



PUBLIC

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

)
In the Matter of)
)
)
RAMBUS INC.,)
)
a corporation,)
_____)

Docket No. 9302

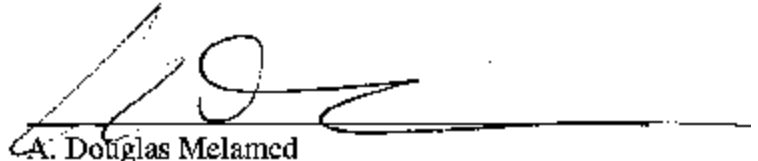
**RAMBUS INC.'S MOTION TO STAY OR, IN THE ALTERNATIVE,
FOR AN EXTENSION OF TIME**

Rambus Inc., hereby moves to stay all further proceedings in the above-captioned matter pending a decision by the Federal Circuit in *Rambus Inc. v. Infineon Technologies AG*, Case Nos. 01-1449, 01-1583, 01-1604, 01-1641, 02-1174, 02-1192. The Federal Circuit's decision, expected in the next few months, will address many of the most important issues that are raised in this matter. As explained in detail in Rambus's *Memorandum in Support* filed herewith, a stay is appropriate because it will streamline and focus the many novel and complex legal and factual issues before the Commission, ensure consistency between the Federal Circuit's decision and the Commission's decision, and avoid wasting significant time and resources on discovery relating to issues that may be decided or rendered moot by the Federal Circuit's decision.

Alternatively, if the Motion to Stay is denied, the Court should grant Respondent a short extension of time within which to file its Answer. Complaint Counsel has authorized us to state that it consents to a 14-day extension of time.

July 5, 2002

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'A. Douglas Melamed', is written over a horizontal line.

A. Douglas Melamed
Robert B. Bell
Wilmer, Cutler & Pickering
2445 M Street N.W.
Washington, DC 20037-1402
202 663-6000

John D. Danforth, Esq.
Bob Kramer, Esq.
Rambus Inc.
4400 El Camino Real
Los Altos, CA 94022
650 947-5000

Counsel for Respondent Rambus Inc.

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of)

RAMBUS INC.,)
a corporation,)

Docket No. 9302

**MEMORANDUM IN SUPPORT OF RAMBUS INC.'S MOTION TO STAY
OR, IN THE ALTERNATIVE, FOR AN EXTENSION OF TIME**

On June 3, 2002, the Federal Circuit heard argument in *Rambus Inc. v. Infineon Technologies AG.*, Case Nos. 01-1449, 01-1583, 01-1604, 01-1641, 02-1174, 02-1192 (“*Infineon*”). As detailed below, many of the factual and legal issues central to that appeal are almost identical to those central to the Complaint here, including the proper interpretation of JEDEC’s disclosure rules and whether Rambus’s alleged non-disclosure of its patent interests allowed it to gain and exercise market power. This overlap virtually ensures that the Federal Circuit’s decision will shape, and perhaps resolve on grounds of precedent or collateral estoppel, many of the issues in this case.

This case is, therefore, a prime candidate for a brief stay until the Federal Circuit’s decision, which is expected in the next few months.¹ Granting a stay pending the Federal Circuit’s decision will enable many of the novel and complex legal and factual issues raised in this case to be better focused, facilitate consistency with the Federal Circuit’s decision, and allow the significant discovery necessary in this case to be conducted as efficiently and expeditiously

¹ The briefing and argument were conducted on an expedited basis, indicating that the Federal Circuit is likely to issue its opinion soon.

as possible, thereby conserving both the Commission's and Respondent's resources. Two federal district courts have already issued stays in actions that — like this one — will be directly and materially affected by the Federal Circuit's decision. This Court should follow their lead.

Alternatively, if the Motion to Stay is denied, the Court should grant Respondent a short extension of time within which to file its Answer. Complaint Counsel have authorized us to state that they consent to a 14-day extension of time.

BACKGROUND

The Complaint's basic allegations can be summarized as follows: (1) from December 1991 through mid-1996, Rambus was a member of JEDEC (Compl. ¶¶ 21, 40), a voluntary association of technology companies dedicated to setting industry standards (*id.* ¶¶ 14-15); (2) in 1993, JEDEC established standards for certain aspects of dynamic random access memory, or "DRAM," memory chips (*id.* ¶ 27); (3) these standards incorporated technology that Rambus either had patented or patented at some point in the future (*id.* ¶ 91); (4) according to the Complaint, JEDEC's rules required its members to disclose their patents, patent applications, and even possible future patent applications, under certain circumstances, including any time that JEDEC was considering a standard that "might involve" technology "related to" a member's existing *or future* intellectual property (*id.* ¶¶ 24, 79); (5) Rambus violated those rules by not disclosing its patent applications and intention to obtain patents that would relate to standards that JEDEC was considering adopting (*id.* ¶¶ 2, 70, 80); (6) JEDEC might not have adopted standards that related to Rambus's inchoate intellectual property but for Rambus's non-disclosure (*id.* ¶¶ 20-22, 71, 80); (7) the incorporation of Rambus's later-patented intellectual property into JEDEC's standards provided market power to Rambus (*id.* ¶¶ 122); (8) by enforcing or seeking to enforce its later acquired patents, Rambus exercised market power that it

had acquired wrongfully through violation of JEDEC's disclosure rules (*id.* ¶ 2); and (9) DRAM manufacturers became so "locked-in" to Rambus's technology that they were powerless to alter or work around JEDEC's standards (*id.* ¶¶ 105-109).

The Commission is the *fourth* adjudicative body that is currently considering these factually erroneous and legally flawed allegations.

Rambus initiated the *Infineon* case in August 2000, alleging patent infringement. Infineon asserted various affirmative defenses and counterclaims, including allegations that Rambus's non-disclosure of its intention to obtain patents relating to the JEDEC standards violated JEDEC's disclosure rules and constituted fraud. The court in that case construed Rambus's patents extremely narrowly and erroneously held that they were not infringed by Infineon's products. The jury returned a fraud verdict against Rambus.² Rambus appealed to the Federal Circuit on grounds including the trial Court's erroneous interpretation of both the scope of Rambus's patents and JEDEC's disclosure rules. That appeal was argued on June 3. In light of the expedited briefing and argument set by the Federal Circuit, it is anticipated that a decision will be handed down within the next few months.

Soon after Rambus initiated its suit against Infineon, Rambus was sued in two federal district courts by other DRAM manufacturers. Micron Technology, Inc. ("Micron") sued Rambus in federal district court in Delaware seeking a declaratory judgment that its manufacture and sale of SDRAM products compliant with the JEDEC standards does not infringe Rambus's patents and accusing Rambus of monopolization, attempted monopolization, fraud, and inequitable conduct. Hynix Semiconductor, Inc. ("Hynix") sued Rambus in federal district court

² The *Infineon* court overturned by JMOL important aspects of the jury's verdict, including the jury's erroneous findings of actual and constructive fraud on Infineon's DDR SDRAM counterclaim and constructive fraud on Infineon's SDRAM counterclaim. Attachment A at 12, 50.

in California, also seeking a declaratory judgment that its manufacture and sale of SDRAM products compliant with the JEDEC standards do not infringe Rambus's patents and also accusing Rambus of antitrust violations, unfair competition, and breach of contract.

Because of the similarity of issues in *Micron* and *Hynix* to those on appeal in *Infineon*, the *Micron* and *Hynix* courts each stayed at least part of those proceedings.³ In its order tentatively granting Rambus's motion to stay the *Hynix* action, the *Hynix* Court stated that a stay was appropriate in part because Hynix's antitrust, breach of contract, fraud and unfair competition claims appeared to be "premised in large part on facts that have been, or are being litigated in the earlier Infineon and Micron actions." Attachment B at 7-20. Similarly, the *Micron* court explained that its reason for postponing non-discovery-related proceedings was because "the subject of Rambus's disclosure duty to JEDEC" was to be considered by the Federal Circuit in the *Infineon* appeal. Attachment D at 21. The *Hynix* and *Micron* Courts, in justifying their orders, reasoned that delaying their proceedings would ensure consistency with the Federal Circuit's decision and conserve the courts' and parties' resources by postponing discovery and other activities that could prove irrelevant in light of the Federal Circuit's decision. See Attachment B at 7-26; Attachment D at 25.

On June 18, 2002, the Commission issued the Complaint in this matter. Just as the DRAM manufacturers alleged in the *Infineon*, *Micron*, and *Hynix* cases, the Complaint alleges that Rambus has wrongfully acquired market power by waiting for JEDEC to set certain

³ The *Hynix* court stayed that matter completely; the *Micron* court did not "stay the matter as a whole," but postponed claim construction and trial until a decision was issued by the Federal Circuit in the *Infineon* appeal. A copy of the court order in the *Hynix* "tentatively" granting the motion for stay requested by Rambus in *Hynix* is provided at Attachment B. A copy of the final order granting stay in the action is provided at Attachment C. A copy of the order and memorandum opinion in *Micron* is provided at Attachment D.

standards before disclosing that those standards related to one patent that Rambus had and others that it *later* obtained. (See Compl. ¶¶ 80, 122.) Just as the DRAM manufacturers alleged in the *Infineon*, *Micron*, and *Hynix* cases, the Complaint alleges that, through its allegedly wrongful non-disclosure of its then non-existent patents, Rambus allowed JEDEC to adopt standards that incorporated its technology. Just as the DRAM manufacturers alleged in the *Infineon*, *Micron*, and *Hynix* cases, the Complaint alleges that the incorporation of Rambus's technology into JEDEC's standards effectively locked manufacturers into using Rambus's technology and provided Rambus with market power that it otherwise would not have obtained. (See Compl. ¶¶ 80, 91, 122.) Likewise, the DRAM manufacturers and Staff all assert that, by enforcing its patents, Rambus has wrongfully exercised market power. (*Id.* ¶¶ 100, 103, 122). At the heart of all four matters are issues relating to the validity and scope of Rambus's patents, the proper interpretation and application of JEDEC's disclosure rules, the reliance of DRAM manufacturers on Rambus's non-disclosure, and the exercise of the market power that supposedly resulted from Rambus's allegedly wrongful conduct — all issues that are likely to be addressed by the Federal Circuit.

ARGUMENT

1. This Matter Should Be Stayed Until the Federal Circuit Rules in the Pending Infineon Case

Stays are regularly granted in circumstances where, as here, separate but related proceedings may impact the conduct of the case before the court. *See, e.g., Amdur v. Lizars*, 675 F.2d 103, 106-07, 104 (4th Cir. 1967) (affirming stay of proceedings “so long as a similar action . . . remains ‘outstanding and undecided’”); *International Nickel Co. v. Martin J. Barry, Inc.*, 204 F.2d 583, 584-86 (4th Cir. 1953) (affirming stay pending the outcome of a similar suit that had been filed earlier in another federal court); *Stern v. United States*, 563 F. Supp 484, 489 (D. Nev.

1983) (staying action pending resolution of a separate, parallel action on appeal to the Ninth Circuit when “[t]he outcome of the appeal could have a profound effect on the within litigation.”); *see also Ontario, Inc. v. World Imports U.S.A., Inc.*, 145 F. Supp. 2d 288, 291 (W.D.N.Y. 2001) (holding that parties and issues need not be identical to warrant a stay, so long as a stay “will more than likely narrow the issues before this Court and ultimately save the parties and this Court from a needless or duplicative expenditure of resources”).

In light of the actions of the *Micron* and *Hynix* courts, principles of comity also weigh in favor of a stay. *See A. Stone & Co. v. Korak Corp.*, 76 Civ. 5280-CSH, 1997 U.S. Dist. LEXIS 12597 at*9 (S.D.N.Y. Feb. 21, 1979) (finding comity to be a principal consideration in deciding a motion to stay).

In fact, at least two federal Circuit Courts of Appeal have suggested that it may be error *not* to issue a stay in such circumstances. *See Bailey v. Ness*, 733 F.2d 279, 283 (3d Cir. 1984) (holding that district court should have stayed action until state court appeals had run their course or time for bringing appeal had lapsed); *Seltzer v. Ashcroft*, 675 F.2d 184, 185 (8th Cir. 1982) (stating that the “proper course” is to stay the second action in which collateral estoppel is sought pending exhaustion of appellate procedures in the first action).

The FTC’s rules expressly recognize the propriety of a stay in precisely this situation: FTC Rule 3.51(a) provides that an ALJ “may stay the administrative proceeding until resolution of a collateral federal court proceeding.” 16 C.F.R. § 3.51(a). Moreover, in order to accommodate the issuance of any such stay, Rule 3.51(a) tolls the “one year rule” during the “pendency of any collateral federal court proceeding that relates to the administrative adjudication.” *Id.*

There can be no question that the *Infineon* matter is “collateral” to the case at bar and that the decision in the *Infineon* appeal will squarely affect these proceedings. The similarity of the core issues in both cases is revealed by a comparison of the Complaint with the transcript of the *Infineon* oral argument.⁴ For example, the antitrust violations alleged in the Complaint rest on the assertion that Rambus violated JEDEC’s disclosure obligations. (Compl. ¶¶ 2, 70-78, 80.) The Complaint alleges that JEDEC’s rules imposed a very broad duty to “disclose the existence of any patents or pending patent applications that it [Rambus] knew or believed ‘might be involved in’ the standard-setting work that JEDEC was undertaking and to identify the aspect of JEDEC’s work to which they related.” (Compl. ¶¶ 70, 79 (citing ¶¶ 21, 24).) This allegation tracks issues front-and-center in the *Infineon* appeal, including: (1) whether JEDEC rules required disclosure of patent applications or only issued patents (Tr. at 10-14, 38-39); (2) whether JEDEC rules required disclosure of an intent to file “related” applications in the future (Tr. at 9-10); and (3) whether JEDEC rules required disclosure of intellectual property that in some broad sense “related to” a JEDEC standard. (Tr. at 6-10, 18-24, 34-36, 39.)

The Complaint also alleges that part of Rambus’s “anticompetitive scheme” was its effort to “perfect” its patents rights over technologies that it believed might relate to technologies involved in the proposed and ultimately adopted JEDEC standards. (Compl. ¶ 2.) Essentially the identical issue was raised before the Federal Circuit, which extensively questioned the parties at the oral argument regarding the propriety of Rambus’s filing patent applications in order to cover the standards as they developed at JEDEC. (Tr. at 20-21, 28-29, 36.)

⁴ A copy of a certified but unofficial transcript of the oral argument (“Transcript”) is provided at Attachment E.

Also central to both the Complaint and the *Infineon* appeal is the issue of causation: whether JEDEC would have adopted a different standard had Rambus disclosed its patents, patent applications, and plans for future patents; and whether incorporation of Rambus's technology into the JEDEC standard had any actual effect on the DRAM manufacturers. (Compl. ¶¶ 3, 119; Tr. at 26.)

Other issues that are likely to be addressed in the *Infineon* decision and bear on this case include whether Rambus had any patent applications pending while it was a JEDEC member that would be infringed by products built to a JEDEC standard (Tr. at 3-6, 23, 33); whether Rambus obtained any material information by being a JEDEC member that was not public and that it thus could not have learned had it not joined JEDEC (Tr. at 21-22, 36-38); and whether, even if Rambus failed to comply with its obligations with respect to SDRAM, it did anything wrong with respect to DDR SDRAM. (Tr. at 14-15, 24-26.)

As the foregoing analysis indicates, any decision by the Federal Circuit is likely to resolve, or at least impact substantially, several of the central issues raised in the Complaint. The interests of the Commission and the parties therefore are served by suspending activity now, before significant time and resources are wasted pursuing issues and theories that may change or become irrelevant. Ultimately a stay will benefit everyone involved by focusing the issues and ensuring that both discovery and trial will be as productive, efficient, and expeditious as possible.

2. In the alternative, Respondent's time to Answer the Complaint should be Enlarged

This case is *extremely* complex. The Staff has spent months drafting a detailed, 35-page 124-paragraph Complaint that raises hundreds of factual issues, including a number of highly technical issues about Rambus's technology. *See, e.g.*, ¶¶59-69. In order to admit, deny, or

explain *each* fact alleged in the Complaint, see 16 C.F.R. §3.12(b)(ii)(2), so as to frame and narrow the issues in dispute instead of simply stating that respondent does not have sufficient knowledge to admit or deny, respondent requires more time than the 20 days allowed under the Rules. Accordingly, if the requested Stay is not granted, respondent respectfully requests an additional 14 days in which to file its Answer, that is, until July 29, 2002.

An extension of time is also warranted here because respondent has not yet selected its lead trial counsel for this matter. Respondent's market capitalization fell by nearly 50 percent following the Commission's announcement of its decision to file a complaint. Understandably, Respondent has been preoccupied with dealing with the press and communicating with its shareholders, business partners, and the 120 highly trained, mobile engineers it employs. Moreover, the selection of lead trial counsel is complicated by the pendency of the private cases described above and the need to litigate all of the pending cases in the most efficient manner. Respondent expects to choose its lead counsel within the next week or so. Whoever is chosen will need time to finalize the Answer. Under these circumstances, a 14-day extension of time is both reasonable and fair.

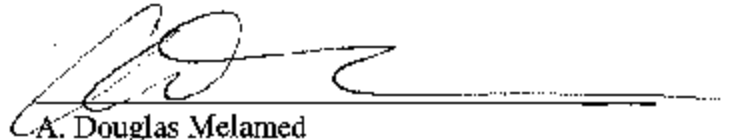
Complaint Counsel has authorized us to represent that it consents to the grant of the Motion for Extension of Time.

CONCLUSION

For the foregoing reasons, Rambus's Motion for Stay pending the decision by the Federal Circuit in *Rambus Inc. v. Infineon Technologies AG* should be granted. If it is denied, the Court should grant Rambus's Motion for Extension of Time.

July 5, 2002

Respectfully submitted,

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A. Douglas Melamed
Robert B. Bell
Wilmer, Cutler & Pickering
2445 M Street N.W.
Washington, DC 20037-1402
202 663-6000

John D. Danforth, Esq.
Bob Kramer, Esq.
Rambus Inc.
4400 El Camino Real
Los Altos, CA 94022
650 947-5000

Counsel for Respondent Rambus Inc.

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of)
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Docket No. 9302

ORDER STAYING PROCEEDINGS

This matter arose on the motion by Rambus Inc. to stay these proceedings. Having considered the briefs of all parties, IT IS HEREBY ORDERED that the above captioned matter is STAYED until fourteen days after the Federal Circuit issues its decision in *Rambus Inc. v. Infineon Technologies AG*, Case Nos. 01-1449, 01-1583, 01-1604, 01-1641, 02-1174, 02-1192 (Fed. Cir. 2002).

SO ORDERED this ____ day of _____, 2002.

James P. Timony
Administrative Law Judge

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

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

ORDER EXTENDING TIME WITHIN WHICH TO ANSWER

This matter arose on a motion by Rambus Inc. for an extension of time within which to file an answer. Complaint Counsel consents to the Motion. Accordingly, IT IS HEREBY ORDERED that Rambus Inc. shall file its Answer on or before July 29, 2002.

SO ORDERED this ____ day of July, 2002.

James P. Timony
Administrative Law Judge

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

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**MOTION FOR A MORE DEFINITE STATEMENT
OR, IN THE ALTERNATIVE, FOR AN ORDER REQUIRING
CLARIFICATION OF CERTAIN CONTENTIONS IN THE COMPLAINT**

Respondent Rambus Inc., (“Rambus”) files this Motion for a More Definite Statement or, in the Alternative, for an Order Requiring Clarification of Certain Contentions in the Complaint pursuant to 16 C.F.R. §§ 3.11(c) and 3.22. Section 3.11(c) provides, in pertinent part, that “[w]here the respondent makes a reasonable showing that it cannot frame a responsive answer based on the allegations contained in the complaint, such respondent may move for a more definite statement of the charges against it before filing an answer.” Section 3.22 applies to all other motions. Grant of this Motion is necessary in order for Rambus completely and effectively to answer the Complaint and to plan for discovery in this case.¹

¹ Rambus is also filing a separate Motion for Stay or, in the Alternative, for an Extension of Time Within Which to Answer the Complaint.

ARGUMENT

The theory underlying the Complaint in this case is both novel and expansive. The Complaint alleges that Rambus violated the antitrust laws because it did not disclose to an industry standard-setting organization, JEDEC, that it believed that some of its pending or future patents might involve JEDEC's standard-setting work. While the Complaint is long and detailed and in general facilitates joining and focusing on the issues in dispute, on this central premise of the case – the allegation that Rambus violated JEDEC's operating rules and procedures governing disclosures of intellectual property by JEDEC members (¶2) -- the Complaint is almost entirely conclusory. The allegations on that issue repeatedly rest on subjective notions, such as what Rambus "believed" (e.g., ¶47), whether a patent "might be involved in" JEDEC's work (¶21), and whether a patent "arguably" covers certain technologies (e.g., ¶45).

The Complaint's description of the pertinent JEDEC rules and procedures and Rambus's obligations thereunder is so ambiguous and imprecise in critical respects that a more definite statement is required in order to enable Rambus to file a meaningful Answer and to prepare its discovery. The ambiguities involve the following issues.

1. What Must Be Disclosed

Evidently recognizing uncertainty and ambiguity in JEDEC's rules, the Complaint alleges that, "[f]airly interpreted," JEDEC's policies required JEDEC members to disclose the existence of patents or patent applications that they "knew or believed ... might involve ... [JEDEC's] standard-setting work." ¶24a. The Complaint repeatedly alleges that Rambus did not comply with this requirement.

In order to provide a meaningful answer to the Complaint and to plan its discovery, Rambus needs to know, but cannot determine from the Complaint, the following:

- What does “might involve” mean? Does it refer to patents that would be infringed by proposed JEDEC standards? Or does it refer to some more vague notion, such as patents that deal generally with similar technical issues? Clarification of this allegation is necessary in order to facilitate meaningful answers to ¶¶20, 21, 24, 54, 79, 80, 84, and 85b of the Complaint.
- What does JEDEC’s “standard setting work” mean? Does it mean only specific, proposed standards? Or does it refer more generally to the whole field in which JEDEC is engaged? Clarification of this allegation is necessary in order to facilitate meaningful answers to ¶¶20, 21, 24, 54, 79, 80, 84 and 85b of the Complaint.
- What does it mean to say that a corporation that is a JEDEC member “believed” something? Is the corporation required to disclose beliefs that are erroneous? or optimistic or pessimistic? Does the corporation’s belief include all the beliefs of individual officers or employees, or just those that are officially adopted and acted upon by the corporation? Must the beliefs be carefully considered and examined, or are tentative or even casual beliefs enough? Must the beliefs be communicated to others? Must they be enduring, and if so for how long, or are transitory beliefs enough? Clarification of this allegation is necessary in order to facilitate meaningful answers to ¶¶24, 47, 48, 54, 55, 61, 70, 76-80, and 86 of the Complaint.

2. When Must Disclosure Be Made

The Complaint is silent about the key question of when a member is required to make disclosures. Are members expected to disclose their patents only when a specific standard is placed on a ballot for decision at JEDEC, or are members expected to disclose their patents before then? If the latter, when must members make such disclosure? Are they required to disclose patent applications only after the Patent Office takes certain actions giving rise to an inference that the application might be granted, or must they be disclosed as soon as they are filed or even before they are filed? Clarification of this allegation is necessary to facilitate meaningful answers to ¶¶20, 21, 24, 54, 79, and 80 of the Complaint.

3. What is the Source of JEDEC's Disclosure Obligation?

What is the source of the disclosure obligations? Is it the written materials shown to JEDEC members at every meeting and described on the JEDEC ballots, which refer only to patents, not patent applications, and state only that disclosure is required when a proposed JEDEC standard “calls for the use of a patented item or process”? Or does the Complaint allege that the disclosure duty somehow arose from the JEDEC Chairman’s Manual (called simply the “JEDEC Manual” in ¶21 of the Complaint), which was not distributed or even shown to JEDEC members like Rambus? Or is the alleged duty based on EIA policies (see ¶18)? Clarification of this allegation is necessary to facilitate meaningful answers to ¶¶20 and 24 of the Complaint.

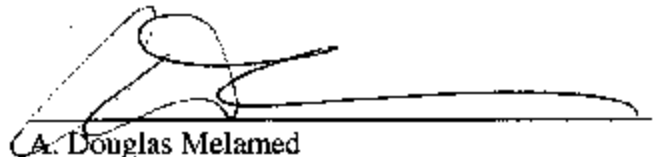
CONCLUSION

Although the Complaint is long and generally very detailed, with respect to the key question of what the JEDEC disclosure rules required, it does not state with sufficient definiteness “the type of acts or practices alleged to be in violation of the law.” 16 C.F.R.

§3.1(b))(2). Complaint Counsel should therefore be required to make a more definite statement of those allegations in the Complaint or, in the alternative, to clarify the allegations by providing responses in the nature of interrogatory answers in order to eliminate the ambiguities described above.

July 5, 2002

Respectfully submitted,

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A. Douglas Melamed
Robert B. Bell
Wilmer, Cutler & Pickering
2445 M Street N.W.
Washington, DC 20037-1402
202 663-6000

John D. Danforth, Esq.
Bob Kramer, Esq.
Rambus Inc.
4400 El Camino Real
Los Altos, CA 94022
650 947-5000

Counsel for Respondent Rambus Inc.

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ORDER

This matter arose on Rambus Inc.'s Motion for a More Definite Statement or, In the Alternative, For An Order Requiring Clarification of Certain Contentions in the Complaint. Having considered the briefs of all parties, IT IS HEREBY ORDERED that Complaint Counsel file an amended complaint or an addendum to the Complaint that clarifies each of the issues raised in the above-referenced Motion.

SO ORDERED this ____ day of July, 2002.

James P. Timony
Administrative Law Judge

UNITED STATES OF AMERICA
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CERTIFICATE OF SERVICE

I, Kyle DeYoung, hereby certify that on July 5, 2002, I caused a true and correct copy of *Rambus Inc.'s Motion to Stay, or in the Alternative, for an Extension of Time and Memorandum in Support*, and *Rambus Inc.'s Motion for a More Definite Statement, or in the Alternative, for an Order Requiring Clarification of Certain Contentions in the Complaint* to be served on the following persons by hand delivery:

Hon. James P. Timony
Administrative Law Judge
Federal Trade Commission
Room H-112
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

Donald S. Clark, Secretary
Federal Trade Commission
Room H-159
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

Joseph J. Simons
Director, Bureau of Competition
Federal Trade Commission
Room H-372
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

M. Sean Royall
Deputy Director, Bureau of Competition
Federal Trade Commission
Room H-378
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

Richard B. Dagen
Assistant Director
Bureau of Competition
Federal Trade Commission
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

Geoffrey D. Oliver
Deputy Assistant Director
Bureau of Competition
Federal Trade Commission
601 Pennsylvania Ave., N.W.
Washington, D.C. 20580



Kyle DeYoung

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Richmond Division



RAMBUS, INC.,

Plaintiff,

v.

Civil Action No. 3:00cv524

INFINEON TECHNOLOGIES AG,
INFINEON TECHNOLOGIES
NORTH AMERICA CORP.,
and INFINEON TECHNOLOGIES
HOLDING NORTH AMERICA, INC.,

Defendants.

MEMORANDUM OPINION

A jury found the Plaintiff and Counterclaim Defendant Rambus, Inc., ("Rambus"), liable on Count 10 (actual fraud) and Count 11 (constructive fraud) of the counterclaims asserted by the Defendants and Counterclaim Plaintiffs Infineon Technologies AG, Infineon Technologies North America Corp. and Infineon Technologies Holding North America, Inc., (collectively "Infineon" hereinafter).

The jury awarded nominal and punitive damages on the actual fraud claim and nominal damages on the constructive fraud claim. Having preserved its options during the trial, Rambus now has moved for judgment as a matter of law ("JMOL") under Fed. R. Civ. P. 50, or, alternatively, for a new trial, under Fed. R. Civ. P. 59. Rambus contends that JMOL must be granted in its favor because: (1) Infineon failed to prove by clear and convincing evidence the elements of fraud under Virginia law; (2) nominal damages are not available in fraud actions under Virginia law, therefore the

punitive damages awarded on the basis of the nominal damage award must be set aside; (3) the preponderance of the evidence demonstrates that Infineon's fraud claims are barred by the two year statute of limitations, see Va. Code § 8.01-243 and 249(1); and (4) the Court erred in refusing to give Rambus' proffered jury instruction pursuant to Kingsdown Medical Consultants, Ltd. v. Hollister Inc., 863 F.2d 867 (Fed. Cir. 1988). In its motion for a new trial, Rambus again alleges that: (1) Infineon did not establish the requisite elements of fraud; (2) the preponderance of the evidence shows that the fraud claims are barred by the statute of limitations; and (3) the Court erred in refusing to give Rambus' proffered instruction pursuant to Kingsdown Medical.

