

Quanta Fixed Prices On HP's Disk Drives, Jury Hears

By Michelle Casady

Law360, Houston (October 16, 2019, 8:28 PM EDT) -- An employee for a company that makes optical disk drives used the subject line "price fixing" when emailing other manufacturers to hammer out the details of what to bid for a job with Hewlett-Packard Co., federal jurors in Houston heard on Wednesday.

Testimony began Tuesday afternoon in a trial over HP's claims that Quanta Storage Inc. and Quanta Storage America Inc. conspired with other companies to keep prices high, making HP the victim of an industrywide conspiracy to artificially inflate the cost of optical disk drives. HP reached **a series of settlements** in 2017 with other suppliers, including Samsung and Toshiba, but has taken Quanta to trial.

HP's director of procurement strategy and operations, Russell Hudson, testified Wednesday about emails sent between Quanta employees and employees of other optical disk drive supply companies — including one sent to Philips & Lite-On Digital Solutions Corp. with the subject line "price fixing" — that discuss their alleged strategies for keeping prices high and thwarting what should have been a legitimate online bidding process for the contract.

In another email, the parties discussed meeting at a Starbucks that was far enough away from HP's Houston campus to avoid detection. Hudson said he was "surprised" to discover the activities of the business partners whom he had worked with closely.

"I also felt kind of betrayed in a way, by the actions they took that created a harm against us," he said.

Hudson said it was also a surprise when some of those former suppliers were caught up in a U.S. Department of Justice investigation into the price-fixing scheme, which ended in some entering plea agreements and **copping to the charges**. He testified that at the time, he and other HP leaders had "assumed everyone was playing by the rules, and the outcome" of the online bidding process for contracts "was legitimate."

HP originally brought suit in 2013 against a number of major companies, but in 2017 entered confidential settlements with Toshiba Corp., Hitachi-LG Data Storage Inc., Panasonic Corp., Sony Optiarc Inc., NEC Corp., and Samsung Electronics Co. Ltd., leaving only Quanta.

HP has alleged Quanta participated in the scheme to set the price of optical disk drives, a key component for reading and writing data on CDs, DVDs and Blu-ray Discs that are used in computers, video game consoles and other devices.

HP has said in court filings it brought the action "to recover for injury to its business and property arising from billions of dollars of purchases of optical disk drives at artificially inflated prices over several years," from at least as early as April 2003 through at least January 2010.

Quanta has denied the allegations, and additionally has argued HP doesn't have standing to bring the suit and has failed to state a claim for relief.

The scheme was allegedly carried out by rigging bids for optical disk drives in procurement events that HP conducted and also through the exchange of confidential information — including pricing,

sales, production and bidding strategies — between the companies in order to set agreements and coordinate prices.

U.S. District Judge David Hittner is presiding over the trial that began Tuesday and is expected to last five days.

Hewlett-Packard Co. is represented by Alex B. Roberts, Alistair B. Dawson and Garrett S. Brawley of Beck Redden LLP.

Quanta Storage Inc is represented by David A. Carman and Zachary Levine of Wolk & Levine LLP.

The case is Hewlett-Packard Company v. Quanta Storage Inc and Quanta Storage America Inc., case number 4:18-cv-00762, in the U.S. District Court for the Southern District of Texas, Houston Division.

--Additional reporting by Bonnie Eslinger. Editing by Kelly Duncan.