

# Intel hit with more antitrust charges in FTC suit

JORDAN ROBERTSON - AP Technology Writer - Associated Press

The Federal Trade Commission piled on new antitrust charges against Intel Corp. on Wednesday, seeking to end what it described as a decade of illegal sales tactics that have crippled rivals and kept prices for computer chips artificially high.

The FTC's lawsuit contains the most wide-ranging allegations yet against the world's largest chip maker, which is also fighting a record \$1.45 billion antitrust fine in Europe and separate cases in South Korea and New York state.

It comes despite Intel having recently settled similar complaints brought by rival Advanced Micro Devices Inc., whose lobbying of regulators led to their charges. In its 2005 lawsuit, AMD quotes a manager from Toshiba Corp. comparing Intel's payments for not using AMD's chips to "cocaine" and an executive from Gateway complaining that Intel's threats of retaliation for working with AMD beat them "into guacamole."

If the FTC prevails, the case could have a broad impact because it concerns two key markets that are dominated by Intel, instead of just one in the other cases.

The FTC is raising new charges of manipulation in the market for graphics processing units, or GPUs, which primarily handle video and other images. Until now, Intel has faced allegations only regarding central processing units, or CPUs, which are the "brains" of personal computers.

Intel owns about 80 percent of the worldwide CPU market, with AMD commanding virtually the rest. Intel also has more than half of the graphics chip market, though rivals Nvidia Corp. and AMD's ATI division dominate the market for standalone graphics chips, whereas Intel's graphics capabilities are baked into its "chipsets," which connect the main processor to the rest of the computer.

The new charges against Intel come as another antitrust target, Microsoft Corp., resolved a major issue of its own in Europe. Microsoft agreed to offer users of its Windows operating system a choice of Web browsers from other companies in exchange for the European Commission dropping all remaining charges against Microsoft over the tying of Internet Explorer to Windows.

The FTC alleges that Intel strong-armed computer makers into exclusive deals, manipulated technical data to make its chips look more powerful than those from competitors and blocked rivals from making its chips work with Intel's. Those tactics, the FTC said, were motivated by Intel's desire to preserve its dominant market share as the company stumbled with the transition to new technologies.

As a result, rivals have been hobbled and prices haven't fallen as much as they could have, the FTC said.

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"Intel has engaged in a deliberate campaign to hamstring competitive threats to its monopoly," said Richard A. Feinstein, director of the FTC's Bureau of Competition. "It's been running roughshod over the principles of fair play and the laws protecting competition on the merits."

Shares of Intel's rivals rose Wednesday. AMD's stock gained 45 cents, or 5.1 percent, to \$9.27, and Nvidia's shares were up \$1.16, or 7.4 percent, to \$16.81. Meanwhile, Intel's stock fell 41 cents, or 2.1 percent, to \$19.39.

Intel, which is headquartered in Santa Clara, Calif., said the FTC's case is "misguided" and based "largely on claims that the FTC added at the last minute and has not investigated." The company said its industry is highly competitive, with robust innovation prompting sharper price drops than in other industries.

Doug Melamed, Intel's general counsel, said the company was "very far" into settlement talks with the FTC but that those collapsed when the FTC insisted on "unprecedented remedies ... that would make it impossible for Intel to conduct business."

Those remedies, he said, included restrictions on what Intel can charge for chips and how it protects its intellectual property when dealing with technology partners.

The FTC said it is seeking a change in Intel's behavior instead of fines, as the EU and Korea had imposed. The agency said it wants to bar Intel from using "threats, bundled prices, or other offers to encourage exclusive deals, hamper competition, or unfairly manipulate the prices of its" chips.

The case is scheduled to be heard by an administrative law judge within the FTC in September and should be completed by the end of 2010, though such decisions often get appealed to the full commission.

The FTC has investigated Intel before, but the latest case involves the agency's most serious allegations of wrongdoing against the company. The FTC dropped an antitrust investigation of Intel in 1993. In 1998, the agency accused the company of wrongdoing for withholding technical information about its processors from companies with whom it was involved in patent disputes. That case was settled the following year.

Intel's antitrust troubles are mounting around the world.

Intel is appealing a \$1.45 billion fine in Europe and an \$18.6 million fine in Korea and is fighting a federal lawsuit by New York's attorney general, all based on claims that Intel bullied computer makers into buying all, or nearly all, of their CPUs from Intel or risk losing potentially billions of dollars in rebates.

Intel has denied wrongdoing and described the rebates as simple volume discounts. Still, last month it agreed to pay AMD \$1.25 billion to settle the lawsuit and agreed to a set of business practices to appease AMD, including a promise to refrain from

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giving financial incentives to companies that limit their use of AMD chips — which Intel has always said it wasn't doing anyway.

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AP Business Writer Andrew Vanacore in New York and AP Technology Writer Joelle Tessler in Washington contributed to this story.

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