I. STATEMENT OF PROCEDURAL AND FACTUAL BACKGROUND

A. Procedural Background

Rambus filed a complaint on August 8, 2000, alleging that Infineon had infringed two of its patents. On October 20, 2000, Rambus filed a First Amended Complaint which added charges of infringement of two additional patents. On January 10, 2001, Infineon filed counterclaims alleging that: (1) it was entitled to a declaratory judgment that the four patents-in-suit were not infringed, were invalid and were unenforceable (Counts 1-4); (2) Rambus breached its contract with JEDEC,¹ a technology standards-

¹ "JEDEC" is the acronym for the Joint Electronics Devices Engineering Council. Its parent organization is the Electronic Industry Association.

setting body (Count 8); (3) Infineon was entitled to damages as a third-party beneficiary of that breached contract (Count 9); (4) Rambus committed actual fraud while a member of JEDEC (Count 10); (5) Rambus committed constructive fraud while a member of JEDEC (Count 11); (6) Rambus obtained monopoly power in the relevant technology market in violation of the Sherman Act, 15 U.S.C. § 2 (Count 12); (7) Rambus had attempted to obtain a monopoly in the relevant technology market in violation of the Sherman Act, 15 U.S.C. § 2 (Count 13); and (8) Rambus violated the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961 et seq. through its fraudulent conduct at JEDEC (Count 14).

An opinion was issued pursuant to Markman v. Westview Instrs. Inc., 52 F.3d 967 (Fed. Cir. 1995), aff'd 517 U.S. 370 (1996) to construe the disputed claim terms of the patents. Thereafter, Rambus abandoned, before trial, the charge of infringement as to one of the patents-in-suit, U.S. Patent No. 5,954,804. After the presentation of Rambus' infringement case, the Court granted JMOL in Infineon's favor on the remaining three patents-in-suit, U.S. Patent Nos. 5,953,263; 6,032,214; and 6,034,918. Infineon then agreed that its request for a declaratory judgment on the validity and enforceability of the patents-in-suit and its claim for monopolization were mooted by the infringement ruling (Counts 1-4 and 12). At the close of Infineon's case-in-chief on its counterclaims, the Court granted JMOL in favor of Rambus on the

breach of contract claims (Counts 8 and 9) and the attempted monopolization claim (Count 13).

At the conclusion of the two and one-half week trial, in a special verdict form, the jury found Rambus liable for committing actual and constructive fraud (Counts 10 and 11) in its conduct at JEDEC respecting both the Synchronous Dynamic Random Access Memory ("SDRAM") and the Double Data Rate SDRAM ("DDR SDRAM") standards adopted by JEDEC. The jury awarded nominal damages in the amount of \$1.00 on each of the fraud claims and punitive damages in the amount of \$3,500,000.00 on the actual fraud claim. Pursuant to Va. Code § 8.01-38.1, the Court reduced the amount of punitive damages to \$350,000.00. The jury found in favor of Rambus on the RICO claim (Count 14).

B. Factual Background

Rambus is a technology company that designs and licenses computer memory systems. Rambus does not manufacture memory devices, but instead licenses its technologies to semiconductor manufacturers. The existence and the profitability of Rambus depends entirely on securing patents and licensing them to manufacturers.

In April 1990, Rambus filed a patent application covering a new design for computer memory systems. The United States Patent and Trademark Office ("PTO") determined that this application, U.S. Patent App. No. 07/510,898 ("the '898 application"), contained 11

independent and distinct inventions. The PTO, therefore, required Rambus to select only one of those inventions to pursue in the '898 application and allowed it to file divisional applications on the remaining inventions. Rambus did precisely that.

As of the date of trial, Rambus had been granted 31 patents based on the 1990 '898 application and numerous applications are currently pending. Many of these early patents are directed to "Rambus DRAMs" or "RDRAMs," which is a predecessor to the SDRAM technology. Rambus has licensed several semiconductor manufacturers, including Infineon, for the RDRAM technology.

The four patents-in-suit, however, are addressed to SDRAMs and DDR SDRAMs. In a SDRAM, the central processing unit, or CPU, sends and receives information from the memory device according to the "tick" of a "clock" contained within the memory system. In DDR SDRAMs, the rate of the transfer of information is doubled because information is sent on both the "tick" and the "tock" of the clock.

Infineon makes and sells a variety of semiconductor devices to be used in computers, including SDRAMs and DDR SDRAMs. Infineon's fraud claim focused on Rambus' conduct while Rambus and Infineon were members of JEDEC, an association of semiconductor manufacturers and designers who collaborate to develop industry-wide technical standards for semiconductor products in order to ensure that Dynamic Random Access Memory ("DRAM") products, made by different manufacturers, are compatible with one another. As part

of its standardization process, JEDEC sought to avoid incorporating patented technology into its standards. To that end, JEDEC policy required members to disclose patents and patent applications that related to JEDEC's standard-setting work. If JEDEC decided to include a patented technology in a standard, its members who held patents on that technology were required (by agreement) to license that technology "under reasonable terms and conditions that are demonstrably free of any unfair discrimination."

A central issue in dispute at trial was whether, before 1993, JEDEC members had a duty to disclose pending patent applications (and not just patents that had been issued). In 1993, JEDEC Manual of Organization and Procedure JEP 21-1 was amended to state:

The Chairperson of any JEDEC committee, subcommittee, or working group must call to the attention of all those present the requirements contained in EIA Legal Guides, and call attention to the obligation of all participants to inform the meeting of any knowledge they may have of any patents, or pending patents, that might be involved in the work they are undertaking.

(emphasis added). See also id. ("Standards that call for use of a patented item or process may not be considered by a JEDEC committee unless all of the relevant technical information covered by the patent or pending patent is known to the committee . . ."). Notwithstanding that the JEDEC manual did not explicitly provide, until 1993, that pending patents were to be disclosed, Infincon presented clear and convincing evidence at trial, through JEDEC

members and representatives, that, at all times at issue before 1993, the duty to disclose applied to pending applications.

JEDEC standard-setting activity was accomplished largely by committees and JEDEC Committee JC-42.3 was in charge of developing a standard for the SDRAM technology. Consideration of the SDRAM standard began in 1991 and a standard was eventually adopted in 1993. Various modifications were made to that standard from 1993 until 1995 and beyond. DDR SDRAM is the successor technology to the SDRAM technology. Committee JC-42.3 began work on the DDR SDRAM standard officially in 1996, although Infineon presented evidence showing that various technological concepts, which ultimately were included in the DDR SDRAM JEDEC standard, were discussed at Committee JC-42.3 meetings as early as 1992 and continuing thereafter throughout the time that Rambus was a member of JEDEC. The DDR SDRAM standard was published in 2000.

Rambus attended its first JEDEC meeting in December 1991 and joined the organization a few days later. Rambus representatives Richard Crisp and Billy Garrett regularly attended Committee JC-42.3 meetings until December 1996. By letter dated June 17, 1996, Rambus formally withdrew from JEDEC. In the time that Rambus was a member of JEDEC, it never disclosed any patent applications. It did, however, disclose its first patent to be issued, U.S. Patent No. 5,243,703 ("the '703 patent"), which issued on September 7, 1993. When Rambus withdrew from JEDEC, one stated reason was that

its licensing business plan may not be consistent with the patent policies of standards-setting bodies like JEDEC.

The applications for the four patent-in-suit were submitted between 1997 and 1999 and issued in 1999 and 2000. However, the evidence showed that the four patents-in-suit are divisional or continuation applications of other Rambus patents which were pending during the time that Rambus was a member of JEDEC and at a time when Rambus had a duty to disclose its pending patents. Infineon offered extensive evidence which convinced the jury that Rambus committed fraud by: attending JEDEC meetings, listening to the proposed technology to be included in the JEDEC standard, remaining silent (in the face of a duty to disclose) about its pending patent applications during those meetings, and, with the assistance of its patent lawyers, obtaining additional patents to cover the features of the JEDEC SDRAM standard, even as those features were being considered at Committee JC-42.3 meetings.

The foregoing recitation of the proof at trial provides a foundation for assessment of Rambus' post-trial motions, although additional evidence relevant to the disposition of the motions will be discussed in greater detail as it relates to each particular basis for the challenges made by Rambus to the jury's verdict.

II. DISCUSSION: JUDGMENT AS A MATTER OF LAW

A. Applicable Standard: Motion for Judgment as a Matter of Law

Under Rule 50(b) of the Federal Rules of Civil Procedure, if a party has requested and been denied JMOL during trial, "[t]he movant may renew its request for judgment as a matter of law by filing a motion no later than 10 days after entry of judgment - and may alternatively request a new trial or join a motion for a new trial under Rule 59." A district court may grant a motion under Rule 50(b) if it determines, "without weighing the evidence or considering the credibility of the witnesses, that substantial evidence does not support the jury's findings." Konkel v. Bob Evans Farm, Inc., 165 F.3d 275, 279 (4th Cir. 1999), cert. denied 528 U.S. 877 (1999). See also Wilhelm v. Blue Bell, Inc., 773 F.2d 1429, 1433 (4th Cir. 1985) ("The test for determining whether [JMOL] should be entered is whether, viewing the evidence in the light most favorable to the appellee-plaintiff, there is substantial evidence in the record to support the jury's findings."). cert. denied 475 U.S. 1016 (1986). Furthermore, "[t]he movant is entitled to judgment as a matter of law if the nonmoving party failed to make a showing on an essential element of his case with respect to which he had the burden of proof." Singer v. Dungan, 45 F.3d 823, 827 (4th Cir. 1995) (internal citations omitted).

"Judgment as a matter of law is proper only when, without weighing the credibility of the evidence, there can be but one reasonable conclusion as to the proper judgment." Scheduled Airlines Traffic Offices, Inc. v. Objective, Inc., 180 F.3d 583, 588 (4th Cir. 1999). The evidence must be viewed in the light most favorable to the non-moving party and every legitimate inference must be drawn in that party's favor. See Tools USA and Equip. Co. v. Champ Frame Straightening Equip. Inc., 87 F.3d 654, 657 (4th Cir. 1996). "The district court also 'must view the evidence presented through the prism of the substantive evidentiary burden.'" Ryelick v. Vivadelli, 79 F. Supp.2d 610, 616 (E.D. Va. 1999) (citing Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250-52 (1986)) (in the context of motion for summary judgment).

B. The Constructive Fraud Verdict

Infineon argued, and the jury found, that Rambus committed constructive fraud while it was a member of JEDEC by failing to disclose its patents and pending patent applications which related to the standard-setting work underway at JEDEC, in spite of a duty to disclose those patents and patent applications. To prevail on a claim of constructive fraud, a plaintiff must prove:

that a false representation of material fact was made, innocently or negligently, and that the injured party suffered damage as a result of his reliance on the misrepresentation. In addition, the evidence must show that the false representation was made so as to induce a reasonable person to believe it, with the

intent that a person would act on this representation.

Henderson v. Henderson, 495 S.E.2d 496, 499 (Va. 1998) (citations omitted). Rambus has challenged the finding of constructive fraud on numerous evidentiary grounds and requests a grant of JMOL in its favor. Although the finding of liability on the constructive fraud claim must be set aside, that conclusion is reached purely as a matter of Virginia law, not on an asserted failure of the evidence.

Earlier in these proceedings, when considering Rambus' motion to dismiss Infineon's counterclaims, the Court raised, sua sponte, the question whether Infineon could properly assert a constructive fraud claim based on a negligent omission. However, at that time, the motion to dismiss was denied and Infineon was allowed to proceed on the claim for constructive fraud so that, if the evidence established such a claim, it would be redressable.

Notwithstanding that Rambus, in pressing its motion to dismiss, failed to initially raise the argument that Virginia law did not permit a claim for negligent omission, nor did it assert that argument as grounds for JMOL at trial or in the current motion, further independent consideration of the matter reveals that Count 11 should not have been submitted to the jury because constructive fraud cannot, as a matter of Virginia law, be premised on an fraudulent omission or concealment of a material fact. Instead, "a claim for fraud by omission requires deliberate non-disclosure" Bank of Montreal v. Signet Bank, 193 F.2d 818, 833 (4th

Cir. 1999) (emphasis added) (citing Hitachi Credit America Corp. v. Signet Bank, 166 F.3d 614, 628 (4th Cir. 1999)), which, of course, precludes a claim for constructive fraud. The Fourth Circuit further explained that:

[t]his observation is confirmed by the Supreme Court of Virginia, which requires "either an allegation or evidence of a knowing and a deliberate decision not to disclose a material fact" in a concealment claim.

Id. (citing Norris v. Mitchell, 495 S.E.2d 809, 812 (Va. 1998)). The constructive fraud claim, as pleaded and proved, should not have been presented to the jury; therefore, JMOL is granted in favor of Rambus on Count 11 and the jury verdict finding liability on that count is set aside.

C. The Actual Fraud Verdict As To Rambus' Conduct Respecting The JEDEC SDRAM Standard-Setting Process

To support a claim of actual fraud, the plaintiff must prove: (1) a false representation or an omission (when there is a duty to disclose); (2) of a material fact; (3) made intentionally and knowingly; (4) with the intent to mislead; (5) reasonable reliance by the party misled; and (6) resulting damage to the party misled. See ITT Hartford Group, Inc. v. Virginia Finan. Assoc., Inc., 520 S.E.2d 355, 361 (Va. 1999); McDaniel v. Hodges, 11 S.E.2d 623, 625 (Va. 1941). See also Bank of Montreal v. Signet Bank, 193 F.3d 818, 829 (4th Cir. 1999) (a duty to disclose may arise if (1) a fact is material and the one concealing it has superior knowledge

and knows that the other is acting upon the assumption that the fact does not exist or (2) if one party diverts the other from making prudent investigations); Allen Realy Corp. v. Holbert, 318 S.E.2d 592, 597 (Va. 1984) ("Concealment of a material fact by one who knows that the other party is acting upon the assumption that the fact does not exist constitutes actionable fraud.").

Rambus contends that it is entitled to JMOL on the actual fraud claim because Infineon failed to prove that: (1) Rambus had a duty to disclose its patents and patent applications; (2) Rambus violated that duty; (3) Rambus intended to mislead Infineon; (4) Infineon's reliance was reasonable; and (5) Infineon sustained pecuniary damage caused by the fraud. As explained below, the clear and convincing evidence presented at trial permitted the jury to conclude that Rambus committed actual fraud as to the SDRAM standard-setting process at JEDEC.

1. The Duty To Disclose Pending Patent Applications

As an initial matter, Rambus acknowledges that it had a duty to disclose any issued patents while it was a member of JEDEC and participated in JEDEC's standard-setting process. Thus, the dispute at trial was whether patent applications were required to be disclosed. Rambus argues that, during the relevant timeframe when the SDRAM standard was being considered by Committee JC-42.3, JEDEC policy required only the disclosure of issued patents, not patent applications. Thus, because Rambus did not obtain its first

patent until September 1993 (the '703 patent), it contends that it complied with JEDEC policy by disclosing that patent.

The evidence presented by Infineon at trial, however, tells a different story. Infineon presented testimony from three JEDEC representatives indicating that JEDEC policy always required the disclosure of pending patent applications, notwithstanding the absence of language to that effect in the JEDEC manual before 1993. For example, John Kelly, who is the president and former legal counsel of JEDEC, agreed at trial that, although the language of the manual changed in 1993, the JEDEC policy requiring disclosure of patent applications did not change from 1991 to 1996. Former chairman of Committee JC-42.3 and JEDEC attendee from 1984-1998, Gordon Kelley, testified that: (1) before placing the requirement to disclose pending patent applications in the manual, the committee practiced that requirement; (2) the use of the term "known patent" in the pre-1993 JEDEC manuals applied to patent applications as well; and (3) from the discussions at every JEDEC meeting from 1991 to 1996, it was very clear to the membership that disclosure of applicable patents and patent applications was a requirement because it was key to the operation of the committee. Reese Brown, a JEDEC consultant and member of Committee JC-42.3 for 25 years, testified that, during the SDRAM standardization process from 1991 to 1996, if a member had a pending patent application

relating to the standardization effort, the member had a duty to disclose the pending patent.

The testimony of those witnesses respecting the policy and practice at JEDEC was corroborated by the evidence from JEDEC's meeting minutes documenting that members of JEDEC actually disclosed pending patents prior to 1993. The fact that JEDEC members disclosed otherwise confidential patent applications during the applicable time period further underscores the existence of a duty to disclose at JEDEC because, absent a duty imposed by JEDEC membership,² there is an entitlement to keep patent applications secret.

Furthermore, Infineon demonstrated that Rambus officials themselves understood that it was JEDEC's practice to require disclosure of pending patent applications. For example, an email from Rambus' president David Mooring reported the events of a JEDEC meeting and stated:

IBM raised the issue that they were aware that some "voting" JEDEC attendees have patents pending on SDRAMs that they have not made the commit[tee] aware of. They will come to the next meeting with a list of the offenders.

² Rambus also argues that there is no case law supporting the notion that a patent applicant may be sanctioned for its failure to disclose a confidential patent application. While Rambus is correct in its assertion that a patent applicant has no general obligation to reveal its confidential application, that principle is overridden where the party is voluntarily a member in an organization which imposes a duty to disclose those otherwise confidential applications.

Likewise, after attending a JEDEC meeting, Rambus representative Billy Garrett reported that "Fujitsu indicated that they do have patents applied for, but that they will comply with the JEDEC requirements to make it a standard!!!". Both the Mooring email and the Garrett notes were written in 1992, well within the timeframe of the SDRAM standard-setting effort.

Viewing the evidence in the light most favorable to Infineon, the jury reasonably could have concluded, on the basis of clear and convincing evidence, that, (notwithstanding the absence, until 1993, of an explicit reference to pending patents in the JEDEC manual), all members, at all times here pertinent, had a known duty to disclose patent applications that related to the SDRAM standard-setting effort. Therefore, Rambus' motion for JMOL on this ground is denied.

2. The Patents That Should Have Been Disclosed

Rambus next argues that Infineon failed to present any evidence at trial identifying the patent applications that were pending during Rambus' JEDEC membership which related to the proposed SDRAM standard. Thus, in its view, Infineon failed to show that the duty to disclose a pending patent was triggered.

The evidence presented at trial established that, throughout its membership in JEDEC, Rambus had pending applications relating to JEDEC's SDRAM work and that Rambus drafted more patent claims intentionally designed to cover the technology under consideration

by JEDEC, thereby generating additional patent applications. Rambus had pending patent claims relating to 2-bank SDRAM designs, externally supplied reference voltage, phase lock loops (PLLs), programmable CAS latency and programmable burst length. For example, the evidence shows that, when JEDEC discussed adding a 2-bank design and burst-length technology to the SDRAM standard, Rambus had claims relating to those technologies pending in its first patent application, the '898 application. Additionally, Patent Application No. 07/954,945, which was filed in September 1992 and issued in June 1994 as U.S. Patent No. 5,319,755, contains claims directed toward programmable burst length.

Infineon also presented evidence establishing that U.S. Patent Application No. 07/847,961, which was filed by Rambus in March 1992 but was eventually abandoned, contains claims directed toward CAS latency, a technology that was incorporated into the SDRAM standard. Similarly, Patent Application No. 07/847,651, which was filed in March 1992 and issued as U.S. Patent No. 5,606,717 in February 1997, contain claims directed to CAS latency as well. As to PLL technology, which was discussed at JEDEC presentations in 1994 and 1995, Rambus had pending claims relating this technology in Patent Application No. 07/847,692, which was filed in March 1992, but was abandoned. Lastly, Rambus' Patent Application No. 07/847,532, which was filed in March 1992 and issued as U.S. Patent No. 5,473,575 in December 1995, contains claims directed to an

externally supplied reference voltage. JEDEC discussed this technology in 1992 and it was ultimately incorporated into the SDRAM standard.¹

Rambus argues that this aspect of Infineon's claim fails because Infineon presented no expert testimony respecting the scope of the Rambus patents or patent applications and their relationship to JEDEC's SDRAM standard-setting effort. That argument misses the mark because the connection between Rambus' patents and the SDRAM standard was sufficiently established through testimony given, and the documents generated, by Rambus' executives. Although Infineon presented evidence too voluminous to catalog about Rambus' pervasive expansion of its pending patent portfolio in response to discussions held at JEDEC standard-setting meetings, a few examples of that evidence help to illustrate the connection established at

¹ Rambus contends that Infineon's positions on the relevancy of certain patents are patently inconsistent. For example, Infineon has argued that disclosure of the '703 patent, which would then reveal the 1990 '898 application, did not satisfy Rambus' duty to disclose because those patents are directed primarily to the RDRAM technology. See Section II.C.3, *infra*. However, in the context of arguing which patents should have been disclosed, Infineon contends that certain claims in the '898 patent should have been made known to JEDEC.

Rambus' attack is specious. The answer lies in recognizing that the JEDEC policy requires disclosure of all patents and patent applications which "related" to the work of JEDEC. The basis for the broader scope of this policy is quite clear because the patent holder or applicant is in the best position to determine the scope of its intellectual property claim and, therefore, its application to JEDEC's work. Here, Rambus clearly knew that it was in the process of expanding the claims based on the '898 patent to cover the SDRAM technology.

trial between the patents and JEDEC work. For instance, Richard Crisp testified that, while it was a member of JEDEC, Rambus repeatedly revised pending claims and drafted new claims for inclusion in pending or about-to-be-filed applications in order to cover JEDEC's proposed SDRAM standard. In May 1992, Crisp met with Rambus' patent attorney to "add claims to our patent application broad enough to cover the SDRAM if the SDRAM uses mode register and programmable CAS latency." These features recently had been discussed at a JEDEC meeting which Crisp attended. Emails sent by Crisp during those meetings also shows that Rambus had patents covering externally supplied reference voltage technology, a topic then being discussed at the JEDEC standard-setting meetings.⁴

Similarly Rambus' Chief Executive Officer Geoff Tate admitted that Rambus intentionally drafted claims to cover SDRAMs in the early 1990s. The documents exchanged between Rambus' patent attorney Lester Vincent, Crisp and other Rambus employees further proved the extensive efforts to revise patent applications or draft new ones for the purpose of securing patent protection for the very technologies chosen for incorporation into JEDEC's forthcoming standard.

⁴ Crisp often composed and sent email messages back to Rambus' executives and in-house counsel while discussions at JEDEC meetings were taking place. Other communications were sent during recesses between standard-setting sessions.

Thus, Infineon proved, by clear and convincing evidence, that the duty to disclose was triggered because several of Rambus' pending patents related to JEDEC's SDRAM standard-setting effort. The JEDEC Manual unambiguously states that the patent disclosure policy applied to any patents or pending patents "that might be involved in the work [the JEDEC committee is] undertaking" and Infineon's witnesses testified that this requirement was practiced prior to 1993. Infineon's evidence showed that Rambus had patents pending on a two bank design, programmable CAS latency, programmable burst length, PLL and an externally supplied reference voltage, all of which related to JEDEC's standardization efforts. Because the jury reasonably could have drawn the conclusion that these patents should have been disclosed, the motion for JMOL on this ground is denied.

3. Breach Of The Duty To Disclose

Rambus next argues that Infineon failed to prove that Rambus breached the duty to disclose its patents and patent applications. Specifically, Rambus asserts that, because the applications for the patents-in-suit were not filed or issued until after Rambus left JEDEC, no patents or pending patents existed for Rambus to disclose. Rambus' argument, however, proceeds upon an artificial limitation of the scope of the fraud alleged and proven by Infineon. Infineon did not circumscribe its fraud claim only to the four patents-in-suit; instead, it alleged that Rambus committed

fraud upon Infineon (as a member of the JEDEC committee), by failing to disclose any pending patents related to the SDRAM work. Moreover, Rambus simply ignores the evidence that the patents-in-suit are merely refinements of the continuation and divisional applications that were pending while Rambus was a member of JEDEC and that were themselves revised to ensure that Rambus' patents would cover products compliant with the forthcoming JEDEC standard.

As an alternate argument, Rambus contends that it satisfied its duty of disclosure. Specifically, it points to: (1) discussions in JEDEC meetings about the public international patent application (which shares an identical written description to the patents in the U.S. Patent family tree); (2) the disclosure of Rambus' Technical Description to Siemens (a corporate predecessor of Infineon) in the early 1990s; (3) the disclosure by Richard Crisp of the '703 patent in a September 1993 JEDEC meeting; and (4) the disclosure of numerous patents in its withdrawal letter from JEDEC.

Rambus' application for an international patent (through the World Intellectual Property Organization, or "WIPO") became public information in October 1991. This WIPO application contains the same written description as its U.S. counterpart -- the undisclosed '898 application filed in April 1990. Likewise, the undisclosed divisional and continuation applications originating from the 1990 application share this same written description. Thus, Rambus

posits that it met its duty because the SDRAM applications (that were not disclosed), as well as the patents-in-suit, are based on the very same written description as in the WIPO application.

Similarly, Rambus also contends that it met its disclosure obligation by sharing its Technical Description with Infineon's predecessor, Siemens, in November 1990. The Technical Description, which is based on the written description of the patents, was used by Rambus as an informational document in its early licensing discussions with various semiconductor manufacturers in connection with RDRAM technology. Rambus alleges that, during the licensing negotiations, it revealed much of its patent portfolio to Infineon (and other JEDEC members), though at that time, Rambus did not yet have any issued patents.

The evidence presented by Infineon, however, permitted the jury to conclude that the discussions between Rambus and Siemens, focused solely on RDRAMS. Rambus offered no evidence demonstrating that it ever told Siemens that it believed its Technical Description could cover SDRAMS, as well as RDRAMS. This same shortcoming applies to the WIPO patent application; while the written description may be the same as that in the undisclosed SDRAM patents, Rambus presented no evidence at trial indicating that the description, on its face, relates to SDRAMS. Further, at the relevant time, the WIPO patent claims based on that written

description related to only RDRAM, as reflected in Rambus' pleadings in earlier motions for summary judgment.

As a third theory of compliance with its duty to disclose, Rambus argues that disclosure of the '703 patent was sufficient. Although Richard Crisp testified that the '703 patent related only to RDRAMs, Rambus contends now that, with the revelation of this patent, ¹all Rambus' other patents and patent applications were revealed. Thus, any JEDEC member could obtain copies of the original '898 application; the continuation application that resulted in U.S. Patent No. 5,319,755 ("the '755 patent"); and the prosecution history of the '755 patent, which is the progenitor of three of the patents-in-suit, and is the first patent issued to Rambus which relates to SDRAMs.

Infineon, however, proved that revelation of the '703 patent, if anything, actually misrepresented the scope of Rambus' pending patents because the '703 patent admittedly did not relate to the SDRAM work of the committee and, when Crisp revealed the patent, he failed to say anything about Rambus' numerous other pending applications, which did relate to the SDRAM standardization work. Furthermore, as to the '755 patent, Infineon demonstrated that (even if one were to have investigated the history of this patent) the '703 patent did not disclose the application for the '755 patent because the '703 patent application only cross-referenced those patent applications pending at the time that the '703

application was filed. Because the application for the '755 patent was filed after the '703 application, the '755 patent was not included in the patent history of the '703. Infineon offered evidence from which the jury could conclude that the '703 patent did not reveal the '755 patent and Rambus offered no evidence to the contrary.

Lastly, Rambus asserts that the letter by which it withdrew from JEDEC disclosed every patent issued to Rambus as of June 1996 which related to SDRAMs. That is not borne out by the evidence. Indeed, a key patent, U.S. Patent No. 5,513,327, was omitted from the list. Rambus asserted that the omission was inadvertent. Infineon offered evidence that the omission was deliberate. Further, Rambus contends that the withdrawal letter satisfied the duty to disclose because Rambus stated therein that it "has applied for a number of patents in order to protect Rambus technology." However, there was no evidence that this disclosure satisfied the requirements of JEDEC's patent disclosure policy; and the text certainly does not disclose that Rambus had applied for patents that encompassed the JEDEC SDRAM standard.

In sum, clear and convincing evidence supports the jury's finding that Rambus breached its duty to disclose its patents and patent applications. The jury reasonably could have believed that the existence of the public WIPO application was not sufficient to satisfy the duty to disclose because the written description

contained therein gave no indication that Rambus intended to expand its patent applications to cover SDRAMs. The jury, again, could reasonably conclude that the licensing discussions between Rambus and Siemens/Infineon were limited to RDRAM and that Siemens/Infineon had no reason to believe that Rambus intended to expand its intellectual property beyond RDRAMs. As to the disclosure of the '703 patent, Rambus admits that this patent related only to RDRAM. Although Rambus makes the argument that the '703 disclosed every then-pending patent, the evidence at trial supports the conclusion that, if one traced Rambus' rather voluminous patent tree from the '703 patent, one would not discover the '755 patent application. Lastly, there was no evidence demonstrating that Rambus' withdrawal letter, or the list of patents attached thereto, satisfied that duty.

4. Evidence Of Intent to Mislead

Rambus contends that the jury verdict finding Rambus liable for actual fraud is unsupported by the evidence because Infineon failed to show that Rambus acted knowingly and intentionally with the intent to mislead. See Richmond Metro. Auth. v. McDevitt St. Bovis, Inc., 507 S.E.2d 344, 346 (Va. 1998) (the misrepresentation or omission must be made knowingly and intentionally). See also Bank of Montreal, 193 F.3d at 833 ("a claim for fraud by omission requires deliberate non-disclosure"). Instead, Rambus contends that the evidence could support, at most, the conclusion that

Rambus mistakenly believed that it had no duty to disclose patent applications.

That argument is utterly without merit. Infineon, for example, proved that Rambus' president, David Mooring, and its JEDEC representatives, Garrett and Crisp, knew of the disclosure obligation. Rambus' executives discussed these duties with the lawyers who were prosecuting the company's patent applications. Rambus' conduct, viewed in light of that knowledge, underscores the proof of scienter. Thus, Infineon, demonstrated that Rambus, through its executives, sought to patent the technology being discussed at JEDEC so that it could later bring patent infringement suits. Furthermore, e-mails written by Richard Crisp show that, rather than informing JEDEC about its issued and pending patents, Rambus intentionally decided to keep these secret. For example, after being questioned about Rambus patents on the Synclink proposal (a technology not at issue in this action), Crisp wrote to the executives at Rambus the following:

We may want to walk into the next JEDEC meeting and simply provide a list of patent numbers which have issued and say "we are not lawyers, we will pass no judgment of infringement or non-infringement, but here are our issued patent numbers, you decide for yourselves what does and does not infringe." On the other hand, we may not want to make it easy for all to figure out what we have especially if nothing looks really strong. If we have a really strong one that has issued that is key to the operation of the SDRAM, then we may want to play that card, but again with the above suggested disclaimer.

