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SECTION: FEATURES; A Diminished Duty to Disclose; Pg. 12**LENGTH:** 2135 words**HEADLINE:** The Federal Circuit Decision in Rambus Inc. v. Infineon Technologies AG**BYLINE:** BY FABIO E. MARINO AND JAMIE P. NYE OF BINGHAM McCUTCHEM LLP; Fabio E. Marino is an IP Litigation partner and Jamie P. Nye is an associate in the Silicon Valley Office of Bingham McCutchen LLP. The views expressed in this article are those of the authors and do not represent the views of their firm.**BODY:**

For the better part of the last decade, the semiconductor industry has relied on a standard setting body known as JEDECⁿ¹ to ensure that memories and other semiconductor devices made by different manufacturers could be used interchangeably by computer manufacturers. A key component of the JEDEC standardization process was a policy requiring members to disclose and agree to license free or on reasonable and non-discriminatory terms any patents or patent applications related to the standard. *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1085, 1100 (Fed. Cir. 2003). The JEDEC disclosure policy was aimed at preventing any one company from "cornering the market" by patenting features required by the standard.

ⁿ¹ Joint Electron Devices Engineering Council, now known JEDEC Solid State Technology Association.

On January 29, a three-judge panel of the U.S. Court of Appeals for the Federal Circuit, however, handed down a split decision in *Rambus Inc. v. Infineon Technologies AG* that drastically reduces the disclosure obligations imposed on JEDEC members. As a result, the semiconductor industry will likely have to reassess its reliance on the protections provided by the JEDEC standardization process.

By 1993, JEDEC had adopted a patent policy that required members to disclose both issued patents and patent applications "related to" its standardization work. Believing that the disclosure policy was broad enough to ensure the availability of the standards with either reasonable or non-existent licenses, members invested in developing technologies in reliance on these standards.

This reliance, however, may prove to have been ill-advised in light of the Federal Circuit's decision in *Rambus*. According to the Court of Appeals for the Federal Circuit ("CAFC"), in fact, JEDEC members are only required to disclose pending and issued patents if a license for the patented subject matter is necessary to practice the standard. Furthermore, the disclosure requirement does not kick in until work has formally begun on a proposed standard. The court's decision opens the door for unscrupulous members to effectively corner the market on semiconductor industry standards, by obtaining patents that fall just short of covering the *entire* standard.

The Federal Circuit's holding came in an appeal taken from a decision by the U.S. District Court for the Eastern District of Virginia that Infineon did not infringe Rambus's patents and that Rambus had committed fraud by failing to disclose the existence of its patent application to other JEDEC members. Rambus Inc., a memory technology development and licensing company, had sued German memory manufacturer Infineon Technologies AG for infringement of four Rambus memory device patents. In response, Infineon asserted that Rambus had committed a fraud failing to disclose issued and pending patents to other JEDEC members during its membership in the Council. During trial, the district court granted Infineon's motion for judgment as a matter of law, dismissing Rambus' infringement claims. The jury then found that Rambus had committed two counts of fraud on the JEDEC. The district court upheld the verdict for one count of fraud, but dismissed the other as a matter of law.

The case centered around four of Rambus' patents on semiconductor memory devices. Rambus originally filed patent application no. 07/510,898 (the '898 application) in April 1990 with claims directed to a dynamic random access memory (DRAM), the memory computers use to store data during operation. During prosecution Rambus was forced to split the claims of the '898 application into numerous divisional and continuation applications. Thus far, Rambus has received 31 patents, including the four at issue in the case, arising from the '898 application. Many of these patents are addressed to a new type of memory known as Rambus DRAM (RDRAM).

Rambus was a member of JEDEC's committee JC-42.3, responsible for drafting standards for Random Access Memories (RAMs) from 1992 to 1996. While Rambus was a member of the committee, JEDEC adopted a standard for a memory technology known as synchronous dynamic RAM (SDRAM). During this period, Rambus was developing devices encompassed by the committee's subject matter. Further, Rambus was actively participating in drafting and redrafting patent applications for such devices. However, during its JEDEC membership, Rambus disclosed only one issued patent, and disclosed none of its pending applications to the committee, including the ones that resulted in the four patents at issue in the case.

Shortly after Rambus left JEDEC in 1996, JEDEC began to work on a standard for double data rate SDRAM (DDR SDRAM). This successor to SDRAM incorporated a number of technologies that had been discussed while Rambus had been a member of JEDEC.

Between 1997 and 1999, Rambus filed applications for the four patents at issue in this case. The first of these patents issued in 1999. All four incorporated the RDRAM standard, which differs in several respects from the SDRAM and the DDR SDRAM standards. In late 2000, Rambus sued Infineon for infringement of these four patents by Infineon devices following the JEDEC SDRAM and DDR SDRAM standards.

The district court held, as a matter of law, that Infineon's devices did not infringe Rambus' four patents. The district court construed the claim language for the terms "integrated circuit drive," "read request," "write request," and "bus," and found that the Rambus claim language was not broad enough to encompass Infineon's technology. The Federal Circuit reversed and remanded the infringement issues and accompanying attorney's fees award to Infineon for rehearing. The court found that the district court had misinterpreted the claims of Rambus' patents in issue, and construed them too narrowly based by incorporating into the claims limitations found only in the written description section of the patent. The CAFC, thus remanded the issue of infringement to the court below for reconsideration in light of the new construction adopted by the court.

