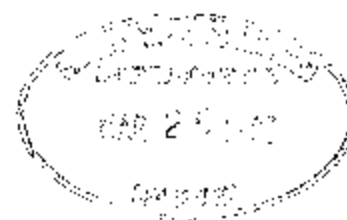


UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION



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

Docket No. 9302

ORDER DENYING RESPONDENT'S
APPLICATIONS FOR REVIEW OF FEBRUARY 26, 2003, ORDER (GRANTING
COMPLAINT COUNSEL'S MOTION FOR COLLATERAL ESTOPPEL) AND
FEBRUARY 28, 2003, ORDER (GRANTING COMPLAINT COUNSEL'S MOTION
TO COMPEL DISCOVERY RELATING TO SUBJECT MATTERS AS TO
WHICH RESPONDENT'S PRIVILEGE CLAIMS WERE INVALIDATED ON
CRIME-FRAUD GROUNDS AND SUBSEQUENTLY WAIVED); DENYING
RESPONDENT'S REQUEST FOR RECONSIDERATION OF THE
FEBRUARY 26 ORDER; AND GRANTING RESPONDENT'S REQUEST
FOR RECONSIDERATION OF THE FEBRUARY 28 ORDER

On February 26, 2003, the Hon. James P. Timony, presiding in the above-captioned proceeding, entered an Order granting Complaint Counsel's Motion for Collateral Estoppel ("February 26 Order"). Thereafter, on February 28, 2003, Judge Timony entered an Order granting Complaint Counsel's Motion to Compel Discovery Relating to Subject Matters as to which Respondent's (Rambus, Inc.), privilege claims were invalidated on crime-fraud grounds and subsequently waived ("February 28 Order"). Respondent subsequently filed separate Applications for Review that the Court certify the February 26 and 28 Orders for immediate interlocutory review by the Commission pursuant to Commission Rule 3.23(b), 16 C.F.R. § 3.23(b). In the alternative, Respondent filed Requests for Reconsideration of both the February 26 and 28 Orders seeking reversal. Respondent argues that Judge Timony "made grievous

errors” while “trying hard to ‘clear the decks’” of open motions in this matter prior to his retirement in late February. Complaint Counsel asserts that Judge Timony’s initial rulings were correct and that Respondent has failed to provide sufficient reason why the Court should reconsider those rulings or permit an interlocutory appeal of these issues to the Commission. For the reasons set forth below, Respondent’s: Applications for Review are **DENIED**; Request for Reconsideration of the February 26 Order is **DENIED**; and Request for Reconsideration of the February 28 Order is **GRANTED**.

I. Background

A. Collateral Estoppel Motion

On February 12, 2003, Complaint Counsel filed a Motion Seeking Recognition of the Collateral Estoppel Effect of Prior Factual Findings that Respondent Rambus Inc. Destroyed Material Evidence in Anticipation of Future Litigation. Complaint Counsel asserted that, based on the decisions of the District Court for the Eastern District of Virginia in *Rambus Inc. v. Infineon Technologies AG*, 155 F.Supp.2d 668 (E.D. Va. 2001)(*Infineon I*), the Federal Circuit in *Rambus Inc. v. Infineon Technologies AG*, 318 F.3d 1081 (4th Cir. 2003)(*Infineon II*), and the principle of collateral estoppel, it was established definitively that Respondent’s document retention policy was created in anticipation of patent infringement litigation concerning patents relating to Respondent’s participation, from 1991-96, in an industry standard-setting organization, the Joint Electronics Device Engineering Council (“JEDEC”), and was intended to destroy documents that would be harmful in such litigation. Respondent, in its Opposition, asserted that the Federal Circuit’s decision in *Infineon II* fully vacated *Infineon I* and, therefore, all findings from *Infineon I* were a nullity and without any collateral estoppel effect in the instant

matter. The February 26 Order by Judge Timony granted Complaint Counsel's motion and gave collateral estoppel effect to three findings of fact made by the district court in *Infineon I*.¹

In *Infineon I*, Respondent alleged Infineon infringed on various patents relating to computer random access memory ("RAM") held by Respondent. Infineon counter-claimed alleging that Respondent committed fraud under Virginia state law by not disclosing various RAM-related patents held or applied for by Respondent while it participated in JEDEC.

During trial, the district court entered a judgment as a matter of law ("JMOL") in favor of Infineon, holding Infineon did not infringe on any of Respondent's patents. The court permitted the fraud counter-claims to go to the jury and the jury returned a verdict that Respondent committed fraud as to two types of RAM technology, SDRAM and DDRAM. Following post-trial motions, the district court permitted the jury verdict to stand against Rambus as to fraud concerning SDRAM. The district court granted Respondent's motion for a JMOL as to DDRAM but denied Respondent's motions for a JMOL or new trial concerning SDRAM. In sum, the district court ultimately entered a judgment holding that: (1) Infineon did not infringe any patents

¹ The three findings of fact held to be subject to collateral estoppel are:

1. When "Rambus instituted its document retention policy in 1998," it did so, "in part, for the purpose of getting rid of documents that might be harmful in litigation."
2. Rambus, at the time it implemented its "document retention policy," "[c]learly . . . contemplated that it might be bringing patent infringement suits during this timeframe" if its efforts to persuade semi-conductor manufacturers to license "its JEDEC-related patents" "were not successful."
3. Rambus's "document destruction" was done "in anticipation of litigation."

held by Respondent; (2) Respondent did not commit fraud with regard to DDRAM; and (3) that Respondent did commit fraud with regard to SDRAM.

The district court also awarded over \$7.1 million in attorney fees to Infineon as the prevailing party in a patent infringement suit pursuant to the authority of 35 U.S.C. § 285. The district court based the award of attorney fees on three independent grounds: (1) Respondent's claim construction and infringement positions; (2) fraud as inequitable conduct; and (3) litigation misconduct by Respondent.

On appeal, the Federal Circuit, in *Infineon II*, affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the case to the district court. The Federal Circuit reversed and vacated the JMOL on infringement claims. It also reversed the district court's denial of the Respondent's post-trial JMOL on the SDRAM fraud verdict. It affirmed the post-trial JMOL grant on the DDRAM claims.

