UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

PUBLIC

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

OPPOSITION TO COMPLAINT COUNSEL'S (1) MOTION FOR LEAVE TO FILE SUPPLEMENTAL MEMORANDUM IN SUPPORT OF MOTION FOR DEFAULT JUDGMENT, AND (2) MOTION SEEKING RECOGNITION OF THE COLLATERAL ESTOPPEL EFFECT OF PRIOR FACTUAL FINDINGS UNDERLYING PORTIONS OF THE JUDGMENT IN *INFINEON* NOW VACATED BY THE FEDERAL CIRCUIT

I. INTRODUCTION

Complaint Counsel's most recent attempt to deflect attention from the merits – or lack thereof – of their antitrust claims is contrary to settled law and constitutes an invitation to commit error. Apparently realizing that the facts refute their contention that Rambus willfully destroyed evidence (itself a collateral issue unrelated to the merits of this case), Complaint Counsel have resorted to making a desperate end run around those facts. They now ask Your Honor simply to preclude Rambus from denying that it implemented its document retention policy in bad faith, based on findings a judge in another case made in support of a judgment that has now been vacated. Once again, Complaint Counsel's attempt to deflect attention from their inability to prove their affirmative case should be rejected, and the case should proceed to adjudication on the merits.

II. SUMMARY OF ARGUMENT

In asking Your Honor to accord preclusive effect to the findings underlying Judge Payne's now-vacated judgment on attorney's fees in the *Infineon* litigation, Complaint Counsel have stretched the doctrine of collateral estoppel well beyond its breaking point. For no fewer than three independent reasons, Complaint Counsel's motion is entirely specious:

- As the case law uniformly recognizes, the Federal Circuit's vacation of Judge Payne's judgment on attorney's fees in the *Infineon* litigation eliminates the preclusive effect of that judgment and any factual findings upon which it was based;
- Complaint Counsel cannot now show that Judge Payne's findings regarding Rambus's document retention policy were "necessarily adjudicated," a prerequisite to applying collateral estoppel. Those

findings were made solely to determine whether Infineon, as the prevailing party in the *Rambus v. Infineon* trial, was entitled to attorney's fees. The Federal Circuit has now reversed the fraud and infringement rulings that made Infineon a prevailing party, and remanded the case for further proceedings, including trial on Rambus's patent infringement claims. Thus, at the present time, the identity of the prevailing party in *Infineon* still remains to be determined. Should the district court conclude at the end of the *Infineon* litigation that Infineon is not the prevailing party, its findings regarding litigation misconduct would turn out to be wholly collateral and unnecessary to the judgment in that case, and thus not eligible to be accorded preclusive effect; and

- It would be extremely unfair to allow Complaint Counsel, who were not even parties to the *Infineon* litigation, offensively to assert collateral estoppel as to an underlying factual finding that Rambus did not even need to appeal to undo Judge Payne's attorney's fees judgment. This is particularly true given the stakes at issue in this proceeding, where Complaint Counsel are not using this finding merely to recover attorney's fees, but as a ground for forfeiture of Rambus's legal protection for much of its patent portfolio.

For all these reasons, and as demonstrated below, Your Honor should deny Complaint Counsel's motion.

II. FACTUAL BACKGROUND.

Following trial in *Rambus v. Infineon*, Infineon moved for attorney's fees pursuant to 35 U.S.C. § 285. Under section 285, a party seeking recovery of its fees must prove that (i) it is a

prevailing party; and (ii) the case is "exceptional." On August 9, 2001, Judge Payne granted Infineon's motion, finding that Infineon was the prevailing party, and that the case qualified as "exceptional" on three grounds: (i) Rambus's pursuit of "frivolous" infringement claims; (ii) Rambus's "inequitable conduct" in not disclosing the existence of patent applications to JEDEC while it was a member of that organization; and (iii) Rambus's "litigation misconduct." *Rambus, Inc. v. Infineon Technologies AG*, 155 F. Supp. 2d 668, 674-683 (E.D. Va. 2001).

