

Client Alert **Intellectual Property**

What Matters - Document Retention

Hynix v. Rambus, Case No. 2009-1299, 1347 (Fed. Cir. May 13, 2011)

Micron v. Rambus, Case No. 2009-1263 (Fed. Cir. May 13, 2011)

In these two related cases, the Federal Circuit addressed the question of whether destruction of documents as part of company-wide “Shred Days” before commencement of litigation qualified as improper spoliation of evidence.

The issue considered was what constituted “reasonably foreseeable” litigation sufficient to trigger a duty to preserve documents.

The Court decided that litigation need not be **imminent** to be “reasonably foreseeable” to trigger a duty to preserve evidence. But what qualifies as “reasonably foreseeable” is “a flexible fact-specific standard This standard does not trigger the duty to preserve documents from the mere existence of a potential claim or the distant possibility of litigation. . . [h]owever, it is not so inflexible as to require that litigation be “imminent, or probably without significant contingencies.”

Rambus’s “Shred Days” constituted improper spoliation. Factors important to the decision included the following:

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Client Alert Intellectual Property

1. Rambus's internal memos and presentations showed that it had adopted its document retention policies as part of its litigation strategy, not for the purposes of business management.
2. Rambus was already on notice of potential patent infringement suits before the "Shred Days."
3. Rambus took several steps in furtherance of litigation before the second "Shred Day."
4. As plaintiff/patentee, Rambus's decision whether to litigate was the determining factor in whether litigation would ensue. Thus, it is more foreseeable for a party in Rambus's position to foresee litigation, than for a potential accused infringer.
5. The relationship between Rambus and the accused infringers was naturally adversarial, rather than a mutually beneficial one that later turned sour. In the former situation, litigation is more reasonably foreseeable than in the latter.

It is important that a company institute a comprehensive document retention policy before any threat of litigation, implement it consistently, and ensure it is adopted and used for well reasoned business purposes.

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United States Court of Appeals for the Federal Circuit

**HYNIX SEMICONDUCTOR INC., HYNIX
SEMICONDUCTOR AMERICA INC., HYNIX
SEMICONDUCTOR U.K. LTD.; AND HYNIX
SEMICONDUCTOR DEUTSCHLAND GMBH,**
Plaintiffs-Appellants,

v.

RAMBUS INC.,
Defendant-Cross Appellant.

2009-1299, -1347

Appeal from the United States District Court for the
Northern District of California in Case No. 00-CV-20905,
Senior Judge Ronald M. Whyte.

Decided: May 13, 2011

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Before NEWMAN, LOURIE, BRYSON, GAJARSA and LINN,
Circuit Judges.

Opinion for the court filed by *Circuit Judge* LINN, with whom LOURIE and BRYSON, *Circuit Judges*, join.

Concurring-in-part, dissenting-in-part opinion filed by *Circuit Judge* GAJARSA, with whom NEWMAN, *Circuit Judge*, joins.

LINN, *Circuit Judge.*

This patent infringement action concerns Synchronous Dynamic Random Access Memory (“SDRAM”) and Double Data Rate SDRAM memory (“DDR SDRAM”), in

standard use in many computers beginning in the 1990s. The district court entered a final judgment of infringement and non-invalidity of claim 33 of Rambus Inc.'s ("Rambus") U.S. Patent No. 6,324,120 ("120 patent"); claims 32 and 36 of U.S. Patent No. 6,378,020 ("020 patent"); claims 9, 28, and 40 of U.S. Patent No. 6,426,916 ("916 patent"); claim 16 of U.S. Patent No. 6,452,863 ("863 patent"); claim 34 of U.S. Patent No. 5,915,105 ("105 patent"); and claims 24 and 33 of U.S. Patent No. 6,034,918 ("918 patent"); entered judgment in the amount of \$349,035,842; required Hynix to pay prejudgment interest; and set a royalty rate for infringing products. *Hynix Semiconductor, Inc. v. Rambus Inc.*, No. 00-CV-20905 (N.D. Cal. Mar. 10, 2009) ("*Judgment*"). Hynix Semiconductor Inc., Hynix Semiconductor America Inc., Hynix Semiconductor U.K. LTD, and Hynix Semiconductor Deutschland (collectively, "Hynix") appeal the district court's: (1) denial of Hynix's motion to dismiss due to unenforceability arising from Rambus's alleged spoliation of documents, *Hynix Semiconductor Inc. v. Rambus Inc.*, 591 F. Supp. 2d 1038 (N.D. Cal. 2006) (Whyte, J.) ("*Spoliation*"); (2) claim construction, *Hynix Semiconductor Inc. v. Rambus Inc.*, No. 00-CV-20905 (N.D. Cal. Nov. 15, 2004) ("*Claim Construction*"); (3) denial of Hynix's motion for judgment as a matter of law or for a new trial on the basis of written description, *Hynix Semiconductor Inc. v. Rambus Inc.*, No. 00-CV-20905 (N.D. Cal. Jan. 27, 2009) ("*Written Description*"); (4) denial of Hynix's motion for a new trial on obviousness, *Hynix Semiconductor Inc. v. Rambus Inc.*, No. 00-CV-20905 (N.D. Cal. Jan. 16, 2009) ("*Obviousness*"); and (5) rejection of Hynix's equitable arguments of unenforceability due to implied waiver and equitable estoppel. *Hynix Semiconductor Inc. v. Rambus Inc.*, No. 00-CV-20905 (N.D. Cal. Mar. 3, 2009) ("*Estoppel*").

Rambus cross-appeals the district court's grant of summary judgment of non-infringement of claims of 15, 18, 25, and 26 of Rambus's U.S. Patent No. 6,032,214 ("214 patent"); claims 36 and 40 of the '105 patent; claims 1 and 4 of Rambus's U.S. Patent No. 6,035,365 ("365 patent"); and claim 14 of its U.S. Patent No. 6,101,152 ("152 patent"). *Hynix Semiconductor Inc. v. Rambus Inc.*, No. 00-CV-20905 (N.D. Cal. Jan. 5, 2005) ("Cross-Appeal").

This court has jurisdiction over the appeal and the cross-appeal pursuant to 28 U.S.C. § 1295(a)(1).

This case is a companion case to *Micron Technology, Inc. v. Rambus Inc.*, No. 2009-1263, slip op. (Fed. Cir. May 13, 2011) ("*Micron II*") (decided contemporaneously herewith). That case is an appeal from the United States District Court for the District of Delaware, in which Judge Robinson held that Rambus had spoliated documents in dereliction of a duty to preserve, and held Rambus's patents unenforceable as a sanction. *See Micron Tech., Inc. v. Rambus Inc.*, 255 F.R.D. 135, 150-51 (D. Del. 2009) ("*Micron I*").

Because this court concludes that the district court applied too narrow a standard of foreseeability in determining that litigation was not reasonably foreseeable until late 1999, this court (1) vacates the district court's final judgment and its findings of fact and conclusions of law regarding spoliation and remands for the district court to determine when Rambus's duty to preserve documents began under the framework set forth in *Micron II*, and the appropriate sanction, if any. This court (2) affirms the district court's decision on waiver and equitable estoppel, (3) its claim construction order, (4) its order denying Hynix's motion for JMOL or for a new trial on the basis of written description, and (5) its order deny-

ing Hynix's motion for a new trial on the basis of obviousness. This court also (6) affirms the district court's order granting Hynix's motion for summary judgment of non-infringement under Hynix's proposed claim construction challenged in Rambus's cross-appeal.

I. BACKGROUND

A. Rambus

Rambus was founded in 1990 to commercialize inventions related to features of computer dynamic random access memory ("DRAM"). All of the patents in suit claim priority to Rambus's 07/510,898 application ("898 application"), filed on April 18, 1990. The first filed and issued of the patents in suit, the '105 patent, was filed on November 26, 1997, and issued on June 22, 1999. Rambus prosecuted the patents in suit continuously throughout the 1990s and until 2002.

Rambus's primary business is licensing its intellectual property to DRAM manufacturers. Initially, Rambus focused its efforts on the "Direct RDRAM ramp," which comprised granting narrow licenses to RAM manufacturers to produce only a particular type of DRAM known as Rambus DRAM ("RDRAM") and later Direct RDRAM, and restricting the use of Rambus's intellectual property for the production of other types of RAM (what Rambus terms "non-compatible" uses). Rambus achieved a measure of success through this practice, licensing RDRAM production by Samsung, Hynix (then Hyundai), Hitachi, Micron, and several of the largest RAM manufacturers to meet the demand created by Intel's use of RDRAM in its Pentium 4 chipset. During the licensing period, however, several of the manufacturers also produced non-compatible DRAM, including SDRAM and DDR SDRAM, which are at issue in this case. As discussed in further

detail in *Micron II*, Intel eventually began to move away from RDRAM, in favor of SDRAM and DDR SDRAM.

B. Joint Electron Devices Engineering Council

Beginning in February 1992, Rambus became a member of the Joint Electron Devices Engineering Council (“JEDEC”), an open standard setting organization that developed (and continues to develop) standards for semiconductor products, including computer memory interfaces, to facilitate the interchangeability of products produced by different manufacturers. Members of a JEDEC committee meet several times a year to hear presentations by other members on proposed features to be included in the standard. The members then vote for which features to include.

Rambus was represented at JEDEC by Richard Crisp. After Crisp heard presentations on features to be included in the standard at JEDEC, he would discuss the inventions with the attorneys prosecuting Rambus’s patents, signaling them to direct Rambus’s prosecution efforts to cover those features. JEDEC Trial Tr. vol. 5 day 5, 990, 993. *See also* Reply Br. of Rambus, Inc., *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1085 (Fed. Cir. 2003) (“*Infineon*”), at 62 (“Rambus changed its pending patent claims based on discussions at public JEDEC meetings.”).

Under JEDEC policies, the members agreed to participate “in good faith under policies and procedures which will assure fairness and unrestricted participation.” Joel Karp, Rambus’s Vice President for Intellectual Property, made no secret of the fact that he did not attend JEDEC in good faith, if “good faith means that you are attending JEDEC with the goal of creating an open standard for JEDEC SDRAM.” Several JEDEC rules governed the behavior of members, including Manual 21-I, discussed below. *Estoppel* at *15. As of 1993, JEDEC

policy “required members to disclose patents and patent applications ‘related to’ the standardization work of the committees.” *Infineon*, 318 F.3d at 1085. Crisp disclosed one patent, U.S. Patent No. 5,243,703 (“703 patent”) to JEDEC in September 1993. *Id.* This patent has a substantially similar specification to the patents in suit, differing only in the claims.

During Rambus’s membership, JEDEC adopted SDRAM as a standard. The SDRAM standard incorporated features such as programmable CAS latency, programmable burst length, externally supplied reference voltage, and two-bank design. *Id.* In December 1995, Rambus attended its last meeting as a member of JEDEC, and formally resigned in June 1996. Meanwhile, by December 1996, JEDEC was busy working on the successor to SDRAM, DDR SDRAM. *Id.* DDR SDRAM incorporated source-synchronous clocking, low-voltage swing signaling, dual clock edging, and on-chip delay locked loop. *Id.* After Rambus’s formal resignation, Crisp continued to receive reports from sources termed “deep throat” and “secret squirrel” regarding the progress of the JEDEC RAM committee through at least December 1997.

C. Document Retention Policy

As both parties agree, the facts underlying Rambus’s alleged spoliation are substantially identical in the two cases. Br. of Rambus at 21, *Micron II*, (noting that the facts in *Hynix* and *Micron* are “virtually the same”); Br. of Hynix at 21, *Hynix Semiconductor Inc. v. Rambus Inc.*, Nos. 2009-1299, -1347 (Fed. Cir. decided May 13, 2011). *See also Spoliation* at 1 (“[T]he district court in Delaware

held a bench trial with respect to an essentially identical claim by Micron that Rambus spoliated evidence.”¹

Rambus took its first steps towards enforcing its IP against non-compatible DRAM in October 1997, when it hired Joel Karp as its Vice President for Intellectual Property. Karp’s role was “to prepare and then to negotiate to license our patents for infringing [DRAMs].” *Spoilation* at 6. Rambus recognized that hiring Karp would make partners and competitors suspicious about its intellectual property plans, but it hoped “to downplay the whole infringement/IP issue until there is actual infringement,” by having their “spin control ready” to tell its partners and competitors that Karp was being hired to assist with “contract negotiations.”

Shortly thereafter, in January 1998, Geoff Tate, Rambus’s CEO, instructed Karp to prepare a licensing and litigation strategy for presentation to the Board at its March 1998 meeting. Karp enlisted Dan Leal, a Cooley Godward litigation attorney, to prepare a “litigation strategy by [the] March [1998] board meeting.” Cooley’s notes of a follow-up February 12, 1998 meeting between Karp, Leal, Dan Johnson (another Cooley litigator), and yet another Cooley attorney state that Rambus will “[n]eed to litigate against someone to establish [a] royalty rate and have [a] court declare [the] patent valid,” and noted that the royalty rates proposed by Karp would “probably push us into litigation quickly.” Finally, the

¹ In *Micron II*, Rambus argued that the differences in the records are “makeweight,” “cumulative,” and “insignificant,” and *not* sufficient to compel a different outcome on spoliation in response to Micron’s arguments to the contrary. Reply Br. of Rambus at 2-3, *Micron II*. Thus, to the extent the records are in fact different, Rambus has waived any argument that the different records justify different outcomes.

notes reference a proposal to create a document retention policy in order to “[m]ake ourselves battle ready,” and the need to “clean out all attorney notes so that [the PTO prosecution] file is same as official file.”

At the March 1998 presentation to the Board, Karp proposed a litigation strategy prioritizing his choices of defendants and forums, and set a timeframe wherein Rambus would “commence legal action” in 4-6 months after procuring the potentially infringing parts. He also proposed a five percent royalty rate for non-compatible RAM, a rate his later memo said was for situations where Rambus was “not interested in settling.” Finally, he set as “near term actions” the creation of a document retention policy and “discovery database.”

In April 1998, CEO Tate met with Intel, a meeting he summarized as follows: “[I]ntel says they are basically going to compete with us on [the] next generation [of DRAM].” He understood that such a shift in the “mid-term” from RDRAM to SDRAM could “force [Rambus] to play [its] IP card with the [DRAM] companies *earlier*.” (emphasis added). Karp announced the document retention policy in May 1998, noting that he would prefer not to discuss the policy in writing. In July 1998, Tate e-mailed Karp that Hyundai would be “a great company to start [Karp’s] plan with in q1/99 potentially.” The district court determined that the said “plan” was a licensing agreement with Hyundai. Also in July 1998, Karp made presentations on the document retention policy to engineers, where he told them to “LOOK FOR THINGS TO KEEP,” including documents that could potentially help establish a conception date.

In September 1998, Rambus held its first “Shred Day,” destroying 400 boxes of documents pursuant to Karp’s document retention policy.

In October 1998, Karp advised Rambus executives to delay litigation, saying that there was no “rush” to sue “until” the Direct RDRAM ramp reached the point of no return, likely in the first quarter of 2000. Karp advised Rambus to stay in “stealth mode,” and not to “ROCK THE DIRECT BOAT.” Moreover, he noted that the direct infringement case against Mosel and Nanya, two RAM manufacturers, “could be ready to go in Q1 ’99.” In November 1998, Karp sent Rambus executives the “Nuclear Winter Memorandum,” which detailed a course of action in the “very unlikely” event that Intel cancelled RDRAM in its next generation chipset in favor of SDRAM. That memorandum identified litigation targets, time frames, and causes of action for infringement. It noted that Rambus had already made claim charts detailing infringement by Micron’s non-compatible RAM products.

