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IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

HYNIX SEMICONDUCTOR INC., HYNIX SEMICONDUCTOR AMERICA INC., HYNIX SEMICONDUCTOR U.K. LTD., and HYNIX SEMICONDUCTOR DEUTSCHLAND GmbH, Plaintiffs, v. RAMBUS INC., Defendant.	No. CV-00-20905 RMW ORDER DENYING DEFENDANT'S MOTION FOR PROTECTIVE ORDER **[Re Docket No. 338]**

Defendant's motion for a protective order regarding documents defendant was compelled to produce in litigation with Infineon Technologies[1] and Micron Technology[2] was heard on January 16, 2004. Plaintiffs oppose the motion. The court has read the moving and responding papers and heard the argument of counsel. For the reasons set forth below, the court denies defendant's motion for protective order, and denies without prejudice defendant's motion to exclude the documents as irrelevant and prejudicial pursuant to F.R.E. 403.

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[1] *Rambus Inc. v. Infineon Technologies AG et al.*, No. 00-CV-524 (E.D. Va.) ("*Infineon*").

[2] *Micron Technology, Inc. v. Rambus Inc.*, No. 00-792-RRM (D. Del.) ("*Micron*").

I. BACKGROUND

At issue in this case are multiple patents held by Rambus covering synchronous dynamic random access memory ("SDRAM") chips and related interface and memory control technology. Second Am. Compl. ¶ 10. In the 1990's, the Joint Electronic Devices Engineering Council ("JEDEC") coordinated the development of technology standards for SDRAM chips. Second Am. Compl. ¶ 12. Plaintiff alleges, *inter alia,* that as a member of JEDEC, Rambus used information gained from the standards-setting process to secretly and fraudulently secure the patents at issue ("SDRAM patents"), and therefore market power. Plaintiff further alleges that these actions were taken in violation of JEDEC's rules and various federal and state laws. Second Am. Compl. ¶¶ 11-13.

Currently, there are four related cases pending and relating to the SDRAM patents. In the first case, *Infineon*, the court compelled production of certain privileged documents relevant to Rambus' disclosure duties, actions, pending patents and patent applications relating to SDRAM while a member of JEDEC. Generally, these documents related to patents and patent applications that Rambus was prosecuting during the time period from December 1991 to June 1996 ("subject documents" or "1991 – 1996 documents"),[3] when Rambus confirmed its withdrawal from JEDEC. In the second case, *Micron*, the court compelled production of these same documents under a collateral estoppel theory. In the third and fourth cases, Rambus produced the 1991 – 1996 documents without a court order. Essentially, Rambus contends that there was *de facto* compulsion in these cases, as courts addressing the issue in both cases would have ordered production had Rambus sought to contest it. In light of the Federal Circuit's decision reversing the judgment in *Infineon,* Rambus now seeks a protective order in the instant case reinstating the privilege over these documents. More detailed discussion follows.

A. *Infineon*

In the first lawsuit, Rambus sued Infineon for infringement of fifty-seven claims from four patents. Infineon filed counterclaims alleging, *inter alia*, fraud under Virginia state law. Mot. Prot.

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[3] Reference to "subject documents" and "1991-1996 documents" also includes subsequent depositions taken regarding these documents.

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Order at 4. In the district court, Infineon "moved to compel deposition testimony and to require Rambus to produce documents related to legal advice regarding disclosure of patents and patent applications to JEDEC." *In re Rambus,* 7 Fed. Appx. 925, 926 (Fed. Cir. 2001). In ordering production of the 1991-1996 documents, the *Infineon* district court held that Infineon had made a *prima facie* showing of fraud sufficient to trigger application of the crime-fraud exception to certain documents covered by the attorney-client privilege.

Rambus sought reconsideration, then mandamus review of this decision. In *In re Rambus,* the Federal Circuit Court of Appeals denied Rambus' mandamus petition, ruling that "Rambus has not shown entitlement to a writ of mandamus to overturn the district court's determination that a prima facie case of fraud was established." 7 Fed. Appx. at 925.