A second email written by Crisp also discloses an intent to deliberately remain silent about the company's patents and patent applications. After attending a JEDEC meeting in which a JEDEC member presented a proposal describing the advantages of incorporating an on-chip PLL in the SDRAM, Crisp wrote:

They plan on putting a PLL on board their SDRAMs to improve the output delay by about 2 ns. They want to put the PLL on every chip and let the user use it or not depending on whether they need it . . . Obviously we need to think about our patent position on this for potential discussion with NEC regarding patent issues here. *** I believe that we now have seen that others are seriously planning inclusion of PLLs on board SDRAMs . . . What is the exact status of the patent with the PLL claim?***

Lastly, Rambus' own documents refute the notion that it harbored the mistaken belief that patent applications were not required to be disclosed. In his notes regarding the Synclink proposal, Crisp stated that "Synclink is being sponsored by an organization with a less stringent patent policy than JEDEC." (emphasis added). In other words, under a less demanding non-JEDEC standard-setting process, patentees were "free to patent whatever they desire, and are not bound to relinquish any of their rights to their patents by presenting their ideas for standardization." The clear inference of Crisp's statement, and the one drawn by the jury, is that Crisp believed that JEDEC had a more restrictive patent policy which imposed a duty of disclosure and limited the ability to patent subject matter considered by the standard-setting

body. Other documents presented at trial from Rambus' executives also demonstrate that Rambus clearly understood the scope of the patent policy.

Rambus' argument that it had only a mistaken belief regarding JEDEC's disclosure policy presents no basis upon which to grant JMOL, for there is ample evidence of scienter.

5. Reasonable Reliance

Rambus next argues that Infineon failed to show that its reliance on Rambus' non-disclosures at JEDEC meetings was reasonable under the circumstances. See McDaniel v. Hodges, 11 S.E. 2d 623, 625 (Va. 1941).⁵ Infineon agrees that its reliance had to have been reasonable, but asserts that its reliance was, in fact, reasonable.

Rambus argues that Infineon's reliance cannot be considered in the vacuum of JEDEC activities, but instead must be viewed in light of the relationship between the parties - a relationship that began several years before Infineon designed its first SDRAM in 1996. To support that argument, Rambus again points to the RDRAM licensing

⁵ McDaniel states that "[i]f one represents as true what is false, in such a way as to induce a reasonable man to believe it, and the representation is meant to be acted upon and he to whom the representation is made, believing it to be true, acts on it, and thereby sustains damage, there is ground to support an action of deceit at law . . ." Id. (emphasis added). More recent Supreme Court of Virginia decisional law omits any requirement of reasonableness. See e.g. Richmond Metro. Auth., 507 S.E.2d at 346. At the request of Rambus, the jury in this case was instructed that reliance must be reasonable.

discussions between Rambus and Siemens in 1991 and argues that, during those discussions, Siemens thoroughly studied all of Rambus' technology. Rambus also contends that executives at Siemens realized that Rambus' technology could have a broader scope than just RDRAMs, therefore any reliance on Rambus' silence at JEDEC was unreasonable.

Infineon offered proof from which the jury could have found that the course of conduct between the parties reveals not that Infineon knew of the patents, but rather that it had concerns about Rambus' patent rights. Infineon also proved that Rambus intentionally misled Infineon when it and other JEDEC members raised those concerns with Rambus, thus inducing Infineon to believe that Rambus did not have any SDRAM patents or applications. For example, Rambus presented documents and testimony indicating that Willibald Meyer, Infineon's JEDEC representative, had concerns as early as 1992 that Rambus may have patent applications addressed to the 2-bank SDRAM design then being considered by JEDEC. In pursuing this concern, at a May 1992 JEDEC meeting, Meyer requested the Chairman of Committee JC-42.3, Gordon Kelley, to ask Richard Crisp about Rambus' patent rights relating to the 2-bank SDRAM. Crisp made no disclosure, leading Meyer and others to believe that Rambus had nothing that required disclosure. At this same 1992 JEDEC meeting, another JEDEC member mentioned that Rambus had an international patent application (the WIPO application), but that

the patent claims were likely invalidated by prior art. Rambus again made no disclosure.

Infineon also presented testimony from Meyer indicating that he was misled by the disclosure of the '703 patent because, when he read that patent, he concluded that Rambus' technology therein disclosed related only to RDRAMs. Rambus took, in this litigation, that very same position in the motions for summary judgment. The jury then was entitled to find that Meyer's assessment was a reasonable one. Lastly, Infineon presented documents from Meyer, composed at the time the SDRAM standard was under consideration, indicating that Meyer believed the JEDEC SDRAM standard was "public domain," which again supports the jury's conclusion.

Without weighing the credibility of the evidence, there was more than one reasonable conclusion that could be drawn from the evidence regarding the reasonableness of Infineon's reliance and the jury's conclusion that Infineon acted reasonably is supported by clear and convincing evidence. Therefore, Rambus' motion for JMOL on this ground is denied.

6. Harm Caused By The Fraud

Rambus contends that JMOL must be granted in its favor because the only injury that Infineon claims to have suffered as a result of the fraud is the incurrence of attorneys' fees and, as a matter of law, attorneys' fees cannot be the damage or injury element of a claim for fraud under Virginia law. See ITT Hartford Group, Inc.

v. Virginia Finan. Assoc., Inc., 520 S.E.2d 355, 361 (Va. 1999) (to support a claim of fraud, the plaintiff must prove resulting damage to the complaining party). Rambus is correct in asserting that the only monetary injury⁶ claimed by Infineon as the injury component of its fraud claim is the attorneys' fees it paid to the law firm of Slater & Matsil to review, and help outline the defense of, Rambus' infringement claims.⁷

Analysis of the issue begins with recognition that Virginia follows the general "American Rule" that "in the absence of any contractual or statutory liability therefor, attorneys' fees and expenses incurred by the plaintiff in the litigation of his claim against the defendant . . . are not recoverable . . ." Hiss v. Friedberg, 112 S.E.2d 871, 875 (Va. 1960). See also Prospect Dev. Corp. v. Bershader, 515 S.E.2d 291, 300 (Va. 1999) ("The general rule in this Commonwealth is that in the absence of a statute or contract to the contrary, a court may not award attorney's fees to the prevailing party."); 44 A.L.R. 4th 776, § 2(a) ("The general rule carried over from common law is that a successful party in

⁶ Infineon also showed that it was injured by the fraud in another way, specifically in the risk of its investment in product design, and plan to build its JEDEC compliant SDRAM products, much of which would be jeopardized if its products infringed any of Rambus' patents, the non-disclosure of the applications for which was instrumental in the final content of the JEDEC standard.

⁷ Infineon did not seek to recover those fees paid to its current trial counsel, the law firm of Kirkland & Ellis, though it also prepared a defense to the infringement claims.

litigation is not entitled to recover from his opponent the attorneys' fees."'). Other than the nominal, statutory costs, incurred in prosecuting or defending the action."').

Infineon argues that this case is an exception to the general rule because the attorneys' fees it paid are a damage or injury proximately caused by the fraud committed by Rambus. Specifically, Infineon¹ showed at trial that it was forced to pay attorneys' fees to Slater & Matsil in connection with the analysis and defense of Rambus' patent infringement charges. Also, Infineon presented evidence in the form of Rambus' business plans and testimony from which the jury could have concluded that the patent infringement suit was part and parcel of Rambus' fraud - the last step in the fraud. Infineon proved that, because of Rambus' fraudulent behavior while it was a member of JEDEC, Infineon designed the JEDEC compliant products which were alleged to have infringed the patents-in-suit. When Rambus instituted the final step in its fraudulent plan by charging that those patents were infringed by JEDEC-compliant SDRAM products, Rambus caused Infineon to expend substantial sums of money to investigate the merits of, and defend against, the infringement claims.⁸

⁸ The attorneys' fees alleged as injury in the fraud claim are not those which Infineon may recover under 35 U.S.C. § 285 (exceptional case fees) or as a prevailing party on its fraud claim.

a. Exceptions To The General Rule

There are several exceptions to the American rule foreclosing recovery of attorneys' fees in most cases. For example, courts generally allow a party to recover attorneys' fees when the "tort of another" has caused him to incur attorneys' fees during litigation with a third party. The Restatement (Second) of Torts § 914 (1979) explains:

§ 914. EXPENSE OF LITIGATION

(1) The damages in a tort action do not ordinarily include compensation for attorney fees or other expenses of the litigation.

(2) One who through the tort of another has been required to act in the protection of his interests by bringing or defending an action against a third person is entitled to recover reasonable compensation for loss of time, attorney fees and other expenditures thereby suffered or incurred in the earlier action.

Accord Brochner v. Western Ins. Co., 724 P.2d 1293, 1299 (Colo. 1986); Tetherow v. Wolfe, 392 N.W.2d 374, 379 (Neb. 1986); Pullman Standard, Inc. v. Apex Corp., 693 S.W.2d 336, 340 (Tenn. 1985); Gray v. Don Miller & Assoc., Inc., 674 P.2d 253, 258 (Cal. 1984); Department of Env'tl. Prot. Agency v. Ventron Corp., 468 A.2d 150, 166 (N.J. 1983).

Virginia courts have adopted that exception by recognizing the analogous principle that "where a breach of contract has forced the plaintiff to maintain or defend a suit with a third person, he may

recover the counsel fees incurred by him in the former suit provided they are reasonable in amount and reasonably incurred." Hiss, 112 S.E.2d at 875-76. See also Owen v. Shelton, 277 S.E.2d 189, 192 (Va. 1981); Cemetery Consultants, Inc. v. Ware, 180 S.E.2d 528 (Va. 1971). In those cases, the attorneys' fees were not awarded to a party because of his status as a prevailing party, but instead were permitted as an element of the injury caused by the defendant's conduct. See Hiss, 112 S.E.2d at 875 ("The troublesome question is whether in this action for breach of contract the [plaintiffs] are entitled to recover of [the defendants] as an element of their damages the costs of their litigation, including counsel fees, with [a third party].") (emphasis added). The recovery of fees in cases of that sort, however, generally has been limited to fees incurred during litigation with third parties, not in antecedent litigation between the same parties. See Hiss, 112 S.E.2d at 875 ("Nor are attorneys' fees and other expenses incurred in former litigation between the same parties recoverable in a subsequent action." (citing Am. Jur. Damages, § 142, pp. 500, 551; Burruss v. Hines, 26 S.E. 875 (Va. 1897); Wisecarver v. Wisecarver, 34 S.E. 56 (Va. 1899))).

Nevertheless, it is generally recognized that, in an appropriate case, a party also can recover attorneys' fees incurred in previous litigation between the same parties:

As a general rule, litigation costs and attorney's fees incurred in prior litigation

against the same defendant are not recoverable in subsequent action. However, the rule is different if the plaintiff has a cause of action for financial loss resulting directly from the previous action. Thus, counsel fees and other reasonable expenses damages in defending a suit that was maliciously instituted against the plaintiff may be recovered in the action for malicious prosecution. Also, an exception to the general rule exists if the wrongful action of the defendant has placed the plaintiff in such a position that it is necessary to incur legal expenses to protect his interest.

22 Am. Jur. 2d Damages § 617 (1988) (emphasis added). Virginia courts have recognized this exception and have allowed attorneys' fees incurred in previous litigation between the same parties to be recovered as damage in actions for the intentional torts of malicious prosecution and false imprisonment.⁹

⁹ The Supreme Court of Virginia has also:

permitted a trustee, who defended his trust in good faith, to recover attorney's fees from the estate, Cooper v. Brodie, 253 Va. 38, 44, 480 S.E.2d 101, 104 (1997), and we have approved an award of attorney's fees in certain cases involving alimony and support disputes even though such awards of attorney's fees were neither authorized by statute nor by contract. See Carewell v. Masterson, 224 Va. 329, 331-32, 295 S.E.2d 899, 900-01 (1982); Aliq v. Aliq, 220 Va. 80, 86, 255 S.E.2d 494, 498 (1979); McKeel v. McKeel, 185 Va. 108, 116-17, 37 S.E.2d 746, 750-51 (1946); McClagherty v. McClagherty, 180 Va. 51, 69, 21 S.E.2d 761, 768 (1942); Heflip v. Heflin, 177 Va. 385, 399-400, 14 S.E.2d 317, 322 (1941).

Bershadex, 515 S.E.2d at 301.

For example, in Burruss v. Hines, 26 S.E. 875, 878 (Va. 1897), the Supreme Court of Virginia explained that "[t]he general rule is that counsel fees are not recoverable as damages; but on the trial of an action for malicious prosecution or false imprisonment, where exemplary damages are recoverable, the fees paid or incurred to counsel for defending the original suit or proceeding may be proved, and if reasonable and necessarily incurred, may be taken into consideration by the jury in the assessment of damages." Similarly, in actions for false imprisonment "damages awarded must be compensatory for the loss of time; for the suffering, bodily and mental, sustained by reason of such wrongful act or acts; and for expenses incurred in procuring discharge from restraint, including a reasonable attorney's fee." Bolton v. Vellines, 26 S.E. 847, 850 (Va. 1897) (emphasis added). See also Parsons v. Harper, 57 Va. 64, 1860 WL 4034, * 6 (Va. 1860) (allowing recovery of attorneys' fees for action for false imprisonment).¹⁹

To recover attorneys' fees, however, Virginia law requires a showing that the injury inflicted in the underlying action was wanton or malicious. "The rule in Virginia as to the recovery of

¹⁹ Infineon argues that the Supreme Court of Virginia allowed attorneys' fees to be recovered as damages for fraud in Prospect Dev. Co., Inc. v. Bershader, 515 S.E.2d 291 (Va. 1999). While Bershader mentions other Virginia decisions which allowed attorney fees to be recovered as an element of damages, see e.g., Owen, 277 S.E.2d at 192, Burruss, 26 S.E. 875 at 878 and Bolton, 26 S.E. 847 at 850, Bershader is more properly regarded as a case allowing fees to be awarded to a prevailing party.

counsel fees as damages is well established in Burruss, . . . Parsons . . . Wisecarver, . . . and Morgan v. Haley, [58 S.E. 564 (Va. 1907)], wherein it is held that except where the injury is wanton or malicious and exemplary damages are recoverable, the allowance of fees paid counsel for defending the original proceedings is not proper." Morgan v. Kemp, 186 S.E. 99, 106 (Va. 1936) (emphasis added); Burruss, 26 S.E. at 878 ("But if the injury was not wanton or malicious, and exemplary damages are not recoverable, the allowance of counsel fees is improper."). See also Sperry Rand Corp v. A-T-O, Inc., 447 F.2d 1387, 1394 (4th Cir. 1971) (same).

Having explored the landscape of the Virginia rule, the question now becomes whether this case, or any aspect of it, fits within that rule.

b. Attorneys' Fees As Injury For Actual Fraud

It has been observed that, in assessing whether attorneys' fees in an underlying suit can be recovered in an action for fraud, "[t]he rule that attorneys' fees are not recoverable (absent contractual provision or statutory authority), while superficially a bar, is not really applicable." Robert L. Dunn, Recovery of Damages for Fraud, § 4.13, pgs. 200-01 (Lawpress 1995). That statement is followed by the explanation that, when a defendant's fraudulent misrepresentations force a party to prosecute or defend other litigation, attorneys' fees incurred in that other litigation

are "recoverable when they are proximately caused by a misrepresentation." Id. See also 22 Am. Jur. 2d Damages § 617 ("Also, an exception to the general rule exists if the wrongful action of the defendant has placed the plaintiff in such a position that it is necessary to incur legal expenses to protect his interest."); 44 A.L.R. 4th 776 § 2(a) (1986) ("Courts have allowed recovery of attorneys' fees under a distinct exception permitting the successful party in a fraud action to recover from the losing party the attorneys' fees incurred by the successful party in prior litigation or claims involving third parties, which litigation or claims were proximately caused by the fraud perpetrated on the successful party.") (emphasis added).

Numerous jurisdictions have subscribed to this principle by allowing a party to recover attorneys' fees expended in a previous litigation when that litigation was proximately caused by the defendant's fraud. The decisions, however, deal primarily with previous litigation between the plaintiff and a third party. See Feit v. Donahue, 826 P.2d 407 (Colo. Ct. App. 1992) (plaintiff in a real estate fraud case allowed to recover attorneys' fees incurred in attempting to obtain a variance when the seller concealed the fact that a variance was required); Fagerberg v. LeBlanc, 416 N.W.2d 438 (Mich. Ct. App. 1987) (allowing recovery of attorneys' and surveyors' fees where seller fraudulent misrepresented the boundaries of the land); Gray v. Don Miller &

Assoc., Inc., 674 P.2d 253 (Ca. 1984) (plaintiff allowed to recover attorneys' fees incurred in prior specific performance suit on the sale of a home when real estate broker falsely represented that an offer had been accepted by the sellers on the home); Forrester v. State Bank, 363 N.E.2d 904 (Ill. App. Ct. 1977) (allowing a plaintiff in a fraud action to recover attorneys' fees incurred in a prior bankruptcy proceeding against a debtor when the defendant bank fraudulently misrepresented the assets of the debtor); Turner v. Zip Motors, Inc., 65 N.W.2d 427 (Iowa 1954) (allowing recovery of attorneys' fees in a prior action for replevin brought by third party and caused by the defendant's agent's conversion of an automobile).

Nevertheless, the fundamental premise upon which attorneys' fees were allowed in those cases is closely akin to the rationale, which is followed in Virginia, for allowing attorneys' fees to be an element of damage or injury in certain intentional torts: when a party's intentionally tortious act forces the other party necessarily to incur attorneys' fees as a direct consequence of that act, the party should be able to recover the attorneys' fees consequentially expended. Whether that underlying action was between the plaintiff and the tortfeasor or the plaintiff and a third party, the underlying rationale remains the same.

In Virginia, in order to establish a cognizable claim for actual fraud, the plaintiff must establish some type of injury.

One seeking to recover for fraud must show that the act resulted "in some loss, damage, detriment or injury to him." Lloyd v. Smith, 142 S.E. 363, 367 (Va. 1928) (emphasis added). Infineon has proved the injury component of its actual fraud claim by demonstrating that: (1) it sustained an injury by incurring attorneys' fees and (2) the need to incur those attorneys' fees was proximately caused by Rambus' fraud.

This case began when Rambus asserted four patents against Infineon's JEDEC-compliant SDRAM and DDR SDRAM products. Infineon was therefore forced to employ attorneys in the investigation of those claims of infringement and in possible defense thereof. Further, the record is: (1) that Infineon had designed its products to comply with the JEDEC standard and built manufacturing lines in Germany and the United States to make those products; and (2) that, if Infineon was to continue to sell those products, it had no choice but to defend the infringement action which was part and parcel of Rambus' fraud.¹¹ After the Court granted judgment as a matter of law in Infineon's favor on the infringement claims (at the end of Rambus' case-in-chief), Infineon argued that it was nevertheless harmed by Rambus' fraudulent scheme because, even though its products had been determined not to infringe the

¹¹ Indeed, Rambus terminated settlement discussions between it and Infineon by filing this action, which Rambus chose to do, not because the discussions were failing, but because Rambus wanted to litigate in this forum and feared that Infineon might sue it in California where the docket proceeds at a slower pace.

patents-in-suit, Infineon had incurred considerable expense in analyzing and outlining a defense to those patent claims.¹²

Thus, Infineon proved that it sustained pecuniary loss as a result of Rambus' intentionally fraudulent behavior at JEDEC. Indeed, the defense of the patent suit was "a direct and necessary consequence," Hiss, 112 S.E.2d at 876, of Rambus' plan to attend JEDEC, remain silent about its patent applications, obtain additional patent claims that covered JEDEC technology, and then assert those patents against JEDEC members whose products conformed to the JEDEC standard in order to obtain their assent to license agreements.

The result reached here comports with the conclusion reached by the Seventh Circuit in Roboserve, Inc. v. Kato Kagaku Co., Ltd., 78 F.3d 266 (7th Cir. 1996), cert. denied 519 U.S. 928 (1996) under similar facts in a fraud case. Applying Illinois law, the Roboserve court explained that "[c]ompensatory damages for fraud are intended to compensate for any injury which is the direct and natural consequence of the plaintiff's acting on the faith of defendant's representations." Id. at 273-74 (internal quotations

¹² Although Infineon put forth evidence regarding the amount of attorneys' fees paid to the law firm of Slater & Matsil in connection with the defense of the patent infringement suit, the Court struck that evidence because Infineon failed to prove that those fees were "reasonable in amount and reasonably incurred." Owen, 277 S.E.2d at 192. Nonetheless, the undisputed record shows that Infineon incurred attorneys' fees in an amount not proved, to defend the last stage of the Rambus fraud found by the jury.

omitted). Thus, the plaintiff could recover its "out-of-pocket" expenses, including attorneys' fees expended in reliance on that misrepresentation. Id. at 274. Because the defendant fraudulently led the plaintiff to believe that it would be awarded a contract to provide services to a hotel, the plaintiff could recover attorneys' fees expended in preparing new proposals for, and in conducting negotiations to provide, those services. Id.¹³

More importantly, it is entirely appropriate, under settled precepts of Virginia law, to allow Infineon to claim attorneys' fees as its injury on the actual fraud claim because the jury found that Rambus had committed the fraud "maliciously or wantonly or oppressively" and awarded \$3.5 million in punitive damages on Infineon's actual fraud claim.¹⁴ Indeed, a finding of that sort supplied the *raison d'être* for sustaining an award of attorneys' fees between the same parties in a malicious prosecution or false imprisonment case under Virginia law. Thus, the award of attorneys' fees is appropriate in the present fraud action because "the injury is wanton or malicious and exemplary damages are recoverable." Kemp, 186 S.E. at 105. See also Sperry Rand, 447 F.2d at 1393.

¹³ Similarly, in Advantor Capital Corp. v. Yeary, 136 F.3d 1259 (10th Cir. 1998), in an action for fraud and abuse of process, the Tenth Circuit allowed a plaintiff to recover its attorneys' fees incurred in a prior litigation.

¹⁴ Pursuant to Va. Code § 8.01-38.1, the Court reduced that amount to \$350,000.00.

To hold otherwise would effect an inequitable result. Contrary to Rambus' argument, Infineon was not insulated from the fraud injury merely because Infineon prevailed on the patent infringement aspect of this action. Infineon escaped one possible harm which could have resulted from the fraud - namely, being found liable for infringing the patents-in-suit after having made a substantial investment in research and development of its products and setting up manufacturing facilities to produce the allegedly infringing computer memory chip.¹⁵ Faced with that risk of harm, Infineon had no viable option other than to have a law firm analyze the infringement claims made by Rambus before the litigation began and to help structure a defense to the litigation once Rambus instituted this action. Further efforts to reach a business compromise were essentially foreclosed when Rambus commenced infringement litigation here and in Germany. Yet, the attorneys' fees would not have been sustained (and the current dispute avoided entirely) if Rambus had made the disclosures required by the JEDEC policy because the JEDEC committee could have revised the standard, Infineon could have designed its products differently or Infineon could have negotiated reasonable royalty rates from Rambus before it had invested in the set up of its manufacturing lines (a factor

¹⁵ Infineon remains exposed to possible claims of infringement of other Rambus patents, the concealment of the applications for which were instrumental to the ultimate content of the JEDEC SDRAM standard. That exposure, too, is an injury attributable to the fraud which is to be remedied by injunction.

which, of course, injects strong adverse leverage into the negotiating equation).

To accept the contention that Infineon has suffered no harm simply because it prevailed on Rambus' patent infringement action would be to allow Rambus to secure a windfall from the fraud that the jury found it had committed.

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c. The Noerr-Pennington Doctrine

Rambus contends that Infineon's attorneys' fees cannot be recovered in an action for fraud because the Noerr-Pennington doctrine protects a litigant's First Amendment right to prosecute lawsuits without fear of being required to pay an adversary's litigation costs. See Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127 (1961); United Mine Workers of America v. Pennington, 381 U.S. 657 (1965). The doctrine, which has its foundation in the First Amendment, protects the rights of persons to petition the government legislatively, judicially or administratively because such action is constitutionally protected speech apart from the motivation behind it. Id.

Rambus raises this argument too late. "[T]he Noerr-Pennington doctrine should be raised as an affirmative defense." Bayou Fleet, Inc. v. Alexander, 234 F.3d 852, 860 (5th Cir. 2000), cert. denied ___ U.S. ___, 121 S.Ct. 1228 (2001). See also Acoustic Systems, Inc. v. Wender Corp., 207 F.3d 287 (5th Cir. 2000) (same). "Generally, a party's failure to raise an affirmative defense in

its first responsive pleading results in waiver." Bayou Elect., 234 F.3d at 860. However, there are limited exceptions to this rule when the failure to raise a defense would not result in unfair surprise or prejudice to the other party.

Rambus' failure to plead the Noerr-Pengington doctrine as an affirmative defense forecloses consideration of that defense now because ¹to consider it at this late stage would be unfairly prejudicial to Infineon and therefore the issue will not be considered.¹⁶

d. Conclusion

Attorneys' fees incurred as a direct result of the defendant's fraudulent conduct may be recovered in an action for actual fraud; therefore the motion for JMOL on Count 10 on that ground is denied. Having concluded that each asserted infirmity in the actual fraud verdict is meritless, Rambus' motion for JMOL on Count 10 as to the JEDEC standard-setting process for SDRAM is denied.

D. The Actual Fraud Verdict As To Rambus' Conduct Respecting The JEDEC DDR SDRAMs Standard-Setting Process

Rambus challenges the jury's finding of liability for fraud relating to the conduct of Rambus in the JEDEC DDR SDRAM standard-setting process because, according to Rambus, even if it had a duty

¹⁶ Rambus first raised the issue when it was faced with a motion for judgment as a matter of law near the end of a two week trial. This untimely assertion was unfair to Infineon and the Court refused to consider it then as well.

to disclose, that duty was not triggered in connection with the DDR SDRAM standard-setting until after Rambus left JEDEC. For that reason, Rambus contends that the finding of fraud as to its conduct in the DDR SDRAM standard-setting process is unsupported by the evidence. As explained below, that contention is well-founded.

To begin, it is necessary to recall that Rambus attended its last JEDEC meeting on December 6, 1995 and that Rambus formally withdrew from JEDEC by a letter dated June 17, 1996. However, JEDEC Committee JC-42.3 did not begin working on the standard for DDR SDRAM until December 1996. In 1998, Infineon first began creating the design for the DDR SDRAM and, in 2000, began manufacturing its DDR SDRAM. JEDEC published the DDR SDRAM standard in 2000.

Whether Rambus had a duty to disclose patents and patent applications relating to the DDR SDRAMs turns on the record respecting when Committee JC-42.3 first began work on the DDR SDRAM standard. The parties agree that the DDR SDRAM standard-setting did not formally appear in JEDEC's item log of proposed standards until December 1996. The parties, however, disagree as to when the duty to disclose was triggered. Rambus argues that the duty did not arise until December 1996 when the standard was formally considered by the committee. Infineon, on the other hand, argues that the duty to disclose was triggered earlier than 1996 because certain "concepts", which ultimately made their way into the DDR

SDRAM standard, were discussed while Rambus was a member of JEDEC. Specifically, Infineon contends that Committee JC-42.3 considered certain technologies, such as dual edge clocking and on-chip PLL/DLL (delay lock loop), as early as 1992 and that Rambus committed fraud as to the DDR SDRAM because these technologies were ultimately incorporated into the DDR SDRAM standard.

There was evidence to support Infineon's contention that JEDEC members were obligated to make the requisite disclosure when certain technologies were discussed at JEDEC meetings from 1992 through early 1996. However, the Chairman of Committee JC-42.3, Gordon Kelley, testified that the only formal time that the duty to disclose was triggered was during the balloting of a proposed standard, in which a member was asked to declare whether or not it had knowledge of any patents or patent applications. Kelley went on to add, however, that he routinely disclosed patents held by his employer, IBM, if he knew, at the time a proposal was made, that IBM had a patent relating to the new proposal. Yet, Kelley did not testify whether this was his personal practice or an action taken as a result of the JEDEC disclosure policy. Nor did Kelley testify whether the duty to disclose during a presentation on one standard carried over to another standard.

At trial, and during the post-trial motions, Infineon relied primarily on the testimony of Reese Brown, a consultant to JEDEC, to establish the existence of a duty to disclose during the time at

issue. Brown testified about several presentations relating to dual edge clocking and PLL/DLL that were made at JEDEC from 1991 to 1996. He stated that, in his view, a JEDEC member would have had a duty to disclose any patent or patent application relating to those dual edge clocking or PLL/DLL presentations. However, each of the discussions to which Brown referred took place in relation to the SDRAM standardization effort, not to the DDR SDRAM standard. Significantly, Brown also testified that the disclosure duty was triggered only if the "material is described as part of a legitimate proposal that's aimed at a standard." Infineon presented no evidence demonstrating that the dual edge clocking and PLL/DLL technology presentations during the period 1991 through early 1996 were "aimed at" a DDR SDRAM standard. To the extent that Brown's testimony establishes that patents or applications relating to these technologies should have been disclosed, the only standard to which the presentations could have been made was the SDRAM standard because it was the only standard under consideration at the time.