One of the acts that Judge Payne found to constitute litigation misconduct was Rambus's adoption of its document retention policy in 1998, which he concluded (erroneously, as Rambus demonstrated in its Opposition to Complaint Counsel's Motion For Default Judgment), was "for the purpose of getting rid of documents that might be harmful in litigation." *Id*. at 682. Judge Payne found that Rambus's destruction of documents and other purported litigation misconduct, "considered as a whole, and in connection with the other factors [of frivolous litigation and inequitable conduct], warrant a finding that this is an exceptional case." *Id*. at 683.

The Court entered final judgment on August 21, 2001, incorporating its fee award. Rambus filed a notice of appeal the next day.

Almost a year later, on June 18, 2002, Complaint Counsel filed the complaint in this action. On December 20, 2002 – while the *Infineon* appeal remained pending – Complaint Counsel filed, without any apparent independent investigation of their own, a 97-page Default Judgment Motion asking Your Honor to impose wide-ranging antitrust liability as a sanction for Rambus's purported spoliation. Nowhere in their motion did Complaint Counsel argue that any factual determination underlying the *Infineon* judgment was entitled to preclusive force in this action.

On January 29, 2003, the Federal Circuit decided the *Infineon* appeal. *Rambus Inc. v. Infineon Technologies AG*, ___ F.3d ___, 2003 WL 187265 (Fed. Cir. Jan. 29, 2003). In its decision, the Federal Circuit reversed both the district court's award of JMOL to Infineon on Rambus's claims of patent infringement, and the jury's finding of fraud against Rambus. Based on these rulings, the Federal Circuit also found that the findings of frivolous litigation and inequitable conduct underlying the court's "exceptional case" determination were erroneous. Accordingly, the Court vacated Judge Payne's attorney fees award, and remanded the issue of attorney's fees for further proceedings. The Court expressly instructed the district court "may consider whether Infineon remains a prevailing party, and *if so*, whether an award is warranted." 2003 WL 187265, at * 21 (emphasis added).

On February 12, 2003, Complaint Counsel filed the two motions at issue, asking the Court to accord preclusive effect in this case to Judge Payne's findings regarding Rambus's document retention policy, and for leave to file a supplemental memorandum in support of their motion for default judgment addressing the purported preclusive effect of those findings.

III. ARGUMENT.

A. The Vacated Attorney's Fees Judgment In *Infineon* Cannot Be Accorded Collateral Estoppel Effect.

As noted above, Judge Payne entered the *Infineon* final judgment on August 21, 2001. Complaint Counsel filed the complaint in this proceeding on June 18, 2002, and filed their Default Judgment Motion on December 20, 2002. Thus, both when this proceeding was commenced and when Complaint Counsel filed their default judgment motion, a final judgment existed in *Infineon* upon which Complaint Counsel could have staked a claim of collateral estoppel. *See, e.g., SSIH Equipment S.A. v. United States Int'l Trade Comm'n*, 718 F.2d 365, 370 (Fed. Cir. 1983) ("the law is well settled that the pendency of an appeal has no affect on the finality or binding effect of a trial court's holding"). Neither when they filed their complaint nor

when they filed their default motion, however, did Complaint Counsel argue that Judge Payne's findings could be binding in this case.

Complaint Counsel contend that they refrained from raising a collateral estoppel argument earlier because "the applicability of collateral estoppel was clouded by the pending *Infineon* appeal." Supplemental Memorandum In Support of Complaint Counsel's Pending Motion For Default Judgment, Relating to Collateral Estoppel Effect of Prior Factual Finding That Respondent Rambus Inc. Destroyed Material Evidence In Bad Faith ("Supp. Mem.") at 13-14. Complaint Counsel's explanation for their earlier forbearance is reasonable enough; what makes no sense is their choosing to launch a collateral estoppel argument now that Judge Payne's judgment has been *vacated*. The very reason not to accord collateral estoppel to a district court judgment during the pendency of an appeal is the risk that the judgment will be reversed or vacated. *Martin v. Malhoyt*, 830 F.2d 237, 264 (D.C. Cir. 1987) ("According preclusive effect to a judgment from which an appeal has been taken . . . risks denying relief on the basis of a judgment that is subsequently over-turned. Consequently, care should be taken in dealing with judgments that are final, but still subject to direct review.").