Subsequently, the district court granted Infineon's motion for summary judgment of noninfringement, and submitted the Virginia state fraud claim to the jury. The jury found that Rambus committed actual fraud by not disclosing to JEDEC patents and patent applications relating to SDRAM.[4] The court denied Rambus' motion for JMOL on the SDRAM fraud verdict, and Rambus appealed this denial of JMOL to the Federal Circuit Court of Appeals. *Rambus v. Infineon*, 318 F.3d 1081, 1096 (Fed. Cir. 2003). The Federal Circuit reversed, holding that Infineon failed to meet the first element in a Virginia state fraud claim.[5] Specifically, Infineon failed to show by clear and convincing evidence that there was a reasonable expectation that the JEDEC standard could not be practiced without a license under Rambus' undisclosed SDRAM claims. 318 F.3d at 1102-03. Because Infineon did not make this threshold showing, Infineon also failed to present a triable issue of fact regarding whether Rambus breached a duty to disclose the SDRAM patents and patent applications to JEDEC. *Id.* at 1105. After the Federal Circuit reversed, for over one year Rambus

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[4] The jury also found actual fraud for Rambus' failure to disclose patents and patent applications related to DDR-SDRAM standards; the district court granted JMOL on this claim. *Rambus v. Infineon*, 318 F.3d 1081, 1096 (Fed. Cir. 2003). This decision was affirmed. 318 F.3d at 1105.

[5] "To prove fraud in Virginia, a party must show by clear and convincing evidence: 1) a false representation (or omission in the face of a duty to disclose), 2) of a material fact, 3) made intentionally and knowingly, 4) with the intent to mislead, 5) with reasonable reliance by the misled party, and 6) resulting in damages to the misled party." *Infineon*, 318 F.3d at 1096 (citations omitted).

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made no attempt to have the subject documents that had been introduced into evidence – and into the public record – placed under seal. The *Infineon* court recently denied Rambus' motion to reinstate the privilege over the 1991 – 1996 documents, finding that the Federal Circuit's opinion reversing the judgment of the trial court did not vitiate the *Infineon* court's initial crime-fraud ruling, and that production in *Hynix* and the FTC proceedings had waived any arguments for reinstatement of privilege over the subject documents.[6]

B. *Micron*

In this second civil action in the U.S. District Court for the District of Delaware, Micron moved the district court for an order compelling production of the 1991-1996 documents in *Infineon,* and transcripts of any depositions taken in *Infineon* concerning the subject matter of those documents. Over Rambus' objections, and prior to the Federal Circuit's reversal in *Infineon,* the *Micron* court granted plaintiff's motion, stating that "we've got a Judge who has already looked at this one time and made a finding that there are sufficient facts to show that the documents should be produced." Klaus Decl. Ex. G (Tr. of May 16, 2001 Tel. Conf., at 24:12-14). The *Micron* court went on to clarify that "I don't see it as a definitive decision on my part about whether there, in fact, has been fraud." *Id.* at 25:3-4. Rather, the court concluded that "there's a sufficient showing to reasonably believe that there is conduct that would warrant not finding that the documents are protected from disclosure." *Id.* at 25:6-8.

C. *Hynix*

Hynix filed this action in the Northern District of California one day after Micron filed its suit, then filed a motion to intervene in *Infineon*, seeking an order compelling production to it of the 1991-1996 documents and related depositions. Rather than opposing the motion, Rambus agreed to a limited disclosure of these documents to Hynix in exchange for withdrawal of its intervention motion in *Infineon.* Prior to production, counsel for Rambus and counsel for Hynix executed a letter

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[6] Tr. of February 2, 2004 Tel. Conf. with Judge Robert E. Payne (E.D. Va.), at 55: 2-7 ("I don't read the Federal Circuit's order as vitiating the basis upon which the crime-fraud ruling was made in the first instance."); *Id.* at 56: 2-5 ("I also believe from what I have read that all of the documents that were produced to Hynix and the FTC there has been a waiver of the privilege on, and those documents need to be produced.").

