

# FTC Challenges Medical Device Coating Transaction

## Client Alerts

March 12, 2025

On March 7, 2025, the FTC filed a complaint in federal court seeking to block GTCR BC Holdings, LLC, a Chicago private equity firm, from acquiring Surmodics, Inc. The FTC alleges that Surmodics is the leading provider of a specialized “hydrophilic” coating applied to a wide range of interventional medical devices used inside the human body, such as catheters and guidewires. These devices are used to perform high-stakes neurological, cardiovascular, and peripheral vascular procedures. Hydrophilic coatings are primarily purchased by companies that design, develop, and manufacture these medical devices.

The FTC alleges that the transaction violates the Clayton Act because GTCR holds a majority stake in another leading provider of hydrophilic coatings in the United States, Biocoat, Inc. As a result, the FTC claims the acquisition “would result in a combined company that controls over 50 percent of the US market for outsourced hydrophilic coatings.” The FTC excludes in-house coating from its relevant market because even though hydrophilic coatings can be manufactured by OEMs in house, the vast majority opts to purchase hydrophilic coatings from specialized third-party manufacturers like Surmodics and Biocoat.

In addition to high market shares, the FTC alleges the acquisition would eliminate head-to-head competition between Biocoat and Surmodics, noting that these companies “target the same [OEM] customers and compete aggressively for their business.” The FTC alleges that this loss of competition would result in diminished coating quality, degradation in services offered, and reduced incentive to innovate. This lost competition would harm OEM customers and ultimately the patients who benefit from these critical inputs to lifesaving medical devices.

There are a few takeaways from the first merger challenge to be voted out of the FTC under Chair Andrew Ferguson. First, the complaint advances traditional theories of harm relating to structure of the market and lost head-to-head competition. There are no novel theories here. Second, market-definition fights will continue to be key to merger challenges. If the parties can demonstrate that the market improperly excludes in-house coating, the structure of the market and the competitive dynamics likely change dramatically. And lastly, internal documents remain key to merger review. The complaint quotes what appear to be internal documents where Biocoat describes Surmodics as

the “#1 player in our space” and the “market leader.” It is vital to involve antitrust counsel early in any dealmaking process to identify relevant evidence and analyze antitrust risk.

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Antitrust and Competition Law

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