



Legal

Infineon Execs Plead Guilty

Arik Hesseldahl, 12.02.04, 6:30 PM ET

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NEW YORK - With four of its executives pleading guilty to price-fixing charges today, Infineon will have a hard time arguing that it didn't fix prices in its ongoing litigation with Rambus.

The two companies have been fighting a protracted legal war over royalties and patents for four years before a U.S. federal court in Richmond, Va. Rambus (nasdaq: RMBS - news - people ) initially lost in 2003, but later won before an appeals court decision which ordered the two companies back to the lower court to re-argue their cases under a different set of legal assumptions generally thought to be more favorable to Rambus. The retrial is expected to get underway next year.

In today's legal moves, the Infineon (nyse: IFX - news - people ) executives agreed to serve up to six months in prison and pay \$250,000 in fines. According to papers filed with the U.S. District Court in San Francisco, the execs, Heinrich Florian, Gunter Hefner, Peter Schaefer and T. Rudd Corwin admitted they were involved in a conspiracy during 2001 and 2002 to fix the prices of computer memory chips known as Dynamic Random Access Memory (DRAM). Corwin, is a U.S. citizen, the other three are German nationals. Infineon spokesman Christophe Liedtke said that two of the employees have left the company, while the other two have been reassigned to other divisions.

The pleas are the latest moves in an investigation by the U.S. Department of Justice that has swept several companies including Infineon, Micron Technologies (nyse: MU - news - people ) and South Korea's Hynix Semiconductor in its wake.

Liedtke said there's no connection between the DOJ case and the Rambus litigation.

"They are totally disconnected," he said. "The case with the DOJ focused on the selling of DRAM to specific customers. Rambus is trying to tie them together."

Infineon is one of four targets of a \$5 billion antitrust suit Rambus filed in May, in which Rambus alleges "concerted and unlawful efforts by a group of the largest semiconductor manufacturers in the world to eliminate competition and stifle innovation." Micron, Hynix and German electronics giant Siemens (nyse: SI - news - people ) are the other three defendants in that suit.

Rambus' complaint focuses on a period in time when it was trying to promote a flavor of DRAM chip it had designed, known as Direct Rambus DRAM or just RDRAM for short, as the standard type of memory for personal computers. For a time it had Intel (nasdaq: INTC - news - people ) in its corner, until memory chip companies including Micron, Infineon, the former chipmaking unit of Siemens, and others balked at producing the RDRAM chips because they said they the chips were difficult to make, but mostly because they didn't want to pay royalties to Rambus.

RDRAM ultimately failed to gain traction in the PC market, while another memory chip technology known as Double Data Rate DRAM (DDR) became the favored standard. In response, Rambus claimed patents on that flavor of memory and said that companies building DDR chips owed it royalty payments.

Spokespeople for Rambus did not immediately return calls seeking comment on the guilty pleas by the four Infineon employees.

Analyst Sherry Garber of Semico Research, Scottsdale, Ariz., called the pleas "astonishing."

Garber says that if memory chipmakers did indeed conspire to fix prices they did a pretty poor job of it. "It's hard for me to figure out how much collusion there was since the companies involved were losing money at the time."

The executives' criminal pleas are the second in a wide-reaching investigation in the memory chip industry that the DOJ launched in June 2002. The other criminal case related to the investigation came in December 2003, when Alfred P. Censullo, a Micron sales manager based in upstate New York agreed to plead guilty to obstructing a grand jury investigation after admitting he altered handwritten notes and withheld 14 pages of notes pertaining to phone calls among Micron sales managers that concerned the price of DRAM chips from Micron's competitors (see: "Micron Guilty Plea May Be Just the Start").

In September of this year, Infineon pled guilty to charges that it conspired to fix prices and has presented some of the executives responsible (see: "Infineon's Problem Plea"). In that plea, Infineon agreed to pay a \$160 million fine over the next five years.