Here, that risk of reversal is no longer a risk, but rather established fact. Yet Complaint Counsel, as though oblivious to the Federal Circuit's disposition of the appeal, have charged ahead with what has now become a frivolous collateral estoppel argument.[1]

Because the only new development Complaint Counsel identify as grounds for filing their Supplemental Memorandum – the *Infineon* appellate decision – actually weakens any argument

[1] A case involving similar timing is *Erebia v. Chrysler Plastic Products Corp.*, 891 F.2d 1212 (6th Cir. 1989). An employee had brought a series of lawsuits alleging racial discrimination against his former employer. While an appeal was pending in one such action, the defendant filed a motion for summary judgment in another action based on the preclusive effect of the appealed judgment. While the summary judgment motion was pending, the court of appeal vacated the earlier judgment, and remanded that case for further proceedings. Five days later, the district court granted summary judgment based on the now-vacated judgment. The Sixth Circuit reversed the summary judgment ruling, holding that once "the court of appeals . . . reversed and remanded the issue of reinstatement to the district court in that case, the reliance upon the doctrine of res judicata and/or collateral estoppel in disposing of the instant case was improper and of no legal force or effect." *Id*. at 1215. The same result should obtain here.

that Complaint Counsel previously might have made for according Judge Payne's findings preclusive effect, Complaint Counsel have not provided an adequate basis for filing a Supplemental Memorandum under Rule 3.15(b), and Your Honor should refuse to grant Complaint Counsel leave to file that Memorandum, or to consider their untimely request for application of collateral estoppel.

Even if Your Honor considers Complaint Counsel's memorandum and collateral estoppel motion, however, there is no basis for granting them the relief they seek. The speciousness of the present motion is apparent from a cursory review of federal case law:

> When a judgment has been subjected to appellate review, the appellate court's disposition of the judgment generally provides the key to its continued force as *res judicata* and collateral estoppel. A judgment that has been vacated, reversed, or set aside on appeal is thereby deprived of all conclusive effect, both as *res judicata* and as collateral estoppel.

Jaffree v. Wallace, 837 F.2d 1461, 1466 (11th Cir. 1988); Moore, *Federal Practice & Procedure*, ¶ 30.76, at 3-30 (2002)("A judgment loses its issue-preclusive effect when it is reversed and remanded on appeal"); 18A C. Wright, A. Miller and E. Cooper, *Federal Practice and Procedure* § 4432, at 63-65 (2d ed. 2002)("If the appellate court terminates the case by final rulings as to some matters only, preclusion is limited to the matters actually resolved by the appellate court. . . . There is no preclusion as to the matters vacated or reversed. . . .").

In civil cases, federal courts have universally recognized that a judgment vacated on appeal loses whatever preclusive effect it previously possessed. *No East-West Highway Committee, Inc. v. Chandler*, 767 F.2d 21, 24 (1st Cir. 1985)("A vacated judgment has no preclusive force either as a matter of collateral or direct estoppel or as a matter of the law of the case."); *Stone v. Williams*, 970 F.2d 1043, 1054 (2d Cir. 1992)("A judgment vacated or set aside has no preclusive effect."); *Consolidated Express, Inc. v. New York Shipping Ass'n., Inc.*, 641 F.2d 90, 93-94 (3d Cir. 1981)(vacated judgment cannot have any effect as collateral estoppel); *Maryland Casualty Co. v. Armco, Inc.*, 822 F.2d 1348, 1355 (4th Cir. 1987)(vacated order adopting findings of special master not entitled to preclusive effect); *Savidge v. Fincannon*, 836