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on June 22, 2001 stating the conditions under which documents would be produced. The parties dispute whether the letter allows Rambus to reclaim privilege over the 1991 – 1996 documents which were produced by mutual agreement here.

D. The Administrative Law Judge ("ALJ") decisions

In June 2002 the Federal Trade Commission ("FTC") filed a complaint against Rambus, claiming, *inter alia*, a violation of Section 5 of the FTC Act, 15 U.S.C. § 45.[7] Initially in its pre-filing investigation, the FTC sought only the 1991 – 1996 documents, and Rambus agreed to produce them. Rambus has offered no evidence that it proposed to put in place any protective order concerning these documents as a condition of producing them to the FTC. Subsequently, the FTC sought documents after June 1996, under the theory that Rambus continued to prosecute RAM-related patents and patent applications utilizing the knowledge it gained from the JEDEC meetings. What followed were a number of decisions discussing whether the attorney-client and work product privileges had been waived for documents created after June 1996 ("post-1996 documents"). None of these decisions, however, varied from the conclusion that any privilege for the 1991 – 1996 documents had been waived.

1. February 28, 2003 ALJ Order

The ALJ in its February 28, 2003 order noted that "Rambus concedes that Complaint Counsel is entitled to receive documents and conduct discovery consistent with the *Infineon* and *Micron* orders as well as the voluntary disclosures by Rambus in the *Hynix* litigation." ALJ Order of Feb. 28, 2003 at 1; *see also id.* at n. 1 ("Rambus's [sic] disclosures to an adversary in *Hynix* are nonetheless voluntary."). The sole issue addressed in that order was whether the post-1996 documents would be compelled, and under the crime-fraud exception to the attorney-client privilege the court found that production was appropriate. *Id.* at 2-3.

2. May 13, 2003 ALJ Order

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[7] *In the Matter of Rambus, Inc.*, Docket No. 9302 (FTC June 18, 2002) (hereinafter "FTC proceedings").

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The ALJ's February 28, 2003 order was revisited on May 13, 2003, because the February 28 order was based on a crime-fraud theory rather than the waiver theory briefed by the parties. In reconsidering the issue, however, the ALJ noted that Rambus "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." ALJ Order of May 13, 2003 at 2. Thus, Rambus apparently did not contest the waiver of privilege regarding the 1991 – 1996 documents, but rather contested the compelled production of post-1996 documents.

The ALJ court concluded that voluntary disclosure of the 1991 – 1996 documents constituted a waiver of attorney-client and work product privileged materials involving the same subject matter post-1996. *See id.* at 5. Such material consisted of documents concerning: (1) the efforts by Rambus to broaden its patents to cover matters pertaining to the JEDEC standards; and (2) the September 2000 presentation made to stockholders, financial analysts and the public. *Id.* at 7. However, to the extent post-1996 documents were covered by the work product privilege, they did not need to be produced if they were created in anticipation of litigation, which the court determined to be any documents created after January 1, 2000.[8] *Id.* at 9. Any documents created prior to that date, the court determined, were not created in anticipation of litigation and therefore should be produced. *Id.*

3. May 29, 2003 ALJ Order

On May 29, 2003 the ALJ court revisited the issue of Rambus' subject matter waiver of post-1996 documents. Again, the reconsideration involved only whether the production of 1991 – 1996 documents waived the privilege for documents post-1996, and did not involve any assertion of privilege for the 1991 – 1996 documents.[9] Reversing its decision on subject matter waiver, the court narrowed its ruling, finding that the "scope of discovery to which Complaint Counsel is entitled is HEREBY LIMITED to the documents created between December 1991 and June 1996 and which were previously produced in the *Hynix* litigation." ALJ Order of May 29, 2003 at 4. Thus, Rambus

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[8] This was eight months prior to commencement of the first litigation involving the JEDEC-related patents.

[9] The court also considered whether the work product doctrine could be asserted with respect to materials prior to January 1, 2000.

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failed to contest waiver of work product and attorney client privilege for the 1991 – 1996 documents in all three ALJ decisions. Notably, none of the subject documents that were introduced into evidence in the FTC proceeding had ever been subject to a sealing request by Rambus. They are presumably available to the public even today.

