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4 Cos. Don't Infringe SanDisk Flash Patents: ITC

By **Ryan Davis**

Law360, New York (April 13, 2009) -- An administrative law judge for the U.S. International Trade Commission has ruled that flash memory products made by Silicon Motion Technology Corp., Phison Electronics Corp., Skymedi Corp and Imation Corp. do not infringe two patents held by SanDisk Corp., a setback for SanDisk in a patent case it originally brought against dozens of competitors.

In an initial determination issued Friday, Administrative Law Judge Charles E. Bullock ruled that the four companies did not infringe the asserted claims of SanDisk's patents, and that one claim of one of the patents was invalid for obviousness.

Both patents involve methods for storing and organizing data in portable flash memory devices.

"SanDisk tried to coerce the flash memory industry to pay unwarranted license fees on patents of limited value," said Mike Bettinger, an attorney for Taiwan-based Silicon Motion. "We said from the beginning that the SanDisk patents don't cover Silicon Motion products. We are pleased with the fact that Silicon Motion came away with a complete victory."

E. Earle Thompson, SanDisk's vice president and chief intellectual property counsel, said in a statement that the company was disappointed by the ruling.

"We will continue to vigorously pursue actions against companies that use SanDisk's patented technology without a license," Thompson said. "SanDisk expects that the Initial Determination will not adversely impact existing licensing agreements or the royalties expected from those agreements."

The patents-at-issue in the ruling are U.S. Patent Numbers 6,763,424, issued in 2004 and titled "Partial block data programming and reading operations in a non-volatile

memory” and 7,137,011, issued in 2006 and titled “Removable mother/daughter peripheral card.”

Phison, Skymedi and Silicon Motion were accused of infringing the '424 patent; only Imation was accused of infringing the '011 patent. Judge Bullock found the single asserted claim of the '011 patent invalid for obviousness.

The ITC case began in 2007, when Milpitas, Calif.-based SanDisk asserted five patents against 25 companies that make, sell and import USB flash cards, MP3 players and other flash storage products.

SanDisk's complaint with the ITC coincided with its filing of two actions in the U.S. District Court for the Western District of Wisconsin to stop the manufacture, sale or importation of the allegedly infringing products.

One of the lawsuits brought in the Wisconsin court asserts the same patents as the ITC complaint against 24 of the companies.

The second Wisconsin lawsuit alleges infringement of two additional patents against 15 of the companies. Each of the defendants makes, uses or sells flash drives, memory cards, memory controllers or media players.

According to SanDisk, the ITC has since ruled that six of the companies have infringed the patents, 11 of the companies have entered licensing and settlement agreements with SanDisk, and four companies have reached settlement agreements where they agreed to limit their imports of certain products to those licensed by SanDisk.

In addition to the '424 and '011 patents asserted against the companies involved in Friday's ITC ruling, various other defendants are accused of infringing U.S. Patent Numbers 6,149,316; 6,757,842; 6,426,893; 5,719,808; and 6,947,332.

SanDisk is represented in the ITC case by Wilson Sonsini Goodrich & Rosati PC and Jones Day.

Silicon Motion is represented by K&L Gates LLP. Phison is represented by Fish & Richardson PC. Imation is represented by Robins Kaplan Miller & Ciresi LLP and Adduci Mastriani & Schaumberg LLP. Skymedi is represented by Covington & Burling LLP.

The case is In the Matter of Certain Flash Memory Controllers, case number 337-TA-619, before the U.S. International Trade Commission.

--Additional reporting by Erin Marie Daly