F.2d 898, 906 (5th Cir. 1988)(decree vacated or nullified by an appellate court cannot be given issue preclusive effect); *Dodrill v. Ludt*, 764 F.2d 442, 444 (6th Cir. 1985)("[T]he general rule is that a judgment which is vacated, for whatever reason, is deprived of its conclusive effect as collateral estoppel."); *Pontarelli Limousine, Inc. v. City of Chicago*, 929 F.2d 339, 340-41 (7th Cir. 1991)(vacating judgment deprived it of any future effect); *U.S. v. Lacey*, 982 F.2d 410, 412 (10th Cir. 1992)(judgment that has been vacated or set aside has no preclusive effect); *Quarles v. Sager*, 687 F.2d 344, 346 (11th Cir. 1982)(when judgment is vacated issue preclusion does not apply); *U.S. Philips Corp. v. Sears Roebuck & Co.*, 55 F.3d 592, 598 (Fed. Cir. 1995)(vacated judgment has no effect as collateral estoppel); *cf. Ornellas v. Oakley*, 618 F.2d 1351, 1356 (9th Cir. 1980)("A reversed or dismissed judgment cannot serve as the basis for a disposition on the ground of res judicata or collateral estoppel.").[2]

As noted above, the Federal Circuit vacated Judge Payne's fee award in *Infineon*. Remarkably, Complaint Counsel does not mention this fact anywhere in their Supplemental Memorandum, even though, as the cases above reflect, it is fatal to their motion. Instead,

[2] The one exception to the rule that vacated judgments have no preclusive effect occurs in the criminal context, where, because of the doctrine of Double Jeopardy, some courts allow criminal defendants whose convictions have been reversed to retain the benefits of favorable jury determinations on retrial. Thus, in *Pettaway v. Plummer*, 943 F.2d 1041 (9th Cir. 1991), which Complaint Counsel cite in their Memorandum, the Ninth Circuit applied collateral estoppel to preclude the state from charging a defendant on retrial of a murder charge with personally shooting the victim, after the jury in the first trial had found, in considering sentencing enhancement, that the defendant did not use a firearm. The *Pettaway* Court treated the enhancement finding like an acquittal on the charge of personal use of the gun, separate from the murder conviction. 943 F.2d at 1046 ("[T]he specific finding that he did not personally use a firearm was not inconsistent with the conviction; rather, *it was as if the jury had issued a special verdict to that effect* regarding the substantive offense.") (emphasis added); 943 F.2d at 1047 n.4 (comparing jury enhancement finding to acquittal). The Double Jeopardy Clause prohibits retrial of a defendant on a charge of which he was acquitted.

The vitality of the rule that a vacated or reversed judgment has no preclusive effect is underscored by the fact that other courts have refused to accord collateral estoppel to a vacated conviction even with regard to matters decided in the defendant's favor. *See, e.g., Romano v. Gibson*, 239 F.3d 1156, 1178-79 (10th Cir. 2001) (finding that neither Double Jeopardy Clause nor collateral estoppel precluded state from re-charging defendant with an aggravating factor as to which the jury had found for defendant in earlier trial that resulted in conviction which was overturned); *see also Standefer v. United States*, 447 U.S. 10, 23 (1980) ("contemporary principles of collateral estoppel [argue] against giving an acquittal preclusive effect."). Moreover, the *Pettaway* holding was overruled by the Ninth Circuit in *Santamaria v. Horsley*, 133 F.3d 1242 (9th Cir. 1998)(en banc). In any event, the particular concerns with protecting the rights of a defendant in a criminal case obviously do not support Complaint Counsel's attempt to invoke application collateral estoppel in this case.

Complaint Counsel cite numerous civil cases involving situations where collateral estoppel was applied to findings that were part of a *valid final judgment*. These cases are wholly inapposite here, where there has been no final ruling on the attorney's fees issue, which the district court will need to consider afresh after remand and additional proceedings in *Infineon*.

Nor can Complaint Counsel be heard to suggest that Judge Payne's finding of litigation misconduct can somehow be extracted from his vacated attorney's fees judgment, and accorded preclusive effect separate and apart from the overturned judgment. "With issue preclusion, it is the prior judgment that matters, not the court's opinion explaining the judgment." *Moore's Federal Practice*, § 132.03[4][a], at 132-106. Findings in support of a vacated judgment thus lose their preclusive effect together with the vacated judgment. *See Dodrill v. Ludt*, 764 F.2d 442, 444-45 (6th Cir. 1985)("When [the plaintiff] won his appeal [in the first action] and the judgment was vacated, all such factual determinations were vacated with it, and their preclusive effect surrendered."); *Simpson v. Motorists Mut. Ins. Co.*, 494 F.2d 850, 854-55 (7th Cir. 1974) (where judgment in insurance coverage case was remanded by court of appeals with orders to dismiss on jurisdictional grounds, it became a "nullity" and had no preclusive effect with regard to coverage issues in second action).

