

RAMBUS INC
Form 10-Q
April 30, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 000-22339

RAMBUS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3112828
(I.R.S. Employer
Identification No.)

4440 El Camino Real, Los Altos, CA 94022

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (650) 947-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
filer (Do not check if a smaller reporting company) company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares outstanding of the registrant's Common Stock, par value \$.001 per share, was 104,466,738 as of March 31, 2009.

**RAMBUS INC.
TABLE OF CONTENTS**

	PAGE
<u>Special Note Regarding Forward-Looking Statements</u>	3
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008</u>	5
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008</u>	7
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	42
<u>Item 4. Controls and Procedures</u>	43
PART II. OTHER INFORMATION	43
<u>Item 1. Legal Proceedings</u>	43
<u>Item 1A. Risk Factors</u>	43
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	56
<u>Item 3. Defaults Upon Senior Securities</u>	56
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	56
<u>Item 5. Other Information</u>	56
<u>Item 6. Exhibits</u>	56
<u>Signature</u>	57
<u>Exhibit Index</u>	58
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (Quarterly Report) contains forward-looking statements. These forward-looking statements include, without limitation, predictions regarding the following aspects of our future:

Outcome and effect of current and potential future intellectual property litigation;

Litigation expenses;

Resolution of the European Commission matters involving us;

Protection of intellectual property;

Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;

Amounts owed under licensing agreements;

Terms of our licenses;

Indemnification and technical support obligations;

Success in the markets of our or our licensees products;

Research and development costs and improvements in technology;

Sources, amounts and concentration of revenue, including royalties;

Effective tax rates;

Realization of deferred tax assets/release of deferred tax valuation allowance;

Product development;

Sources of competition;

Pricing policies of our licensees;

Success in renewing license agreements;

Operating results;

International licenses and operations, including our design facility in Bangalore, India;

Methods, estimates and judgments in accounting policies;

Growth in our business;

Acquisitions, mergers or strategic transactions;

Ability to identify, attract, motivate and retain qualified personnel;

Trading price of our Common Stock;

Internal control environment;

Corporate governance;

Table of Contents

Accounting, tax, regulatory, legal and other outcomes and effects of the stock option investigation;

Consequences of the lawsuits related to the stock option investigation;

The level and terms of our outstanding debt;

Engineering, marketing and general and administration expenses;

Contract revenue;

Interest and other income, net;

Adoption of new accounting pronouncements;

Likelihood of paying dividends;

Effects of changes in the economy and credit market on our industry and business; and

Restructuring activities.

You can identify these and other forward-looking statements by the use of words such as may, future, shall, should, expects, plans, anticipates, believes, estimates, predicts, intends, potential, continue, or the negative or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A, Risk Factors. All forward-looking statements included in this document are based on our assessment of information available to us at this time. We assume no obligation to update any forward-looking statements.

Table of Contents

RAMBUS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31,	December
	2009	31,
	2008 (1)	
	(In thousands, except shares	
	and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,838	\$ 116,241
Marketable securities	222,090	229,612
Accounts receivable	1,187	1,503
Prepays and other current assets	7,765	8,486
Deferred taxes	209	88
Total current assets	357,089	355,930
Restricted cash	637	632
Deferred taxes, long-term	1,641	1,857
Intangible assets, net	7,988	7,244
Property and equipment, net	19,734	22,290
Goodwill	4,454	4,454
Other assets	3,749	4,963
Total assets	\$ 395,292	\$ 397,370
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 15,054	\$ 6,374
Accrued salaries and benefits	9,340	9,859
Accrued litigation expenses	7,295	14,265
Income taxes payable	462	638
Other accrued liabilities	2,541	3,178
Convertible notes	128,034	
Deferred revenue	1,745	1,787
Total current liabilities	164,471	36,101
Deferred revenue, less current portion	90	90
Convertible notes		125,474
Long-term income taxes payable	1,850	1,953
Other long-term liabilities	634	811
Total liabilities	167,045	164,429
Commitments and contingencies (Note 7 and 13)		
STOCKHOLDERS EQUITY		
Convertible preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares		

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Issued and outstanding: no shares at March 31, 2009 and December 31, 2008

Common stock, \$.001 par value:

Authorized: 500,000,000 shares

Issued and outstanding: 104,466,738 shares at March 31, 2009 and
103,803,006 shares at December 31, 2008

Additional paid-in capital

Accumulated deficit

Accumulated other comprehensive income

Total stockholders' equity

Total liabilities and stockholders' equity

104	104
716,908	703,640
(489,098)	(471,672)
333	869
228,247	232,941
\$ 395,292	\$ 397,370

(1) Convertible
notes have been
adjusted as a
result of the
retrospective
adoption of FSP
APB 14-1

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31,	
	2009	2008
	(In thousands, except per share amounts)	
Revenue:		
Royalties	\$ 26,169	\$ 33,093
Contract revenue	1,165	6,645
Total revenue	27,334	39,738
Costs and expenses:		
Cost of contract revenue*	2,183	7,233
Research and development*	17,837	21,502
Marketing, general and administrative*	37,156	33,321
Costs (recovery) of restatement and related legal activities	(13,639)	912
Total costs and expenses	43,537	62,968
Operating loss	(16,203)	(23,230)
Interest income and other income (expense), net	1,440	4,595
Interest expense (1)	(2,670)	(2,888)
Interest and other income (expense), net	(1,230)	1,707
Loss before income taxes	(17,433)	(21,523)
Benefit from income taxes	(7)	(7,169)
Net loss	\$ (17,426)	\$ (14,354)
Net loss per share:		
Basic	\$ (0.17)	\$ (0.14)
Diluted	\$ (0.17)	\$ (0.14)
Weighted average shares used in per share calculation:		
Basic	104,376	104,683
Diluted	104,376	104,683
* Includes stock-based compensation:		
Cost of contract revenue	\$ 390	\$ 1,918

Research and development	\$ 2,740	\$ 3,904
Marketing, general and administrative	\$ 5,289	\$ 4,707

(1) Non-cash
interest expense
is a result of the
adoption of FSP
APB 14-1.