While the district court awarded attorney fees on the three independent grounds noted above, on appeal Respondent only challenged the claim construction and fraud grounds for the award and did "not contest the district court's holding of litigation misconduct" or make a showing that the holding on this point was "clearly erroneous." *Infineon II*, 318 F.3d at 1106. In remanding the attorney fee award issue to the district court, the Federal Circuit held that while litigation misconduct could alone justify the award of attorney fees by the district court, under § 285 where attorney fees are awarded solely on the basis of litigation misconduct, "the amount of the award must bear some relation to the extent of the misconduct." *Id.* The Federal Circuit summarized its position on the award of attorney fees and litigation misconduct by Respondent as follows:

In sum, given this court's holdings on claim construction and fraud and the lack of the apportionment between the award and the misconduct, this court vacates the attorney fees award and remands to the district court. On remand, the district court may consider whether Infineon remains a prevailing party, and if so, whether an award is warranted. If the court determines that an award is warranted, it will have the opportunity to set the amount of the award to redress the litigation misconduct.

Id.

B. Crime-Fraud Exception Motion

On January 7, 2003, Complaint Counsel filed a Motion to Compel Discovery Relating to Subject Matters as to Which Rambus's Privilege Claims were Invalidated on Crime-Fraud Grounds and Subsequently Waived. In the motion, Complaint Counsel sought to obtain documents for which Respondent asserted privilege for the time period after Rambus dropped out of JEDEC in 1996. Complaint Counsel's motion focused on the doctrine of waiver, arguing that Respondent opened the door to post -1996 documents by voluntarily producing pre-1996 documents in litigation involving Hynix.²

Respondent filed its Opposition on January 21, 2003. In it, Respondent claimed that the doctrine of waiver could not serve as a basis for requiring it to produce documents after it dropped out of JEDEC in 1996. Respondent claimed it had never voluntarily produced documents for which it claimed privilege so no waiver could exist, stating that its production of documents in prior litigation involving Hynix was a "de facto" compelled production and that the production agreement between Respondent and Hynix preserved the privileged nature of the documents.

² Rambus produced pre-1996 documents without judicial compulsion to Hynix after losing litigation on the identical issues in litigation involving Infineon and Micron. February 28 Order at n. 1.

The February 28 Order issued by Judge Timony granted Complaint Counsel's motion and permitted the requested discovery. The Order was not based on the waiver theory advanced by Complaint Counsel. Rather, Judge Timony *sua sponte* based his ruling on the evidence of record on Respondent's conduct, and in particular on the resulting factual presumptions contained in the February 26, 2003 Order on Complaint Counsel's Motion for Default Judgment. The February 28 Order concluded that this evidence and these factual presumptions were a *prima facie* basis for concluding that Respondent was involved in fraudulent conduct after June 1996 (when Respondent dropped out of JEDEC), and, therefore, the crime-fraud exception permitted discovery by Complaint Counsel of post-June 1996 materials otherwise protected by the attorney-client or attorney work product privileges.

II. Analysis and Discussion

A. Certification for Interlocutory Appeal

Respondent seeks certification of the February 26 and 28 Orders for interlocutory review by the Commission pursuant to Commission Rule 3.23(b), 16 C.F.R. § 3.23(b). Applications for review of a ruling by the Administrative Law Judge may be made *only* if the applicant meets both prongs of a two prong test. The first prong is that the ruling must involve "a controlling question of law or policy as to which there is substantial ground for difference of opinion." 16 C.F.R. § 3.23(b). Controlling questions are "not equivalent to merely a question of law which is determinative of the case at hand. To the contrary, such a question is deemed controlling only if it may contribute to the determination, at an early stage, of a wide spectrum of cases." *In re Automotive Breakthrough Sciences, Inc.*, 1996 FTC LEXIS 478 at *1 (Nov. 5 1996).

The second prong is that the Administrative Law Judge must determine “that an immediate appeal from the ruling may materially advance the ultimate termination of the litigation or [that] subsequent review will be an inadequate remedy.” 16 C.F.R. § 3.23(b) (emphasis added). In addition, for discovery orders such as the February 28 Order, the Commission “generally disfavor[s] interlocutory appeals, particularly those seeking Commission review of an ALJ’s discovery rulings.” *In re Gillette Co.*, 98 F.T.C. 875, 875, 1981 FTC LEXIS 2, *1 (Dec. 1, 1981). “Interlocutory appeals from discovery rulings merit a particularly skeptical reception, because [they are] particularly suited for resolution by the administrative law judge on the scene and particularly conducive to repetitive delay.” *In re Bristol-Myers Co.*, 90 F.T.C. 273, 273, 1977 FTC LEXIS 83, *1 (Oct. 7, 1977). *Accord In re Gillette Co.*, 98 F.T.C. at 875 (“resolution of discovery issues, as a general matter, should be left to the discretion of the ALJ”).

A review of the February 26 Order indicates that it does not involve “a controlling question of law or policy.” On its face, the Order only involves factual questions, not ones of law or policy. Since the three factual issues given collateral estoppel effect are not dispositive of this matter, an immediate interlocutory appeal would not materially advance the ultimate termination of this dispute. Similarly, the non-dispositive nature of these three factual issues means that Respondent will not be harmed by delaying review of the February 26 Order, or any findings thereunder, until a plenary review by the Commission.

Since the Court grants Respondent’s Request for Reconsideration of the February 28 Order, even considering certification of the Order until after the Court’s reconsideration is inappropriate. However, even after the reconsideration, consistent with the Commission rulings in *Bristol-Myers* and *Gillette*, the resolution of what is ultimately a discovery issue is best left to

the “administrative law judge on the scene.” Moreover, an interlocutory appeal on this issue would not materially advance the ultimate termination of this dispute.

For these reasons, Respondent’s Applications for Review for interlocutory appeal of the February 26 and February 28 Orders are DENIED.

