

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of)	
)	
RAMBUS INC.,)	Docket No. 9302
)	
a corporation.)	
)	

**ORDER ON RECONSIDERATION OF COMPLAINT COUNSEL'S
MOTION TO COMPEL DISCOVERY RELATING TO SUBJECT
MATTERS FOR WHICH RESPONDENT ASSERTS PRIVILEGE**

I. INTRODUCTION

Before the Court, following the granting of a Motion for Reconsideration, is Complaint Counsel's Motion to Compel Discovery Relating to Subject Matters for which Respondent Asserts Privilege.¹ Complaint Counsel, through its original, reply and supplemental memos, puts forward three theories in support of its motion. The first theory is waiver. Complaint Counsel asserts that Rambus waived any privileges it may have had over the sought materials through its

¹ On March 26, 2003, the Court granted Respondent's Motion for Reconsideration, finding that Judge Timony's February 28, 2003 Order Granting Complaint Counsel's Motion to Compel Discovery was manifestly unjust. The unjustness derived from the fact that Complaint Counsel's Motion to Compel was based on a waiver theory, the Order was based on a crime-fraud exception theory advanced *sua sponte* by Judge Timony. Respondent, therefore, never had the opportunity to respond to the substantive aspects of the crime-fraud exception theory that underlay Judge Timony's Order. Both Complaint Counsel, in its April 7, 2003 memo, and Respondent, in its April 17, 2003 memo, addressed the substantive merits of the crime-fraud exception theory initially advanced by Judge Timony and subsequently adopted as its own by Complaint Counsel.

voluntary production of information in the *Hynix* litigation.² The second theory is the crime-fraud exception. Complaint Counsel asserts that Respondent's attempt to monopolize the SDRAM and DDRAM markets by expanding the scope of its patents and patent applications to attempt to cover JEDEC's SDRAM and DDRAM standards amounts to an ongoing fraudulent scheme that vitiates the attorney-client and attorney work product privileges. Finally, Complaint Counsel puts forth that Respondent is collaterally estopped from asserting privilege based on prior rulings in the *Infineon*³ and *Micron*⁴ matters.

In its Opposition, Respondent narrows the issues to be resolved by conceding that Complaint Counsel is entitled to receive the materials and to conduct discovery consistent with what occurred in the *Infineon*, *Micron* and *Hynix* matters. The primary issue to be resolved therefore, is limited to whether Complaint Counsel may take additional discovery for the post-June 1996 time period (*i.e.* after Respondent dropped out of JEDEC). On the merits, Respondent argues that no waiver of privilege ever occurred and that the discovery conducted in *Hynix* was *de facto* compelled in light of the previous discovery orders in *Infineon* and *Micron*. As to the

² *Hynix Semiconductor Inc. v. Rambus, Inc.*, Civ. 00-20905-RMW (N.D. Cal. Complaint filed on Aug. 29, 2000).

³ *Rambus Inc. v. Infineon Technologies AG*, No. 3:00cv524 (E.D. Va. Complaint filed on Aug. 8, 2000).

⁴ *Micron Technology, Inc. v. Rambus, Inc.*, No. Civ 00-792-RRM (D. Del. Complaint filed on Aug. 28, 2000).

JEDEC in June 1996. As to the collateral estoppel issue, Respondent asserts that the Federal Circuit in *Infineon II*⁵ established that Respondent did not engage in fraudulent conduct, as Infineon alleged in its complaint and the jury found at trial.

For the reasons that follow, the Court finds that Respondent: (1) waived the attorney-client privilege without temporal limitation; and (2) does not have a basis for asserting the attorney work product privilege for materials that came into existence on or before December 31, 1999.

