

Judge's Ruling Prevents Shutdown at SigmaTel

By Amanda Bronstad
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A federal judge's latest ruling spares Austin-based SigmaTel Inc from shutting down much of its main business.

SigmaTel was sued Sept 30 by Cirrus Logic Inc. over alleged infringement of Cirrus' patented audio codecs, devices inside a PC that generate and record sound. Both companies are leading manufacturers of mixed-signal integrated circuits used in audio codecs.

A March 3 hearing before U.S. District Court Judge Sam Sparks was aimed at determining whether SigmaTel should be forced to stop production until the trial, which had been set for 12 to 18 months from now. Sparks ruled against such a preliminary injunction and moved the trial up to this July.

A preliminary injunction "would've shut down shipments of our audio codec products, which right now account for a substantial majority of our business," says Tim Markison, vice president and general counsel for SigmaTel.

Cirrus' Crystal Semiconductor Corp. subsidiary is based in Austin and makes the bulk of Cirrus' products.

"Sparks likes to move things along," says Dave Bahier, a partner at Fulbright & Jaworski LLP in Austin. "He doesn't like things to sit around. One reason judges may do that is to cause the parties to settle. If you have a trial date way out, you're more inclined to sit around and do discovery."

Cirrus spokesman Tom Rigoli says: "We're delighted this has been moved up. Our request for a preliminary injunction expressed our urgency to get this to trial."

Despite Sparks' ruling, hearings on preliminary injunctions usually don't have a bearing on a trial because a trial usually involves a jury, Bahler says.

What has more bearing is Crystal's success in a similar case last year against California company Opti Inc. and Singapore-based TriTech Microelectronics Pte Ltd., Bahler says. Crystal was awarded \$23.8 million in damages.

Crystal's award in the Opti/TriTech case is one of the highest in the history of the U.S. District Court in Austin, Bahler says.

In the SigmaTel case, Crystal now will be the sole plaintiff. Sparks removed Cirrus from the case March 3.

Crystal is the holder of the patent but was dissolved as a corporation in 1998. It was reincorporated Jan. 24. Rigoli says Cirrus was added as a plaintiff because it had an "exclusive license" to Crystal's technology. Sparks ruled that other companies had a license to the technology as well, making Cirrus' claims irrelevant.

"At the time that Crystal granted its license, Crystal was in dissolution and did not have authority to grant the license," says David Dunham, an attorney with Taylor & Dunham LLP in Austin, who is representing SigmaTel. "They realized that being a dissolved company suing for patent infringement is not an advantageous situation."

Cirrus' Rigoli says the parent company's removal from the case won't affect the outcome.

[Federal District Court for the Western District of Texas, Cause No. A 99CA-558-SS.]