Furthermore, Rambus showed, through the testimony of JEDEC representatives, that technology presentations could be made for a variety reasons - sometimes they would be made with the aim of standardizing the technology and other times they would be presented simply for informational purposes only. If the technology was presented for informational purposes only, the

presentation would not receive an item number from the committee. Also, absent a ministerial mistake, presentations that were made with the goal of eventually becoming incorporated into a standard were given item numbers. The presentations in 1991-1996 regarding dual edge clocking and PLL/DLL were not given item numbers to become part of the DDR SDRAM standard.

Infineon takes the view that the particular name of a standard should not be dispositive in determining when the committee began consideration of a technology. In its view, JEDEC standardization is a continuing effort, with each technology serving as a building block for later technologies. Those contentions have merit. However, well-taken or not, those points do not mean that JEDEC standard-setting for DDR SDRAMs was underway when the technology presentations at issue were made.

Considering the record as a whole, Infineon has failed to prove, by clear and convincing evidence, that, before the DDR SDRAM standard-setting process actually began, Rambus had a duty to disclose. Further, Rambus was no longer a member of JEDEC when that process began. The evidence on which Infineon pins its contention that the disclosure obligation existed before the standard-setting process began does not qualify as clear and convincing. In fact, Infineon relies almost exclusively on the testimony of Reese Brown, and, although Brown testified that, in his view, a member had a duty to disclose at each of the technology

presentations, the duty to which he opined is completely untethered to any specific proposal for a DDR SDRAM standard pending before the JEDEC committee at the time. Also, at the time of each of those presentations, the only standard under consideration was the SDRAM standard. That, considered in perspective of Brown's testimony that the duty to disclose existed only if the "material is described as part of a legitimate proposal that's aimed at a standard," makes the evidence too insubstantial to be clear and convincing.

Thus, although Infineon proved that certain technology features discussed during the SDRAM standard-setting process ultimately found their way into the DDR SDRAM standard and that those technologies were discussed at JEDEC meetings while Rambus was present, Infineon did not prove that those discussions were tied to a standard-setting effort for the DDR SDRAM. The resulting evidentiary void requires the conclusion that, there being no duty to disclose shown, Rambus is entitled to JMOL on Count 10 insofar as it involves the assertion of fraud in respect of the DDR SDRAM standard-setting process.

E. Punitive Damages

In Virginia, an award of punitive damages may not be made absent an award of compensatory or nominal damages. Valley Acceptance Corp. v. Glasby, 337 S.E.2d 291, 297 (Va. 1985). Rambus contends that the punitive damage award must be vacated, because,

as a matter of law, nominal damages cannot be recovered for fraud under Virginia law.¹⁷

"The usual remedy in an action for fraud is to restore the defrauded party to the position he held prior to the fraud." Murray v. Hadid, 385 S.E.2d 898, 904 (Va. 1989). In this action, because the Court granted JMOL in favor of Infineon on the infringement claim, and because the Court struck Infineon's evidence of the amount of the attorneys' fees as lacking in the evidentiary predicate of reasonableness, the actual fraud claim was submitted to the jury for a finding of nominal damages only. The jury returned an award of \$1.00 for the actual fraud.

It appears that Virginia courts have not directly addressed the issue whether nominal damages can support a claim of fraud. Without direct guidance from Virginia courts, a district court must predict what course the highest court of the state would choose in this instance. See Byelick v. Vivadelli, 79 F. Supp.2d 610, 624 (E.D. Va. 1999). "The federal court may base its prediction on 'canons of construction, restatements of the law, treatises, recent pronouncements of general rules or policies by the state's highest court, well considered dicta, and the state's trial court decisions.'" Id. (quoting Wells v. Liddy, 186 F.3d 505, 528 (4th Cir. 1999)). Additionally, the court may consider any relevant law

¹⁷ Rambus does not dispute that nominal damages can be the basis for punitive damages if nominal damages are properly awarded on a particular claim.

review articles and cases from other jurisdictions on the subject.⁴
Id.

As a threshold matter, it is worth noting that "[t]he standard texts and many cases state flatly that nominal damages are not recoverable and that actual damages are a necessary element of a fraud claim." Dunn, Recovery of Damages for Fraud, § 6.1, pg. 254. See also Prosser & Keeton, Torts § 110 (5th Ed. 1984) ("Nominal damages are not awarded in deceit . . .").¹⁶ Notwithstanding these general pronouncements, many courts have demonstrated an increasing willingness to allow fraud plaintiffs to recover only nominal damages for fraud. See e.g. Mercer v. Davis & Berryman Intn'l. Inc., 834 F.2d 922, 929 (11th Cir. 1987) (applying Alabama law); Valley Prop. Inc. v. Strahan, 565 So.2d 571, 581 (Ala. 1990); Greater Coral Springs Realty, Inc. v. Century 21 Real Estate of Florida, Inc., 412 So.2d 940, 941 (Fla. App. 1982); Giammanco v. Giammanco, 625 N.E.2d 990, 997 (Ill. App. Ct. 1993), appeal denied, 638 N.E.2d 1115 (Ill. 1994); Nappe v. Anshelewitz, Barr, Ansell & Bonello, 477 A.2d 1224 (N.J. 1984); Reinah Dev. Corp. v. Kaaterskill Hotel Corp., 59 N.Y.2d 482 (1983); Beavers v. Lamplighters Realty, Inc., 556 P.2d 1328, 1333 (Okla. Ct. App. 1976); Sands v. Forrest, 434 A.2d 122, 124 (Pa. Super. Ct. 1981).

The Supreme Court of Virginia has held that:

¹⁶ Prosser & Keeton also state, however, that nominal damages may "be awarded where there is proof that actual damage has occurred, but no proof as to the amount." Id. at n. 2.

[a]n award of nominal damages is appropriate where there is a legal right to be vindicated against an invasion that has produced no actual, present loss of any kind or where, from the nature of the case, some injury has been done but the proof fails to show the amount.

Town & Country Props., Inc. v. Riggins, 457 S.E.2d 356, 365 (Va. 1995) (emphasis added). See also Nappe v. Anshelewitz, Barr, Ansell, & Bonello, 477 A.2d 1224 (N.J. 1984) ("The award of nominal damages is made as a judicial declaration that the plaintiff's rights have been violated") (quoting C. McCormick, Handbook on the Law of Damages § 20, at 85 (1935)). "Nominal damages are properly awarded when, although the claimant shows significant harm, its amount is not proved with sufficient certainty to entitle him to an award of compensatory damages." Restatement of Torts (Second) § 907, cmt. c.

Analysis of the issue begins with the recollection that, in order to prove a claim for actual fraud, the complaining party must show damage caused by the fraud. See Bryant v. Peckinpaugh, 400 S.E.2d 201, 203 (Va. 1991); Winn v. Aleda Constr. Co., 315 S.E.2d 193, 195 (Va. 1984). The key inquiry presented by Rambus' argument is: what constitutes "damage" to a fraud plaintiff.

Rambus, relying on Lloyd v. Smith, 142 S.E. 363 (Va. 1928), Community Bank v. Wright, 267 S.E.2d 158 (Va. 1980) and Murray v. Hadid, 385 S.E.2d 898 (Va. 1989), equates the term "damage" to the term "damages" and argues that, absent a showing of compensable,

pecuniary damages, the damage element of a fraud claim fails. To support this view, Rambus extracts a few quotes from these decisions and argues that these snibbets of text show that Virginia requires a plaintiff to prove compensatory damages, or "pecuniary loss," in order to recover for fraud. To the contrary, when read in their entirety, the decisions on which Rambus relies stand for the proposition that the plaintiff must sustain an injury in order to recover for fraud. The argument pressed by Rambus blurs the distinction between the term "damages" and the term "damage." "'Damages' means a sum of money awarded to a person injured by the tort of another." Restatement of Torts (Second) § 902. Thus, "[d]amages flow from an injury." Id. at § 902 cmt. c. In contrast, "damage" equates with an "injury" which is "the invasion of any legally protected interest of another." Id. at § 7. In order to prevail on a claim for fraud, Virginia law requires not a showing of damages (although often the "injury" consists of "damages"), but rather a showing of an injury caused by detrimental reliance on the fraud.

In Lloyd, the Supreme Court of Virginia began with the fundamental observation that "bare allegations of fraud will not of themselves support an action for damages - the facts showing the fraud and the resulting damage must be alleged." Id. at 367. However, the Court also made clear that "[n]either fraud nor damage can be presumed, and the allegation of a mere purpose to commit

fraud cannot be made the basis of an action. The purpose must be consummated, the injury inflicted." Id. Thus, a fraudulent intent must be accompanied by an injurious act. Id.

Rambus, however, focuses only those portions of the opinion which discuss the well-accepted notion that pecuniary damages may support a cause of action for fraud as well. See id. ("Fraud without ¹resulting pecuniary damage is not a ground for the exercise of remedial jurisdiction."). The decision, when considered in full, stands for the elemental proposition that fraud must be accompanied by the infliction of an injury and that injury can be manifested in various forms. For example, far from requiring a showing of compensatory damages, Lloyd states that "the party asking for [relief from fraud] must have been damaged or misled to his own hurt." Id. (emphasis added). Admittedly, the next passage confuses the issue somewhat because the Court quotes an equity treatise for the proposition that "[t]he [defrauded] party must suffer some pecuniary loss or injury . . ." Id. (emphasis added). That text, however, is within a discussion about materiality of an affirmative misrepresentation and is not really a circumscribing limit on the nature of fraud injury. In the end, Lloyd articulates the fundamental precepts: (a) that "a fraud which causes no injury is not legally cognizable," and (b) that, therefore, the complaining party must show "some loss, damage, detriment, or injury to him." Id. (emphasis added). See also Wilson v.

Carpenter's Adm'r, 21 S.E. 243, 245 (Va. 1895) ("The court does not inquire with any care into the extent of the prejudice. It is sufficient if the party misled has been very slightly prejudiced - if the amount is at all appreciable."). Thus, Lloyd teaches that the damage component of a fraud claim requires the demonstration of injury.

Likewise, Community Bank v. Wright, 267 S.E.2d 158, 175 (Va. 1980) begins with the observation that "(a)n allegation of fraud in the abstract does not give rise to a cause of action; it must be accompanied by allegation and proof of damage." (citing Lloyd, 142 S.E. at 367). Community Bank, however, goes on to say that "the rule as to what constitutes damage, in any case, may broadly be stated to be that there is no damage where the position of the complaining party is no worse than it would be had the alleged fraud not been committed." Id. (quoting Cooper v. Wesco Bldgs. Inc., 281 P.2d 669, 672 (1955)). Thus, if the complaining party can show that he has been put in a worse position, even if that injury is not quantified in terms of dollars, a claim for fraud can be supported.

Rambus next points to Murray v. Hadid, 385 S.E.2d 898 (Va. 1989) to argue that proof of pecuniary damages must be shown to establish a claim for fraud under Virginia law. It is true, as Rambus states, that Murray contains the statement that: "in order to recover under a cause of action for fraud, a plaintiff must

no damages (other than the vacated compensatory damages)¹³ were recited as a basis for the fraud findings and that the fraud findings were affirmed, as was equitable relief in the form of a negative easement, it seems rather clear that Virginia law requires that the "damage" element of a fraud claim necessitates proof of an injury which can, but need not, be pecuniary "damages."

Here, Infineon certainly is not in the same position as it was before the fraud. Because Rambus violated JEDEC's disclosure policy, the JEDEC committee adopted a standard which potentially infringed Rambus' patents. Infineon designed new products that complied with the JEDEC standard, built new manufacturing facilities and began to manufacture those products. Thus, when Rambus asserted its patents against Infineon, Infineon was in a worse position than it would have been had there been no fraud. If Rambus had disclosed its patents, the JEDEC standard may have been different, Infineon could have designed around Rambus' asserted patent rights or Infineon might have been able to negotiate a reasonable royalty while it was not under the leverage of having to protect a vast investment in new products and a new plant (a factor which severely hampers any free negotiation). Instead, because Rambus remained silent, Infineon was put to the choice of knuckling

¹³ The Supreme Court of Virginia sustained an award of attorneys' fees but, as Rambus argues elsewhere in its JMOL motion and as this Court has found, that award was not a component of the fraud injury claimed by the plaintiff; it was a prevailing party award.

under to the exceedingly high royalty rates being demanded by Rambus or defending itself against the patent infringement suit. Infineon understandably chose to defend its JEDEC compliant products against charges of infringement. Therefore, it is in a materially different position than it would have been if it were not for the fraud committed by Rambus. As a result, it paid attorneys' fees to Slater & Matsil to analyze the issues of infringement and to help outline a defense in perspective of that analysis. This is an injury, as to which this proof fails to show the amount, but it is an injury and may be addressed with an award of nominal damages. See Town & Country Props., Inc. v. Riggins, 457 S.E.2d 356, 365 (Va. 1995); Prosser & Keeton, Torts, § 110 n.2 (5th ed 1984).²⁰

Finally, there are strong policy reasons for allowing an award of nominal damages to constitute proof of injury in support of a claim for actual fraud, which, of course, is an intentional tort. In the well-reasoned opinion of Nappe v. Anshelewitz, Barr, Ansell & Bonello, 477 A.2d 1224 (N.J. 1984), the Supreme Court of New Jersey cogently explains the ancestry of the tort of fraud and why it is appropriate to allow nominal damages to support this claim.

²⁰ Moreover, as explained in a separate opinion, the risk of future litigation (with the attendant enormous expense) is another consequence of the fraud so substantial that Infineon is entitled to an injunction to protect against further infringement suits by Rambus. The fraud also produced that inquiry which warrants the equitable relief of injunction.

The Nappe court observed that "whether [actual] damage is essential to the existence of a cause of action for a particular tort may depend very largely upon its ancestry in terms of old procedure." Id. at 1229 (citing W. Prosser, Handbook on the Law of Torts § 7, at 30) (4th Ed. 1971)). In Nappe, the court gives a detailed historical background of the difference between common law writs of trespass and trespass on the case. Trespass "was considered quasi-criminal in nature and was the remedy for forcible, direct, and immediate injuries to persons or property." Id. at 1228. The plaintiff was not required to prove actual damage "because invasion of the plaintiff's rights was regarded as the tort in itself." Id. at 1228-29 (citing Prosser, at § 7 pg. 29).

Conversely, trespass on the case developed as a supplemental remedy to allow a plaintiff recover for injuries occurring indirectly:

The classic illustration of the difference involves that of a log thrown onto a highway. If a person were struck by the log, trespass would lie. If he fell over the log as it lay on the road, the action would be on the case.

Id. at 1229. Trespass on the case actions normally required proof of actual damages. Id.

While the differences between the two forms of action have largely been eroded, a distinction has remained as to the requirement of damages. Id. There are "case" actions which still require proof of actual damages, such as slander of title,

disparagement of goods, and slander that is not per se; however, other "case" actions have abandoned the common law distinction and allow recovery even in the absence of proof of compensatory damages, such as libel, slander per se, nuisance and malicious prosecution. Id. (citing C. McCormick, Handbook on the Law of Damages § 22, at 89 (1935)).

Having reviewed the rather arbitrary underpinnings of the requirements of common law, the New Jersey Supreme Court chose to modify the common law rules because they were no longer "fair and equitable," id.:

Although distinctions based on common-law writs may once have been appropriate, the requirement of actual damage to sustain a cause of action for intentional torts no longer serves a useful purpose, at least where a victim of an intentional wrong has suffered some loss, detriment, or injury but is unable to prove that he is entitled to compensatory damages. His rights have been invaded and he should be entitled to vindication in an award of nominal damages. Indeed, it is difficult to justify permitting nominal damages in a trespass action and not in a case of a wilful and malicious intentional tort. We hold, therefore, that compensatory damages are not an essential element of an intentional tort committed wilfully and without justification when there is some loss, detriment or injury, and that nominal damages may be awarded in such cases in the absence of compensatory damages.

Id. at 1229-30 (emphasis added and footnotes omitted).

As to the award of nominal damages for fraud, the Nappe court explained that, in addition to proving damage, the plaintiff must

demonstrate scienter - that is "knowledge of the falsity of the representation with the intent that the other party rely thereon." Id. at 1232. "Such fraudulent conduct constitutes unfair dealing whether or not actual damages are shown." Id. Similarly, the Nappe court noted that nominal damages are particularly appropriate for intentional torts because they allow exemplary damages to be recovered. Id. ("If no compensable harm is done even though the defendant's conduct is very wrongful, the normal admonitory function of tort law is not brought into play unless exemplary damages are assessed.") (quoting Note, "Exemplary Damages in the Law of Torts," 70 Harv. L. Rev., 517, 529 (1957)).

The court in Nappe, thus, joined the courts of other states that "have refused to be constrained by the outmoded common-law requirement [of actual damages] and have sustained actions for legal fraud when the plaintiff's injury was not compensable." Id. at 1232-33 (collecting cases). Furthermore, some courts allow punitive damages to be awarded in fraud actions when there is a showing of injury, even without an award of compensatory damages. Id. at 1233 (collecting cases).

The Nappe court ultimately concluded that "[e]ven if the person relying on the falsehood were unable to establish actual damages, he should be entitled to vindicate his rights through an award of nominal damages and in appropriate cases to punish the defendant through an award of punitive damages." Id. at 1232.

its claim that Infineon's reliance on the omissions at the JEDEC meetings was not reasonable.

The jury found that Rambus had not proved, by a preponderance of the evidence, that Infineon had reason to know of, or should have discovered, Rambus' violations of the JEDEC disclosure policy or of Rambus' efforts to draft claims covering JEDEC's standardization work. Viewing the evidence in the light most favorable to Infineon, the non-movant, the evidence shows that, although Infineon expressed concerns about the scope of Rambus' patent rights, the deliberate silence of Rambus at JEDEC committee meetings and its disclosure of the '703 patent (a RDRAM patent) led Infineon to believe that Rambus' technology did not cover JEDEC's SDRAM standard. Furthermore, although Rambus repeatedly points to its withdrawal letter from JEDEC as proof of inquiry notice, there was no evidence presented at trial indicating that Infineon ever saw that letter or that Infineon should have known that Rambus' patents related to SDRAMs. In fact, the evidence showed that Infineon had seen neither the letter nor the list of patents until after this action started.

Rambus had the burden to prove, by a preponderance of the evidence, that, before January 1999, Infineon knew or should have known of the facts giving rise to its fraud claim. Rambus failed to do so. The evidence presented at trial permitted the jury reasonably to conclude (as it did) that Infineon did not know of

the fraud, nor should it have suspected the fraud, before Rambus^A asserted its patents against Infineon in the summer of 2000. Hence, the motion for JMOL on that ground is denied.

G. Jury Instruction on Kingsdown

"There is no dispute among the circuits, nor in [Federal Circuit] jurisprudence, that a judgment should be altered 'because of a mistake in jury instructions only if the error was prejudicial' and that we must 'look to the entire jury charge ... to determine whether the instructions fairly stated the legal principles to be applied by the jury.'" Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850, 853 (Fed. Cir. 1991) (collecting circuit court cases, including Wellington v. Daniels, 717 F.2d 932, 938 (4th Cir. 1983)). "'District courts are necessarily vested with a great deal of discretion in constructing the specific form and content of jury instructions,' and they are not required to 'accept all the suggested instructions offered by the parties.'" Emergency One, Inc. v. American Fire Eagle, Ltd., 228 F.3d 531, 538 (4th Cir. 2000) (quoting Hardin v. Ski Venture, Inc., 50 F.3d 1291, 1293-94 (4th Cir. 1995)). "So long as the charge is accurate on the law and does not confuse or mislead the jury, it is not erroneous." Id. (quoting Hardin, 50 F.3d at 1294). When a party alleges that jury instructions are incorrect because the court failed to give a requested instruction, the complaining party faces "a two-fold task": it "must both prove the jury instructions read in their

entirety were incorrect or incomplete as given and then demonstrate that the suggested instruction could have cured the error." Biodex, 946 F.2d at 853.

Rambus charges that the Court erred by failing to give its requested jury instruction based on Kingsdown Medical Consultants, Ltd. v. Hollister, 863 F.2d 867 (Fed. Cir. 1988). The proposed instruction stated:

It is not improper to amend or add patent claims intended to cover a competitor's product about which the applicant has learned during the prosecution of the patent application, including a continuation or divisional patent application, provided that the claims are supported by the original patent application.

The Court, however, determined that the proffered instruction was a misstatement of the law as applied to the facts of this case and would mislead the jury. The Court agreed to give Rambus' proffered instruction, with the following additional limitation: "provided that the added or amended claims are not based on information obtained by engaging in wrongful conduct." Rambus rejected this instruction allegedly because it believed that the language would have rendered the instruction incorrect and confusing to the jury.

Rambus contends that the failure to give its proposed instruction constituted prejudicial error because the Kingsdown instruction would have eviscerated Infineon's fraud claim. Contrary to Infineon's theory at trial, Rambus asserts that Kingsdown allows Rambus to add claims that would render other JEDEC

participants patent infringers. See Kingsdown, 863 F.2d at 874 ("there is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market; nor is it in any manner improper to amend or insert claims intended to cover a competitors product the applicant's attorney has learned about during the prosecution of a patent application.").

Infineon responds that the jury instruction was correctly rejected because the instruction could have, and likely would have, misled the jury to infer that, under the patent laws, it is acceptable for a member of a standard-setting body to breach its duty of its disclosure.²² Thus, because the instruction was not tailored to the facts of this specific case, Infineon argues that

²² Of course, that is not the law. See Wang Lab., Inc. v. Mitsubishi Elec., 103 F.3d 1571, 1582 (Fed. Cir. 1997) (affirming a finding of an implied license based on equitable estoppel because, when the patent holder was a member of JEDEC, "the entire course of conduct" between the parties led Mitsubishi "to infer consent to manufacture and sell the patented products."); Stambler v. Diebold, Inc., 11 U.S.P.Q.2d, 1709, 1714-15 (E.D.N.Y. 1988) (holding that a patent holder who believed that a certain technology infringed his patents, but did not tell the standard-setting body of which it was a member that his patent applied to the technology under consideration, was equitable estopped from asserting his patent because of his misleading silence), aff'd 878 F.2d 1445 (Fed. Cir. 1989); Potter Instr. Co. v. Storage Tech. Corp., 207 U.S.P.Q. 763, 769 (E.D.Va. 1980) (holding that patent holder was estopped from asserting its patent when it participated in a standards-setting organization and failed to inform the organization of its relevant patent, in contravention of that group's policy), aff'd on laches ground, 641 F.2d 190 (4th Cir. 1981).

These decisions further underscore the error in the Kingsdown instruction proposed by Rambus.

rejection of the instruction, as proposed by Rambus, was appropriate. See Duke v. Uniroyal Inc., 928 F.2d 1413, 1421 (4th Cir. 1991) ("Abstract propositions of law stated to the jury without regard to the factual circumstances are potentially confusing.").

The first task is to decide whether the failure to give the Kingsdown instruction was error. It was not. Kingsdown was concerned with the unenforceability of a patent based on inequitable conduct before the PTO. The Federal Circuit held that the mere act of filing patents to cover a competitor's product was not improper conduct and therefore could not be a basis for finding inequitable behavior before the PTO.

Here, the issue before the jury was not whether Rambus behaved inequitably before the PTO by obtaining additional patent claims, but instead whether Rambus committed fraud under Virginia law by failing to disclose its pending patent applications to a standard-setting body, notwithstanding the obligation to do so. The instruction offered by Rambus would have been confusing to the jury because it gives the impression (as Rambus, no doubt, desired), that, simply because it is permissible under the patent laws to obtain patents to cover a competitor's product, that it is likewise permissible to commit fraud that facilitates the obtaining of such a patent. Rambus cited no decision, at trial or even now,

indicating that the Kingsdown rule could be distorted in such a fashion.

Moreover, the distinction offered in the Court's proffered version of the instruction is analogous to the exception mentioned in Kingsdown: "[a]ny such amendment or insertion must comply with all statutes and regulations." Kingsdown, 863 F.2d at 874. That text teaches that the instruction permitted by Kingsdown cannot be based on information obtained by engaging in wrongful conduct because that conduct is in violation of the law of fraud.

Because the instruction was not in error, the motion for JMOL will be denied. Even assuming, arguendo, that it was error, JMOL is still inappropriate. Rambus argues that, because a properly instructed jury could not have returned a verdict of fraud based on the evidence, JMOL in its favor is required. See Jamesbury Corp. v. Litton Indus. Prods., Inc., 756 F.2d 1556, 1560 (Fed. Cir. 1985) (concluding that the court erred in instructing the jury, thus making a grant of a new trial appropriate; however the appellant requested JNOV, therefore the court would consider the evidence under the proper legal standard). Infineon responds that Rambus' claim of prejudice is pure speculation.

Viewing the evidence through the legal standard of Kingsdown, JMOL would still be inappropriate because the propriety of filing amendments under the patent laws is a separate inquiry from the fraud claim. Even though Rambus is allowed, at some general level,

to draft claims to cover a competitor's product, it cannot do so when that action would breach a duty it incurred as result of being a member of a standard-setting body. The breach of that duty was based on a failure to disclose pending patent applications, not on Rambus choice to amend its patents. Therefore, the proffered instruction, if given to the jury, would not have affected the finding of fraud.

II. DISCUSSION: MOTION FOR NEW TRIAL

Rambus has moved also for a new trial under Fed. R. Civ. P. 59(a) asserting as the grounds for that motion virtually the same theories advanced in support of its motion for JMOL.

A. Standard for Motion for a New Trial

Pursuant to Rule 50(c),

{if the renewed motion for judgment as a matter of law is granted, the court shall also rule on the motion for a new trial, if any, by determining whether it should be granted if the judgment is thereafter vacated or reversed, and shall specify the grounds for denying the motion for the new trial.

Fed. R. Civ. P. 50(c)(1). Rule 59(a), in turn, provides that a motion for new trial may be granted "for any of the reasons for which new trials have heretofore been granted in actions at law."

"There is a significant difference between deciding a motion for [JMOL] and deciding a motion for a new trial. The trial court is prohibited from assessing the credibility of witnesses and

weighing the evidence when ruling on a motion for [JMOL]. In contrast, the trial court can weigh evidence and assess credibility in deciding whether to grant a new trial." Whalen v. Roanoke Co. Bd. of Supervisors, 769 F.2d 221, 226 (4th Cir. 1985). See also 9 Moore's Federal Practice, § 50.08[2] (3d. ed. 1998) (same). "Judgment as a matter of law may be granted only when no reasonable jury could find for the nonmovant, but a motion for new trial may be granted as long as the judge has the firm conviction that the verdict is incorrect." Id. The Fourth Circuit has explained that, under Rule 59:

A new trial will be granted if (1) the verdict is against the clear weight of the evidence, or (2) is based upon evidence which is false, or (3) will result in a miscarriage of justice, even though there may be substantial evidence which would prevent the direction of a verdict.

Cline v. Wal-Mart Stores, Inc., 144 F.3d 294, 301 (4th Cir. 1998) (internal citations omitted). See also Wyatt v. Interstate & Ocean Transp. Co., 623 F.2d 888, 891-92 (4th Cir. 1980).

B. Motion For New Trial

To the extent that the new trial is sought on grounds that have been rejected in denying the motion for JMOL, the motion for new trial is denied for the reasons given in denying the motion for JMOL. Moreover, after assessing the credibility of the witnesses and weighing the evidence, the Court is of the opinion that the verdict imposing liability, nominal damages and punitive damages

for the actual fraud claim is certainly supported by the clear weight of the evidence and is not based on evidence that is false. Indeed, a weighing of the evidence and assessment of the credibility of the witnesses leads the Court to firm conviction that the jury rightly, and on clear and convincing evidence, decided the actual fraud claim as it concerned the conduct of Rambus in the JEDEC SDRAM standard-setting process. The evidence clearly and convincingly showed the existence of a disclosure duty that was intentionally violated by Rambus with the goal that Infineon, indeed all JEDEC members, would rely on its silence in constructing an SDRAM standard, with the result that products made in compliance with it would infringe Rambus' products. The evidence showed clearly and convincingly that Infineon reasonably relied on Rambus' silence and representations in deciding to vote for the JEDEC SDRAM standard and in designing and manufacturing and marketing its JEDEC-compliant SDRAM products. As explained previously, Infineon was undoubtedly injured by the fraud.

Further, the evidence clearly and convincingly showed that Rambus committed actual fraud wantonly and maliciously and in total disregard of the rights of Infineon and all other JEDEC members by coupling its deliberate, pervasive, long-term violation of JEDEC's disclosure policy with its implemented strategy to take advantage of its fraud by constantly using information (made known to it only because it was a JEDEC member) to modify its patent applications to

assert claims which Rambus intended to cover the technology of the JEDEC standard. And, it did all that so that it could exact inordinately high royalty rates from the manufacturers who were, for the most part, the very JEDEC members who were offended by the fraud of non-disclosure. Punitive damages are entirely appropriate to sanction conduct of that sort. Thus, there is no miscarriage of justice by allowing the thoroughly grounded actual fraud verdict to stand and, indeed, to be implemented to the full extent permitted by law.

Nor does the Court harbor any apprehension about the validity of the jury's verdict on the statute of limitations. It is fully supported by the evidence.

