



January 2002

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Recommended Citation

Rita R. Kanno and Frederick M. Gonzalez, *Controlling Patent Rights in the Industry Standard Context: Micron Technology, Inc. v. Rambus Inc.*, 18 SANTA CLARA HIGH TECH. L.J. 377 (2002).

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CONTROLLING PATENT RIGHTS IN THE INDUSTRY STANDARD CONTEXT: *MICRON TECHNOLOGY, INC. V. RAMBUS INC.*

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I. INTRODUCTION

High technology industry standards-setting organizations provide consumers with the most efficient, interoperable technology in the market.¹ The purpose of these organizations is to encourage new developments and eliminate anti-competitive markets by requiring their members to disclose their patents or pending applications to the organization and its members.² In addition, most organizations require owners of industry standard patents to license their technology to members for a reasonable fee.³ Because standards-setting organizations embody the inherent tension between antitrust laws and patent rights, many patent owners are reluctant to join, posing a problem for the future of technology development. The problem is that a decrease in membership presents a technological roadblock for these organizations that are designed to make products

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1. See Nathan Hayes, *Do Standard Setting Organizations in the High Technology Industries Violate the Antitrust Laws*, GASE & ASSOCIATES, at <http://www.gase.com/cyberlaw/nhayess.htm> (last updated Nov. 17, 1999).

2. *Id.*

3. *Id.*

that are compatible in the industry.⁴ However, by joining a standards-setting organization, patent holders relinquish their exclusive rights to their inventions by being forced into licensing their industry standard invention.⁵ Therefore, it is clear that there is an essential conflict between allowing for the lawful exploitation of intellectual property rights and the need for interoperability in the high technology community.⁶

The protection of intellectual property is extremely important to a company's exclusive right of control over its inventions. Although protecting such rights through litigation can adversely impact the financial performance of the rights holder, sometimes it is the only way to protect intellectual property.⁷ This dilemma is exemplified by the actions of Rambus Inc., a company that has expended millions of dollars in bringing and defending suits relating to its patents. Lack of success in the litigation arena would expose Rambus to loss of patent protection in high-speed memory chips, which it develops and licenses to semiconductor manufacturers.

The loss of patent protection would create uncertainty throughout the semiconductor industry, especially if chip designers and manufacturers become reluctant to expend time, money, and effort on developing new technology that could easily be labeled *industry standard*. Nevertheless, the establishment of industry standard technologies, and the responsibilities of parties that participate in the standards-setting process, implies an obligation of disclosure of technology embedding within standards adopted by international standards setting organizations. As such, lawful monopolies created by the exercise of patent rights are not permitted without a corresponding duty on the part of a patent holder to license his patented technology on reasonable and non-discriminatory terms.

Patent negotiations have been a fixture of the DRAM industry since its beginning, and DRAM companies usually end up signing cross-licensing agreements so that both companies can get on with

4. Michael J. Lawrence, *Patent Holders Beware*, HOUSE COUNSEL, Mar./Apr. 2001, available at <http://www.lw.com/pubs/articles/pdf/lawrenceReprint.pdf> (last visited Apr. 24, 2002).

5. *Id.*

6. See Melissa Landau Steinman, *Standards, Intellectual Property and Antitrust*, Oct. 17, 2000 (speech to the National Committee for Information Technology Standards Technical Committee Officers Symposium), available at <http://www.incits.org/archive/2000/it000771/steinman.pdf> (last visited Apr. 24, 2002).

7. Eric J. Sinrod, *E-Legal: Protecting Intellectual Property Crown Jewels*, LAW.COM, Oct. 30, 2001, available at <http://www.duanemorris.com/publications/pub687.html> (last visited Apr. 27, 2002).

manufacturing. Rambus, on the other hand, develops signaling technology used in DRAMs but does not make its own chips. Hence, its revenues depend entirely on the payments of DRAM makers that use its technology.⁸

The intricate balance between the need to maintain the proprietary character of certain technologies, while simultaneously encouraging standard settings that facilitate the development of interoperable systems, is at the core of the legal dilemma that has enveloped Rambus Inc.

