

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

**Before Theodore R. Essex
Administrative Law Judge**

In the Matter of

**CERTAIN SEMICONDUCTOR CHIPS
HAVING SYNCHRONOUS DYNAMIC
RANDOM ACCESS MEMORY
CONTROLLERS AND
PRODUCTS CONTAINING SAME**

Inv. No. 337-TA-661

**COMMISSION INVESTIGATIVE STAFF'S RESPONSE TO
NVIDIA CORPORATION'S MOTION TO STAY INVESTIGATION AND
REQUEST FOR EXPEDITED HEARING**

I. Introduction

On February 12, 2009, Respondent NVIDIA Corporation ("NVIDIA") filed a motion to stay the investigation pending appeal of a decision of the U.S. District Court for the District of Delaware in *Micron Technology, Inc. v. Rambus Inc.*, Civ. No. 00-792-SLR (D.Del.). Because the appeal would not likely dispose of any claims or defenses in the pending investigation and because the appeal will not be resolved in the near future, the Commission Investigative Staff ("Staff") submits that a stay is not warranted. Thus, the Staff opposes NVIDIA's motion.

II. Background

On November 6, 2008, Complainant Rambus Inc. ("Complainant" or "Rambus") filed a Complaint with the Commission alleging infringement of nine patents by NVIDIA and a number

of NVIDIA's downstream customers (collectively, "Respondents").¹ Thereafter, the Commission instituted the present investigation on Rambus's Complaint. 73 Fed. Reg. 75131 (December 10, 2008). Respondents have filed answers to the Complaint and Notice of Investigation, and raised numerous defenses. *See, e.g.*, Respondent NVIDIA Corporation's Response To Complainant Rambus Inc's Complaint And Response To Notice Of Investigation (January 21, 2009) ("NVIDIA Answer"). NVIDIA's stay motion relates to certain affirmative defenses raised by the Respondents.

For example, Respondents have alleged that Complainant "engaged in the spoliation of evidence" which renders the Asserted Patents unenforceable.² *See, e.g.*, NVIDIA Answer at ¶864. Complainant's alleged spoliation of evidence has been the subject of multiple judicial opinions, including:

- *Micron Tech., Inc. v. Rambus, Inc.*, --- F.R.D. ---, 2009 WL 54887 (D.Del. Jan. 9, 2009) (the "Micron Decision"): The U.S. District Court for the District of Delaware recently found certain Rambus patents to be unenforceable against Micron due to spoliation of evidence and litigation misconduct.
- *Samsung Elecs. Co., Ltd. v. Rambus Inc.*, 440 F.Supp.2d 495, 496 (E.D.Va. 2006): The U.S. District Court for the Eastern District of

¹ The Complaint alleges infringement of U.S. Patent Nos. 7,177,998 (the "'998 patent"), 7,210,016 (the "'016 patent"), 6,470,405 (the "'405 patent"), 6,591,353 (the "'353 patent"), 7,287,109 (the "'109 patent"), 7,287,119 (the "'119 patent"), 7,330,952 (the "'952 patent"), 7,330,953 (the "'953 patent"), and 7,360,050 (the "'050 patent") (collectively, the "Asserted Patents"). *See* Complaint ¶ 10.

² *See, e.g.*, *Allstate Ins. Co. v. Hamilton Beach/Proctor Silex, Inc.*, 473 F.3d 450, 457 (2nd Cir. 2007) ("Spoliation is the destruction or significant alteration of evidence, or failure to preserve property for another's use as evidence in pending or reasonably foreseeable litigation."); *Beck v. Haik*, 377 F.3d 624, 641 (6th Cir. 2004) ("Spoliation is the intentional destruction of evidence that is presumed to be unfavorable to the party responsible for the destruction.").

