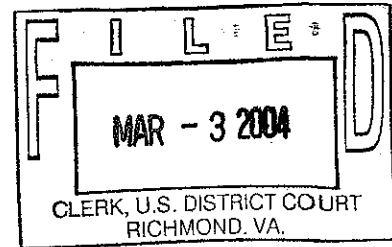


IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Richmond Division



RAMBUS INC.

Plaintiff,

v.

INFINEON TECHNOLOGIES AG, et al.

Defendants.

Civil Action No.: 3:00CV524

**MEMORANDUM IN SUPPORT OF RAMBUS INC.'S MOTION FOR STAY OF
THE ORDERING PROVISIONS OF THE SECOND PARAGRAPH OF THE COURT'S
FEBRUARY 26, 2004 ORDER**

I. INTRODUCTION

Plaintiff Rambus Inc. ("Rambus") respectfully moves for an immediate stay of the execution of the ordering provision of the second paragraph of the Court's February 26, 2004 Order on Infineon's Motion to Compel Production of Documents Relating to Rambus' Document Retention Policy, pending disposition by the United States Court of Appeals for the Federal Circuit of Rambus's Petition for Writ of Mandate or Interlocutory Appeal from that ordering provision. Specifically, Rambus seeks a stay of the following ordering provision:

Rambus is ORDERED to produce immediately any documents that contain information about or relate to the creation, preparation, or scope of its document retention policy.¹

¹ Rambus understands from the Order and accompanying Memorandum Opinion that this ordering provision requires Rambus to produce to Infineon those privileged documents that (a) refer to the creation, preparation, or scope of Rambus's document retention policy and (b) were written at some time prior to or contemporaneous with Rambus's adoption and initial implementation of the document

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Rambus intends to file a petition for writ of mandamus or interlocutory appeal to the Federal Circuit seeking relief from this paragraph of the Court's order. That petition or appeal will be filed early next week. Rambus respectfully requests that this Court grant a stay of the ordering provision at issue until the Federal Circuit rules on Rambus' petition or appeal. At a minimum, Rambus requests that this Court enter a temporary stay for one week so that Rambus may seek emergency relief from the Federal Circuit pending that Court's review.² A brief stay pending such consideration is common where a privilege-overriding order of disclosure is being promptly challenged. *See, e.g., In re Keeper of Records*, 348 F.3d 16, 21 (1st Cir. 2003) (district court stayed its own disclosure order to allow for appellate review); *United States v. Phillip Morris Inc.*, 314 F.3d 612 (D.C. Cir. 2003) (stay granted by court of appeals).

Indeed, this Court previously stayed its waiver of Rambus's attorney-client privilege in 2001 pending Rambus's filing of its writ petition in the Federal Circuit. A stay is warranted here as well. As explained more fully below, Rambus respectfully submits that this Court erred in ordering the disclosure of all documents, including documents covered by the attorney-client

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retention policy in 1998. Rambus does not understand the Court's Order to reach every privileged document that refers to the document retention policy or Rambus's implementation of that policy. For example, Rambus does not understand the Court's Order to require the immediate production of any document written by Rambus's litigation counsel in this case that refers to the creation, preparation, or scope of Rambus's document retention policy.

² Rambus respectfully disagrees with the Court's resolution of other issues in the Memorandum Opinion and Order, including the Court's conclusions in Part I of its Discussion section and its Order regarding documents that fall within the scope of the Court's March 7, 2001 Order. Rambus maintains that, under the Federal Circuit's opinion and mandate, Rambus breached no disclosure duty that may have existed; that no fraud occurred or could have occurred; and that the exception to the privilege is inapplicable. Under compulsion of this Court's order, however, Rambus has informed Infineon that it will produce documents subject to the first paragraph of the Court's Order. Rambus has asked

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privilege, regarding the creation, preparation and scope of Rambus's document retention policy.

Rambus believes that the Court made at least three fundamental legal errors in ordering that disclosure.

First, in determining that Rambus had waived the attorney-client privilege by circulating materials relating to its document retention policy within the corporation, the Court used the "control group" test. The control group test, however, has not been good law since the Supreme Court's decision in *Upjohn Co. v. United States*, 449 U.S. 383 (1981), which squarely rejected the control group test.