Dodrill is particularly instructive. The plaintiff had been convicted of marijuana possession, but the conviction was vacated on appeal based upon the unconstitutionality of the statute under which he was prosecuted. The plaintiff thereafter brought a section 1983 civil action against the police officers responsible for his arrest, based in part on the allegation that they planted the marijuana in his car. The district court granted the defendants' summary judgment on grounds of collateral estoppel, finding that the jury in the criminal action had already rejected the plaintiff's defense that the officers had planted the evidence.

The Sixth Circuit reversed, holding that, as a matter of law, the vacated conviction could have no preclusive effect with regard to any factual findings made in the underlying case. The Court noted that, for collateral estoppel purposes, it was immaterial both that the reversal of the

conviction was for reasons unrelated to the finding for which preclusive effect was sought, and that the finding at issue had gone unchallenged on appeal:

> The issues that [plaintiff] now wants to litigate were fully litigated and firmly decided at the [earlier] trial. [Plaintiff] did not challenge the fact-findings on appeal. The [decision] was reversed on grounds having no bearing on the validity of the fact-findings. The reversal, however, vacates the judgment entirely, technically leaving nothing to which we may accord preclusive effect. . . . [T]he general rule is that a judgment which is vacated, for whatever reason, is deprived of its conclusive effect as collateral estoppel.

764 F.2d at 444-45. After reviewing other cases holding that the findings underlying vacated judgments are entitled to no preclusive effect, even where the decision to overturn the judgment does not disturb such findings, the Court explained the necessity for such a bright-line rule:

> Any other rule would needlessly and astronomically proliferate the number of issues raised on appeal. If a judgment could be entirely vacated yet preclusive effect still given to issues determined at trial but not specifically appealed, appellants generally would feel compelled to appeal every contrary factual determination. Such inefficiency neither lawyers nor judges ought to court. Litigants ought to be encouraged to expend their energies on their most compelling issues and arguments, without paranoia about the preclusive effects of other issues or determinations.

Id.; *see also Hicks v. Quaker Oats Co.*, 662 F.2d 1158, 1170 (5th Cir. 1981)(finding that a requirement that a party appeal every conceivable ground for an adverse litigation holding or risk having such grounds be given preclusive effect in a future action "makes a virtual certainty that judicial resources will be needlessly wasted").

The rationale expressed in *Dodrill* resonates powerfully here. As Rambus made clear in its appellate brief in *Infineon*, it did not appeal "factual findings in the fee opinion that are immaterial to the outcome." Reply Brief at 27-28 n.16. **[Tab 1]**. Instead, Rambus argued that "the claim construction ruling that undergirds the [fee] award under 35 U.S.C. § 285 must be reversed, as must the fraud judgment, the premise of the [fee] award under Virginia law," and that, as a result of these reversals, "no portion of the award can stand." *Id.* at 27 **[Tab 1]**. The

appeal turned out just as Rambus predicted: the claim construction and fraud grounds were reversed, and as a consequence the attorney's fee award was vacated.

The Federal Circuit acknowledged in its *Infineon* opinion that open questions now remain as to whether Infineon ultimately will qualify as a prevailing party, and whether, even if it does, an award of attorney's fees would be appropriate. It would be nonsensical for Your Honor to find that, despite having obtained such complete relief from the attorney's fee judgment, Rambus is nonetheless bound by the unappealed adverse factual findings underlying that now-vacated judgment. *See Dodrill*, 764 F.2d at 444 ("Dodrill's appeal from his conviction was based solely on constitutional grounds because he believed that issue presented the best opportunity for reversal. By this course of action he was not acquiescing in adverse factual determinations made at his trial. When he won his appeal and the judgment was vacated, all such factual determinations were vacated with it, and their preclusive effect surrendered.").

B. At This Stage Of The *Infineon* Litigation It Cannot Be Determined Whether Judge Payne's Findings Of Litigation Misconduct Were "Necessary To The Judgment" In That Case.