Lastly, because the Rambus' proffered jury instruction based upon Kingsdown Medical, 863 F.2d 867, was properly rejected and, alternatively, because Rambus suffered no prejudice from the failure to instruct the jury pursuant to Kingsdown Medical, the motion for a new trial on that ground is likewise denied.

Although the motion for JMOL was granted on the constructive fraud claim (Count 11), the motion for new trial is nonetheless denied as to that count because the grant of JMOL was predicated on a purely legal question. If the JMOL is reversed because of error in the decision that, as a matter of law, a negligent non-disclosure cannot constitute fraudulent concealment under Virginia

law, there is no need for a new trial because the evidence otherwise fully supports a verdict of constructive fraud.²³

As to the motion for new trial on the actual fraud verdict (Count 10) respecting Rambus' conduct in connection with the DDR SDRAM standard-setting process, a new trial is in order if the grant of JMOL on that issue is reversed. The evidence, as recited previously,²⁴ leaves the Court the "firm conviction that the jury verdict was incorrect" and that the verdict was against the clear weight of the evidence. The weight of the evidence demonstrates that Infineon failed to prove that Rambus had a duty to disclose pending patents relating to DDR SDRAM because Rambus was not a member of JEDEC at the relevant time in which the DDR SDRAM standard was under consideration.

Thus, in the event that the grant of JMOL on the DDR SDRAM standard is adjudged to be in error, a new trial should be held as to actual fraud in respect of the JEDEC to the DDR SDRAM standard-setting.²⁴ Because Rambus has prevailed on its challenge to the

²³ The constructive fraud claim would have to be set aside, as a matter of law, for the additional reason that constructive fraud, under Virginia law, does not require proof that the fraud was committed wantonly or maliciously which, as explained in Section II.C.6.c, is the predicate for recovery of attorneys' fees as damages under Virginia law. If that legal conclusion is incorrect, then there still is no warrant for a new trial.

²⁴ Although the jury verdict form asked the jury to specify whether its fraud finding related to the SDRAM or DDR SDRAM technology or both, the damage awards were not separated by technology. Nevertheless, Rambus has agreed that, if the DDR SDRAM fraud verdict were set aside, it would not be necessary to conduct

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Filed

NOV 21 2001

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

HYNIX SEMICONDUCTOR INC., et al.
Plaintiffs,
v.
RAMBUS INC.,
Defendant.

NO. C 00-20905 RMW

ORDER GRANTING PLAINTIFFS' MOTION
FOR PARTIAL SUMMARY JUDGMENT
AND TENTATIVELY GRANTING
DEFENDANT'S MOTION TO STAY

[Re: Docket Nos. 133 and 145]

Plaintiffs' motion for partial summary judgment of non-infringement was heard on November 9, 2001, along with defendant's request for a stay. The court has read the moving and response papers and heard the argument of counsel. For good cause appearing, as discussed below, plaintiffs' motion for partial summary judgment is granted and defendant's motion for stay is tentatively granted.

BACKGROUND

Rambus has asserted eleven patents against plaintiffs, all of which stem from the same original 1990 application.¹ Four of the eleven patents were asserted by Rambus against Infineon.

1. There eleven patents in suit are: United States Patent Nos. 5,915,105 ('105 patent), 5,926,263 ('263 patent), 5,954,804 ('804 patent), 5,995,443 ('443 patent), 6,032,214 ('214 patent), 6,032,215 ('215 patent), 6,034,918 ('918 patent), 6,035,365 ('365 patent), 6,038,195 ('195 patent), 6,067,592 ('592 patent), and 5,101,152 ('152 patent). Pursuant to the July 16, 2001 Case Management Order,

1 litigation in the Eastern District of Virginia. The Infincon court construed the patent claim terms
2 asserted in that litigation, did not accept the proposed construction argued by Rambus, and ultimately
3 entered judgment of non-infringement in favor of Infincon on all asserted claims. Rambus has
4 appealed to the Federal Circuit. Hynix now seeks partial summary judgment on the basis of
5 collateral estoppel, and Rambus seeks an order staying the litigation pending conclusion of the
6 appeal in Infincon.

7 As an initial matter, Rambus argues that the court should not grant plaintiffs' motion,
8 premised as it is on collateral estoppel arising out of the Virginia court's claim construction, and
9 should instead stay the present litigation until the Federal Circuit decides the appeal in Infincon.
10 Thus, Rambus' request to stay the present litigation, if granted, would prevent the potentially
11 needless expenditure of resources in further litigation premised on the correctness of the Infincon
12 court's judgment. There is a certain appeal to Rambus' argument, and the court believes that a stay
13 may be appropriate. However, Hynix's products presently stand under a cloud of infringement
14 allegations and it would be unfair to Hynix to stay the action without resolving the partial summary
15 judgment motion. Thus, the pendency of the appeal does not provide a substantial justification to
16 decline to rule on Hynix's motion and the court will address the merits of the motion.

17 Turning to the substance of the plaintiffs' motion, Hynix seeks partial summary judgment of
18 non-infringement on all asserted claims, except claims 12 and 16 of the '152 patent, on the basis that
19 collateral estoppel precludes Rambus from relitigating the claim construction and infringement
20 issues which it litigated and lost in the Infincon litigation. Hynix focuses on three claim terms which
21 were construed by the Infincon court, one or more of which appears in each of the 27 asserted
22 representative claims which are challenged by this motion. Specifically, Hynix targets the claim
23 terms "bus," "read/request" and "second external clock," each of which appears in one or more of the
24 challenged representative claims, either expressly or by dependency. See Hynix's motion at 4 (chart
25 listing asserted representative claims and the three claim terms). Plaintiffs contend that the accused

26
27 Rambus identified 29 representative claims, out of the 400+ claims in the patents in suit. See van
28 Keulen Decl. ¶2 at Ex. A. However, none of the representative claims are from the '804 or '215
patents.

1 Hynix devices are commodity memory chips designed to JEDEC industry standards and, for all
2 relevant purposes, are identical to the Infineon memory chips which have been found not to infringe
3 Rambus' patents. Taylor Decl. ¶¶3-4. Accordingly, if the claim construction determination is given
4 preclusive effect, the accused Hynix devices cannot infringe any of the challenged claims of the
5 patents in suit.

6 Collateral estoppel bars a party from re-litigating an issue of fact or law that was decided in
7 prior suit. Specifically, "collateral estoppel is appropriate only if: (1) the issue is identical to one
8 decided in the first action; (2) the issue was actually litigated in the first action; (3) resolution of the
9 issue was essential to a final judgment in the first action; and (4) plaintiff had a full and fair
10 opportunity to litigate the issue in the first action." A.B. Dick Co. v. Burroughs Corp., 713 F.2d 700
11 702 (Fed. Cir. 1983) cert. denied, 464 U.S. 1042 (1984). The party invoking issue preclusion must
12 demonstrate that the identical issue was fully litigated in a prior suit between the same parties or
13 their privies, and that resolution of the issue was essential to the judgment in the prior suit. Amgen,
14 Inc. v. Genetics Institute, Inc., 98 F.3d 1328, 1331 (Fed. Cir. 1996). Since the Supreme Court's
15 Markman decision and its emphasis that claim construction is a question of law, courts have
16 recognized that claim construction determinations have preclusive effect in subsequent actions
17 involving the same disputed claims under the same disputed patents. TM Patents, L.P. v.
18 International Business Machines Corp., 72 F. Supp. 2d 370, 377 (S.D.N.Y. 1999); Abbott Labs v.
19 Dey, L.P., 110 F. Supp. 2d 660, 667 (N.D. Ill. 2000); see also Pfaff v. Wells Elecs. Inc., 5 F.3d 514,
20 518 (Fed. Cir. 1993) (even before Markman, court recognized that claim interpretations may have
21 preclusive effect); but cf., Graco Childrens' Prods. v. Regalo Int'l, 77 F. Supp. 2d 660, 663 (E.D. Pa.
22 1999) (declining to apply collateral estoppel under the circumstances there presented). When
23 applied to the present circumstances, these factors compel the application of collateral estoppel to
24 preclude Rambus from re-litigating its claim construction and infringement contentions.

25 First, the claim construction issues are the same as those decided in the first action. There is
26 no dispute that the three targeted claim terms, as they appear in four of the presently-asserted patents,
27 were at issue in the Virginia litigation. There is also no dispute that one or more of those same claim
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1 terms appear in all but two of the asserted representative claims of the patents in suit here and that
2 of the asserted patents descend from the same original application and have the same, identical
3 specification. Thus, there appears to be no dispute that the same claim construction should be
4 applied to each of the terms, as it appears in each of the eleven patents in suit.²

5 Second, the issues were actually litigated in the Virginia action. There is no dispute that
6 Rambus and Infineon vigorously litigated the claim construction and infringement issues, including
7 the three claim terms which are the focus of Hynix's motion.

8 Third, there is little dispute that resolution of the claim construction issues was necessary to
9 the final judgment in the Virginia action. In this regard, however, Rambus contends in passing that
10 only claims 1 and 2 of the '263 patent and claim 18 of the '918 patent were the basis of the Virginia
11 non-infringement decision, and therefore suggests that the claim construction determinations are not
12 entitled to estoppel. Rambus cites no authority for its argument, and the court is not persuaded by
13 The Infineon court construed all disputed claim terms at issue in that case and claim construction
14 was necessary prior to addressing infringement. The claim construction determination was a final
15 decision for purposes of collateral estoppel. See TM Patents, 72 F. Supp. 2d at 275-76.

16 Fourth, Rambus had a full and fair opportunity to litigate the claim construction issues and
17 had every incentive to litigate the issues vigorously. The evidence offered by Hynix of the
18 proceedings in the Virginia litigation establishes that Rambus was provided a full and fair
19 opportunity to litigate the claim construction and infringement issues presented in that case. Rambus
20 does not contend otherwise.

21 Accordingly, as an initial matter, the doctrine of collateral estoppel is applicable to preclude
22 Rambus from re-litigating the claim construction and infringement issues previously litigated in the
23 Infineon action, unless there are substantial compelling reasons not to apply the doctrine.

24 In this regard, Rambus' primary argument is that the court should not apply the doctrine of

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26 2. Rambus contends in passing that the court should not apply the Infineon court's claim
27 interpretation to the seven other patents in the present litigation which were not at issue in the prior
28 litigation. Opposition at 2. But, Rambus does not articulate any argument that any of the claim
terms are likely to be given more than one interpretation in the eleven asserted patents.

1 collateral estoppel because it would be unfair to do so here where the Infigon court's claim
2 construction was erroneous. Rambus contends that collateral estoppel is an equitable doctrine which
3 is not to be applied automatically, and that it would be unfair for the court to apply it in this case.
4 Rambus relies in part on Parklane Hosiery Co. v. Shore,³ 439 U.S. 335, 331-32, 99 S. Ct. 645, 651-
5 52 (1979), in which the Supreme Court confirmed that the federal courts have broad discretion in
6 determining when the use of offensive collateral estoppel⁴ should be allowed.

7 Here, however, the situation is more akin to traditional defensive collateral estoppel.
8 Rambus is effectively the plaintiff for purposes of the patent infringement claims. Rambus asserted
9 several of the patents against other defendants and lost. Rambus is now seeking to assert those same
10 patents, plus others, against other defendants who manufacture and sell similar products. There is
11 every reason to apply collateral estoppel here to preclude Rambus from relitigating the issue if once
12 litigated and lost. See Blonder-Tongue Labs. v. University of Ill. Found., 402 U.S. 313, 91 S. Ct.
13 1434 (1971) (appropriate to apply collateral estoppel to preclude patent holder from relitigating the
14 validity of a patent previously held invalid).

15 Rambus also seizes on a passage within Blonder-Tongue in which the Supreme Court
16 suggested that collateral estoppel may be inappropriate where the first court "wholly failed to grasp
17 the technical subject matter and issues in suit." *Opp.* at 3-4, citing Blonder-Tongue, 402 U.S. 313,
18 333, 91 S. Ct. 1434 (1971). Rambus, however, has failed to demonstrate that the Virginia Court

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20 3. Rambus also cites one case in which the court declined to give preclusive effect to a prior
21 claim construction against a patent holder, Graco Childrens' Prods. v. Regalo Int'l, 77 F. Supp. 2d
22 660, 663 (E.D. Pa. 1999). The Graco decision is distinguishable on several bases, however. First, in
23 that case, although the court's claim construction was narrower than the interpretation sought by the
24 patent holder, the patent holder prevailed on its infringement claim, and thus had no ground for
25 appeal. In such circumstances, the court relied on an exception to the collateral estoppel doctrine
26 where no preclusive effect shall be given if the party against whom preclusion is sought could not, as
27 a matter of law, have obtained review of the judgment in the initial action. *Id.* at 664, citing
28 Restatement of Judgments (Second) §28. Here, however, Rambus lost both on claim construction
and on infringement, and therefore the concerns expressed in Graco do not apply.

4. Offensive collateral estoppel typically occurs in multi-plaintiff cases, such as mass torts, in
which the other plaintiffs may sit on the sidelines until the single defendant loses a case, and then
jump in and seek to preclude relitigation of the issues. Defensive collateral estoppel, by contrast,
involves a situation where a plaintiff litigates its claims and loses and then selects another defendant
and attempts to relitigate those same issues. See Parklane Hosiery, 439 U.S. at 329-330.

1 "wholly failed to grasp" either the technical subject matter or the issues, and a cursory review of the
2 memorandum decision does not support Rambus' argument. Even so, it does not appear appropriate
3 for this court to review the correctness of another court's ruling before deciding whether or not to
4 give that ruling preclusive effect. Studiengesellschaft Kohle, mbH v. USX Corp. 675 F. Supp. 181
5 186-87 (D. Del. 1987) (citing case law); Louisville Bedding Co. v. Perfect Fit Indus., 2001 U.S. Dist.
6 LEXIS 9599 (W.D. Ky. 2001, June 25, 2001) [Exh. F. to Decl. of van Keulen]. Reviewing the
7 correctness of the first court's substantive decisions would defeat the very purposes underlying the
8 collateral estoppel doctrine.

9 Rambus is correct, however, that the court has discretion in deciding whether or not to apply
10 the doctrine of collateral estoppel to a case before it. Under both Blonder-Tongue and Parklane
11 Hosiery, the court has some discretion to decline to apply the doctrine of collateral estoppel—such as
12 where the party against whom the estoppel is sought did not have the motivation to fully litigate the
13 issue, prior inconsistent judgments exist, or procedural opportunities, such as discovery, are now
14 available that were not available in the prior litigation, or even where the prior court wholly failed to
15 grasp the technical subject matter and issues in suit. Blonder-Tongue, 402 U.S. at 333; Parklane
16 Hosiery, 439 U.S. at 331-32. None of these circumstances are present here, however, and it would
17 not be unfair or inequitable to apply the doctrine of collateral estoppel in the present case.

18 Having reviewed the record, the court finds that it is appropriate to apply collateral estoppel
19 in this case. Therefore, the Infincon court's claim interpretation of the claim terms "bus"
20 "read/request" and "second external clocks" will be binding in this litigation with regard to the '263,
21 '804, '214 and '918 patents, each of which were asserted in the Infincon litigation. In addition, there
22 appears to be no good reason why the same claim interpretation would not be adopted in each of the
23 related patents in suit. Therefore, the court finds that the Infincon court's claim construction for the
24 three claim terms identified by Hynix will be given collateral estoppel effect in each of the patents
25 asserted in the present litigation.

26 Finally, Rambus argues that even if the court were to apply collateral estoppel, it would be
27 inappropriate to grant partial summary judgment of non-infringement because Hynix has not
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1 established that its accused devices are so similar to the non-infringing Infineon devices that
2 summary judgment of non-infringement should be granted. In so arguing, however, Rambus ignores
3 its burden in opposing summary judgment on a claim upon which it will bear the burden of proof
4 trial. Under Celotex Corp. v. Catrett, 477 U.S. 317, 325, 106 S. Ct. 2548, 2554 (1986), in order to
5 defeat a motion for summary judgment where the non-moving party bears the burden of proof at
6 trial, the non-moving party must come forward with sufficient evidence from which a reasonable
7 jury could rule in its favor. Here, Rambus' showing is wholly inadequate: Rambus offers no
8 evidence whatsoever that the Hynix devices infringe any of the asserted patents, and relies instead
9 two short paragraphs in its opposition brief. Having failed to carry its burden of coming forward
10 with sufficient evidence from which a reasonable jury could find in its favor on its infringement
11 allegations, partial summary judgment of non-infringement is appropriate on all but two of the
12 asserted representative claims.

13 Finally, returning to the issue of whether or not to stay this action, the court is tentatively
14 inclined to grant the requested stay. From a review of the papers presented to the court, it appears
15 that the present litigation is third in line behind the Infineon litigation in Virginia and the Micron
16 litigation in Delaware. All three actions appear to arise out of predominantly the same facts: various
17 Rambus patents that stem back to the same initial patent application and Rambus' participation in
18 JEDEC and its alleged failure to disclose its patents or patent applications. Thus, it appears that
19 Hynix's antitrust claims, breach of contract claims, fraud claims, and unfair competition claims are
20 all premised in large part on facts that have been, or are being, litigated in the earlier Infineon and
21 Micron actions. Additionally, many of the same patent infringement, noninfringement, validity and
22 enforceability issues overlap in the three actions. Moreover, it does not appear that there are any
23 wholly independent claims or issues presented in this litigation that are not raised in either the
24 Infineon or Micron actions, i.e., claims that would be completely unaffected by decisions rendered in
25 the two other actions.

26 Accordingly, in order to preserve judicial economy and comity, to avoid the potentially
27 unnecessary duplication of effort and expenditure of resources, and to avoid potential inconsistent
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1 findings, it is appropriate to stay this action. The court, however, is inclined to stay the litigation
2 only upon the following conditions:

- 3 1. During the pendency of the stay, Rambus shall not assert any patents that may issue
4 relating to JEDEC-compliant memory devices which stem from the original '898
5 application filed in 1990, including (or in addition to) the three patents which Ramb
6 has notified Hynix have been allowed and may soon issue (see Opposition Brief at 2
7 n.1);
- 8 2. Rambus shall waive any damages accruing during the pendency of the stay as to
9 claims 12 and 16 of the '152 patent and any new patents that issue stemming from th
10 original '898 application;
- 11 3. Rambus shall produce to Hynix whatever documents and written discovery it
12 produces in the Micron action, except for any such discovery, if any, which relates to
13 confidential or proprietary information pertaining to Micron; and,
- 14 4. The parties shall have the obligation to keep the court informed as to the status of the
15 Infineon and Micron actions.

16 The parties are directed to file letter briefs, not to exceed five pages, directed to the issue of
17 the propriety of the conditional stay set forth above, as well as to the question of whether there are
18 any issues presented in this litigation that are wholly unaffected by either the Infineon or Micron
19 proceedings.

20 ORDER

21 For the reasons set forth above, and for good cause appearing, plaintiffs' motion for partial
22 summary judgment is GRANTED. Based on the doctrine of collateral estoppel and the claim
23 construction and non-infringement determinations made by the district court for the Eastern District
24 of Virginia in Rambus v. Infineon Technologies, the court hereby grants summary judgment of non-
25 infringement to plaintiffs on the following patents and claims:

26 Claims 31, 34, 35 and 40 of United States Patent No. 5,915,105;

27 Claims 11, 17, 18 and 19 of United States Patent No. 6,038,195;

1 Claims 15, 18, 25 and 25 of United States Patent No. 6,032,214;

2 Claims 1, 2, 3 and 4 of United States Patent No. 5,953,263;

3 Claims 1 and 4 of United States Patent No. 6,035,365;

4 Claims 1, 3 and 6 of United States Patent No. 5,995,443;

5 Claims 35 and 38 of United States Patent No. 6,067,592;

6 Claims 18, 24 and 33 of United States Patent No. 6,034,918; and,

7 Claim 14 of United States Patent No. 5,101,152 .

8 IT IS FURTHER ORDERED that the parties shall file and serve letter briefs directed to the
9 conditional stay issues as set forth above. Rambus shall file and serve its letter brief within ten
10 calendar days of the date of this order. Hymix's response letter brief shall be filed and served one
11 week thereafter. There shall be no reply brief. IT IS FURTHER ORDERED that this case is
12 temporarily stayed on all other issues pending a final decision on Rambus' stay request.

13
14 DATED: 11/21/01

Ronald M. Whyte
15 RONALD M. WHYTE
16 United States District Judge
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1 Copy of order faxed and mailed on 11-21-01 to:

2 Theodore G. Brown, III
3 Townsend and Townsend and Crew LLP
379 Lytton Ave
4 Palo Alto, CA 94301
(650) 326-2422

5 Patrick Lynch
6 Kenneth R. O'Rourke
O'Melveny & Myers LLP
7 400 South Hope Street
Los Angeles, CA 90071-2899
8 (213) 430-6407

9 Kenneth L. Nizaly
Susan van Kuelen
10 Thelen Reid & Priest LLP
333 West San Carlos Street, 17th Floor
11 San Jose, CA 95110-2701
(408) 287-8040

12 Counsel for plaintiffs

13
14 Evangelina Almirantearena
Howrey Simon Arnold & White LLP
15 301 Ravenswood Avenue
Menlo Park, CA 94025-3434
16 (650) 463-8400

17 Cecilia H. Gonzalez
Joseph P. Lavalle
18 Basil C. Culyba
Howrey Simon Arnold & White LLP
19 1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
20 (202) 383-6610

21 Counsel for defendant

22 ♀

23 JUDGE AMBIER

24 (650) 941-1867

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DEC 17 2001

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

HYNIX SEMICONDUCTOR INC., et al.

Plaintiffs,

v.

RAMBUS INC.,

Defendant.

NO. C 00-20905 RMW

ORDER STAYING ACTION

[Re Docket No. 145]

On November 21, 2001, the court issued an order granting plaintiffs' motion for partial summary judgment and tentatively granting defendant's motion to stay, subject to certain conditions. The court solicited further briefing from the parties on the propriety of the conditional stay set forth in the order. Both parties filed letter briefs, with Rambus accepting the conditional stay and Hynix opposing it. Having considered the parties' letter briefs and for the reasons set forth in the prior order, defendant's motion to stay is GRANTED as follows:

In order to preserve judicial economy and comity, to avoid the potentially unnecessary duplication of effort and expenditure of resources, and to avoid potential inconsistent findings, IT IS HEREBY ORDERED THAT THIS ACTION IS STAYED PENDING FURTHER ORDER OF THE COURT, on the following conditions:

1. During the pendency of the stay, Rambus shall not assert against Hynix any patents

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that may issue relating to JEDEC-compliant memory devices which stem from the original '898 application filed in 1990, including (or in addition to) the three patents which Rambus has notified Hynix have been allowed and may soon issue (see Opposition Brief at 2 n.1);

2. Rambus shall waive any damages accruing during the pendency of the stay as to claims 12 and 16 of the '152 patent and any new patents that issue stemming from the original '898 application;
3. Rambus shall produce to Hynix whatever documents and written discovery it produces in the Micron v. Rambus action pending in the District of Delaware, except for any such discovery, if any, which relates to confidential or proprietary information pertaining to Micron; and,
4. The parties shall have the obligation to keep the court informed as to the status of the Infinicon and Micron actions.

Nothing within this order shall be interpreted to require a stay of further litigation or proceedings by Rambus in the various pending European actions.

IT IS FURTHER ORDERED that this matter is hereby set for further case management conference on June 21, 2002, at 10:30 a.m.

DATED: 12/14/01

Ronald M. Whyte
RONALD M. WHYTE
United States District Judge

1 Copy of order mailed on 12/17/01 to:

2 Theodore G. Brown, III
3 Townsend and Townsend and Crew LLP
4 379 Lytton Ave
5 Palo Alto, CA 94301

6 Patrick Lynch
7 Kenneth R. O'Rourke
8 O'Melveny & Myers LLP
9 400 South Hope Street
10 Los Angeles, CA 90071-2899

11 Kenneth L. Nissly
12 Susan van Kuelen
13 Thelen Reid & Priest LLP
14 333 West San Carlos Street, 17th Floor
15 San Jose, CA 95110-2701

16 Counsel for plaintiffs

17 Evangelina Almirantearena
18 Howrey Simon Arnold & White LLP
19 301 Ravenswood Avenue
20 Menlo Park, CA 94025-3434

21 Cecilia H. Gonzalez
22 Joseph P. Lavelle
23 Basil C. Culyba
24 Howrey Simon Arnold & White LLP
25 1299 Pennsylvania Avenue, N.W.
26 Washington, D.C. 20004

27 Counsel for defendant

28 By: AC
Chambers of Judge Wyt

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MICRON TECHNOLOGY, INC.,)
)
 Plaintiff,)
)
 v.) Civil Action No. 00-792-RRM
)
RAMBUS INC.,)
)
 Defendant.)

**ORDER DENYING MICRON'S MOTION FOR SUMMARY JUDGMENT ON
ITS FRAUD, EQUITABLE ESTOPPEL, AND UNCLEAN HANDS CLAIMS AND
DENYING RAMBUS'S MOTION FOR A STAY PENDING APPEAL OF
RAMBUS v. INFINEON**

For the reasons discussed in the court's opinion of this date,

IT IS HEREBY ORDERED that :

1. Plaintiff's Motion for Summary Judgment on its Claims for Fraud, Equitable Estoppel, and Unclean Hands (D.I. 400) is denied.
2. Defendant's Motion for an Immediate Stay of this Action pending Resolution of the Appeal of Rambus Inc. v. Infineon Technologies AG (D.I. 392) is denied.
3. Following the Federal Circuit's resolution of the Infineon appeal, the parties shall petition the court for a new trial date. As a condition of delaying trial, Rambus shall not file additional actions against Micron alleging that Micron's JEDEC-compliant products infringe Rambus patents, including the patents-in-suit or other related patents that claim priority from the '898 application. Furthermore, Rambus shall agree to stay all actions, except for the suit in Germany, currently being prosecuted against Micron.


UNITED STATES DISTRICT JUDGE

Dated: February 27, 2002

PROOF OF SERVICE BY MAIL

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 355 South Grand Avenue, Thirty-Fifth Floor, Los Angeles, California 90071-1560.

On March 13, 2002, I served the foregoing document described as **Letter to the Honorable Ronald M. Whyte** on the interested party in this action by placing true copies thereof enclosed in sealed envelopes addressed as follows:

Theodore G. Brown, III
Townsend and Townsend and Crew LLP
379 Lytton Avenue
Palo Alto, CA 94301

Counsel for plaintiffs

Patrick Lynch
Kenneth R. O'Rourke
O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90071-2899

Counsel for plaintiffs

Kenneth L. Nissly
Susan van Kuelen
Thelen Reid & Priest LLP
333 West San Carlos Street, 17th Floor
San Jose, CA 95110-2701

Counsel for plaintiffs

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on March 13, 2002, at Los Angeles, California.



Juliana Sepko

McKELVIE, District Judge

This is a patent and fraud case. Plaintiff Micron Technology, Inc. is a Delaware corporation with its principal place of business in Boise, Idaho. Micron is a manufacturer of semiconductor memory products, including dynamic random access memory ("DRAM") computer chips. Micron manufactures the two most common types of DRAM, synchronous dynamic random access memory ("SDRAM"), and the later developed double data rate SDRAM ("DDR SDRAM").

Defendant Rambus Inc. is a Delaware corporation with its principal place of business in Mountain View, California. Rambus is a technology company that designs computer memory systems and then licenses them to manufacturers such as Micron. Rambus is the assignee of U.S. Patent Nos. 5,915,105 (the '105 Patent), 5,953,263 (the '263 Patent), 5,954,804 (the '804 Patent), 5,995,443 (the '443 Patent), 6,032,214 (the '214 Patent), 6,032,215 (the '215 Patent), 6,034,918 (the '918 Patent), 6,038,195 (the '195 Patent) (collectively, the "Rambus Patents"). The Rambus patents all derive from one application, U.S. Patent App. No. 07/510,898, filed April 18, 1990. Rambus is also the owner and licensor of a proprietary type of SDRAM chip, known as Rambus dynamic random access memory ("RDRAM") chips.

On August 28, 2000, Micron filed its complaint in this action, alleging that Rambus committed fraud by failing to disclose its patents and patent applications to the Joint Electron Devices Engineering Council ("JEDEC"), a semiconductor industry

association of which both Micron and Rambus, for a time, were members. JEDEC develops industry-wide technical standards for DRAM and other products and, according to Micron, requires its members to disclose their patents and patent applications to the organization to prevent unknowing standardization of a patented technology. Micron asserts that Rambus defrauded Micron and other JEDEC members by failing to disclose its pending patent applications concerning features being considered by JEDEC for incorporation into SDRAM and DDR SDRAM industry standards. Micron asserts that after JEDEC adopted its standards, Rambus then sought exorbitant royalties from manufacturers like itself that produced JEDEC-compliant chips and not Rambus's RDRAM. Micron's claims include monopolization and fraud. It also seeks a declaratory judgment that the Rambus patents are invalid, unenforceable, and not infringed.

Following the denial of Rambus's motions to dismiss on January 2, 2001, Rambus answered Micron's complaint and asserted counterclaims that Micron's SDRAM and DDR SDRAM products infringe the Rambus patents.