This Case Note examines the conflict between the rights of intellectual property owners to exploit their intellectual property to advance their business objectives, and the need to regulate new technology to create industry standards. It does this by reviewing the Delaware District Court's decision in *Micron Technology, Inc. v. Rambus Inc.*⁹

II. FACTUAL AND PROCEDURAL BACKGROUND

Micron Technology, Inc. (Micron), manufactures semiconductor memory products, with its principle production in dynamic random access memory (DRAM) computer chips.¹⁰ Two of the most common types of DRAM Micron manufactures are synchronous dynamic random access memory (SDRAM), and double data rate SDRAM (DDR SDRAM).¹¹

Rambus Inc. (Rambus) designs and licenses computer memory systems to manufacturers such as Micron.¹² Rambus is the assignee of the eight patents at issue in the present action, which has not yet been fully adjudicated.¹³ In addition, Rambus owns and licenses the Rambus dynamic random access memory chip (RDRAM), a type of SDRAM chip.¹⁴ The success of the company depends largely upon the protection of its patents.

“On August 28, 2000, Micron filed suit against Rambus claiming that Rambus committed fraud by failing to disclose its patents and

8. Anthony Cataldo, *Micron Suit Charges Rambus with Antitrust Violations*, EE TIMES, Aug. 29, 2000, at <http://www.eetimes.com/story/OEG20000829S0004> (last visited Mar. 13, 2002).

9. *Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201 (D. Del. Feb. 27, 2002).

10. *Id.* at 202.

11. *Id.*

12. *Id.*

13. *Id.* The patents are U.S. Patent Nos. 5,915,105, 5,953,263, 5,954,804, 5,995,443, 6,032,214, 6,032,215, 6,034,918, and 6,038,195. *Id.*

14. *Id.*

patent applications to the Joint Electron Devices Engineering Council (JEDEC)”¹⁵ Micron’s complaint, filed in the United States District Court for the District of Delaware on August 8, 2000, asserted the following claims against Rambus: (1) monopolization and attempted monopolization under 15 U.S.C. §2; (2) deceptive sales practices in violation of Delaware state law; (3) breach of the contract between JEDEC and Rambus; (4) fraud; (5) equitable estoppel; and (6) negligent misrepresentation.¹⁶ Micron also prayed for a declaratory judgment finding the Rambus patents invalid. Micron claimed that Rambus violated antitrust laws by applying for patents relating to SDRAM without first informing JEDEC.¹⁷

JEDEC is a semiconductor industry association, which requires its members to disclose their patents and patent applications to the organization to prevent unknowing standardization of a patented technology.¹⁸ By joining JEDEC, members agree to inform all other members of the association about their own new patents, which might pertain to any technology being considered for standardization, including technologies in the SDRAM arena. The purpose of this policy is to prevent JEDEC members from acquiring legally recognized monopolies on industry standards without the corresponding responsibility to license that technology to others on reasonable and non-discriminatory terms. Even though membership with JEDEC implies an understanding that members will disclose all patents and patent applications, JEDEC rules specifically prohibit adopting standards relating to patents not disclosed by a council member.¹⁹

Micron and Rambus were both members of JEDEC before their dispute arose. Micron claimed that Rambus, while a member of JEDEC, defrauded Micron and other JEDEC members by failing to disclose its pending patent applications concerning SDRAM and DDR SDRAM. Micron asserted that this conduct allowed Rambus to seek excessive royalties from manufacturers that produced JEDEC-standard compliant chips and not Rambus’s RDRAM.²⁰ Micron

15. *Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201, 202 (D. Del. Feb. 27, 2002).

16. *Id.* at 205.

17. *Id.*

18. *Id.*

19. Michael Kanellos, *Future of Memory Market Hangs on Rambus Trials: It’s the Trial of the Century, at Least as Far as the Memory Industry is Concerned*, CNET NEWS.COM, Feb. 12, 2001, at <http://news.com.com/2102-1001-252404.html?legacy=cnet> (last visited Apr. 27, 2002).

20. *See Micron Tech., Inc.*, 189 F. Supp. 2d at 204–05.

further alleged that Rambus engaged in monopolistic activity and sought a declaratory judgment ruling the Rambus patents invalid.²¹

The Rambus conduct at the core of the dispute occurred both before and after Rambus withdrew its membership from JEDEC in June 1996. In its withdrawal letter from JEDEC, Rambus did not disclose any patents related to SDRAM or DDR SDRAM. Instead, Rambus began pursuing infringement claims against DRAM manufacturers and offering non-negotiable licenses at extremely high royalty rates.²² Manufacturers were faced with the following dilemma: they could either produce RDRAM under Rambus-owned patents not compliant with the JEDEC standard, or produce JEDEC-compliant SDRAM and DDR SDRAM under patents owned by Rambus but not disclosed to the standards-making body during the standards adoption process. In each case, the licenses carried exorbitant royalties.²³