II. ANALYSIS

As federal law provides the rule of decision, application of the attorney-client privilege here is governed by federal common law. *See* FED. R. EVID. 501; *U.S. v. Zolin*, 491 U.S. 554, 562 (1989).[10] The question of waiver is also governed by federal common law. *See Weil v. Inv./ Indicators, Research & Mgmt., Inc.*, 647 F.2d 18, 24 n.12 (9th Cir. 1981); *U.S. ex. rel. Bagley v. TRW*, 204 F.R.D. 170, 174-75 (C.D. Cal. 2001). The parties agree that the 1991 – 1996 documents were compelled in *Infineon* and *Micron*. The parties disagree, however, over whether these documents were compelled in *Hynix* and in the FTC proceedings. Essentially, Rambus contends that there was a *de facto* compelled production of the 1991 – 1996 documents in both cases. Hynix asserts that the production was voluntary.

A. Waiver

"Because it impedes full and free discovery of the truth, the attorney-client privilege is strictly construed." *Weil*, 647 F.2d at 24; *Hartford Fire Ins. Co. v. Garvey*, 109 F.R.D. 323, 327 (N.D. Cal. 1985). "The proponent of the privilege carries the burden of establishing all elements of the privilege, including confidentiality, which is not presumed." *Garvey*, 109 F.R.D. at 327 (citing *In re Grand Jury Proceedings*, 727 F.2d 1352, 1358 (4th Cir. 1984); *Weil*, 647 F.2d at 25); *accord In re Columbia Healthcare*, 293 F.3d 289, 294 (6th Cir. 2002). "[A]ny voluntary disclosure inconsistent with the confidential nature of the attorney client relationship waives the privilege." *Garvey*, 109 F.R.D. at 327 (citations omitted); *Chubb Integrated Sys. Ltd. v. Nat'l Bank of Wash.*,

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[10] Regardless, analysis under California law would necessitate a similar result. *See KL Group v. Case, Kay & Lynch*, 829 F.2d 909, 919 (9th Cir. 1987) ("Under California law, waiver occurs if 'any holder of the privilege, without coercion, has disclosed a significant part of the communication or has consented to such disclosure made by anyone.'" (citing CAL. EVID. CODE § 912)).

103 F.R.D. 52, 63 n.2 (D.D.C. 1984) ("Voluntary disclosure means the documents were not judicially compelled.").

1. June 22, 2001 letter

As the only evidence submitted by Rambus that it made a reservation of rights is a June 22, 2001 letter ("June 22 letter"), examination of the letter is warranted. The clause both parties rely on is:

> Hynix agrees that Rambus' production of documents and deposition testimony under this agreement does not constitute a waiver of any privilege Rambus may otherwise assert in this litigation. Hynix further agrees that Rambus' production of documents and deposition testimony under this agreement does not constitute a waiver of any objection or exception Rambus has or may assert to the crime-fraud decision of the *Infineon* court. However, unless the Federal Circuit provides otherwise, Hynix's use of documents and testimony produced pursuant to this agreement shall not be affected by the appeal of the *Infineon* court's crime-fraud decision. Klaus Decl. Ex. H (Letter from Culyba to Nissly of 6/22/2001) at 1.

The parties first disagree over the clause "may otherwise assert." Hynix argues that this clause applies to privileges other than the attorney-client and work product privileges with respect to the 1991 – 1996 documents. Rambus asserts that this clause was a reservation of rights should the decision in *Infineon* be reversed. The clause is amenable to either interpretation.

The parties also disagree over the clause "unless the Federal Circuit provides otherwise, Hynix's use of documents and testimony produced pursuant to this agreement shall not be affected by the appeal of the *Infineon* court's crime-fraud decision." Rambus contends that this clause also reserved its rights to dispute production of the 1991 – 1996 documents should the Federal Circuit return with a favorable decision in *Infineon.*[11] As discussed *infra,* even if Rambus' interpretation is accepted, the only Federal Circuit opinion addressing the district court order compelling production of the 1991 – 1996 documents denied Rambus' requested relief.

