

Observers wary of 'truce' between Intel, AMD

November 19 2009, By Steve Johnson

Can Intel and Advanced Micro Devices, Silicon Valley's version of the long-squabbling Hatfields and McCoys, really get along?

The two chip makers certainly sounded sincere when they ended their anti-trust legal wrangling on Nov. 12. Calling their relationship for more than 20 years "challenging and often acrimonious," their settlement vowed to alter that by "wiping the slate clean" and resolving future gripes "in a constructive manner."

While no one believes the two tough competitors will become fast friends, some analysts say the legal costs of their incessant bickering forced a truce and that they can coexist as peaceably as those once-rancorous rivals, Microsoft and Apple. But others who have watched [Intel](#) and AMD scratch and claw in what has been the nastiest corporate cat fight in recent valley history doubt business will significantly change.

"Everyone should be very skeptical" about peace being maintained, said Tom McCoy, AMD's executive vice president for legal, corporate and public affairs. "We've had what I call tribal warfare for decades. But you know, at some point people have to put a stake in the ground and say, 'We're going to at least try to make a pivot.' Time will tell."

Because the settlement details steps the companies must take to resolve disputes before going to court, including holding quarterly meetings, "this will be very helpful going forward," added Intel spokesman Chuck Mulloy. "It's less expensive to get along."

The companies' legal brawling dates to 1987, when Sunnyvale, Calif.-based AMD and Intel of Santa Clara, Calif., locked horns over AMD's right to use certain designs for making microprocessors, the brains of personal computers and other devices. AMD won a \$10 million judgment back then. But the animosity continued. Claiming Intel was now hindering its ability to sell chips to computer makers, AMD in 2005 filed a lawsuit that was among the matters settled on Nov. 12.

U.S., Asian and European authorities also have launched investigations into Intel's practices, resulting in the European Commission's recent \$1.45 billion fine of Intel, which the company has appealed.

It's unclear what impact the settlement might have on those regulatory inquiries, especially one by the Federal Trade Commission and another by New York Attorney General Andrew Cuomo, who filed an antitrust lawsuit against Intel on Nov. 4. But some experts expect Intel, which denies wrongdoing, will try to use the deal to persuade those agencies to back off. Intel spokesman Mulloy said only that his company would meet with FTC officials this week to discuss the settlement.

The genesis of the Nov. 12 deal was another legal spat involving Intel's claim that AMD had violated a technology sharing agreement in spinning off its chip-making operations in March. When that disagreement wound up in mediated talks in Maui in April, the two firms' lawyers decided to also try to resolve AMD's suit over its sales to PC makers.

"The working relationship of the AMD and Intel negotiating teams was very professional, very constructive," McCoy said. "Relationships were in fact forged." Yet working out the thorny issues was tough and McCoy said he wasn't sure a deal had been struck until the day it was signed by the companies' CEOs.

While the settlement won't likely change Intel's market dominance,

analysts generally agreed that Intel and AMD both benefit.

AMD's suit was set for trial in March and Intel executives feared having to pay billions of dollars in damages if they lost. In turn, AMD won Intel's pledge to avoid certain marketing practices AMD found objectionable along with a \$1.25 billion cash payment, which AMD needs to help pay its staggering debt. In addition, Intel lifted its objections to AMD's spun-off chip making operation, called Globalfoundries.

Technology analyst Jack Gold said one big incentive for Intel to set aside the dispute is Intel's desire to gear up for battle with Qualcomm and other chipmakers that dominate the smart-phone market.

With AMD's antitrust suit resolved, Intel and AMD can concentrate on battling it out on a more basic level, which could lead to a chip price war and cheaper consumer products containing those chips, said Roger Kay of Endpoint Technologies Associate.

But FBR Capital Markets analyst Craig Berger considers a price war unlikely in the near term. "It's going to depend on how competitive AMD's products are," he said, noting that Intel generally has a big technology lead.

Some evidence suggests AMD and Intel were eager to patch things up before the settlement, said Doug Freedman, of American Technology Research, noting that the companies' ads in recent months had stopped knocking each other's chips. But if AMD and others were right in accusing Intel of monopolizing the [microprocessor](#) market through intimidation, he said, computer makers may not feel secure in buying AMD chips for a long time.

As a result, Freedman said, it's tough to guess how well the two long-

time chip antagonists will get along going forward. But he added, "it's going to be fun to watch."

*(c) 2009, San Jose Mercury News (San Jose, Calif.).
Visit MercuryNews.com, the World Wide Web site of the Mercury News,
at www.mercurynews.com
Distributed by McClatchy-Tribune Information Services.*

Citation: Observers wary of 'truce' between Intel, AMD (2009, November 19) retrieved 2 May 2024 from <https://phys.org/news/2009-11-wary-truce-intel-amd.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--