

# FTC says computer buyers benefit from Intel deal (Update 2)

August 4 2010, By JORDAN ROBERTSON , AP Technology Writer

---



Bureau of Competition Director Richard Feinstein, left, and Federal Trade Commission (FTC) Chairman Jon Leibowitz, take part in a news conference at the FTC in Washington, Wednesday, Aug. 4, 2010, to discuss the Intel antitrust case. (AP Photo/Drew Angerer)

(AP) -- The Federal Trade Commission is trumpeting its settlement with Intel Corp. as a victory for consumers who have overpaid for computer chips for a decade, though computer buyers shouldn't expect a sudden drop in prices.

The deal announced Wednesday represents the end to the harshest antitrust lawsuit Intel has faced yet from government regulators, and it imposes the strictest set of changes onto the way Intel does business.

But any changes as a result of the FTC's actions would likely be gradual,

and possibly imperceptible, to most people.

One reason is that the prices for computer chips have steadily fallen anyway as technological advancements make it cheaper for companies such as Intel to make more powerful chips. Consumers have gotten used to getting more computer for less money every time they go shopping.

The FTC's case is built on the argument that those prices haven't fallen as fast as they could have. It has accused Intel of contributing to that by abusing its position as the No. 1 supplier of both central processing units (CPUs) and graphics processing units (GPUs) to box rivals out of the market and stifle competition.

CPUs are the "brains" of computers and are among their most expensive parts, often making up about 15 percent to 20 percent of a computer's price. GPUs are chips that make graphics look good on computer screens.

FTC Chairman Jon Leibowitz said Intel's behavior stepped well over the line - moving beyond "the type of aggressive competition on the merits that we all encourage and into the realm of unfair, deceptive and anticompetitive conduct."

Intel has long denied the charges and has pointed to the industry's falling prices as evidence that the market is functioning normally.

The company's general counsel, Doug Melamed, said the settlement "provides a framework that will allow us to continue to compete and to provide our customers the best possible products at the best prices." Melamed added that the settlement puts an end to the "expense and distraction" of the litigation.

As part of the deal, Intel has agreed not to pay computer makers for

avoiding rivals' chips or retaliate against them when they do pick competing products - things Intel has long maintained it wasn't doing anyway.

Those were essentially the terms of a \$1.25 billion settlement Intel struck last year with Advanced Micro Devices Inc., a key rival whose complaints piqued regulators' interest. The aftershocks of AMD's campaign still reverberate: Intel is still contesting a \$1.45 billion antitrust fine in Europe and separate cases in South Korea and New York state.

The FTC deal goes further than previous cases in mandating that Intel needs to be friendly to its rivals in other significant ways.

Those include modifying its intellectual-property agreements with AMD, Nvidia Corp. and Via Technologies Inc. so that those chip-makers can more easily do mergers and joint ventures with other companies without the threat of a lawsuit from Intel.

That is important because AMD's recent decision to spin off its factories into a separate company - which AMD needed to avert financial ruin - triggered a showdown with Intel over the legality of that move. Intel's leverage over AMD in that matter likely played a key role in its settlement negotiations with AMD and in AMD settling for far less than it could have won at trial.

Jim McGregor, a semiconductor analyst with market researcher In-Stat, said technology companies have long used such agreements as weapons.

"We've seen that over and over again where they've used that as a hammer," he said. The FTC's case is a "huge statement to the industry that, 'You're reaching too far.'"

McGregor added that chip prices typically fall about 20 percent per year,

but that chip-makers try to counteract that by rolling out newer products that command higher prices. He said the FTC is "reaching a bit" with its argument that consumers would see better prices as a result of the settlement.

"We've seen dramatic decreases in prices over the past decade," he said. "The FTC is trying to spell out the rules of engagement for the high-tech industry. This is kind of a warning shot: 'You guys have to play nice.'"

Investors appeared unmoved by the settlement, which was expected.

"I think it's more of a formality than anything else and don't think it materially changes the game for anybody," said Patrick Wang, a semiconductor analyst with Wedbush Securities.

"It records progress for both AMD and Nvidia by putting in writing some rules that Intel must abide by," Wang said. "However, I don't think Intel has been involved in any 'funny business' for a while now. But most importantly, it doesn't help improve AMD and Nvidia's competitive roadmaps - the key bottleneck for both guys."

Shares of Intel, which is based in Santa Clara, Calif., fell 20 cents, or nearly 1 percent, to \$20.52 in morning trading Wednesday.

©2010 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: FTC says computer buyers benefit from Intel deal (Update 2) (2010, August 4)  
retrieved 10 April 2024 from <https://phys.org/news/2010-08-ftc-buyers-benefit-intel.html>

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.