Micron's suit against Rambus in this court is not the only action relating to Rambus's DRAM patents and its involvement with JEDEC. On August 8, 2000, Rambus sued Infineon Technologies AG, another SDRAM manufacturer, in the United States District Court for the Eastern District of Virginia (the "Virginia court"). See Rambus Inc. v. Infineon Technologies AG, Civil Action No. 3:00cv524 (E.D. Va.) ("Infineon"). Rambus asserted Infineon's JEDEC-compliant SDRAM products infringed four of its

patents, including the '263 patent, the '804 patent, the '918 patent, and the '214 patent, all of which are asserted by Rambus against Micron in this action. Infineon brought a fraud counterclaim similar to Micron's fraud claim in this case. Following the Virginia court's issuance of a claim construction opinion dated March 15, 2001, the parties began trial on April 23, 2001. At the conclusion of Rambus's case in chief, the Virginia court granted judgment as a matter of law of non-infringement to Infineon. On May 9, 2001, the jury returned a special verdict finding Rambus had committed actual fraud by not revealing its patent applications to JEDEC.

Following trial, the Virginia court overturned the jury's verdict of fraud as to DDR SDRAM features, but upheld the jury's verdict as to SDRAM features. Rambus, Inc. v. Infineon Technologies AG, 164 F. Supp. 2d 743 (E.D. Va. 2001). The SDRAM features include a 2-bank design, externally supplied reference voltage, phase lock loops (PLLs), programmable CAS latency, and programmable burst length. The court found that Rambus was a member of JEDEC while these features were considered for standardization and that the jury's verdict on fraud as to these SDRAM features was supported by the evidence. Id. at 765. In contrast, the Virginia court found that Rambus left JEDEC before it had an obligation to disclose patent applications on the two DDR SDRAM features, "dual edge clocking" and "on-chip PLL/DLL." Thus, the Virginia court concluded Rambus violated no duty to JEDEC and its members as to DDR SDRAM. Id. at 767.

Micron seeks to apply the judgment of the Virginia court and jury to issues in this action through the principles of collateral estoppel. On June 18, 2001, Micron filed a motion for summary judgment of non-infringement of the Rambus patents, arguing that collateral estoppel requires this court's adoption of the Virginia court's claim construction and non-infringement judgment. On September 5, 2001, Micron also moved for summary judgment on its fraud and equitable estoppel claims, and its unclean hands defense,¹ similarly seeking to apply the collateral estoppel effect of the SDRAM fraud judgment in the Virginia court to this action. Micron suggests the court grant its summary judgment motions and proceed to trial on the remaining issues in the case, including its claim Rambus committed fraud on JEDEC as to the DDR SDRAM standards.

On August 24, 2001, Rambus filed a motion to stay this action pending appeal of the Infineon judgment to the United States Court of Appeals for the Federal Circuit. The Federal Circuit has scheduled expedited briefing of the appeal and the final brief is due March 15, 2002. Rambus argues a stay is necessary while it appeals the claim construction and fraud verdict in Infineon because many rulings in that case were incorrect. Rambus warns that proceeding to trial in this action before those rulings are corrected on appeal will only compound the Virginia court's error.

¹While unclean hands was not asserted as a claim per se, Micron has offered it as basis for its claims seeking a declaratory judgment of invalidity and unenforceability of the Rambus patents.

The court heard oral argument on Micron's summary judgment motions and Rambus's stay motion during a series of teleconferences and in court on August 1, 2001, September 27, 2001, October 30, 2001. This is the court's decision on those motions.

I. FACTUAL AND PROCEDURAL BACKGROUND

The court draws the following facts from the pleadings and the affidavits and documents submitted in support of, and in opposition to, the parties' motions.

A. Facts Alleged by Micron

JEDEC is a semiconductor industry association that develops industry-wide standards for various technology products, including DRAM. Micron alleges in its complaint that members of JEDEC are bound by a disclosure policy that requires them to disclose any patents or patent applications that might relate to the standards JEDEC considers for standardization. The purpose of this policy is to prevent a member from obtaining patents on the industry standard. JEDEC began considering industry standards for SDRAM as early as 1991.

Rambus was formed in 1990. It filed the '898 patent application on April 18, 1990. The PTO determined that the '898 application contained 11 independent inventions and required Rambus to select one to pursue on that application and permitted it to file divisional applications for the remainder. Rambus eventually withdrew the '898 application, but has filed many continuation and divisional applications beginning in

1992 that use the specification of the '898 application and claim priority from it. Micron contends at least 28 U.S. and foreign patents that claim priority from the '898 application have been granted.

Rambus joined JEDEC in 1992, and its officers and employees attended and participated in JEDEC meetings. Micron alleges that Rambus failed to disclose to JEDEC its '898 application and the many related patent applications it has filed. According to Micron, Rambus filed numerous patent applications, claiming priority from its original '898 application, that purport to cover JEDEC's SDRAM and DDR SDRAM features. Micron contends that Rambus filed these applications throughout its membership in JEDEC and that it continues to do so. Furthermore, Rambus allegedly informed JEDEC that its patents related to Rambus's proprietary RDRAM chip, and not the SDRAM or DDR SDRAM JEDEC standards.

Rambus withdrew from JEDEC in June 1996. In its withdrawal letter, Rambus listed some of its patents and patent applications, none of which concerned SDRAM or DDR SDRAM features. Micron alleges that despite its contentions to the contrary, Rambus continued to seek patents over SDRAM and DDR SDRAM features after leaving JEDEC and that it began asserting those patents against DRAM manufacturers in January 2000. According to Micron, Rambus offered to DRAM manufacturers a non-negotiable license covering the Rambus patents on exorbitant royalty terms. Micron asserts that Rambus pursued this plan in an attempt to monopolize the DRAM market by

forcing DRAM manufacturers to produce either RDRAM or pay exorbitant royalties to produce JEDEC compliant SDRAM and DDR SDRAM.

Micron has stated that it believes Rambus's patent policy is motivated by the decreased use of RDRAM in computers and the increase in expected use of DDR SDRAM. In 2001, SDRAM comprised 77% of the DRAM market, while DDR SDRAM comprised only 12% and RDRAM comprised 6%. According to market projections cited by Micron, in 2005 DDR SDRAM will increase to comprise 69.8% of the DRAM market, SDRAM 30%, and RDRAM only 0.1%. Micron alleges that to compete in this market, Rambus has threatened patent infringement suits for SDRAM and DDR SDRAM manufacturers who refuse to license the Rambus patents and that Rambus sued Infineon for just this reason.

B. Procedural History

Micron filed this action on August 28, 2000. Based on the previously recited facts, Micron asserted claims of: (1) monopolization and attempted monopolization under 15 U.S.C. § 2; (2) deceptive sales practices in violation of 6 Del. C. § 2532 et seq.; (3) breach of the contract between JEDEC and Rambus; (4) fraud; (5) equitable estoppel; and (6) negligent misrepresentation. Micron also seeks declaratory judgments that the eight Rambus Patents are invalid, unenforceable, and not infringed by Micron. Micron amended its complaint on February 1, 2001, adding an additional monopolization claim.

On September 18, 2000, Rambus filed two responsive motions. With respect to

the declaratory judgment claims on the patents, Rambus sought dismissal of the action for lack of subject matter jurisdiction. With respect to the remaining claims, Rambus argued that Micron had failed to state claims pursuant to Federal Rule of Civil Procedure 12(b)(6). The court heard argument on the motions on December 21, 2000, and on January 2, 2001 denied both motions.

On February 15, 2001, Rambus filed its answer, denying Micron's claims and asserting various affirmative defenses. Rambus also filed counterclaims against Micron and third-party claims against Micron Electronics, Inc., a partially-owned subsidiary of Micron, asserting that the companies infringed the Rambus patents. According to Rambus, the following Micron and Micron Electronics products infringe the Rambus patents: (1) SDRAM, SGRAM,² DDR SDRAM, and SyncFlash memory chips, and (2) SDRAM, SGRAM, and DDR SDRAM memory modules. In addition, Rambus moved to amend its answer and claims on March 15, 2001, seeking to add U.S. Patent No. 6,101,152 (the '152 patent) to the patents-in-suit and to add Micron Semiconductor Products, Inc., another Micron subsidiary, as a third-party defendant on all infringement claims. The court has not yet addressed Rambus's motion to amend its answer and claims to add the '152 patent and Micron Semiconductor.

Micron Electronics answered Rambus's third-party claims and moved to sever the claims against it from those against Micron. The court granted that motion to sever on

²The parties have not yet explained to the court how SGRAM is similar or dissimilar to SDRAM or DDR SDRAM.

April 27, 2001. The court also denied Rambus's informal request to consolidate the claims against Micron and Micron Electronics for trial.

On June 18, 2001, Micron filed a motion for summary judgment of non-infringement. It also filed, on September 5, 2001, a motion for summary judgment on fraud, equitable estoppel and unclean hands. Both motions seek to use collateral estoppel to apply the judgments in the Infineon litigation to issues in this case. On August 24, 2001, Rambus filed its motion seeking a stay of this action pending appeal of the Infineon judgment to the Federal Circuit.

Rambus has also filed a series of summary judgment motions. Rambus seeks summary judgment on Micron's antitrust claims, breach of contract claims, Delaware's Deceptive Trade Practices Act claims, and claims for damages. Rambus also seeks summary judgment on Micron's fraud, equitable estoppel and negligent misrepresentation claims as to DDR SDRAM. The DDR SDRAM motion is premised on the same facts by which Rambus prevailed on this issue in Infineon, which will be discussed shortly.

A ten day trial is currently scheduled to begin April 1, 2002.

C. Rambus Inc. v. Infineon Technologies AG

Because Micron's motions are based on applying collateral estoppel from the Infineon case, the court will briefly review the pertinent history of that action.

In the Infineon matter, Rambus asserted that Infineon infringed claims from four

of the eight Rambus patents at issue in this case. The Virginia court, in its Markman opinion, construed the disputed claim terms of those patents, including the terms “bus,” “read request,” “write request,” “transaction request,” “first external clock signal,” “second external clock signal” and “integrated circuit device.” With the exception of “integrated circuit device,” the court otherwise construed these terms consistently for all the patents because the parties agreed all the patents were related. See Rambus, Inc. v. Infineon Technologies AG, Civ. A. No. 3:00cv524 (E.D. Va. Mar. 15, 2001).

Following the presentation of Rambus’s infringement case, the court granted to Infineon judgment as a matter of law of non-infringement on all four patents on April 30, 2001. On May 29, 2001, the court issued a memorandum opinion explaining its grant of summary judgment as to the ’918 patent and the ’263 patent. See Rambus, Inc. v. Infineon Technologies AG, Civ. A. No. 3:00cv524 (E.D. Va. May 29, 2001). That opinion addressed the terms “bus” and “read request,” and found that, given the court’s construction of those terms, Rambus had not produced evidence that Infineon’s products infringed. See id. at 10, 13. For example, the Virginia court considered claim 18 of the ’918 patent, which describes the operation of a synchronous memory device.

18. A method of operation of a synchronous memory device, where in the memory device includes a plurality of memory cells, the method of operation of the memory device comprises:

receiving an external clock signal;

receiving first block size information from a bus controller, wherein the first block size information defines a first amount of data to be output by

the memory device onto a bus in response to a read request; and

receiving a first request from the bus controller; and

outputting the first amount of data corresponding to the first block size information, in response to the first read request, onto the bus synchronously with the respect to the external clock signal.

'918 patent, claim 18. The court construed the term "bus," as used in claim 18 and all the Rambus patents, to require a multiplexed bus carrying address, data and control information. Because the JEDEC-compliant Infineon products used a dedicated data line bus architecture, in which each line carries only one kind of information, the Virginia court ruled that Infineon was entitled to summary judgment of non-infringement of this claim. See Rambus, Inc. v. Infineon Technologies AG, Civ. A. No. 3:00cv524, at 5-10 (E.D. Va. May 29, 2001).

After the court's ruling from the bench on non-infringement, Infineon presented its fraud counterclaims to the jury. On May 9, 2001, the jury returned a special verdict finding Rambus had committed actual fraud related to JEDEC standards and awarded \$1 in actual damages and \$3.5 million in punitive damages. The jury's verdict was general and did not separately address fraud as to particular SDRAM or DDR SDRAM features. The Virginia court later reduced the amount of punitive damages to \$350,000 pursuant to Va. Code § 8.01-38.1.

Following trial, the parties filed a number of post-trial motions. In an August 9, 2001 opinion, the Virginia court upheld the jury's verdict that Rambus committed fraud

by failing to disclose patents and patent applications while JEDEC worked on SDRAM features. See Rambus, Inc. v. Infineon Technologies AG, 164 F. Supp. 2d 743, 751 (E.D. Va. 2001) (the “JMOL opinion”). The court, however, overturned the jury’s verdict of fraud with respect to DDR SDRAM. The Virginia court found that the duty of JEDEC members to disclose patents and patent applications arose when JEDEC submitted a proposed standard for a vote. Id. at 765. Although JEDEC had presentations as early as 1992 on features such as “dual edge clocking” and “on-chip PLL/DLL,” both later incorporated in the DDR SDRAM standard, the court found Rambus had no duty to disclose its patents and patent applications until there was a vote on the DDR SDRAM standard. Id. at 766. Because JEDEC did not begin working on a standard on DDR SDRAM until December 1996 and because Rambus left JEDEC six months earlier, Rambus had no duty to JEDEC as to DDR SDRAM that it could have violated. Id. at 767. Accordingly, the Virginia court granted Rambus judgment as a matter of law on Infineon’s fraud claim as to DDR SDRAM.

On the same date it issued the JMOL opinion, the Virginia court also issued an opinion in which it found that Infineon was entitled to \$7,123,989.52 in attorneys’ fees pursuant to the “exceptional cases” provision of 35 U.S.C. § 285. It entered final judgment on August 21, 2001 and, after further consideration, entered a permanent injunction against Rambus, barring it from asserting the claims of its U.S. patents relating to four SDRAM features against any Infineon SDRAM or DDR SDRAM products.

Those four features are “(1) programmable CAS latency/access time/delay time; (2) programmable burst length/block size; (3) externally supplied reference voltage; or (4) two bank designs; as those technologies are described” in JEDEC standards. Rambus Inc. v. Infineon Technologies AG, Civ. A. No. 3:00cv524, at 3 (E.D. Va. Nov. 26, 2001).

On August 22, 2001, Rambus filed its notice of appeal to the Federal Circuit, claiming the Virginia court erroneously construed the claims and improperly instructed the jury. Infineon has cross-appealed the court’s judgment as a matter of law on DDR SDRAM. The Federal Circuit has agreed to an expedited briefing schedule and the parties will complete briefing on March 15, 2002.

D. Other Related Litigation

This suit and the Infineon litigation are not the only cases addressing the Rambus patents and Rambus’s conduct in JEDEC. Hynix Semiconductor Inc., another DRAM manufacturer, sued Rambus in this court on claims similar to those Micron has asserted. That action was transferred to the Northern District of California. See Hynix Semiconductor Inc v. Rambus Inc., No. C 00-20905 RMW (N.D. Cal.) (the “California court”). In the California court, Rambus has counterclaimed that Hynix infringes eleven of Rambus’s patents, including the eight patents in this action and the four at issue in Infineon. All eleven patents descend from Rambus’s ’898 application and share the same specification.

In an order dated November 21, 2001, the California court granted Hynix’s motion

for summary judgment of non-infringement as to most of the claims and patents asserted by Rambus. See Hynix Semiconductor Inc v. Rambus Inc., No. C 00-20905 RMW (N.D. Cal. Nov. 21, 2001) (Whyte, J.). The California court also announced that it was inclined to grant a stay of the action requested by Rambus. Id. The court granted that stay on December 17, 2001 and it remains in effect until further order. The California court conditioned the stay on Rambus's agreement not to "assert against Hynix any patents that may issue relating to JEDEC-compliant memory devices which stem from the original '898 application filed in 1990." The court also required that Rambus waive any damages during the pendency of the stay as to the '152 patent, which is not at issue in this litigation, and any "new patents that issue stemming from the original '898 application." Rambus agreed to those conditions.

In addition to this action, there are other suits between Micron and Rambus in Europe. Those suits involve various European patents owned by Rambus that claim priority from the '898 application filed in the United States. The two companies are litigating those patents in Germany, Italy, France, and the United Kingdom. There is also a suit between Micron and Rambus before the United States International Trade Commission.

II. DISCUSSION

Micron seeks summary judgment of non-infringement of the Rambus patents and on its claims of fraud and equitable estoppel as to SDRAM based on Rambus's conduct while in JEDEC. It submits that the judgment of the Virginia court in Infineon on these issues can be applied here under the principles of collateral estoppel. Therefore, Micron seeks a trial on those claims not established by collateral estoppel, including its claim that Rambus committed fraud on JEDEC as to DDR SDRAM.

Rambus argues that, rather than address Micron's summary judgment motions and proceed with trial now, this court should stay this action until the Federal Circuit has reviewed the Infineon judgment. Rambus contends that a stay would permit the Federal Circuit to correct the alleged errors of the Virginia court, including its purportedly erroneous claim construction and failure to give the correct instruction to the jury on fraud.⁵ Rambus argues that a stay would conserve the resources of the parties and court by avoiding the need to relitigate issues on which collateral estoppel is granted if the Virginia court is reversed. It also might limit the numerous difficulties of distinguishing for a jury those issues already established by collateral estoppel on Micron's fraud claims and those issues for the jury's decision.

⁵With respect to the jury's fraud verdict, Rambus contends that the Virginia court erred in failing to instruct the jury that "there is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market; nor is it in any manner improper to amend or insert claims intended to cover a product the applicant's attorney has learned about during the prosecution of a patent application." Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867, 874 (Fed. Cir. 1988).

During argument on the motions, the court suggested that the parties reach mutually agreeable terms for a stay. Micron offered to stay this action if Rambus would stay all litigation against Micron worldwide, including the actions in Germany, Italy, England, and France. To minimize the prejudice to Micron from staying this action, Rambus offered to stay all of the foreign actions except the proceeding in Germany. Unable to reach consensus, Micron continues to press for grant of its summary judgment motions and Rambus continues to press for grant of its stay motion. The issue for the court's decision is whether to apply collateral estoppel and proceed to trial on the remaining issues, or whether to await the Federal Circuit's decision in Infineon before proceeding.

A. Micron's Proposed Approach

Micron seeks to apply the judgment in the Virginia court on both non-infringement and fraud in this action. "Collateral estoppel 'precludes a plaintiff from relitigating identical issues by merely "switching adversaries"' and precludes a plaintiff 'from asserting a claim that the plaintiff had previously litigated and lost against another defendant.'" See A.B. Dick Co. v. Burroughs Corp., 713 F.2d 700, 704 (Fed. Cir. 1983) (citing Parklane Hosiery Co. v. Shore, 439 U.S. 322, 329 (1979)). The elements of collateral estoppel, also known as issue preclusion, are well-established.

[C]ollateral estoppel is appropriate only if: (1) the issue is identical to one decided in the first action; (2) the issue was actually litigated in the first action; (3) resolution of the issue was essential to a final judgment in the first action; and (4) plaintiff had a full and fair opportunity to litigate the

issue in the first action.

A.B. Dick Co., 713 F.2d at 702.

In its motion for summary judgment of non-infringement, Micron argues that collateral estoppel requires this court to adopt the claim construction of the Virginia court. Micron submits that the Virginia court's claim construction in Infineon is binding in this action because each of the eight Rambus patents contain at least one claim limitation construed in Infineon, including "bus," "read request," "write request," "transaction request," and "external clock." If the court adopts the claim construction of the Virginia court, Micron asserts that its products cannot infringe because the Virginia court found that Infineon's JEDEC-compliant products do not infringe and Micron's JEDEC-compliant products are identical to Infineon's.

In its motion for summary judgment on fraud, equitable estoppel, and unclean hands, Micron argues that the jury's verdict in Infineon should be applied in this action. According to Micron, the jury in Infineon found that Rambus failed to disclose its patents and patent applications to JEDEC and therefore it committed a fraud on all JEDEC members, including both Infineon and Micron. Of course, because the Virginia court granted Rambus judgment as a matter of law with respect to the fraud allegations on DDR SDRAM features, Micron's summary judgment motion is limited to SDRAM features and not DDR SDRAM.

Micron proposes that if its summary judgment motions are granted, the court can

then conduct a “DDR only” trial. In such a trial, Micron would rely on the Virginia court verdict to establish fraud as to SDRAM features, but would seek to show, as Infineon unsuccessfully tried to do in Virginia, that Rambus also committed fraud on DDR SDRAM features. Micron has stated that it would waive a jury trial and its right to damages if it can more quickly proceed with a bench trial. Following a bench trial, Micron would seek an order enjoining Rambus from the worldwide prosecution of its patents, and any pending patent applications that may later be granted, relating to the SDRAM and DDR SDRAM JEDEC standards.

B. Rambus’s Proposed Approach

Rambus disagrees that Micron is entitled to summary judgment on either of Micron’s motions. With respect to the non-infringement motion, Rambus contends that the Virginia court erred in claim construction and that this court should not duplicate that error by granting summary judgment of non-infringement based on collateral estoppel. Further, Rambus argues that because the Federal Circuit will by applying de novo review to the Virginia court’s claim construction, there is a heightened probability the claim construction, and related non-infringement judgment, will be reversed on appeal. With respect to the fraud, equitable estoppel, and unclean hands motion, Rambus argues that the Virginia court judgment does not establish that Rambus committed a fraud on Micron because Micron’s detrimental reliance was not an issue for decision in that action. Finally, Rambus submits that proceeding with a DDR only trial would be a mistake, both

because it is premised on the court's granting of the two summary judgment motions and because it would involve presenting complex collateral estoppel issues to a jury. Rambus believes that, in any event, it is entitled to a jury trial on its infringement claims.

Rather than proceed with trial, Rambus proposes that this court enter a stay of all proceedings in this action pending the Federal Circuit's opinion in Infineon. According to Rambus, the Federal Circuit will be considering a number of issues likely to be dispositive of Micron's summary judgment motions. Not only will it be addressing the Virginia court's claim construction, it will also be considering when, if ever, Rambus had a duty to disclose patent applications and patents to JEDEC. Thus, proceeding to trial at this time raises the likelihood that this court's rulings, and the jury's verdict, could be inconsistent with the holdings of the Federal Circuit, therefore requiring later relitigation of the same facts. Moreover, because the Federal Circuit has ordered expedited briefing in the Infineon appeal, with the final briefs due March 15, 2001, Rambus contends that the Federal Circuit is likely to act quickly on the appeal.

To minimize any prejudice that Micron might experience as a result of a stay, Rambus has offered to enter a "worldwide truce" with Micron, in which the parties would stay all of the actions between the parties throughout the world, with the exception of one proceeding in Germany. Rambus will also agree not to assert against Micron any other patents relating to JEDEC-compliant memory devices which stem from the '898 application. Rambus has not agreed, however, to waive any damages accrued during the

stay.⁴

C. Should The Court Grant Micron's Summary Judgment Motions And Conduct a DDR Only Trial. Or Should It Stay The Case Pending Appeal Of Infineon?

Micron's proposed approach suffers from two difficulties. First, its motion for summary judgment of non-infringement relies on the premise that this court will adopt the Virginia court's claim construction, even though that claim construction is currently the subject of Rambus's appeal to the Federal Circuit. Second, its motion for summary judgment as to fraud, equitable estoppel, and unclean hands assumes that the Virginia jury's fraud verdict establishes fraud as to all members of JEDEC, and not simply Infineon.

In contrast, Rambus's stay motion is facially appealing because it would eliminate any possibility that the Federal Circuit might reverse the claim construction of the Virginia court shortly after this court grants summary judgment of non-infringement based on applying that construction. Furthermore, the Federal Circuit will also be considering when, if ever, Rambus had a duty to disclose patents and patent applications to JEDEC. Thus, the Infineon appeal is likely to resolve several issues that may be

⁴In a letter dated December 7, 2001, Rambus reported that it would agree to the same conditions entered in the California court, which included a waiver of damages as to claims 12 and 16 of the '152 patent and "any new patents that issue stemming from the original '898 application." Because the '152 patent is not yet a part of this litigation (although Rambus has moved to amend its claims to add it), Rambus pointed out in its letter that this condition is inapplicable here. Rambus's December 7, 2001 letter did not specifically address the accrual of damages on new patents.

dispositive in this action. Because briefing will be completed as soon as March 15, 2002 and argument can be expected to follow not long afterward, awaiting the Federal Circuit's opinion appears both prudent and efficient.

In response to Rambus's request for a stay, Micron has attempted to show why it must receive summary judgment of non-infringement now and cannot await the Infineon appeal. In its letters to the court, Micron has identified two respects in which it believes itself to be prejudiced by a delay. First, it argues that its SDRAM and DDR SDRAM products operate under a "cloud of uncertainty" while Rambus's infringement claims remain undecided, thereby affecting Micron's ability to invest in further development of those products. While it is certainly true that Rambus's charge of infringement creates some uncertainty for Micron's development of SDRAM and DDR SDRAM products, this uncertainty is no different from that faced by other makers of JEDEC-compliant products, such as Infineon and Hynix. For DRAM manufacturers, the Infineon verdict should serve to dissipate that uncertainty; and because Micron seeks simply to apply the Infineon verdict to its products, it is difficult to understand how summary judgment of non-infringement based on collateral estoppel could do more to diminish the uncertainty than has already been done.

Second, Micron argues that deferring an infringement verdict pending the Infineon appeal prejudices its interests because Rambus can continue to assert related foreign patents against Micron in foreign forums. The argument that Micron is prejudiced by the

foreign suits presumes, however, that this court could remedy this situation by entering an injunction barring Rambus from prosecuting those actions. This court will not opine at this juncture whether it has the authority to enjoin Rambus from prosecuting foreign patents. For purposes of considering the prejudice to Micron from this delay, however, the court relies on Rambus's offer to stay all foreign litigation in all countries but Germany. In light of Rambus's offer, the court believes that the prejudice to Micron from the delay of its claims against Rambus is minimal. Moreover, Micron is free to seek a stay or other relief from the German court if it believes Rambus to be abusing that process.

In determining whether to proceed to trial at this time, the court must also consider the scope of the trial to be conducted if the court does not await Federal Circuit review of Infineon. Micron's proposed DDR only trial presumes that the court will grant its summary judgment motion on SDRAM fraud based on collateral estoppel. Application of collateral estoppel first requires analysis of whether the issues presented by Micron's fraud claims are identical to those found by the jury in the Infineon litigation. In Infineon, the Virginia court's instruction to the jury on fraud was largely consistent with that which is required by Delaware law.⁵ See Gaffin v. Teledyne, Inc., 611 A.2d 467,

⁵Micron submits that Delaware law governs its state law causes of action. Rambus contends instead that the action is governed by Idaho law, but notes that Idaho and Delaware have similar formulations of fraud, particularly the requirement of justifiable reliance. Compare Gaffin v. Teledyne, Inc., 611 A.2d 467, 772 (Del. 1992) with Carl H. Christensen Family Trust v. Christensen, 993 P.2d 1197, 1203 (Idaho 1999) ("A prima facie case for fraud requires the claimant to prove nine elements: '(1) a statement or a

472 (Del. 1992). It stated that to prove actual fraud, Infineon had to show that :

- (1) Rambus made a misrepresentation of a material fact, or that Rambus failed to disclose a material fact when Rambus had a legal duty to make such a disclosure;
- (2) The misrepresentation was made, or the failure to disclose was done, knowingly and intentionally;
- (3) The misrepresentation was made, or the failure to disclose was done, with the intent to mislead Infineon;
- (4) Infineon reasonably relied upon the misrepresentation or the nondisclosure; and
- (5) Infineon sustained injury or damage as a result of such reliance.

Thus, because it found actual fraud, the jury can be presumed to have found each of these elements.

While the jury's finding conclusively establishes those elements of fraud relating to Rambus's conduct, such as Rambus's misrepresentation (or failure to disclose in the fact of duty to do so) and its knowing intent to mislead Infineon, it does not relate any findings with respect to Micron. On this basis, Rambus maintains that it is inappropriate to apply collateral estoppel to Micron's fraud claim. The court agrees. The jury's finding that Infineon reasonably relied to its detriment on Rambus's failure to disclose is not a finding that Micron, or all JEDEC members, similarly reasonably or justifiably

representation of fact; (2) its falsity; (3) its materiality; (4) the speaker's knowledge of its falsity; (5) the speaker's intent that there be reliance; (6) the hearer's ignorance of the falsity of the statement; (7) reliance by the hearer; (8) justifiable reliance; and (9) resultant injury." (citation omitted). The court will therefore refrain from deciding, at this time, which law applies.

relied. Thus, it cannot be said that the jury's finding in Infineon conclusively established an identical fact for Micron in this suit. The court will therefore deny Micron's motion for summary judgment on fraud, equitable estoppel, and unclean hands.

Because the court is denying this motion, the parties could not proceed to conduct a DDR only trial, as Micron suggests. At best, Micron could claim collateral estoppel as to certain elements of the fraud finding, including Rambus's misrepresentation and intent to deceive. Yet because Infineon has appealed the Virginia court's JMOL ruling on DDR SDRAM, the subject of Rambus's duty of disclosure to JEDEC will be considered by the Federal Circuit. Thus, proceeding to trial at this point and relying on the Virginia court judgment to even that limited extent presents the same possibility that the court will be wasting its resources.

Based on the foregoing discussion, the court concludes it would be prudent to await disposition of the Infineon appeal before proceeding to trial in this action. The court, however, concludes a complete stay of this action pending the appeal of Infineon is unwarranted because the parties have identified further discovery that needs to be taken. Particularly, Micron has moved to compel Rambus's production of documents and deposition testimony pursuant to the crime-fraud exception to the attorney-client privilege. There are also several depositions that remain to be taken and further discovery on Micron's antitrust claims. In this context, the court will decline to stay this matter so that the parties can complete discovery.