B. Reconsideration

In the alternative, Respondent requests the Court to reconsider and reverse the Orders in question. Motions for reconsideration should be granted only sparingly. *Karr v. Castle*, 768 F. Supp. 1087, 1090 (D. Del. 1991). Such motions should be granted only where: (1) there has been an intervening change in controlling law; (2) new evidence is available; or (3) there is a need to correct clear error or manifest injustice. *Regency Communications, Inc. v. Cleartel Communications, Inc.*, 212 F.Supp.2d 1, 3 (D.D.C. 2002). Reconsideration motions are not intended to be opportunities “to take a second bite at the apple” and relitigate previously decided matters. *Greenwald v. Orb Communications & Marketing, Inc.*, 2003 WL 660844 at *1 (S.D.N.Y. Feb. 27, 2003).

In this matter, there have been no intervening changes in controlling law or new evidence since the filing of the February 26 and February 28 Orders. Rather, the sole change is the re-assignment of this case to the current presiding judge which occurred due to Judge Timony’s retirement on February 28, 2003. As a result, this review is not to determine whether the Court agrees with the conclusions reached in these Orders or whether it might have reached a different result, but rather is specifically limited to the issue of whether either the February 26 or February 28 Order is in “clear error” or results in a “manifest injustice”.

1. Collateral Estoppel Order

As stated in the February 26 Order:

Collateral estoppel may be used to bar a party from relitigating an issue on which it has been fully heard and lost. “[A] party who has had one fair and full opportunity to prove a claim and has failed in that effort, should not be permitted to go to trial on the merit of that claim a second time.” *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 324-325 (1971). The purpose of the doctrine is to “protect[] adversaries from, the expense and vexation attending multiple lawsuits, conserve[] judicial resources, and, foster[] reliance on judicial action by minimizing the possibility of inconsistent decisions.” *Montana v. United States*, 440 U.S. 147, 153 (1979); accord *Blonder-Tongue*, 402 U.S. at 324-25 (“Both orderliness and reasonable time saving in judicial administration require this to be so unless some overriding consideration of fairness to a litigant dictates a different result in the circumstances of the particular case.”).

February 26 Order at 2.

Respondent’s memorandum in support of its motion for reconsideration cites numerous cases for the general principle that where the mandate of a circuit court vacates the decision of a district court in its entirety, the prior actions of the district court are a nullity and not a foundation for a finding of collateral estoppel. Respondent’s Memorandum at pp. 7-10. This general principle is inapposite to the instant situation, however. Where a circuit court’s mandate does not fully vacate a decision of a district court, the portions of the district court decision not vacated by the appellate court remain in effect. *Molinary v. Powell Mountain Coal Co., Inc.*, 173 F.3d 920, 923 (4th Cir. 1999)(where a specific issue is not vacated on appeal, that issue may not be relitigated on remand and the district court judgment remains final as to that issue – “entire mandate [to be] read *in toto*” to determine circuit court’s intent concerning extent of vacatur); *Cowgill v. Raymark Industries, Inc.*, 832 F.2d 798, 802 (3d Cir. 1987)(“When a court of appeals reverses a judgment and remands for further consideration of a particular issue, leaving other

determinations of the trial court intact, the unreversed determinations of the trial court normally continue to work as an estoppel.”); *Solomon v. Liberty County*, 957 F.Supp. 1522, 1554-55 (N.D. Fla. 1997)(a mandate only vacating part of a district court’s decision is limited in nature and does not nullify all prior proceedings); *GAF Corp. v. Eastman Kodak Co.*, 519 F.Supp. 1203, 1212-13 (S.D.N.Y. 1981)(finality sufficient for law of the case is a sufficient basis for collateral estoppel). See also *Restatement (2d) of Judgments* § 13 (“For purposes of issue preclusion . . . ‘final judgment’ includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.”).

Particularly instructive on the principle that a partial vacatur leaves the non-vacated portions of the trial court decision in effect is *The University of Colorado Foundation, Inc. v. American Cyanimid Co.*, 105 F.Supp.2d 1164, 1173 (D. Col. 2000)(“*Colorado Foundation*”), which analyzes a decision by the Federal Circuit using language in its mandate similar to *Infineon II*.³ In *Colorado Foundation*, the district court considered a situation where the appellant did not challenge certain factual findings by the district court on appeal. The Federal Circuit expressly noted that it did not, therefore review (or vacate) those factual findings. Rather, “[s]uch a mandate . . . does not ‘extinguish’ the underlying trial or deprive the proceedings of their ‘standing’ for the purposes of *res judicata*. It simply requires the trial court on remand to apply the correct law to the facts already determined to be sufficient to meet the correct legal standard.” *Colorado Foundation*, 105 F.Supp.2d at 1173.

³ *The University of Colorado Foundation, Inc. v. American Cyanimid Co.*, 196 F.3d 1366 (Fed. Cir. 1999).

The mandate of the Federal Circuit in *Infineon II* can be read as being less than a full vacatur of the district court's factual findings as to litigation misconduct by Respondent. It is clear that where an order is not fully vacated by a circuit court's mandate, those portions which are not specifically vacated are not extinguished and remain valid. Therefore, *Infineon II* could well be read as the Federal Circuit accepting the district court's factual findings on Respondent's litigation misconduct and issuing a mandate directing the district court on remand to determine if the litigation misconduct alone was sufficient to justify any or all of the initial \$7.1 million attorney fee award. Given this reading, this Court cannot conclusively determine that the findings of the February 26 Order were clearly in error or represents a manifest injustice. Having failed to meet the applicable standard for review, the Respondent's Motion for Reconsideration as to the February 26 Order is DENIED.

2. Crime-Fraud Exception Discovery Order

a. The Crime-Fraud Exception Defined

In order to foster free and unfettered communications between a client and an attorney (including full disclosure of past wrongdoings), those communications are "zealously protected." *Haines v. Liggett Group Inc.*, 975 F.2d 81, 90 (3d Cir. 1992). An exception to this principle is the crime-fraud exception. This protection "ceases to operate at a certain point, namely, where the desired advice refers *not to prior wrongdoing*, but to *future wrongdoing*." *Haines*, 975 F.2d 81 at 84 (emphasis in original) *quoting* 8 Wigmore, § 2298.

b. The February 28 Order is Not Clearly Erroneous

The foundation of the February 28 Order is comprised of four factual presumptions set out in the February 26, 2003 Order on Complaint Counsel's Motion for Default Judgment.