The key issue in the case, however, was Rambus' admitted *attempt* to draft its claims to cover the JEDEC standards without disclosing the existence of these applications. Even though the evidence strongly suggests that Rambus deliberately devised its patents to cover the developing SDRAM standard and influenced the development of the JEDEC standards to read onto its patent claims, the CAFC concluded that Rambus had not committed fraud on the JEDEC. The Federal Circuit, in fact, found that the JEDEC's duty to disclose only required members to disclose patents with claims that actually read on a finalized, adopted standard. The presence of any claim element that is not expressly required by the standard negates the duty to disclose. *Id.* at 1100-01.

As the dissent points out, the record in this case is full of specific instances where Rambus altered its claims to conform to the standards as they were developed and discussed at JEDEC meetings or sat silently as JEDEC incorporated claims into the standard which Rambus already had included in its applications. Indeed, even after it withdrew from JEDEC, Rambus sent representatives with code names like "DeepThroat" and "Secret Squirrel" to the open meetings to keep apprised of the standards' development.

Even though the majority found that the "evidence does not put Rambus in the best light," Rambus actions did not rise to the level of fraud, as Rambus didn't breach the duty to disclose. *Id.* at 1104.

To determine the scope of the duty to disclose, the majority relied on one isolated section of the three-volume manual that contains the JEDEC patent policy. That section, contained in Appendix E of the manual, was distributed to members along with minutes from each meeting and projected on the wall at each meeting. Because the text was distributed this way, the majority concluded that that language from the manual and the members' understanding thereof controlled the parameters of the duty to disclose. *Id.* at 1098-99.

In summary, the majority stated that Appendix E "prohibited standards 'that call for use of a patented item or process' unless all information 'covered by the patent or pending patent' was known and a 'license . . . for the purpose

of implementing the (standards)' was available under reasonable terms." *Id.* at 1097. The court further interpreted the language of Appendix E to impose a duty to disclose, even though Appendix E had no express provisions for a duty to disclose, because the JEDEC members believed that such a duty was imposed. Rambus and Infineon had agreed that the disclosure requirement was for patents and patent applications "related to" the standard. "Related to," the court stated, meant that the claims of the application or patent were necessary to practice the standard. The court based this definition, not on the language of the patent policy itself, but on a few JEDEC members' understanding of Appendix E.

Furthermore, the court held that the duty to disclose is triggered only when work begins formally on a proposed standard. According to the majority, to make the duty apply prior to that point would be useless because specific claim and standard language might not be sufficiently solidified to permit members to know if they had a duty to disclose.

The Federal Circuit clearly took issue with the "staggering lack of defining details" in the JEDEC patent disclosure policy. *Id.* at 1102. Because the policy was so vague, the court found that it did not provide a sufficient basis to support a fraud claim. Footnote number ten to the decision suggests that forcing a vague policy such as JEDEC's to encompass actions like those of Rambus that are not within the actual scope of the policy could chill member participation in the standard-setting organization.

Under its interpretation of the duty to disclose, the CAFC reversed the district court's finding that Rambus had committed fraud on the JEDEC. *Id.* at 1106. No breach of the duty to disclose had occurred, the court found, because none of Rambus' pending or issued patents had claims that would have had to be licensed to practice the standard. Likewise, Rambus did not breach the duty to disclose in connection with the DDR-SDRAM standard because no *formal* work began on creating the standard until after Rambus left the JEDEC.

The dissent, on the other hand, disputed the majority's narrow reading of the duty to disclose and looked beyond Appendix E to other sections of the policy manual and other activities of the committees to discern a broader scope for the duty to disclose. *Id.* at 1110-12. Section 9.3.1 of the patent disclosure policy manual, for instance, stated that members had an obligation to disclose patents and applications "that might be involved in the work they are undertaking." Furthermore, voting ballots for adoption of the SDRAM standard included language requiring members to disclose "[awareness] of patents involving that ballot." The dissent pointed out that the terms "involved" and "involving" support a much broader interpretation of the duty of disclosure than the majority's.

The dissent also cautioned the majority against imposing its own policy considerations onto JEDEC. *Id.* at 1115, 1118. The standard-setting organization, it argued, should be free to adopt whatever standards it desired without having the court rewrite and reinterpret the duty to disclose on the basis that it might be vague or chill membership. Because a claim construction analysis might be required to determine if a patent actually read to a standard, the dissent also expressed concerns that the bright line rule the majority had adopted for the duty to disclose, might actually complicate the fraud analysis.

There is a need for standard-setting organizations to develop patent disclosure policies that balance the competing goals of ensuring full and fair use of the adopted standards against the desire to prevent chilled membership through disincentives to create new technologies. The Federal Circuit has tried to settle the push and pull between these goals by drawing a bright line test for the duty to disclose. Infineon petitioned for rehearing but the CAFC has denied its request. *See, Rambus, Inc. v. Infineon Techs AG, et al.*, No. 01-1449,-1583,-1604,-1641, 02-1174,-1192 (Fed. Cir. Apr. 4, 2003) (petition for rehearing and rehearing *en banc* denied). As the CAFC's decision now stands, JEDEC and other standard setting organizations will have to reevaluate their disclosure policies in light of the new bright line test adopted by the Federal Circuit.

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