See Notes to Unaudited Condensed Consolidated Financial Statements

6

Table of Contents

RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$ (17,426)	\$ (14,354)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	8,419	10,529
Depreciation	2,807	2,702
Impairment of investments	164	
Amortization of intangible assets	806	1,360
Non-cash interest expense and amortization of convertible debt issuance costs	2,670	2,888
Deferred tax provision (benefit)	95	(7,281)
Change in operating assets and liabilities:		
Accounts receivable	316	(5,476)
Prepays and other assets	1,185	(3,472)
Accounts payable	8,647	1,317
Accrued salaries and benefits and other accrued liabilities	(1,024)	581
Accrued litigation expenses	(6,970)	(2,137)
Income taxes payable	(279)	(20)
Increases in deferred revenue	650	3,078
Decreases in deferred revenue	(692)	(2,035)
Increase in restricted cash	(5)	(18,475)
Net cash used in operating activities	(637)	(30,795)
Cash flows from investing activities:		
Purchases of property and equipment	(708)	(3,126)
Acquisition of intangible assets	(1,550)	(300)
Purchases of marketable securities	(83,508)	(97,164)
Maturities of marketable securities	90,493	153,118
Proceeds from sale of marketable securities		9,134
Net cash provided by investing activities	4,727	61,662
Cash flows from financing activities:		
Proceeds received from issuance of common stock under employee stock plans	5,507	629
Payments under installment payment arrangement		(1,250)
Repurchase and retirement of common stock		(24,921)
Net cash provided by (used in) financing activities	5,507	(25,542)
Effect of exchange rates on cash and cash equivalents		145
Net increase in cash and cash equivalents	9,597	5,470

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Cash and cash equivalents at beginning of period	116,241	119,391
Cash and cash equivalents at end of period	\$ 125,838	\$ 124,861

Supplemental disclosure of cash flow information:

Property and equipment received and accrued in accounts payable and other accrued liabilities	\$ 173	\$ 4,838
Proceeds receivable from issuance of common stock under employee stock plans	\$	\$ 4,237

See Notes to Unaudited Condensed Consolidated Financial Statements

7

Table of Contents**RAMBUS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements include the accounts of Rambus Inc. (Rambus or the Company) and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Investments in entities with less than 20% ownership and in which Rambus does not have the ability to significantly influence the operations of the investee are being accounted for using the cost method and are included in other assets.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring items) necessary to state fairly the financial position and results of operations for each interim period shown. Interim results are not necessarily indicative of results for a full year.

The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) applicable to interim financial information. Certain information and Note disclosures included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in these interim statements pursuant to such SEC rules and regulations. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto in Form 10-K for the year ended December 31, 2008, except as noted below.

In accordance with the adoption of FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1) as of January 1, 2009 as noted below, the Company has changed its accounting for its convertible notes and has retrospectively adjusted the prior year financial statements. See Note 15 Convertible Notes for the impact of the adoption of FSP APB 14-1.

We have reclassified certain prior year balances to conform to the current year's presentation in the condensed consolidated statements of cash flows. None of these reclassifications had an impact on reported net loss for any of the periods presented.

2. Recent Accounting Pronouncements.

In April 2009, the FASB issued FASB Staff Position No. 107-1 (FSP FAS 107-1) and APB 28-1 (APB 28-1), which amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments and APB Opinion NO. 28, Interim Financial Reporting, to require disclosures about the fair value of financial instruments for interim reporting periods. FSP FAS 107-1 and APB 28-1 will be effective for interim reporting periods ending after June 15, 2009. The adoption of this staff position will not have a material impact on the Company's financial statements.

In April 2009, the FASB issued FASB Staff Position No. 157-4 (FSP FAS 157-4), which provides additional guidance in accordance with FASB No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability has significantly decreased. FSP FAS 157-4 shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently evaluating the potential impact the adoption of this staff position will have on its financial statements.

In April 2009, the FASB issued FASB Staff Position No. 115-2 (FSP FAS 115-2) and FASB Staff Position No. 124-2 (FSP FAS 124-2), which amends the other-than-temporary impairment guidance for debt and equity securities. FSP FAS 115-2 and FSP FAS 124-2 shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently evaluating the potential impact the adoption of this staff position will have on its financial statements.

In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) , which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. FSP APB 14-1 specifies that an issuer of such instruments should separately account for the liability and equity components of the instruments in a manner that reflect the issuer's non-convertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP APB 14-1 is effective for the Company's fiscal year beginning January 1, 2009, and retrospective application is required for all periods presented. The impact of adopting FSP APB 14-1 is included in Note 15 Convertible Notes.

Table of Contents

In April 2008, the FASB issued FSP FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, *Goodwill and Other Intangible Assets*. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier adoption is not permitted. The adoption of this pronouncement did not have a material impact on the Company's financial statements.

In April 2008, the FASB issued Emerging Issues Task Force (EITF) 07-05, *Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*, (EITF 07-05). EITF 07-05 provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in paragraph 11(a) of SFAS 133. EITF 07-05 is effective for the Company's fiscal year beginning January 1, 2009. The Company currently believes that the adoption of this pronouncement will not have a material impact on its financial statements.

In February 2008, the FASB issued FASB Staff Position 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (FSP 157-1) and FSP 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-1 amends SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date to January 1, 2009 of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. The provisions of SFAS No. 157 were adopted by the Company, as it applies to its financial instruments, effective beginning January 1, 2008 and FSP 157-2, as it applies to nonfinancial investments, effective beginning January 1, 2009. The impact of adoption of SFAS No. 157 is discussed in Note 14, *Fair Value of Financial Instruments*.

3. Revenue Recognition**Overview**

Rambus recognizes revenue when persuasive evidence of an arrangement exists, Rambus has delivered the product or performed the service, the fee is fixed or determinable and collection is reasonably assured. If any of these criteria are not met, Rambus defers recognizing the revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require the Company to make judgments, assumptions and estimates based upon current information and historical experience.

Rambus' revenue consists of royalty revenue and contract revenue generated from agreements with semiconductor companies, system companies and certain reseller arrangements. Royalty revenue consists of patent license and technology license royalties. Contract revenue consist of fixed license fees, fixed engineering fees and service fees associated with integration of Rambus' chip interface products into its customers' products. Contract revenue may also include support or maintenance. Reseller arrangements generally provide for the pass-through of a percentage of the fees paid to the reseller by the reseller's customer for use of Rambus' patent and technology licenses. Rambus does not recognize revenue for these arrangements until it has received notice of revenue earned by and paid to the reseller, accompanied by the pass-through payment from the reseller. Rambus does not pay commissions to the reseller for these arrangements.

Many of Rambus' licensees have the right to cancel their licenses. In such arrangements, revenue is only recognized to the extent that is consistent with the cancellation provisions. Cancellation provisions within such contracts generally provide for a prospective cancellation with no refund of fees already remitted by customers for products provided and payment for services rendered prior to the date of cancellation. Unbilled receivables represent enforceable claims and are deemed collectible in connection with the Company's revenue recognition policy.

Royalty Revenue

Rambus recognizes royalty revenue upon notification by its licensees and when deemed collectible. The terms of the royalty agreements generally either require licensees to give Rambus notification and to pay the royalties within 60 days of the end of the quarter during which the sales occur or are based on a fixed royalty that is due within 45 days of the end of the quarter. Rambus has two types of royalty revenue: (1) patent license royalties and

(2) technology license royalties.

Table of Contents

Patent licenses. Rambus licenses its broad portfolio of patented inventions to semiconductor and systems companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of Rambus' patent portfolio. Rambus generally recognizes revenue from these arrangements as amounts become due. The contractual terms of the agreements generally provide for payments over an extended period of time.

Technology licenses. Rambus develops proprietary and industry-standard chip interface products, such as RDRAM and XDR that Rambus provides to its customers under technology license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. Rambus recognizes revenue from these arrangements (except for those royalties subject to the Federal Trade Commission (the "FTC") order through the third quarter of 2008; see the Form 10-K for the year ended December 31, 2008 for further discussion on the FTC order) upon notification from the licensee of the royalties earned and when collectability is deemed reasonably assured.