These presumptions arose as a result of the evidence of record in this matter as determined by

Judge Timony. The presumptions include:

- a. Rambus participated in JEDEC through June 1996;
- b. Through this participation, Rambus knew or should have known the JEDEC standards for RAM, as developed through June 1996, would infringe on patents held or applied for by Rambus;
- c. Rambus knew or should have known that these infringements could potentially lead to substantial licensing fees or damages for Rambus; and
- d. Rambus, before it ceased participation in JEDEC in June 1996, failed to disclose the existence of the patents it either held or had applied for that could be infringed by the proposed JEDEC standards to the other JEDEC participants.

Additionally, the February 28 Order found that Respondent, after 1996, continued the process of prosecuting patents applied for prior to its dropping out of JEDEC in June 1996 that Respondent knew or should have known from its participation in JEDEC could be of significant value to it. Beyond these factual predicates, the February 28 Order relied upon the legal standard for establishing the crime-fraud exception set out in *In re Vargas*, 723 F.2d 1461 (10th Cir. 1983). Decided in the context of a grand jury proceeding, *Vargas* held that neither a hearing nor an *in camera* inspection of documents is mandatory prior to requiring the production of documents under the crime-fraud exception once *prima facie* evidence of fraud is established by the party seeking discovery. *Vargas* did not direct that its holding is limited only to the grand jury context and inapplicable to civil proceedings. Since Judge Timony, relying on the standard in *Vargas* and the factual presumptions in the February 26 Order on Complaint Counsel's Motion for Default Judgment, found that Complaint Counsel sufficiently established a *prima facie* case that Respondent used its attorneys after 1996 to prosecute patents and thereby continue

fraudulent conduct that began before Respondent dropped out of JEDEC in 1996, this Court cannot conclude that the February 28 Order is clearly erroneous.

c. The February 28 Order Appears Manifestly Unjust

While *Vargas* remains valid,⁴ the Court is persuaded by cases such as *Haines* and *Laser Industries, Ltd. v. Reliant Technologies, Inc.*, 167 F.R.D. 417 (N.D. Cal. 1996), that a different procedural standard controls access to the crime-fraud exception in a purely civil context. As a result, to permit Complaint Counsel to establish a *prima facie* case and then to compel production of documents without providing Respondent with an adequate opportunity to reply, would represent a manifest injustice since it irrevocably could “break the seal of a highly protected privilege,” *Haines* 975 F.2d at 96.

In the context of a grand jury proceeding, there is a substantial societal interest in maintaining the secrecy of the grand jury’s investigation. In this regard, to permit an entity the opportunity to rebut a prosecutor’s unchallenged presentation of evidence sufficient to establish a *prima facie* basis for the crime fraud exception could prohibit the “effective detection, punishment, and deterrence of criminal acts.” *Laser Industries*, 167 F.R.D. at 426. In contrast, in the civil context there is no conflict between the need for secrecy presented by a criminal investigation and the due process rights of the party from whom discovery is sought. As a result, once a party seeking discovery in a civil matter establishes a *prima facie* case that the crime-

⁴ The decision cited by Respondent, *In re M&L Business Machine Co., Inc.*, 167 BR 937 (D. Colo. 1994), does not establish that *Vargas* does not apply to civil proceedings even within the Tenth Circuit. It fails on this point because *M&L* simply follows the reasoning of the Third Circuit in *Haines* without considering the import of its own Circuit Court’s decision in *Vargas*. Though the Court might agree with the reasoning of *M&L*, it is unable to determine if the *M&L* court ignored *Vargas*, believed it inapplicable, or simply was unaware of it.

fraud exception may apply, “[t]he importance of the privilege . . . as well as fundamental concepts of due process require that the party defending the privilege be given the opportunity to be heard, by evidence and argument, at the hearing seeking the exception to the privilege.” *Haines*, 975 F.2d at 97. Put another way, where a judge “undertakes to weigh evidence in a proceeding seeking an exception to the privilege, the party invoking the privilege has the absolute right to be heard.” *Id.*

Here, Respondent did not have an adequate opportunity to rebut the *prima facie* case for invoking the crime-fraud exception that the February 28 Order found exists. This lack of an opportunity for rebuttal by Respondent was compounded by the fact that while Complaint Counsel’s underlying Motion to Compel was based solely on a waiver theory, the February 28 Order was based not on the waiver issue, but rather directly on the merits of whether Respondent engaged in conduct that justifies invocation of the crime-fraud exception.⁵ Assuming that Judge Timony believed, under *Vargas*, that Respondent had any right to be heard on the alternative theory that he used to resolve the February 28 Order, he may have determined that the evidence and argument put forward by Respondent in opposition to Complaint Counsel’s Motion for Default Judgment amounted to an indirect rebuttal of the *prima facie* case found in the February 28 Order. Such indirect rebuttal however, does not provide the procedural due process accorded to Respondent. “[T]he privilege [can] be given adequate protection . . . only when the [judge] undertakes a thorough consideration of the issue, with the assistance of counsel on both sides of the dispute.” *Laser Industries*, 167 F.R.D. at 428.

⁵ In fact, the February 28 Order never ultimately resolved the waiver issue put forward by Complaint Counsel. February 28 Order at n. 1.

d. Proceeding on the Crime-Fraud Exception Issue

In theory, the Court could resolve this issue by looking solely at the waiver theory initially advanced by Complaint Counsel in the underlying Motion to Compel. If, based on the memoranda previously submitted by the parties, the Court decides to deny the motion based on the waiver theory, it could issue an order and nothing further would be required. *In re General Motors Corp.*, 153 F.3d 714, 716 (8th Cir. 1998). Only if the Court were inclined to grant the motion and compel production would it need to go through a *Haines*-type procedure. *Id.* Realistically, however, the genie is out of the bottle on the issue of whether Respondent's actual conduct (waiver issue aside) amounts to a basis for invoking the crime-fraud exception and permitting the discovery sought by Complaint Counsel. In its Opposition to the Respondent's Motion for Reconsideration of the February 28 Order, Complaint Counsel avidly advocated and adopted this theory as its own.

