

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

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

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

I. INTRODUCTION

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

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

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

In its Opposition, Respondent narrows the issues to be resolved by conceding that Complaint Counsel is entitled to receive the materials and to conduct discovery consistent with what occurred in the *Infineon*, *Micron* and *Hynix* matters. The primary issue to be resolved therefore, is limited to whether Complaint Counsel may take additional discovery for the post-June 1996 time period (*i.e.* after Respondent dropped out of JEDEC). On the merits, Respondent argues that no waiver of privilege ever occurred and that the discovery conducted in *Hynix* was *de facto* compelled in light of the previous discovery orders in *Infineon* and *Micron*. As to the crime fraud exception theory, Respondent asserts that it owed no duty to disclose its patents or patent applications to JEDEC and that, moreover, it had no patents or patent applications relating to the JEDEC SDRAM or DDRAM standards issued or pending until after it dropped out of

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

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

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

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

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

II. ANALYSIS AND DISCUSSION

A. WAIVER

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

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

While the Court appreciates the judicial economy that resulted from Respondent's decision to produce materials and persons for discovery in *Hynix*, its decision to produce the materials (even subject to a confidentiality agreement with counsel for *Hynix*)⁶ still remains a voluntary production. Any disclosure to an adversary absent direct judicial compulsion is a voluntary disclosure. *Chubb Integrated Sys. Ltd v. Nat'l Bank of Washington*, 103 F.R.D. 52, 63 n.2, 67 (D.D.C. 1984)("[v]oluntary disclosure means the documents were not judicially compelled"); see also *In re Chrysler Motors Corp. Overnight Evaluation Program Litigation*, 860 F.2d 844, 846-47 (8th Cir. 1988)(finding that once privileged materials are turned over to an adversary, the confidential nature of the materials and the privilege as to third parties is waived even if the initial disclosure was subject to a confidentiality agreement). Distinctions between various degrees of "voluntariness" in waivers of the attorney-client privilege do not exist. *In re Sealed Case*, 877 F.2d 976, 980 (D.C. Cir. 1989)("if a [party] wishes to preserve the privilege, it must treat the confidentiality of attorney-client communications like jewels – if not crown jewels"); *In re Subpoena Duces Tecum*, 738 F.2d 1367, 1370 (D.C. Cir. 1984).⁷ By voluntarily producing the materials in *Hynix*, Respondent forfeited some of the traditional protections of the adversary system, but avoided some of the burden of litigating the privilege issue and potentially facing a more adverse result than in *Infineon* and *Micron*. See *In re Sealed Case*, 676 F.2d 793, 822-23 (D.C. Cir. 1982).

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

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

The voluntary nature of Respondent's production in *Hynix* is underscored by the decision of the Court not to require production of the documents based on the crime-fraud exception. *See* § II.B., *infra*. This suggests that a judicially compelled production in *Hynix* was not nearly as inevitable as Respondent represents. Having voluntarily and consciously made the strategic decision in *Hynix* not to litigate the crime-fraud issue and instead to produce a selected set of materials voluntarily, Respondent now must live with the consequences of this decision including the waiver of privilege. A party cannot be permitted, after making a partial disclosure, to withhold the remainder of related information on the same subject matter. *Weill v. Investment /Indicators, Research and Management, Inc.*, 647 F.2d 18, 24 (9th Cir. 1981), *citing* VIII Wigmore, *Evidence* § 2291 at 636 (McNaughton rev. 1961).⁸ Similarly, as a matter of fairness and consistency, Respondent cannot be permitted to gain an advantage by voluntarily disclosing materials to one adversary (*Hynix*) while protecting the same materials from another adversary. *Subpoena Duces Tecum*, 738 F.2d at 1372, *citing In re Sealed Case*, 676 F.2d at 818.