Contract Revenue

Rambus generally recognizes revenue using percentage of completion for development contracts related to licenses of its interface solutions, such as XDR and FlexIO that involve significant engineering and integration services. For all license and service agreements accounted for using the percentage-of-completion method, Rambus determines progress to completion using input measures based upon contract costs incurred. Part of these contract fees may be due upon the achievement of certain milestones, such as provision of certain deliverables by Rambus or production of chips by the licensee. The remaining fees may be due on pre-determined dates and include significant up-front fees.

A provision for estimated losses on fixed price contracts is made, if necessary, in the period in which the loss becomes probable and can be reasonably estimated. If Rambus determines that it is necessary to revise the estimates of the total costs required to complete a contract, the total amount of revenue recognized over the life of the contract would not be affected. However, to the extent the new assumptions regarding the total efforts necessary to complete a project were less than the original assumptions, the contract fees would be recognized sooner than originally expected. Conversely, if the newly estimated total efforts necessary to complete a project were longer than the original assumptions, the contract fees will be recognized over a longer period. As of March 31, 2009, we have accrued a liability of approximately \$0.3 million related to estimated loss contracts.

If application of the percentage-of-completion method results in recognizable revenue prior to an invoicing event under a customer contract, the Company will recognize the revenue and record an unbilled receivable. Amounts invoiced to Rambus' customers in excess of recognizable revenue are recorded as deferred revenue. The timing and amounts invoiced to customers can vary significantly depending on specific contract terms and can therefore have a significant impact on deferred revenue or unbilled receivables in any given period.

Rambus also recognizes revenue in accordance with SOP 97-2, SOP 98-4 and SOP 98-9 for development contracts related to licenses of its chip interface products that involve non-essential engineering services and post contract support ("PCS"). These SOPs apply to all entities that earn revenue on products containing software, where software is not incidental to the product as a whole. Contract fees for the products and services provided under these arrangements are comprised of license fees and engineering service fees which are not essential to the functionality of the product. Rambus' rates for PCS and for engineering services are specific to each development contract and not standardized in terms of rates or length. Because of these characteristics, the Company does not have a sufficient population of contracts from which to derive vendor specific objective evidence for each of the elements.

Therefore, as required by SOP 97-2, after Rambus delivers the product, if the only undelivered element is PCS, Rambus will recognize all revenue ratably over either the contractual PCS period or the period during which PCS is expected to be provided. Rambus reviews assumptions regarding the PCS periods on a regular basis. If Rambus determines that it is necessary to revise the estimates of the support periods, the total amount of revenue to be recognized over the life of the contract would not be affected.

Table of Contents**4. Comprehensive Loss**

Rambus' comprehensive loss consists of its net loss plus other comprehensive income (loss) consisting of foreign currency translation adjustments and unrealized gains and losses on marketable securities, net of taxes.

The components of comprehensive loss, net of tax, are as follows:

(In thousands)	Three Months Ended	
	March 31,	
	2009	2008
Net loss	\$ (17,426)	\$ (14,354)
Other comprehensive income (loss):		
Foreign currency translation adjustments		145
Unrealized gain (loss) on marketable securities, net of tax	(537)	454
Total comprehensive loss	\$ (17,963)	\$ (13,755)

As a result of providing a full valuation allowance of the net deferred tax assets in the U.S., the Company reversed \$0.4 million of unrealized gain (loss) previously recorded in other comprehensive income (loss) during 2008.

5. Equity Incentive Plans and Stock-Based Compensation***Stock Option Plans***

As of March 31, 2009, 1,081,712 shares of the 8,400,000 shares approved under the 2006 Plan remain available for grant. The 2006 Plan is now Rambus' only plan for providing stock-based incentive compensation to eligible employees, executive officers and non-employee directors and consultants.

A summary of shares available for grant under the Company's plans is as follows:

	Shares Available for Grant
Shares available as of December 31, 2008	2,556,984
Stock options granted	(1,349,769)
Stock options forfeited	1,239,186
Stock options expired under former plans	(1,094,827)
Nonvested equity stock and stock units granted (1)	(269,862)
Total available for grant as of March 31, 2009	1,081,712

- (1) For purposes of determining the number of shares available for grant under the 2006 Plan against the maximum number of shares authorized, each restricted stock granted reduces

the number of
shares available
for grant by 1.5
shares and each
restricted stock
forfeited
increases shares
available for
grant by 1.5
shares.

Table of Contents*General Stock Option Information*

The following table summarizes stock option activity under the 1997, 1999 and 2006 Plans for the three months ended March 31, 2009 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of March 31, 2009.

	Options Outstanding		Weighted Average Remaining	Aggregate
	Number of Shares	Weighted Average Exercise Price Per Share	Contractual Term	Intrinsic Value
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2008	16,573,739	\$ 21.19		
Options granted	1,349,769	8.60		
Options exercised	(615,290)	8.16		
Options forfeited	(1,239,186)	27.22		
Outstanding as of March 31, 2009	16,069,032	20.17	5.71	\$10,517
Vested or expected to vest at March 31, 2009	14,685,250	21.04	5.71	6,546
Options exercisable at March 31, 2009	9,772,239	22.62	4.56	5,556

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at March 31, 2009, based on the \$9.45 closing stock price of Rambus Common Stock on March 31, 2009 on the Nasdaq Global Select Market, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options outstanding and exercisable as of March 31, 2009 was 3,131,946 and 1,266,259, respectively.

As of March 31, 2009, there was \$50.4 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock-based compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average period of 3.1 years. The total fair value of shares vested as of March 31, 2009 was \$186.6 million.

Employee Stock Purchase Plans

No purchases were made under the Employee Stock Purchase Plans during the three months ended March 31, 2009 and 2008 respectively. As of March 31, 2009, 1,265,071 shares under the 2006 Purchase Plan remain available for issuance. For the three months ended March 31, 2009 and 2008, the Company recorded compensation expense related to the Employee Stock Purchase Plan of \$0.5 million and \$0.5 million, respectively. As of March 31, 2009, there was \$0.2 million of total unrecognized compensation cost related to share-based compensation arrangements granted under the Employee Stock Purchase Plan. That cost is expected to be recognized over one month.

Stock-Based Compensation*Stock Options*

For the three months ended March 31, 2009 and 2008, the Company maintained stock plans covering a broad range of potential equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors an ESPP, whereby eligible employees are entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

During the three months ended March 31, 2009 and 2008, Rambus granted 1,349,769 and 1,671,960 stock options, respectively, with an estimated total grant-date fair value of \$8.6 million and \$18.9 million, respectively. During the three months ended March 31, 2009 and 2008, Rambus recorded stock-based compensation related to stock options of \$6.6 million and \$9.2 million, respectively.

The total intrinsic value of options exercised was \$4.1 million and \$5.5 million for the three months ended March 31, 2009 and 2008, respectively. Intrinsic value is the total value of exercised shares based on the price of the Company's common stock at the time of exercise less the cash received from the employees to exercise the options.

Table of Contents

During the three months ended March 31, 2009, proceeds from employee stock option exercises totaled approximately \$5.0 million.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three months ended March 31, 2009 and 2008 calculated in accordance with SFAS No. 123(R).