Second, there is no basis in the record for the Court's conclusion that Rambus disclosed privileged communications. What the record shows is that a Rambus employee (Joel Karp) synthesized his counsel's advice into a policy that was disseminated within the company. The Court's Memorandum Opinion erroneously conflates the *privileged* advice that Rambus received from its lawyers with the *non-privileged* document retention policy that Rambus distributed to its employees. While the latter may not be privileged, the former indisputably is; the disclosure of non-privileged material does not effect a waiver of any kind. And while Rambus officials may have directed *unprotected* communications to its employees, they have consistently guarded the confidentiality of the *protected* advice that they received from its lawyers.

Third, even if there was a waiver of the attorney-client privilege as to the communications that Mr. Karp synthesized into the final document retention policy, the Court

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Infineon to stipulate to treat these documents as set forth in the April 20, 2001 Stipulated Order, which governed the production of documents originally subject to the March 7, 2001 Order.

erred in finding an implied waiver of all confidential communications regarding the creation, preparation or scope of that policy. *See* Memorandum Opinion at 63-64.

In the absence of a stay, Rambus would be required to produce documents as to which it claims the privilege and Infineon almost certainly will attempt to elicit testimony from multiple witnesses noticed for deposition, including the lawyers who advised Rambus regarding its consideration of the document retention policy. These circumstances undoubtedly will lead Infineon (and Rambus's other litigation adversaries, who are in regular communication with Infineon's counsel regarding these cases) to repeat their prior assertions that the release of privileged information in any one case effects broad subject matter waivers in other cases.

On the other side of the balance, there is no prejudice to Infineon from the brief stay that Rambus requests. Infineon has not yet commenced the depositions of Rambus's legal counsel; indeed, it postponed the deposition of the Cooley Godward law firm pending the Court's resolution of Infineon's Motion to Compel. Because the Court continues to consider the questions regarding the scope of any subject matter waiver in connection with Rambus's document retention policy, it is possible the Court could order Rambus to disclose additional privileged documents relating to that policy. If Rambus is ultimately required to produce such a broader category of documents, it is inconceivable that Infineon would not seek to depose Rambus employees and law firms regarding the content of such documents. The potential for duplication of effort and wasted party and witness resources weighs in favor of deferring those depositions until there has been a final determination of the scope of documents and information that may be subjects for examination. The brief stay that Rambus requests therefore should not prejudice Infineon's discovery and trial preparation.

Last evening, Rambus sent Infineon's counsel a letter requesting Infineon's consent to the stay that Rambus seeks and providing notice that this motion would follow if consent was not provided. As of the time of this filing, Infineon has not responded to Rambus's request.

II. ARGUMENT

A motion for stay of a District Court order requires consideration of four factors:

(1) whether the stay applicant has made a showing of probable success on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies. *See Standard Havens Products Inc. v. Gencor Industries Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990); *Arkansas Best Corp. v. Carolina Freight Corp.*, 60 F. Supp. 2d 517, 519 (W.D.N.C. 1999). All four factors point decidedly towards granting a stay in this case.

A. Rambus is Likely to Succeed on the Merits.

Rambus respectfully submits that the Court's Order and accompanying Memorandum Opinion reflects at least three clear legal errors regarding the finding of waiver as to the documents that are at issue.

First, the Court appeared to conclude that materials relating to the document retention policy either were not privileged or had lost their privileged status because Rambus had distributed its document retention policy outside the company's "corporate control group." Memorandum Opinion at 59-60 (citing *Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1163 (D.S.C. 1975)). For purposes of the application of the attorney-client privilege, however, the "control group" test has been decisively rejected. In *Upjohn Co. v. United States*, 449 U.S. 383, 390-92 (1981), the Supreme Court specifically disavowed the control group test. (The *Duplan* case, cited in the Court's Memorandum Opinion, predates *Upjohn*.) The Supreme Court stressed in *Upjohn* that "[t]he attorney's advice will also frequently be more significant to

noncontrol group members than to those who officially sanction the advice, and the control group test makes it more difficult to convey full and frank legal advice to the employees who will put into effect the client corporation's policy." *Id.* at 392. Thus, in this case, it cannot be dispositive that information about the document retention policy was disseminated to Rambus employees, who needed guidance about implementation of the policy. *See also Allen v. Better Gov't Bureau, Inc.*, 106 F.3d 582, 605-06 (4th Cir. 1997) (applying *Upjohn*).