II. ANALYSIS AND DISCUSSION

A. WAIVER

As indicated *supra*, in two cases (*Infineon* and *Micron*) the Respondent has already been ordered, based on the crime-fraud exception, to produce for discovery materials otherwise protected by the attorney-client and attorney work product privileges. In both instances, the materials ordered to be produced were limited in scope to materials created and communications that occurred prior to June 1996, when Respondent dropped out of JEDEC. In a third case (*Hynix*), there was no judicial order compelling discovery. Respondent asserts that rather than litigating the privilege issue a third time and facing a likely adverse ruling, it simply permitted discovery that tracked the judicially compelled discovery in *Infineon* and *Micron*. Respondent contends that *Hynix* was, therefore, a *de facto* compelled production and not a truly voluntary production that would amount to any type of waiver of either the attorney-client or that attorney work product privileges.

⁵ *Rambus Inc. v. Infineon Technologies AG*, 318 F.3d 1081 (Fed. Cir. Jan. 29, 2003)(*Infineon II*).

While the Court appreciates the judicial economy that resulted from Respondent's decision to produce materials and persons for discovery in *Hynix*, its decision to produce the materials (even subject to a confidentiality agreement with counsel for *Hynix*)⁶ still remains a voluntary production. Any disclosure to an adversary absent direct judicial compulsion is a voluntary disclosure. *Chubb Integrated Sys. Ltd v. Nat'l Bank of Washington*, 103 F.R.D. 52, 63 n.2, 67 (D.D.C. 1984)("[v]oluntary disclosure means the documents were not judicially compelled"); see also *In re Chrysler Motors Corp. Overnight Evaluation Program Litigation*, 860 F.2d 844, 846-47 (8th Cir. 1988)(finding that once privileged materials are turned over to an adversary, the confidential nature of the materials and the privilege as to third parties is waived even if the initial disclosure was subject to a confidentiality agreement). Distinctions between various degrees of "voluntariness" in waivers of the attorney-client privilege do not exist. *In re Sealed Case*, 877 F.2d 976, 980 (D.C. Cir. 1989)("if a [party] wishes to preserve the privilege, it must treat the confidentiality of attorney-client communications like jewels – if not crown jewels"); *In re Subpoena Duces Tecum*, 738 F.2d 1367, 1370 (D.C. Cir. 1984).⁷ By voluntarily producing the materials in *Hynix*, Respondent forfeited some of the traditional protections of the adversary system, but avoided some of the burden of litigating the privilege issue and potentially facing a more adverse result than in

⁶ Counsel for Respondent and Hynix entered into a letter agreement forbidding Hynix from disseminating the "privileged" materials that Respondent agreed to produce absent a court order and that the production was not a waiver of privilege as between those parties.

⁷ By disclosing this information in *Hynix*, Respondent failed to "zealously protect" the very privileged material that it now asks this Court to protect. *Cf. Haines v. Liggett Group, Inc.*, 975 F.2d 81, 90 (3d Cir. 1992).

The voluntary nature of Respondent's production in *Hynix* is underscored by the decision of the Court not to require production of the documents based on the crime-fraud exception. *See* § II.B., *infra*. This suggests that a judicially compelled production in *Hynix* was not nearly as inevitable as Respondent represents. Having voluntarily and consciously made the strategic decision in *Hynix* not to litigate the crime-fraud issue and instead to produce a selected set of materials voluntarily, Respondent now must live with the consequences of this decision including the waiver of privilege. A party cannot be permitted, after making a partial disclosure, to withhold the remainder of related information on the same subject matter. *Weill v. Investment mnVr2 Tf*

⁸ In addition to the Respondent voluntarily producing the documents in *Hynix*, several of these documents were also introduced in open court in the *Infineon* trial (Respondent's Initial Opposition at 8). This creates an additional basis for the finding of waiver.

Respondent's final argument is that even if the Court finds that its actions in *Hynix* waived the attorney-client privilege for post-1996 documents, these actions do not amount to a waiver of the attorney work product privilege.

