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Attorney General Cuccinelli announces \$173 million settlement with chip manufacturers accused of price-fixing

RICHMOND (June 24, 2010) -- Attorney General Ken Cuccinelli today announced a \$173 million settlement with six international manufacturers of computer chips, settling claims that the companies engaged in a price-fixing arrangement that cost government purchasers and consumers millions of dollars in overcharges for their chips.

Dynamic Random Access Memory (DRAM) is a common form of memory chip found in desktop computers, laptops, servers, cell phones, printers, and networking equipment. DRAM sales to major U.S. electronic manufacturers, including Dell, IBM, and Hewlett-Packard, exceed \$5 billion a year.

"Price-fixing strikes at the heart of a free market economy and injures the interests of consumers, business, and government agencies," Cuccinelli said. "Our settlement sends an international signal that we will not tolerate this behavior and ensures that those who were overcharged will be compensated."

An investigation by several states revealed that from 1998-2002, the DRAM manufacturers held numerous meetings among their salespeople and upper management in which they exchanged confidential price information and agreed to quote inflated DRAM prices to their customers. They also agreed to exchange sales data in order to monitor and enforce their price-fixing. During that time period, the companies sold at least \$20 billion in DRAM chips in the United States.

The result of this collusion was to keep DRAM prices artificially high instead of letting market forces operate freely through competition.

Cuccinelli and 32 other state attorneys general participated in investigation and the settlement. In July 2006, the multi-state group filed a complaint in federal court in the Northern District of California alleging that consumers, state agencies, state universities and colleges, and local governments overpaid for products containing DRAM chips at inflated prices because of the price-fixing agreement.

The defendants agreed to the settlement with the states, as well as with private plaintiffs, and will pay \$173 million over two years, plus interest. The settlement requires the companies to refrain from illegal price-fixing and to conduct employee compliance training.

The DRAM manufacturers named in the lawsuit include the American companies Micron Technology, Inc. and NEC Electronics America, Inc.; as well as foreign companies Infineon Technologies A.G. in Germany; Hynix Semiconductor, Inc. in South Korea; Elpida Memory Inc. in Japan; Mosel-Vitellic Corp. in Taiwan; and their American subsidiaries. The states have previously settled with Samsung Semiconductor, Inc. of South Korea in 2006 for \$10 million and with Winbond Electronics Corp., a small Taiwanese company, in 2007 for \$2 million. The states have not yet reached an agreement with Nanya Technology Corp., another Taiwanese company.

The settlement is subject to court approval and the money paid will be allocated among all consumers, including government purchasers.

As a result of a federal investigation, four companies -- Samsung, Hynix, Infineon, and Elpida -- and 12 individuals have pleaded guilty to criminal price-fixing.

Besides Virginia, the other states participating in the settlement are: Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Illinois, Iowa, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Mexico, New

York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Washington, West Virginia, and Wisconsin.

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