It would be highly inefficient to go through an entire *Haines*-type proceeding on a waiver theory and then potentially have to go through it a second time on another substantive theory. Rather, to promote judicial economy, the Court intends to address all potential theories in support of invoking the crime-fraud exception in a single proceeding. As a result, if Complaint Counsel wishes to advance substantive facts or other theories in support of its once more outstanding Motion to Compel, it must file a supplemental memorandum, not to exceed twenty-five (25) pages, within ten (10) days of this Order. If Complaint Counsel files a supplemental memorandum, Respondent will then have ten (10) days to file a supplemental opposition memorandum, also not to exceed twenty-five (25) pages. Replies will not be entertained.

If, after consideration of the parties' original memoranda and any supplemental briefing, the Court decides to deny Complaint Counsel's motion, an order will issue accordingly. If, after consideration of the parties' original memoranda and any supplemental briefing, the Court is inclined to grant Complaint Counsel's motion, it will proceed using any additional appropriate procedural safeguards it deems necessary to assure due process.

IV. Conclusion

For the reasons set forth above:

1. Respondent's Applications for Review for certification of the February 26 and February 28 Orders for interlocutory review by the Commission are **DENIED**;
2. Respondents's Motion for Reconsideration of the February 26 Order is **DENIED**;
and
3. Respondent's Motion for Reconsideration of the February 28 Order is **GRANTED**.

ORDERED:


Stephen J. McGuire
Chief Administrative Law Judge

Dated: March 26, 2003

errors” while “trying hard to ‘clear the decks’” of open motions in this matter prior to his retirement in late February. Complaint Counsel asserts that Judge Timony’s initial rulings were correct and that Respondent has failed to provide sufficient reason why the Court should reconsider those rulings or permit an interlocutory appeal of these issues to the Commission. For the reasons set forth below, Respondent’s Applications for Review are **DENIED**; Request for Reconsideration of the February 26 Order is **DENIED**; and Request for Reconsideration of the February 28 Order is **GRANTED**.

I. Background

A. Collateral Estoppel Motion

On February 12, 2003, Complaint Counsel filed a Motion Seeking Recognition of the Collateral Estoppel Effect of Prior Factual Findings that Respondent Rambus Inc. Destroyed Material Evidence in Anticipation of Future Litigation. Complaint Counsel asserted that, based on the decisions of the District Court for the Eastern District of Virginia in *Rambus Inc. v. Infineon Technologies AG*, 155 F.Supp.2d 668 (E.D. Va. 2001)(*Infineon I*), the Federal Circuit in *Rambus Inc. v. Infineon Technologies AG*, 318 F.3d 1081 (4th Cir. 2003)(*Infineon II*), and the principle of collateral estoppel, it was established definitively that Respondent’s document retention policy was created in anticipation of patent infringement litigation concerning patents relating to Respondent’s participation, from 1991-96, in an industry standard-setting organization, the Joint Electronics Device Engineering Council (“JEDEC”), and was intended to destroy documents that would be harmful in such litigation. Respondent, in its Opposition, asserted that the Federal Circuit’s decision in *Infineon II* fully vacated *Infineon I* and, therefore, all findings from *Infineon I* were a nullity and without any collateral estoppel effect in the instant

matter. The February 26 Order by Judge Timony granted Complaint Counsel's motion and gave collateral estoppel effect to three findings of fact made by the district court in *Infineon I*.¹

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During trial, the district court entered a judgment as a matter of law ("JMOL") in favor of Infineon, holding Infineon did not infringe on any of Respondent's patents. The court permitted the fraud counter-claims to go to the jury and the jury returned a verdict that Respondent committed fraud as to two types of RAM technology, SDRAM and DDRAM. Following post-trial motions, the district court permitted the jury verdict to stand against Rambus as to fraud concerning SDRAM. The district court granted Respondent's motion for a JMOL as to DDRAM but denied Respondent's motions for a JMOL or new trial concerning SDRAM. In sum, the district court ultimately entered a judgment holding that: (1) Infineon did not infringe any patents

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held by Respondent; (2) Respondent did not commit fraud with regard to DDRAM; and (3) that Respondent did commit fraud with regard to SDRAM.

The district court also awarded over \$7.1 million in attorney fees to Infineon as the prevailing party in a patent infringement suit pursuant to the authority of 35 U.S.C. § 285. The district court based the award of attorney fees on three independent grounds: (1) Respondent's claim construction and infringement positions; (2) fraud as inequitable conduct; and (3) litigation misconduct by Respondent.

On appeal, the Federal Circuit, in *Infineon II*, affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the case to the district court. The Federal Circuit reversed and vacated the JMOL on infringement claims. It also reversed the district court's denial of the Respondent's post-trial JMOL on the SDRAM fraud verdict. It affirmed the post-trial JMOL grant on the DDRAM claims.

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In sum, given this court's holdings on claim construction and fraud and the lack of the apportionment between the award and the misconduct, this court vacates the attorney fees award and remands to the district court. On remand, the district court may consider whether Infineon remains a prevailing a party, and if so, whether an award is warranted. If the court determines that an award is warranted, it will have the opportunity to set the amount of the award to redress the litigation misconduct.

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On January 7, 2003, Complaint Counsel filed a Motion to Compel Discovery Relating to Subject Matters as to Which Rambus's Privilege Claims were Invalidated on Crime-Fraud Grounds and Subsequently Waived. In the motion, Complaint Counsel sought to obtain documents for which Respondent asserted privilege for the time period after Rambus dropped out of JEDEC in 1996. Complaint Counsel's motion focused on the doctrine of waiver, arguing that Respondent opened the door to post -1996 documents by voluntarily producing pre-1996 documents in litigation involving Hynix.²

Respondent filed its Opposition on January 21, 2003. In it, Respondent claimed that the doctrine of waiver could not serve as a basis for requiring it to produce documents after it dropped out of JEDEC in 1996. Respondent claimed it had never voluntarily produced documents for which it claimed privilege so no waiver could exist, stating that its production of documents in prior litigation involving Hynix was a "de facto" compelled production and that the production agreement between Respondent and Hynix preserved the privileged nature of the documents.