Valuation Assumptions

The fair value of stock awards is estimated as of the grant date using the Black-Scholes-Merton (BSM) option-pricing model assuming a dividend yield of 0% and the additional weighted-average assumptions as listed in the following tables:

	Three Months Ended	
	2009	2008
Stock Option Plans		
Expected stock price volatility	96%	63%
Risk free interest rate	1.76%	3.13%
Expected term (in years)	5.3	5.3
Weighted-average fair value of stock options granted	\$6.38	\$11.28

No grants were made under the Employee Stock Purchase Plans during the three months ended March 31, 2009 and 2008.

Nonvested Equity Stock and Stock Units

For the three months ended March 31, 2009, Rambus granted nonvested equity stock units to certain officers and employees, totaling 179,908 shares under the 2006 Plan. These awards have a service condition, generally a service period of four years. The nonvested equity stock units were valued at the date of grant giving them a fair value of approximately \$1.5 million.

For the three months ended March 31, 2009 and 2008, Rambus recorded stock-based compensation expense of approximately \$1.3 million and \$0.8 million, respectively, related to all outstanding unvested equity stock grants. Beginning in 2008, compensation expense was adjusted for an estimate of forfeitures for non performance-based grants, based on management's future expectations. Unrecognized stock-based compensation related to all nonvested equity stock grants, net of estimated forfeitures, was approximately \$11.8 million at March 31, 2009. This is expected to be recognized over a weighted average of 2.9 years.

The following table reflects the activity related to nonvested equity stock and stock units for the three months ended March 31, 2009:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2008	821,064	\$ 18.46
Granted	179,908	8.36
Vested	(67,000)	19.32
Forfeited		
Nonvested at March 31, 2009	933,972	\$ 16.45

Table of Contents**6. Marketable Securities**

Rambus invests its excess cash primarily in U.S. government agency and treasury notes, commercial paper, corporate notes and bonds, money market funds and municipal notes and bonds that mature within three years.

All cash equivalents and marketable securities are classified as available-for-sale and are summarized as follows:

	March 31, 2009			Weighted
	Fair	Book	Unrealized	Rate of
<i>(dollars in thousands)</i>	Value	Value	Gain	Return
			(Loss),	
			net	
Money Market Funds	\$ 124,563	\$ 124,563	\$	0.39%
Municipal Bonds and Notes	1,013	1,000	13	3.85%
U.S. Government Bonds and Notes	164,539	163,862	677	2.11%
Corporate Notes, Bonds, and Commercial Paper	56,538	56,607	(69)	3.36%
Total cash equivalents and marketable securities	346,653	346,032	621	
Cash	1,275	1,275		
Total cash, cash equivalents and marketable securities	\$ 347,928	\$ 347,307	\$ 621	

	December 31, 2008			Weighted
	Fair	Book	Unrealized	Rate of
<i>(dollars in thousands)</i>	Value	Value	Gain, net	Return
Money Market Funds	\$ 110,732	\$ 110,732	\$	0.90%
Municipal Bonds and Notes	1,000	1,000		3.85%
U.S. Government Bonds and Notes	149,304	148,178	1,126	2.79%
Corporate Notes, Bonds, and Commercial Paper	79,308	79,275	33	3.06%
Total cash equivalents and marketable securities	340,344	339,185	1,159	
Cash	5,509	5,509		
Total cash, cash equivalents and marketable securities	\$ 345,853	\$ 344,694	\$ 1,159	

Available-for-sale securities are reported at fair value on the balance sheets and classified as follows:

	March 31,	December
<i>(dollars in thousands)</i>	2009	31,
		2008
Cash Equivalents	\$ 124,563	\$ 110,732
Short term marketable securities	222,090	229,612
Total cash equivalent and marketable securities	346,653	340,344
Cash	1,275	5,509

Total cash, cash equivalents and marketable securities \$ 347,928 \$ 345,853

The estimated fair value of cash equivalents and marketable securities classified by date of contractual maturity and the associated unrealized gain at March 31, 2009 and December 31, 2008 are as follows:

	March 31, 2009	As of December 31, 2008	Unrealized Gain, net	
			March 31, 2009	December 31, 2008
			(In thousands)	
Contractual maturity:				
Due within one year	\$ 192,209	\$ 223,458	\$ 89	\$ 345
Due from one year through three years	154,444	116,886	532	814
	\$ 346,653	\$ 340,344	\$ 621	\$ 1,159

The unrealized gains, net, were insignificant in relation to the Company's total available-for-sale portfolio. The unrealized gains, net, can be primarily attributed to a combination of market conditions as well as the demand for and duration of the Company's U.S. government bonds and notes. See Note 14, Fair Value of Financial Instruments, for fair value discussion regarding the Company's cash equivalents and marketable securities.

Table of Contents**7. Commitments and Contingencies**

On February 1, 2005, Rambus issued \$300.0 million aggregate principal amount of zero coupon convertible senior notes (the convertible notes) due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities as initial purchasers who then sold the convertible notes to institutional investors. Rambus has elected to pay the principal amount of the convertible notes in cash when they are due. Subsequently, Rambus repurchased a total of \$163.1 million face value of the outstanding convertible notes in 2005 and 2008. The aggregate principal amount of convertible notes outstanding as of March 31, 2009 was \$137.0 million, offset by an unamortized debt discount of \$8.9 million which are classified as a current liability as of March 31, 2009 in the accompanying condensed consolidated balance sheets. The debt discount is expected to be amortized over the remaining 10 months until maturity of the convertible notes. See Note 15, Convertible Notes, for additional details.

As of March 31, 2009, Rambus material contractual obligations are (in thousands):

	Total	Remainder of 2009	Payments Due by Year				
			2010	2011	2012	2013	Thereafter
Contractual obligations(1)							
Operating leases	\$ 13,306	\$ 5,812	\$ 6,411	\$ 645	\$ 438	\$	\$
Convertible notes	136,950		136,950				
Total	\$ 150,256	\$ 5,812	\$ 143,361	\$ 645	\$ 438	\$	\$

(1) The above table does not reflect possible payments in connection with uncertain tax benefits associated with FASB Interpretation No. (FIN) 48 of approximately \$9.8 million, including \$8.0 million recorded as a reduction of long-term deferred tax assets and \$1.8 million in long-term income taxes payable, as of March 31, 2009.

As noted below in Note 9, Income Taxes, although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

Rent expense was approximately \$1.6 million and \$1.8 million for the three months ended March 31, 2009 and 2008, respectively.

Deferred rent, included primarily in other long-term liabilities, was approximately \$1.0 million and \$1.1 million as of March 31, 2009 and December 31, 2008, respectively.

Indemnifications

Rambus enters into standard license agreements in the ordinary course of business. Although Rambus does not indemnify most of its customers, there are times when an indemnification is a necessary means of doing business. Indemnifications cover customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement claim by any third party with respect to Rambus products. The maximum amount of indemnification Rambus could be required to make under these agreements is generally limited to fees received by Rambus. Rambus estimates the fair value of its indemnification obligation as insignificant, based upon its history of litigation concerning product and patent infringement claims. Accordingly, Rambus has no liabilities recorded for indemnification under these agreements as of March 31, 2009 or 2008.

