Intel Slapped in Antitrust Case
Semiconductor Giant Settles U.S. Probe, Agrees to New Restrictions on Its Business
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Intel Corp. agreed to a broad set of restrictions sought by U.S. antitrust regulators to settle charges the Silicon Valley giant unlawfully stifled competition in a decade-long campaign to preserve its dominant position in the market for computer chips.

Federal Trade Commission officials said the settlement would stop Intel from retaliating against computer makers that buy chips from rival companies, or from paying them to boycott competitors.

The impact on the company isn't expected to be dramatic, at least in the short term. Regulators allege Intel used improper sales tactics in large part to hinder rival Advanced Micro Devices Inc. during two periods when the smaller company had superior chips.

Intel, which supplies 80% of the world's microprocessors, has consistently denied wrong-doing, and said Wednesday the agreement shouldn't hurt its business.

Yet there are signs that AMD has been winning new sales—particularly in the market for laptop computers—in the wake of its own settlement with Intel last November that came with restrictions on its rival's behavior.

FTC officials say the latest pact adds provisions that could prevent Intel from renewing any anticompetitive tactics.

"Intel cannot use its market power to threaten customers just because they also purchased from a rival," said FTC Chairman Jon Leibowitz.

Besides targeting microprocessors—the electronic brains of computers—the FTC settlement also covers products called graphics processing units and chip sets that also play key roles in personal computers.

Intel has been battling antitrust cases for years. In Europe, it paid a $1.45 billion fine last year in the wake of an adverse ruling that the company is appealing. As part of its settlement with AMD, Intel paid $1.25 billion and agreed to changes in its business practices.

Unlike European antitrust enforcers, the FTC doesn't have the authority to impose fines. Some critics say that Intel's repeated brushes with antitrust authorities—it last settled antitrust charges with the FTC in 1999—show that such agreements lack teeth.
On Wednesday, however, the FTC stressed that Intel would now operate under a binding consent order for a decade.

Mr. Leibowitz and other FTC officials said the pact adds new restrictions that could spur additional competition, particularly from Taiwan-based microprocessor maker Via Technologies Inc. and Nvidia Corp., which specializes in the graphics chips. Some of those provisions require Intel to modify agreements with AMD, Via and Nvidia so they have more freedom to enter into mergers or joint ventures with other companies.

Mr. Leibowitz said the commission had been "deeply troubled" by Intel's actions, arguing that the company hobbled competition in technology fields that are vital to consumers and the broader economy. The FTC said it won the great majority of the remedies it had sought in its complaint in December, and some antitrust experts agreed.

"It looks like they got most of what they wanted," said Spencer Waller, a law professor at Loyola University in Chicago.

Intel had previously complained the remedies sought by the FTC were "unprecedented" and would make it impossible to conduct its legitimate business. Stacy Rasgon, an analyst with Sanford C. Bernstein, said some of the most "draconian" proposals from the FTC weren't in the final agreement. "For the most part, Intel got off reasonably light," he said.

Doug Melamed, Intel's general counsel, said none of the agreements harm its ability to innovate. "We are free to continue to compete," he said. "We would not have agreed to a settlement that would have crippled us in any way."

Among other things, the agreement prohibits what AMD calls "all-or-nothing" discounts and retroactive rebates that made it difficult for the company to match Intel when bidding for minority portions of a computer maker's business. "The FTC addressed a number of things we were concerned about," said Harry Wolin, AMD's general counsel.

The settlement ensures that Intel continues to allow graphics chips and other components made by rivals to connect to its chips for six years. It also extended Via's cross-license with Intel, allowing it to use Intel patents issued before 2018.

The FTC sued Intel in December, alleging that it coerced the world's largest computer manufacturers, including Dell Inc., Hewlett-Packard Co. and International Business Machines Corp., into not buying rival computer chips.

Dell's legal settlement with the Securities and Exchange Commission last month detailed the extent to which large computer makers became dependent on Intel's payments for their profits. According to the SEC, Intel's undisclosed payments were 76% of Dell's operating income in the first quarter of fiscal 2007.