Micron claims the reason for Rambus's outrageous behavior is that by 2005 the DDR SDRAM is predicted to comprise 69.8% of the DRAM market, while RDRAM will comprise only 0.1%, a significant change from year 2001 percentages.²⁴ To compete in the market, Rambus adopted a business strategy that had at its root the need to file infringement suits in the hope that manufacturers would balk at the idea of licensing SDRAM and DDR SDRAM patents from other companies and would instead acquire a license for RDRAMs. In doing so, Micron argues, Rambus's real business goal was to discourage DRAM makers from supporting SDRAM and double data rate SDRAM, and instead favor production of RDRAMs.²⁵

Members of JEDEC, such as Micron, were outraged with Rambus's attempt to monopolize the market through its self-serving behavior and sought the aid of adjudicative authority to resolve their disagreements. As part of its litigation strategy, Rambus brought a counterclaim for patent infringement against Micron.

In its complaint, among other things, Micron sought to dispose quickly in its favor of certain issues by pleading collateral estoppel. Micron claimed that the issues ruled upon in the case of *Rambus v.*

21. *Id.* at 205.

22. Bill Teel & Jim Rockwell, *Rambus v. Infineon – 04/06/2001*, HAGER TECH. RES., at http://www.fredhager.com/web/free_articles/rmb_s_ifx.htm (last visited Mar. 13, 2002).

23. *Micron Tech., Inc.*, 189 F. Supp. 2d at 205.

24. *Id.*

25. See Cataldo, *supra* note 8.

Infineon AG,²⁶ a case from the Eastern District of Virginia, were the same as those being tried in *Micron*. In *Infineon*, Rambus brought an infringement suit against Infineon based on the same patents at issue in the *Micron* case.²⁷ Rambus sought the payment of royalties for Infineon's use of Rambus's technology. In response, Infineon brought a counterclaim for fraud and patent invalidity.

As part of its infringement analysis at trial in the *Infineon* case, the district court construed the patent claims to determine whether there existed sufficient similarities in the inventions. The court concluded that the terms in the patent applications should be read on a consistent basis for all the patents. After addressing the meaning of the terms in the patent applications, the court determined that Rambus had not produced sufficient evidence to prove Infineon infringed the Rambus patents.

In response to Rambus's infringement claims, Infineon asserted that Rambus committed fraud by failing to disclose its patents to JEDEC members. As required by the JEDEC contract, Rambus was obligated to disclose any patents or patent applications with which it was involved while a member of JEDEC. Similar to *Micron*, Infineon claimed that Rambus defrauded JEDEC and its members by failing to disclose its patent applications concerning SDRAM and DDR SDRAM industry standard features.²⁸

The court granted Infineon's summary judgment motion, finding non-infringement as a matter of law. Subsequently, the jury returned a verdict for Infineon, holding Rambus liable for committing actual fraud in failing to disclose its patents and patent applications to JEDEC members. The jury awarded Infineon \$1 in actual damages and \$3.5 million in punitive damages.²⁹ That amount was later reduced to \$350,000 pursuant to Virginia law.³⁰

Rambus challenged the jury verdict. Upon post-trial motions, the district court upheld the jury verdict as to fraud in Rambus's failing to disclose the SDRAM patent features, but set aside the jury verdict holding Rambus liable for fraud for failing to disclose pending patents related to DDR SDRAM.³¹ The district court found that

26. *Rambus, Inc. v. Infineon Techs. AG*, 164 F. Supp. 2d 743 (E.D. Va. 2001), *appeal docketed*, No. 01-1449 (Fed. Cir. Jun. 3, 2002).

27. *See supra* note 13.

28. *Infineon Techs. AG*, 164 F. Supp. 2d at 746.

29. *Id.* at 747.

30. *Id.*

31. *See id.* at 751.

Rambus had no obligation to disclose its patent applications relating to DDR SDRAM designs, since DDR SDRAM had not been considered by JEDEC as a standard until six months after Rambus had dissociated itself from JEDEC.³²

Rambus appealed to the Federal Circuit, claiming the district court erroneously construed the claims and improperly instructed the jury. Infineon cross-appealed the court's judgment as a matter of law on DDR SDRAM so the Federal Circuit could construe the patent claims de novo. The appeal was initially dismissed because Infineon failed to pay the docketing fee on time,³³ but upon its motion for reconsideration of the dismissal order, and payment of the proper filing fee, the Federal Circuit reinstated it.³⁴

