

# Judge rules Qualcomm violated antitrust law in chip market

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In this Jan. 9, 2019, file photo a sign advertises 5G at the Qualcomm booth at CES International in Las Vegas. Qualcomm and Apple drove declines in technology stocks on Wednesday, May 22. Qualcomm plunged following a federal judge's ruling against the chipmaker in an antitrust case. (AP Photo/John Locher, File)

A federal judge has ruled that Qualcomm unlawfully squeezed out cellphone chip rivals and charged excessive royalties to manufacturers such as Apple in a decision that undercuts a key part of its business.

The decision vindicates the U.S. Federal Trade Commission two years after it filed its antitrust lawsuit against the San Diego chipmaker. It's a potentially costly setback for Qualcomm, as the decision could slash its ability to extract big royalties from phone makers.

Qualcomm said Wednesday that it would appeal, suggesting the case could still take a few years to resolve.

"We strongly disagree with the judge's conclusions, her interpretation of the facts and her application of the law," Qualcomm General Counsel Don Rosenberg said in a statement.

The outcome seems likely to reduce the licensing fees paid to Qualcomm, but it's unclear if device makers will pass on any of their savings and lower their prices. The royalties represent a relatively small portion of smartphone prices that now top \$1,000 for some premium models.

U.S. District Judge Lucy Koh in San Jose, California, ruled Tuesday that Qualcomm Inc. must renegotiate licensing deals with customers. It must license its patents to rival chipmakers at fair prices and can't sign exclusive agreements that block competitors from also selling chips to smartphone makers like Apple. Qualcomm must submit to FTC monitoring for seven years.

The case has geopolitical ramifications. If Qualcomm suffered a big hit to its profitability, that could mean less spending on research and development—a knock to an American tech icon as the U.S. embarks on a politically sensitive race with China to update to 5G, a new wireless

technology.



In this Nov. 6, 2018 file photo, attendees look at the latest technology from Qualcomm at the China International Import Expo in Shanghai. Qualcomm's stock is tumbling before Wednesday's market open on May 22, 2019, after a federal judge ruled that the company unlawfully stifled cellphone chip market competition and charged excessive licensing fees. (AP Photo/Ng Han Guan, File)

"The Trump administration views Qualcomm as almost the crown jewel for the U.S. in terms of U.S. technology development. Similar to the way China views Huawei," said Angelo Zine, CFRA analyst. "It will be interesting to see if this gets revisited."

Qualcomm's rivals are mostly Asian companies, including Huawei, Zine said. The Trump administration has set bruising sanctions against Huawei and pushed European allies not to use the Chinese company's technology due to national-security concerns of China spying. The U.S. government is also in a spiraling trade war with China.

The Trump administration's attitude to Qualcomm can be seen in a case from last year, when it blocked a Singapore company, Broadcom, from buying Qualcomm over concerns about national security and who would dominate 5G technology.

Trade group Computer & Communications Industry Association said Tuesday's ruling was a win for wireless technology, as it would mean more competition.

Qualcomm has justified its "no license, no chips" system as a repayment system for the \$40 billion it has spent through several decades working on wireless technology essential to smartphones.

Last month Apple and Qualcomm settled a bitter financial dispute centered on some of the technology that enables iPhones to connect to the internet. The deal requires Apple to pay Qualcomm an undisclosed amount. It also includes a six-year licensing agreement that likely involves recurring payments to the mobile chipmaker.

Apple had already lost an earlier battle with Qualcomm in March when a federal court jury in San Diego decided the iPhone maker owed Qualcomm \$31 million for infringing on three of its patents.

Qualcomm shares dropped 12% to \$68.18 in afternoon trading.

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