Several securities fraud class actions, private lawsuits and shareholder derivative actions were filed in state and federal courts against certain of the Company's current and former officers and directors related to the stock option granting actions. As permitted under Delaware law, Rambus has agreements whereby its officers and directors are indemnified for certain events or occurrences while the officer or director is, or was serving, at Rambus request in such capacity. The term of the indemnification period is for the officer's or director's term in such capacity. The maximum potential amount of future payments Rambus could be required to make under these indemnification agreements is unlimited. Rambus has a director and officer insurance policy that reduces Rambus exposure and enables Rambus to recover a portion of future amounts to be paid. As a result of these indemnification agreements, Rambus continues to make payments on behalf of current and former officers. As of March 31, 2009, the Company had made payments of approximately \$9.3 million on their behalf, including \$2.8 million in the quarter ended March 31, 2009. The Company received approximately \$5.3 million from the former officers related to their settlement agreements with the Company in connection with the derivative and class action lawsuits which was comprised of approximately \$4.5 million in cash received in the first quarter of 2009 as well as approximately 163,000 shares of Rambus stock with a value of approximately \$0.8 million in the fourth quarter of 2008. As of March 31, 2008, the Company had made payments of approximately \$6.1 million on their behalf, including \$0.4 million in the quarter ended March 31, 2008. These payments made by the Company and the repayments by the former officers to the

Table of Contents

Company were recorded under costs (recovery) of restatement and related legal activities in the condensed consolidated statements of operations.

8. Stockholders Equity*Share Repurchase Program*

In October 2001, Rambus Board of Directors (the Board) approved a share repurchase program of its Common Stock, principally to reduce the dilutive effect of employee stock options. To date, the Board has approved the authorization to repurchase up to 19.0 million shares of the Company s outstanding Common Stock over an undefined period of time. During the three months ended March 31, 2009, the Company did not repurchase any Common Stock. As of March 31, 2009, Rambus had repurchased a cumulative total of approximately 16.8 million shares of its Common Stock with an aggregate price of approximately \$233.8 million since the commencement of this program. As of March 31, 2009, there remained an outstanding authorization to repurchase approximately 2.2 million shares of Rambus outstanding Common Stock.

Rambus records stock repurchases as a reduction to stockholders equity. As prescribed by Accounting Principles Board (APB) Opinion No. 6, Status of Accounting Research Bulletins, Rambus records a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the cost of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock.

9. Income Taxes

The effective tax rate for the quarter ended March 31, 2009 was 0.1% which is lower than the U.S. statutory tax rate applied to the Company s net loss primarily due to a full valuation allowance on its U.S. net deferred tax assets, foreign income taxes and state income taxes, partially offset by refundable research and development tax credits. The effective tax rate for the quarter ended March 31, 2008 was 33.3% which was lower than the U.S. statutory tax rate applied to the Company s net loss primarily due to stock-based compensation expense associated with executives and other employees, partially offset by state income taxes and research and development tax credits.

As of March 31, 2009, the Company s condensed consolidated balance sheet included net deferred tax assets, before valuation allowance, of approximately \$158.3 million, which consists of net operating loss carryovers, tax credit carryovers, depreciation and amortization, employee stock-based compensation expenses and certain liabilities. A valuation allowance of \$156.5 million has been recorded against the deferred tax assets. Management periodically evaluates the realizability of the Company s net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on the Company s ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. The Company intends to maintain the valuation allowance until sufficient positive evidence exists to support reversal of the valuation allowance.

The Company maintains liabilities for uncertain tax benefits within its non-current income taxes payable accounts. These liabilities involve judgment and estimation and are monitored by management based on the best information available including changes in tax regulations, the outcome of relevant court cases and other information.

As of March 31, 2009, the Company had \$9.8 million of unrecognized tax benefits, including \$7.1 million recorded as a reduction of long-term deferred tax assets, which is net of approximately \$0.9 million of federal tax benefit, and including \$1.8 million in long-term income taxes payable. If recognized, approximately \$0.6 million would be recorded as an income tax benefit. No benefit would be recorded for the remaining unrecognized tax benefits as the recognition would require a corresponding increase in the valuation allowance. As of December 31, 2008, the Company had \$9.6 million of unrecognized tax benefits, including \$6.9 million recorded as a reduction of long-term deferred tax assets, which is net of approximately \$0.8 million of federal tax benefits, and including \$1.9 million in long-term income taxes payable.

Although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At March 31, 2009 and December 31, 2008, an insignificant amount of interest and penalties are included in long-term income taxes payable.

Table of Contents

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company is currently under a payroll examination by the Internal Revenue Service for the years ended December 31, 2004 and 2005. The Company is also under examination by the California Franchise Tax Board for the fiscal year ended March 31, 2003 and the years ended December 31, 2003 and 2004. Although the outcome of any tax audit is uncertain, the Company believes it has adequately provided for any additional taxes that may be required to be paid as a result of such examinations. If the Company determines that no payment will ultimately be required, the reversal of these tax liabilities may result in tax benefits being recognized in the period when that conclusion is reached. However, if an ultimate tax assessment exceeds the recorded tax liability for that item, an additional tax provision may need to be recorded. The impact of such adjustments in the Company's tax accounts could have a material impact on the consolidated results of operations in future periods.

The Company is subject to examination by the IRS for tax years ended 2005 through 2007. The Company is also subject to examination by the State of California for tax years ended 2004 through 2007. In addition, any R&D credit carryforward generated in prior years and utilized in these or future years may also be subject to examination by the IRS and the State of California. The Company is also subject to examination in various other jurisdictions for various periods.

10. Earnings (Loss) Per Share

Earnings (loss) per share is calculated in accordance with, SFAS No. 128, Earnings Per Share. Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing the earnings (loss) by the weighted average number of common shares and potentially dilutive securities outstanding during the period. Potentially dilutive common shares consist of incremental common shares issuable upon exercise of stock options, employee stock purchases, restricted stock and restricted stock units and shares issuable upon the conversion of convertible notes. The dilutive effect of outstanding shares is reflected in diluted earnings per share by application of the treasury stock method. This method includes consideration of the amounts to be paid by the employees, the amount of excess tax benefits that would be recognized in equity if the instrument was exercised and the amount of unrecognized stock-based compensation related to future services. No potential dilutive common shares are included in the computation of any diluted per share amount when a net loss is reported.

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended March 31,	
	2009	2008
	(In thousands, except per share amounts)	
Numerator:		
Net loss	\$ (17,426)	\$ (14,354)
Denominator:		
Weighted average shares used to compute basic EPS	104,376	104,683
Dilutive potential shares from stock options, ESPP and nonvested equity stock and stock units		
Weighted average shares used to compute diluted EPS	104,376	104,683
Net loss per share:		
Basic	\$ (0.17)	\$ (0.14)
Diluted	\$ (0.17)	\$ (0.14)

For all periods presented, approximately 5.1 million shares that would be issued upon the conversion of the contingently issuable convertible notes were excluded from the calculation of earnings per share because the

conversion price was higher than the average market price of the Common Stock during this period. For the three months ended March 31, 2009 and 2008, options to purchase approximately 14.3 million and 11.2 million shares, respectively, were excluded from the calculation because they were anti-dilutive after considering proceeds from exercise, taxes and related unrecognized stock-based compensation expense. For the three months ended March 31, 2009 and 2008, an additional 0.7 million and 3.4 million shares, including nonvested equity stock and stock units, that would be dilutive have been excluded from the weighted average dilutive shares because there was a net loss for the period.