² Rambus produced pre-1996 documents without judicial compulsion to Hynix after losing litigation on the identical issues in litigation involving Infineon and Micron. February 28 Order at n. 1.

The February 28 Order issued by Judge Timony granted Complaint Counsel's motion and permitted the requested discovery. The Order was not based on the waiver theory advanced by Complaint Counsel. Rather, Judge Timony *sua sponte* based his ruling on the evidence of record on Respondent's conduct, and in particular on the resulting factual presumptions contained in the February 26, 2003 Order on Complaint Counsel's Motion for Default Judgment. The February 28 Order concluded that this evidence and these factual presumptions were a *prima facie* basis for concluding that Respondent was involved in fraudulent conduct after June 1996 (when Respondent dropped out of JEDEC), and, therefore, the crime-fraud exception permitted discovery by Complaint Counsel of post-June 1996 materials otherwise protected by the attorney-client or attorney work product privileges.

II. Analysis and Discussion

A. Certification for Interlocutory Appeal

Respondent seeks certification of the February 26 and 28 Orders for interlocutory review by the Commission pursuant to Commission Rule 3.23(b), 16 C.F.R. § 3.23(b). Applications for review of a ruling by the Administrative Law Judge may be made *only* if the applicant meets both prongs of a two prong test. The first prong is that the ruling must involve "a controlling question of law or policy as to which there is substantial ground for difference of opinion." 16 C.F.R. § 3.23(b). Controlling questions are "not equivalent to merely a question of law which is determinative of the case at hand. To the contrary, such a question is deemed controlling only if it may contribute to the determination, at an early stage, of a wide spectrum of cases." *In re Automotive Breakthrough Sciences, Inc.*, 1996 FTC LEXIS 478 at *1 (Nov. 5 1996).

The second prong is that the Administrative Law Judge must determine “that an immediate appeal from the ruling may materially advance the ultimate termination of the litigation or [that] subsequent review will be an inadequate remedy.” 16 C.F.R. § 3.23(b) (emphasis added). In addition, for discovery orders such as the February 28 Order, the Commission “generally disfavor[s] interlocutory appeals, particularly those seeking Commission review of an ALJ’s discovery rulings.” *In re Gillette Co.*, 98 F.T.C. 875, 875, 1981 FTC LEXIS 2, *1 (Dec. 1, 1981). “Interlocutory appeals from discovery rulings merit a particularly skeptical reception, because [they are] particularly suited for resolution by the administrative law judge on the scene and particularly conducive to repetitive delay.” *In re Bristol-Myers Co.*, 90 F.T.C. 273, 273, 1977 FTC LEXIS 83, *1 (Oct. 7, 1977). *Accord In re Gillette Co.*, 98 F.T.C. at 875 (“resolution of discovery issues, as a general matter, should be left to the discretion of the ALJ”).

A review of the February 26 Order indicates that it does not involve “a controlling question of law or policy.” On its face, the Order only involves factual questions, not ones of law or policy. Since the three factual issues given collateral estoppel effect are not dispositive of this matter, an immediate interlocutory appeal would not materially advance the ultimate termination of this dispute. Similarly, the non-dispositive nature of these three factual issues means that Respondent will not be harmed by delaying review of the February 26 Order, or any findings thereunder, until a plenary review by the Commission.

Since the Court grants Respondent’s Request for Reconsideration of the February 28 Order, even considering certification of the Order until after the Court’s reconsideration is inappropriate. However, even after the reconsideration, consistent with the Commission rulings in *Bristol-Myers* and *Gillette*, the resolution of what is ultimately a discovery issue is best left to

the “administrative law judge on the scene.” Moreover, an interlocutory appeal on this issue would not materially advance the ultimate termination of this dispute.

For these reasons, Respondent’s Applications for Review for interlocutory appeal of the February 26 and February 28 Orders are DENIED.

B. Reconsideration

In the alternative, Respondent requests the Court to reconsider and reverse the Orders in question. Motions for reconsideration should be granted only sparingly. *Karr v. Castle*, 768 F. Supp. 1087, 1090 (D. Del. 1991). Such motions should be granted only where: (1) there has been an intervening change in controlling law; (2) new evidence is available; or (3) there is a need to correct clear error or manifest injustice. *Regency Communications, Inc. v. Cleartel Communications, Inc.*, 212 F.Supp.2d 1, 3 (D.D.C. 2002). Reconsideration motions are not intended to be opportunities “to take a second bite at the apple” and relitigate previously decided matters. *Greenwald v. Orb Communications & Marketing, Inc.*, 2003 WL 660844 at *1 (S.D.N.Y. Feb. 27, 2003).

In this matter, there have been no intervening changes in controlling law or new evidence since the filing of the February 26 and February 28 Orders. Rather, the sole change is the re-assignment of this case to the current presiding judge which occurred due to Judge Timony’s retirement on February 28, 2003. As a result, this review is not to determine whether the Court agrees with the conclusions reached in these Orders or whether it might have reached a different result, but rather is specifically limited to the issue of whether either the February 26 or February 28 Order is in “clear error” or results in a “manifest injustice”.

1. Collateral Estoppel Order

As stated in the February 26 Order:

Collateral estoppel may be used to bar a party from relitigating an issue on which it has been fully heard and lost. "[A] party who has had one fair and full opportunity to prove a claim and has failed in that effort, should not be permitted to go to trial on the merit of that claim a second time." *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 324-325 (1971). The purpose of the doctrine is to "protect[] adversaries from, the expense and vexation attending multiple lawsuits, conserve[] judicial resources, and, foster[] reliance on judicial action by minimizing the possibility of inconsistent decisions." *Montana v. United States*, 440 U.S. 147, 153 (1979); accord *Blonder-Tongue*, 402 U.S. at 324-25 ("Both orderliness and reasonable time saving in judicial administration require this to be so unless some overriding consideration of fairness to a litigant dictates a different result in the circumstances of the particular case.").