The Supreme Court created the attorney work product privilege in *Hickman v. Taylor*, 329 U.S. 495 (1947). The privilege came to be codified in Fed. R. Civ. P. 26(b)(3), which creates a conditional privilege for materials prepared by or at the direction of an attorney "in anticipation of litigation or for trial." *Id.* Stated another way, the privilege "promote[s] the adversary system by safeguarding the fruits of an attorney's *trial preparations* from discovery attempts of the opponent." *In re United Mine Workers of America*, 159 F.R.D. 307, 312 (D.D.C. 1994), quoting *United States v. AT&T*, 642 F.2d 1285, 1298 (D.C. Cir. 1980)(emphasis added). Therefore, it is a prerequisite that any materials, sought to be protected by the attorney work product privilege, must have been prepared for or in anticipation of litigation.

Respondent's filings in the instant motion pointedly do *not* address when Respondent first anticipated litigation concerning its patents that may cover JEDEC's SDRAM and DDRAM standards. Rather, Respondent broadly asserts that any materials prepared by or at the direction of its attorneys post-June 1996 are subject to the attorney work product privilege. This assertion necessarily implies that Respondent anticipated litigation at least as early as July 1996, though Respondent provides no support for this position.

In marked contrast, Respondent directly addressed the issue of when it could anticipate litigation in its Opposition to Complaint Counsel's Motion for Default Judgment. In that document, Respondent took a position in direct conflict with its implicit position in the present motion. The thrust of the Default Judgment Opposition was that, as of at least as late as July

1998, when Respondent implemented its document retention program, it was not anticipating any particular litigation; therefore, Respondent had no obligation to preserve documents potentially relevant to specific litigation. Respondent asserted that it had, at most, an abstract concern that it could be subject to the expense and inconvenience of discovery as a non-party through a subpoena under Fed. R. Civ. P. 45, as some other technology companies had been. Having taken the position in its Opposition to the Default Judgment that at least as of July 1998 it was not anticipating any specific litigation, the Court does not now accept Respondent's current contradictory position that it actually was anticipating litigation at least as early as July 1996.

Due to the obfuscation by Respondent as to when it anticipated litigation involving its patents that allegedly cover JEDEC's SDRAM and DDRAM standards, the Court must make a determination as to when, for the purpose of this discovery motion, Respondent reasonably did anticipate litigation and properly could have asserted the attorney work product privilege. In making this determination, the Court must construe this privilege narrowly. *In re Sealed Case*, 676 F.2d at 807. In particular, under the specific circumstances of this controversy, the Court must narrowly construe the temporal nature of the attorney work product privilege, which is only applicable after a party begins to anticipate litigation. The earliest litigation involving Respondent and JEDEC standards commenced on August 8, 2000. *See* nn.2-4, *supra*. The Court will presume that Respondent could have anticipated litigation a reasonable duration of time prior to the filing of the first complaint. Therefore, the Court finds that Respondent likely anticipated litigation as early as January 1, 2000 (approximately eight months prior to the commencement of the first litigation involving the JEDEC-related patents). The Court

consequently holds that Respondent has no basis for asserting the attorney work product privilege for any materials coming into existence prior to January 1, 2000.

The final question to be resolved, is whether Respondent waived its work product privilege for materials coming into existence after January 1, 2000. The Court holds that it did not. At issue in the instant litigation, is whether Respondent monopolized or attempted to monopolize one or more DRAM markets. What is relevant, therefore, is what actions the Respondent took directly or what directions it provided to its attorneys towards this alleged end.

Internal drafts, research notes or thought processes by Respondent's attorneys that were never shared with Respondent would not be probative as to the Respondent's intentions. *Eco Mfg.*

LLC v. Honeywell Int'l, Inc., 2003 WL 1888988 at *6 (S.D. Ind. Apr. 11, 2003); *Vardon Golf*

Co., Inc. v. Karsten Mfg. Corp., 2003 WL 1785803 at *7 (N.D. Ill. Mar. 31, 2003). Moreover,

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B. CRIME-FRAUD EXCEPTION

The issue of whether JEDEC contractually required its members to disclose the existence of patents and patent applications relating to proposed JEDEC standards is central to this litigation.

