

# Statement by Commissioner Vestager on Commission decision to fine Qualcomm for abuse of market dominance in LTE baseband chipsets

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Today, the Commission has decided to fine Qualcomm 997 million euros for behaviour that is illegal under EU antitrust rules.

Qualcomm has abused its market dominance for a type of chipsets, namely baseband chipsets that comply with the Long-Term Evolution standard – in short “LTE”, or you may know it better as 4G. LTE baseband chipsets are vital components in smartphones and tablets. What they do is enable our phones and tablets to transmit voice and data when we call our friends, share pictures with them or read online news.

For quite some time, Qualcomm has been the world’s largest maker of LTE baseband chipsets. Our decision found that Qualcomm cemented its position by illegally shutting out rivals from the market for over five years. Between 2011 and 2016, Qualcomm paid billions of US Dollars to a key customer, Apple, so that they would not buy from rivals. These payments were not just reductions in price – they were made on the condition that Apple would exclusively use Qualcomm’s baseband chipsets in all its iPhones and iPads. This meant that no one could challenge Qualcomm effectively in the market for LTE baseband chipsets.

So, to be clear, this case is about Qualcomm having taken measures to avoid competition on the merits. Its illegal behaviour denied consumers and other companies the benefits of effective competition, namely more choice and innovation – and this in a sector with a huge demand and potential for innovative technologies.

*Why Qualcomm’s behaviour is illegal*

Our investigation showed that Qualcomm has held a dominant position in the market for LTE baseband chipsets. For the majority of the period investigated, more than 90% of these chipsets sold worldwide were produced by Qualcomm. There are significant barriers to enter this market. One reason is that these chipsets are complex products. Companies have to spend large amounts on research and development to be able to make them. They also need to support a variety of technical standards.

Just because Qualcomm has become dominant in this market is not, as such, a problem under EU antitrust rules. We congratulate companies for becoming successful due to their skill and innovation.

However, since competition is already weakened in a market dominated by just one company, such a market needs extra vigilance. That's why EU antitrust rules put special responsibilities on dominant companies. They are not allowed to abuse their strong market position to hinder competition in the market.

This means that dominant companies may not try to stop their rivals from entering a market, by blocking their access to customers. When a lot of money is at stake for the customer, this strategy can be very effective. And it becomes even more effective, if it is targeted at a large and important customer.

The outcome is that rivals are prevented from challenging dominant companies with new, more innovative products.

And this is what Qualcomm did in this case.

During the period we investigated, Intel was one of Qualcomm's main potential rivals in this market. Intel was of course the dominant company for chips used in computers. But as regards chipsets for smartphones and tablets, Intel was at the time a relatively small player. They were trying to challenge Qualcomm in the market for chipsets used in mobile devices.

And it seems they had the ability to do so: in our investigation we obtained internal documents from Apple, showing that Apple was seriously thinking about switching from Qualcomm to Intel for some of its supplies of baseband chipsets. They did so at various moments between 2011 and 2016.

This would have made a big difference to Intel. Apple is one of the largest makers of smartphones and tablets in the world.

But in the end, Apple decided not to make the change during that time.

Why? Trying out a new chipset supplier would have cost Apple a lot of money. Qualcomm paid billions of US dollars to Apple on the condition that Apple sources exclusively from Qualcomm.

Qualcomm's terms made clear that they would stop these payments, if Apple commercially launched even a single iPhone or iPad model with a chipset not supplied by Qualcomm.

Qualcomm's terms also reduced Apple's incentives to change their mind: if Apple decided to switch suppliers, they wouldn't just forego the future payments to be received from Qualcomm. They would also have had to return some of the payments already received.

So, it wasn't until late in 2016 that Apple started to source some of its input from Intel. In other words, only when the agreements with Qualcomm were about to expire, and switching no longer cost them as much money. And there is evidence that competition in the market is now on the up.

This shows that Qualcomm's payments were decisive to shut out rival chip manufacturers from the market. Qualcomm's behaviour denied rivals the chance

to compete effectively, no matter how good their products were. And that denied consumers and other companies the benefits of choice and innovation.

This is why we today fined Qualcomm 997 million euros for having abused its dominant market position. The fine reflects both the seriousness and the duration of the infringement, and is also aimed at deterring market players from engaging in such anti-competitive practices in the future.

### *Impact of Intel judgment*

The internal documents I mentioned are just part of the evidence we relied on to prove our case. Our decision sets out how consumers and competition have suffered as a result of Qualcomm's conduct based on a variety of qualitative and quantitative evidence.

Of course, I say this also because this is the Commission's first decision on an abuse of a dominant market position since the Court of Justice ruling on the Intel case last September. This judgment gave guidance on how the Commission has to prove its case and which tools it can rely on. We have carefully examined the ruling and the evidence in our case file, to make sure our decision fully complies with the guidance given by the Court.

As always, we will publish our decision for all to see, as soon as we agree with Qualcomm and third parties on any confidential business secrets that need to be removed.

### *Conclusion*

What our decision today confirms is that dominant companies operating on European markets must compete on the merits. Qualcomm chose to instead shut out competitors from the market. That is illegal under EU antitrust rules. And that's why we have taken today's decision. So that European consumers can enjoy the full benefits of competition and innovation.