GESMER UPDEGROVE LLP
Attorneys at Law

Consortium Standards Bulletin

*A **ConsortiumInfo.org** publication*

February 2003
Vol II, No. 2

FEATURE STORY

WHAT DOES RAMBUS MEAN TO YOU?

Andrew Updegrove

There are many things in life that are both necessary and painful - root canal work, final exams and adolescence, to name just a few. Most people who are involved in standard setting would place agreeing upon intellectual property policies in the same category. But, as the Rambus saga illustrates, the one thing that can be worse than action is the result of inaction. So it is that the latest ruling in the Rambus v. Infineon case is a pointed reminder that those who participate in the standard setting process must pay serious attention to the policies and procedures under which they operate.

Happily, many newly formed organizations have adopted state-of-the-art policies whose terms are informed by the lessons learned from prior legal decisions and the strenuous and public debates that have occurred in fora such as the World Wide Web Consortium. Some existing organizations have already stiffened their backs and slogged their way through updating and upgrading policies that were formulated, borrowed, or casually put in place many years ago when a spirit of cooperation and dialogue in the course of face-to-face meetings may have seemed sufficient to fill in any procedural or definitional gaps.

Unfortunately, there remain many organizations which still have antiquated policies which place their members at risk for a range of woes, ranging from simple uncertainty for well-meaning members to outright abuse by malefactors. If the latest ruling in the Rambus case is not modified, the task of updating policies has just become more complex, and even those companies that have adopted sensible, thorough policies will need to reexamine them in order to determine whether the decision of the Appeals Court has undermined their enforceability.

Unfortunately, the implications of the Rambus case (particularly on the patent side) are quite complex, and detailed recommendations in addressing their import therefore lie beyond the scope of this article. Nevertheless, here are some of the more important elements that an IPR policy should demonstrate in order to minimize the chances that a court will fail to enforce it:

Clarity: Courts can be reticent to apply rules they find to be confusing, contradictory or amorphous. Of equal concern is the fact that vague rules can lead to unpredictable outcomes, when courts are called upon to divine the actual intentions of those who wrote the rules, but failed to explain them adequately. The Rambus court clearly was not disposed to be a stopgap for a policy that, in its words, displayed a " staggering lack of defining details".

Moreover, members themselves are ill served if a policy is insufficiently clear and detailed to define both their obligations as well as their rights. Absent such clarity, a member may fail to alert its partners in standard setting of potential infringement issues to everyone's detriment, or (under some policies) may find that it has inadvertently missed its opportunity to assert its rights at all.

Notice and Agreement: Courts are also reticent to enforce deemed or implied duties of which parties may argue they were unaware. The Rambus court expressly followed this leaning in failing to hold Rambus liable for conduct that even Rambus (according to the lower court's findings) believed to be in violation of JEDEC's rules. It was the missing link of a clear, documented duty to disclose in the JEDEC policy that allowed Rambus to escape the lower court's finding of fraud. There are several mechanical practices can directly address this element of the Court's opinion:

Bind a member contractually to compliance: Unless a member has agreed in writing to follow a rule, it can argue that the rule is not binding upon it, or that the rule was never brought to its attention. As observed by the Court of Appeals in the Rambus decision in concluding that Rambus did not have a duty to disclose, "Here, the parties argued the existence of a duty based on only Rambus's act of joining JEDEC with awareness of the EAA/JEDEC policy. There is no other proper basis for finding the existence of a disclosure duty." Unhappily for Infineon, the Court did not find the mere act of joining sufficient.
At minimum, the application that a member signs to join a consortium or SDO should bind it to abide not only by the bylaws of the organization, but by such policies and procedures as may from time to time be adopted by the Board of Directors. In addition, whenever a member takes part in a particular technical process, it should be given a copy of the policy under which that process operates, and be asked to sign an acknowledgement that it both understand, and will be bound by, those policies, and will operate in compliance with them.

Documented Assertions: All representations by members, whether they are merely to the best knowledge of a member representative or binding on the member itself, should be in writing. A policy should clearly delineate what - and when - a member must state whether or not it has IPR which is relevant to the standard under consideration, and what its options are with respect to that IPR (typically, the choices are to withhold a license; to provide a license on reasonable and non-discriminatory terms which include a royalty; or to provide a license without a royalty, but otherwise on reasonable and non-discriminatory terms).

Require Due Authorization: Not everyone is authorized to bind their employer. At minimum, all documents executed in the course of the standard setting process should include a representation by the signatory that they are authorized to bind their company to the terms of the document in question. It would also be helpful to include an acknowledgement in the original member application that any representative participating in the technical process that signs a document will be deemed to be authorized to do so.

Consider Well the Breadth of Required Disclosure. An additional way in which the JEDEC process was found to be problematic was its failure (in the majority opinion's view) to be specific on what patents and patent applications were required to be disclosed. JEDEC's Spartan language requiring disclosure of patents which were "related to" the specification in question continues to be disturbingly common in the policies of many standard setting organizations today, some of which use words such as "related to", "involved in" and other formulations to a similar effect without establishing clearly what those words are intended to mean. While agreeing upon the exact words in a policy can be difficult and complex (let alone applying them in the breach), it is far better for an organization to do its best to agree in advance on what the groups' intentions are, rather than to argue over them retrospectively, after a dispute has already erupted.

Consider Self-Executing Remedies. There are a number of strategies that can be adopted to make the questions raised by the Rambus decision less troublesome. For example, some organizations have adopted a requirement that all members who enter into a process must agree in advance to license any patent rights which turn out to be relevant under any specification which is finally adopted. Some organizations go one step further, requiring that any such patents will be licensed on a royalty free basis as well, thus making the Rambus concerns irrelevant, as a practical matter. While such rules will not be deemed to be appropriate by all organizations, they will be acceptable to some, either for all of their standard setting activities, or for certain specific processes which they undertake.

Consistency is a Virtue. While a minimal variation in the rules applicable to multiple processes within a single organization may on occasion be needed (whether or not royalties will be permitted is one such variation which some consortia authorize a given subgroup to determine), allowing substantial variations in the rule sets adopted by different work groups invites not only confusion and mistakes, but allows a misbehaving member to assert (honestly or disingenuously) that it thought it was playing by the rules when it moved from one committee meeting to another.

Don't Try This At Home. Finally, it is important to note that many policies that remain in force today were drafted by technical process participants, rather than by knowledgeable lawyers. Other polices were adapted from different organizations which may have had divergent goals or industry norms. Still other

borrowed policies may have become corrupted in the process of adaptation, or may have become damaged in the process of later ad hoc amendment. Not only does a defective IPR policy lay an organization open for problems of many types (from confusion to outright abuse), but it can seriously hamper recruitment efforts when potential members are cautioned by their legal departments to either refrain from participation, or demand amendments to the policy as a precondition to joining. Usually, this is as impractical to accomplish as it is burdensome. It is also expensive, when a consortium must involve its attorneys in resolving questions and issues as they arise.

If there is a silver lining to the Rambus decision, it is that every organization that has a deficient policy may now point to Rambus as a reason to convince its members that the time has come for a change. While climbing into the dentist's chair is never a pleasant step to take, it's worth remembering that after the process is over with, at least you'll feel better.

For additional information on intellectual property policies and recommendations on crafting them, see http://www.consortiuminfo.org/ipr/ For additional information on Rambus and other cases involving IPR policies and their enforcement, see http://www.consortiuminfo.org/laws/#cases

Comments? updegrove@consortiuminfo.org