EU accuses Rambus of 'patent ambush'

By AOIFE WHITE, AP Business Writer
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BRUSSELS, Belgium - European Union regulators have charged Rambus Inc. with antitrust abuse, alleging the memory chip designer demanded "unreasonable" royalties for its patents that were fraudulently set as industry standards.

The EU's preliminary charges, announced Thursday, come weeks after the U.S. Federal Trade Commission ruled the company deceived a standards-setting committee by failing to disclose that its patented technology would be needed to comply with the standard. As a result, every manufacturer that wanted to make synchronous dynamic access memory chips had to negotiate a license with Rambus.

Both EU and U.S. antitrust officials allege that this allowed Rambus gain an illegal monopoly in the 1990s for DRAM chips used in personal computers, servers, printers, personal digital assistants and other electronics.

The FTC order stops Rambus from collecting royalties on U.S. patents and foreign ones relating to goods imported into or from the United States. But the EU's executive arm said it had to act because the U.S. decision would not grant relief to companies in Europe.

Rambus — which designs and licenses technology but doesn't make chips — has nine weeks to respond to the European Commission's statement of objections and can seek an oral hearing before the EU comes to a final decision.

The EU could impose a fine of up to 10 percent of a company's global turnover for each year it broke the law. In 2006, the Los Altos, Calif.-based company reported revenue of $194.2 million.

It is more likely that the EU would require Rambus to charge "a reasonable and nondiscriminatory royalty rate," the Commission said. It did not give details on how...
much that would be.

Rambus claimed it saw nothing new in the EU charges.

"These are largely the same issues examined by a number of U.S. courts, the Federal Trade Commission, and currently before the U.S. Court of Appeals for the District of Columbia Circuit," said Rambus general counsel Thomas Lavelle. "We are studying the statement of objections and plan to respond in due course."

This is the first time the European Commission has charged a company with a new type of antitrust abuse — called patent ambush — where a company deceives a standards body by keeping secret the fact that it holds patents on technology that all players will later be forced to license.

"The Commission's preliminary view is that without its patent ambush, Rambus would not have been able to charge the royalty rates it currently does," EU regulators said.

Rambus has emphasized for several years that it disclosed the patents to memory makers Micron Technology Inc. and Hitachi Ltd. before the standards-setting discussions begun.

Rambus attorneys also have argued that disclosure policies of the Joint Electron Device Engineering Council Solid State Technology Association failed to specify what Rambus should have revealed to the standards committee.

Shares of Rambus fell 26 cents, or 1.8 percent, to $13.91 in Thursday morning trading.

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