



Department of Justice

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AT
(202) 514-2007
TTY (866) 544-5309

HITACHI-LG DATA STORAGE INC. AGREES TO PLEAD GUILTY TO PARTICIPATING IN BID-RIGGING AND PRICE-FIXING CONSPIRACIES INVOLVING OPTICAL DISK DRIVES

Company Agrees to Pay \$21.1 Million Criminal Fine

WASHINGTON – Hitachi-LG Data Storage Inc. has agreed to plead guilty and to pay a \$21.1 million criminal fine for its participation in a series of conspiracies to rig bids and fix prices for the sale of optical disk drives, the Department of Justice announced today. This is the department's first charge resulting from its ongoing investigation into the optical disk drive industry.

A 15-count felony charge was filed today in U.S. District Court in San Francisco against Hitachi-LG Data Storage, a joint venture between Hitachi Ltd., a Japanese corporation, and LG Electronics Inc., a Republic of Korea corporation. Of the 14 counts, seven charge Hitachi-LG Data Storage with conspiring with others to suppress and eliminate competition by rigging bids on optical disk drives sold to Dell Inc.; six counts charge Hitachi-LG Data Storage with rigging bids on optical disk drives sold to Hewlett-Packard Company (HP); and one count charges Hitachi-LG Data Storage with conspiring with others to fix the prices of optical disk drives sold to Microsoft Corporation. The final count charges Hitachi-LG Data Storage for its participation in a scheme to defraud HP in an April 2009 optical disk drive procurement event.

"The bid-rigging and price-fixing conspiracies involving optical disk drives undermined competition and innovation in the high tech industry," said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "The Antitrust Division is committed to prosecuting those who harm competition in the optical disk drive industry."

Under the plea agreement, which is subject to court approval, Hitachi-LG Data Storage has agreed to assist the department in its ongoing investigation into the optical disk drive industry.

Optical disk drives are devices such as CD-ROM, CD-RW (ReWritable), DVD-ROM and DVD-RW (ReWritable) that use laser light or electromagnetic waves to read and/or write data and are often incorporated into personal computers and gaming consoles.

According to the court document, Dell hosted optical disk drive procurement events in which bidders would be awarded varying amounts of optical disk drive supply depending on where their pricing ranked. From approximately June 2004 to approximately September 2009, Hitachi-LG Data Storage and co-conspirators participated in a series of conspiracies involving meetings and conversations to discuss bidding strategies and the prices of optical disk drives. As part of the conspiracies, Hitachi-LG Data Storage and co-conspirators bid on optical disk drives at collusive and noncompetitive prices and exchanged information on sales, market share and the pricing of optical disk drives to monitor and enforce adherence to the agreements.

The department said that from approximately June 2007 to approximately March 2008, Hitachi-LG Data Storage and co-conspirators participated in meetings and conversations in Taiwan and the Republic of Korea to discuss and fix the prices of optical disk drives sold to Microsoft. As part of the conspiracy, Hitachi-LG Data Storage and co-conspirators issued price quotations in accordance with the agreements reached and exchanged information on the sales of optical disk drives to monitor and enforce adherence to the agreed-upon prices.

According to the court document, HP also hosted optical disk drive procurement events in which participants would be awarded varying amounts of optical disk drive supply depending on where their pricing ranked. The department said that from approximately November 2005 to approximately March 2009, Hitachi-LG Data Storage and co-conspirators participated in a series of conspiracies involving meetings and discussions to predetermine pricing and rank order, and submitted collusive and noncompetitive bids for the procurement event.

Hitachi-LG Data Storage is also charged with one count of wire fraud for devising a scheme to subvert HP's competitive bidding process for an April 2009 procurement event. According to the charge, Hitachi-LG Data Storage executed the scheme through interstate communications, including an email sent by one of its employees to co-conspirators in San Jose, Calif., and the Republic of Korea, that contained first round bidding results and non-public, competitively sensitive information relating to the April 2009 event.

Hitachi-LG Data Storage is charged with multiple violations of the Sherman Act and one violation of the wire fraud statute. Sherman Act violations carry a maximum penalty of a \$100 million criminal fine. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims, if either of those amounts is greater than the statutory maximum fine. The wire fraud violation carries a maximum penalty of the greatest of a \$500,000 fine, twice the gain a person derived from the offense or twice the loss suffered by the victims.

The ongoing joint investigation is being conducted by the Antitrust Division's San Francisco Office and the FBI in San Francisco and Houston. Anyone with information concerning illegal or anticompetitive conduct in the optical disk drive industry is urged to call the Antitrust Division's San Francisco Field Office at 415-436-6660 or visit www.justice.gov/atr/contact/newcase.htm.

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