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Ethical Reflection 1

Intel to pay AMD $1.25 billion

As reported by The Associated Press in November of 2009, Intel was ordered to pay $1.25 billion to settle an outstanding lawsuit with AMD. The details of the lawsuit expanded upon the perception that Intel continually engaged in activities aimed at capping AMD’s market share at 20 percent. Specifically, AMD claims that Intel either threatened or provided financial incentives to PC makers in order to persuade them to avoid using AMD chips. Among the companies who were willing to provide information about their relationship with Intel, “Toshiba compared Intel’s incentives to ‘cocaine’” (Associated Press). Gateway was among the other companies who provided information about their working relationship with Intel and their executives stated “Intel’s threats of retaliation for working with AMD beat the executives ‘into guacamole’” (Associated Press). In response to the lawsuit, Intel suggested that they simply offered financial incentives in the form of rebates for large customers as a way for the producers to provide PCs at a lower cost to the consumers. Along with a payment of $1.25 billion, Intel also agreed to “abide by a set of business practice provisions” which would include eliminating financial incentives for companies that limit the use of AMD chips. As of 2009 there were still outstanding lawsuits against Intel in Europe and Korea that contain similar accusations (Associated Press).

In general, most people would probably argue that Intel acted unethically by engaging in controversial business practices which negatively impacted the success of a competing company, however depending on the ethical standards considered this may not be the case. Act utilitarianism is based on the idea of maximizing utility or general happiness. According to act utilitarianism, no matter what the action is, if the total benefits of a single action outweigh the total damages then the act is moral. Using act utilitarianism and utilitarian calculus, it is possible that from Intel’s perspective the total benefits of their business practices outweighed any harm that they inflicting upon AMD and therefore their actions were ethical. Even though act utilitarianism is a valid method for evaluating the ethical results of this case, it is probably more appropriate to evaluate the case using a basis in rule utilitarianism. Under rule utilitarianism, it is more important to consider what the net effect on utility would be if everyone were to adopt the same set of practices in order to determine ethicality. In this case, if every firm decided to try and threaten or incentivize their market base, large companies might have some success and gain effective monopolies over a given market which would be good for the company, but the net effect on utility would be negative. Overall, using a basis in rule utilitarianism it is reasonable to draw the conclusion that Intel acted unethically with regards to this case.

Works Cited

Associated Press. *Intel to pay AMD $1.25 billion to settle lawsuits*. 12 November 2009. 19 February 2013. <http://www.nbcnews.com/id/33882559/#.USZ3QKXbO6M>.