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PRESS RELEASE

The Three LCD Panel Giants Were Fined 585 Million U.S. Dollars Due To Price Fixing

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The three giants were fined 585 million U.S. dollars and the global panel manufacturers may face a collective action.

The U.S. court ruled that some international LCD panel giants had participated in a conspiracy to fix the prices of LCD panels

Reporter of National Business Daily Xie Xiaoping from Beijing

Recently, a verdict of the San Francisco court drove LG, Sharp, Samsung and other LCD panel giants to the last ditch. In accordance with the court files, the judge held that these LCD panel giants were engaged in the conspiracy to fix the prices and thus led to the downstream enterprises and consumers overpaid the LCD panels.

Meanwhile, the court also held that this was a class action, so the clients and customers who directly purchased LCD panels or indirectly bought LCD TVs, monitors and other products from 1999 to 2006 can file a lawsuit against these LCD panel manufacturers for compensation.

With respect to the above matters, it is exclusively learnt by National Business Daily yesterday (May 4) that Beijing Lehman Law Firm has contacted U.S. Hausfeld Law Firm and are being calling the concerned Chinese enterprises to participate in this transnational litigation against the above LCD panel manufacturers.

Yesterday, the reporter contacted with the relevant enterprises, and TCL, Lenovo, Aigo, Hisense and other enterprises have expressed: “We have not received any relevant information”. Rainbow Television said that it was studying the case and Skyworth expressed that it needed further observation.

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Some insider pointed out that this was only a start and in the future the global LCD panel manufacturers could face a massive class action.

The three companies were fined the large sums of money for fixing the prices of LCD panels.

It is learnt by National Business Daily that this investigation began from December 2006 when U.S. Department of Justice, EU Trade Commission, Japan Fair Trade Commission and South Korea Fair Trade Commission successively launched the antitrust investigations on Samsung, LG, Sharp, NEC, and four Chinese Taiwan panel manufacturers for their suspected involvement in the conspiracy of fixing the prices of LCD panels.

In an investigation in which the U.S. Department of Justice got involved, LG, Sharp and Chunghwa Picture Tubes admitted that they fixed the prices through conspiracy. During the period from 2001 to 2006, LG and Chunghwa Picture Tubes jointly drove up the prices of the LCD panels sold to many enterprises; Sharp and other LCD panel manufacturers drove up the prices of the LCD panels sold to Dell, Motorola and Apple. The judicial department held that the three companies exchanged information and conspired to fix the prices of LCD panels.

The U.S. court ruled LG, Sharp and Chunghwa Picture Tubes to pay the huge criminal fines up to 585 million U.S. dollars during the period from 2008 to 2009, which also became the third largest monopoly fine in American history, next to the 752 million U.S. dollars on vitamin manufacturers in 2001 and the 729 million U. S. dollars on DRAM manufacturers in 2005.

It is learnt that Sharp needs to pay a fine of 120 million U.S. dollars, depending on the three affected vendors- Dell, Motorola and Apple. Among them, Dell purchased the involved components used for computer monitor and laptop screen during the period from April 2001 to December 2006; Motorola purchased the involved components used for Razr phone during the period from the fall of 2005 to June 2006; Apple purchased the involved components used for iPod music player during the period from September 2005 to December 2006.

Are these the unspoken rules of the industry?

It is released by in insider that, since 2001, there are only 10 companies mastering the core technologies of LCD panel, including 2 South Korea companies, 3 Japanese companies and 5 Chinese Taiwan companies, and these companies jointly manipulated the prices of LCD panel. The above phenomenon

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still exists in the plasma panel industry, which are the unspoken rules of the panel industry.

The insider pointed out: “LCD panel concerns the prices of a series of products from mobile phone, MP3 to flat panel TV, which accounts for about 50%~60% of the prices of flat panel VT, LCD monitors and other products. The LCD panel industry once reached the highest point of profit in 2004 with the average profit of more than 30%. LCD manufacturers monopolized the prices, so the consumers ultimately paid the manipulated prices.”