Table of Contents**11. Business Segments, Exports and Major Customers**

Rambus operates in a single industry segment, the design, development and licensing of chip interface technologies and architectures. Four customers accounted for 25%, 18%, 14% and 13%, respectively, of revenue in the three months ended March 31, 2009. Three customers accounted for 18%, 17% and 13%, respectively, of revenue in the three months ended March 31, 2008. Rambus expects that its revenue concentration will decrease over the long term as Rambus licenses new customers.

Rambus sells its chip interfaces and licenses to customers in the Far East, North America, and Europe. Revenue from customers in the following geographic regions were recognized as follows:

<i>(In thousands)</i>	Three Months Ended March 31,	
	2009	2008
Japan	\$ 21,811	\$ 30,982
North America	5,268	6,848
Taiwan	23	341
Korea	142	383
Singapore	43	99
Europe	47	1,085
	\$ 27,334	\$ 39,738

At March 31, 2009, of the \$19.7 million of total property and equipment, approximately \$17.0 million are located in the United States, \$2.2 million are located in India and \$0.5 million are located in other foreign locations. At December 31, 2008, of the \$22.3 million of total long-lived assets, approximately \$19.3 million are located in the United States, \$2.4 million are located in India and \$0.6 million are located in other foreign locations.

12. Amortizable Intangible Assets

The components of the Company's intangible assets as of March 31, 2009 and December 31, 2008 were as follows:

	As of March 31, 2009		
	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
Patents	\$ 11,491	\$ (5,827)	\$ 5,664
Intellectual property	10,384	(9,741)	643
Customer contracts and contractual relationships	4,000	(2,347)	1,653
Existing technology	2,700	(2,672)	28
Non-competition agreement	100	(100)	
Total intangible assets	\$ 28,675	\$ (20,687)	\$ 7,988

	As of December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
Patents	\$ 9,941	\$ (5,527)	\$ 4,414
Intellectual property	10,384	(9,527)	857

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Customer contracts and contractual relationships	4,000	(2,224)	1,776
Existing technology	2,700	(2,503)	197
Non-competition agreement	100	(100)	
Total intangible assets	\$ 27,125	\$ (19,881)	\$ 7,244

Amortization expense for intangible assets for the three months ended March 31, 2009 and 2008 was \$0.8 million and \$1.4 million, respectively.

During the first quarter of 2009, the company purchased patents related to mobile memory and other applications in an asset acquisition from Inapac Technology, Inc for approximately \$1.6 million.

Table of Contents

The estimated future amortization expense of intangible assets as of March 31, 2009 was as follows (amounts in thousands):

Years Ending March 31:	Amount
2009 (remaining 9 months)	\$ 1,994
2010	1,632
2011	1,303
2012	1,032
2013	1,012
Thereafter	1,015
	\$ 7,988

13. Litigation and Asserted Claims***Hynix Litigation****U.S District Court of the Northern District of California*

On August 29, 2000, Hynix (formerly Hyundai) and various subsidiaries filed suit against Rambus in the U.S. District Court for the Northern District of California. The complaint, as amended and narrowed through motion practice, asserts claims for fraud, violations of federal antitrust laws and deceptive practices in connection with Rambus' participation in a standards setting organization called JEDEC, and seeks a declaratory judgment that the Rambus patents-in-suit are unenforceable, invalid and not infringed by Hynix, compensatory and punitive damages, and attorneys' fees. Rambus denied Hynix's claims and filed counterclaims for patent infringement against Hynix.

The case was divided into three phases. In the first phase, Hynix tried its unclean hands defense beginning on October 17, 2005 and concluding on November 1, 2005. In its January 4, 2006 Findings of Fact and Conclusions of Law, the court held that Hynix's unclean hands defense failed. Among other things, the court found that Rambus did not adopt its document retention policy in bad faith, did not engage in unlawful spoliation of evidence, and that while Rambus disposed of some relevant documents pursuant to its document retention policy, Hynix was not prejudiced by the destruction of Rambus documents. On January 19, 2009, Hynix filed a motion for reconsideration of the court's unclean hands order and for summary judgment on the ground that the decision by the Delaware court in the pending Micron-Rambus litigation (described below) should be given preclusive effect. In its motion Hynix requested alternatively that the court's unclean hands order be certified for appeal and that the remainder of the case be stayed. Rambus filed an opposition to Hynix's motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court denied Hynix's motions and restated its conclusions that Rambus had not anticipated litigation until late 1999 and that Hynix had not demonstrated any prejudice from any alleged destruction of evidence.

The second phase of the Hynix-Rambus trial on patent infringement, validity and damages began on March 15, 2006, and was submitted to the jury on April 13, 2006. On April 24, 2006, the jury returned a verdict in favor of Rambus on all issues and awarded Rambus a total of approximately \$307 million in damages, excluding prejudgment interest. Specifically, the jury found that each of the ten selected patent claims was supported by the written description, and was not anticipated or rendered obvious by prior art; therefore, none of the patent claims were invalid. The jury also found that Hynix infringed all eight of the patent claims for which the jury was asked to determine infringement; the court had previously determined on summary judgment that Hynix infringed the other two claims at issue in the trial. On July 17, 2006, the court granted Hynix's motion for a new trial on the issue of damages unless Rambus agreed to a reduction of the total jury award to approximately \$134 million. The court found that the record supported a maximum royalty rate of 1% for SDR SDRAM and 4.25% for DDR SDRAM, which the court applied to the stipulated U.S. sales of infringing Hynix products through December 31, 2005. On July 27, 2006, Rambus elected remittitur of the jury's award to approximately \$134 million. On August 30, 2006, the court awarded Rambus prejudgment interest for the period June 23, 2000 through December 31, 2005. Hynix filed a motion on July 7, 2008 to reduce the amount of remitted damages and any supplemental damages that the court may award, as well as to limit the products that could be affected by any injunction that the court may grant, on the grounds of patent exhaustion.

Following a hearing on August 29, 2008, the court denied Hynix's motion. In separate orders issued December 2, 2008, January 16, 2009, and January 27, 2009, the court denied Hynix's post-trial motions for judgment as a matter of law and new trial on infringement and validity.

On June 24, 2008, the court heard oral argument on Rambus's motion to supplement the damages award and for equitable relief related to Hynix's infringement of Rambus patents. On February 23, 2009, the Court issued an order 1) granting Rambus's motion for

Table of Contents

supplemental damages and prejudgment interest for the period after December 31, 2005, at the same rates ordered for the prior period; 2) denying Rambus' motion for injunction; and 3) ordering the parties to begin negotiations regarding the terms of a compulsory license regarding Hynix's continued manufacture, use, and sale of infringing devices.