Virginia commented that it had previously ruled that Rambus was liable for unclean hands due to spoliation of evidence, thus barring Rambus from enforcing the patents-in-suit.³

- *Rambus Inc. v. Infineon Tech. AG*, 2005 WL 1081337 (E.D.Va. 2005); *Rambus Inc. v. Infineon Tech. AG*, 222 F.R.D. 280 (E.D.Va. 2004): The U.S. District Court for the Eastern District of Virginia ultimately found Rambus's willful destruction of evidence and other litigation misconduct supported dismissal.
- *In The Matter of Rambus, Inc.*, Docket No. 9302, 2006 WL 2330117 (FTC Aug. 2, 2006): The Federal Trade Commission discussed Rambus's alleged spoliation of evidence, but concluded it need not reach the issue because it found Rambus had engaged in exclusionary conduct.⁴
- *Hynix Semiconductor Inc. v. Rambus Inc.*, 2009 WL 292205 at *3 (N.D. Cal. Feb. 3, 2009). The U.S. District Court for the Northern District of California commented that the Delaware decision conflicts with the California Court's earlier decision on spoliation.

NVIDIA's stay motion focuses primarily on the conflicting Delaware and California decisions, with part of the California litigation having recently been stayed pending appeal of the Delaware decision to the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"). *Hynix*, 2009 WL 292205 at *8. Respondent NVIDIA similarly moves to stay the present investigation pending resolution of that appeal. *See* NVIDIA Brief at 1.

³ On appeal, the District Court's award of attorney fees for spoliation of evidence was vacated due to patentee dismissing its counterclaims and offering to pay licensee's attorney fees. *See Samsung Elecs. Co., Ltd. v. Rambus, Inc.*, 523 F.3d 1374 (Fed. Cir. 2008).

⁴ On appeal, the FTC's exclusionary conduct findings were set aside and the case was remanded for further proceedings. *See Rambus Inc. v. Fed. Trade Comm'n*, 522 F.3d 456 (D.C.Cir. 2008), *cert denied* --- S.Ct. ---, 2009 WL 425102 (Feb. 23, 2009).

III. Discussion

The Administrative Law Judge has the authority pursuant to Commission Rule 210.15(a)(1) to stay an investigation pending resolution of a related litigation or administrative proceeding.⁵ In deciding whether to stay an investigation, five factors are typically considered:

- (1) the state of discovery and the hearing date;
- (2) whether a stay will simplify the issues and hearing of the case;
- (3) the undue prejudice or clear tactical disadvantage to any party;
- (4) the stage of the parallel proceedings; and
- (5) the efficient use of Commission resources.

See Certain Semiconductor Chips With Minimized Chip Package Size And Products Containing Same, Inv. No. 337-TA-605, Comm'n Op. at 3, 2008 ITC LEXIS 888 at *4 (May 27, 2008) ("Semiconductor Chips"). Here, the balance of factors weighs against granting the requested stay.

1. The Relevant Parallel Proceeding Is Not At An Advanced Stage

Contrary to NVIDIA's allegations that "[t]he Federal Circuit will soon take up the issue and ultimately decide whether Rambus's patents are enforceable," the appellate proceedings have not even begun. *See* NVIDIA Brief at 1. The Federal Circuit's online listing of new cases fails to include any record of an appeal between Hynix and Rambus (*i.e.*, the parties to the California

⁵ *See, e.g., Certain Digital Cameras And Components Thereof*, Inv. No. 337-TA-593, 2007 ITC LEXIS 606, Order No. 7 (May 11, 2007) (granting a motion to stay the investigation pending resolution of a state court litigation on patent ownership).

litigation) or between Micron and Rambus (*i.e.*, the parties to the Delaware litigation).⁶ Thus, it is unclear when the Federal Circuit will, if ever, provide guidance on Rambus's alleged spoliation. However, as NVIDIA admits in its brief, "it is extremely unlikely that the Federal Circuit will [render an opinion] prior to an initial determination in this investigation, or even a final determination." NVIDIA Brief at 13.

The lack of certainty as to when a Federal Circuit opinion can be expected weighs against granting the requested stay. *See, e.g., Semiconductor Chips*, Comm'n Op. at 10-12, 2008 ITC LEXIS 888 at *15-18 (finding lack of certainty as to when reexamination proceedings would conclude weighed against granting a stay); *Certain Bassinet Products*, Inv. No. 337-TA-597, Order No. 11, 2007 ITC LEXIS 995 (Sept. 10, 2007) (denying a motion to stay pending reexamination due to the inability to discern a likely time frame for the reexamination).