February 26 Order at 2.

Respondent's memorandum in support of its motion for reconsideration cites numerous cases for the general principle that where the mandate of a circuit court vacates the decision of a district court in its entirety, the prior actions of the district court are a nullity and not a foundation for a finding of collateral estoppel. Respondent's Memorandum at pp. 7-10. This general principle is inapposite to the instant situation, however. Where a circuit court's mandate does not fully vacate a decision of a district court, the portions of the district court decision not vacated by the appellate court remain in effect. *Molinary v. Powell Mountain Coal Co., Inc.*, 173 F.3d 920, 923 (4th Cir. 1999)(where a specific issue is not vacated on appeal, that issue may not be relitigated on remand and the district court judgment remains final as to that issue – "entire mandate [to be] read *in toto*" to determine circuit court's intent concerning extent of vacatur); *Cowgill v. Raymark Industries, Inc.*, 832 F.2d 798, 802 (3d Cir. 1987)("When a court of appeals reverses a judgment and remands for further consideration of a particular issue, leaving other

determinations of the trial court intact, the unreversed determinations of the trial court normally continue to work as an estoppel.”); *Solomon v. Liberty County*, 957 F.Supp. 1522, 1554-55 (N.D. Fla. 1997)(a mandate only vacating part of a district court’s decision is limited in nature and does not nullify all prior proceedings); *GAF Corp. v. Eastman Kodak Co.*, 519 F.Supp. 1203, 1212-13 (S.D.N.Y. 1981)(finality sufficient for law of the case is a sufficient basis for collateral estoppel). See also *Restatement (2d) of Judgments* § 13 (“For purposes of issue preclusion . . . ‘final judgment’ includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.”).

Particularly instructive on the principle that a partial vacatur leaves the non-vacated portions of the trial court decision in effect is *The University of Colorado Foundation, Inc. v. American Cyanamid Co.*, 105 F.Supp.2d 1164, 1173 (D. Col. 2000)(“*Colorado Foundation*”), which analyzes a decision by the Federal Circuit using language in its mandate similar to *Infinion II*.³ In *Colorado Foundation*, the district court considered a situation where the appellant did not challenge certain factual findings by the district court on appeal. The Federal Circuit expressly noted that it did not, therefore review (or vacate) those factual findings. Rather, “[s]uch a mandate . . . does not ‘extinguish’ the underlying trial or deprive the proceedings of their ‘standing’ for the purposes of *res judicata*. It simply requires the trial court on remand to apply the correct law to the facts already determined to be sufficient to meet the correct legal standard.” *Colorado Foundation*, 105 F.Supp.2d at 1173.

³ *The University of Colorado Foundation, Inc. v. American Cyanamid Co.*, 196 F.3d 1366 (Fed. Cir. 1999).

The mandate of the Federal Circuit in *Infineon II* can be read as being less than a full vacatur of the district court's factual findings as to litigation misconduct by Respondent. It is clear that where an order is not fully vacated by a circuit court's mandate, those portions which are not specifically vacated are not extinguished and remain valid. Therefore, *Infineon II* could well be read as the Federal Circuit accepting the district court's factual findings on Respondent's litigation misconduct and issuing a mandate directing the district court on remand to determine if the litigation misconduct alone was sufficient to justify any or all of the initial \$7.1 million attorney fee award. Given this reading, this Court cannot conclusively determine that the findings of the February 26 Order were clearly in error or represents a manifest injustice. Having failed to meet the applicable standard for review, the Respondent's Motion for Reconsideration as to the February 26 Order is DENIED.

2. Crime-Fraud Exception Discovery Order

a. The Crime-Fraud Exception Defined

In order to foster free and unfettered communications between a client and an attorney (including full disclosure of past wrongdoings), those communications are "zealously protected." *Haines v. Liggett Group Inc.*, 975 F.2d 81, 90 (3d Cir. 1992). An exception to this principle is the crime-fraud exception. This protection "ceases to operate at a certain point, namely, where the desired advice refers *not to prior wrongdoing, but to future wrongdoing.*" *Haines*, 975 F.2d 81 at 84 (emphasis in original) quoting 8 Wigmore, § 2298.

b. The February 28 Order is Not Clearly Erroneous

The foundation of the February 28 Order is comprised of four factual presumptions set out in the February 26, 2003 Order on Complaint Counsel's Motion for Default Judgment.

These presumptions arose as a result of the evidence of record in this matter as determined by Judge Timony. The presumptions include:

- a. Rambus participated in JEDEC through June 1996;
- b. Through this participation, Rambus knew or should have known the JEDEC standards for RAM, as developed through June 1996, would infringe on patents held or applied for by Rambus;
- c. Rambus knew or should have known that these infringements could potentially lead to substantial licensing fees or damages for Rambus; and
- d. Rambus, before it ceased participation in JEDEC in June 1996, failed to disclose the existence of the patents it either held or had applied for that could be infringed by the proposed JEDEC standards to the other JEDEC participants.

