

# MUIRHEAD AND SATURNELLI, LLC

*Specializing in Intellectual Property Law*

## IP FLASH

### JOINING A STANDARD SETTING ORGANIZATION

On August 2, 2006, the Federal Trade Commission (FTC) issued a unanimous opinion finding that Rambus, Inc. engaged in deceptive conduct with respect to a standard setting organization (SSO) for memory standards and unlawfully monopolized the market for certain dynamic random access memory (DRAM) chips that incorporated promulgated DRAM standards. (*In the Matter of Rambus, Inc.*, Opinion of the Commission, FTC Docket No. 9302 (August 2, 2006)).

The latest *Rambus* decision addresses the potential consequences of a company's decision to join an SSO. It is one of a number of important cases over the years that resulted from Rambus' 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). The result was that Rambus was unable to enforce its patent rights against a competitor.

As the *Rambus* case illustrates, participation in an SSO may have unintended legal consequences which should be examined carefully before making a decision to join. We recommend considering the following:

- Avoid joining an SSO in instances where it is not necessary for the company's business. Although membership in an SSO allows for influence over the formation of industry standards, that influence comes at the price of subjecting the company's IP to restrictions such as compulsory "reasonable royalty" licenses or, in some cases, free licenses to other SSO members, who may be competitors.
- Understand the IP policy of the SSO before joining. Counsel should review all documents related to the SSO's policies prior to making a decision to join. Also, be aware that some expectations may be implied even if not explicitly stated in an SSO policy. For example, a significant part of the decision in the *Rambus* case turned on an implied obligation imposed on Rambus to disclose its patents and pending patent applications to other SSO members, even though such an obligation was not explicitly set forth in any written policy of JEDEC when Rambus joined.
- Continuously monitor changes in the SSO's IP policy. In many cases, members agree to abide by any changes in an SSO's policies that occur after a member has joined.
- Keep detailed records of any IP disclosures. In the event that evidence of IP disclosures becomes important to confront accusations of non-disclosure, keeping good records will make it possible to reconstruct what was disclosed and when it was disclosed.

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