2. The Appeal Will Not Eliminate Case Dispositive Issues

This investigation also differs in significant ways from the underlying litigations giving rise to the appeal. As discussed below, these differences would likely require adjudication of Complainant's infringement allegations and NVIDIA's affirmative defenses regardless of any appellate guidance on the spoliation issue. Thus, it is unlikely that the appeal will resolve or significantly simplify any case dispositive issues in this investigation.

One significant difference relates to the patents-at-issue. The California and Delaware litigations involved the *same* twelve patents, and thus substantially identical spoliation issues.⁷

⁶ *See* <http://www.cafc.uscourts.gov/newcases.txt>.

⁷ The Delaware litigation involved U.S. Patent Nos. 5,915,105; 5,953,263; 5,954,804; 5,995,443; 6,032,214; 6,032,215; 6,034,918; 6,038,195; 6,324,120; 6,378,020;

By contrast, the present investigation involves different patents, different patent families, and correspondingly different technologies. Because different patents, patent families and technologies are at issue, this Court must make an independent decision as to:

- (1) Whether Rambus destroyed or altered documentation relating to the Asserted Patents;
- (2) Whether litigation on the Asserted Patents was reasonably foreseeable when said spoliation occurred; and
- (3) Whether rendering the Asserted Patents unenforceable is an appropriate sanction for the spoliation.

That such an inquiry will likely be required regardless of the appellate outcome is evidenced by the fact that some of the Asserted Patent families appear to have no temporal overlap with the mid to late 1990s when much of the alleged spoliation occurred.⁸

Another significant difference relates to the specific Respondents (and accused products) in this investigation, none of which were a party to the Delaware or California litigation. Thus, this Court must make an independent decision as to:

- (1) Whether Rambus destroyed or altered documentation relating to the Respondents or their accused products;
- (2) Whether litigation against the Respondents (or involving their products) was reasonably foreseeable when said spoliation occurred; and

6,426,916; and 6,452,863. *Micron Decision*, 2009 WL 54887 at *1, n. 1. The California litigation involved the same twelve patents, plus U.S. Patent Nos. 6,035,365; 6,067,592; and 6,101,152. *Hynix Semiconductor Inc. v. Rambus Inc.*, --- F.Supp.2d ---, 2006 WL 565893 at *1 (N.D.Cal. 2006). Thus, the Delaware and California litigations overlapped substantially in asserted patents and patent families.

⁸ The '998 and '016 patents, for example, claim priority to an April 24, 2001 filing date. By contrast, much of the alleged spoliation addressed in the Delaware decision occurred in 1997 and 1998, prior to the '998 and '016 patent family by several years. *See Micron Decision*, 2009 WL 54887 at *12-13.

- (3) Whether rendering the Asserted Patents unenforceable against Respondents is an appropriate sanction for the spoliation.⁹

These issues would still require adjudication if the Delaware spoliation decision were reversed, because Respondents were not a party to the prior litigations and thus cannot be precluded (*e.g.*, on res judicata or collateral estoppel grounds) from raising a spoliation defense in this investigation. *See, e.g., VastFame Camera, LTD v. Int'l Trade Comm'n*, 386 F.3d 1108 (Fed. Cir. 2004) (holding the Commission cannot preclude a party from raising an affirmative defense in an enforcement proceeding if that party was not a respondent in the underlying violation proceeding).

For at least these reasons, it is unlikely that the appeal would completely eliminate, or significantly simplify, any dispositive issues in this investigation.

3. Staying The Litigation Would Not Promote The Efficient Use Of Commission Resources

“The Commission has a statutory mandate to complete investigations at the ‘earliest practicable time’.” *Certain Personal Computer/Consumer Electronic Convergent Devices, Components Thereof, And Products Containing Same*, Inv. No. 337-TA-558, Order No. 20 at 9, 2007 ITC LEXIS 256 at *13-14 (March 26, 2007) (quoting 19 U.S.C. § 1337(b)(1)). With the appeal having not yet even been filed, the Commission cannot achieve its statutory mandate with respect to this investigation if this case were to be stayed.