The third phase of the Hynix-Rambus trial involved Hynix's affirmative JEDEC-related antitrust and fraud allegations against Rambus. On April 24, 2007, the court ordered a coordinated trial of certain common JEDEC-related claims alleged by the manufacturer parties (i.e., Hynix, Micron, Nanya and Samsung) and defenses asserted by Rambus in *Hynix v Rambus*, Case No. C 00-20905 RMW, and three other cases pending before the same court (*Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW, each described in further detail below). On December 14, 2007, the court excused Samsung from the coordinated trial based on Samsung's agreement to certain conditions, including trial of its claims against Rambus by the court within six months following the conclusion of the coordinated trial. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya's motion for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya's equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that 1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; 2) the evidence supported the jury's finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; 3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; 4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; 5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; 6) Rambus's conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; 7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus's conduct at JEDEC; 8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; 9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; 10) the evidence related to Rambus's patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; 11) Rambus did not unreasonably delay bringing its patent infringement claims; and 12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus's conduct.

On March 10, 2009, the court entered final judgment against Hynix in the amount of approximately \$397 million as follows: approximately \$134 million for infringement through December 31, 2005; approximately \$215 million for infringement from January 1, 2006 through January 31, 2009; and approximately \$48 million in pre-judgment interest. Post-judgment interest will accrue at the statutory rate. In addition, the judgment orders Hynix to pay Rambus

royalties on net sales for U.S. infringement after January 31, 2009 and before April 18, 2010 of 1% for SDR SDRAM and 4.25% by DDR DDR2, DDR3, GDDR, GDDR2 and GDDR3 SDRAM memory devices. On April 9, 2009, Rambus submitted its cost bill in the amount of approximately \$0.9 million. On March 24, 2009, Hynix filed a motion under Rule 62 seeking relief from the requirement that it post a supersedeas bond in the full amount of the final judgment in order to stay its execution pending an appeal. Rambus filed a brief opposing Hynix's motion on April 10, 2009. A hearing on Hynix's motion is scheduled for May 8, 2009. Execution of the judgment is stayed until two weeks after the hearing date or until such time as may otherwise be ordered by the court.

On April 6, 2009, Hynix filed its notice of appeal. On April 17, 2009, Rambus filed its notice of cross appeal. The parties' opening briefs are not yet due.

Table of Contents***Micron Litigation******U.S. District Court in Delaware: Case No. 00-792-SLR***

On August 28, 2000, Micron filed suit against Rambus in the U.S. District Court in Delaware. The suit asserts violations of federal antitrust laws, deceptive trade practices, breach of contract, fraud and negligent misrepresentation in connection with Rambus' participation in JEDEC. Micron seeks a declaration of monopolization by Rambus, compensatory and punitive damages, attorneys' fees, a declaratory judgment that eight Rambus patents are invalid and not infringed, and the award to Micron of a royalty-free license to the Rambus patents. Rambus has filed an answer and counterclaims disputing Micron's claims and asserting infringement by Micron of twelve U.S. patents.

This case has been divided into three phases in the same general order as in the *Hynix* 00-20905 action: (1) unclean hands; (2) patent infringement; and (3) antitrust, equitable estoppel, and other JEDEC-related issues. A bench trial on Micron's unclean hands defense began on November 8, 2007 and concluded on November 15, 2007. The court ordered post-trial briefing on the issue of when Rambus became obligated to preserve documents because it anticipated litigation. A hearing on that issue was held on May 20, 2008. The court ordered further post-trial briefing on the remaining issues from the unclean hands trial, and a hearing on those issues was held on September 19, 2008.

On January 9, 2009, the court issued an opinion in which it determined that Rambus had engaged in spoliation of evidence by failing to suspend general implementation of a document retention policy after the court determined that litigation was reasonably foreseeable. The court issued an accompanying order declaring the twelve patents in suit unenforceable against Micron (the Delaware Order). On February 9, 2009, the court stayed all other proceedings pending appeal of the Delaware Order. On February 10, 2009, judgment was entered against Rambus and in favor of Micron on Rambus' patent infringement claims and Micron's corresponding claims for declaratory relief. On March 11, 2009, Rambus filed its notice of appeal. Rambus' opening brief is not yet due.

U.S. District Court of the Northern District of California

On January 13, 2006, Rambus filed suit against Micron in the U.S. District Court in the Northern District of California. Rambus alleges that fourteen Rambus patents are infringed by Micron's DDR2, DDR3, GDDR3, and other advanced memory products. Rambus seeks compensatory and punitive damages, attorneys' fees, and injunctive relief. Micron has denied Rambus' allegations and is alleging counterclaims for violations of federal antitrust laws, unfair trade practices, equitable estoppel, fraud and negligent misrepresentation in connection with Rambus' participation in JEDEC. Micron seeks a declaration of monopolization by Rambus, injunctive relief, compensatory and punitive damages, attorneys' fees, and a declaratory judgment of invalidity, unenforceability, and noninfringement of the fourteen patents in suit.

As explained above, the court ordered a coordinated trial (without Samsung) of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya's motion for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya's equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that 1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; 2) the evidence supported the jury's finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; 3) the written

Table of Contents

JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; 4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; 5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; 6) Rambus' s conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; 7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus' s conduct at JEDEC; 8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; 9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; 10) the evidence related to Rambus' s patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; 11) Rambus did not unreasonably delay bringing its patent infringement claims; and 12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus' s conduct.

In these cases (except for the *Hynix 00-20905* action), a hearing on claim construction and the parties cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied Hynix, Micron, Nanya, and Samsung' s (collectively, the Manufacturers') motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers' motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court' s direction, Rambus elected to proceed to trial on twelve patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against the Manufacturers under the Ware patents in suit (U.S. Patent Nos. 6,493,789 and 6,496,897), and each party' s claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus' motion for summary judgment of direct infringement with respect to claim 16 of Rambus' U.S. Patent No. 6,266,285 by the Manufacturers' DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya' s DDR3 memory chip products). In the same order, the court denied the remainder of Rambus' motion for summary judgment of infringement.

On January 19, 2009, Micron filed a motion for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed an opposition to Micron' s motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus appeal of the Delaware Order.

European Patent Infringement Cases

On September 11, 2000, Rambus filed suit against Micron in multiple European jurisdictions for infringement of its 068 patent (described above), which was later revoked. Additional suits were filed pertaining to the 642 patent and a third Rambus patent, EP 1 004 956 (the 956 patent). Rambus' suit against Micron for infringement of the 642 patent in Mannheim, Germany, has not been active. The Mannheim court issued an Order of Cost with respect to the 068 proceeding requiring Rambus to reimburse Micron attorneys fees in the amount of \$0.45 million. This amount has since been paid.