Aside from not having a valid judgment or other definitive ruling upon which they can base a claim for collateral estoppel, Complaint Counsel's collateral estoppel argument fails for another independent reason: they cannot show that Judge Payne's litigation misconduct findings were "necessary" to the ultimate determination of the *Infineon* action. This is an inevitable consequence of the fact that, without a final judgment in *Infineon*, the significance of, and necessity for, Judge Payne's litigation misconduct findings cannot yet be determined.

As noted above, Judge Payne's litigation misconduct findings were relevant solely to his determination of whether Infineon was entitled to recover its attorney's fees as a "prevailing party" in an "exceptional case." At the time Judge Payne made this determination, Infineon had been granted JMOL on all of Rambus's infringement claims, and had obtained a jury verdict o fraud. Not surprisingly, given these rulings, Judge Payne found Infineon to qualify as a prevailing party.

As a result of the Federal Circuit decision, however, the JMOL ruling and the fraud verdict now have been reversed, and Rambus will now proceed to trial against Infineon on its infringement claims. Accordingly, at this time it is not possible to determine who will be the prevailing party at the conclusion of the *Infineon* case. For that reason, the Federal Circuit instructed the district court to "consider whether Infineon remains a prevailing party" at the conclusion of the case.[3]

Should the district court conclude, at the end of the *Infineon* case, that Infineon is not a prevailing party, then the Court's findings concerning Rambus's supposed litigation misconduct would be unnecessary to the judgment in that case, and thus not eligible to be accorded preclusive effect. *See New Hampshire v. Maine*, 532 U.S. 742, 748-49 (2001)("Issue preclusion generally refers to the effect of a prior judgment in foreclosing successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination *essential to the prior judgment*, whether or not the issue arises on the same or a different claim.")(emphasis added); *Arizona v. California*, 530 U.S. 392, 414 (2000)("It is the general rule that issue preclusion attaches only '[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is *essential to the judgment*'")(emphasis added); *Cooper v. Federal Reserve Bank of Richmond*, 467 U.S. 867, 874 (1984)("A judgment in favor of either side is conclusive in a subsequent action between them on any issue actually litigated and

[3] Moreover, recognizing that the district court based its "exceptional case" finding on three grounds, two of which have been reversed, the Federal Circuit also directed the district court to consider "whether an award [of fees] is warranted," *even if* Infineon is the prevailing party at the end of the case. 2003 WL 187265, at * 21.

determined, if its determination was *essential to that judgment*.")(emphasis added); RESTATEMENT (SECOND) OF JUDGMENTS, § 27 & comment h (1982) ("[n]ecessarily determined" means "essential to the judgment"; "[i]f issues are determined but the judgment is not dependent upon the determinations, relitigation of those issues in a subsequent action . . . is not precluded."); *Hicks*, 662 F.2d at 1168 ("it has always been the rule that although an issue was fully litigated and a finding made on the issue in prior litigation, the prior judgment will not act as collateral estoppel as to the issue if the issue was not necessary to the rendering of the prior judgment, and hence was incidental, collateral or immaterial to that judgment.").

Complaint Counsel cite several cases articulating the "necessarily determined" requirement, each of which considered the necessity of the findings to a valid *final judgment* in an earlier case. *See Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566 (Fed. Cir. 1983); *United States v. Weems*, 49 F.3d 528 (9th Cir. 1995); *McLaughlin v. Bradlee*, 803 F.2d 1197 (D.C. Cir. 1986); *Home Owners Federal Sav. & Loan Ass'n v. Northwestern Fire & Marine Ins. Co.*, 238 N.E.2d 55, 59 (Mass. 1968). Thus, for example, *McLaughlin* acknowledged that the "reasonably necessary" requirement precludes application of collateral estoppel effect where "the holding with respect to the issue [was] 'mere dictum' . . . [or] merely incidental to the *first judgment*." 803 F.2d at 1204 (emphasis added). Complaint Counsel fail to cite a single case for the proposition that a subsidiary finding on an issue that has yet finally to be resolved by the trial court, and which ultimately may be resolved in a manner that renders that finding "mere dictum," can meet the "reasonably necessary" requirement.

