

**ATTORNEY GENERAL CUOMO FILES ANTITRUST
LAWSUIT AGAINST INTEL CORPORATION, THE WORLD'S
LARGEST MAKER OF MICROPROCESSORS**

***Intel Paid Billions of Dollars and Threatened Computer
Manufacturers to Prevent the Sale of Competitors' Products***

***Internal E-Mails Reveal Intel's Illegal Pressures on Computer
Makers: "Can We Afford to Accept the Wrath of Intel?"***

NEW YORK, NY (November 4, 2009) - Attorney General Andrew M. Cuomo today filed a federal antitrust lawsuit against Intel Corporation (NASDAQ: INTC), the world's largest maker of computer microprocessors. The suit charges that Intel violated state and federal anti-monopoly laws by engaging in a worldwide, systematic campaign of illegal conduct - revealed in e-mails - in order to maintain its monopoly power and prices in the market for microprocessors.

Over the last several years, Intel has extracted exclusive agreements from large computer makers in which they agreed to use Intel's microprocessors in exchange for payments totaling billions of dollars. Intel also threatened to and did in fact punish computer makers that they perceived to be working too closely with Intel's competitors. Retaliatory threats included cutting off payments the computer maker was receiving from Intel, directly funding a computer maker's competitors, and ending joint development ventures.

"Rather than compete fairly, Intel used bribery and coercion to maintain a stranglehold on the market," said Attorney General Cuomo. "Intel's actions not only unfairly restricted potential competitors, but also hurt average consumers who were robbed of better products and lower prices. These illegal tactics must stop and competition must be restored to this vital marketplace."

To obtain exclusive agreements, Intel paid hundreds of millions of dollars annually - and in some years billions of dollars - in so-called "rebates" to individual computer makers. These rebates were actually just payoffs with no legitimate business purpose that Intel invented to disguise their anticompetitive nature. Intel also attempted to erase the most obvious traces of its anticompetitive scheme by eliminating crucial but flagrantly objectionable provisions from written agreements or by camouflaging language about illegal guaranteed market shares with terms like "volume targets."

The payments for exclusivity that Intel provided could make the difference between profit and loss for a computer maker or a segment of its business. Sometimes, the payments from Intel exceeded a company's reported quarterly net income.

Intel's illegal behavior was highly detrimental to individual consumers and to the entire marketplace for computers. Intel repeatedly pressured computer

makers to guarantee it specified market shares of their sales, which prevented computer makers from responding to consumer demand. With actual competition, consumers would have enjoyed more choices, lower prices, and better products. Furthermore, Intel's illegal acts harmed innovation in a market that is critical to productivity growth throughout the economy.

The suit, which was filed today in federal court, seeks to bar further anticompetitive acts by Intel, restore lost competition, recover monetary damages suffered by New York governmental entities and consumers, and collect penalties.

INTEL BRIBED AND COERCED THE NATION'S LARGEST COMPUTER MAKERS

Intel's x86 microprocessors - the "brains" of most personal computers - are not generally sold directly to businesses or consumers, but are instead sold as components to computer makers. Intel's illegal actions involving three of the largest computer manufacturers in the United States - Dell (NYSE: DELL), Hewlett-Packard ("HP") (NYSE: HPQ), and IBM (NYSE: IBM) - included the following:

Dell

- In 2006, Intel paid Dell almost \$2 billion in "rebates," and in two quarters of that year, rebate payments exceeded Dell's reported net income
- From 2001 to 2006, Intel granted Dell a privileged position vis-à-vis other computer makers in return for Dell's agreement not to market any products from Advanced Micro Devices ("AMD") (NYSE: AMD), Intel's major competitor
- Intel and Dell collaborated to market microprocessors and servers at prices below cost in order to deprive AMD of strategically important competitive successes

HP

- Intel threatened HP that it would derail development of a server technology on which HP's future business depended if HP promoted products from AMD
- Intel paid HP hundreds of millions of dollars in rebates in return for HP's agreement to cap HP's sales of AMD-based products at 5% of its business desktop PCs
- In 2006, Intel and HP entered into a broader, company-wide agreement to pay HP \$925 million to increase Intel's shares of HP's sales at AMD's expense

IBM

- Intel paid IBM \$130 million not to launch an AMD-based server product
- Intel threatened to pull funding for joint projects that benefited IBM if IBM marketed AMD-based server products
- Intel pressured IBM to launch another AMD-based server only on an "unbranded" basis

INTERNAL DOCUMENTS AND E-MAILS REVEAL INTEL'S ILLEGAL ACTIVITIES

The lawsuit includes e-mail correspondence demonstrating Intel's illegal activities. Examples include:

- Internal e-mail from IBM executive in January 2005: "I understand the point about the accounts wanting a full AMD portfolio. The question is, can we afford to accept the wrath of Intel...?"
- Internal e-mail from HP executive in June 2004 after HP defied Intel and launched an AMD product: "Intel has told us that HP's announcement on Opteron [AMD's server chip] has cost them several \$B [Billions] and they plan to 'punish' HP for doing this."
- Internal e-mail from HP executive in September 2004 regarding the consequences of marketing products from an Intel competitor: "If you do and we get caught (and we will) the Intel moneys (each month is gone (they would terminate the deal). The risk is too high. Without the money we do not make it financially."
- Internal Dell document from February 2003 in which it was assumed that "aggressive" purchases by Dell from Intel's competitors could result in: "[r]etaliatory [rebate] reductions [by Intel that] could be severe and prolonged with impact to all LOBs [lines of business]."
- Internal Dell e-mail in February 2004 regarding the possibility of Dell ending its exclusive relationship with Intel: "PSO/CRB [Intel CEO Paul Ottelini and Intel Chairman Craig Barrett] are prepared for jihad if Dell joins the AMD exodus. We [will] get ZERO [rebates] for at least one quarter while Intel 'investigates the details' - there's no legal/moral/threatening means for us to apply and avoid this."
- Internal e-mail from an Intel negotiator in September 2006 attempting to make sure that the company's internal e-mails did not reveal Intel's antitrust violations: "Could you just take the mss [market share] references off and just leave everything at volume targets. Our counsel is very picky on that stuff and I don't want to infer we had conversations about anything other than volume targets or relative volume targets . . . thx"
- Internal e-mail from Intel executive in April 2006: "Let's talk more on the phone as it's so difficult for me to write or explain without considering anti-trust issue."
- Internal e-mail from Dell CEO Michael Dell to Intel CEO Paul Ottelini in November 2005: "We have lost the performance leadership and it's seriously impacting our business in several areas." Otellini replied: "There is nothing new here. Our product roadmap is what it is. It is improving rapidly daily. It will deliver increasingly leadership products... Additionally, we are transferring over \$1B [Billion] per year to Dell for meet comp efforts. This was judged by your team to be more than sufficient to compensate for the competitive issues."

Today's lawsuit is the result of an investigation commenced by Attorney General Cuomo in January 2008. Over the course of the investigation, the Attorney General's office has reviewed millions of pages of documents and e-mails and took testimony from several dozen witnesses.

The investigation was conducted by Assistant Attorneys General Richard L. Schwartz, Jeremy R. Kasha, James Yoon, and Saami Zain, as well as Director of Economics Kitty Kay Chan, under the supervision of Deputy Attorney General for Economic Justice Michael Berlin.

Attachment:

[Intel Complaint](#)

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