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UPDATE 5-Intel agrees to end chip war with rivals

Wed, Aug 4 2010

- * Deal applies to CPUs, GPUs, chipsets
- * Company says changes will not be material
- * Intel denies any wrongdoing
- * Nvidia shares rise 4.3 pct, Intel shares flat (Adds analyst comments, link to FACTBOX)

By [Alex Dobuzinskis](#) and [John Poirier](#)

LOS ANGELES/WASHINGTON, Aug 4 (Reuters) - Intel Corp (INTC.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) has agreed to stop using threats and unfair discounts to block its rivals, resolving a costly, high-profile legal battle over accusations it illegally smothered competition for over a decade.

The world's largest chip maker -- which managed to settle the U.S. Federal Trade Commission complaint without paying a cent -- also pledged to grant rivals access to its leading processor technology for six years. [ID:nN04267572]

Shares in graphics chip maker Nvidia Corp (NVDA.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), which along with Intel arch-foe Advanced Micro Devices Inc (AMD.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) first brought the complaint to the top U.S. trade body, jumped 4.25 percent. Nvidia has sued Intel for anti-competitive practices in a still-pending trial.

"Intel has got to be happy that they were able to minimize the damage and get it over with," said Patrick Wang, an analyst with Wedbush Securities.

The settlement had been expected. Shares of Intel closed barely changed at \$20.73 on Nasdaq.

Urged on by AMD and Nvidia, the FTC accused Intel in December of using its market dominance to unfairly stifle competition. Intel makes 80 percent of the world's microprocessors.

The deal bars Intel from retaliating against computer makers if they do business with non-Intel suppliers. It also agreed to give makers of complementary products such as graphics chips access to its central processing units for the next six years.

"It's a landmark settlement that really will have a striking effect on improving competition in the market," said David Balto, a former FTC policy director.

Raymond James analyst Hans Mosesmann said Nvidia "can point to" the FTC settlement when it goes to trial against Intel.

"What is interesting is that a governing body in the U.S. has joined other countries (Korea, Japan, and the European Union, for example) in pinning Intel as the bully," he said in a client note.

"The message is that Intel should be more constrained in its dealings with OEMs (original equipment manufacturers), ODMs (original design manufacturers), the channel, and its competitors. We are watching you."

NO EXCLUSIVE DEALS

Intel has been under attack from rivals for years over its aggressive pricing and sales tactics in marketing the chips that essentially make up the "brains" of personal computers.

In 1999, the FTC settled a complaint against Intel, accusing it of cutting off access to its technology for three customers -- Digital Equipment Corp, Intergraph Corp and Compaq Corp. Two of the three companies are now defunct.

It has run afoul of regulators elsewhere. The European Commission has fined Intel 1.06 billion euros (\$1.4 billion) for shutting out AMD, a decision Intel is appealing. Regulators in South Korea and Japan have also taken action against Intel.

Intel, which has denied any wrongdoing, said on Wednesday the agreed-upon changes in its business practices would not have a material impact on its financial results.

"The settlement enables us to put an end to the expense and distraction of the FTC litigation." Doug Melamed, an Intel senior vice president, said in a statement.

The company is now barred from offering deals to computer makers in exchange for their promise to buy exclusively from Intel. It is also required to change its intellectual property deals with AMD, Nvidia and chip maker Via.

Officials said they halted a deceptive practice involving "compilers," a software tool to help write code so software can communicate with a computer's microprocessor. FTC Chairman Jon Leibowitz said Intel configured its compiler so software ran more slowly on processors made by AMD and others.

"Intel surreptitiously made it look as though that slow-down was AMD's fault," he said.

AMD stock held steady on Wednesday, ending 1 cent higher at \$7.52 on the New York Stock Exchange.

Wang said AMD's delayed release for its new Llano processors underscored its competitive disadvantage, regardless of the FTC

action.

"Just because you have a referee there making things equal, doesn't mean AMD is going to win this basketball game. It's extremely important they execute," Wang said.

Ed Snyder, managing director of Charter Equity Research, agreed Intel will emerge largely unscathed.

"It's not going to have any impact on their microprocessor business because they're so far ahead of their only other real competitor, which is AMD," he said. "What it would affect is some of their graphics processors and other things that they bundle with the microprocessors."

Officials at AMD and Nvidia praised the deal. AMD settled its own dispute against Intel for \$1.25 billion in November.

AMD's critical remaining concern was Intel's use of all-or-nothing discounts to deny competitors access to the marketplace. The FTC's order clearly and firmly prohibits such abuse," AMD said in a statement.

A suit is still pending between Nvidia and Intel.

"We look forward to Intel's actions being examined further by the Delaware courts later this year," Nvidia spokesman Hector Martinez said. \$1 = 0.7597 euro (Additional reporting by [Kim Dixon](#) in Washington, Editing by Edwin Chan and [Richard Chang](#))

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