It is released by an insider from the purchase department of a television company to National Business Daily that the Chinese relevant enterprises often face the cold-shoulder treatment of the Panel giants when purchasing the products, because these panel giants tend to give priority to the enterprises with the relatively large demands, such as Hewlett-Packard, Dell and other companies, which results in the fact that the Chinese relevant enterprises need to pay more to get the products.

In this regard, Yang Dongwen, vice president of Skyworth Group, told the National Business Daily in an interview: “Compared to the orders of Billions of dollars placed by the international giants, the Chinese flat panel TV makers only purchased hundreds of thousands of pieces in the last two years, so they often faced the unfair treatment in purchasing the products. In 2009 when the panels were in short supply, the Chinese flat TV manufacturers were refused to be sold the panels.”

Luo Qingqi, home appliance observer, believes that the LCD panel industry is having the same experiences as the iron ore industry had, that is to say, the Chinese enterprises often fight single-handedly in purchasing the products, thus leading to the enterprises lose the previous price advantages because their procurement costs are 5%~10% higher than the Japanese and Korean companies.

Luo Qingqi said: “with the major trend in the policy of home appliances going to countryside and the convergence of three networks, LCD panel becomes a rigid demand for the Chinese enterprises, which provides the place for these panel giants to control the bargaining power through the supply chain.”

Is it difficult for the Chinese enterprises to initiate a collective lawsuit?

Perhaps the ruling of the U.S. court is good news for the Chinese enterprises.

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According to National Business Daily, the panel price monopoly case at least affected millions of American consumers whose interests are damaged because their used computers, mobile phones and household appliances contain the involved components.

Hao Junbo, attorney of Lehman Law Firm responsible for this case pointed out: “ Since these enterprises were identified as having been engaged in price conspiracy by the United States and the European Union, the scope of this collective action may be further expanded; since the operation and sales of these enterprises extend all over the world, undoubtedly, the Chinese relevant enterprises would become the victims and have the right to file a claim.”

“Through joining the current litigation filed in the U.S. or the EU, these enterprises don’t have to separately file a lawsuit, which is conducive to the plaintiffs to raise funds and hold negotiations.” Hao Junbo said that he was working with the relevant foreign attorneys and preparing the related documents and translations.

However, Hao Junbo also said: “The enterprises are direct buyers, so their losses are easy to be calculated. The products bought by consumers are cooperatively manufactured by many vendors, so the consumers’ losses are small and not easy to be calculated. In addition, the participated enterprises or consumers need to provide the relevant purchase receipts or invoices.”

“We are now contacting with the relevant enterprises through multiple channels and hope to be further entrusted by them.” Hao Junbo said.

Next, it is still too early to say whether the domestic enterprises would like to initiate a collective anti-trust proceeding against these panel giants because this kind of litigation often takes time and money and the domestic anti-trust agency has no similar survey precedent. Yesterday, National Business Daily contacted with the relevant enterprises, and TCL, Lenovo, Aigo, Hisense, etc. expressed that they had not received any relevant information.

However, Lu Renbo, Deputy Secretary General of China Electronic Chamber of Commerce, said: “on the one hand, our upstream panel technologies are in the hands of these panel giants; on the other hand, BOE and other panel manufacturers still need a certain period to go into operation, which decides that the relevant enterprises still have to suffer from the temper of these panel giants.”

A source with the legal department of Rainbow television said that they had noticed the relevant

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information and been studying the case, but did not give the specific comments.

“It is rather unfamiliar for the Chinese television companies to engage in a transnational lawsuit.” Yang Dongwen pointed out, “Presently, Skyworth has no further intention and still needs further understanding and observation.

An anonymous insider of the color TV industry told National Business Daily: “the domestic enterprises do not dare to “offend” the involved panel giants due to the concentration of the panel industry for fearing this decision will affect their purchasing power over panels. Therefore, is it better to let the home appliance enterprises take the lead? ”

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm has been recognized as one of the top trademark firms in China by several intellectual property magazines and is managed by Mr. Edward Lehman, a leading expert on corporate law with 20 years of practice experience in Mainland China.

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