⁹ *See Aptix Corp. v. Quickturn Design Sys.*, 269 F.3d 1369, 1376 (Fed. Cir. 2001) (explaining that unenforceability due to fraud before the Patent Office renders a patent unenforceable against all parties, whereas unenforceability due to spoliation of evidence only provides a bar to relief in the case at hand).

Moreover, regardless of the appellate outcome, the Judge and the Commission would still likely have to consider the impact of Rambus's alleged spoliation on the presently Asserted Patents, parties and accused products. Thus, staying the investigation would simply delay the adjudication of Complainant's claims and Respondents' affirmative defenses. For at least these reasons, this factor does not weigh in favor of granting the requested stay.

4. Staying The Litigation Would Be Highly Prejudicial To Complainant

Commission remedies are limited to cease and desist orders and exclusion orders; there are no available means of compensating Complainant for past infringement.¹⁰ Thus, granting the requested stay would, in effect, be giving Respondents a royalty free license to practice the Asserted Patents for the length of the appeal. With the appeal having not yet even been filed, this royalty free period of indefinite duration would be highly prejudicial to Complainant.

Moreover, because such an appeal is unlikely to resolve or significantly simplify issues in the present investigation, any prejudice to Respondents in denying the stay is minimal. As previously discussed, the extent to which Rambus's alleged spoliation impacts the Asserted Patents, patent families, and the Respondents will still require adjudication regardless of the appellate outcome. Thus, the requested stay would simply be delaying, not eliminating, Respondents' litigation expenses.

For at least these reasons, this factor weighs against granting the requested stay.

¹⁰ See 19 U.S.C. §§ 1337(d), (e). See also *Section 337 Investigations At The U.S. Int'l Trade Comm'n: Answers To Frequently Asked Questions*, Publication No. 3708, 2004 ITC LEXIS 550 at *35 (July 2004) ("An award of money damages is not available as a remedy for violation of Section 337.").

5. Discovery And Preparation For Trial Are Well Underway

Finally, the state of discovery and the hearing date do not weigh heavily in favor of granting the requested stay. The parties have already exchanged interrogatory requests and responses and have produced millions of pages of responsive documentation. In addition, Complainant and Respondents have both identified certain 30(b)(6) deposition topics and served opposing counsel with draft 30(b)(6) notices. In short, discovery is well underway and depositions are set to begin in the near future.

The parties have also started developing claim construction positions and exchanging preliminary claim constructions.¹¹ This claim construction process is an essential step in developing the parties' infringement, validity and domestic industry positions and thus is presumably well underway.¹² For reasons previously discussed, further development of these issues through discovery and an evidentiary hearing is warranted (and unavoidable) given the lack of dispositive issues to be decided in the appeal from the Delaware decision.

¹¹ See Order No. 5 (February 6, 2009) (setting a February 10, 2009 deadline for Complainant and Respondents to exchange terms for construction, and a February 17, 2009 deadline for Complainant and Respondents to exchange preliminary constructions).

¹² See, e.g., *Bd. Of Regents Univ. Tex. v. BENQ Am.*, 533 F.3d 1362 (Fed. Cir. 2008) (claim construction is the first step in an infringement analysis); *Power Mosfet Tech., LLC v. Siemens AG*, 378 F.3d 1396, 1406 (Fed. Cir. 2004) (claim construction is the first step in an invalidity analysis); *Certain Laser Bar Code Scanners And Scan Engines, Components Thereof And Products Containing Same*, Inv. No. 337-TA-551, ID at 26, 2008 ITC LEXIS 950 at *36 (January 29, 2007) (noting the test for compliance with the technical prong of a domestic industry inquiry is the same as that for infringement).

