

State of California • Department of Justice
OFFICE OF THE ATTORNEY GENERAL
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Brown Announces \$173 Million Anti-Trust Settlement with Computer Chip Makers

LOS ANGELES - Attorney General Edmund G. Brown Jr. today announced a \$173 million settlement with manufacturers of Dynamic Random Access Memory (DRAM) computer chips who "conspired in an illegal global scheme to fix prices."

DRAM is a common form of memory chip that stores information temporarily for quick access. It is found in desktop computers, laptops, servers, printers and networking equipment such as routers and hubs. DRAM sales to major electronic manufacturers, including Dell, IBM, and Hewlett-Packard, exceed \$5 billion a year in the United States and \$17 billion worldwide.

"These companies conspired in an illegal global scheme to fix prices on chips used in computer equipment sold to consumers, schools and government offices," Brown said. "The large price tag of this settlement should serve as a warning that we will crack down on any manufacturers around the world that choose to gouge consumers through illegal price-fixing schemes."

Brown and 32 other state attorneys general participated in the settlement. In July 2006, the multi-state group led by California, filed a complaint in federal district court alleging that California's consumers, state agencies, universities and local governments were forced to pay illegally inflated prices for products containing DRAM chips.

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-Vitelec Corp. in Taiwan; and their American subsidiaries.

Brown's investigation revealed that from 1998 to 2002, the salespeople and upper management of all the companies held frequent meetings, made telephone calls and initiated other contacts in which they exchanged confidential information and agreed to charge customers illegally inflated prices on DRAM chips.

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

The U.S. Justice Department called the scheme "one of the largest cartels ever discovered." As a result of a federal investigation, four companies -- Samsung, Hynix, Infineon, and Elpida - and 12 individuals have pleaded guilty to criminal price-fixing.

In October 2008, Brown filed a second lawsuit in state court in San Francisco on behalf of 96 local California government entities, including cities, counties, school districts, special districts, and the University of California, all of which had purchased computer equipment containing DRAM chips.

The settlement announced today requires the companies to refrain from illegal price-fixing and to conduct extensive employee-compliance training. The settlement must be approved by the court.

The defendants agreed to resolve both lawsuits, as well as lawsuits by private plaintiffs, by paying \$173

million over two years plus interest to the affected consumers, schools and government offices. Samsung and another company, Winbond, reached settlement for \$113 million in 2007.

"The settlement money is welcome," Brown said, "but the illegal overcharging never should have happened in the first place. Especially when times are tight, schools and government agencies can't afford to be ripped off by companies that violate our anti-trust laws to keep profits high."

The other states participating in the settlement are Arizona, Arkansas, 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, Virginia, Washington, West Virginia, and Wisconsin.

Copies of the complaints are attached.

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