Nor could they. The doctrine of collateral estoppel is not intended to afford preclusive effect to interlocutory rulings still subject to change, but rather to decisions that have achieved a measure of finality. *In re 949 Erie Street, Racine, Wis.*, 824 F.2d 538, 541 (7th Cir. 1987)(collateral estoppel does not apply "to an interlocutory order, which may be changed by the district court at any time prior to final judgment"). Accordingly, the uncertainty as to the necessity of Judge Payne's findings regarding Rambus's purported litigation misconduct provides a further reason for denying those findings collateral estoppel effect.

C. Fundamental Fairness Precludes Application Of Collateral Estoppel In This Proceeding.

The Supreme Court has cautioned that, where "the application of offensive collateral estoppel would be unfair to a defendant, a trial judge should not allow the use of offensive collateral estoppel." *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 331 (1979).

Where as here, a party who was not a participant in the earlier litigation seeks affirmatively to assert collateral estoppel, fairness concerns are heightened. The Fifth Circuit has noted the untoward consequences of overzealous application of collateral estoppel in the following circumstance: a trial court bases a decision on several grounds, the losing party chooses not to appeal that decision (which may reflect its reasoning that one of the alternative grounds is valid, rendering futile an appeal of the other, erroneous grounds), and a third party subsequently seeks to have collateral estoppel effect accorded to one or more of the alternative grounds in a separate action:

> [T]he losing party [would have to] guard against not only a subsequent use of the alternative ground by the plaintiff he has just faced, but . . . any possible future plaintiffs who might use the ground against him some day. A losing party would thus be well advised to appeal any judgment based on alternative grounds as a matter of course, for even if he were sure that the particular plaintiff he has just faced will never trouble him again, he could not be sure that some other plaintiff would not emerge later to use the results of the litigation against him. . . . Such a result does a great disservice to the purposes behind the doctrine of issue preclusion.

Hicks, 662 F.2d at 1170; *A. J. Taft Coal Co. v. Connors*, 829 F.2d 1577, 1581 (11th Cir. 1987)(applying *Hicks*, and refusing to accord preclusive effect to subsidiary finding that successful party on appeal had not contested on ground that doing so "would require even successful litigants to vigorously pursue appeals of minor issues just to protect themselves from others, uninvolved in the current litigation, from asserting the holding against them in the future").

This case involves a corollary to the situations in *Hicks* and *A.J. Taft*. Rambus did appeal Judge Payne's attorney's fees judgment, which was based upon alternative grounds. However, rather than appeal each separate ground for that judgment, Rambus chose its battles with care, and attacked those parts of Judge Payne's attorney's fees award necessary to undo the effect of that judgment, namely the findings of frivolous litigation and inequitable conduct. That Rambus chose well is reflected in the fact that it succeeded in having Judge Payne's attorney's fee award vacated, with a strong possibility that no future attorney's fees award will ever be awarded against it in the *Infineon* case.

To find that Rambus nonetheless is bound in *this* proceeding to a finding of litigation misconduct that no longer is linked to a valid attorney's fees award in the *Infineon* case would be the height of unfairness. This is particularly true given the different stakes involved in the two actions. In *Infineon*, the claim of document destruction was a collateral issue raised merely as one of several purported grounds supporting a claim for attorney's fees. Here, Complaint Counsel seek to elevate that issue to case-dispositive importance, and use it as a basis for requiring Rambus to forfeit much of its patent portfolio. Rambus could not reasonably have foreseen that a failure specifically to appeal the district court's fact finding on this issue in *Infineon* could lead to such devastating consequences. [4] In short, fairness concerns merely confirm what the law otherwise makes clear – the findings underlying Judge Payne's vacated fees judgment cannot be granted collateral estoppel in this proceeding.

[4] The $7 million in attorney fees at stake in *Infineon* – while not insubstantial – pales in comparison with forfeiture of much of Rambus' patent portfolio, which, by Complaint Counsel's own estimate, could result in lost revenues several orders of magnitude greater.

IV. CONCLUSION.

For the reasons stated herein, Complaint Counsel's motions should be denied.

DATED: February __, 2003 Respectfully submitted,

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