Finding that *Hynix* was a voluntary disclosure, the Court next must address the question of whether a voluntary disclosure of pre-1996 information in *Hynix* opens the door to the discovery of post-1996 information in the instant case. The answer is yes, at least to the extent it involves attorney-client privileged materials involving the same subject matter. The basis for this conclusion is the well-established proposition that a waiver of privilege covers all information relating to the subject matter for which information is waived voluntarily. *In re Sealed Case*, 29 F.3d 715, 719 (D.C. Cir. 1994); *In re Sealed Case*, 877 F.2d at 980-81; *Weill*,

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

647 F.2d at 24 (“voluntary disclosure of the content of privileged attorney communication constitutes waiver of the privilege as to all other such communications on the same subject”).⁹

Complaint Counsel argues that Respondent’s disclosures of privileged information in *Hynix* opened the door to discovery concerning six topics of communication between attorney and client:

- (1) Disclosures of patents and patent applications to JEDEC by Rambus;
- (2) The disclosure policy of JEDEC;
- (3) The efforts by Rambus to broaden its patents to cover matters pertaining to the JEDEC standards;
- (4) The September 2000 presentation made to stockholders, financial analysts and members of the public;
- (5) The preparation of withdrawal letters to JEDEC; and
- (6) The drafting of letters relating to patent disclosures to JEDEC and IEEE, the information and documents relied upon in drafting those letters, patent disclosures to JEDEC and IEEE and the efforts by Rambus to broaden its patent claims to the extent that any of those conversations took place within the context of the drafting of the withdrawal letters.

Complaint Counsel’s Initial Memo at 3-4.

⁹ The Court does not find convincing Respondent’s argument that the district court judge in *Infineon* knowingly limited the subject matter scope with a temporal limit of June 1996, when Respondent left JEDEC. (Respondent’s Initial Opposition at 9-11). A review of the hearing transcript excerpt provided by Respondent indicates that counsel for Infineon simply chose not to seek documents later than this date, which only makes sense in a private contract action that was based solely on Respondent’s conduct while a member of JEDEC. Infineon’s counsel specifically put forth that he was content with documents from 1991 through the end of June 1996. The Court does not read the transcript to establish that the *Infineon* court would not have permitted post-1996 discovery had counsel so requested. Moreover, in contrast to the controversy in *Infineon*, the instant matter (both in time and substance) is based on issues well beyond the purely contractual obligations of Respondent while a member of JEDEC.

Of the six topics of disclosures apparently made in *Hynix*, only two contain subject matters that appear on their face to relate to post-June 1996 matters: (3) the efforts by Rambus to broaden its patents to cover matters pertaining to the JEDEC standards; and (4) the September 2000 presentation made to stockholders, financial analysts and members of the public. Complaint Counsel claims that Respondent's alleged monopolistic conduct is a unitary scheme that began while Respondent was a member of JEDEC and continued thereafter through a continuing effort to expand its patents to cover JEDEC's SDRAM and DDRAM standards. As a result, both of these topics appear to involve the same subject matters as the voluntary disclosures made by Respondent for the pre-June 1996 time period and are relevant to the issues presently being tried. Respondent, therefore, is directed to permit discovery and produce materials that are subject to this waiver, as set out in the Conclusion section of this Order.

The other four topics involve subject matters that on their face relate only to pre-June 1996 issues. Based on the representation of Respondent in its Initial Opposition, all materials relating to these four topics were produced to Complaint Counsel by Respondent as part of the *Infineon*, *Micron* and *Hynix* discovery materials collection. It also appears that Respondent permitted Complaint Counsel to ask questions about these topics in depositions. As a result, scope of discovery disputes concerning these topics should have been resolved prior to the consideration of the instant Motion for Reconsideration. The Court hopes, based on Respondent's representation, that no judicially compelled relief concerning these four topics is necessary. However, because the portion of the Motion to Compel addressing the applicable topics has not been withdrawn, the Court rules that these four topics are within the scope of its Order, solely out of an abundance of caution.

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

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

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

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

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

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

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

The final question to be resolved, is whether Respondent waived its work product privilege for materials coming into existence after January 1, 2000. The Court holds that it did not. At issue in the instant litigation, is whether Respondent monopolized or attempted to monopolize one or more DRAM markets. What is relevant, therefore, is what actions the Respondent took directly or what directions it provided to its attorneys towards this alleged end. Internal drafts, research notes or thought processes by Respondent's attorneys that were never shared with Respondent would not be probative as to the Respondent's intentions. *Eco Mfg. LLC v. Honeywell Int'l, Inc.*, 2003 WL 1888988 at *6 (S.D. Ind. Apr. 11, 2003); *Vardon Golf Co., Inc. v. Karsten Mfg. Corp.*, 2003 WL 1785803 at *7 (N.D. Ill. Mar. 31, 2003). Moreover, there is no evidence that Respondent has attempted to affirmatively use any of the post-January 1, 2000 materials for which it may assert the attorney work product privilege. If Respondent had done so, this could constitute a broader waiver. *Duplan Corp. v. Deering Milliken, Inc.*, 540 F.2d 1215, 1222-23 (4th Cir. 1976), *In re Martin Marietta Corp.*, 856 F.2d 619, 625 (4th Cir. 1988). Nor has the Respondent appeared to have made its voluntary disclosures of attorney work product materials in *Hynix* selectively in an attempt to achieve a strategic or tactical advantage, which could result in a broadening of the scope of its waiver. See *United Mine Workers of America*, 159 F.R.D. at 310. Rather, it appears that any attorney work product materials voluntarily produced in *Hynix* were merely co-extensive with the materials produced as a result of judicial compulsion in *Infineon* and *Micron*.

