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Rambus on the Rise
By Alexei Oreskovic
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Rambus' (RMBS:Nasdaq) quest to set the standard for the next generation of computer memory got a boost Friday when it announced a licensing agreement with IBM (IBM:NYSE) .

The deal allows IBM to build new versions of its Cell processor that incorporate Rambus' memory technology. In particular, the Cell BE chip will feature Rambus' FlexIO processor bus and XDR memory interface technologies. Terms of the deal were not disclosed.

"This agreement with Rambus is part of IBM's continued focus on our Cell BE-based chipsets, in support of our goal of developing an array of leading-edge computing products based on the revolutionary Cell BE architecture," said Kevin Carswell, vice president of worldwide delivery for IBM engineering and technology services.

Investors cheered the news, sending Rambus shares up 6%, or $1.90, to $33.65 in midday trading.

Rambus doesn't manufacture memory chips, but rather licenses its technology to other companies. On Monday, a patent infringement trial between Rambus and South Korea's Hynix Semiconductor got under way in a San Jose, Calif., federal court.

Friday's agreement essentially broadens Rambus' existing ties to the Cell processor. Rambus' previous licensing agreement related to the Cell's three co-developers -- IBM, Toshiba and Sony (SNE:NYSE ADR) -- and allowed the Cell to incorporate the same technology inside Sony's PlayStation 3 video-game console.

The new licensing agreement allows IBM to use Rambus' XDR technology as it pushes the Cell processor into new markets, such as workstation and server computers.

While Friday's licensing deal adds momentum to XDR, developed by Rambus to be the next-generation memory interface for personal computers, Rambus still faces significant challenges in convincing memory manufacturers to build chips that use XDR technology.

"I take it as a sign that XDR has additional recognition, and is accepted as a very high-performance interface," says Bob Merritt, an analyst at industry research firm Semico Research. "But it still is not a guarantee that XDR, or in fact any particular interface, will be able to claim the kind of market dominance that we've seen in earlier years of DRAM manufacturing."

According to Merritt, the memory market is much more fractured than it once was. Instead of converging around a single technology, manufacturers today have a choice of various memory technologies to produce, from DDR2 to low-power DRAM chips, in addition to higher-margin flash memory.

Given these options of how to allocate their manufacturing resources, and the fact that memory manufacturers would prefer not to pay Rambus royalties, the prospect of XDR emerging as the dominant memory standard is hardly a sure thing.

"If we look at the applications we're serving, it seems to be less and less likely that a single DRAM interface will be able to spread across all of these platforms," says Merritt.