As a result of the remedial presumptions that arose in the Court's February 26, 2003 Order denying Complaint Counsel's Motion for Default Judgment, there is a rebuttable presumption that "Rambus knew or should have known from its pre-1996 participation in JEDEC that developing JEDEC standards would require the use of patents held or applied for by Rambus." While Respondent has the burden of overcoming this presumption at trial, the Court believes that a punitive presumption arising from Respondent's misconduct with regard to the handling of its documents cannot, by itself, serve as a factual predicate sufficient to vitiate the attorney-client and attorney work product privileges through the crime-fraud exception.

Particularly, in light of the supplemental memo and materials submitted by Complaint Counsel, the Court confirms the conclusion of the February 26 Order that there is a *prima facie* case that Respondent engaged in fraud-like conduct with regard to its fellow JEDEC members. However, the Court also believes that there is sufficient evidence of record to rebut this presumption and to create a material question of fact on the issue of whether Respondent had a duty to disclose. As a result, the crime-fraud exception sought by Complaint Counsel does not apply to the instant case.

In addition, based on its reading of *Infineon II* and the liability theories enunciated by Complaint Counsel that go beyond Respondent's contractual obligations under JEDEC, the Court has some concern whether Respondent's conduct (even if ultimately found to be illegal and

that there was no substantial evidence to support the jury's verdict. *Infineon II*, 318 F.3d at 1105.

As a result, there no longer is any support for Complaint Counsel's collateral estoppel theory.¹⁰*InfioeDUh -0.01L*

¹⁰As discussed at pp. 2-5 of the Court's March 29, 2003 Order addressing various applications by Respondent for collateral estoppel effect and reconsideration of two Orders issued by Judge Timony, the Federal Circuit in *Infineon II* affirmed-in-part, reversed-in-part, vacated-in-part, and ultimately remanded the *Infineon* matter back to the district court. The Federal Circuit reversed the district court's decision to deny Rambus' Motion for Judgment as a Matter of Law, which initially upheld the jury's verdict finding Rambus to have engaged in fraudulent behavior throughout the development of JEDEC's SDRAM standard. 381 F.3d at 1105. Conversely, the Federal Circuit affirmed the district court's decision in granting Rambus' Motion for Judgment as a Matter of Law, which initially struck down the jury's verdict finding Rambus to have engaged in fraudulent behavior throughout the development of JEDEC's DDRAM standard. *Id.* The district court's decision was vacated solely as to the award, pursuant to 35 U.S.C. § 285, of over \$7.1 million in attorney fees to Infineon as the prevailing party. The remand mandate was limited to the district court determining whether: (1) in light of the Federal Circuit's decision in *Infineon II*, Infineon remained the prevailing party and; (2) if so, the proper attorney fees award amount based solely on Rambus's unchallenged litigation misconduct and without findings that Rambus also engaged in fraudulent conduct and improper claim construction and patent infringement. *Id.* at 1105-07.

present litigation as well. Similarly, the Court is not compelling the production of attorney work product privilege protected materials. Rather, the Court is only requiring the production of materials generated before Respondent, based in part on its own contentions, could have anticipated litigation and, therefore, even had a basis for asserting the attorney work product privilege.

As a consequence, the Court does not believe that any Constitutional issues are implicated or that *Haines*-type procedural safeguards are necessary. In direct contrast to *Haines*, the Court here does not need to perform any type of balancing test between giving a privilege adequate protection and the necessity for creating an exception to a privilege. Rather, the decision by Rambus in *Hynix* to produce these otherwise privileged materials was made consciously and knowingly. The Court, therefore, will not conduct *Haines*-type proceedings and directs that the materials be produced by Respondent directly to Complaint Counsel. However, all materials produced, as result of this Order, shall be granted *in camera* treatment upon motion by Respondent.

III. CONCLUSION

For the reasons set forth above, Complaint Counsel's Motion to Compel is GRANTED.

To the extent it has not already done so, Respondent is ORDERED to produce to Complaint Counsel all non-privileged materials relating to the following subject matters:

- (1) Disclosures of patents and patent applications to JEDEC by Rambus;
- (2) The disclosure policy of JEDEC;
- (3) The efforts by Rambus to broaden its patents to cover matters pertaining to the JEDEC standards;