In *Chubb Integrated Sys. v. Nat'l Bank of Wash.,* defendant in a patent infringement action involving automated teller machines filed requests for documents from plaintiff Chubb. 103 F.R.D.

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[11] Notably, while Rambus appealed the jury's finding of fraud in *Infineon,* Rambus did not request reconsideration of the district court's initial decision compelling production. Rambus only appealed the sufficiency of the evidence. *See Infineon,* 318 F.3d at 1096.

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52 (D.D.C. 1984). Plaintiff agreed to permit defense counsel to inspect files in its offices in England. In a parallel action, Chubb had allowed NCR to inspect these same files under an agreement in that action that the documents could be reviewed for privilege after inspection. The court agreed with defendant's argument that "voluntary disclosure of documents to [third party] NCR corporation waives the right to claim privilege to those same documents in the present action." *Id.* at 67. The court reasoned that "[v]oluntary disclosure to an adversary waives both the attorney-client and work-product privileges," and "the disclosures to NCR Corporation constitute a waiver of privileges which might have otherwise attached. Confidentiality is the dispositive factor in deciding whether a communication is privileged. The agreement between Chubb and NCR does not alter the objective fact that the confidentiality has been breached voluntarily." *Id.* at 67-68.

Here, Rambus has chosen to disclose documents to both Hynix and the FTC. It is unclear that any precautions were taken in the FTC proceedings to maintain any claims of privilege over the 1991 – 1996 documents, and as discussed above, the only precaution taken in this litigation was execution of the June 22 waiver letter that is, at best, ambiguous regarding reservation of rights. Such agreements, however, "do[] not alter the fact that the confidentiality has been breached voluntarily." *Chubb,* 103 F.R.D. at 67.[12] Thus, even accepting Rambus' argument that the June 22 letter reserves its rights to reclaim privilege, voluntary disclosure in this case and FTC proceedings necessitates the conclusion that confidentiality as to the 1991 – 1996 documents has been waived.[13]

2. Conduct in the FTC case

More telling, however, is Rambus' failure to dispute the production of the 1991 – 1996 documents in the FTC proceedings. Even assuming the June 22 letter adequately preserved Rambus' privilege rights, its failure subsequently to seek protection over these same documents in the FTC

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[12] The *Chubb* court went on to explain that the agreement was to save the time and cost of pre-inspection screening. 103 F.R.D. at 67-68. Here, although Rambus asserts that it gained no advantage by waiving privilege in *Hynix* and the FTC proceedings, at a minimum Rambus saved the time and cost of litigating these issues when it anticipated an adverse ruling. As discussed above, it is unclear why Rambus has waited 11 months to file this motion after the Federal Circuit's opinion in *Infineon,* or why Rambus failed to even attempt to protect its privilege in the FTC proceedings.

[13] The court makes no ruling on any contract claim Rambus may have.

proceedings waives these rights. In three separate proceedings before the ALJ court, all of them decided after the Federal Circuit handed down its *Infineon* opinion on January 29, 2003, the ALJ court made clear that the privilege covering the 1991 – 1996 documents had been waived. Rambus on all occasions disputed the *subject matter waiver* of post-1996 documents, but at no point disputed the court's finding of waiver of privilege regarding the 1991 – 1996 documents.[14] Further, Rambus has never requested that the subject records introduced into evidence be sealed from public view.

Defendant's citation to *Transamerica v. IBM* is inapposite. In *Transamerica,* plaintiff in a private antitrust action sought to compel documents from IBM that were previously produced by IBM in litigation with Control Data Corporation ("*CDC*"),[15] arguing that these very same documents had already been produced to CDC in parallel litigation. 573 F.2d 646, 647. The "unique circumstances" under which IBM was forced to produce documents to CDC involved a three month accelerated discovery schedule, ordered by the district court, where IBM was required to produce 17 million pages of documents. At the same time IBM was being compelled to produce documents to the U.S. Department of Justice. Despite extensive efforts to control the production of privileged documents, a small number evaded detection and were produced. *Id.* at 648-49. The Ninth Circuit Court of Appeals found that, despite the lack of a court order compelling production in *CDC,* the incredible burden placed on IBM in producing these documents in such a short period of time necessitated the conclusion that there was *de facto* compulsion. After noting the careful control procedures involved in the production, Judge Neville in *CDC* ruled that inadvertent production of privileged material by either party would not waive the privilege, so long as the party contesting