The first patent in suit, the ’105 patent, issued in June 1999. Within two days, CEO Tate instructed Karp to identify and justify his choice for the first licensing or litigation target, and to set out what Rambus’s “strategy [would be] for the battle with the first target that we will launch in [O]ctober [1999].” Karp’s goals for the third quarter of 1999 thereafter included: “prepare litigation strategy against 1 of the 3 manufacturers,” and “be ready for litigation with 30 days notice.” In July 1999, Attorney Johnson prepared duration and timing charts for litigation in the Northern District of California and the Eastern District of Virginia, with October 1, 1999 as the prospective filing date.

Thereafter, on August 26, 1999, Rambus held its second “Shred Day,” destroying 300 additional boxes pursuant to its document retention policy. Through all the Shred Days, Rambus kept no record of what was destroyed, but admitted that some destroyed documents related to contract and licensing negotiations, patent

prosecution, JEDEC participation, Board meetings, and Rambus finances.

On September 24, 1999, Karp made a presentation to the Rambus board entitled, “IS THERE LIFE AT RAMBUS AFTER INTEL?” The district court determined that this presentation, postdating the two shred days, “reflects the turning point in Rambus’s litigation intentions” when Rambus “appear[ed] to be ready to seriously consider actually filing suit against someone.” *Spoliation*, 591 F. Supp. 2d at 1063, 1064. During that presentation, Karp told the board that Rambus “must increase the industry’s perception of [its] value through aggressive assertion of IP rights [i]f Rambus is to have a future.” He noted that certain “[c]ompanies like Micron will fight us tooth and nail and will never settle,” and touted the desirability of litigation, noting that the “[b]est route to IP credibility is through victory over a major DRAM manufacturer.” Within a week, CEO Tate sent an e-mail recognizing the consensus that Rambus “need[ed] to sue a [DRAM] company to set an example.”

On October 22, 1999, Karp sent Hitachi a letter referencing its patents, and sued Hitachi on January 18, 2000.

D. Micron

In 2000, Micron Technology, Inc. filed a declaratory judgment action against Rambus in the District of Delaware (Robinson, J.). There, the district court determined that Rambus had spoliated documents in contravention of a duty to preserve because litigation was reasonably foreseeable prior to Rambus’s second shred day, and held the patents unenforceable. *See Micron I*, 255 F.R.D. at 151. This court has now affirmed the district court’s determination of spoliation. *Micron II*, slip. op. at *24.

II. DISCUSSION

A. Spoliation

“[S]poliation refers to the destruction or material alteration of evidence or to the failure to preserve property for another’s use as evidence in pending or reasonably foreseeable litigation.” *Id.* at *12 (citing *Silvestri v. Gen. Motors Corp.*, 271 F.3d 583, 590 (4th Cir. 2001)). Most relevant in this case is the point when the duty to preserve evidence begins. This determination is informed by a number of policy considerations, including “the need to preserve the integrity of the judicial process in order to retain confidence that the process works to uncover the truth,” *Silvestri*, 271 F.3d at 590, and must balance the reality that “litigation is an ever-present possibility in American life,” *Nat’l Union Fire Ins. Co. of Pittsburgh, PA v. Murray Sheet Metal Co.*, 967 F.2d 980, 984 (4th Cir. 1992), with the legitimate business interest of eliminating unnecessary documents and data.

Both parties agree that in balancing the competing interests relevant to the preservation and destruction of documents and data, the reasonable foreseeability standard described in *Silvestri* is the proper standard. The parties disagree, however, about what that standard means. Hynix argues that reasonable foreseeability incorporates no requirement of imminence of litigation, while Rambus argues that “to be reasonably foreseeable, litigation must be ‘imminent,’ at least in the sense that it is probable and free of significant contingencies.” Br. of Rambus at 65.

The district court here determined that litigation did not become reasonably foreseeable until late 1999, before which “the path to litigation was neither clear nor immediate” and was subject to “several contingencies [that] had to occur before Rambus would engage in litigation.”

Spoilation, 591 F. Supp. 2d at 1062. These contingencies included: locking-in of the manufacturers to the RDRAM standard, issuance of Rambus's patents covering non-compatible devices, availability and reverse-engineering of the accused's product samples to create claim charts, approval for litigation from Rambus's board to commence licensing negotiations with the manufacturers, and the manufacturer's rejection of Rambus's licensing terms. *Id.* According to the district court, the "turning point in Rambus's litigation intentions" was Karp's IP Strategy Update of September 24, 1999, which "clearly states that Rambus's intellectual property in its patents must be substantiated either by settlement with 'an industry powerhouse' or 'winning court,' and acknowledges that some manufacturers will never settle." *Id.* at 1063. Because the second shred day preceded the IP Strategy Update, the district court determined that Rambus's destruction of documents was "a permissible business decision." *Id.* at 1064.

This court reviews the district court's spoliation decision under the law of the regional circuit as follows: de novo for the legal standard, clear error for the underlying facts, and abuse of discretion for the propriety of the remedy. *See Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1019 (Fed. Cir. 2008).

In *Micron II*, this court held that that standard does not carry a gloss requiring that litigation be "imminent, or probable without significant contingencies." *Micron II*, slip. op. at *12-14. The district court here applied just such a standard. This is evident for three reasons.

First, the district court's discussion of the contingencies did not consider the likelihood that those contingencies would be resolved. Instead, the district court determined that litigation was not reasonably foreseeable

merely because some contingencies were present, which made litigation “neither clear nor immediate.” *Id.* at 1062. Notwithstanding the conclusion of no reasonable foreseeability, the record shows that the district court implicitly recognized that the resolution of each contingency *was* reasonably foreseeable:

- “One of the basic assumptions [of the February 23, 1998 Cooley presentation] was that Rambus would not initiate action *until* a competing product enters the market.” *Id.* at 1047 (emphasis added).
- “Rambus initially planned to begin its licensing strategy *only at the time* the DRAM manufacturers were locked in to RDRAM production. By October 1998, *the projected time frame for this was early 2000.*” (citing Karp’s statement that “[w]e should not assert patents against Direct partners *until* ramp reaches a point of no return”). *Id.* at 1048 (emphases added).
- “[S]everal contingencies had to occur *before* Rambus *would* engage in litigation.” *Id.* at 1062 (emphases added).
- “*Once* customer samples *were* available in the market, Rambus *planned to engage* in reverse engineering to produce claim charts for us in its license negotiations.” *Id.* at 1063 (emphases added).
- “Rambus did not actually intend to initiate licensing negotiations for non-compatible users *until* certain contingencies occurred, which did not happen until 1999.” *Id.* (emphasis added).

Though the district court understood that these contingencies were reasonably foreseeable, it nevertheless

determined that the litigation itself was not. This reflects a mistaken view of the importance of these contingencies in determining the foreseeability of litigation. Contingencies whose resolutions are reasonably foreseeable do not foreclose a conclusion that litigation is reasonably foreseeable. *See Micron II*, slip. op. at *20-22. It would be inequitable to allow a party to destroy documents it expects will be relevant in an expected future litigation, solely because contingencies exist, where the party destroying documents fully expects those contingencies to be resolved. *Cf. United States v. Kitsap Physicians Serv.*, 314 F.3d 995, 1001 (9th Cir. 2002) (“Defendants engage in spoliation of documents as a matter of law only if they had some notice that the documents were potentially relevant to the litigation before they were destroyed.” (internal citations omitted)).

Second, in addition to the contingencies, the district court found evidence of non-foreseeability of litigation because: (1) Rambus had not received Board approval for licensing negotiations or litigation against DRAM manufacturers as of August 1999, and (2) “Rambus had not budgeted for litigation” by June 1999. *Hynix*, 591 F. Supp. 2d at 1063. While these facts may show that litigation was not imminent, they do not demonstrate that it was not reasonably foreseeable. Indeed, there is no evidence in the record that these facts changed as of January 2000, when Rambus in fact sued Hitachi.

Finally, the district court here was the only court to determine that the duty to preserve documents did not begin until after Rambus’s second shred day, which suggests the application of a too-strict standard of foreseeability. *See Micron I*, 255 F.R.D. 135 (D. Del. 2009); *Rambus Inc. v. Infineon Tech. AG*, 155 F. Supp. 2d 668, 682 (E.D. Va. 2001), *vacated-in-part, reversed-in-part, affirmed-in-part*, and *remanded* by 318 F.3d 1081 (Fed.

Cir. 2003); *Samsung Elecs. Co. v. Rambus Inc.*, 439 F. Supp. 2d 524 (E.D. Va. 2006), *vacated as moot and remanded* by 523 F.3d 1374 (Fed. Cir. 2008).

The narrow standard applied by the district court in this case vitiates the reasonable foreseeability test, and gives free reign to destroy documents to the party with the most control over, and potentially the most to gain from, their destruction. This fails to protect opposing parties' and the courts' interests in uncovering potentially damaging documents, and undermines the level evidentiary playing field created by discovery that lies at the heart of our adversarial system. *See Vodusek v. Bayliner Marine Corp.*, 71 F.3d 148, 156 (4th Cir. 1995).

Applying the correct standard of reasonable foreseeability, without the immediacy gloss, these considerations compel a finding that litigation was reasonably foreseeable prior to Rambus's Second Shred Day. Moreover, as noted above, Rambus has agreed that whatever differences the facts present, the two cases should not be decided differently.

This court thus concludes that the district court erred in applying too narrow a standard of reasonable foreseeability as requiring that litigation be immediate or certain, which was legal error. This court vacates the district court Findings of Fact and Conclusions of Law in connection with the rejection of Hynix's motion to dismiss on the basis of spoliation, and remand for further proceedings consistent with this opinion and the framework of reasonable foreseeability set forth in our companion *Micron* case.²

² This court does not decide whether *Micron II* decision should be given any preclusive effect, the correctness of Judge Whyte's determinations on prejudice and good faith, or the propriety of any particular sanction

B. Piercing of the Attorney-Client Privilege

During discovery, the district court pierced Rambus's attorney-client privilege on the basis of the crime-fraud exception, relying on California Penal Code § 135, which prohibits destruction of documents "about to be produced in evidence." On appeal, Rambus argues that if this court vacates the district court's spoliation decision, it should also vacate the piercing of the attorney-client privilege because Rambus's conduct was not within the scope of California Penal Code § 135, because the delay between Rambus's destruction of documents and its filing suit undermined the "temporal closeness" necessary for a violation of § 135, based on *People v. Prysock*, 180 Cal. Rptr. 15, 31 (Ct. App. 1982). This court rejects Rambus's argument.

As discussed in *Micron II*, this case is distinguishable from *Prysock*, because there "the defendant controlled the timing of the destruction of relevant evidence, while law enforcement, acting independently, controlled the timing of the initiation of the investigation that would trigger the application of § 135," whereas here, "Rambus controlled the timing of both events." *Micron II*, slip. op. at *33. Under a reasonable reading of § 135, Rambus's destruction of documents in preparation of its suit against the DRAM manufacturers could reasonably constitute a crime, and this court finds no error in the district court's determination that the crime-fraud exception to the attorney-client privilege applies. *See id.* at *33-34.

C. Other Defenses

Although this court remands to the district court to address the spoliation issue, in the event the district court

on this record. Those questions all remain for consideration by the district court on remand.

determines that Rambus did not spoliage documents, and/or that Rambus's patents are not unenforceable, this court considers the waiver and estoppel, claim construction, written description, and obviousness issues raised by Hynix.

i. Waiver and Estoppel

A member of an open standard setting organization may be equitably estopped or may have impliedly waived its right to assert infringement claims against standard-compliant products. *Qualcomm*, 548 F.3d at 1022-24 (noting that either waiver or equitable estoppel may properly be asserted in this context). *See also A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992) (en banc) ("*Aukerman*") (holding that equitable estoppel is a cognizable defense against patent infringement).

To support a finding of implied waiver in the standard setting organization context, the accused must show by clear and convincing evidence that "[the patentee's] conduct was so inconsistent with an intent to enforce its rights as to induce a reasonable belief that such right has been relinquished." *See Qualcomm*, 548 F.3d at 1020 (citing with approval district court's advisory jury instruction). Such conduct can be shown where (1) the patentee had a duty of disclosure to the standard setting organization, and (2) the patentee breached that duty. *See id.* at 1011-12.

To support a finding of equitable estoppel, the accused must show that "[t]he patentee, through misleading conduct, led the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer." *Aukerman*, 960 F.2d at 1028. "Conduct' may include specific statements, action, inac-

tion, or silence where there was an obligation to speak.”
Id.

The two elements of implied waiver must also be shown to prove equitable estoppel, because without a disclosure duty, Hynix could not “reasonably infer” that Rambus did not intend to enforce its patents against it, and without a breach of that duty, Rambus’s non-disclosure could not be “misleading conduct.” This opinion thus discusses the applicability of both doctrines together.

The district court relied on a jury determination 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,” *Estoppel* at *50, and that prior to Rambus’s withdrawal from JEDEC, none of its pending patent applications covered a JEDEC standard, *id.* at *51 (“The patent[s]-at-issue in this case had not even been applied for during Rambus’s membership in JEDEC.”).

In *Infineon*, this court held that participation in JEDEC imposed a duty to disclose pending applications and issued patents “with claims that a competitor or other JEDEC member reasonably would construe to cover the standardized technology.” 318 F.3d at 1100. This court noted that “this does not require a formal infringement analysis,” *id.*, but applies “when a reasonable competitor would not expect to practice the standard without a license under the undisclosed claims,” *id.* at 1101. The determination that there was a duty—and the categorization of its scope as extending to all pending or issued claims that were reasonably necessary to practice the standard—is dispositive in this case and should never

have been submitted to the jury. However, because this court determines that *Infineon*'s holding that Rambus did not breach the duty of disclosure applies here as well, *see infra*, submitting the issue to the jury was harmless error.

While Rambus was still a member of JEDEC, it disclosed to JEDEC its '703 patent, a member of the '898 patent family with the same written description as the patents in suit. In *Infineon*, this court determined that the result of this disclosure was that the fraud claim against Rambus was "claim-specific and standard-specific," requiring that the claims *pending* during Rambus's membership in JEDEC were the only ones that could support a fraud ruling. *Id.* at 1102. "Because the patents-in-suit were filed after Rambus left JEDEC in 1996," *id.*, and "substantial evidence does not support the finding that these [pending] applications had claims that read on the SDRAM standard," *id.* at 1103, "Rambus's claimed technology did not fall within the JEDEC disclosure duty," *id.* at 1104.

