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Sony targeted in widening Justice Department memory-chip probe

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Associated Press

SAN JOSE, Calif. - An obscure corner of the semiconductor industry became an international battleground Tuesday as Sony Corp. became the fifth company ensnared in a U.S. Department of Justice antitrust probe into the sales of a particular type of memory chip.

The same day, European Union regulators said they raided several unnamed semiconductor companies in Germany on Oct. 11 as part of a probe into possible price fixing for the same type of chip.

Both investigations center on the sale of static random access memory, or SRAM, a kind of computer memory found in relatively small quantities in PCs and used in disk drives, communications equipment and networking gear.

SRAM memory is faster and more reliable than dynamic random access memory, or DRAM, the most common type used in personal computers.

But it also can be more expensive for high-end corporate uses, and SRAM sales are shrinking as customers gravitate toward chips with integrated memory to save space and cut costs, said Mark DeVoss, a senior analyst with market researcher iSuppli Corp.

Worldwide SRAM sales totaled \$2.8 billion in 2005, compared with DRAM sales the same year of about \$24.8 billion, according to iSuppli.

DeVoss said he was puzzled by the widening probe, saying any pricing shenanigans would likely have little impact on consumers because of the small market size and relatively low selling prices for most types of SRAM, he said.

"Unless there's something really, really, really wrong, I think this is a tempest in a teapot," he said. "I don't think consumers are being affected that much, simply because the business is too small."

European regulators were explicit that the companies targeted in the cartel raid were suspected of breaking price-fixing laws.

However, the European Commission never names the companies suspected of operating a cartel and said that the surprise inspections were a preliminary step in its probe.

Under EU law, businesses found guilty of taking part in a cartel can be fined up to 10 percent of their annual revenue.

In Washington, Justice Department officials declined to discuss details of the probe. Spokeswoman Gina Talamona would only say that antitrust prosecutors are "investigating the possibility of anticompetitive practices in the SRAM industry."

Sony said Tuesday it had received a subpoena from the Justice Department's antitrust division seeking information on its SRAM business, but it did not disclose details of the probe. The company said it would cooperate with investigators.

The company said it sold \$27.7 million worth of SRAM in 2005. Outside companies make the product for Sony, which in turn sells the memory chips to other electronics makers.

Sony shares fell 57 cents, or 1.37 percent, to close at \$40.98 Tuesday on the New York Stock Exchange.

Earlier this month, four other companies said they had been contacted by the Justice Department as part of the industrywide probe - San Jose-based Cypress Semiconductor Corp., and the U.S. units of Mitsubishi Electric Corp., Samsung Electronics Co. and Toshiba Corp.

The SRAM investigation comes amid a Justice Department probe of price-fixing among DRAM companies.

That probe has so far resulted in more than a dozen charges against individuals and more than \$731 million in fines against Samsung Electronics Co., Elpida Memory Inc., Infineon Technologies AG and Hynix Semiconductor Inc.

But unlike the DRAM probe, which examined practices with a direct impact on the bottom line for consumers, the SRAM probe may have been prompted by corporations concerned they were overcharged for the fastest memory used in high-end networking equipment, said Adrienne Downey, senior analyst with Semico Research Corp.

Downey said she expects more companies to get pulled into the investigation, but questioned whether the manpower employed in the investigation was warranted considering the small SRAM market size.

"They're really making a mountain out of a molehill," she said. "They're really looking for something that might not be a really big issue. If the price fixing is the real thing, they're doing it more for the spirit or the thought behind it."