

Rambus and Micron Sign License Agreement



OBJECTIVE ANALYSIS SEMICONDUCTOR MARKET RESEARCH



Ends 13-Year Dispute

Rambus and Micron Technology announced on 10 December, 2013, that the companies have signed a patent cross license agreement that gives Micron the right to use any Rambus patent for the manufacture of certain ICs, including memories. After the end of the initial term both Micron and Elpida products will be covered by a perpetual, paid-up license.

Micron is to make quarterly royalty payments over the next seven years of up to \$10 million per quarter to Rambus, totaling as much as \$280 million during the initial term of the contract. Micron has the option of extending the contract's term.

As part of this agreement, the companies have settled all outstanding patent and antitrust claims. Other terms and details of the agreement are confidential.

End of a Long, Drawn-Out Battle

The December 10 agreement settles all the litigation between Rambus and Micron, ending nearly 13 years of court battles between these two companies. It comes six months after Rambus' June agreement with SK hynix which ended those two companies' outstanding memory litigation.

The agreement underscores Rambus' recent shift toward using its patents: "In a more collaborative and market-relevant manner," (Rambus' words).

Leadership Changes Played a Role

Both Rambus and Micron are under new leadership, with Rambus' focused on bringing these issues to a speedy resolution, rather than to hold out for the highest award. We believe that Micron's new management is also more amenable to settle than before. Rambus openly states that its management now seeks swift closure on DRAM technology licensing, perhaps at the expense of higher licensing fees. The company is working to settle legal disputes and focus on its main business.

Industry Consolidation has Complicated Matters

One of Rambus' first licensees was NEC. As the Japanese DRAM industry consolidated, NEC became a part of Elpida, and the Rambus license was extended to Elpida's DRAMs.

Now that Micron has acquired Elpida the company had to decide which side it was on. Was Micron to continue to fight Rambus, or would it play off its Elpida

license to become a Rambus licensee itself?

From the long view it was almost certain that Micron would finally settle up, after Qimonda and Samsung settled a few years ago on what appeared to be quite favorable terms, and SK hynix settled for a similar sum just last June. Micron was the sole holdout in a very protracted fight.

Financial Benefits for Both Parties?

Rambus has told us directly that this is a beneficial financial outcome for that company. Although we have not dredged through SEC filings to determine Micron's legal fees over the past 13 years we suspect that the agreed-upon \$280 million maximum payment may be smaller than Micron's legal costs over the term of the dispute.

Although court findings were moving in a direction favorable to Micron, the slow pace of these wins could have driven the company to settle as a better financial option.

By signing this agreement Micron is putting the question behind itself, and is prepared to focus on profiting from the current market up-cycle through 2014 and into 2015.

A Long Slow Process

It's interesting to reflect on the fact that the original Rambus technology is now about 20 years old. It was devised at a time before SDRAM or DDR were even considered by the industry, and DRAMs were migrating from Fast Page Mode (FPM) to Extended Data Output (EDO). Since then Rambus has created newer technologies that the company would like to focus its attention on.

We hope that future licensing efforts move in a more corroborative way, and that the business model that Rambus is now pursuing appeals to members on both sides of the negotiating table.

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