

Do Not Change AMD/Intel Buying Decisions Because of Lawsuit

Martin Reynolds

Advanced Micro Devices (AMD) has filed an antitrust suit against Intel, alleging anticompetitive practices. The case will bring intense media attention, but will likely not affect either company's operations.

NEWS ANALYSIS

Event

On 28 June 2005, the semiconductor manufacturer AMD filed a lawsuit in U.S. federal court alleging that its competitor Intel has engaged in anticompetitive practices. The AMD suit alleges that Intel violated U.S. antitrust law by pressuring 38 system manufacturers — including Dell, Hewlett-Packard and Sony — to use its microprocessors.

Analysis

The AMD filing, which is surprisingly readable for a legal document, seems to have been crafted not only as a legal complaint, but also as part of a media campaign. AMD has also run full-page advertisements in major newspapers outlining its position. The AMD complaint alleges that Intel is a monopoly, and cites numerous examples of Intel practices that it believes to be illegal for such a monopoly.

Intel could argue in response that its market dominance is due to innovation and aggressive capital investment, rather than to monopolistic behavior, and that if PC technology did not advance, the market would be dramatically smaller. AMD's complaint cites events involving many PC companies and their management, painting a picture of aggressive behavior across the industry. Some of the allegations, involving clear threats outside of contractual relationships — the complaint details what it describes as “old-fashioned threats, intimidation and 'knee-capping’” — seem serious enough, if true, to merit action irrespective of Intel's status as a possible monopoly. Others revolve around Intel's "Intel Inside" marketing rebates, which prohibit the use of the rebates to promote competitors' products.

This class of lawsuit typically takes years to resolve, and this one is likely no exception — though the pace could accelerate if AMD is able to interest federal or state authorities in taking up an antitrust case. The battle will begin to heat up when AMD tries to engage in the discovery process, which Intel can be expected to vigorously oppose. No company wants lawyers rummaging through its e-mail and other records.

Recommendations: Do not make any changes to system procurement plans because of AMD's lawsuit. This case will generate a great deal of media attention, but will likely not affect the IT industry in any material way, because neither AMD nor Intel will allow itself to be distracted from its operations.

Analytical Source: Martin Reynolds, Gartner Research

Recommended Reading and Related Research

- "AMD's Pacifica Marks Another Advance for Virtualization" — The release of Pacifica will help drive the critically important trend toward virtualization technology. **By Martin Reynolds**
- "Prepare Now for Apple's Switch to Intel" — Macintosh-oriented enterprises and developers should begin preparing for the migration away from PowerPC chips. **By Stephen Kleynhans and others**

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