Hynix argues that our determination in *Infineon* that Rambus did not violate this duty is not binding in this case, primarily because all of the patents in suit claim priority to the '898 application through the patents pending during Rambus's JEDEC participation. Hynix contends that "a patentee may not insist on the filing date of the original application for prior art purposes, while asking for the patents to be viewed as filed several years later for purposes of its equitable disclosure obligations." Br. of Hynix at 39 (citing *Qualcomm*, 548 F.3d at 1019 (rejecting patentee's "ex post argument that the asserted patents do not meet the 'reasonably might be necessary' standard" where the patentee makes an "ex ante argument[] regarding infringement")). Hynix argues that the pending applications, Serial Nos. 222,646 ("646 application"), 847,961 ("961 application"), 469,490 ("490 applica-

tion”), and 448,657 (“657 application”), “contained claims to the five technologies at issue here,” *id.* at 40, and so this case is distinguishable from *Infineon*.

Were this court writing on a clean slate, it would be tempted to agree that equity demands that Rambus’s participation in JEDEC equitably estopped or waived its claims against standard-compliant products, notwithstanding its delay in amending its claims until after its exit from JEDEC. However, this court is not writing on a clean slate. *Infineon* involved a virtually identical factual situation. Just as Hynix attempts to do here, “Infineon relie[d] on other applications [(i.e., not the patents in-suit)] Rambus had pending before its 1996 withdrawal from JEDEC.” *Id.* at 1102. This court unequivocally held that the claims pending or issued during Rambus’s JEDEC tenure were not necessary to practice the standard because “substantial evidence does not support the finding that *these applications* had claims that read on the SDRAM standard.” *Id.* at 1103 (emphasis added). The phrase “these applications” did not refer to the patents-at-issue, but to Rambus’s pending and issued patents during its tenure in the standard setting organization. Thus, there is no inconsistency in alleging that the claims pending during Rambus’s participation in JEDEC were not reasonably necessary to practice the standards, but that the claims prosecuted after Rambus’s exit from JEDEC were.

Hynix does not argue that the ’646, ’961, ’490, or ’657 applications are more reasonably necessary to practice the SDRAM standard than the pending applications in *Infineon*. Hynix does not proffer any persuasive reason why our holding that Rambus did not breach its disclosure duty in *Infineon* does not control, or why the standard for breach is different in the waiver/estoppel context than in the fraud context. This court thus affirms the

district court's conclusion that Rambus did not waive its right to litigate, and is not equitably estopped from litigating infringement by standard-compliant DRAM.

ii. Claim Construction

In *Infineon*, this court reversed the district court's construction of "bus" in several related patents and some of the same patents at issue as limited to a multiplexed bus because: (1) "[t]he claims do not specify that the bus multiplexes address, data, and control information;" (2) the phrase "bus" has a "well-recognized meaning" in the electrical arts that is not so limited; (3) the prosecution history shows that "[a]lthough some of Rambus's claimed inventions require a multiplexing bus, multiplexing is not a requirement in all of Rambus's claims;" and (4) some claims further define "bus" as one that multiplexes, which implies that the patentee did not redefine "bus" to mean a "multiplexing bus." 318 F.3d at 1094-95. Hynix argues that this court has rejected the methodology used in *Infineon* by implication through our en banc decision in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). This court disagrees.

Although *Phillips* ruled against the elevation of dictionaries above the specification, *id.* at 1321, this court nevertheless allowed the use of dictionaries "to assist in understanding the commonly understood meaning of words," *id.* at 1322, which is precisely the use that was made of the dictionary in *Infineon*, see 318 F.3d at 1094 ("The term 'bus' is very common in the electrical arts and has a well-recognized meaning in such arts, namely, a set of signal lines (e.g., copper traces on a circuit board) to which a number of devices are connected, and over which information is transferred between devices.") (citing *The New IEEE Standard Dictionary of Electrical and Electronic Terms* 141 (5th ed.1993)). This court in *Infineon*

determined that the specification could questionably be read to “limit the meaning of ‘bus’” in two places, but that the phrase should not be so limited because the prosecution history revealed that multiplexing was “only one of many inventions disclosed in the ’898 application.” 318 F.3d at 1094-95. Additionally, this court looked to the U.S. Patent and Trademark Office’s (“PTO”) restriction requirements, which showed “that some of the inventions described in the ’898 application did not require the multiplexing bus.” *Id.* at 1095. Finally, this court specifically recognized that inventors may define terms in the specification “implicitly,” and, like in *Phillips*, cited *Bell Atlantic Network Services Inc. v. Covad Communications Group, Inc.*, 262 F.3d 1258, 1268 (Fed. Cir. 2001) for the proposition that “[a] claim term may be clearly redefined without an explicit statement of redefinition.” *Infineon*, 318 F.3d at 1088.

Phillips counsels looking to the prosecution history to “show what a person of skill in the art would have understood disputed claim language to mean.” 415 F.3d at 1314. In *Infineon*, this court looked to the claim limitations of the ancestor patents, which included a claim limitation for “a bus wherein said bus includes a plurality of bus lines for carrying substantially all address, data and control information needed by said semiconductor device for communication with substantially every other semiconductor device connected to said bus [i.e., a multiplexed bus]”, a limitation that would be redundant if “bus” already meant “multiplexed bus.” 318 F.3d at 1096. *See also Phillips*, 415 F.3d at 1314 (“To take a simple example, the claim in this case refers to ‘steel baffles,’ which strongly implies that the term ‘baffles’ does not inherently mean objects made of steel.”).

Finally, as Rambus points out, this court has favorably cited the claim construction analysis in *Infineon* since

Phillips. Br. of Rambus at 31 (citing *Netcraft Corp. v. eBay, Inc.*, 549 F.3d 1394, 1398 (Fed. Cir. 2008); *Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc.*, 520 F.3d 1358, 1362 (Fed. Cir. 2008); *MBO Labs., Inc. v. Becton, Dickinson & Co.*, 747 F.3d 1323, 1330 (Fed. Cir. 2007)).

This court is thus bound by the claim construction of this court in *Infineon* for the term “bus.” Hynix’s arguments on the merits that this court should construe the term “bus” as limited to a narrow multiplexed bus are inapposite; this court is not writing on a clean slate. This court thus *affirms* the district court’s claim construction of “bus.”

iii. Written Description

At the district court, a jury determined that Rambus’s patents were not invalid for lack of written description under 35 U.S.C. § 112, paragraph 1. *See Ariad Pharms., Inc. v. Eli Lilly and Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). Hynix moved for Judgment as a Matter of Law (“JMOL”) under Fed. R. Civ. P. 50(a) and 50(b), and moved in the alternative for a new trial. The district court denied both motions.

The test under the written description requirement is “whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date.” *Ariad*, 598 F.3d at 1351. “The law must be applied to each invention at the time it enters the patent process.” *Id.* To overcome the presumption of validity of patents, the accused must show that the claims lack a written description by clear and convincing evidence. *ICU Med., Inc. v. Alaris Med. Sys., Inc.*, 558 F.3d 1368, 1376 (Fed. Cir. 2009).

The denial of JMOL is a procedural issue, which this court reviews under regional circuit law. *Wechsler v. Macke Int'l Trade, Inc.*, 486 F.3d 1286, 1290 (Fed. Cir. 2007). The Ninth Circuit reviews a denial of JMOL de novo. *White v. Ford Motor Co.*, 312 F.3d 998, 1010 (9th Cir. 2002). JMOL is appropriate where “the evidence, construed in the light most favorable to the nonmoving party, permits only one reasonable conclusion,” *id.*, or in other words, whether the jury’s determination of facts is supported by “substantial evidence,” *Ariad*, 598 F.3d at 1355. A motion for a new trial can only be granted if “the verdict is contrary to the clear weight of the evidence.” *United States v. 4.0 Acres of Land*, 175 F.3d 1133, 1139 (9th Cir. 1999). The Ninth Circuit reviews the district court’s denial of a motion for a new trial on the basis that the verdict is not against the weight of the evidence for a “clear abuse of discretion,” a standard that is “virtually unassailable.” *Kode v. Carlson*, 596 F.3d 608, 612 (9th Cir. 2010) (internal citations omitted).

On appeal, Hynix’s sole argument is that Rambus’s amendments deleting the “narrow multiplexed bus” limitation in its continuation applications was unsupported by the written description of the ’898 application to which they all claim priority. Hynix argues that: (1) the “ultimate judgment” of written description is “a legal determination,” citing *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (2007); (2) “disclosure of a species does not suffice to claim the genus;” and (3) *ICU Medical, Inc. v. Alaris Medical System, Inc.*, 558 F.3d 1368 (Fed. Cir. 2009) controls.

These arguments are unconvincing. First, whether a claim is supported by an adequate written description is a factual inquiry, and has been for some time. *Ariad*, 598 F.3d at 1355; *Utter v. Hiraga*, 845 F.2d 993, 998 (Fed. Cir. 1988). Hynix’s argument that the ultimate determination

of written description is a legal issue (relying on the Supreme Court's determination in *KSR*, 550 U.S. at 427, that obviousness is a legal issue) is unavailing; written description and obviousness are distinct legal doctrines. Compare 35 U.S.C. § 112, ¶ 1 (written description), with 35 U.S.C. § 103 (obviousness). As such, our review of the district judge's denial of a new trial and denial of judgment as a matter of law on written description is severely circumscribed as a factual issue already decided by a jury and approved by the district court.

Second, there is no categorical rule that a species cannot suffice to claim the genus. It is true that, in *Ariad*, we continued a line of prior holdings that "a sufficient description of a genus instead requires the disclosure of either a representative number of species falling within the scope of the genus or structural features common to the members of the genus so that one of skill in the art can 'visualize or recognize' the members of the genus." 598 F.3d at 1350 (discussing *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1568-69 (Fed. Cir. 1997)). See also *Bilstad v. Wakalopulos*, 386 F.3d 1116, 1124 (Fed. Cir. 2004) ("[T]his court has continued to apply the rule that disclosure of a species may be sufficient written description support for a later claimed genus including that species."). There is no special rule for supporting a genus by the disclosure of a species; so long as disclosure of the species is sufficient to convey to one skilled in the art that the inventor possessed the subject matter of the genus, the genus will be supported by an adequate written description. See *Ariad*, 598 F.3d at 1351. Whether the genus is supported *vel non* depends upon the state of the art and the nature and breadth of the genus. Here, the supposed genus consists of only two species, a multiplexed and a non-multiplexed bus, and Hynix has failed to make any argument that persons of

ordinary skill would not have understood that Rambus possessed a non-multiplexed bus. That is, Hynix has not argued that the disclosure of the multiplexed bus was not representative of the genus of buses that encompasses both the narrow multiplexed bus and the non-multiplexed bus.

There was substantial evidence that the invention would not be undermined by the use of a non-multiplexed bus, including testimony from Rambus's expert that a person of ordinary skill would "understand[] that buses come in all shapes and sizes. You can multiplex some lines, you cannot multiplex others [I]t can be different kinds of buses and you still benefit from the features described in the patent." Additionally, one of the inventors testified that the narrow multiplexed bus was not meant to be "something that all these different features [disclosed in the patents] needed to be used with." This testimony serves to aptly distinguish the cases cited by Hynix. See *ICU Med.*, 558 F.3d at 1372, 1374-75, 1378 (detailing solution to problems in the prior art of medical valves used in the transmission of fluids by "compress[ing] a seal on the valve to create a fluid pathway," noting that the spike was used to "pierc[e] a seal inside the valve" to effectuate the invention, and noting that no other method was disclosed to effectuate the fluid pathway because "the specification describes only medical valves with spikes"); *LizardTech, Inc. Earth Res. Mapping, Inc.*, 424 F.3d 1336 (Fed. Cir. 2004) ("[a]fter reading the patent, a person of skill in the art would not understand how to make a seamless DWT generically and would not understand LizardTech to have invented a method for making a seamless DWT, except by 'maintaining updat[ed] sums of DWT coefficients,' where 'maintaining update[ed] sums of DWT coefficients' was the limitation omitted in the claims). Though it would cer-

tainly be reasonable to conclude that Rambus's claims do not meet the written description requirement on the basis of *ICU Med.*, that argument was presented to the jury and rejected by it. Hynix has not presented any cogent argument that the jury verdict was unsupported by substantial evidence, or that it was against the clear weight of the evidence. As such, this court rejects Hynix's arguments, and affirms the district court's denial of Hynix's motions for JMOL and new trial.

iv. Obviousness

The district court submitted the question of obviousness of claims 24 and 33 of the '918 patent; claim 33 of the '120 patent; claims 9, 28, and 40 of the '916; and claim 16 of the '863 patent to the jury. After the jury returned a verdict that the claims were nonobvious, Hynix moved only for a new trial, which the district court denied. Hynix appealed, not challenging the denial of a motion for new trial, but rather the district court's "ultimate legal judgment of nonobviousness as 'an error of law.'" Br. of Hynix at 68 n.27.

Through the combination of its failure to move for JMOL to overturn the jury's finding of non-obviousness and its failure on appeal to contest the denial of a motion for new trial, Hynix has waived the right to contest the sufficiency of the evidence or the weight of the evidence, and this court implies from the jury verdict all facts in favor of Rambus. *See Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1108 (Fed. Cir. 2003) (noting that the failure to file a post-verdict JMOL waives the right to contest the jury findings for sufficiency of the evidence, and presuming "that the jury resolved all underlying factual disputes in [favor of the prevailing party]"). Hynix "may [only] challenge the judgment on the ground that the judge committed an error of law" in coming to his

legal conclusion of obviousness. *Southwest Software, Inc. v. Harlequin Inc.*, 226 F.3d 1280, 1297 (Fed. Cir. 2000).

Hynix nevertheless mines the district court’s comprehensive and well-reasoned opinion denying Hynix’s motion for a new trial for supposed legal errors. Hynix argues that the district court: (1) improperly considered “economic disincentives”; (2) improperly considered that “it is not easy to recognize when making such combinations will yield benefits, as opposed to messy, expensive complexity”; and (3) relied on the jury verdict of a lack of a motivation to combine. None of these arguments have merit.

First, in *KSR*, 550 U.S. at 419, the Supreme Court noted that “market demand” is a legitimate consideration in determining obviousness. Lowering cost is a ubiquitous market demand, and the fact that a combination is expected to increase cost has some bearing on the obviousness of that combination. Second, the district court’s statement referring to the ease of recognizing the benefits of a combination was to explain why the “incentive to combine existing pieces of circuitry” was not controlling, i.e., because it was unclear whether the combination would be beneficial or detrimental. How well a combination is expected to work is certainly a legitimate consideration in an obviousness inquiry. Finally, the rationale for combining references is a question of fact, *Duro-Last*, 321 F.3d at 1109, and, as discussed above, Hynix has waived its right to challenge the factual underpinnings of the obviousness determination.

Because Hynix has failed to show any legal error in the district court’s conclusion of nonobviousness, this court affirms the jury verdict of no obviousness.

D. Cross-Appeal

The district court granted summary judgment of non-infringement of claims 15, 18, 25, and 26 of the '214 patent; claims 36 and 40 of the '105 patent; claims 1 and 4 of the '365 patent; and claim 14 of the '152 patent. *Cross-appeal* at *5. The common link between these claims was the presence of the “second external clock signal” limitation, in addition to a “first external clock signal” limitation. Rambus challenges both the claim construction of the “second external clock signal” limitation and the grant of summary judgment assuming the district court claim construction was correct. This court reviews the district court’s claim construction de novo. *Hearing Components, Inc. v. Shure Inc.*, 600 F.3d 1357, 1370 (Fed. Cir. 2010).