Even though it will deny Rambus's stay motion, the court will be delaying claim construction and trial until after the Infineon appeal. Because this was the same relief sought by Rambus in its stay motion, the court will condition this delay on the terms proffered by Rambus – a stay of all other litigation, foreign and domestic, between Micron and Rambus, except the suit in Germany, and an agreement by Rambus not to file additional suits relating to the Rambus patents. Should this delay cause some unexpected prejudice to Micron, it may petition the court for redress. The parties should inform the court of the Federal Circuit's decision in Infineon and the court will adopt a new schedule for trial at that time.

III. CONCLUSION

The court will neither deny or grant Micron's motion for summary judgment of non-infringement at this time. The court concludes, however, that Micron is not entitled to summary judgment on its fraud and equitable estoppel claims and its unclean hands defense. The judgment in the Virginia court does not establish that Micron relied to its detriment on Rambus's misrepresentations or failures to disclose. Micron therefore cannot rely on collateral estoppel to establish the elements of fraud, equitable estoppel, and unclean hands.

Finally, while the court will not proceed to trial pending a decision in the Infineon appeal, nor will it stay the matter as a whole. The parties can use the interim to complete discovery.

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1 *Rambus, Inc. v. Infineon Technologies AG*

2 **Oral Argument**

3 **U.S. Court of Appeals for the Federal Circuit**

4 **01-1449**

5 **10:00 a.m., June 3, 2002**

6

7 JUDGE RANDALL R. RADER: The first case this morning is *Rambus v.*
8 *Infineon Technologies*. Are you read to proceed, Mr. Taranto?

9 RICHARD G. TARANTO (Counsel for Rambus, Inc.): Yes.

10 JUDGE RANDALL R. RADER: I'd like to inform both counsel that the Court is
11 going to add 10 minutes to your time, so we'll be starting with 25 minutes. I guess that's
12 22 minutes for each of initial argument, because you have three minutes of rebuttal
13 reserved, and the Court'll be probably liberal with that as well, as necessary to satisfy
14 itself, the answers to its questions. You may proceed.

15 RICHARD G. TARANTO: Thank you, Your Honor. I want to begin, if I might,
16 with the decisive and common flaw in Infineon's fraud case, as to both SDRAM and
17 DDR. Infineon disregards the scope of the disclosure duty. Infineon substitutes loose
18 talk of technologies, and features, and what patent claims might relate to them in some
19 undefined way for the only proven duty, which, in the familiar way, was standard specific
20 and claim specific, requiring disclosure only of claims that read on, that would be
21 infringed by, practicing of the standard. Rambus, while at JEDEC, had no such
22 undisclosed claims. It had nothing to disclose. The limit —

1 JUDGE WILLIAM CURTIS BRYSON: You're characterizing the disclosure
2 requirement as pertaining to claims. As I recall, the language was "patents," and later
3 "patents and pending patents," I think the language such as that. I don't recall there being
4 a distinction between claims and disclosure, at least in the disclosure policy as it was
5 articulated.

6 RICHARD G. TARANTO: Well, let me — let me say a couple of things about —
7 about that. The — the written description and the claims are the two parts of the patents.
8 The written description of all of these patents was disclosed, so there can't have been a
9 failure to disclose that. There could only —

10 JUDGE WILLIAM CURTIS BRYSON: It — it was disclosed in — in the WIPO
11 application initially in '91, I guess, and then, the later '703 patent. Those are the two
12 disclosures in question?

13 RICHARD G. TARANTO: Right, and the WIPO application was brought to the
14 attention of JEDEC in May of 1992 by an NEC representative, and then again discussed
15 in September of 1993.

16 JUDGE WILLIAM CURTIS BRYSON: Um-hm.

17 RICHARD G. TARANTO: The patent policy, the only policy that was ever
18 shown, and indeed ever said to be the governing policy, is one that talks about standards
19 that call for the use of patents. The concern was infringement, which is defined by the
20 claims. I think you've made a reference to the term "pending patents," which is in 21-I,
21 the Chairman's Manual, which was never the patent policy. The Chairman's Manual,
22 there is no evidence, was ever shown to members. It was never set up and explained to be

1 the policy at any JEDEC meeting. One piece of 21-I, but not the language you're talking
2 about, Appendix F, was shown with the label "Draft" on it in two of the meetings,
3 December of '92 and March of — of — and September of '93. But Appendix F was
4 written by Chairman Gordon Kelley, and he testified at, I think this 19085, that Appendix
5 F had three bullet points, only the third concerned disclosure obligations, and he
6 deliberately wrote that bullet point to refer to patents, when the earlier bullet points
7 referred to pending or issued patents. There was no communicated disclosure policy
8 applying to applications. But the important point that I want to make here is the point
9 about the threshold element of fraud: Falsity. There is no falsity unless Rambus had a
10 duty to disclose something and failed to do it, so that the message was communicated,
11 "we don't have this thing that we were under a duty to disclose." All of the written
12 policies, all of the testimony by Infincon's own representative, Meyer, by Gordon Kelley,
13 the chairman of the Committee, say "What do we mean by a claim having to relate to the
14 standards at issue?" What we mean is, the claim had to read on the standard. I'll say
15 once again, it is undisputed here that Rambus did not have any claims while it was at
16 JEDEC that it failed to disclose, that practicing of either of the two standards would have
17 infringed. That, we think, means that there is a failure at the threshold element of falsity
18 on the — on both fraud verdicts.

19 JUDGE WILLIAM CURTIS BRYSON: Now, at — I'm sorry.

20 RICHARD G. TARANTO: Go ahead, please.

21 JUDGE WILLIAM CURTIS BRYSON: At pages 28 and 29 of your opening
22 brief, you go through, I think it's four applications that the District Court discussed, and

1 you critique the District Court's characterization of those applications. You make the
2 argument that none of those applications had claims that actually read on the SDRAM
3 standards.

4 RICHARD G. TARANTO: Yes.

5 JUDGE WILLIAM CURTIS BRYSON: Now, two of them at least refer — and
6 this is where this gets difficult for me to — to parse out, so if you can help me on this.
7 Two of them refer to multiplexing. One of the applications, I think, has claims that refer
8 to multiline buses. My understanding is that multiline by itself doesn't constitute
9 multiplexing. It has to be multiple signals being sent at the same — over the same line,
10 rather than simply a bus that multiple lines, each of which may be a dedicated line. Is
11 that —

12 RICHARD G. TARANTO: Yes.

13 JUDGE WILLIAM CURTIS BRYSON: Am I right about —

14 RICHARD G. TARANTO: Yes, that's right.

15 JUDGE WILLIAM CURTIS BRYSON: Now the two patents that you distinguish
16 as having claims that relate only to multiplexing in the bus, one of them, at least — two
17 — both of them, I think, refer to multiline. Is it clear, and could you help me on this by
18 pointing out language if you have it at your fingertips, where those claims actually require
19 multiplexing in something that would at least be clear to an electrical engineer, because it
20 — because it wasn't entirely clear to me.

21 RICHARD G. TARANTO: I don't have those at my —

1 JUDGE WILLIAM CURTIS BRYSON: Okay, well, maybe — maybe later if you
2 can — if you can — if you have those. I'd like to just satisfy myself on that —

3 RICHARD G. TARANTO: Right —

4 JUDGE WILLIAM CURTIS BRYSON: — because it wasn't entirely clear to me
5 how those claims related to the standards —

6 RICHARD G. TARANTO: Right, and — and —

7 JUDGE WILLIAM CURTIS BRYSON: — which did not require multiplexing, as
8 I understand it.

9 RICHARD G. TARANTO: Right. And let me — let me say this: Infineon, of
10 course, has not responded to this at all. Infineon has not come back, in its responsive
11 brief, and said, look at these claims, they actually aren't distinguishable from the
12 standards that we are now practicing in the way you say. I think that that's actually
13 sufficient all by itself to indicate that, in fact, these claims don't read on the standards.
14 Infineon told the jury at the beginning of its closing argument, it said — it said: "Rambus
15 tried to amend its applications to turn them into SDRAM and DDR patents," which is to
16 say ones that don't require the multi — the particular kind of multiplexing feature that the
17 judge read into the term "bus," but it said, "despite their best efforts, they were
18 unsuccessful." That's at 4798 of the Appendix. The very previous day, Infineon had told
19 the judge the same thing, quote: "What happened was, try as they might over the years
20 '91 to '96 and '97, they just couldn't get the applications right." It is, therefore, I think
21 undisputed on this record that we had no claims, undisclosed claims, while we were a
22 member of JEDEC that any practitioner of the standard would have been infringing, and

1 therefore had to pay license fees for. The District Court did not so find. And maybe this
2 is another important point: The District Court, in discussing those four applications was
3 careful to say no more than they were related to, or generally targeted, certain
4 technologies. It was careful to say, because it could not have said more, that those
5 actually read on those — on — on the — on the standards at issue.

6 JUDGE WILLIAM CURTIS BRYSON: Do.— Do you under the District Court's
7 characterization "related to" to mean, in essence, having a specification, or a written
8 description, which could be mined for claims that would be broad enough to cover the
9 standards?

10 RICHARD G. TARANTO: I'm trying to recall whether there's any indication of
11 that. I don't think so. I think what the judge was — was talking about, because, of
12 course, this — this judge concluded that this specification, in his claim construction
13 opinion, couldn't possibly support claims that would read on the standards.

14 JUDGE WILLIAM CURTIS BRYSON: Um-hm.

15 RICHARD G. TARANTO: So I think what he meant by "related to" was there are
16 names, certain technologies that can be described at a fairly high level of generality, using
17 two edges of a clock, synchronizing something with the clock, using two banks in the —
18 in the memory design, although that's not part of any Rambus claim at all, that at that
19 very high level of generality, that Rambus had claims that it was trying to get in the — in
20 the Patent Office, but did not, in fact, file any claims that read on the standard until the
21 beginning of November 1998.

1 JUDGE WILLIAM CURTIS BRYSON: Of course, we're talking about two
2 different sets of claims, and I'm not sure to the extent to which they overlap. One is the
3 set of claims that are at issue in the infringement action, which are different from the
4 claims of the applications that were pending, but ultimately did not become patents in suit
5 here, that were pending during the period of the JEDEC period. So I suppose it's not
6 inconceivable that the Court could have said with respect to the later claims that they do
7 not relate to the standards, but that the earlier claims could have. And I — I —

8 RICHARD G. TARANTO: I — I think that that's only conceivable in the
9 abstract. There's never been a dispute that the later claims are distinctly broader than the
10 narrower ones. The problem with the narrower ones — with, I mean, the earlier ones —

11 JUDGE WILLIAM CURTIS BRYSON: Right.

12 RICHARD G. TARANTO: The earlier ones, was that they had too many
13 limitations in them that would thereby keep —

14 JUDGE WILLIAM CURTIS BRYSON: Okay.

15 RICHARD G. TARANTO: — the SDR and DDR ones out. Infineon has never
16 come in and said that somehow, even if the judge was wrong in narrowly construing the
17 claims that actually issued, that nevertheless — that — that in that circumstance, then the
18 earlier claims would — would read on the standard. So, and I think part of what the
19 judge was focusing on, although Infineon doesn't elaborate on this, Infineon says, in only
20 one paragraph of its brief, which I think is on the dispositive point, on the fraud issue,
21 pages 21 to 22 of its brief it says, "The disclosure duty was of claims that relate to
22 standards, or technologicis, or features." And it never defines that. It never says how that

1 concept could be used in a workable way by members of standard-setting organization
2 who had to try to figure out what claims related to, and what claims didn't relate to.
3 That's not surprising. There was a very small number of patents, of their claims, that
4 were in fact disclosed. Meyer himself said there were lots of SDRAM patents.
5 Mr. Kelley, Gordon Kelley, said there are hundreds, perhaps thousands, of DRAM
6 patents. Unless "relates to" has a meaning that people are familiar with and can apply,
7 they have no way of knowing what they sacrifice when they go in and join a standard-
8 setting organization. Not surprising, therefore, Infineon's representative Meyer, as we
9 quoted in our reply brief, said — was asked: Why didn't you disclose a particular
10 SDRAM patent, a way of doing something using SDRAM? "Because," he said, and we
11 quote this in our reply brief, "it didn't read on the standard." It was related to, perhaps in
12 some other sense, but not in the only sense that makes any sense at all in the patent
13 context. The concern here was to avoid infringement of patents. That's what the policy
14 was about. And so the only claims that were relevant are — are the ones that read on the
15 standard.

16 JUDGE RANDALL R. RADER: Mr. Taranto, while we're on this fraud question,
17 what is the standard of review on the duty to disclose? Is this a question of law or fact?

18 RICHARD G. TARANTO: Well, I think that the —

19 JUDGE RANDALL R. RADER: Virginia law, it didn't look very clear to me.

20 RICHARD G. TARANTO: Right. It was treated as a question of fact, of course,
21 subject to the clear and convincing evidence standard. And there are — a number of the
22 Virginia fraud cases that we cite in our brief are ones where the Virginia courts, or the

1 Fourth Circuit, has taken that standard of review very seriously, and reversed jury
2 verdicts, saying that the kind of statement was not fraudulent because it was about future
3 intentions rather than pre-existing facts, or the proof just wasn't — wasn't there. The
4 clear and convincing evidence standard, I think, ought to have the same role here, or the
5 same meaning here, as in the analogous, as the judge said, analogous equitable estoppel
6 context where this Court has said in *Aukerman* that there has to be a clear duty to speak
7 before silence can be — become the basis for equitable estoppel. And the judge, in his
8 attorneys' fees opinion, said the fraud claim here is directly analogous to the equitable
9 estoppel claim.

10 One thing that's — that's important here: Infineon does not say, although this may
11 be its real grievance, and cannot say, that the standard of disclosure was to disclose the
12 intent to go and get claims that would cover the standard. It can't say that because the
13 record in the District Court was unambiguous that that was not the disclosure duty.
14 Mr. McGee testified — let me get my citations right — yes, at 19099:

15 Question: "Has there ever been a rule or policy that a member company is
16 supposed to reveal its intention — intention to file patent applications in the
17 future?"

18 Answer: "I don't believe anybody has said anything about future. I don't
19 believe I've ever seen that in any of the patent policy wording I've ever seen."

20 Then its own witness Meyer testified at 4647 of the Appendix: "Did JEDEC
21 patent policy require members to disclose plans to file patents in the future?"

22 "Plans to file patents in the future?"

1 "Yes, sir."

2 "No."

3 "Do you recall testifying, sir, during your deposition that JEDEC's patent
4 policy did not require its members to disclose any plans they had to modify
5 applications in the future.

6 Answer: "That's what I said. It was never mentioned in any of the
7 discussions because of — "

8 Question: "Because it was never mentioned it was your understanding that
9 that was not required, is that right?"

10 Answer: "Yes."

11 So while Infineon, I think, focuses very heavily on the aim, the intention to file
12 claims that would cover the products that were being built, and that would eventually be
13 built in accordance with the standards being — being developed, the disclosure policy did
14 not — or it did not prove that the disclosure policy required disclosure of those intentions.
15 The language of the policies in the Appendix E draft slides that were shown at every
16 single meeting Rambus attended talks about patents that call — standards that call for the
17 use of patents. And Gordon Kelley and Mr. Meyer from Infineon expressly testify that
18 what that meant was that the claim applied to, or read on, the standards.

19 JUDGE RANDALL R. RADER: I'd — I'd like you to address some of the facts
20 here that are relied upon so heavily by Infineon: The Crisp email that shows he knows
21 that others are disclosing application; the warnings of Vincent and Diepenbrock that there
22 may be an equitable estoppel problem down the road; the various — just the plain clear

1 policy that this is an open standards body that is trying to achieve standards that will not
2 be protected by intellectual property rights. These are kind of compelling factors which
3 support the jury's verdict. Could you address some of those?

4 RICHARD G. TARANTO: Sure. Let me — let me try. First of all, this is not an
5 area in which it can be said that more disclosure is necessarily better. Think about what
6 happens if you have a standard of disclosure that, (a) goes from patents to applications,
7 applications, of course, normally being kept secret, and Mr. Crisp was — testified that he
8 was advised, “keep applications confidential,” not only because of the trade secret nature
9 of what's in the written description, but to prevent interferences — literally interferences,
10 in the patent law sense. And if you go even beyond applications to what Infineon has to
11 say, applications somehow generally in the picture related to, in a sense that it has yet to
12 define. Then, people who join, or companies that join standard-setting organizations,
13 have enormously higher costs of compliance. They have to figure out what might be in
14 their files that somebody later can come and make a case in court out of. They have to
15 give — a case in court about what they were subjectively believing, or intending to do.
16 They have to disclose things that are only inchoate, not even in an application that meets
17 an objective test of reading on the standard. That's not only bad for the inventors, for
18 deterring, basically creating unexpected losses of patent rights, unexpected because the
19 rules of what you have to disclose haven't been made clear to cover that, but it also would
20 deter participation in the standard-setting organization. There is material in this record
21 where somebody proposes — I think it was Texas Instruments, proposes to JEDEC, why
22 don't we have a — a — a clearer statement, some sort of sign-in sheet that says, “Here's

1 what you have to disclose.” And Mr. McGee says in response, “That’s going to chill
2 participation in the standard-setting organization.” So there are — the fundamental
3 approach that Infineon has here is a “more is better.” And what I’m saying is more is not
4 necessarily better. Costs of compliance, unexpected forfeiture of inventors’ rights, the
5 costs of the standard-setting organization being inundated with a whole series of
6 statements, “I think I may have a patent related to this.” What is the standard-setting
7 organization supposed to do with this? That’s why, for example, Mr. McGee testified at
8 —

9 JUDGE WILLIAM CURTIS BRYSON: You haven’t gotten yet to, Vincent and
10 Diepenbrock.

11 RICHARD G. TARANTO: Yeah, look, what they said, and the record is
12 unambiguous on this, we’re looking at equitable estoppel law in — relating to standard-
13 setting organizations. There’s a very small number of cases. There is a risk. They never,
14 ever, ever go beyond saying there is a risk that you will have a problem from your
15 participation. To the extent — and I think Infineon is very careful in its wording in its
16 brief in its page on that, whether it’s careful or not, in fact, if you look at the citations,
17 every one of the citations says Diepenbrock and Vincent at some point recognized there
18 was a risk. And that was enough to recommend you should drop out. We don’t want to
19 take that risk. Diepenbrock, in particular, said we never reached a conclusion that
20 anything you were doing was wrongful, only that there was a risk. And in business, risks
21 are enough to lead to dropping out. And, of course, in December of 1995, Rambus

1 attended its last meeting and did, indeed, drop out. I'm not sure what — what the other
2 —

3 JUDGE RANDALL R. RADER: Crisp's emails. He was the Rambus
4 representative, I think. And his testimony, I think, there was, if I recall, testimony about
5 the fact that certain people were being accused of not having revealed patent applications,
6 and they were referred to as "offenders." I think that's the pertinent —

7 RICHARD G. TARANTO: I think that's the Dave Mooring email, but —

8 JUDGE WILLIAM CURTIS BRYSON: But I think he testified about it.

9 RICHARD G. TARANTO: Right. And —

10 JUDGE WILLIAM CURTIS BRYSON: IBM's complaining that he —

11 RICHARD G. TARANTO: Exactly.

12 JUDGE WILLIAM CURTIS BRYSON: That they think there are offenders out
13 there.

14 RICHARD G. TARANTO: Right. Several points. That comes from a December
15 1992 Dave Mooring email in which he says IBM said there were offenders. Right? And
16 what Dave Mooring testified to at his deposition was, "Geez, the entire interpretation that
17 you're placing on that patent, on that email, having to do with pending turns on what I
18 think is a typo." What IBM said is that there are people with patents reading on
19 SDRAMs, not pending on SDRAMs. The next sentence in the email says, "IBM plans to
20 come to add some information, add patents to the tracking list." Not pending patents.
21 And what did IBM do at the next meeting? Absolutely nothing. There is no record of
22 any addition of pending patents at the March 1993. So this is an inference about intent —

1 JUDGE RANDALL R. RADER: Although we have testimony from both Kelley
2 and Brown and others that — that pre-1993 “patent” was intended to mean and everyone
3 understood it to mean “applications” as well.

4 RICHARD G. TARANTO: Absolutely. There is that testimony. The entirety of
5 —

6 JUDGE RANDALL R. RADER: Why doesn't that support the jury's verdict?
7 That's what we're looking at here right now.

8 RICHARD G. TARANTO: Right. Because our — my primary point here has
9 nothing to do with the whether applications had to be disclosed. My point is, even
10 assuming that applications had to be disclosed, the only applications that had to be
11 disclosed were those with claims that read on the standard. I'm not making here, on this
12 point, a separate argument about applications versus patents. Even if applications had to
13 be disclosed, only those with claims that would have to be licensed had to be disclosed,
14 and Rambus had none. Now, there's a second point about — that applies specifically to
15 the DDR standard. My principal point applies to both, the SDR and the DDR, and we
16 think that that's clear reason enough to affirm the JMOL on DDR as well as reverse it on
17 SDRAM. I should mention on the DDR, there is a new trial against the weight of the
18 evidence order, which Infineon has not challenged in its brief independently, but we think
19 we are entitled to JMOL on the DDR, not — and our first reason is the same reason, that
20 the standard of disclosure is both standard specific and claim specific. The judge
21 disagreed with the second. The judge thought, at page 170 to 174, his discussion of the
22 breach of duty was entirely about “related to” and “targeted” and “directed towards,” in

1 the same way that for, you know, initial sentences of this Court's opinions discussing
2 patents saying this is a patent directed to computer chips, as though one could stop there
3 rather than go on to the details. The judge did, however, with respect to DDR, agree with
4 the standard specific component of the test. And what he said was there was a critical
5 missing link in the evidence for DDR. It's undisputed that the only proposals for the
6 DDR standard, and I'm not making a linguistic point here, the only substantive proposals
7 for the DDR standard that got adopted into the DDR standard didn't get, introduced until
8 at least six months after Rambus had formally withdrawn. Former members have no
9 disclosure duty. And the critical point, then, that Infineon tries to rely on is testimony
10 from Reese Brown that says, "oh, well, there were earlier presentations that triggered a
11 disclosure duty." But what's missing, the judge said, is the connection, the essential
12 connection between any consideration of those presentations, four or five years earlier,
13 and the JEDEC members' consideration in 1997 of concededly different proposals. They
14 had to be thinking, in 1997, we heard presentations about certain general concepts, four
15 — three, four, five years ago, or in a general survey, and anybody who didn't disclose
16 something with respect to those different proposals must not have anything on the newer
17 proposals. There was no testimony making that essential connection. And that's an
18 independent ground for the DDR JMOL.

19 JUDGE WILLIAM CURTIS BRYSON: Just very quickly on another subject,
20 could I ask you about the claim construction issue with regard to the bus, and specifically,
21 if you could address the summary of argument in at least —

22 RICHARD G. TARANTO: Summary of the invention?

1 JUDGE WILLIAM CURTIS BRYSON: I'm sorry. Summary of the invention.
2 I'm too much into the briefs. Summary of the invention language that seems to suggest
3 that the nature of the invention, as I read the summary, for example, in 804, it sounds like
4 it's describing a multiplex structure.

5 RICHARD G. TARANTO: Let me — let me make, I guess, several points about
6 this. The first is, that even that language does not require the triple multiplexing that the
7 judge ultimately had to find in order to rule out infringement. You can read this
8 language, and you will not find in this language anything that implies that all of the data
9 lines must also carry control and address information. The judge confused one preferred
10 embodiment, as shown in Figures 4 and 6, where that happens with even the description
11 in the summary of the invention, which implies some multiplexing. Which was not
12 enough, and not the basis, for finding non-infringement. So even that wouldn't support
13 triple multiplexing. The broader answer is this: I think that this Court's legal standards
14 for claim construction say there is a strong presumption that a word in — that has an
15 ordinary meaning carries that ordinary meaning, unless there is something very
16 exceptional about the description that —

17 JUDGE RANDALL R. RADER: If we don't limit this to multiplexing, isn't this
18 claim invalid? I mean, there's only so many ways to communicate, read material. I
19 mean, you can give a starting point and a block size and say, send me that. Or you can
20 give a starting point and an end point — I'm having trouble thinking of a lot of other
21 ways of doing it. And both of those two are in the — were in the prior art. Aren't you
22 invalid if you don't limit yourself to multiplexing?

1 RICHARD G. TARANTO: Your Honor, we would love an opportunity to contest
2 the validity issues. We don't think so. There has been no such finding. If you go
3 through the specific descriptions of prior art that — in the background of the invention,
4 there are many —

5 JUDGE RANDALL R. RADER: All right. I—

6 RICHARD G. TARANTO: — many other distinctions. And the judge, of course,
7 did not find that this construction must — is driven by the necessity to avoid invalidity.
8 Just to briefly complete: The very narrow class of cases that say an accepted ordinary
9 meaning can be overcome by something in the written description have always involved
10 something more than the fact that only one embodiment is described, as *Specialty*
11 *Composites* or *SRI* indicate. Even the repeated description of a particular feature has not
12 been held enough, as in *Laitram against NEC*. This is a — the equivalent of describing
13 — describing, which is what the description does, a super-fast car, in which there are six,
14 seven, eight components that make it super-fast. And then what happens is the Patent
15 Office says, “You have lots of inventions here.” Right, the first thing that happens is
16 restriction requirements. And you can go and get claims on each of the components.
17 This does not meet the standard of *Scimed* or similar cases, where something very specific
18 says all preferred embodiments must have this, particularly, of course, not the triple
19 multiplexing which isn't even in this summary of the invention. Thank you. If I can
20 reserve whatever time is remaining.

1 JUDGE RANDALL R. RADER: We'll make sure you get your full rebuttal time,
2 Mr. Taranto. We're — I guess I — we've got a big audience. I better tell them we don't
3 do this for all cases. (Laughter) Mr. Starr, you may proceed.

4 KENNETH W. STARR (Counsel for Infineon Technologies AG): Thank you,
5 Judge Rader, and may it please the Court. Let me begin on the fraud case with a very
6 important point, which I think is fundamental to our submission. And that is the
7 deferential standard that does apply with respect to a verdict on fraud. I understand
8 Mr. Taranto to be drawing the Court's attention to various and sundry parts of the record.
9 But, of course, we have the benefit not only of the standard that protects the jury verdict,
10 but we also have the very careful evaluation by the judge himself, who very methodically
11 went through the evidence. And he also found, and this was not mentioned, but I think
12 it's important for the Court's understanding, and I'd make two points in these respects —
13 in this respect. First, Infineon is like other companies in this industry that participated in
14 good faith in this JEDEC standardization process, and now it finds that it, like other
15 companies, has been sued with respect to what? Its JEDEC compliant products. It's very
16 good for consumers for the JEDEC kind of process —

17 JUDGE RANDALL R. RADER: This is all going to raise the point that Judge
18 Bryson so ably inquired about earlier: What is the scope of that duty? Is it limited to
19 claims?

20 KENNETH W. STARR: Absolutely not. And, in fact —

21 JUDGE RANDALL R. RADER: If you're going to go to anything related to, then

22 —

1 KENNETH W. STARR: Yes. Yes.

2 JUDGE RANDALL R. RADER: Then where's the boundary on that? I mean,
3 that's —

4 KENNETH W. STARR: Well, but, sorry. The bound —

5 JUDGE RANDALL R. RADER: Anything in computer technology is related to
6 this area.

7 KENNETH W. STARR: Your Honor, first I would say that the JEDEC process of
8 disclosure was clearly a pro-disclosure philosophy. Not all, as this Court well knows,
9 from cases like *Unocal*, not all standards bodies require disclosure at all. And the kinds
10 of policy arguments that we heard Mr. Taranto very ably making really go to JEDEC.
11 JEDEC, should you have such a broad disclosure policy? But we would draw in
12 particular the Court's attention to the testimony, this was presented before the jury had
13 this. On May the 3rd of last year, this is unfortunately not in the JA, but it's in the Joint
14 Appendix, and here was testimony before the jury with respect to what Gordon Kelley,
15 who was the chairman of the JEDEC committee, and who was absolutely emphatic the
16 David Mooring email being referred to about the list of offenders wasn't just IBM. This
17 is Gordon Kelley who testified at trial and who is the committee chairman for many,
18 many years. And he testified —

19 JUDGE RANDALL R. RADER: Wasn't he from IBM?

20 KENNETH W. STARR: He was from IBM, but he was also serving as the —

21 JUDGE RANDALL R. RADER: Yes.

1 KENNETH W. STARR: You're exactly right. But he was serving, and his
2 testimony was not as an IBM representative, but as a committee chairman. And he was
3 describing what is the policy disclosure. Below their argument was, oh, you see, it didn't
4 relate to applications, because of the murky — and you've seen this in their briefs. The
5 disclosure policy was murky vis-à-vis applications. They seem to have, as I understand
6 the argument today, moved away virtually — virtually entirely from that said and said,
7 okay, there is applications pending patents, but you see, the standard has to be a read on
8 and infringement standard. That was not what was — they were testifying to at the trial,
9 and they full well knew that the standard was relate to, and what does that mean. Now to
10 come right back to your point, Judge Rader, is it too open-ended? The answer is no,
11 because there were a number of pending applications that related to the work. Because
12 what was going on? They were discussing core technologies. And what they asked, and
13 you didn't have to participate, but Rambus chose to participate for four and a half years,
14 and in the course of the meetings themselves of JEDEC at Crystal City and elsewhere,
15 emails would be sent, including by Richard Crisp, and then followed up by his trips back
16 to California and to say, now let's amend our patent applications to cover what? The
17 technologies that in fact JEDEC was considering. And this deprived — this is so
18 important — this deprived JEDEC of the opportunity — it deprived of the opportunity to
19 move in a different direction.

