

Antitrust

Intel inside

The world's biggest chipmaker is about to have its day in court

THE world of personal computing is dominated by two near-monopolies: Microsoft's Windows operating system and Intel's microprocessors. For years, the software firm has battled with antitrust regulators while the chipmaker has remained relatively untroubled. But that is starting to change. Around the world, Intel is increasingly facing antitrust investigations and lawsuits. Its legal squabbles seem certain to grow.

In Japan the Fair Trade Commission (FTC) is poised this month to turn over evidence from its case against Intel last year to two Tokyo courts, where AMD, a rival American chipmaker, is suing Intel for damages stemming from its alleged anti-competitive behaviour. Then on April 20th AMD and Intel will meet in a court in Delaware to discuss the process of "discovery of evidence" for an antitrust suit filed last year. Meanwhile, the European Commission is investigating Intel's practices; it went so far as to raid four of the company's offices last summer. And in February South Korea's FTC also made a surprise visit to Intel, seeking material for its own investigation.

At issue in all these cases is Intel's use of rebates and marketing funds, which AMD claims is anti-competitive. Intel is accused of discounting its chips in such a way as to make it extremely costly for computer-makers to buy from it anything short of their total requirement. This, AMD says, elbows its own products out. Moreover, Intel gives rebates to computer-makers each quarter. In such a low-margin business, these can make a big difference.

Intel's use of "marketing development funds", such as paying a part of PC-makers' advertising costs, provided they promote Intel, is also under scrutiny. Because the PC business is so cut-throat, marketing is critical for computer firms—and Intel's help in shouldering the cost is essential. The question, however, is whether the programme is simply a kickback mechanism to reward PC-makers for their loyalty to Intel, at AMD's expense.

Intel denies any wrongdoing. "This is an extremely competitive market," says Intel's Chuck Molloy. "We have to compete aggressively and we do—but we also compete within the bounds of the law."

In a sign of the sensitivity of the matter, no big PC vendor is willing to speak publicly about the issue. However, industry executives say that a failure to purchase a preponderance of Intel products results in allotments decreasing or products being

shipped late due to "unexpected" supply-chain hiccups. "If you stray from the Intel camp, you will suddenly get a chilly reaction from your neighbourhood Intel salesperson," explained one executive.

The rivalry between Intel and AMD stretches back a quarter of a century. In the 1980s AMD made clones of Intel chips; in the 1990s they sparred in court. Over the past three years AMD has made a number of innovations that today give it a technical lead, with chips for PCs and servers that are faster, less expensive, use less electricity and generate less heat. Although AMD has gained market share, it believes Intel's actions unfairly limit its sales.

The court meeting this month will start a massive paper chase as AMD uses America's generous rules on the discovery of evidence to amass documents on Intel's actions, which it can feed to regulators elsewhere. Intel's critics are heartened by a European Union antitrust ruling last month, where a firm that placed bottle-deposit machines in retail outlets was fined for striking exclusivity agreements. "Rebates and discounts cannot be used by a dominant company as part of a strategy to exclude actual and potential competitors," stated Neelie Kroes, the EU's Competition Commissioner. Intel will not take much comfort from that. ■