One proceeding in Italy relating to the 642 patent was adjourned at a hearing on June 15, 2007, each party bearing its own costs. In two other proceedings in Italy relating to the 956 patent, the court has scheduled hearings for May 6, 2009, regarding continuation of the proceedings. In February 2006, Micron instituted a proceeding in Italy resulting from a seizure of evidence in Italy in 2000 carried out by Rambus pursuant to a court order. Micron asserted that its damages allegedly caused by this seizure equaled or exceeded \$30.0 million. Rambus filed its written defense on April 24, 2006. On February 10, 2009, the Italian court issued a decision dismissing Micron' s suit and ordering Rambus to pay an insignificant amount of legal costs incurred in the proceedings by an Italian-based Micron retailer.

DDR2, DDR3, gDDR2, GDDR3, GDDR4 Litigation (DDR2)

U.S District Court in the Northern District of California

On January 25, 2005, Rambus filed a patent infringement suit in the U.S. District Court in the Northern District of California court against Hynix, Infineon, Nanya, and Inotera. Infineon and Inotera were subsequently dismissed from this litigation and Samsung was added as a defendant. Rambus alleges that certain of its patents are infringed by certain of the defendants SDRAM, DDR, DDR2, DDR3, gDDR2, GDDR3, GDDR4 and other advanced memory products. Hynix, Samsung and Nanya have denied Rambus claims

Table of Contents

and asserted counterclaims against Rambus for, among other things, violations of federal antitrust laws, unfair trade practices, equitable estoppel, and fraud in connection with Rambus' participation in JEDEC.

As explained above, the court ordered a coordinated trial of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The court subsequently excused Samsung from the coordinated trial on December 14, 2007, based on Samsung's agreement to certain conditions, including trial of its claims against Rambus within six months following the conclusion of the coordinated trial. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya's motion for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya's equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that 1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; 2) the evidence supported the jury's finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; 3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; 4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; 5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; 6) Rambus's conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; 7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus's conduct at JEDEC; 8) the evidence did not support a finding of any material misrepresentation, half-truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; 9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; 10) the evidence related to Rambus's patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; 11) Rambus did not unreasonably delay bringing its patent infringement claims; and 12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus's conduct.

In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties' cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied the Manufacturers' motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers' motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court's direction, Rambus elected to proceed to trial on twelve patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent

infringement against the Manufacturers under U.S. Patent Nos. 6,493,789 and 6,496,897, and each party's claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus's motion for summary judgment of direct infringement with respect to claim 16 of Rambus's U.S. Patent No. 6,266,285 by the Manufacturers' DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya's DDR3 memory chip products). In the same order, the court denied the remainder of Rambus's motion for summary judgment of infringement.

On January 19, 2009, Samsung, Nanya, and Hynix filed motions for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed opposition briefs to these motions on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus' appeal of the Delaware Order.

Table of Contents***Samsung Litigation******U.S District Court in the Northern District of California***

On June 6, 2005, Rambus filed a patent infringement suit against Samsung in the U.S. District Court in the Northern District of California alleging that Samsung's SDRAM and DDR SDRAM parts infringe nine of Rambus patents. Samsung has denied Rambus' claims and asserted counterclaims for non-infringement, invalidity and unenforceability of the patents, violations of various antitrust and unfair competition statutes, breach of license, and breach of duty of good faith and fair dealing. Samsung has also counterclaimed that Rambus aided and abetted breach of fiduciary duty and intentionally interfered with Samsung's contract with a former employee by knowingly hiring a former Samsung employee who allegedly misused proprietary Samsung information. Rambus has denied Samsung's counterclaims.

As explained above, the court ordered a coordinated trial of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The court subsequently excused Samsung from the coordinated trial on December 14, 2007, based on Samsung's agreement to certain conditions, including trial of its claims against Rambus within six months following the conclusion of the coordinated trial (see below). In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties' cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied the Manufacturers' motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers' motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court's direction, Rambus elected to proceed to trial on twelve patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against the Manufacturers under U.S. Patent Nos. 6,493,789 and 6,496,897, and each party's claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus's motion for summary judgment of direct infringement with respect to claim 16 of Rambus's U.S. Patent No. 6,266,285 by the Manufacturers' DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya's DDR3 memory chip products). In the same order, the court denied the remainder of Rambus's motion for summary judgment of infringement.

On January 19, 2009, Samsung filed a motion for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed an opposition brief to this motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus' appeal of the Delaware Order.

On August 11, 2008, the Court granted summary judgment in Rambus' favor on Samsung's claims for aiding and abetting a breach of fiduciary duty, intentional interference with contract, and certain aspects of Samsung's unfair competition claim. On September 16, 2008, the Court entered a stipulation and order of dismissal with prejudice of certain of Samsung's claims and defenses (including those based on Rambus' alleged JEDEC conduct) and Rambus defenses corresponding to Samsung's claims. A bench trial on the remaining claims and defenses that are unique to Samsung (breach of license, breach of duty of good faith and fair dealing, and estoppel based on those claims), as well as Samsung's claims and defenses related to its allegations that Rambus spoliated evidence, was held between September 22 and October 1, 2008. On April 27, 2009, the court issued Findings of Fact and Conclusions of Law holding that: 1) the parties' 2000 SDR/DDR license agreement did not cover DDR2 and future generation products; 2) the license did not entitle Samsung to most favored licensee benefits in any renewal or subsequent agreement; 3) Rambus did not fail to negotiate an extension or renewal license in good faith, and Samsung would not have been entitled to damages for any such failure; 4) Samsung's equitable estoppel defense failed; 4) Rambus breached the license by not offering Samsung the benefit to which it was entitled under the license (for the second quarter of 2005 only) of the royalty in the March 2005 settlement agreement between Rambus and Infineon; 5) Rambus failed to prove that Samsung breached certain audit provisions in the license, and therefore Rambus's termination of the license

less than one month before it was due to expire was improper; and 6) Rambus's actions did not cause the parties' failure to reach agreement on an extension or renewal of the license. No decision has been issued to date regarding Samsung's spoliation allegations.

Table of Contents

FTC Complaint

On June 19, 2002, the FTC filed a complaint against Rambus. The FTC alleged that through Rambus' action and inaction at JEDEC, Rambus violated Section 5 of the FTC Act in a way that allowed Rambus to obtain monopoly power in or that by acting with intent to monopolize it created a dangerous probability of monopolization in synchronous DRAM technology markets. The FTC also alleged that Rambus' action and practices at JEDEC constituted unfair methods of competition in violation of Section 5 of the FTC Act. As a remedy, the FTC sought to enjoin Rambus' right to enforce patents with priority dates prior to June 1996 as against products made pursuant to certain existing and future JEDEC standards.

On February 17, 2004, the FTC Chief Administrative Law Judge issued his initial decision dismissing the FTC's complaint against Rambus on multiple independent grounds (the Initial Decision). The FTC's Complaint Counsel appealed this decision.

On August 2, 2006, the FTC released its July 31, 2006, opinion and order reversing and vacating the Initial Decision and determining that Rambus violated Section 5 of the Federal Trade Commission Act. Following further briefing and oral argument on issues relating to remedy, the FTC released its opinion and order on remedy on February 5, 2007. The remedy order set the maximum royalty rate that Rambus could collect on the manufacture, use or sale in the United