20 JUDGE RANDALL R. RADER: You're, of course, not arguing that amending
21 applications, as long as you're within the scope of your original disclosure, is somehow
22 inappropriate.

1 KENNETH W. STARR: Not at all. And that's why —

2 JUDGE RANDALL R. RADER: You're arguing that there's some impropriety in
3 acquiring information to make those amendments by virtue of your participation in
4 JEDEC.

5 KENNETH W. STARR: That's exactly right. Our submission today relates
6 exclusively to JEDEC and it's — Rambus's obligations. And indeed I think Mr. —

7 JUDGE RANDALL R. RADER: This comes back to another point in the briefs.
8 This is an open meeting. The information, I think Mr. Kelley described it as sent to
9 anyone upon request. Wouldn't they have acquired that information anyway? Couldn't
10 they have acquired it anyway?

11 KENNETH W. STARR: I'm not sure that the record is clear with respect to that,
12 but what is clear, and we've addressed this in the brief, that it was not open in the sense
13 that anyone could just participate in this process. And what was very important was that
14 to participate in the process, and Rambus voluntarily chose to do it, and we know what its
15 story was. We know what the business plan was. You see, it thought its' RDRAM
16 technology, which is really what it came up with, was going to be the wave of the future.
17 But its market share didn't achieve what it wanted and still hasn't to this day. And so
18 they then embarked on a multi-year process of then morphing these applications to cover
19 these technologies, and then, this is what was before the jury, to pull the trigger in the
20 Year 2000, suddenly, after everyone has locked in, we've invested millions to build
21 production capability, both in the United States and abroad —

1 JUDGE RANDALL R. RADER: A lot of that, of course, though, is entirely
2 proper, within the intellectual property system. The question is where is the point of
3 fraud?

4 KENNETH W. STARR: Exactly. The point of fraud is the violation of the
5 disclosure duty within JEDEC, as JEDEC was enabled or entitled in law to articulate its
6 own disclosure policies. It could be a broad policy, and it was. And we would guide the
7 Court in particular to evidence such as, in terms of the related to as opposed to the
8 infringement test. And I will say this: We are hearing a very hard presentation of the
9 read on and infringement test, when even Richard Crisp himself agreed at trial that the
10 test was related to. And there was no suggestion, Your Honor, that there was a violation
11 of public policy or the like by virtue of having a broad disclosure policy.

12 JUDGE WILLIAM CURTIS BRYSON: But I guess the problem, at least for me,
13 is that the words "related to" don't inherently have a crisp — no pun intended —

14 (Audience laughter)

15 JUDGE WILLIAM CURTIS BRYSON: They — he certainly didn't — didn't
16 give them one. And, well let me ask you this question.

17 KENNETH W. STARR: Could I interrupt just at — before you ask. The other
18 thing is one thinks of ERISA and any number of legal standards, and the courts wrestle
19 with these sorts of things. But these are engineers and not lawyers, and this is a very
20 practical standard. And very briefly, and forgive the interruption, the key way of thinking
21 about this might be "involved in." There was testimony before the jury that that was the
22 standard of disclosure. Might it be involved in the work? If they didn't like that, if they

1 squawked and said, "That is too open-ended, we can't deal with that," they should have
2 urged a change in the policy, a clarification of the policy, and the like. Forgive the
3 interruption.

4 JUDGE RANDALL R. RADER: It's all right. Assuming that we attach
5 significance to the claims, do you contend, or would you think that a fair reading of the
6 claims that were attached to the applications that were pending during Rambus's
7 membership in JEDEC read on the standards, SDRAM standards?

8 KENNETH W. STARR: It hasn't been taken to — through a complete
9 infringement analysis, so we just — we don't know, because it's not the test. And I'm
10 not prepared to say —

11 JUDGE RANDALL R. RADER: Okay.

12 KENNETH W. STARR: — whether it in fact does in fact constitute infringement.
13 That is a very — and that's one of the reasons, if I may say so, why the test,
14 understandably, from the perspective of those participating in the standards body, should
15 not be read on and infringe. They're not lawyers. They need to know what is in fact the
16 technologies — what intellectual property claims, including pending applications, do you
17 have that might be involved, that might affect our work, so we can in fact make a
18 reasoned judgment, and not be deprived of the choice. And that's why the Gordon Kelley
19 testimony on May 3rd is so strong, because he warned that we need disclosure in this
20 body, and it will be destructive, it will destroy. He used very strong words. It will
21 destroy the work of this body if companies are trying to lead us into their collection plate.

1 And that's exactly what Rambus's business plan was all along, but, of course, they didn't
2 disclose it.

3 JUDGE RANDALL R. RADER: Do you think that this term "related to" could be
4 defined fairly, as it was understood by the JEDEC policy promulgators and participants as
5 relating to an application broad enough to ultimately support claims that would read on
6 the SDRAM, or is it broader than that?

7 KENNETH W. STARR: Well, I, I — I think that — that formulation may be an
8 appropriate formulation, in terms of, just tell us. These are engineers who just said, what
9 property, what intellectual property rights do you have, so that we — please come
10 forward so we can either say we won't go in that direction, or do you offer — and see,
11 they didn't do that — a license with respect to anything that they had in terms of the
12 SDRAM process. And if I could with respect to, because there is a huge divide between
13 the parties with respect to, if I could say just a word about DDR SDRAM fraud, if the
14 Court pleases.

15 JUDGE RANDALL R. RADER: Yes.

16 KENNETH W. STARR: There is a suggestion that by virtue of signing off
17 December 1995, and then officially leaving on June 17, 1996, that that was it, that ended
18 any kind of disclosure duty assuming arguendo that the jury verdict could be supported,
19 and that the JMOL's review and the like can be supported, at least it ends with respect to
20 DDR. And the judge in fact found that. Now this is where, and this — we would guide
21 the Court in particular, if I may, to our reply brief. There are a lot of briefs, but page 13
22 of our reply brief, where we talk about what is at the core of DDR SDRAM technology,

1 which is dual clock edge. And we set forth there the chronology of what happened at
2 JEDEC, what in turn Rambus did, and what Rambus failed to disclose with respect to that
3 technology. That was under consideration, and there was testimony in the record that
4 supports the jury verdict. And so the judge overturned a jury verdict, and we're afraid
5 that what he did in this respect, was — and this particularly did a wonderful job, it was a
6 difficult case, but he tried this case very, very carefully, very thoroughly. You have the
7 benefit of his remarkable opinions, very, very thorough analysis of this Court's case law
8 with respect to *Markman*, very thorough analysis of the evidence and the like. But here,
9 all of a sudden, he just drew a line and said, "That's it. There's no connection between
10 SDRAM and DDR SDRAM." And the evidence is to the contrary. So we would guide
11 the Court back to page 11, source synchronous clocking. He was concerned that, you
12 know, even though this isn't at the core of DDR SDRAM technology, this is useful, too,
13 because here there is source synchronous clocking proposals, and that became a core
14 DDR SDRAM technology that was in fact being discussed while Rambus was in fact
15 there. Finally, page 14, on-chip PLL/DLL, and their own witnesses testified that the two
16 core technologies, what's at the heart? What divides DDR from just SDRAM? The first
17 is dual clock edge, finally given a name in December of 1996. It's "double data rate." In
18 its emails, it called — Rambus called it future SDRAM. But that was DDR SDRAM.
19 But by their own testimony, the other core technology was on-chip PLL/DLL. And notice
20 what our second bullet, Rambus's patent activity was during their membership. They are
21 sending emails, sometimes cynically, from the JEDEC standardization room itself,
22 followed up by meetings with patent — outside patent counsel upon returning to

1 California, as I say. And what did they say? They said draft — we ask you to draft PLL
2 claims directed against future SDRAMs. That's DDR SDRAM. That is evidence that
3 works for us in terms of supporting the jury verdict. Realize he granted a new trial. I
4 would say the jury verdict could be reinstated in its entirety, but obviously the judge has
5 discretion with respect to the grant of a new trial, and we understand that full well.

6 JUDGE WILLIAM CURTIS BRYSON: I'd like to shift gears just slightly, if you
7 don't mind, Mr. Starr, to a different causation question, one that troubled me a bit that I
8 didn't see a lot of comment on. And that is, is there enough in the record to show that
9 JEDEC would not have adopted the SDRAM standards if it had known of Rambus's
10 patents?

11 KENNETH W. STARR: It's one of those things, in terms of what JEDEC would
12 have done, we don't know, Your Honor. We do not know. But — but, Your Honor —

13 JUDGE WILLIAM CURTIS BRYSON: Let me just add one point to that.

14 KENNETH W. STARR: Yes.

15 JUDGE WILLIAM CURTIS BRYSON: The EIA policy says that although
16 they're trying to avoid adoption of any patented standard, if it's the best standard, you can
17 go ahead and take that anyway.

18 KENNETH W. STARR: Well, that's right. But remember, too, if they had chosen
19 to abide by the rules, then they would have had to have offered the kind of license that
20 everyone involved in the process did in fact do. The reason we know, by the way, and
21 I'm glad that we've moved beyond the applications, because that's what a lot of the trial
22 was about. We didn't have to — we didn't have to do applications, it was only if we had

1 a patent. And therefore, oh, here's our '703. And in terms of what, in fact, the parties
2 were doing in response to that, when they reveal something, of course, when Richard
3 Crisp denied the two-bank design, which is at the heart of SDRAM, it's now multi-bank
4 design, that is at the heart of this technology. And there was a sense, perhaps early in
5 their tenure, this is May of 1992, they'd just joined as of December of 1991, maybe, just
6 maybe, they have something on two-bank design. We don't have to go that way; it's
7 going to be faster if we go that way. But do they have something with respect to that?
8 And Richard Crisp — they'll take a different view of the evidence, but the evidence that
9 was before the jury, and that the jury was entitled to credit, was he said "no." Also, what
10 the record shows is that when he disclosed the '703 patent, Willi Meyer, whose testimony
11 they love in certain respects, then goes and reads the '703, and he said that relates only to
12 RDRAM. And that's the point. What were they doing? What was their business plan?
13 To target SDRAM without living up to their disclosure obligations. And Your Honor —

14 JUDGE WILLIAM CURTIS BRYSON: But — but that patent did have the same
15 specification that's common to all of —

16 KENNETH W. STARR: Yes, it did. And that's why I want —

17 JUDGE WILLIAM CURTIS BRYSON: And yet he concluded that it related only
18 to RDRAM.

19 KENNETH W. STARR: He thought that —

20 JUDGE WILLIAM CURTIS BRYSON: He seems to suggest that "related to"
21 doesn't incorporate the entire specification in any claims that may ultimately emerge from
22 —

1 KENNETH W. STARR: If you go back —

2 JUDGE WILLIAM CURTIS BRYSON: — that specification.

3 KENNETH W. STARR: Forgive me. If you go back to the '898 application, a
4 fair reading of that application, the specification, is that is in fact the new inventive bus,
5 and the entire set of Rambus inventions that were then divided into divisionals and — and
6 the like. But what was happening was, and here is why the application process was so
7 important to this — this duty to disclose. As Rambus, and this is what was before the
8 jury, then sees what is happening before the JEDEC standardization body, it then seeks —
9 we think they weren't quite as artful as they thought they were, but it then seeks to — to,
10 quote "cover," through these various applications such technologies as were being — the
11 four core technologies for SDRAM and the four core technologies for DDR SDRAM.
12 That was their entire approach. So you're quite right: We were in fact misled because
13 they were — you see, Your Honor, disclosing the '703 patent, which related, we felt, to
14 RDRAM, and so to the WIPO, which also was *in haec verba* with the original '898
15 application in 1990. We said, that's their RDRAM technology. And yet, all — again, all
16 of the while, what is going on, and this is not *Kingsdown* — what is going on all the while
17 all the while, is a morphing and the filing of these various amendments, including —

18 JUDGE RANDALL R. RADER: But you're not suggesting those are beyond the
19 scope of the original disclosure?

20 KENNETH W. STARR: They could — I think that's a series of issues that — that
21 may end up being the subject of further litigation. But what they were taking, Your
22 Honor, was the original '898 application and seeking to, as I say, morph those so as to

1 cover what they saw happening in the JEDEC standardization process. And if I could just
2 call the Court's attention, since Mr. Taranto lavishly guided the Court to the trial record,
3 again, we've got a jury verdict and this is not the forum for retrying the case, but if one
4 looks at JA-16081, one will see, and we capture this in capsule summary, in the reply
5 brief, and this is with respect to source synchronous clocking. And the suggestion is that
6 there is going to be — this is at page 11 of our reply brief — that there is going to be
7 what? Patent trouble. This is, again, page 11. Patent trouble if it used — if JEDEC used
8 source synchronous clocking. Now JEDEC is not going to get into patent trouble. But
9 obviously all of us — the whole industry — and that's what they've done. They have
10 come after the entire industry that — and they may have other fora in which to answer to
11 this, but they came after the entire industry, which had faithfully abided — and, if they
12 say, "oh, well, the applications related to, it's so open-ended, the Court should be left
13 with" —

14 JUDGE RANDALL R. RADER: Most of that industry acquiesced, right?

15 KENNETH W. STARR: I beg your pardon?

16 JUDGE RANDALL R. RADER: Most of that industry acquiesced. Is that
17 because they thought the "related to" standard was a little bit different than you do?

18 KENNETH W. STARR: We don't know, and people have made a business
19 judgment. But I will say this, Your Honor. Rambus plays hardball. And there is
20 evidence in the record, it's not in the JA, the chairman of the board, Mr. Davidow, has
21 essentially told everybody: We're going to keep coming after you and coming after you.
22 If you don't sign up, you are in a — his words — "death spiral." That's the way they

1 play. And the Court — the Court should be guided back to the attorneys' fees opinion of
2 Judge Payne, who saw that Rambus, at the highest levels — this isn't low-level fraud —
3 gave false and misleading testimony, JA-127. If they had nothing to hide, why did they
4 destroy documents? JA-127 to -128. Why did they engage in what the judge called
5 "obstruction" of the litigation process? If they had nothing to hide, if they're simply
6 doing what they were entitled to do under the law — and I think even *Kingsdown* would
7 raise some issues with respect to that, but this is not the *Kingsdown* situation, for reasons
8 we've already commented on, that is, this is in fact a — and if I may say a word about the
9 anti-suit injunction. Judge Payne said this litigation is the endgame of their fraud. That's
10 the way they play ball. But it's the endgame of the fraud. They will continue to sue us.
11 They're suing us in Germany. We've had a favorable development there, but I would —

12 JUDGE RANDALL R. RADER: Is this injunction, by the way, enjoining
13 improvement patents that may come up down the line? Is it enjoining the '327, which
14 isn't even in this suit?

15 KENNETH W. STARR: It is enjoining any patent, Your Honor, that was in fact
16 infected by the fraud at JEDEC, and that is exactly what it should do. If, in fact, the
17 patent — if we are being sued — let me back up and say it this way. If we are being sued
18 with respect to our JEDEC-compliant products that carry, or that embody these four core
19 technologies for SDRAM, and then the additional four technologies for DDR SDRAM,
20 and the judge already has enlarged the injunction, in his November Order of last year,
21 because of why? He came to understand fully — a very able judge, very thoughtful, very

1 thorough judge, came to understand that these DDR SDRAM compliant products do
2 indeed carry over the four core technologies —

3 JUDGE RANDALL R. RADER: Will you say the same thing about us if we agree
4 with you?

5 (Audience laughter)

6 KENNETH W. STARR: I will. I will shout it from the rooftops.

7 (Audience laughter)

8 JUDGE RANDALL R. RADER: Can we get the same commitment from
9 Mr. Taranto?

10 (Laughter)

11 JUDGE RANDALL R. RADER: Now we're back on even terms. Please proceed.

12 KENNETH W. STARR: I find myself speechless.

13 (Audience laughter)

14 KENNETH W. STARR: Therefore, let me say, if I may, just a word, because of
15 my time evaporating, and the Court has been very patient, with respect to the claim
16 construction. The judge here almost foreshadowed *Scimed* and *Bell Atlantic* in his
17 interpretation, in his approach, to claim construction. One will, as you do, read many
18 District Court opinions engaging in claim construction. This has to be an enormously
19 impressive effort in terms of how faithful at every turn he is to the methodological
20 teaching, the analytical teaching of this — of this court. At every turn, mindful of going
21 to the intrinsic evidence. And I think there's a certain unfairness to Judge Payne, and
22 given how careful and thoughtful he was, in terms of the — some of the arguments that

1 have been advanced in the briefs. But this is no time to concern ourselves with — the
2 issue is, what was right? What was the right construction? And taking — in *Scimed*, the
3 Court talked about the summary of invention providing strong evidence. When I think
4 one takes the summary of invention, when one then compares, and follows through the
5 detailed description, looking at the claim language, and the like, this is in fact a series of
6 constructions done exactly right by the Court, for the reasons stated. And we would urge
7 affirmance with respect to that. I have 11 seconds. On the anti-suit injunction.

8 JUDGE RANDALL R. RADER: You can take more than that if you need it.

9 KENNETH W. STARR: Thank you, Your Honor. I think the judge below was
10 really troubled by the idea of an injunction of a proceeding in Germany. And I think,
11 instinctively, we understand that. Judges are mindful of the restraints on their authority,
12 their power, and in extraterritorial, it just doesn't — there's not the right feel for it. And
13 perhaps we didn't present it in the face of trial as elegantly as could, but we put it before
14 him. We said we think there is a multiplicity of litigation in terms of having to reprove
15 the fraud. We had to prove that, including by the crime fraud exception, getting evidence
16 and so forth that they were trying — that they would have kept to us — from us to this
17 day. Happily, it is now there for the world to see. But we now have the benefit of that.
18 We shouldn't have to reprove fraud in Germany. We shouldn't. It is a defense in
19 Germany. We shouldn't have to do that. We shouldn't have to defend on patent, but
20 you've said, well, gee, the German patents, there may be different issues and so forth.
21 Our core submission, grounded in the law of injunctions, is this: Rambus is a U.S. party.
22 It is the subject of a process that unfolded here in the United States. It is the subject

1 which we hope will be affirmed that is in fact running against its activity as a U.S. party,
2 rendered by a United States court. The law of anti-suit injunctions contemplates the
3 vindication by equity of what equity has determined, or what has been determined by a
4 court to require equity's intervention. There is no reason in law or logic for that
5 injunction not to stop, to put a stop to their lawsuit in Germany which is taking time. I'm
6 happy to say the early returns are favorable, in terms of the reading of the German
7 documents, very similar to Judge Payne's reading. That's not in the record. We can
8 supplement the record with respect to that. It's the proceeding, we didn't think that it was
9 relevant. But the point is, as Judge Payne noted, this is in the record, that litigation is not
10 moving very quickly. I don't know why that is, but what I do know is that we're being
11 subjected to that, and the consumers should not be subjected to this kind of fraud-infected
12 lawsuit. The shareholders of Infineon should not. They should be told, put a stop to it,
13 vis-à-vis Infineon, vis-à-vis Infineon. Others, let them answer the Federal Trade
14 Commission. Other companies may have to speak for themselves in terms of whether
15 they can prove fraud and the like. But we proved it; we should now in light of that, based
16 on ancient principles of equity, be given relief from this fraud-infected action, which,
17 again, Judge Payne called the endgame of their fraud. I thank the Court.

18 JUDGE RANDALL R. RADER: Thank you, Mr. Starr. Mr. Taranto.

19 RICHARD G. TARANTO: Thank you. Let me see if I can address some of what
20 has been discussed. I don't think Mr. Starr this morning disputed the factual proposition
21 that Rambus had no undisclosed claims that any practitioner of the SDR or DDR
22 standards would have to license while it was at JEDEC. So the fundamental, the core

1 question, comes down to what Infineon proved, as it was its burden to prove the relation
2 between some pending claims, and some something going on at JEDEC had to be for the
3 disclosure duty to kick in. We say, and we think that the record in fact establishes beyond
4 any doubt that that relation that was required was standard specificity and claim
5 specificity in the ordinary infringement sense. You look at the standard, you look at the
6 claims, and you see if practicing of the former requires infringement —

7 JUDGE RANDALL R. RADER: Mr. Starr says they're not attorneys. The
8 infringement inquiries, as we know, often very specific and a good patent lawyer can pore
9 over documents for days and not be sure. Can you respond to that?

10 RICHARD G. TARANTO: Sure. These are companies that are in a room together
11 who are, as the record says, are competitors, cross-licensing each other's products,
12 negotiating with each other. This is not, as Infineon told the jury below, a church charity
13 club making Christmas ornaments where everybody gets together and has a uniform
14 purpose with no adversarial commercial interests. These are the largest — some of the
15 largest companies in the world. They all have patent portfolios. They have to know —
16 they have to know, in a familiar way, what they sacrifice when they go into that room.
17 The only test that is remotely workable, that is available, is patent infringement. It's not a
18 perfect test, I think, as the Supreme Court just reminded us in *Festo*, but it is the only one
19 that's available, and it's important in particular not to be changing the rules after the game
20 is played. What Infineon's own representative said "relates to" means is infringement.
21 What McGee said, and this is at 19093, was that the JEDEC committee itself, just before
22 Rambus joined, had said that it didn't want disclosures, quote, "unless the patent applies

1 directly to the subject of the ballot.” Infineon, when it suited its purposes, relied on the
2 standard specificity. Not the claim specificity, but the standard specificity. How did it
3 rely on that? Recall this important bit of evidence about the DDR standard. In March of
4 1997, while JEDEC is considering the DDR proposal, somebody makes what’s called
5 DDR SDRAM proposal. This is at — this is discussed in — in Infineon’s brief at — in
6 footnote 2 of page 25. It says somebody says at JEDEC: Rambus probably has patent
7 interests in this DDR SDRAM proposal. Now, Infineon has to respond to why didn’t that
8 put Infineon and the rest of JEDEC on the notice to comply with the simple duty to make
9 a direct inquiry. What is Infineon’s answer? That specific DDR proposal wasn’t
10 adopted, and therefore, whatever JEDEC thought about Rambus patent interests in that
11 proposal didn’t carry over to generating any inferences about Rambus not having patent
12 interests in the DDR proposals that were actually adopted. Infineon has repeatedly
13 confirmed, through Meyer, through that argument, through an essentially identical point it
14 made in opposing JMOL below on why — on why when Richard Crisp went to the
15 September 19, 1995 meeting and read a letter, in the context of Synclink. All right,
16 Synclink is one of the proposals that Infineon recites as — in its reply brief as disclosing
17 both source synchronous clocking and dual edge clock. And Richard Crisp went to the
18 meeting and he read a letter, it said: Our silence should not be taken as any indication
19 that we lack patent interest. Infineon said below, in opposing JMOL, that was only about
20 Synclink, even though it now says that Synclink proposal has two of the technologies.
21 The standard of disclosure was specific to particular standards. That point, all by itself,
22 supports the JMOL on DDR because not one of the DDR proposals that is recited in

1 Infineon's reply brief, in the single-spaced section, not one of those was ever adopted as
2 part of the DDR standard. Not one of them. And as to the SDR and the DDR both, the
3 combination of claim specificity and standard specificity means that Rambus did not fail
4 to disclose anything that came within the disclosure duty.

5 If I could make one point about the instructional error, the *Kingsdown* point, that
6 we have discussed. You cannot read the closing argument in this case by Infineon
7 without understanding that it was repeatedly and pervasively suggesting to the jury, as
8 Mr. Starr tried to — I think effectively confirmed this morning, that the amending process
9 was itself a wrong. Amending process was a wrong because, as Mr. Starr said: Oh, well,
10 what was at issue is whether Rambus improperly took or "acquired," I think was your
11 word, Judge Rader, information from JEDEC and then wrote it into — into its claims.
12 There is no evidence whatsoever of that. There couldn't be any evidence of that for two
13 reasons, again, undisputed on the record. Infineon dropped its written description claim.
14 If the — its defense to the broader claims. If the written description supported the claims
15 as issued, remember, that written description was pre-JEDEC, was 1990, then it couldn't
16 have acquired information in the JEDEC process. It was motivated in part by what it
17 learned the industry was about to start doing from what it saw in JEDEC, but *Kingsdown*
18 says that's not wrong. And the second reason there — there is no evidence of improperly
19 acquired information then written into the claims is that, and on this I think Mr. Starr is
20 wrong. The record is absolutely clear about the openness of the meetings. It's, of course,
21 true that not anybody and his brother could just attend; you had to pay your fees. But, the
22 minutes — the very minutes that in their full — with all their attachments are the very

1 basis Infineon has used for establishing what was going on at JEDEC, and saying this
2 relates to that, were freely available upon request. And the general counsel, John Kelly,
3 of JEDEC testified there are good antitrust reasons for that. You don't have the entire
4 industry of competitors getting together and secretly discussing the very heart of
5 competition, namely innovations, in a room without it being publicly available. Of
6 course, many of the disclosures that Infineon is — claims that Infineon is talking about
7 are claims made after the very publication of the standard, so it's not even just the
8 minutes, it's the publication. So there is no basis for what the judge explicitly thought,
9 and gave as the reason for — for refusing the request on the merits to tell the jury: Focus
10 only on the non-disclosure; you cannot in this case find that there was anything wrong
11 with going and getting the amendments at all. And the judge did not ever find that there
12 was no prejudice on that. The judge discussed lack of prejudice in the JMOL part of his
13 opinion, but that's not the right standard for the new trial portion of the opinion. In the
14 new trial portion of the opinion, at 228, I think it is, of the Appendix, he just refers back
15 to the JMOL. But on new trial, the question is, could the jury have found in Rambus's
16 favor? And on that, the judge, far from saying no, said: If I tell the jury that amending
17 itself here isn't wrong, that's tantamount to a directed verdict for Rambus.

18 JUDGE RANDALL R. RADER: This rises to an abuse of discretion?

19 RICHARD G. TARANTO: Yes it does. It does rise to an abuse of discretion,
20 because it rests on an error of law, and at page — rests on an error of law about what this
21 jury could permissibly have found. The judge expressly thought that this jury had to be
22 able to find that Rambus stole — took ideas from JEDEC and wrote them into its claims,

1 and that's not possible on — on this record, for lack of a written description defense, and
2 because everything at JEDEC that could possibly be relevant was open. I guess, unless
3 there are further questions, I think I'm —

4 JUDGE RANDALL R. RADER: Thank you, Mr. Taranto.

5 RICHARD G. TARANTO: Thank you very much.

6 JUDGE RANDALL R. RADER: Mr. Starr, you have three minutes remaining.

7 KENNETH W. STARR: I'll try to be very brief, Your Honor. First, with respect
8 to *Kingsdown*, we would just guide the Court to the judge's opinion at JA-220 to -225,
9 which I think very thoroughly explains exactly what his proposed amendment to the — he
10 was going to give a *Kingsdown* modified instruction, which I think also is grounded in the
11 Judge Markey articulated exception in *Kingsdown* itself. Secondly, with respect to
12 JEDEC and membership and openness, there seems to be a quarrel, but it's a Rambus-
13 unique quarrel. We are not aware of anyone going to Gordon Kelley and saying, "This
14 disclosure policy is just too much." Or, "let's take the following kinds of curative steps."
15 Rambus was supposed to abide by the rules, and in terms of their substantive point, and
16 here I'll be very brief, we would guide the Court to JA-16488 and -16493, in terms of the
17 substantive coverage. What was it that Rambus was trying to do with its amendments?
18 And the first is an email in July of 1993, so there's no question this covers applications,
19 the manual. 21-I has been amended. Everybody knows Gordon Kelley has been reading
20 everyone the riot act, and everyone understood, the testimony was overwhelming at trial,
21 yes, you must in fact inform JEDEC of applications. And there, there were specific
22 applications — right, this is Rambus applications, directed to various SDRAM

1 technologies, and that included programmable latency and on-chip PLL, and that in fact
2 sounds in exactly the kind of standard that I believe Mr. Taranto is now urging here,
3 which, again, is a much clearer urging of what the governing standard of disclosure
4 should — the substantive standard of disclosure should be than was tried below, which,
5 again, really was tried as overwhelming a “related to” case.

6 I would also note, and Judge Rader noted this, I have 52 seconds left, that the
7 infringement standard itself obviously begs any number of questions, and sometimes there
8 are disputes with respect to claim construction issues. So the whole idea of engineers
9 trying to deal with that kind of — of standard just tells us, explains why the rule was
10 articulated very clearly “might be involved in,” tell us. And the whole TI quad episode
11 does in fact tell us that JEDEC knew full well not only how to read someone the riot act
12 for violating the disclosure requirement, and prompting Gordon Kelley to warn about the
13 “collection plate,” but it also in fact shows that it does in fact lead JEDEC in a different
14 direction substantively in terms of what the standard would be, in light of what the
15 technologies are out there that are the subject of intellectual property rights. I thank the
16 Court.

17 JUDGE RANDALL R. RADER: Thank you, Mr. Starr. The Court appreciates the
18 contributions of counsel in this case. The next case —

19

20 (End of Oral Argument)

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