

Apple's secrets may be revealed through obscure bankruptcy case

October 23 2014, by Julia Love, San Jose Mercury News

The bankruptcy of a key Apple supplier may shine a bright light on sensitive business details the personal electronics giant fights to keep out of the public eye.

At a hearing Tuesday in Massachusetts, a U.S. bankruptcy judge will consider whether to expose details of troubled materials manufacturer GT Advanced Technologies' relationship with Apple. GT struck a deal with the Cupertino, Calif.-based company to make massive quantities of synthetic sapphire, which many expected would be used for iPhone screens. After cheery reports about the project, GT's decision to file for Chapter 11 protection earlier this month shocked investors, a mystery heightened by the company's reticence about why it went under.

GT described its delicate position in court papers: It believes details of its agreements with Apple - which it described as "oppressive and burdensome" - should be made public. But GT filed early documents under seal because it faces fines of \$50 million per violation if it breaches Apple's [confidentiality agreement](#), underscoring the high price of doing business with the technology giant. If U.S. Bankruptcy Judge Henry Boroff opens up the record, the case could offer a rare glimpse into Apple's closely guarded contracts with the long chain of suppliers who piece together its popular electronics.

"It's extremely interesting any time you get a peek under the bonnet in Apple's dealings," said Francis Sideco, a senior manager at IHS.

Media company Dow Jones, the state of New Hampshire and the U.S. Trustee, which supervises bankruptcy cases, are urging Boroff to give them just that, arguing that such a large bankruptcy cannot go unexplained. GT has reported \$1.3 billion in liabilities.

So far, Apple has pushed for secrecy but its requests have been met with some skepticism by Boroff. At a hearing last week in Springfield, Mass., the judge pressed an Apple lawyer to explain how the company would be hurt if the documents were made public, according to Bloomberg News. Boroff asked Apple to file a list of items this week that it wants to remain under seal.

Judges often strive for transparency in bankruptcy cases, which pit various parties against each other as they fight to recoup their claims, said Eric Talley, a corporate law professor at the University of California, Berkeley. GT argued in court papers that shielding Apple's information could give Apple an unfair edge.

"Blanket confidentiality for all matters relating to one party in a Chapter 11 case risks allowing that party to have disproportionate control over the case," GT wrote in court papers.

In a high-profile deal announced last year, Apple agreed to prepay GT \$578 million to manufacture synthetic sapphire at a massive Mesa, Ariz., plant. Many anticipated that Apple planned to use sapphire, one of the hardest materials in the world, to make screens for its latest iPhones. But the iPhone 6 and 6 Plus debuted with screens made of Corning's Gorilla Glass, like previous models.

Now GT wants to stop manufacturing sapphire in Arizona and Massachusetts, a move it says will cost about 890 jobs. The fate of the Mesa facility, which Apple was leasing to GT, remains unclear.

"We are focused on preserving jobs in Arizona following GT's surprising decision and we will continue to work with state and local officials as we consider our next steps," Apple said in a statement.

It's little wonder that Apple wants to keep its deals with GT under wraps - supply chain contracts provide valuable clues about what's in the pipeline, said Mike Fawkes, a former supply chain chief at Hewlett-Packard who now sits on several corporate boards. What's more, Apple probably doesn't want its suppliers to know the terms it gives other companies, Talley said.

"Apple works aggressively to get the best deals from its contractors," he said. "They don't want them comparing notes with each other and essentially forming a gigantic bargaining unit."

GT wrote in court papers that it believed the information should be public but was unwilling to risk "potentially hundreds of millions of dollars in additional liabilities" by disclosing Apple information without direction from a judge.

Apple, on the other hand, faces no penalties if it breaches the confidentiality agreement, GT noted. In addition, Apple was not obligated to buy sapphire from GT, though GT agreed to manufacture the material exclusively for Apple.

Experts say companies in Apple's [supply chain](#) must strike a difficult balance: The contracts can give them a huge revenue boost but they must be careful not to become overdependent on the work.

"The danger is when you rest on that and don't plan for an eventual change in the relationship," Sideco said.

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Citation: Apple's secrets may be revealed through obscure bankruptcy case (2014, October 23)
retrieved 19 May 2024 from <https://phys.org/news/2014-10-apple-secrets-revealed-obscure-bankruptcy.html>

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