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IP FLASH

THE UNCERTAINTIES OF STANDARD SETTING ORGANIZATIONS: FEDERAL TRADE COMMISSION'S DECISIONS ON RAMBUS OVERTURNED

In a ruling that highlights the uncertainties on issues of patent enforcement that may result from joining a Standard Setting Organization (SSO), the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) has overturned certain decisions of the Federal Trade Commission (FTC) regarding conduct of Rambus, Inc. *Rambus, Inc. v. Federal Trade Commission*, No. 07-1086 (D.C. Cir. April 22, 2008). The FTC had previously determined that Rambus engaged in deceptive conduct with respect to its membership in an SSO for memory standards and unlawfully monopolized the market for dynamic random access memory (DRAM) chips that incorporated DRAM standards promulgated by the SSO. See, *In the Matter of Rambus, Inc.*, Opinion of the Commission, FTC Docket No. 9302 (July 31, 2006). The April 22, 2008 ruling by the D.C. Circuit overturns this FTC decision, and that of a subsequent FTC decision concerning royalties that could be charged by Rambus, and finds that the FTC "failed to demonstrate Rambus's conduct was exclusionary under settled principles of antitrust law."

The D.C. Circuit's *Rambus* decision adds to the saga of cases over the years that have resulted from Rambus's participation as a member of an SSO called the Joint Electron Device Engineering Council (JEDEC) in the 1990's. JEDEC ultimately issued standards for DRAM and other memory chips that were incorporated industry-wide. According to the FTC, Rambus failed to adequately disclose the existence of relevant patents and patent applications that it held during the formation of the JEDEC standards, which led to unlawful monopolization of certain DRAM chip markets that violated Section 5 of the FTC Act (15 U.S.C. §45) and constituted exclusionary conduct under Section 2 of the Sherman Antitrust Act (15 U.S.C. §2). In setting aside the FTC's decision and remanding the case back to the FTC, the D.C. Circuit cited serious concerns with the FTC's interpretation of JEDEC's disclosure policies and questioned the sufficiency of the evidence used by the FTC to conclude that Rambus failed to fulfill its disclosure obligations under JEDEC's policies.

Regardless of the final outcome that may ultimately result from this dispute, the *Rambus* line of cases fosters a continuing discussion of the function of SSOs and the consequences that may result from joining an SSO. Following the *Rambus* cases, many SSOs now provide very specific rules regarding the disposition of the members' patents, patent applications, and possibly other intellectual property. In some cases, the rules may provide for compulsory licenses by members. In other instances, the rules may only require disclosure without any license, but may impose penalties for failure to disclose. Anyone participating in an SSO should carefully review the rules in order to be in compliance and to confirm that the handling of intellectual property is not inconsistent with the prospective participant's intellectual property strategy. In instances where the rules conflict with a prospective member's business/strategic goals, it may be appropriate to not join an SSO. For example, where a prospective participant intends to obtain patent protection for a feature that provides a competitive advantage, it may not be appropriate to join an SSO that requires compulsory patent licenses between members. It is also worth noting that, in some cases, the rules regarding disposition of intellectual property may be vague. In such cases, it is appropriate to request clarification. The request should be made to the officers and/or sponsoring organization for the SSO and the response should be in writing and signed by someone in the SSO with appropriate authority.

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