Both parties agree that “external clock” signal means “a periodic signal from a source external to the device to provide timing information.” *Claim Construction* at *29-30. As the district court characterized it, the parties “disagree over whether the terms ‘first’ and ‘second’ refer to timing [as Hynix would have it], or whether they refer to two separate signals without reference to time [as Rambus prefers].” *Id.* at *30. The district court agreed with Hynix, and construed the phrase “second external clock” as “a periodic signal received by the memory device from an external source to provide second timing information that is different from the first timing information.” *Id.* at *31. Rambus briefly argues that this improperly imports a limitation from the specification into the claims. However, Rambus does not frame the issue fairly; the written description of the first and second external clocks was simply attempting to explain how Rambus’s invention works, not merely to disclose a preferred embodiment. *See* '152 patent, col.18 l.59–col.19 l.27. The only place where the clocks are referenced is in the discussion of avoiding propagation delay (i.e., the error resulting

from the different amounts of time it takes information to travel to locations at different distances from the source). As the district court recognized, Rambus's expert in *Infineon* testified that to correct for this delay, the two signals must contain different information. *Claim Construction* at *30. Thus, there was no importation of a preferred embodiment into the claims, but a fair categorization of the meaning of the claims. To the extent Rambus relies on other arguments in its reply brief, those arguments are waived as not presented in its opening brief. This court therefore affirms the district court's claim construction of the "second external clock" limitation.

Rambus next argues that even under the district court's claim construction, there was a genuine issue of material fact as to infringement sufficient to overcome summary judgment. Rambus asserts an issue of material fact as to whether the clock signals in Hynix's accused device provide *different* timing information. Rambus relies on its expert, Murphy, for the proposition that "[i]f the two signals provided the same information, the second signal would be superfluous, and it would make no sense for Hynix to go to the effort and expense of including it." Br. of Rambus at 76-77. Hynix does not address this point in its reply brief. However, it notes that Rambus does not dispute the district court's statement that "the timing information provided by each of Hynix's external clocks is different along every point on the signals' waveform *except the crossing points*." *Cross-Appeal* at *4 (emphasis added). At the crossing point, the two signals create a "tick," which is a single piece of timing information, and thus cannot meet the claim limitation of "second external clock" which requires the provision of a "second timing information different from the first timing information." This court agrees with Hynix that its accused

devices do not meet the “second external clock” limitation, and thus affirms the district court’s summary judgment of non-infringement of claims 15, 18, 25, and 26 of the ’214 patent; claims 36 and 40 of the ’105 patent; claims 1 and 4 of the ’365 patent; and claim 14 of the ’152 patent.

III. CONCLUSION

The district court’s Findings of Fact and Conclusions of Law regarding spoliation are vacated, as is the district court’s Final Judgment, and the case is hereby remanded for reconsideration of the spoliation issue under the framework set forth in *Micron II*. The district court’s decision on waiver and estoppel, its claim construction order, its order denying Hynix’s motion for judgment as a matter of law or for a new trial on the basis of written description, and its order denying Hynix’s motion for a new trial on the basis of obviousness, are affirmed. This court also affirms the district court’s grant of Hynix’s motion for summary judgment for the claims at issue in Rambus’s cross-appeal.

AFFIRMED-IN-PART, VACATED-IN-PART, AND REMANDED

COSTS

Costs are awarded to Hynix.

**United States Court of Appeals
for the Federal Circuit**

**HYNIX SEMICONDUCTOR INC.,
HYNIX SEMICONDUCTOR AMERICA INC., HYNIX
SEMICONDUCTOR U.K. LTD.,
AND HYNIX SEMICONDUCTOR DEUTSCHLAND
GMBH,**

Plaintiffs-Appellants,

v.

RAMBUS INC.,
Defendant-Cross Appellant.

2009-1299, -1347

Appeals from the United States District Court for the Northern District of California in case No. 00-CV-20905, Senior Judge Ronald M. Whyte.

GAJARSA, *Circuit Judge*, concurring-in-part and dissenting-in-part, with whom NEWMAN, *Circuit Judge*, joins.

I concur with the majority's affirmance of the district court's findings and conclusions in parts B, C, and D. I must, however, respectfully dissent from part A for the same reasons noted in my dissent in *Micron Technology, Inc. v. Rambus, Inc.*, No. 2010-1263, slip op. at 38-45 (Fed. Cir. May 13, 2011), the companion to this case. The majority here applies a rule for spoliation premised upon

a reasonably foreseeable litigation standard that it contoured and developed in *Micron*, slip op. at 12-14. Seizing on the district court's alleged grafting of an overly strict "gloss" on the reasonably foreseeable litigation standard, the majority claims that the district court erred as a matter of law by applying the wrong standard for spoliation. In so doing, the majority ignores the district court's well-articulated understanding of the relevant Ninth Circuit law and its factual findings, which demonstrate that the district court applied the very standard that the majority now requires. The majority obtenebrates the facts presented in the district court's opinion to resolve the conflict between the spoliation determinations in this case and in *Micron*.

Being a procedural matter, regional circuit law is applicable. Because the Supreme Court and the Ninth Circuit, like the Third Circuit, have not defined a standard for reasonably foreseeable litigation, this court may seek guidance from other circuits on the issue. See *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 875 (Fed. Cir. 1985), *overruled on other grounds by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998). The majority applies the standard it crafted in *Micron* to this case. The newly established standard is coined as a "flexible one"—lacking an additional "gloss" that requires litigation to be "imminent, or probable without significant contingencies" to find spoliation. *Micron*, slip op. at 13 (citation omitted).

The majority created this standard in *Micron* with the intention of reconciling the district court's spoliation determination in that case with the present one. The desires of an appellate tribunal, however, should not drive the outcome of decisions. Divergent district court opinions do not necessarily mean that the trial courts applied

different “glosses” on a particular standard.¹ Rather, this court must review district court opinions with the applicable standard of appellate review, which, in this case, is clear error or an abuse of discretion. In refusing to do so, the majority shirks its duties and performs its own factual analysis. The majority castigates the district court here for using a narrower “gloss” on the standard for spoliation just as the majority in *Micron* castigates the district court for holding the asserted patents unenforceable as a sanction for spoliation.

The majority begins with the correct premise that the various regional circuits generally do not require that litigation be imminent for it to be reasonably foreseeable. See, e.g., *Silvestri v. Gen. Motors Corp.*, 271 F.3d 583 (4th Cir. 2001) (“Spoliation refers to the destruction or material alteration of evidence or to the failure to preserve property for another’s use as evidence in pending or *reasonably foreseeable* litigation.” (emphasis added)). But unlike the majority, I am of the judgment that the district court here applied the appropriate flexible reasonably foreseeable litigation standard. The district court ex-

¹ In fact, there is no need to reconcile these divergent district court opinions. As the district court explained,

The judicious application of issue preclusion rests on an assumption that a prior decision was more or less correct. *Crawford v. Ranger Ins. Co.*, 653 F.2d 1248, 1252 (9th Cir. 1981). This assumption is not warranted where inconsistent decisions have been reached; it instead suggests that the outcomes may have been based on equally reasonable resolutions of doubt as to the probative strength of the evidence. *Id.*

Hynix Semiconductor, Inc. v. Rambus, Inc., No. 00-CV-20905, slip op. at 6 (N.D. Cal. Feb. 3, 2009) (D.I. 3897) (internal citation and quotation marks omitted).

plained that “[s]poliation of evidence is the . . . failure to properly preserve property for another’s use as evidence in pending or *reasonably foreseeable* litigation.” *Hynix Semiconductor Inc. v. Rambus, Inc.*, 591 F. Supp. 2d 1038, 1061 (N.D. Cal. 2006) (“*District Court Op.*”) (emphasis added) (citations and internal quotation marks omitted). The district court also relies on *Silvestri* and *Kronisch v. United States*, 150 F.3d 112 (2d Cir. 1999)—cases that the majority in *Micron*, slip op. at 13-14, cites in support of its flexible reasonably foreseeable litigation standard. Moreover, the district court here explicitly stated that “[a] reading of the court’s Findings and Conclusions . . . shows that the court specifically framed the issues to be resolved using the ‘reasonably foreseeable’ standard.” *See Hynix Semiconductor, Inc. v. Rambus Inc.*, No. 00-CV-20905, slip op. at 1-2 (N.D. Cal. Feb. 23, 2006) (D.I. 1732).

The factual findings on which the district court relies also support the conclusion that it applied the reasonably foreseeable litigation standard the majority imposes. As the majority acknowledges, the district court specifically found that the existence of *six* contingencies meant that litigation was not reasonably foreseeable until late 1999. *District Court Op.* at 1064. Those contingencies were:

- (1) the direct RDRAM ramp had to be sufficiently developed so as not to jeopardize RDRAM production;
- (2) Rambus’s patents covering non-RDRAM technology had to issue;
- (3) product samples from potentially infringing DRAM manufacturers had to be available in the market;
- (4) the non-compatible products had to be reverse engineered and claim charts made showing coverage of the actual products;
- (5) Rambus’s board had to approve commencement of negotiations with a DRAM manufacturer; and
- (6) the targeted DRAM

manufacturer had to reject Rambus's licensing terms.

Id. at 1062.

With respect to these contingencies, the district court determined that Rambus did not even "recommend[] initiating licensing negotiations" in the October 1998 presentation or even contemplate such negotiations until after early 1999, *id.* at 1062-63; that Rambus' board had not even budgeted for litigation as of June 1999, *id.* at 1063; and that Rambus did not have an "expectation of involvement in litigation" greater than one of its competitor companies, *id.* These findings were not clearly erroneous based on the record before the district court.

Indeed, the majority claims that the district court "understood that these contingencies were reasonably foreseeable [but] determined that the litigation was not," thus "reflect[ing] a mistaken view of the importance of these contingencies in determining the foreseeability of litigation." Majority Op. at 15. In other words, the majority reweighs the facts and decides that the district court's understanding of them was erroneous because it would reach a different conclusion from the same facts. The district court, as the fact finder, is the proper forum for weighing and analyzing the facts. *See Hensley v. Eckert*, 461 U.S. 424, 437 (1983). Putting its thumb on the scales by reweighing the evidence to reach a desired result is not the proper function of an appellate court.

Moreover, in its well-drafted opinion, the district court does not conclude at any time that the facts as determined fail to meet a more stringent clear or imminent threat of litigation standard. Instead, the majority seizes upon the district court's single use of the phrase "neither clear nor immediate" and concludes that the district court applied this standard. Majority Op. at 14-

17. The use of that phrase by the district court, however, is not to establish a standard but to distinguish the present facts from those in *Silvestri*, which the district court noted had “significant factual distinctions.” *District Court Op.* at 1061-62. Namely, the plaintiff in *Silvestri* chose to destroy the only relevant piece of evidence—the car that was supposedly defective—after experts inspected the car and advised him to preserve the car. 271 F.3d at 591-92. In explaining that the present facts did not establish a clear or immediate path to litigation, the district court was simply differentiating these facts from those in *Silvestri* that it believed to be significantly more egregious. This does not indicate, as the majority claims, that the district court applied an admittedly heightened standard to the facts before it.

Therefore, after a careful review of the record, the majority’s conclusion that the district court applied the incorrect legal standard rings hollow. While pretending to premise its conclusions on the improper application of a legal standard, the majority improperly substitutes its own fact findings for those of the district court. A court of appeals cannot and should not make such a judgment. Because the majority’s actions go beyond the purview of the duties of an appellate court, I respectfully dissent.

**United States Court of Appeals
for the Federal Circuit**

MICRON TECHNOLOGY, INC.,
Plaintiff/Counterclaim Defendant-Appellee,

AND

MICRON ELECTRONICS, INC.
AND MICRON SEMICONDUCTOR PRODUCTS, INC.,
Counterclaim Defendants-Appellees,

v.

RAMBUS INC.,
Defendant/Counterclaimant-Appellant.

2009-1263

Appeal from the United States District Court for the District of Delaware in case no. 00-CV-792, Judge Sue L. Robinson.

Decided: May 13, 2011

MATTHEW D. POWERS, Weil, Gotshal & Manges LLP, of Redwood Shores, California, argued for plaintiff/counterclaim defendant-appellees and counterclaim defendants appellees. With him on the brief were JARED BOBROW, JESSICA L. DAVIS, SVEN RAZ; and LISA R. ESKOW, of Austin, Texas.

CARTER G. PHILLIPS, Sidley Austin LLP, of Washington, DC, argued for defendant/counterclaimant-appellant. With him on the brief were ROLLIN A. RANSOM, ERIC A. SHUMSKY, ERIC M. SOLOVY, RACHEL H. TOWNSEND, RYAN C. MORRIS. Of counsel was PETER S. CHOI. Of counsel on the brief were RICHARD G. TARANTO, Farr & Taranto, of Washington, DC; and GREGORY P. STONE, PAUL J. WATFORD, and FRED A. ROWLEY, JR., Munger, Tolles & Olson LLP, of Los Angeles, California; and MICHAEL J. SCHAENGOLD, Patton Boggs LLP, of Washington, DC.

Before NEWMAN, LOURIE, BRYSON, GAJARSA and LINN,
Circuit Judges.

Opinion for the court filed by *Circuit Judge* LINN, with whom NEWMAN, LOURIE, and BRYSON, *Circuit Judges*, join.

Concurring-in-part, dissenting-in-part opinion filed by
Circuit Judge GAJARSA.

LINN, *Circuit Judge.*

Rambus Inc. (“Rambus”) appeals the decision of the United States District Court for the District of Delaware holding that the twelve Rambus patents asserted against Micron Technology, Inc., Micron Electronics, Inc., and Micron Semiconductor Products, Inc. (collectively, “Micron”) are unenforceable due to Rambus’s spoliation of documents. *Micron Tech., Inc. v. Rambus Inc.*, 255 F.R.D. 135 (D.Del. 2009) (“*Decision*”). Rambus also appeals the district court’s order piercing Rambus’s attorney-client privilege on the basis of the crime-fraud exception, *Micron Tech, Inc. v. Rambus Inc.*, No. 00-792 (D. Del. Feb. 10, 2006) (“*Privilege*”), and denial of Rambus’s motion to transfer to the Northern District of California, *Micron*

Tech, Inc. v. Rambus Inc., No. 00-792 (D. Del. June 14, 2007) (“*Transfer*”). For the reasons discussed below, this court affirms-in-part, vacates-in-part, and remands.

I. BACKGROUND

This case and the companion case of *Hynix Semiconductor Inc. v. Rambus Inc.*, Nos. 2009-1299, -1347 (Fed. Cir. May 13, 2011) (“*Hynix II*”) (decided contemporaneously herewith), concern a group of U.S. patents issued to Rambus covering various aspects of dynamic random access memory (“DRAM”). Although semiconductor memory chips have been used in computers for decades, advances in other aspects of computer technology by the early 1990s created a bottleneck in the ability of computers to process growing amounts of data through the memory. At least two related methods were discovered of building memory chips (and the interfaces between memory chips and computer processors) in a way that eliminated or minimized this bottleneck. The founders of Rambus, Mike Farmwald and Mark Horowitz, developed one of these methods, which Rambus later commercialized as Rambus DRAM, or RDRAM. The original Rambus applications claim the inventions included in RDRAM. Rambus believed that Farmwald’s and Horowitz’s invention was broad enough to encompass synchronous dynamic random access memory, or SDRAM, the other type of new memory technology.

