

AMD's Ruiz: We Deserve More

Arik Hesseldahl, 06.29.05, 6:00 AM ET

Advanced Micro Devices Chief Executive Hector D. Ruiz says that some PC makers are willing to tell the world what they know about how Intel does business—and how it treat companies who use AMD chips in their products.

True, tales of the kind of coercive behavior of which AMD (nyse: AMD - news - people) is accusing Intel (nasdaq: INTC - news - people) have been around for years, but no one has ever laid any specifics in the way that AMD did in its 48-page complaint filed with a federal court in Delaware on Tuesday. The suit alleges, among other things, that Intel used financial incentives to prevent computer firms from getting too cozy with AMD.

Intel, in a statement, strongly denied AMD accusations, saying it “believes in competing fairly and believes consumers are benefiting from this vigorous competition.” It chided AMD for choosing “once again, to complain to a court about Intel’s success with a legal case full of excuses and speculation.”

To prove its case, AMD will need cooperation from computer makers. That means PC executives will have to publicly reveal the inner workings of their dealings with Intel, one of the two most powerful and important allies a company can have in the industry. Will many be willing to stick out their necks to help AMD?

“We’re beginning to get some partners and customers telling us they are willing to help,” says Ruiz. “I have made literally 100 phone calls in the last 48 hours. And I know many of my colleagues in the company have made similar calls. Out of a very large number of customers and partners, we have not had one single negative reaction.”

The lawsuit also will give Silicon Valley a new parlor game: guessing who’s going to be called as a witness in the trial. One name that stands out in the complaint is Michael D. Capellas, former chief executive of Compaq,

which was bought by Hewlett-Packard (nyse: HPQ - news - people). Capellas, who is now CEO of MCI (nasdaq: MCIP - news - people), is quoted as telling AMD executives in 2000 that, figuratively, “he had a gun to his head”—the implication was that it was held by Intel—and had to stop buying AMD chips.

Some people called to testify will do so willingly, Ruiz says. Those who don’t may face a subpoena.

Another executive who may be called is Carleton Fiorina, HP’s former chief, who left the company earlier this year. AMD makes some startling claims regarding how it alleges Intel pressured HP not to use AMD chips in its Evo line of business computers (see: “AMD’s Hair-Raising Allegations Against Intel”).

Also named in the complaint is Dell (nasdaq: DELL - news - people) CEO Kevin B. Rollins, who recently has furthered ongoing rumors about Dell’s potential interest in using AMD chips. Ruiz suggests that the trial could shed light on the nature of the relationship between Dell and Intel. Dell is the only major PC maker that has not used AMD chips in any of its computers.

“I believe Dell is the same as all the other customers,” Ruiz says. “[It is] subject to some of the same practices that Intel has, but in [its] case, they are just deeper. I know that, and this will come out later, but on a product comparison basis, it would be impossible for Dell to argue that our products are inferior.”

He says Dell has made considerable effort trying to market high-powered computers for gamers using an Intel chip called the Pentium 4 Extreme Edition. AMD’s 64-bit chip has a particularly strong following among this customer base.

“In the gaming area, [Intel] has not been able to accomplish much because that segment is less prone to intimidation and fear,” Ruiz says. “These gaming people just want to get the best technology. If Dell [executives] were truthful about this issue, they would say

this is a segment where they just can’t compete because they don’t have the best product. If Dell’s goal in life was to always deliver the best product, they would have AMD chips in their gaming machines, but they don’t.”

AMD has pulled ahead of Intel in some performance benchmarks, proving Ruiz’s technical point.

Anandtech.com, a Web site that tracks performance benchmarks, compared AMD’s Athlon 64 X2 chip to two Intel chips, the Pentium D 840 and the Pentium Extreme Edition 840. AMD prevailed in 38 of 47 of the tests.

“For the last 18 months, I don’t think there’s been a period where AMD wasn’t winning many more benchmark tests than it was losing,” says Nathan Brookwood, head of chip market research firm Insight64, based in Saratoga, Calif. “This is what makes AMD’s argument all the more compelling.”

Still, having a better product doesn’t mean customers are compelled to buy it. And

AMD will be in the awkward position of arguing that it has suffered at the hands of Intel, when in fact its share of the overall market for PC and server chips has increased substantially. It claims in the complaint that its market share more than doubled to 15.8% last year from 7.3% in 1997.

Part of AMD’s gain might be attributed to the exit of companies like National Semiconductor (nyse: NSM - news - people) and Integrated Device Technology (nasdaq: IDTI - news - people) from the PC microprocessor business. But Ruiz insists that its improvement should have been more pronounced.

“Despite these horrible illegal practices [of Intel’s], we have managed to find segments of the market where we have managed to gain a significant chunk,” he says. “When you look at the last three to four years and you look at the competitiveness of our products, no one would look at that and say that we have earned what we have properly deserved.”