

CLIENT ALERT

EU Antitrust Regulators Raid Intel's Germany Offices

February 13, 2008

Antitrust regulators for the European Union raided Intel Corp.'s Munich, Germany, offices, as well as the offices of several retailers selling Intel products. EU officers carried out unannounced inspections on Tuesday February 12, 2008 at Intel, German-based retailer Media Markt and Britain's DSG Group, owner of Dixons, Currys, PC City and PC World. The commission said it had reason to believe the companies "may have violated EC Treaty rules on restrictive business practices and/or abuse of a dominant market position."

The raids come as Intel prepares for a hearing in Brussels in March to answer allegations that it abused its dominance of the market for central processing units (CPUs), a major component in personal computers. Intel's response will contest a statement of objections that Europe's antitrust watchdog fired off against Intel in late July. The EC alleged that the company tried to elbow smaller competitor Advanced Micro Devices Inc. out of the chip industry by enticing computer hardware makers with illegal cash payments, discounts and rebates to choose its chips over AMD's products.

Regulators accused the company of violating commission rules on abuse of dominant position. The commission said that Intel, which controls 80% of the global market for CPU microchips, engaged in three types of market abuse. "First, Intel has provided substantial rebates to various original equipment manufacturers conditional on them obtaining all or the great majority of their CPU requirements from Intel," the commission said in July. "Secondly, in a number of instances, Intel made payments in order to induce an OEM to either delay or cancel the launch of a product line incorporating an AMD-based CPU. Thirdly, in the context of bids against AMD-based products for strategic customers in the server segment of the market, Intel has offered CPUs on average below cost."

Intel may face a fine of as much as 10% of its yearly revenue and a requirement to revise its business practices. The company has denied any wrongdoing and called the EC's statement of objections riddled with errors.

In the United States, New York Attorney General Andrew Cuomo launched a formal investigation in January into whether the company lured customers away from AMD. Cuomo's office revealed that the attorney general had served a "wide-ranging" subpoena on Intel, seeking documents and information about whether the company violated New York state and federal antitrust laws by "coercing customers" to exclude AMD from the worldwide market of x86 CPUs. Specifically, Cuomo's subpoena seeks information about Intel's pricing practices and any attempts to exclude competitors from the market using its dominant position.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

Chahira Solh

Partner – Orange County

Phone: +1.949.798.1367

Email: csolh@crowell.com