Farmwald and Horowitz did not initially file patent applications with claims explicitly directed at SDRAM. However, after Rambus’s tenure and resignation as a member of the standard setting Joint Electron Devices Engineering Council (“JEDEC”), Rambus amended its claims to cover the SDRAM technology adopted as the standard by JEDEC. See generally *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081 (Fed. Cir. 2003) (“*In-*

fineon") (discussing Rambus's participation in JEDEC). The patents at issue here and their enforceability against SDRAM products have been the subject of numerous suits in district courts, the Federal Trade Commission, the International Trade Commission, and this court. However, this court has never finally and definitively resolved the question of whether Rambus engaged in spoliation in connection with this litigation.

The present appeal began when Micron filed a declaratory judgment action against Rambus, asserting that Micron's production of SDRAM products do not infringe Rambus's patents and that Rambus's patents are invalid, unenforceable, and violate antitrust laws. The district court separated the case into three proceedings: (1) unenforceability due to spoliation, (2) invalidity, and (3) infringement. The court held a bench trial on the spoliation issue, and concluded that the patents in suit were unenforceable against Micron because Rambus had engaged in spoliation by intentionally destroying relevant, discoverable documents in derogation of a duty to preserve them. The district court thus did not reach the validity or infringement issues. On appeal, Rambus argues that the trial court clearly erred in determining that Rambus spoliated documents, acted in bad faith, and prejudiced Micron. Rambus also argues that the district court abused its discretion by dismissing the case as a sanction for the spoliation. Rambus also puts forth two procedural arguments: (1) that the district court erred by requiring the production of documents allegedly subject to attorney-client privilege; and (2) that the district court erred by denying Rambus's motion to transfer the litigation to the Northern District of California.

The record is lengthy but uncomplicated. In 1990, Farmwald and Horowitz filed their first patent application directed to improving the speed with which computer

memory can function. Rambus was founded the same year to commercialize this invention. Rambus developed its proprietary RDRAM technology, and licensed chip makers to manufacture memory chips incorporating this technology. Around this time, JEDEC was working to develop industry standard specifications for memory chips and the interfaces between memory chips and computer processor chips, eventually adopting its first SDRAM standard in 1993. In approximately 1992, Rambus learned of SDRAM and came to believe that the Farmwald and Horowitz invention encompassed SDRAM. Rambus continued prosecuting multiple patent applications in the Farmwald/Horowitz family, intending to obtain issued patent claims that covered SDRAM. Rambus thereafter pursued a two-prong business strategy: it licensed chip makers to manufacture chips that complied with Rambus's proprietary RDRAM standards, and prepared to demand license fees and to potentially bring infringement suits against those manufacturers who insisted on adopting the competing SDRAM standard instead.

The first prong of Rambus's strategy went smoothly for some time. In 1996, Intel licensed the RDRAM technology and adopted it as the memory interface technology for its next generation microprocessors. Rambus negotiated licenses with eleven DRAM manufacturers to produce RDRAM-compliant chips for Intel's use. By the fall of 1999, though, these manufacturers had failed to deliver the promised manufacturing capacity, and Intel was therefore beginning to rethink its adoption of RDRAM. Rambus contends that only after RDRAM failed to become a market leader in late 1999 did it to put into action the second prong of its business strategy, to seek licensing revenue (and litigation damages) from those manufacturers adopting SDRAM.

Micron disagrees, arguing that Rambus was planning litigation against SDRAM manufacturers at the same time it was seeking to license RDRAM manufacturers.

In 1997, Rambus hired Joel Karp as its vice-president in charge of intellectual property, and on January 7, 1998, Karp was directed by Rambus's CEO Tate to develop a strategy for licensing and litigation. Karp then met with several transactional attorneys at Cooley Godward. Because they were not litigation specialists, they referred Karp to Dan Johnson, a litigation partner at Cooley Godward. Karp met Johnson on February 12, 1998. At the meeting with Johnson, Karp discussed licensing accused infringers, mentioning royalty rates that were so high that Johnson said "you're not going to have a licensing program, you're going to have a lawsuit on your hands." Karp said Rambus needed to get "battle-ready," by which he meant that Rambus needed to be ready for litigation. Johnson also advised putting into place a document-retention policy. In March 1998, Karp presented his proposal for a licensing and litigation strategy to the Rambus board of directors. He proposed a 5% royalty on SDRAM, a rate within the range that had prompted Johnson to say that litigation would inevitably follow. In the course of presenting the litigation strategy, Karp recommended implementing a document-retention policy.

In August or September 1998, Rambus hired outside counsel to perform licensing and patent prosecution work as well as to begin preparing for litigation against SDRAM manufacturers. In October 1998, Karp advised Rambus executives that he was planning to assert Rambus's patents against SDRAM manufacturers in the first quarter of 2000, explaining that there were good business reasons for the delay in bringing suit, particularly Rambus's interest in getting licensing revenues from RDRAM

manufacturers, who would be the same parties it would seek to license for the production of SDRAM. In November 1998, Rambus executives held an offsite strategy meeting. The meeting notes show that Rambus planned to eventually assert its patents against SDRAM, even if the RDRAM adoption strategy succeeded. In approximately December 1998, Karp drafted a memo describing a possible “nuclear winter” scenario under which Intel moved away from RDRAM. The memo outlined plans for suing Intel and SDRAM manufacturers, saying that “by the time we do this, the proper litigants will be obvious.” The memo also noted that infringement claim charts for Micron devices had already been completed by December 1998. On April 15, 1999, Karp met with Rambus’s outside counsel at Fenwick & West to “discuss [Rambus’s] patent portfolio and potential litigation.”

Thereafter, in 1998, Rambus also began implementing the portion of Karp’s litigation strategy that required the institution of a document-retention policy. In the second quarter of 1998, Rambus established “Top Level Goals” for “IP Litigation Activity.” These goals included “[p]ropos[ing] [a] policy for document retention.” In the third quarter of 1998, Rambus established “Key Goals” for “IP Litigation Activity.” These goals included “[i]mplement[ing] [a] document retention action plan.” On July 22, 1998, Karp presented the finished document retention policy to Rambus employees. The slides used for this presentation were titled “BEFORE LITIGATION: A Document Retention/Destruction Policy.” The policy explicitly stated that destruction of relevant and discoverable evidence did not need to stop until the commencement of litigation. Despite the policy’s stated goal of destroying all documents once they were old enough, Karp instructed employees to look for helpful documents to

keep, including documents that would “help establish conception and prove that [Rambus had] IP.”

The document destruction policy extended to the destruction of backups of Rambus’s internal email. On March 16, 1998, an internal Rambus email discussed the “growing worry” that email backup tapes were “discoverable information,” and discussions began regarding how long to keep these backup tapes. On May 14, 1998, Rambus implemented a new policy of keeping email backup tapes for only 3 months. Karp said that keeping tapes for any longer period of time was shot down by “Rambus’[s] litigation counsel.” Consistent with this policy, in July 1998, Rambus magnetically erased all but 1 of the 1,269 tapes storing its email backups from the previous several years. The one exempted was a document that helped Rambus establish a priority date, and, as discussed below, Rambus went through great lengths to restore that document from the backup tapes.

In addition to destroying the email backup tapes, Rambus began destroying paper documents in accordance with its newly-adopted document-retention policy. On September 3-4, 1998, Rambus held its first “shred day” to implement the policy. In April 1999, Karp instructed Lester Vincent, Rambus’s outside patent prosecution counsel at Blakeley Sokoloff, to implement the Rambus document-retention policy with respect to Rambus documents in Vincent’s possession. Vincent complied, discarding material from his patent prosecution files. Vincent continued discarding material through at least July 1999. He discarded draft patent applications, draft patent claims, draft patent amendments, attorney notes, and correspondence with Rambus.

In June 1999, the first patent in suit issued. On June 24, 1999, Karp was instructed by the Rambus CEO to

“hammer out . . . our strategy for the battle with the first target that we will launch in October [1999].” In June 27, 1999, Rambus established its “IP 3Q ’99 Goals,” including goals for “Licensing/Litigation Readiness.” These goals included “[p]repar[ing] litigation strategy against 1 of the 3 manufacturers,” being “[r]eady for litigation with 30 days notice,” and “[o]rganiz[ing] [the] 1999 shredding party at Rambus.” Planning for litigation continued when, on July 8, 1999, Fenwick & West prepared a timeline for the proposed patent infringement suits showing that Rambus planned to file a patent infringement complaint on October 1, 1999.

On August 26, 1999, Rambus held the “shredding party” it had planned as part of its third-quarter intellectual property litigation readiness goals. Rambus destroyed between 9,000 and 18,000 pounds of documents in 300 boxes.

Litigation did not ultimately start as planned on October 1, 1999. Still, conditions eventually deteriorated to the point that Rambus felt it could no longer delay the litigation it had started planning in early 1998. As noted above, in the fall of 1999, several RDRAM manufacturers failed to deliver on their promised production of RDRAM chips, causing Intel to rethink its commitment to RDRAM. On September 24, 1999, Karp spoke to Rambus executives, telling them that the industry did not respect Rambus’s intellectual property and that Rambus would “have to ultimately pursue remedies in court.” Karp asked the board to approve his licensing and litigation strategy, and the board did so. In October 1999, Rambus approached Hitachi, seeking license payments for Hitachi’s manufacture of SDRAM. In November 1999, negotiations with Hitachi broke down. Rambus instituted a litigation hold in December 1999, and Rambus sued Hitachi on January 18, 2000. The suit against Hitachi

was settled on June 22, 2000. In the meantime, Rambus negotiated SDRAM licenses with Toshiba, Oki, and NEC. Rambus continued to litigate against the members of the chip-making industry by bringing suit against Infineon on August 8, 2000. *Infineon*, 155 F. Supp. 2d at 671. Before that litigation began, Rambus's in-house counsel reminded Rambus executives on July 17, 2000, to continue destroying drafts and other materials related to license negotiations.

On August 18, 2000, Rambus approached Micron about the possibility of Micron taking a license for its SDRAM production. Micron filed a declaratory judgment action against Rambus in the District of Delaware on August 28, 2000, asserting invalidity, non-infringement, and unenforceability. The following day, Hynix Semiconductor filed a similar declaratory judgment suit against Rambus in the Northern District of California. *Hynix Semiconductor, Inc. v. Rambus, Inc.*, 591 F. Supp. 2d 1038 (N.D. Cal. 2006) ("*Hynix I*"). The issue of whether Rambus had destroyed relevant documents after it had a duty to begin preserving documents was litigated in both suits. The Northern District of California reached the issue first. Following a bench trial, that court ruled in January 2006 that "Rambus did not actively contemplate litigation or believe litigation against any particular DRAM manufacturer to be necessary or wise before its negotiation with Hitachi failed, namely in [November] 1999." *Id.* at 1064. The Northern District of California ruled that this made Rambus's adoption of its document-retention policy in mid-1998 a permissible business decision, and the destruction of documents pursuant to that policy did not constitute spoliation. *Id.* The appeal of that decision is the subject of the companion *Hynix* case decided herewith. *Hynix II*, Nos. 2009-1299, -1347.

Meanwhile, in the Micron litigation in the District of Delaware, Micron sought access to communications between Rambus and its attorneys relating to the adoption of Rambus's document-retention policy. Courts in *Hynix* and *Infineon* had previously required production of these documents, and in February 2006, the District of Delaware agreed after finding that the adoption of the policy on the advice of counsel raised the likelihood that Delaware and California criminal statutes prohibiting destruction of evidence had been violated. The court held that the attorney-client privilege could be breached under the crime-fraud exception because Rambus and its counsel had possibly committed a crime. Following this decision and the favorable ruling of the Northern District of California on the spoliation issue, Rambus sought on February 14, 2006, to have the Micron case transferred to the Northern District of California. The District of Delaware denied the motion to transfer.

In November 2007, the District of Delaware held a bench trial on the unclean-hands issue asserted by Micron. Stopping short of reaching the unclean-hands claim, the district court found that Rambus had engaged in spoliation; the court accordingly entered judgment in Micron's favor as a spoliation sanction. The court found that litigation was reasonably foreseeable to Rambus "no later than December 1998, when Karp had articulated a time frame and a motive for implementation of the Rambus litigation strategy." The district court thus ruled that documents destroyed after December 1998 were intentionally destroyed in bad faith. The district court concluded that the only reasonable sanction for the intentional destruction of documents was to hold Rambus's patents in suit unenforceable against Micron. Rambus timely appealed.

II. DISCUSSION

A. Spoliation

As the Supreme Court has noted, “[d]ocument retention policies, which are created in part to keep certain information from getting into the hands of others, including the Government, are common in business. It is, of course, not wrongful for a manager to instruct his employees to comply with a valid document retention policy under ordinary circumstances.” *Arthur Andersen LLP v. United States*, 544 U.S. 696, 704 (2005) (internal citation and quotation marks omitted). Thus, “a party can only be sanctioned for destroying evidence if it had a duty to preserve it.” *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212, 216 (S.D.N.Y. 2003). The duty to preserve evidence begins when litigation is “pending or reasonably foreseeable.” *Silvestri v. General Motors Corp.*, 271 F.3d 583, 590 (4th Cir. 2001). *See also West v. Goodyear Tire & Rubber Co.*, 167 F.3d 776, 779 (2d Cir. 1999) (applying the same standard). Thus, “[s]poliation refers to the destruction or material alteration of evidence or to the failure to preserve property for another’s use as evidence in pending or reasonably foreseeable litigation.” *Silvestri*, 271 F.3d at 590. This is an objective standard, asking not whether the party in fact reasonably foresaw litigation, but whether a reasonable party in the same factual circumstances would have reasonably foreseen litigation.