Additionally, the February 28 Order found that Respondent, after 1996, continued the process of prosecuting patents applied for prior to its dropping out of JEDEC in June 1996 that Respondent knew or should have known from its participation in JEDEC could be of significant value to it. Beyond these factual predicates, the February 28 Order relied upon the legal standard for establishing the crime-fraud exception set out in *In re Vargas*, 723 F.2d 1461 (10th Cir. 1983). Decided in the context of a grand jury proceeding, *Vargas* held that neither a hearing nor an *in camera* inspection of documents is mandatory prior to requiring the production of documents under the crime-fraud exception once *prima facie* evidence of fraud is established by the party seeking discovery. *Vargas* did not direct that its holding is limited only to the grand jury context and inapplicable to civil proceedings. Since Judge Timony, relying on the standard in *Vargas* and the factual presumptions in the February 26 Order on Complaint Counsel's Motion for Default Judgment, found that Complaint Counsel sufficiently established a *prima facie* case that Respondent used its attorneys after 1996 to prosecute patents and thereby continue

fraudulent conduct that began before Respondent dropped out of JBDEC in 1996, this Court cannot conclude that the February 28 Order is clearly erroneous.

c. The February 28 Order Appears Manifestly Unjust

While *Vargas* remains valid,⁴ the Court is persuaded by cases such as *Haines* and *Laser Industries, Ltd. v. Reliant Technologies, Inc.*, 167 F.R.D. 417 (N.D. Cal. 1996), that a different procedural standard controls access to the crime-fraud exception in a purely civil context. As a result, to permit Complaint Counsel to establish a *prima facie* case and then to compel production of documents without providing Respondent with an adequate opportunity to reply, would represent a manifest injustice since it irrevocably could “break the seal of a highly protected privilege,” *Haines* 975 F.2d at 96.

In the context of a grand jury proceeding, there is a substantial societal interest in maintaining the secrecy of the grand jury’s investigation. In this regard, to permit an entity the opportunity to rebut a prosecutor’s unchallenged presentation of evidence sufficient to establish a *prima facie* basis for the crime fraud exception could prohibit the “effective detection, punishment, and deterrence of criminal acts.” *Laser Industries*, 167 F.R.D. at 426. In contrast, in the civil context there is no conflict between the need for secrecy presented by a criminal investigation and the due process rights of the party from whom discovery is sought. As a result, once a party seeking discovery in a civil matter establishes a *prima facie* case that the crime-

⁴ The decision cited by Respondent, *In re M&L Business Machine Co., Inc.*, 167 BR 937 (D. Colo. 1994), does not establish that *Vargas* does not apply to civil proceedings even within the Tenth Circuit. It fails on this point because *M&L* simply follows the reasoning of the Third Circuit in *Haines* without considering the import of its own Circuit Court’s decision in *Vargas*. Though the Court might agree with the reasoning of *M&L*, it is unable to determine if the *M&L* court ignored *Vargas*, believed it inapplicable, or simply was unaware of it.

fraud exception may apply, '[t]he importance of the privilege . . . as well as fundamental concepts of due process require that the party defending the privilege be given the opportunity to be heard, by evidence and argument, at the hearing seeking the exception to the privilege.'" *Haines*, 975 F.2d at 97. Put another way, where a judge "undertakes to weigh evidence in a proceeding seeking an exception to the privilege, the party invoking the privilege has the absolute right to be heard." *Id.*

Here, Respondent did not have an adequate opportunity to rebut the *prima facie* case for invoking the crime-fraud exception that the February 28 Order found exists. This lack of an opportunity for rebuttal by Respondent was compounded by the fact that while Complaint Counsel's underlying Motion to Compel was based solely on a waiver theory, the February 28 Order was based not on the waiver issue, but rather directly on the merits of whether Respondent engaged in conduct that justifies invocation of the crime-fraud exception.⁵ Assuming that Judge Timony believed, under *Vargas*, that Respondent had any right to be heard on the alternative theory that he used to resolve the February 28 Order, he may have determined that the evidence and argument put forward by Respondent in opposition to Complaint Counsel's Motion for Default Judgment amounted to an indirect rebuttal of the *prima facie* case found in the February 28 Order. Such indirect rebuttal however, does not provide the procedural due process accorded to Respondent. "[T]he privilege [can] be given adequate protection . . . only when the [judge] undertakes a thorough consideration of the issue, with the assistance of counsel on both sides of the dispute." *Laser Industries*, 167 F.R.D. at 428.

⁵ In fact, the February 28 Order never ultimately resolved the waiver issue put forward by Complaint Counsel. February 28 Order at n. 1.

d. Proceeding on the Crime-Fraud Exception Issue

In theory, the Court could resolve this issue by looking solely at the waiver theory initially advanced by Complaint Counsel in the underlying Motion to Compel. If, based on the memoranda previously submitted by the parties, the Court decides to deny the motion based on the waiver theory, it could issue an order and nothing further would be required. *In re General Motors Corp.*, 153 F.3d 714, 716 (8th Cir. 1998). Only if the Court were inclined to grant the motion and compel production would it need to go through a *Haines*-type procedure. *Id.* Realistically, however, the genie is out of the bottle on the issue of whether Respondent's actual conduct (waiver issue aside) amounts to a basis for invoking the crime-fraud exception and permitting the discovery sought by Complaint Counsel. In its Opposition to the Respondent's Motion for Reconsideration of the February 28 Order, Complaint Counsel avidly advocated and adopted this theory as its own.

It would be highly inefficient to go through an entire *Haines*-type proceeding on a waiver theory and then potentially have to go through it a second time on another substantive theory. Rather, to promote judicial economy, the Court intends to address all potential theories in support of invoking the crime-fraud exception in a single proceeding. As a result, if Complaint Counsel wishes to advance substantive facts or other theories in support of its once more outstanding Motion to Compel, it must file a supplemental memorandum, not to exceed twenty-five (25) pages, within ten (10) days of this Order. If Complaint Counsel files a supplemental memorandum, Respondent will then have ten (10) days to file a supplemental opposition memorandum, also not to exceed twenty-five (25) pages. Replies will not be entertained.

If, after consideration of the parties' original memoranda and any supplemental briefing, the Court decides to deny Complaint Counsel's motion, an order will issue accordingly. If, after consideration of the parties' original memoranda and any supplemental briefing, the Court is inclined to grant Complaint Counsel's motion, it will proceed using any additional appropriate procedural safeguards it deems necessary to assure due process.

IV. Conclusion

For the reasons set forth above:

1. Respondent's Applications for Review for certification of the February 26 and February 28 Orders for interlocutory review by the Commission are **DENIED**;
 2. Respondents's Motion for Reconsideration of the February 26 Order is **DENIED**;
- and
3. Respondent's Motion for Reconsideration of the February 28 Order is **GRANTED**.

ORDERED:


Stephen J. McGuire
Chief Administrative Law Judge

Dated: March 26, 2003