugs used to treat bovine mastitis.

The proposed Consent Agreement preserves competition in the market for antibiotics for the treatment of bovine mastitis by requiring Pfizer to divest all of its U.S. rights to its bovine mastitis antibiotic products to Schering-Plough Corporation no later than ten business days after the Pharmacia acquisition is consummated. Schering-Plough is well-positioned to replace Pfizer in the bovine mastitis treatment market because it is the fifth largest animal health company in the United States, has a veterinarian sales and support system, and already has established a good reputation in the dairy community. However, if the Commission determines that Schering-Plough is not an acceptable purchaser, or if the manner of the divestiture is not acceptable, Pfizer and Pharmacia must divest Pfizer's bovine mastitis assets to

a Commission-approved buyer no later than six months from the date the Order becomes final. Should they fail to do so, the Commission may appoint a trustee to divest the assets.

Over-the-Counter Hydrocortisone Creams and Ointments

Creams and ointments containing the active ingredient hydrocortisone are used to treat a variety of skin conditions, including chronic dry skin, seborrheic dermatitis, eczema, and psoriasis. Annual sales of over-the-counter ("OTC") hydrocortisone creams and ointments in the United States are approximately \$160 million.

The U.S. market for OTC hydrocortisone creams and ointments is highly concentrated. There are only two branded competitors in the market: (1) Pfizer, with its Cortizone brand; and (2) Pharmacia, with its Cortaid brand. Although private label OTC hydrocortisone creams and ointments also account for a significant share of the market, these products have limited competitive significance and virtually no impact on the pricing of the products sold by Pfizer and Pharmacia. Post-acquisition, Pfizer would account for 55 percent of the OTC sales of hydrocortisone creams and ointments, and would be left with no significant branded competitor in this market.

Entry into the market for OTC hydrocortisone creams and ointments is unlikely to deter or counteract the effects the proposed transaction will have on competition. A new entrant would have to invest a significant amount of time and money to achieve any meaningful competitive presence in this market. Because of the limited sales opportunities and the difficult task of convincing retailers to take shelf space away from established brands, it is unlikely that a new entrant could enter the market and achieve any significant market impact within two years.

The proposed acquisition would cause significant anticompetitive harm in the U.S. market for OTC hydrocortisone creams and ointments by eliminating competition between Pfizer and Pharmacia. The loss of Pharmacia as an independent competitor in this market would likely result in higher prices for consumers.

The proposed Consent Agreement preserves competition in the market for OTC hydrocortisone creams and ointments by requiring Pharmacia to divest its Cortaid business to J&J no later than ten business days after the Pharmacia acquisition is consummated. J&J is a well-positioned purchaser because it currently markets many other well-known OTC products and has