TWELVE RAMBUS PATENTS DECLARED UNENFORCEABLE AS SANCTION FOR DOCUMENT DESTRUCTION

The District Court of Delaware recently entered final judgment against Rambus in its patent infringement case against Micron.[1] The judgment clears the way for an appeal of the court's January 2009 order declaring Rambus' twelve patents in suit unenforceable because Rambus had improperly destroyed documents in 1998-1999.[2]

This decision conflicts with an earlier order in the Northern District of California, where on essentially the same set of facts, Judge Ronald M. Whyte found that there was not sufficient evidence to find spoliation against Rambus.[3] Based on the Delaware decision, Judge Whyte has now stayed Rambus' California litigation and plans to enter judgment on the outstanding issues in *Hynix* so that simultaneous appeals can be made to the Federal Circuit to resolve the conflicting decisions.

Rambus' Pre-Litigation Actions

In early 1998, Rambus began formulating a strategy to license its patents to dynamic random access memory (DRAM) manufacturers. This work included analyzing evidence of infringement, "retaining experts, gathering critical documents and implementing a document retention policy, and building a case against potential litigation targets. . . ."[4]

The licensing and litigation strategies were presented to the Rambus board in March 1998. Rambus then implemented a document "retention" policy that included the destruction of back-up tapes and company-wide "Shred Days" in September 1998 and August 1999.[5] Rambus also instructed its outside patent counsel to "clean its files" in mid-1999.[6]

In October 1999, Rambus sent a letter to Hitachi asserting its patents. When it received no response, it filed suit in Delaware in January 2000. Rambus' suits against Micron and Hynix, among others, followed.

Decision In The Northern District Of California

In *Hynix*, Judge Whyte declined to find that Rambus' 1998 and early 1999 activities made litigation "reasonably foreseeable":

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[1] *Micron Technology, Inc. v. Rambus Inc.*, 00-792-SLR (D. Del.), Feb. 9, 2009 Order, Judge Sue L. Robinson.

[2] *Micron v. Rambus*, Jan. 9, 2009 Opinion, 2009 WL 54887 (D. Del. 2009).

[3] *Hynix Semiconductor Inc., Hynix Semiconductor America Inc., Hynix Semiconductor U.K. LTD., and Hynix Semiconductor Deutschland GmbH v. Rambus Inc.*, 00-20905 RMW (N.D. Cal.), Jan. 4, 2006 Findings of Fact and Conclusions of Law on Unclean Hands Defense, 2006 WL 565893 (N.D. Cal. 2006).

[4] *Micron*, 2009 WL 54887 at *3.

[5] *Id*. at *4-7.

[6] *Id.* at *6.

> [T]he path to litigation was neither clear nor immediate. Although Rambus began to plan a litigation strategy as part of its licensing strategy as early as February 1998, the institution of litigation could not be said to be *reasonably probable* because several contingencies had to occur before Rambus would engage in litigation. . . .[7]

In Judge Whyte's view, "Rambus did not actively contemplate litigation or believe litigation against any particular DRAM manufacturer to be necessary or wise before its negotiation with Hitachi failed, namely in late 1999."[8] Accordingly, Rambus' earlier destruction of documents did not warrant a finding of spoliation or unclean hands.

Decision In The District Of Delaware

In contrast, Judge Robinson concluded that "as early as 1996, Rambus contemplated industry-wide adoption of its DRAM technology through an aggressive use of its intellectual property, characterized as its 'patent minefield.'"[9] The court concluded that "litigation was reasonably foreseeable no later than December 1998," when Rambus' in-house counsel "articulated a time frame and a motive for implementation of the Rambus litigation strategy."[10] It thus found that Rambus should have known that many of the documents destroyed after December 1998 would become material in any future litigation.[11] Accordingly, the conflicting California and Delaware results turned on Judge Whyte's and Judge Robinson's different conclusions as to when litigation by Rambus was "reasonably probable" or "foreseeable."

The Delaware court also found that Rambus' litigation conduct, which was "obstructive at best, misleading at worst," compounded Micron's prejudice from Rambus' pre-litigation actions.[12] Among other things, Rambus' witnesses failed to testify about, offered contradicting testimony on, or failed to make Rambus' counsel aware of details concerning the "shred days" and the destruction of back-up tapes.[13] In Judge Robinson's view, Rambus' conduct was a threat to "the very integrity of the litigation process" and required severe sanctions:

> The spoliation conduct was extensive, including within its scope the destruction of innumerable documents relating to all aspects of Rambus' business; when considered in light of Rambus' litigation conduct, the very integrity of the litigation process has been impugned. Sanctions such as adverse jury instructions and preclusion of

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[7] *Hynix*, 2006 WL 565893 at *22 (emphasis added). These contingencies included the following: "(1) the direct RDRAM ["Rambus DRAM"] ramp had to be sufficiently developed so as not to jeopardize RDRAM production; (2) Rambus's patents covering non-RDRAM technology had to issue; (3) product samples from potentially infringing DRAM manufacturers had to be available in the market; (4) the non-compatible products had to be reverse engineered and claim charts made showing coverage of the actual products; (5) Rambus's board had to approve commencement of negotiations with a DRAM manufacturer; and (6) the targeted DRAM manufacturer had to reject Rambus's licensing terms." *Id.*

[8] *Id.* at *24.

[9] *Micron*, 2009 WL 54887 at *12.

[10] *Id.* at *13.

[11] *Id.*

[12] *Id.*

[13] *Id.* at *8-9.

> evidence are impractical, bordering on meaningless, under these circumstances and in the context of a typical jury trial. Therefore, the court concludes that the appropriate sanction for the conduct of record is to declare the patents in suit unenforceable against Micron.[14]

Conclusion

The Delaware court's sanctions are the latest setback for Rambus. Rambus' destruction of documents also resulted in its patent claims against another DRAM manufacturer, Infineon, being dismissed by a third court in 2005,[15] and Rambus continues to battle the U.S. Federal Trade Commission over whether Rambus violated antitrust laws by concealing its patent interests during its participation in the Joint Electron Device Engineering Council (JEDEC), a standard-setting organization for DRAM.[16]

Rambus' experience serves as a caution to companies looking to enforce their patent portfolios through licensing or litigation. Accordingly, the issue of document destruction and retention, including electronic communications and data storage, should be addressed with care.

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If you have any questions concerning this memorandum, please contact Kelsey I. Nix (212-728-8256, knix@willkie.com), David D. Lee (212-728-8674, dlee1@willkie.com), or the attorney with whom you regularly work.

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[14] *Id.* at *13.

[15] *Rambus Inc. v. Infineon Tech, AG*, 00-00524-REP, (E.D. Va.), March 1, 2005.

[16] *See, e.g.*, Willkie Farr & Gallagher LLP, *Court Of Appeals Reverses FTC Decision In Rambus Standard Setting Case And Holds That A Lawful Monopolist's Use Of Deception To Obtain Higher Prices is Not An Antitrust Violation*, available at http://www.willkie.com/files/tbl_s29Publications/FileUpload5686/2602/Court_of_Appeals_Reverses_FTC_Decision.pdf. A decision on the FTC's November 24, 2008 petition for *certiorari* to the U.S. Supreme Court is pending.