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# **Crisis of the Week: Qualcomm Chips Away at South Korea Probe**

By

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Photo: Reuters

**This is a weekly commentary by external experts.**

Chip maker *Qualcomm Inc.* takes crisis center stage this week after a regulator in South Korea said it would [fine the company](#) \$853 million for alleged antitrust violations related to its patent-licensing business.

*Qualcomm* denounced the decision by the Korea Fair Trade Commission, calling it “inconsistent with the facts and the law” and vowing to appeal. “For decades, *Qualcomm* has worked hand in hand with Korean companies to foster the growth of the wireless Internet,” the company [said in a statement](#). “*Qualcomm*’s technology and its business model have helped those companies grow into global leaders in the wireless industry. This decision ignores that win-win relationship.”

The experts evaluate how well the company is handling this crisis.

**Ira Kalb, assistant professor of clinical marketing, University of Southern California Marshall School of Business:** “*Qualcomm*’s general counsel, Don Rosenberg, said it plans to contest the Korea Fair Trade Commission’s (KFTC) decision to fine his company. While his arguments may have merit, the appropriate place to air legalities of those arguments is in court, not in the media. A trained media professional should be explaining *Qualcomm*’s case to the marketplace with nuances and tone that seem more of a reasoned explanation and less of an attack.

“Instead of calling the KFTC’s decision “inconsistent with the facts and the law,” *Qualcomm* could use wording such as “it appears we have not made our case clear enough to the KFTC that our licensing policies are a win-win for our customers in Korea. We plan to make it more clear in our appeal.”

In its press release, *Qualcomm* says, “This is an unprecedented and insupportable decision relating to licensing practices that have been in existence in Korea and worldwide for decades.” This leaves the KFTC little wiggle room to save face, is likely to cause the marketplace to label *Qualcomm* defensive rather than explanatory and could trigger more challenges to its business model from regulatory agencies around the world.

“To be more effective, *Qualcomm* should find a highly skilled media representative to make its case. It should take an ‘outside-in’ rather than an ‘inside-out’ approach, focusing on the benefits its business model provides to customers rather than a ‘poor us, we have been wrongly accused’ approach.

**Davia Temin, chief executive, Temin and Co.:** “*Qualcomm*’s press release response to the ruling of the Korea Fair Trade Commission threaded the needle very well. It is cogent, nuanced, well-stated and argued, and persuasive without being overly aggressive or over-wrought. The communication had a number of goals: to respond to the markets and investment community, to put Korea on public notice that it will appeal and begin to frame the elements of that appeal while trying to not antagonize the Korean government or the court, since *Qualcomm* is relying on the court’s favorable hearing of the appeal.

“*Qualcomm* is facing a severe threat to its business model worldwide with this ruling, and in answering it appears to be setting its defensive arguments for many countries to come. Given the importance of a nuanced response, *Qualcomm* could not offer up a marketing or PR-like overstatement; it needed a clear but lawyerly response, delivered by its general counsel—and that is exactly what it provided. The right person is quoted, and Don Rosenberg’s pull-out quote is effective.

“Will it win the day? Yet to tell, but the response is thoughtful, strategic and understatedly persuasive. [The company has not] answered questions from the media...but it will have to answer questions from analysts on its next earnings call, and the media will be listening in, so they will need to be consistent and additive as this story unfolds.

**Tadd Schwartz, president and chief executive, Schwartz Media Strategies:** “Qualcomm’s reaction to allegations of antitrust violations in South Korea targeted three critical audiences. By painstakingly mapping out the minutiae of its position and vowing to defend itself, Qualcomm telegraphed its legal case and put regulators on the defensive. In underscoring the small market share that South Korea represents globally, the company moved to calm the nerves of investors. And by crafting its response with esoteric language and tapping its general counsel—and not its chief executive—as lead spokesperson, Qualcomm made what appears to be a calculated decision that most consumers would tune out altogether.

“This is one of those rare instances where not connecting with consumers can be a winning strategy, regardless of whether it was intentional. As a company that occupies a sizable position in the middle of the supply chain, the Qualcomm brand has little consumer appeal. Containing the public fallout and bolstering its legal stance was the right approach, and Qualcomm should stay the course by instilling trust and confidence in its primary audiences while doing its best to keep the allegations outside of the consumer realm.”

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