



FEDERAL TRADE COMMISSION PROTECTING AMERICA'S CONSUMERS

FTC Charges Qualcomm With Monopolizing Key Semiconductor Device Used in Cell Phones

Company's sales and licensing practices hamper Qualcomm's competitors and threaten innovation in mobile communications, according to FTC

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FOR RELEASE

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The Federal Trade Commission filed a [complaint in federal district court charging Qualcomm Inc. with using anticompetitive tactics](#) to maintain its monopoly in the supply of a key semiconductor device used in cell phones and other consumer products.

Qualcomm is the world's dominant supplier of baseband processors – devices that manage cellular communications in mobile products. The FTC alleges that Qualcomm has used its dominant position as a supplier of certain baseband processors to impose onerous and anticompetitive supply and licensing terms on cell phone manufacturers and to weaken competitors.

Qualcomm also holds patents that it has declared essential to industry standards that enable cellular connectivity. These standards were adopted by standard-setting organizations for the telecommunications industry, which include Qualcomm and many of its competitors. In exchange for having their patented technologies included in the standards, participants typically commit to license their patents on what are known as fair, reasonable, and non-discriminatory, or "FRAND," terms.

When a patent holder that has made a FRAND commitment negotiates a license, ordinarily it is constrained by the fact that if the parties are unable to reach agreement, the patent holder may have to establish reasonable royalties in court.

According to the complaint, by threatening to disrupt cell phone manufacturers' supply of baseband processors, Qualcomm obtains elevated royalties and other license terms for its standard-essential patents that manufacturers would otherwise reject. These royalties amount to a tax on the manufacturers' use of baseband processors manufactured by Qualcomm's competitors, a tax that excludes these competitors and harms competition. Increased costs imposed by this tax are passed on to consumers, the complaint alleges.

By excluding competitors, Qualcomm impedes innovation that would offer significant consumer benefits, including those that foster the increased interconnectivity of consumer products, vehicles, buildings, and other items commonly referred to as the Internet of Things.

The FTC has charged Qualcomm with violating the FTC Act. The complaint alleges that Qualcomm:

- **Maintains a "no license, no chips" policy under which it will supply its baseband processors only on the condition that cell phone manufacturers agree to Qualcomm's preferred license terms.** The FTC alleges that this tactic forces cell phone manufacturers to pay elevated royalties to Qualcomm on products that use a competitor's baseband processors. According to the Commission's complaint, this is an anticompetitive tax on the use of rivals' processors. "No license, no chips" is a condition that other suppliers of semiconductor devices do not impose. The risk of losing access to Qualcomm baseband processors is too great for a cell phone manufacturer to bear because it would preclude the manufacturer from selling phones for use on important cellular networks.
- **Refuses to license standard-essential patents to competitors.** Despite its commitment to license standard-essential patents on FRAND terms, Qualcomm has consistently refused to license those patents to competing suppliers of baseband processors.
- **Extracted exclusivity from Apple in exchange for reduced patent royalties.** Qualcomm precluded Apple from sourcing baseband processors from Qualcomm's competitors from 2011 to 2016. Qualcomm recognized that any competitor that won Apple's business would become stronger, and used exclusivity to prevent Apple from working with and improving the effectiveness of Qualcomm's competitors.

The FTC is seeking a court order to undo and prevent Qualcomm's unfair methods of competition in violation of the FTC Act. The FTC has asked the court to order Qualcomm to cease its anticompetitive conduct and take actions to restore competitive conditions.

The Commission vote to file the complaint was 2-1. [Commissioner Maureen K. Ohlhausen dissented and issued a statement](#). Both a public and sealed version of the complaint were filed in the U.S. District Court for the Northern District of California on January 17, 2017.

NOTE: The Commission files a complaint when it has "reason to believe" that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The case will be decided by the court.

The Federal Trade Commission works to [promote competition](#), and protect and educate consumers. You can learn more about [how competition benefits consumers](#) or [file an antitrust complaint](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), read our [blogs](#) and [subscribe to press releases](#) for the latest FTC news and resources.

PRESS RELEASE REFERENCE:

[Statement by Federal Trade Commission Bureau of Competition Director Bruce Hoffman on District Court Ruling in Agency's Monopolization Case against Qualcomm](#)

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