When litigation is “reasonably foreseeable” is a flexible fact-specific standard that allows a district court to exercise the discretion necessary to confront the myriad factual situations inherent in the spoliation inquiry. *Fujitsu Ltd. v. Fed. Express Corp.*, 247 F.3d 423, 436 (2d Cir. 2001). This standard does not trigger the duty to preserve documents from the mere existence of a potential claim or the distant possibility of litigation. *See, e.g.*,

Trask-Morton v. Motel 6 Operating L.P., 534 F.3d 672, 681-82 (7th Cir. 2008). However, it is not so inflexible as to require that litigation be “imminent, or probable without significant contingencies,” as Rambus suggests. Reply Br. of Rambus at 4. Rambus’s proposed gloss on the “reasonably foreseeable” standard comes from an overly generous reading of several cases. See *Burlington N. & Santa Fe Ry. Co. v. Grant*, 505 F.3d 1013, 1032 (10th Cir. 2007) (noting that “[a] spoliation sanction is proper where (1) a party has a duty to preserve evidence because it knew, or should have known, that litigation was *imminent*, and (2) the adverse party was prejudiced by the destruction of the evidence” (emphasis added); *Trask-Morton*, 534 F.3d at 681 (citing *Burlington* for the proposition that “courts have found a spoliation sanction to be proper only where a party has a duty to preserve evidence because it knew, or should know, that litigation was *imminent*,” but holding that “Motel 6 had no reason to *suspect litigation* until—at the earliest—Morton’s attorney sent Motel 6 a demand letter” after the alleged spoliation (emphases added)). *Burlington* merely noted that imminent litigation was sufficient, not that it was necessary for spoliation, and on the easy facts of *Trask-Morton*, it was decided that the alleged spoliator did not even “suspect” litigation. This court declines to sully the flexible reasonably foreseeable standard with the restrictive gloss proposed by Rambus in light of the weight of contrary authority and the unnecessary generosity that such a gloss would extend to alleged spoliators. See *Silvestri*, 271 F.3d at 591; *West*, 167 F.3d at 779 (“Spoliation is the destruction or significant alteration of evidence, or the failure to preserve property for another’s use as evidence in pending or reasonably foreseeable litigation.”); *Kronisch v. United States*, 150 F.3d 112, 126 (2d Cir. 1998) (“This obligation to preserve evidence arises when the party has notice that the evidence is relevant to

litigation . . . as for example when a party should have known that the evidence may be relevant to future litigation.”); *MOSAID Techs. Inc. v. Samsung Elecs. Co.*, 348 F. Supp. 2d 332, 336 (D.N.J. 2004) (noting that a litigant “is under a duty to preserve what it knows, or reasonably should know, will likely be requested in reasonably foreseeable litigation”); *Scott v. IBM Corp.*, 196 F.R.D. 233, 249 (D.N.J. 2000) (same). See also *United States v. Rockwell Int’l*, 897 F.2d 1255, 1266 (3rd Cir. 1990) (holding that for attorney work product to be shielded by the work product privilege, “[l]itigation need not be imminent . . . as long as the primary motivating purpose behind the creation of the document was to aid in possible future litigation.” (internal citations omitted)). Moreover, it would make little sense to enjoin document destruction only when the party clears all the hurdles on the litigation track, but endorse it when the party begins the race under the reasonable expectation of clearing those same hurdles. Thus, the proper standard for determining when the duty to preserve documents attaches is the flexible one of reasonably foreseeable litigation, without any additional gloss.

After carefully reviewing the record, the district court determined that “litigation was reasonably foreseeable no later than December 1998, when Karp had articulated a time frame and a motive for implementation of the Rambus litigation strategy.” *Decision*, 255 F.R.D. at 150. In coming to this conclusion, the district court applied the correct standard, noting that “[a] duty to preserve evidence arises when . . . litigation is pending or imminent, or when there is a reasonable belief that litigation is foreseeable.” *Id.* at 148.

This court reviews the district court’s factual findings, such as the date at which litigation was reasonably foreseeable, for clear error. *Citizens Fed. Bank v. United*

States, 474 F.3d 1314, 1321 (Fed. Cir. 2007); *Port Auth. of N.Y. & N.J. v. Arcadian Corp.*, 189 F.3d 305, 315 (3d Cir. 1999); *Brewer v. Quaker State Oil Ref. Corp.*, 72 F.3d 326, 334 (3d Cir. 1995). Rambus argues that when litigation was reasonably foreseeable is a “mixed question of law and fact reviewed de novo.” However, the cases it cites do not support such a standard in this context. For example, *Traveler’s Indemnity v. Ewing, Cole, Erdman & Eubank*, 711 F.2d 14 (3d Cir. 1983), addressed the “issue of whether the level of care exercised by the defendant measured up to the standard expected of reasonably prudent architects” as a mixed question of law and fact. *Id.* at 17. However, that question is more about whether a duty is breached than when the duty commenced. Similarly inapposite, *Pell v. E.I. DuPont de Nemours*, 539 F.3d 292 (3d Cir. 2008), concluded that “the District Court’s determination that 1972 is the appropriate adjusted service date is a mixed conclusion of law and fact,” and that this question is broken down into its “components and [the appeals court applies] the appropriate standard of review to each component.” *Id.* at 305. *Pell* does not specify whether the date at which the duty arises is a law component or a fact component, and thus does not persuade this court to review the issue de novo. In a variety of contexts, foreseeability of an event is a traditional issue of fact, and is reviewed with deference to the district court. *Cates v. Dillard Dep’t Stores, Inc.*, 624 F.3d 695, 697 (5th Cir. 2010) (noting that whether a risk of harm was reasonably foreseeable is a question of fact); *Citizens Fed. Bank v. United States*, 474 F.3d 1314, 1321 (Fed. Cir. 2007) (noting that “[f]oreseeability is a question of fact reviewed for clear error” in the damages context); *United States v. Cover*, 199 F.3d 1270, 1274 (11th Cir. 2000) (reasonable foreseeability of a co-conspirators actions is a question of fact). This court likewise applies a clear error standard of review.

The district court found that Rambus destroyed relevant, discoverable documents beginning in July 1998, with the first major shred day occurring in September 1998. The court found that the destruction continued at least through November 1999, with another major shred day occurring in August 1999. In addition, the district court found that Rambus ordered its outside patent prosecution counsel to purge his files relating to the prosecution of the prospective patents in suit in April 1999. There is ample evidence to support all these findings, and they are not seriously disputed even by Rambus. The exact date at which litigation was reasonably foreseeable is not critical to this decision; the real question is binary: was litigation reasonably foreseeable before the second shred day or after? Therefore, the question this court must answer is whether the district court clearly erred when it determined that, at some time before the second shred day in August of 1999, litigation was reasonably foreseeable. This court cannot conclude that the district court clearly erred for at least the following five reasons.

First, it is certainly true that most document retention policies are adopted with benign business purposes, reflecting the fact that “litigation is an ever-present possibility in American life.” *Nat’l Union Fire Ins. v. Murray Sheet Metal Co.*, 967 F.2d 980, 984 (4th Cir. 1992). In addition, there is the innocent purpose of simply limiting the volume of a party’s files and retaining only that which is of continuing value. One might call it the “good housekeeping” purpose. Thus, where a party has a long-standing policy of destruction of documents on a regular schedule, with that policy motivated by general business needs, which may include a general concern for the possibility of litigation, destruction that occurs in line with the policy is relatively unlikely to be seen as spolia-

tion. Here, however, it was not clear error for the district court to conclude that the *raison d'être* for Rambus's document retention policy was to further Rambus's litigation strategy by frustrating the fact-finding efforts of parties adverse to Rambus. This is a natural reading of getting "[b]attle ready." The preparation of the document retention policy was one of Rambus's "IP Litigation Activity" goals in the second and third quarters of 1998. When the finished document retention policy was presented to Rambus employees, the presentation slides used were titled "BEFORE LITIGATION: A Document Retention/ Destruction Policy." The policy explicitly stated that destruction of relevant and discoverable evidence did not need to stop until the actual commencement of litigation. Despite the policy's stated goal of destroying all documents once they were old enough, employees were instructed to look for helpful documents to keep, including documents that would "help establish conception and prove that [Rambus had] IP," and they did keep these documents. Moreover, on March 16, 1998, an internal Rambus e-mail noted a "growing worry" that email backup tapes were "discoverable information," and discussions began regarding how long to keep these backup tapes. On May 14, 1998, Rambus implemented a new policy of keeping email backup tapes for only 3 months. Karp said that keeping tapes for any longer period of time was shot down by "Rambus'[s] litigation counsel." Karp also noted that if anyone had questions about the document retention policy, they could contact him, but that he "would prefer to discuss [the] issue face to face," and that if they did send e-mails, to "keep them brief, and keep the distribution narrow." Shortly after the email backup destruction policy was instituted, all of Rambus's old backup tapes were destroyed. Taken together, the implementation of a document retention policy as an important component of a litigation strategy makes it more

likely that litigation was reasonably foreseeable. Cf. *United States v. Adlman*, 134 F.3d 1194, 1203 (2d Cir. 1998) (adopting a test for work product immunity where a document is prepared in anticipation of litigation where the document “can fairly be said to have been prepared or obtained *because of* the prospect of litigation”) (emphasis added) (citing 8 Charles Alan Wright, Arthur R. Miller, and Richard L. Marcus, *Federal Practice and Procedure* § 2024, at 343 (1994)).

Second, Rambus was on notice of potentially infringing activities by particular manufacturers. Once the patent issued, the gun was loaded; when the targets were acquired, it was cocked; all that was left was to pull the trigger by filing a complaint. While it may not be enough to have a target in sight that the patentee believes may infringe, the knowledge of likely infringing activity by particular parties makes litigation more objectively likely to occur because the patentee is then more likely to bring suit. Here, numerous internal documents manifest Rambus’s plan “to play [its] IP card with the DRAM companies” against SDRAM products, either through a patent infringement or a breach of contract suit. *See Decision*, 255 F.R.D. at 138-48 (noting that even in the early 1990s, Rambus was already “concerned that DRAM manufacturers were using Rambus’[s] technology to develop their own competing DRAMs,” and detailing Rambus’s campaign to capitalize on non-compliant products’ infringement); *id.* at 144 (“The [Nuclear Winter Memorandum] indicated specifically that Rambus already had claim charts showing that Micron infringed one of the Rambus patents.”). *See also* Br. of Rambus’s at 34 (“Rambus therefore feared that demanding licenses on non-compatible products (let alone initiating litigation) would risk undermining its relationships with the very DRAM manufacturers its business strategy depended upon.”). In addition, the bulk

of the discussions between CEO Tate, Karp, and Rambus's attorneys related to SDRAM and Rambus's licensing (as Rambus argues) or litigation (as Micron argues) plans. Either way, Rambus was on notice of activities it believed were infringing. *Cf. Schmid v. Milwaukee Elec. Tool Corp.*, 13 F.3d 76, 81 (3d Cir. 1994) (overturning a district court spoliation sanction in part because the plaintiff's expert's destruction of evidence occurred when "no suit had been filed and Schmid did not know whether he had a basis for instituting suit."). Indeed, Rambus was more than on notice because, by its own admission, it actively broadened its claims to cover JEDEC standard-compliant products, and, according to the testimony of CEO Tate, it knew that those products would infringe its claims.

Third, Rambus took several steps in furtherance of litigation prior to its second shredding party on August 26, 1999. Karp had already concluded that Rambus would "need to litigate against someone to establish [a] royalty rate and have [the] court declare [the Rambus] patent[s] valid," had prioritized defendants and forums, had created claim charts and determined an expected timeline for litigation that it would "launch in October [1999]," and had as its goal to "be ready for litigation with 30 days notice" "against 1 of the 3 manufacturers" by the third quarter of 1999. On June 24, 1999, Karp was instructed by CEO Tate to "hammer out . . . our strategy for the battle with the first target that we will launch in October [1999]." The first steps toward this litigation were spelled out on June 27, 1999, when Rambus established "IP 3Q '99 Goals," including goals for "Licensing/Litigation Readiness." These goals included "[p]repar[ing] litigation strategy against 1 of the 3 manufacturers," being "[r]eady for litigation with 30 days notice," and "[o]rganiz[ing] [the] 1999 shredding party at Rambus." Planning for litigation continued when, on July 8, 1999, Rambus's

outside litigation counsel, Fenwick & West, prepared a timeline for the proposed patent infringement suits showing that Rambus planned to file complaints on October 1, 1999. Indeed, the second shredding party was itself part of Rambus's third-quarter intellectual property litigation readiness goals.

Rambus strongly argues that the steps it did *not* yet take in furtherance of litigation, i.e. the contingencies, compel a finding that litigation was not reasonably foreseeable. Rambus cites the contingencies accepted by Judge Whyte in the companion *Hynix* case as precluding Rambus from reasonably foreseeing litigation:

- (1) the direct RDRAM ramp had to be sufficiently developed so as not to jeopardize RDRAM production;
- (2) Rambus's patents covering non-RDRAM technology had to issue;
- (3) product samples from potentially infringing DRAM manufacturers had to be available in the market;
- (4) the non-compatible products had to be reverse engineered and claim charts made showing coverage of the actual products;
- (5) Rambus's board had to approve commencement of negotiations with a DRAM manufacturer; and
- (6) the targeted DRAM manufacturer had to reject Rambus's licensing terms.

Hynix, 591 F. Supp. 2d at 1062. It is of course true that had these contingencies been cleared, litigation would have been more foreseeable. However, it was not clear error to conclude that overcoming the contingencies was reasonably foreseeable. For example, Rambus makes much of the inadvisability of jeopardizing its relationship with the manufacturers through litigation over SDRAM,

because those same manufacturers were producing RDRAM, which Rambus hoped would become the market leader. However, as was made clear in the Nuclear Winter Memorandum, if RDRAM did not become a market leader, Rambus would go after the manufacturers of SDRAM and if RDRAM did become a market leader, and the RDRAM ramp “reache[d] a point of no return,” then Rambus could come out from “stealth mode,” and could then “ROCK THE DIRECT BOAT” because the manufacturers would be locked in to the RDRAM standard. Hence the use of definitive language of future intention, such as asking “WHAT’S THE RUSH [to assert patents against RDRAM partners]?” and noting that it should “not asserts patents against Direct [RDRAM] partners *until* ramp reaches a point of no return (TBD).” (emphasis added). Similarly, obtaining product samples would certainly be a reasonably foreseeable event, particularly because Rambus had explicitly broadened its claim coverage in prosecution to cover standard-compliant products, which, by the terms of the standard, all the manufacturers would meet. It was also reasonably foreseeable that the manufacturers would reject Rambus’s licensing terms, because Karp proposed a five percent royalty rate to the board in March 1998 that attorney Johnson had called “ridiculous,” and that the Cooley attorneys informed him would result in a lawsuit. In December 1998 or January 1999, Karp opined that in situations where Rambus was “not interested in settling,” they should propose a royalty rate between five and ten percent, and noted that “we should not be too concerned with settlement at this point and should push for very high rates.” It is thus not clear error to conclude that Rambus reasonably foresaw that the manufacturers would reject its licensing offer. The same is true for the other listed contingencies. Thus, Rambus’s preparations for litigation prior to the critical date, including choosing and prioritizing manufacturers to sue,

selecting forums in which to bring suit within a planned time-frame, creating claim charts, and including litigation as an essential component of its business model, support the district court's decision that Rambus reasonably foresaw litigation before the second shredding party on August 26, 1999.

Fourth, Rambus is the plaintiff-patentee, and its decision whether to litigate or not was the determining factor in whether or not litigation would in fact ensue. In other words, whether litigation was reasonably foreseeable was largely dependent on whether Rambus chose to litigate. It is thus more reasonable for a party in Rambus's position as a patentee to foresee litigation that does in fact commence, than it is for a party in the manufacturers' position as the accused.¹

Fifth, as discussed above, the relationship between Rambus and the manufacturers involving RDRAM did not make litigation significantly less likely, it only delayed the initiation of litigation until the manufacturers were either too invested in RDRAM for the SDRAM litigation to negatively impact Rambus's sales, or until Rambus had no choice but to sue because RDRAM was rejected. In general, when parties have a business relationship that is mutually beneficial and that ultimately turns sour, sparking litigation, the litigation will generally be less foreseeable than would litigation resulting from a relationship that is not mutually beneficial or is naturally adversarial. Thus, for example, document destruction occurring during the course of a long-standing and untroubled licensing relationship relating to the patents and the accused

¹ A similar reasoning may apply to accused infringers where there is declaratory judgment jurisdiction under *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), because the accused infringer is then in the same position to control litigation as the patentee.

products that ultimately become the subject of litigation is relatively unlikely to constitute spoliation, while destruction of evidence following repeated failures of a licensee to properly mark products or remit royalties, is more likely to constitute spoliation. Because the relationship regarding RDRAM did nothing to make litigation significantly less likely, and because Rambus and the manufacturers did not have a longstanding and mutually beneficial relationship regarding SDRAM, Rambus cannot use its delay tactics regarding RDRAM to undermine the other considerations herein discussed.