B. CRIME-FRAUD EXCEPTION

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

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

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

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

intended to attempt to create a monopoly in one or more DRAM markets), reaches the level of fraud. As suggested in *Infineon II*, any obligation Respondent had to disclose patents and applications may have arisen not from JEDEC's written contractual duties, but rather from the course of conduct of JEDEC members. 318 F.3d at 1098. However, while the Federal Circuit held that the course of conduct of JEDEC's members (save Respondent) may have created a duty to disclose, it also held that a solely conduct-based duty would "not provide a firm basis for the disclosure duty necessary for a fraud verdict." *Id.* at 1102. Put another way, it is not yet clear, based on the evidence presented in the pleadings, that the Court can conclude that JEDEC members could reasonably rely that other JEDEC members would fully and accurately disclose all patents and patent applications relating to proposed JEDEC standards. In the absence of reasonable reliance, a key element of fraud, *see Bank of Montreal v. Signet Bank*, 193 F.3d 818, 826 (4th Cir. 1999); *Tidewater Beverage Servs., Inc. v. Coca Cola Co., Inc.*, 907 F. Supp. 943, 947 (E.D. Va. 1995), the crime-fraud exception cannot be invoked.

As a result, the Court concludes that the crime-fraud exception is not an independent basis for piercing the presumed sanctity of the attorney-client and attorney work product privileges in this instance.

C. COLLATERAL ESTOPPEL

Finding that Respondent committed fraud with regard to the JEDEC SDRAM and DDRAM standards, the district court and the Federal Circuit in the *Infineon* trial collectively reversed the jury verdict through a Judgment as a Matter of Law in favor of Respondent, holding

that there was no substantial evidence to support the jury's verdict. *Infineon II*, 318 F.3d at 1105. As a result, there no longer is any support for Complaint Counsel's collateral estoppel theory.¹⁰

D. A PROCEDURAL NOTE ON THE DISCOVERY PERMITTED BY THIS ORDER

In its Motion for Reconsideration, Respondent argued that permitting discovery of otherwise privileged materials through the crime-fraud exception would mandate an *in camera* review of the materials prior to their production, consistent with *Haines v. Liggett Group, Inc.*, 975 F.2d 81 (3d Cir. 1992), and that a failure to do so would be fraught with Constitutional implications. Here, however, the Court is not creating an exception to pierce the attorney-client privilege and require the production of materials whose confidential nature has been closely guarded by Respondent. Rather, the Court is merely finding that having waived the confidential cloak covering some of the materials disclosed in the *Hynix* matter, the Respondent itself voluntarily waived this privilege for all materials involving the same subject matters for the

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

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

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

III. CONCLUSION

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

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

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

- (4) The September 2000 presentation made to stockholders, financial analysts and members of the public;
- (5) The preparation of withdrawal letters to JEDEC; and
- (6) The drafting of letters relating to patent disclosures to JEDEC and IEEE, the information and documents relied upon in drafting those letters, patent disclosures to JEDEC and IEEE and the efforts by Rambus to broaden its patent claims to the extent that any of those conversations took place within the context of the drafting of the withdrawal letters.

It is further ORDERED that the production of these materials shall include all materials, which would otherwise be protected by the attorney-client privilege, but for which this privilege was waived as a result of Respondent's conduct in *Hynix*.

It is further ORDERED that Respondent may not assert the attorney work product privilege for any materials that concern the subject matters set out above that came into existence on or before December 31, 1999.

It is further ORDERED that Respondent may assert the attorney work product privilege for any materials that concern the subject matters set out above that came into existence on or after January 1, 2000.

ORDERED:

Stephen J. McGuire
Chief Administrative Law Judge

Dated: May 13, 2003