Procedurally, then, the *Micron* court was faced with the decision of whether to proceed to trial directly, or await the Federal Circuit's decision in the *Infineon* case. Waiting for a final judgment in the Federal Circuit would relieve the district court of the need to construe the patent claims at issue, because the doctrine of collateral estoppel would apply. If the court allowed Micron to proceed to trial, the court would then have had to decide whether to hold Rambus's patents invalid and unenforceable, or hold Micron liable for patent infringement. If judgment was rendered in favor of Rambus, it could have continued its business practice of exacting unreasonable royalties from patent licensing with potential license revenues in the billions of dollars.³⁵ Failure to succeed in this litigation would result in not only Rambus's loss of royalty income and patent monopoly, but also the loss of millions of dollars in litigation expenses.

III. HOLDING, RATIONALE AND DISCUSSION

In the *Micron* case, the district court in Delaware decided to delay the trial until after the *Infineon* Federal Circuit decision, thereby refusing to rule on the motion for summary judgment as to non-infringement until after the Federal Circuit construed the claims.³⁶ The court also denied Micron's motion for summary judgment on the issue of fraud, because it held that Micron's reliance on Rambus's

32. *Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201, 207 (D. Del. Feb. 27, 2002).

33. *Rambus, Inc. v. Infineon Techs. AG*, 164 F. Supp. 2d 743 (E.D. Va. 2001), *appeal dismissed*, 2002 WL 541629 (Fed. Cir. Mar. 12, 2002) (unpublished disposition).

34. *Rambus, Inc. v. Infineon Techs. AG*, 164 F. Supp. 2d 743 (E.D. Va. 2001), *appeal reinstated*, 2002 WL 554344 (Fed. Cir. Mar. 21, 2002) (unpublished disposition).

35. Kanellos, *supra* note 19.

36. *Micron Tech., Inc.*, 189 F. Supp. 2d at 213.

failure to disclose its patent applications differed from Infineon's reliance, such that Micron's reliance could not be considered an identical fact, which precluded the application of collateral estoppel to Micron's fraud claim.³⁷

In Rambus's motion to stay the action with Micron until further resolution of the *Infineon* case, Rambus argued there was a high probability that the rulings in the *Infineon* case would be reversed and would not be applicable to Micron.³⁸ If the district court's decisions were in fact overturned by the Federal Circuit, the *Micron* court would have to relitigate the same facts as in *Infineon*.³⁹ That process, argued Rambus, would constitute undue delay and cause the parties prejudice.⁴⁰

Micron originally indicated it would agree to the motion to stay on the condition that Rambus would agree to stay the actions in Germany, Italy, France, and the United Kingdom.⁴¹ Rambus refused to grant the condition as it related to the matter in Germany, and the agreement to stay failed.

Micron's argument in favor of its motion for summary judgment of non-infringement was centered on the principle of collateral estoppel. Under Micron's argument, the district court's decision in *Infineon* would be binding on the current action, and Micron would not be liable for patent infringement.⁴² Accordingly, Micron claimed that since its JEDEC-compliant products are identical to Infineon's and the Infineon JEDEC-compliant products do not infringe the Rambus patents, Micron's products also do not infringe the Rambus patents.⁴³ The reasoning is that at least one claim limitation interpreted in *Infineon* is prevalent in each of the eight patents at issue in *Micron's* case.⁴⁴ In addition, Micron argued that the *Infineon* jury verdict finding Rambus liable for fraudulently failing to disclose its patents and patent applications to the JEDEC should also be adopted in the case at hand. Thus, Micron argued that the only remaining

37. *Id.*

38. *Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201, 210 (D. Del. Feb. 27, 2002).

39. *Id.*

40. *Id.* at 211.

41. Micron and Rambus are also embroiled in suits overseas concerning various European patents owned by Rambus. They are being litigated in Germany, Italy, France, and the United Kingdom. *Micron Tech., Inc.*, 189 F. Supp. 2d at 208. The importance of these disputes in the case at hand relates to Rambus's motion to stay the current proceeding pending the completion of the *Infineon* litigation.

42. *Id.*

43. *Id.* at 209-10.

44. *Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201, 209 (D. Del. Feb. 27, 2002).

triable issue would be that concerning fraud as to the disclosure of DDR SDRAM-like patents.