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[14] Having lost twice before on the issue, it is understandable that Rambus would attempt to seek more efficient means of resolving similar issues in subsequent litigation. However, Rambus' arguments at best support a subjective intent not to waive privilege, and do not support a preservation of its privilege. *See Weil,* 647 F.2d at 24 (subjective intent not to waive attorney-client privilege, and inadvertent disclosure, does not preserve privilege); *see also Atari Corp. v. Sega,* 161 F.R.D. 417, 420 (N.D. Cal. 1994) ("Waiver of a privilege may occur by voluntary disclosure to an adverse party during settlement negotiations, despite any agreement between the parties to keep the information confidential.").

[15] *Control Data Corporation v. International Business Machines Corporation*, Docket No. 3-68 Civ. 312 (D. Minn.).

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waiver continued to employ reasonable screening procedures. The Ninth Circuit concluded on this basis that any inadvertent production made in *CDC* and covered by Judge Neville's order could not form the basis for waiver in *Transamerica*. *Id.* at 649-51. Here, Rambus was under no such rigorous review and production schedule.

B. Crime/fraud exception and relevance

"To trigger the crime-fraud exception, the government must establish that the client was engaged in or planning a criminal or fraudulent scheme when it sought the advice of counsel to further the scheme. The government is not obliged to come forward with proof sufficient to establish the essential elements of a crime or fraud beyond a reasonable doubt... [r]ather, the district court must find reasonable cause to believe that the attorney's services were utilized in furtherance of the ongoing unlawful scheme." *In re Grand Jury Proceedings,* 87 F.3d 377, 381 (9th Cir. 1996).

Although subsequent to the jury trial the Federal Circuit reversed the finding of fraud, it did not expressly reverse the trial court's conclusion that a *prima facie* case of fraud had been established at the outset. The only Federal Circuit opinion addressing the compelled production directly refused to overturn the district court. *See In re Rambus,* 7 Fed. Appx. 926. As noted above, in denying Rambus' motion for protective order over the 1991 – 1996 documents, the *Infineon* court agreed that the Federal Circuit opinion did not vitiate the original crime-fraud ruling, and also found that production in *Hynix* and the FTC proceedings had voluntarily waived the privilege over the 1991 – 1996 documents. Thus, Rambus' assertion that the trial court's order compelling the original production of the 1991 – 1996 documents has been vitiated is not precisely correct. Regardless, as discussed above, the ambiguity of the June 22 letter, Rambus' conduct in the FTC proceedings, and Rambus' failure to attempt to have sealed any of the documents filed in the public record in the FTC proceedings has waived whatever privilege may have been asserted over the 1991 – 1996 documents.

The Federal Circuit's decision reversing the trial court in *Infineon* does hold that the quantum of proof provided in that case was not enough to establish a duty to disclose as required to show fraud under Virginia state law. *See Infineon,* 318 F.3d at 1102-3. To the extent plaintiff's claims and burden of proof in this case overlap with the requirements of fraud under Virginia state law, Hynix may or may not ultimately prevail. Any ruling on this issue, however, is premature.

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C. Motion to exclude

Rambus' motion to exclude the 1991 – 1996 documents pursuant to F.R.E. 403, prior to claim construction, is premature.

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III. ORDER

For the foregoing reasons, the court:

(1) DENIES defendant's motion for protective order;

(2) DENIES without prejudice defendant's motion to exclude the 1991 – 1996 documents pursuant to F.R.E. 403.

DATED: 2/24/04

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

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THIS SHALL CERTIFY THAT A COPY OF THIS ORDER WAS PROVIDED TO:

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