Rambus argues that the district court clearly erred in setting December 1998 as the date at which litigation was reasonably foreseeable, because the only happening on that date was the issuance of the Nuclear Winter Memorandum, which addressed Rambus's potential response to the "very unlikely" scenario that Intel would drop its support for RDRAM. Rambus argues that a document addressing such a contingency cannot form the basis for reasonably foreseeable litigation. The district court found that litigation was reasonably foreseeable "no later than December 1998, when Karp had articulated a time frame and a motive for implementation of the Rambus litigation strategy." *Decision*, 255 F.R.D. at 150. The important inquiry is not whether a particular document made litigation reasonably foreseeable, but whether the totality of the circumstances as of the date of document destruction made litigation reasonably foreseeable. As discussed above, there was no clear error in the district court's holding that they did.

This court thus affirms the district court's determination that Rambus destroyed documents during its second shred day in contravention of a duty to preserve them and, thus, engaged in spoliation.

B. The District Court's Choice of Sanction

District courts have the “inherent power to control litigation,” *West*, 167 F.3d at 779, by imposing sanctions appropriate to rectify improper conduct by litigants. *Schmid*, 13 F.3d at 78. Such sanctions may include dismissal. *Leon v. IDX Sys. Corp.*, 464 F.3d 951, 958 (9th Cir. 2006). The particular sanction imposed is within the sound discretion of the district court in exercising its inherent authority and in assuring the fairness of the proceedings before it. *See Silvestri*, 271 F.3d at 590 (quoting *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45-46 (1991)) (“The right to impose sanctions for spoliation arises from a court’s inherent power to control the judicial process and litigation, but the power is limited to that necessary to redress conduct ‘which abuses the judicial process.’”). As such, the district court’s choice of sanction is reviewed for an abuse of discretion. *Mindek v. Rigatti*, 964 F.2d 1369, 1373-74 (3d Cir. 1992).

Rambus challenges the district court’s imposition of the dispositive sanction of dismissal, arguing that Micron failed to prove bad faith or prejudice, and that the district court was limited to applying some lesser sanction than dismissal. This court addresses Rambus’s arguments in turn.

i. Bad Faith

To make a determination of bad faith, the district court must find that the spoliating party “intended to impair the ability of the potential defendant to defend itself.” *Schmid*, 13 F.3d at 80. *See also Faas v. Sears, Roebuck & Co.*, 532 F.3d 633, 644 (7th Cir. 2008) (“A document is destroyed in bad faith if it is destroyed ‘for the purpose of hiding adverse information.’”) (citation omitted); *In re Hechinger Inv. Co. of Del., Inc.*, 489 F.3d 568, 579 (3d Cir. 2007) (noting that bad faith requires a

showing that the litigant “intentionally destroyed documents that it knew would be important or useful to [its opponent] in defending against [the] action”); *Anderson v. Cryovac, Inc.*, 862 F.2d 910, 925 (1st Cir. 1988) (finding bad faith “where concealment was knowing and purposeful,” or where a party “intentionally shred[s] documents in order to stymie the opposition”); *Gumbs v. Int’l Harvester, Inc.*, 718 F.2d 88, 96 (3d Cir. 1983) (noting that an adverse inference from destruction of documents is permitted only when the destruction was “intentional, and indicates fraud and a desire to suppress the truth”) (citation omitted). The fundamental element of bad faith spoliation is advantage-seeking behavior by the party with superior access to information necessary for the proper administration of justice.

Here, the district court’s analysis of bad faith follows its conclusion on spoliation and does not fully explain the factual underpinnings of its bad faith determination:

55. The court concludes that litigation was reasonably foreseeable no later than December 1998, when Karp had articulated a time frame and a motive for implementation of the Rambus litigation strategy. Moreover, because the document retention policy was discussed and adopted within the context of Rambus’ litigation strategy, the court finds that Rambus knew, or should have known, that a general implementation of the policy was inappropriate because the documents destroyed would become material at some point in the future. Therefore, a duty to preserve potentially relevant evidence arose in December 1998 and any documents purged from that time forward are

deemed to have been intentionally destroyed, i.e. destroyed in bad faith.

Decision, 255 F.R.D. at 150. A determination of bad faith is normally a prerequisite to the imposition of dispositive sanctions for spoliation under the district court's inherent power, and must be made with caution. In determining that a spoliator acted in bad faith, a district court must do more than state the conclusion of spoliation and note that the document destruction was intentional. *See Mathis v. John Morden Buick, Inc.*, 136 F.3d 1153, 1155 (7th Cir. 1998) ("That the documents were destroyed *intentionally* no one can doubt, but 'bad faith' means destruction for the purpose of hiding adverse information.") (emphasis added). From the district court's sparse analysis, this court is unable to determine whether the district court applied the applicable exacting standard in making its factual determination that Rambus acted in bad faith.

The district court's opinion alludes to several key items, including: (1) facts tending to show that Rambus's document retention policy was adopted within the auspices of a firm litigation plan rather than merely carried out despite the reasonable foreseeability of such litigation, *e.g.*, *Decision* ¶¶ 17, 53, 55 and n.29; (2) facts tending to show the selective execution of the document retention policy, *e.g.*, *Decision* ¶ 13 and n. 23, 27; (3) facts tending to show Rambus's acknowledgement of the impropriety of the document retention policy, *e.g.*, *Decision* ¶¶ 6, 38 and n.24, 47; and (4) Rambus's litigation misconduct, *Decision* ¶¶ 37-39. While these items may lead to a determination of bad faith, the district court did not make clear the basis on which it reached that conclusion.

"It is not our task to make factual findings," *Golden Hour Data Sys., Inc. v. emsCharts, Inc.*, 614 F.3d 1367, 1380 (Fed. Cir. 2010), and we will leave it to the district

court's sound discretion on remand to analyze these, and any other, relevant facts as they apply to the determination of bad faith, *see Thomas v. Capital Sec. Servs., Inc.*, 836 F.2d 866, 873 (5th Cir. 1988) (en banc) (“[T]he district court will have a better grasp of what is acceptable trial-level practice among litigating members of the bar than will appellate judges.”).

We note that the district court applied a “knew or should have known” standard in its bad faith determination. On remand, the district court should limit its bad faith analysis to the proper inquiry: whether Rambus “intended to impair the ability of the potential defendant to defend itself,” *Schmid*, 13 F.3d at 80, without regard to whether Rambus “should have known” of the propriety of its document destruction.

Litigations are fought and won with information. If the district court finds facts to conclude that Rambus's goal in implementing its document retention policy was to obtain an advantage in litigation through the control of information and evidence, it would be justified in making a finding of bad faith. If, on the other hand, the district court determines that Rambus implemented its document retention policy for legitimate business reasons such as general house-keeping, a finding of bad faith would be unwarranted. Without a finding either way, however, “the opinion explaining the decision lacks adequate fact findings, [and] meaningful review is not possible.” *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986). This court therefore remands for the district court to further assess the factual record in reaching a determination on bad faith.

ii. Prejudice

Prejudice to the opposing party requires a showing that the spoliation “materially affect[s] the substantial

rights of the adverse party and is prejudicial to the presentation of his case.” *Wilson v. Volkswagen of Am., Inc.*, 561 F.2d 494, 504 (4th Cir. 1977) (internal quotation marks omitted). In satisfying that burden, a party must only “come forward with plausible, concrete *suggestions* as to what [the destroyed] evidence *might have been*.” *Schmid*, 13 F.3d at 80 (emphases added). *See also Leon*, 464 F.3d at 960 (“[B]ecause any number of the 2,200 files could have been relevant to IDX’s claims or defenses, although it is impossible to identify which files and how they might have been used. . . . the district court did not clearly err in its finding of prejudice.”). If it is shown that the spoliator acted in bad faith, the spoliator bears the “heavy burden” to show a lack of prejudice to the opposing party because “[a] party who is guilty of . . . intentionally shredding documents . . . should not easily be able to excuse the misconduct by claiming that the vanished documents were of minimal import.” *Anderson v. Cryovac, Inc.*, 862 F.2d 910, 925 (1st Cir. 1988). *See also Coates v. Johnson & Johnson*, 756 F.2d 524, 551 (7th Cir. 1985) (“The prevailing rule is that bad faith destruction of a document relevant to proof of an issue at trial gives rise to a strong inference that production of the document would have been unfavorable to the party responsible for its destruction.”).

It is undisputed that Rambus destroyed between 9,000 and 18,000 pounds of documents in 300 boxes. The district court concluded that the destroyed documents were relevant to at least the following defenses, which would have been “illuminated by evidence of a non-public nature, e.g. by internal Rambus documents”: “unenforceability due to patent misuse and violation of the antitrust and unfair competition laws (based in part on Rambus’s conduct at JEDEC), as well as inequitable conduct.” *Decision*, 255 F.R.D. at 150-51. Documents relating to

Rambus's conduct at JEDEC, together with documents reflecting Rambus's instructions to its patent prosecution counsel concerning its conduct at JEDEC, could have helped resolve Micron's claims relating to patent misuse, antitrust violations, and unfair competition. Documents reflecting Rambus's knowledge of relevant prior art references could have helped resolve Micron's inequitable conduct claims. On the other hand, because it is not clear what documents were destroyed, it may be, as Rambus argues, that all the documents destroyed were either redundant or irrelevant to the trial.

The proper resolution of this issue turns largely on whether Rambus has the burden to show lack of prejudice or Micron has the burden to show prejudice. As discussed above, this turns on whether the district court, on remand, concludes that Rambus was a bad faith spoliator. The question of prejudice is therefore also remanded.

iii. Dispositive Sanction

In addition to reassessing on remand its determination of bad faith and prejudice, the district court should also explain the reasons for the propriety of the sanction chosen (if any) based on the degree of bad faith and prejudice and the efficacy of other lesser sanctions.

Dismissal is a "harsh sanction," to be imposed only in particularly egregious situations where "a party has engaged deliberately in deceptive practices that undermine the integrity of judicial proceedings." *Leon*, 464 F.3d at 958 (internal citations omitted). This court agrees that such sanctions should not be imposed unless there is clear and convincing evidence of both bad-faith spoliation and prejudice to the opposing party. *Shepherd v. ABC*, 62 F.3d 1469, 1472, 1477 (D.C. Cir. 1995) (noting that dismissal requires proof by clear and convincing evidence); *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 167 F.R.D.

90, 108 (D. Colo. 1996) (requiring clear and convincing evidence because “[t]o do otherwise would be to contravene the strong public policy which favors adjudication of cases on their merits”). Moreover, the presence of bad faith and prejudice, without more, do not justify the imposition of dispositive sanctions. In gauging the propriety of the sanction, the district court must take into account “(1) the *degree* of fault of the party who altered or destroyed the evidence; (2) the *degree* of prejudice suffered by the opposing party; and (3) *whether there is a lesser sanction* that will avoid substantial unfairness to the opposing party and, where the offending party is seriously at fault, will serve to deter such conduct by others in the future.” *Schmid*, 13 F.3d at 79 (emphases added). See also *Leon*, 464 F.3d at 958 (noting that the district court must consider “(1) the public’s interest in expeditious resolution of litigation; (2) the court’s need to manage its dockets; (3) the risk of prejudice to the party seeking sanctions; (4) the public policy favoring disposition of cases on their merits; and (5) the availability of less drastic sanction”). The sanction ultimately imposed must be commensurate with the analysis of these factors.

The district court must “select the least onerous sanction corresponding to the willfulness of the destructive act and the prejudice suffered by the victim.” *Schmid*, 13 F.3d at 79 (citing Jamie S. Gorelick, Steven Marzen and Lawrence Solum, *Destruction of Evidence*, § 3.16, p. 117 (1989)). While the district court noted that “[s]anctions such as adverse jury instructions and preclusion of evidence are impractical, bordering on meaningless, under these circumstances and in the context of a typical jury trial,” and that “the simple imposition of fees and costs is wholly inadequate under the facts of this case,” *Decision*, 255 F.R.D. at 151, it did not explain why only dismissal would “vindicate the trifold aims of: (1) deterring future

spoliation of evidence; (2) protecting the defendants' interests; and (3) remedying the prejudice defendants suffered as a result of [Rambus's] actions." *See West*, 167 F.3d at 180.

If the district court again concludes on remand that there was bad faith and prejudice, the record evidence may indeed justify a dispositive sanction, but the seriousness of such a sanction warrants an analysis of all of the factors discussed above. *Cf. Roadway Express v. Piper*, 447 U.S. 752, 764 (1980) (noting that because "inherent powers are shielded from direct democratic controls," they "must be exercised with restraint and discretion").

C. Piercing of the Attorney-Client Privilege

The district court's spoliation rulings depended in part on evidence from communications between Rambus and its attorneys; these communications were in the record only because they had been ordered produced by Rambus after the district court pierced the attorney-client privilege that otherwise would protect the communications from disclosure. Rambus appeals the privilege-piercing ruling, arguing that the district court erred by finding that Micron had made the required prima facie showing that Rambus had committed or intended to commit a fraud or crime and that the attorney-client communications in question were in furtherance of that crime or fraud.

Rambus is correct that the crime-fraud exception to the attorney-client privilege requires such a prima facie showing. *In re Grand Jury Subpoena*, 223 F.3d 213, 217 (3d Cir. 2000). But making a prima facie showing is "not a particularly heavy" burden, *In re Grand Jury Investigation*, 445 F.3d 266, 274-75 (3d Cir. 2006), and this court agrees with the district court that Micron did indeed carry that burden here. Specifically, there was enough evidence

to find a likely violation of § 135 of the California Penal Code, which provides that

[e]very person who, knowing that any book, paper, record, instrument in writing or other matter or thing is about to be produced in evidence upon any trial, inquiry, or investigation whatever, authorized by law, willfully destroys or conceals the same, with intent thereby to prevent it from being produced, is guilty of a misdemeanor.

As discussed above, there is ample evidence that Rambus destroyed documents in its possession knowing that they would likely be forced to be produced in litigation and intending to prevent that production. There is also ample evidence that Rambus devised this strategy partly on the basis of the advice it received from its outside counsel. The only question therefore is whether the documents Rambus destroyed were “about to be produced in evidence,” or whether the delay of some months between Rambus’s destruction of the evidence and Rambus’s final decision to file suit against Hitachi eliminates any possibility that this element of the California statute could be satisfied.

