

Standard Setting in the Semiconductor Industry: Trends, Benefits and Anti-Competitive Concerns

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Standard Setting

- Business Context
 - AMD makes X86 microprocessors for personal computing, business and server solutions.
 - In order to be competitive, AMD microprocessors must be compatible with numerous other components that form the personal computer or server platform.

Standard Setting

■ Trend

- The PC and server industries are moving more toward the standardization of interface specifications.
- Standardization occurs in various ways:
 - Open bodies.
 - Closed bodies.
 - *De Facto*.

Standard Setting

- There are significant benefits to standardizing interface specifications for PC and server platforms.
 - Developers
 - Easier entry by innovators.
 - Can achieve more widespread adoption.
 - Innovation can be faster.
 - Better coordination among the various players.
 - Consumers
 - Are not foreclosed from innovations due to competing, non-standard solutions.
 - Benefit from innovations earlier.

Standard Setting – Closed and *De Facto*

■ Trend

- In the PC and server industries, more and more standards are being formed by closed bodies and on a *de facto* basis.
 - There is more opportunity for anti-competitive abuse with closed standard bodies or *de facto* standards.

Standard Setting-Closed

- Anti-competitive concerns.
 - Hierarchical membership levels.
 - Unequal intellectual property licensing terms among various members.
 - Incentives to thwart a rival standard.
 - Denial of competitors' timely access to standard.

Standard Setting – *De Facto*

■ Trend

- Intel and Microsoft dominate the PC and server industries.
 - Decisions by a dominant firm to alter its technology often lead to a *de facto* standard for an entire industry.
 - Change in and of itself is not anti-competitive although change can be effectuated for anti-competitive purposes.

Standard Setting – *De Facto*

- Potential Anti-Competitive Issues.
 - Many opportunities for abuse of the standard by a firm with market power.
 - Potential abuse vis a vis direct competitors.
 - Potential abuse vis a vis downstream developers.

Summary

- In the PC and server industries, the trend is toward the standardization of interface specifications.
 - Standardization has significant benefits to component manufacturers and consumers.
 - Manipulation of an intellectual property-based standard in an anticompetitive way should be a regulatory concern.