Shares in UK chipmaker dive 60 pct after Apple ends contract (Update)

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Shares in chipmaker Imagination Technologies plunged over 60 percent on Monday after the British company announced that Apple plans to stop using its products.

The development highlights how, through its sheer size, Apple's decisions can make or break the fortune of entire companies that work with it.

Imagination, a multimedia, processor and communications technology company, said Apple Inc. "will no longer use the group's intellectual property in its new products" within two years. That would mean the company wouldn't be eligible for royalty payments under existing agreements.

Imagination says Apple has for years used the company's technology in the graphics processor units of its phones, tablets and watches but has asserted that it is working on a "separate, independent" design to control its products.

Imagination said "it would be extremely challenging" for Apple to design a new product without infringing Imagination's intellectual property rights.

"Accordingly Imagination does not accept Apple's assertions," the company said.

There are longer-term issues than the loss of royalties and license fees, which amounted to 60.7 million pounds last year.

Nick Kounoupias, a London-based intellectual property expert, pointed to Imagination's assertion that Apple has not provided any evidence to back its assertion that it can do without Imagination's technology without violating its intellectual property rights, patents and confidential information. To defend its rights, Imagination may ultimately have to sue the world's biggest publicly traded company.

Kounoupias described Apple's behavior as "sinister."

"The reason it's sinister is because big companies have a habit of doing what they like and then hiding behind deeper pockets than their opponents," he said.

Shares in Imagination Technologies closed down 62 percent at 103 pence in London. That cut its market value from 759 million pounds to just 290 million pounds ($950 million to $360 million).

That will hurt its main investors, including London-based asset managers Baillie Gifford, which bought about 34 million shares three years ago and currently owns an 11.6 percent stake.

Apple itself owns 8 percent of the company, which would have resulted in a book loss of almost $50 million—a sum easily absorbed by the tech giant, itself worth $750 billion.