

SUMMARY

INTEL ANSWER TO AMD COMPLAINT

In June, AMD filed a complaint aimed at undermining the leadership Intel has earned in the worldwide semiconductor market – a renewal of AMD’s previous failed attempts to build its business by using the legal system to shield it from price competition.

- Intel has not violated any law or committed any wrongdoing.
- AMD’s complaint presents a case study in contradiction. Under the cover of competition law, AMD seeks to shield itself from competition, hoping to impede Intel’s ability to lower its prices and allow AMD to charge higher prices.

AMD’s claims against Intel are factually incorrect and contradictory.

- AMD claims that Intel should not be allowed to offer price discounts, but admits that it offers potential customers price discounts and other inducements. This rivalry reflects the essence of competition: earning more sales by cutting prices and expanding markets, while delivering more benefits to consumers.
- AMD recently claimed in a court document that Intel’s competitive actions threaten AMD with becoming “non-viable,” but its Chairman and CEO recently boasted to investors that AMD “is in the strongest position we’ve ever been in.”
- AMD claims Intel’s conduct has limited customer demand for its products, yet also admits that it is “capacity constrained,” which means it is selling all of the microprocessors it is capable of producing.
- While AMD attempts to blame its business setbacks on nefarious conduct by Intel, AMD’s setbacks are actually the result of the choices AMD has made and its track record with its own customers.

Intel invented the microprocessor 30 years ago, and has a long track record of consistently delivering “more for less” to consumers and businesses.

- The benefits Intel has brought to consumers are unquestionable: faster, better, and cheaper microprocessors and related components have put powerful personal computers within reach of virtually every household.
- Thanks to Intel’s record of innovation, a \$300, entry-level PC today delivers the performance of a cutting-edge mainframe that cost as much as 100 times more a decade ago.
- Intel processors are used in 333 of the world’s top 500 supercomputers, while only 25 of those systems use AMD microprocessors.

Intel’s success is the result of extensive investment, technological innovation, production breakthroughs and a willingness to take major risks.

- Since Intel invented the microprocessor in 1971, prices for microprocessors have declined and the capabilities have increased as in no other industry. Consumer benefit from Intel’s multi-billion dollar investments in manufacturing capacity, technology and research and development. Intel has also engaged in hundreds of initiatives to increase the capabilities of computers, all to the benefit of consumers.

- Intel's success is also a result of its consistent performance over many years in providing its customers with a combination of reliable supply and competitive products and cost.
- Intel came under criticism for continuing its multibillion dollar investment program during an industry downturn, but one analyst has commented, "rather than pulling back, [Intel] invested more, and that is bearing fruit."
- Intel can boast an unbroken string of breakthroughs ranging from 1970 to this year, including the first DRAM chips to the first microprocessor to the first high-volume general-purpose 32-bit processor to the first microprocessor for portable PCs to the first dual-core microprocessors for client systems.
- Intel continues to lead in innovation. Its successful introduction of the Pentium M processor and its Centrino Mobile Technology initiative popularized wireless networking and left AMD flat-footed.

In contrast, while AMD ascribes its business setbacks to alleged wrongdoing by Intel, AMD's position in the marketplace reflects its uneven track record and its repeated failure to deliver on its promises.

- The evidence will show that failures and setbacks for which AMD today seeks to blame Intel are actually a direct result of AMD's own action or inaction.
- AMD played it safe and was content with anemic investment in manufacturing capacity, leaving Intel to shoulder the burden of investment to enhance the usefulness of computers and expand the market.
- The company entered into a failed partnership with UMC through which AMD never sold a single microprocessor. A design based strategy also failed, and AMD's highest-volume factory is producing less than one-half of the chip volume promised in 2002.
- AMD is dogged by its reputation for unreliability as a supplier. The company has a history manufacturing snafus that led it to cut off microprocessor supplies to many customers, making it difficult to regain share and crippling earnings.
- A leading business publication recently reported that AMD still suffers from a "nagging doubt on the part of potential new customers about its ability to reliably deliver its chips."
- AMD has also lagged in innovation. Commentators just a few years ago described AMD and its products as "running out of gas" and "long in the tooth" and emphasized that "AMD desperately needs to get new competitive products out the door" to remain competitive with Intel.
- Its Athlon64 was delayed well beyond its launch date, and AMD fell behind in the fast growing mobile computer market segment, taking two years to respond to Intel's products with a competitive offering. As a leading industry analyst recently observed, AMD "is probably limited not so much by Intel but by manufacturing."
- When AMD is able to combine competitive products with reliable supply, the market responds. With its recent Opteron processors, AMD has seen share gains in the profitable server market segment, precisely what one would expect in a truly competitive industry.

AMD's complaint is full of fanciful claims of alleged Intel misconduct, many of which have already publicly denied by some of the third parties cited, including Acers and Dixon's.

- Many of the customers alleged to have been pressured by Intel not to use AMD are actually major suppliers or distributors of AMD product.
- PC makers choose Intel based on price, performance, quality, reliability and durability of its future product offerings.
- Intel's discounts to PC makers and support for distributors and retailers reflect the essence of competition – and AMD describes similar inducements in its own complaint.

AMD rehashes charges that long ago have been refuted or settled – often to its detriment – as a basis for its new complaint.

- AMD has extracted out-of-context snippets from a lengthy, long-ago arbitration decision to create the impression that Intel engaged in misconduct.
- Many of AMD's charges were actually the subject of a 1995 agreement which settled all disputes between the parties to that point. Under that agreement, AMD paid substantial sum in damages to Intel for improper use of intellectual property.
- In the 1995 settlement, AMD dismissed with prejudice all of the antitrust claims that it had asserted against Intel and agreed not to sue Intel for any claims based on conduct that occurred before January 6, 1995.
- AMD also mischaracterizes Intel's position with respect to a recent recommendation of the Japan Fair Trade Commission (JFTC). Intel elected not to contest that decision for purposes of that proceeding only and did not agree with the facts underlying the JFTC's allegations or the application of law in the recommendation decision, and further that it believes its business practices are fair and lawful.

In short, AMD's colorful language and fanciful claims cannot obscure its goal of shielding the company from price competition.