Rambus argues that the “about to be produced in evidence” element of § 135 has been interpreted to “connote[] an immediacy or temporal closeness” between the destruction of the evidence and the time when it was to be produced and that such “temporal closeness” is missing here. *People v. Prysock*, 127 Cal. App. 3d 972, 1000-01 (Cal. App. 5th Dist. 1982). However, *Prysock* is distinguishable. There, the criminal defendant committed murder and, shortly thereafter, burned the clothes he wore while committing the crime. *Id.* at 981. Because no “law enforcement investigation . . . had started” at the time the defendant destroyed his clothes, and because

“law enforcement was [not] . . . looking for the” clothes at the time they were destroyed, the California court found no violation of § 135. *Id.* at 1001. In *Prysock*, then, the defendant controlled the timing of the destruction of relevant evidence, while law enforcement, acting independently, controlled the timing of the initiation of the investigation that would trigger the application of § 135. Here, by contrast, Rambus controlled the timing of both events. It would make no sense to allow Rambus to escape liability, criminal or otherwise, by intentionally destroying evidence and then waiting for an arbitrary period of time before choosing to file suit. Moreover, it is not clear that California courts would interpret the statute in such a way as to make the initiation of the “investigation” the time when Rambus filed its complaint. Instead, the statute could just as reasonably be interpreted such that it would be violated by the intentional destruction of evidence at any time after Rambus began preparing to file this suit. Interpreted this way, Rambus’s preparations to file this suit in early 1998 began the civil equivalent of the criminal law-enforcement investigation in *Prysock*, and Rambus’s destruction of documents in late 1998 and 1999 violated § 135 if, as noted above, Rambus intentionally destroyed those documents with the intention of keeping them from being produced in the ensuing litigation. This is clearly a different situation from that encountered in *Prysock*, and this court sees no error in the district court’s distinguishing that case. Because the district court properly found that Micron made a prima facie showing that (1) Rambus willfully destroyed documents it knew would have to be produced in the litigation it intended to initiate against Hitachi, (2) Rambus destroyed those documents in order to keep them from being produced, and (3) Rambus began destroying those documents based on communications from its litigation counsel advising it to begin destroying discoverable

information, this court agrees with the district court's use of the crime-fraud exception to pierce the attorney-client privilege

D. Denial of Transfer

The final issue on appeal concerns the district court's denial of Rambus's motion to transfer this case to the Northern District of California. As discussed above, Rambus filed its first suit against SDRAM manufacturers in January 2000. Micron filed the present declaratory judgment action against Rambus in August 2000. The following day, Hynix filed suit against Rambus in the Northern District of California. The present case was stayed at Rambus's request on June 28, 2002, with the stay apparently lifted in late 2004. Meanwhile, proceedings continued in the Hynix matter in the Northern District of California. In that case, in January 2006, the U.S. District Court for the Northern District of California decided that there had been no spoliation by Rambus. Following that favorable ruling, Rambus moved to transfer the present case to the Northern District of California on February 14, 2006. The Delaware district court denied the motion to transfer on March 29, 2006. At the time of Rambus's motion to transfer, the present case had been pending for five and a half years, and there was a trial schedule already in place.

In an oral ruling from the bench, the district court referred to Rambus's motion to transfer "as clear and obvious a case of forum shopping as has probably ever existed in the federal judiciary," thanks to the motion's coming hard on the heels of the favorable spoliation ruling in the Northern District of California. The district court weighed several factors, including the forum-shopping allegation (weighing against transfer), the plaintiff's choice of forum (weighing against transfer), the conven-

ience of the witnesses (not weighing in favor of either transferring or not transferring), and the fact that trial was scheduled and imminent (weighing against transfer). Based on these factors, the district court denied the transfer motion.

This court reviews this issue under the law of the relevant regional circuit. The Third Circuit reviews denials of motions to transfer for abuse of discretion. *Jumara v. State Farm Ins.*, 55 F.3d 873, 878 (3d Cir. 1995). Rambus argues that the district court abused its discretion here because there were other cases regarding the same patents pending in the Northern District of California, and avoiding having the same issues litigated in multiple forums is the “paramount consideration” when deciding whether to transfer a case. But, as Micron points out, treating consolidation of related cases as “paramount” generally involves transferring all the cases to the same forum where the earliest-filed action is pending. Here, the earliest-filed case is the present one, pending in Delaware; the cases in the Northern District of California were all filed later. Thus, the “paramount consideration” might help in an argument to transfer the *Hynix* case to the District of Delaware, but it does nothing to support Rambus’s argument in favor of transferring this case to the Northern District of California.

Moreover, every other factor either is neutral or supports the district court’s decision not to transfer the case: (1) Rambus waited over five years to ask for this case to be transferred, (2) the motion to transfer came just months before a scheduled trial, and (3) Rambus filed the transfer motion only a month after receiving a favorable ruling by the proposed transferee court, strongly suggesting forum shopping. This forum-shopping should be discouraged, arguing strongly in favor of denying the transfer motion. The district court also pointed out that

the convenience of the witnesses did not favor either forum, because most of the witnesses were employees of or consultants to the parties and could therefore be encouraged to testify in either forum, even if they could not be compelled to testify in Delaware. This was correct, not least because Rambus had earlier tried to move a related case out of the Northern District of California, arguing that it was inconvenient for its witnesses to testify there. Given that both parties were incorporated in Delaware, they had both willingly submitted to suit there, which weighs in favor of keeping the litigation in Delaware. Finally, Rambus had previously filed other litigation regarding the same patents (against Hitachi) in the District of Delaware, suggesting that it had no difficulty litigating a patent infringement suit in that court. Given that all the relevant factors either favor denying the transfer motion or are neutral, this court holds that the district court did not abuse its discretion by refusing to transfer this case to the Northern District of California, and therefore affirms the district court's denial of Rambus's motion to transfer.

III. CONCLUSION

For the reasons stated above, this court affirms the district court's determination that Rambus spoliated documents, but vacates the district court's dismissal sanction, and remands for further consideration consistent with this opinion.

**AFFIRMED-IN-PART, VACATED-IN-PART, AND
REMANDED**

COSTS

Each party shall bear its own costs.

**United States Court of Appeals
for the Federal Circuit**

MICRON TECHNOLOGY, INC.,
Plaintiff/Counterclaim Defendant-Appellee,

AND

MICRON ELECTRONICS, INC.
AND MICRON SEMICONDUCTOR PRODUCTS, INC.,
Counterclaim Defendants-Appellees,

v.

RAMBUS INC.,
Defendant/Counterclaimant-Appellant.

2009-1263

Appeal from the United States District Court for the District of Delaware in case no. 00-CV-792, Judge Sue L. Robinson.

GAJARSA, *Circuit Judge*, concurring-in-part and dissenting-in-part.

While I agree with the majority that there was spoliation of evidence by Rambus, I dissent from that part of the majority's opinion that remands for a reexamination of the evidence for bad faith and vacates the district court's sanction award. Even though the majority applauds with one hand the district court's "inherent power to control litigation," *West v. Goodyear Tire & Rubber Co.*, 167 F.3d

776, 779 (2d Cir. 1999), with the other hand it strangles this power by vacating the district court's sanction award. Indeed, the majority does not review the district court's sanction award for an abuse of discretion, instead it reviews the facts and weighs the evidence before it substitutes its judgment for that of the district court, deciding that based on the district court's thorough factual analysis, it would not have granted the dispositive sanctions. Because we should not "disarm the [district] court of its important power to police its proceedings to ensure transparency and predictability and to discourage mischievous conduct by litigants," I dissent.¹ *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1374 (Fed. Cir. 2002).

The district court found that Rambus' conduct "impugned" the very integrity of the judicial system. *Micron Tech., Inc. v. Rambus Inc.*, 255 F.R.D. 135, 151 (D. Del.

¹ Separately, the majority's discussion of what constitutes reasonably foreseeable litigation in its spoliation analysis is troubling. See Majority Op. at 12-14. Because the Third Circuit has not spoken on the outer bounds of reasonably foreseeable litigation, this court may look to the law of other circuits to help inform the issue. *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 875 (Fed. Cir. 1985), *overruled on other grounds by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998). While I believe the majority is correct that circuits generally do not require "imminent litigation" for it to be reasonably foreseeable, the majority uses its "flexible" standard to overturn the district court's finding of no spoliation in *Hynix Semiconductor, Inc. v. Rambus, Inc.*, No. 2009-1299, -1347, slip op. at 12-13 (Fed. Cir. May 13, 2011), the companion to this case. I disapprove of this backdoor imposition of Federal Circuit law in place of that of the regional circuit and additionally dissent from the portion of the majority's *Hynix* opinion that overturns the district court's spoliation determination.

2009) (“*District Court Op.*”). In so doing, Rambus also abused the privilege of owning a patent monopoly. “As recognized by the Constitution, [a patent] is a special privilege designed to serve the public purpose of promoting the ‘Progress of Science and useful Arts’” and “is an exception to the general rule against monopolies and to the right to access to a free and open market.” *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). Thus, the public has a “paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other types of inequitable conduct” *Id.* Here, Rambus abused its privilege by intentionally—as found by the district court—destroying evidence in bad faith to protect its exclusive monopoly.

Instead of recognizing this abuse by Rambus, the majority searches to find a needle in the haystack because, in its collective superior judgment, Rambus’ conduct does not require taking away that privilege. In fact, the majority fails to consider the “high hurdle” that Rambus must overcome in showing that the district court abused its discretion. *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1218 (Fed. Cir. 2002). In so doing, the majority reweighs the evidence and decides that “several key items” on which the district court relied “may lead to a determination of bad faith,” but the basis on which the district court “reached that conclusion” was not “clear.” Majority Op. at 26-27.

As an appellate court, we should not decide whether the facts before us “may” lead to a conclusion that we agree with, but whether by so concluding the district court abused its discretion. Indeed, “[t]he question, of course, is not whether . . . the Court of Appeals, would as an original matter have [resolved the case in the same way as the District Court]; it is whether the District Court abused its discretion in so doing.” *Nat’l Hockey League v.*

Metro. Hockey Club, Inc., 427 U.S. 639, 642 (1977) (citations omitted) (rejecting appellate court’s reweighing of evidence and upholding district court’s imposition of terminating sanctions for discovery violations as this did not amount to an abuse of discretion).

Here, the district court followed the appropriate Third Circuit standard and provided ample basis in fact for its decision to award dispositive sanctions. *District Court Op.* at 148-51. In the Third Circuit, a spoliating party acts in bad faith when it “intended to impair the ability of the potential defendant to defend itself.” *Schmid v. Milwaukee Elec. Tool Corp.*, 13 F.3d 76, 80 (3d Cir. 1994). Under this standard, the district court did not abuse its discretion in finding that Rambus did, in fact, act in bad faith.

First, Rambus used its document retention plan to disguise and hide its destruction of relevant documents. Rambus “instructed patent counsel to purge [its] patent files,” which would have at least been relevant to inequitable conduct. *District Court Op.* at 150. Further, Micron’s defenses of patent misuse and violations of unfair trade and antitrust laws could all be “illuminated by evidence of a non-public nature, e.g., by internal Rambus documents,” *id.* at 151, which almost certainly could have been included in the 300 boxes of documents destroyed in the second shred day in August 1999, *id.* at 145, or the 480 boxes destroyed on December 28, 2000, *id.* at 147. The district court, however, did not make a blanket determination that Rambus’ document destruction impeded all of Micron’s defenses. In fact, the district court found Micron’s ability to assert anticipation and obviousness would not have been impaired by Rambus’ spoliation, as the prior art used to assert such defenses is publicly available. *Id.*

Second, Rambus' document retention policy informed employees they should "LOOK FOR THINGS TO KEEP," including documents that would help establish conception but "expunge" "documents questioning the patentability of Rambus inventions." *Id.* at 142 n.26. This policy remained in effect even after December 1998, the date after which destruction of documents was deemed to be spoliation. *Id.* at 150.

Third, Rambus' own documents (or, more accurately, those that did not make it to the shredding bin) demonstrate that it was aware that its document retention policy resulted in destruction of documents relevant to litigation. Outside counsel Neil Steinberg e-mailed Rambus executives on July 12, 2000 explaining his desire for a new document retention policy that "is similar to the previous policy—however, this time the IP group will attempt to execute the policy more effectively." *Id.* at 147 n.57. In addition, Rambus' numerous misrepresentations about its document retention policy during the litigation are evidence, as found by the district court, of a guilty conscience. *Id.* at 147-48, 151.

In criticizing the district court's sanctions award, the majority claims that the district court must explain the propriety of the sanction "based on the degree of bad faith and prejudice and the efficacy of other sanctions." Majority Op. at 30. This misstates the analysis a district court must undertake to award sanctions for spoliation in the Third Circuit. *Schmid* requires that a district court determine:

- (1) the degree of fault of the party who altered or destroyed the evidence; (2) the degree of prejudice suffered by the opposing party; and (3) whether there is a lesser sanction that will avoid substantial unfairness to the opposing party and, where

the offending party is seriously at fault, will serve to deter such conduct by others in the future.

13 F.3d at 79 (citations omitted). With regard to the first factor, the district court must determine the “degree of fault” of the spoliating party, not the degree of bad faith. It is incongruous to establish a “degree” of bad faith—a party either did or did not act in bad faith. Indeed, *Schmid* recognized this by defining bad faith as whether the spoliator “*intended* to impair the ability of the potential defendant to defend itself” *Id.* at 80 (emphasis added). Requiring degrees of bad faith is the equivalent of finding whether or not a party is “just a little bit pregnant.” The majority’s desire for the district court to define how “bad is bad” is contrary to Third Circuit law, which this court must apply.

The majority further states that the district court failed to satisfy the third *Schmid* factor by not explaining how holding Rambus’ patents unenforceable would deter future spoliation of evidence, protect Micron’s interests, and remedy the prejudice to Micron. Majority Op. at 31. Not only is this contrary to the record, but the majority is now creating requirements for the imposition of dispositive sanctions that do not exist in the controlling regional circuit law. As explained above, the district court did not abuse its discretion in finding that Rambus acted in bad faith or that the destruction of these documents prevented Micron from mounting an appropriate defense. Further, the district court specifically found that any sanction other than a dispositive one would be “impractical [and] border[] on meaningless” due to the egregiousness of Rambus’ conduct. *District Court Op.* at 151. Indeed, Rambus’ conduct “impugned” “the very integrity of the litigation process.” *Id.* Obviously, a dispositive sanction will serve to deter others from the egregious conduct seen

here. There is no better way for the district court to have complied with the third *Schmid* factor.

In vacating the sanctions award, the majority has called the firing squad to the ready, the squad cocking their guns and taking aim, but instead of shooting the appropriate and culpable party, the squad aimed at the district court's proper determinations of fact. The majority selectively chooses those facts that support its desired outcome, while ignoring those that do not. Weighing evidence as a fact finder is not our function as an appellate court. If the evidence that was considered and weighed by the district court is objectively analyzed by this court under the abuse of discretion standard, it would lead all reasonable people to affirm. *See Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 143 (1997) (holding that the appellate court erred in excluding expert testimony by "applying an overly 'stringent' review to that ruling[and thereby] fail[ing] to give the trial court the deference that is the hallmark of abuse-of-discretion review"). On remand, the district court would not, in my judgment, need to review any additional evidence; it may only be required to parse the facts more specifically and again determine that the only appropriate sanction for Rambus' egregious conduct is dismissal of this suit. Moreover, I agree with the district court that under these facts, such a sanction would be appropriate.

In substituting its own views for those of the district court, the majority directly interferes with the sound discretion of the trial courts in managing their cases and prevents them from protecting the litigation process, which they are inherently bound to do. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 404 (1990) ("Deference to the determination of courts on the front lines of litigation will enhance these court's ability to control litigants before them."). Because the majority ignores this essen-

tial and inherent power of the district court, I dissent from its vacatur of the sanction imposed by the district court.