The court found fault with Micron's argument and decided to delay Micron's complaint. First, in its motion for summary judgment Micron relied on the court's adoption of the *Infineon* court's finding of non-infringement, even though the issue of infringement had been appealed to the Federal Circuit. Second, Micron assumed that the jury verdict of fraud as to Infineon applied to all members of JEDEC.⁴⁵

Instead, the court noted that awaiting the appellate decision in *Infineon* before proceeding to trial would present minimal prejudice to Micron, since Rambus agreed to stop all international infringement suits against Micron, with the exception of the suit in Germany.⁴⁶ In fact, the court concluded that such a delay might be more efficient, because it would clear up any uncertainties as to whether Micron's products infringe the Rambus patents.⁴⁷ As Rambus pointed out, the Federal Circuit will be left to decide issues dispositive in the *Micron* case, such as claim interpretation, or whether Rambus had a duty to disclose its patents.⁴⁸

The court also agreed with Rambus that applying collateral estoppel as to fraud in regard to the SDRAM would be inappropriate. In order for the court to apply collateral estoppel, Micron had the burden to prove that: (1) the issues were identical to those decided in *Infineon*; (2) the issues were actually litigated in *Infineon*; (3) resolution of the issues was essential to a final judgment in *Infineon*; and (4) Rambus had a full and fair opportunity to litigate the issues in the *Infineon* suit.⁴⁹ Ultimately the court decided that Micron would not be able to prove that the issues litigated in the *Infineon* proceeding were identical to those at issue in the Delaware case. Jury findings that Rambus defrauded Infineon do not relate to findings in regard to Micron's reasonable reliance on Rambus's disclosures.⁵⁰ Moreover, as Rambus argued successfully, presenting complex collateral

45. *Id.* at 210.

46. *Id.* at 212. If it wishes, Micron may move for a stay in the German court or seek some other form of relief. *Id.*

47. *Id.* at 211.

48. *Id.* at 210.

49. *See id.* at 209.

50. *Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201, 212-13 (D. Del. Feb. 27, 2002).

estoppel issues to a jury would yield an unnecessary burden, since the decision of the *Infineon* district court is up for appeal.⁵¹

The *Micron* court also recognized that allowing Micron to proceed to trial immediately and to rely upon the *Infineon* court judgment would present the possibility of wasting judicial resources.⁵² Based upon these factors, the court determined that delaying the trial was the most appropriate choice it could make at the time, thereby avoiding expenses associated with completion of the discovery process.⁵³

Therefore, the court declined to make a determination either way as to Micron's motion for summary judgment of non-infringement.⁵⁴ Micron's motion for summary judgment as to its claims of fraud, equitable estoppel, and unclean hands was denied, and Micron was not allowed to proceed to trial on the issue of conduct in regard to the DDR SDRAM.⁵⁵

IV. IMPACT OF LITIGATION ON PATENT HOLDERS AND STANDARDS-SETTING ORGANIZATIONS

Litigation around apparent violations of the rules of standards-setting organizations has a chilling effect on corporations. Courts are reluctant to uphold the validity of a patent owned by a member of JEDEC-type organizations if that member is proven to have failed to disclose the patent or pending patent application as required by the organization.⁵⁶ In fear of losing the exclusive rights to exploit their intellectual property, inventors are becoming more and more reluctant to join industry standards-setting organizations.

In the *Micron* case, the patent holder, Rambus, may retain its intellectual property rights if it can prove to the Federal Circuit in the *Infineon* matter that the JEDEC requirements for disclosure of its pending patents were unclear. Thus, even though the *Micron* court decided to delay proceeding to trial pending the *Infineon* decision, Rambus will attempt to continue to protect its patents at the cost of litigation.

In patent law, an inventor risks losing the rights [to] his or her

51. *Id.* at 210.

52. *Id.* at 213.

53. *Id.*

54. *Id.*

55. *Id.*

56. *See Micron Tech., Inc. v. Rambus Inc.*, 189 F. Supp. 2d 201, 213 (D. Del. Feb. 27, 2002).

inventions if they are disclosed before the patent office grants the invention a [sic] patent status. In most other situations, outside of JEDEC, an inventor would be punished for giving up his invention by revealing it before a patent was awarded. The punishment in such an event is unenforceability. Clearly this would conflict with Rambus' revenue model.⁵⁷

The question still remains as to whether the Rambus revenue model is consistent with the principles of openness and disclosure, which are essential to the setting of industry standards. The process of standards-setting in various technology industries will continue to require that the members act in good faith, perhaps even to the detriment of their short-term business objectives.

57. Bill Teel, *Rambus v. Infineon – Closing Arguments*, Hager Tech. Research, at http://www.fredhager.com/web/free_articles/20010509_rmbs.htm (last visited Mar. 13, 2002).