IV. Conclusion

Balancing the five factors weighs against granting the requested stay. With the present investigation differing in significant respects from the appellate proceeding involving the spoliation issue (which has not yet begun), the Staff respectfully requests that NVIDIA's motion be denied.¹³

Respectfully Submitted,

/s/ Daniel L. Girdwood

Lynn Levine, Director

Spence Chubb, Supervising Attorney

Daniel L. Girdwood, Investigative Attorney

OFFICE OF UNFAIR IMPORT INVESTIGATIONS

U.S. Int'l Trade Comm'n

500 E Street SE, Suite 401

Washington DC 20436

202.708.4708 (ph)

202.205.2158 (fax)

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¹³ The Staff also requests that the expedited consideration by the Judge requested by NVIDIA be denied. NVIDIA was aware of the Delaware decision at least by the January 30, 2009 prehearing conference in this investigation. *See* Prehearing Conference Tr. at 27:6-40:9. NVIDIA's nearly two week delay in filing the motion is alone justification for denying its request for expedited consideration. However, NVIDIA's request should also be denied given that it is premised on the upcoming tutorial and claim construction hearing which NVIDIA itself proposed. NVIDIA should not be allowed to request a tutorial and claim construction hearing, then premise its motion on avoiding expenses related to said hearing.

**Certain Semiconductor Chips
Having Synchronous Dynamic
Random Access Memory Controllers
And Products Containing Same**

Inv. No. 337-TA-661

CERTIFICATE OF SERVICE

The undersigned certifies that on February 23, 2009, he caused the foregoing COMMISSION INVESTIGATIVE STAFF'S RESPONSE TO NVIDIA CORPORATION'S MOTION FOR STAY AND REQUEST FOR EXPEDITED HEARING to be filed with the Secretary, served by hand on Administrative Judge Theodore R. Essex (2 copies), and served upon the parties (1 copy each) in the manner indicated below:

Counsel for Complainant Rambus Inc. (via email)

Finnegan, Henderson, Farabow, Garrett & Dunner, LLP

J. Michael Jakes
Doris Johnson Hines
Christine E. Lehman
Kathleen A. Daley
Naveen Modi
901 New York Ave., NW
Washington DC 20001-4413
202.408.4000 (ph)
202.408.4400 (fax)

ITC661-Service@finnegan.com

Counsel for Respondents NVIDIA Corporation, Asustek Computer Inc., Asus Computer Int'l Inc., BFG Technologies, Inc., Biostar Microtech (USA) Corp., Biostar Microtech Int'l Corp., Diablotek Inc., EVGA Corp., GBT Inc., Giga-Byte Tech. Co., Ltd., Hewlett-Packard Co., MSI Computer Corp., Micro-Star Int'l Co., Ltd., Palit Multimedia Inc., Palit Microsystems Ltd., Pine Tech. Holdings, Ltd., and Sparkle Computer Co., Ltd. (via email)

Fish & Richardson LLP

Ruffin Cordell, Esq.
Andrew Kopsidas
Brian R. Nester
Barbara A. Benoit
Jeffrey R. Whieldon
Kori Anne Bagrowski
Peter J. Sawert

1425 K Street NW, Suite 1100
Washington DC 20005
202.783.5070 (ph)
202.783.2331 (fax)

Anita E. Kadala
Wasif Qureshi
1 Houston Center
1221 McKinney St., Suite 2800
Houston TX 77010
713.654.5300 (ph)

Michael Chibib
John F. Horvath
David M. Hoffman
One Congress Plaza, Suite 810
111 Congress Ave.
Austin TX 78701
512.472.5070 (ph)
512.320.8935 (fax)

Timothy J. Devlin
222 Delaware Ave., 17th Floor
PO Box 1114
Wilmington DE 19899-1114
302.652.5070 (ph)
302.652.0607 (fax)

Joshua M. Masur

Leeron G Kalay
500 Arguello St., Suite 500
Redwood City, CA 94063
650.839.5070 (ph)
650.839.5071 (fax)

337-661NVIDIA@fr.com

/s/ Daniel L. Girdwood
Lynn Levine, Director
Spence Chubb, Supervising Attorney
Daniel L. Girdwood, Investigative Attorney

OFFICE OF UNFAIR IMPORT INVESTIGATIONS

U.S. Int'l Trade Comm'n
500 E Street SE, Suite 401
Washington DC 20436

202.708.4708 (ph)
202.205.2158 (fax)