Second, Rambus submits that there is no basis for the Court's finding that Rambus waived the privilege as to attorney-client communications simply because Joel Karp utilized those communications in formulating a non-privileged document retention policy. *See Memorandum Opinion* at 59-60. The fact that Mr. Karp is not a lawyer and the fact that the policy disseminated within Rambus (and testified to by Rambus employees) was not privileged are not in dispute. But those facts do not transform the *privileged* advice that Mr. Karp received and considered in formulating the policy into *non-privileged* information. As the Supreme Court has observed, the routine pattern in our legal system is that corporations "constantly go to lawyers to find out how to obey the law." *Upjohn*, 449 U.S. at 392 (1981) (internal quotations omitted). The advice that a corporation receives from its lawyers about the legal considerations surrounding a corporate policy under consideration is fundamentally distinct from the policy as finally promulgated. The former is clearly privileged; the latter may or may not be (and is not in this case). It simply cannot be the case that a client's actions that are the synthesis or product of a lawyer's advice automatically waive the privilege as to the communications from the lawyer to the corporate client.

Were the law otherwise, this would permit discovery of privileged communications any time that a party states it has relied on advice from an attorney in formulating a policy or taking

some action. Such a rule has never been the law. *See* 3 *Weinstein's Federal Evidence* ch. 503.41[1] (2d ed. 2003). Rather, clients waive a privilege only if they assert reliance on an attorney's advice *as an element of a claim or defense* (which is not at issue on Infineon's motion to compel these documents). *See id.*; *In re Pioneer Hi-Bred International, Inc.*, 238 F.3d 1370, 1374 (Fed. Cir. 2001); *see also Cardtoons, Inc. v. Major League Baseball Players Ass'n*, 199 F.R.D. 677, 683 (N.D. Okla. 2001) (the advice of counsel not placed in issue when the discovering party asks the client if he relied on a legal memorandum in reaching a decision). Respectfully, Rambus submits that the Court's analysis of this important legal issue is in error.

Third, even if there was a waiver of the attorney-client privilege as to the privileged communications that Mr. Karp received and synthesized into the final document retention policy, the Court erred in finding an implied waiver of all confidential communications regarding the creation, preparation or scope of that policy. *See* Memorandum Opinion at 63-64. In *In re Keeper of the Records*, 348 F.3d 16 (1st Cir. 2003), the First Circuit refused to extend a disclosure of an attorney-client communication into a waiver of all confidential communications on the same subject matter. As the First Circuit stressed, "[w]here a party has not thrust a partial disclosure into ongoing litigation, fairness concerns neither require nor permit massive breaching of the attorney-client privilege." *Id.* at 25; *see also In re Grand Jury Proceedings*, 219 F.3d 175, 188-89 (2d Cir. 2000) (finding no broad waiver when disclosure occurred in grand jury testimony and government did not show sufficient prejudice). Likewise, in this case, Rambus has not "thrust a partial disclosure into ongoing litigation." Infineon, not Rambus, has brought the document retention policy into this case. Rambus has attempted to comply with Infineon's broad discovery requests while attempting to preserve the attorney-client privilege. There is no

basis for implying a broader subject matter waiver than the communications that led to the document retention policy.

In *In re Pioneer Hi-Bred International*, 238 F.3d at 1374, the Federal Circuit held that a party did not broadly waive the attorney-client privilege with respect to merger negotiations by disclosing facts such as the existence of the merger and the occurrence of negotiations between the parties or attorney advice with respect to the tax consequences of the merger. Instead, the Federal Circuit held that any waiver encompassed only to what was actually disclosed, and it vacated the district court's order that had found a broad subject-matter waiver with respect to other matters relating to the merger, including the merger's effect on technology licenses. *Id.* at 1374-75. Likewise here, even if there is some waiver of the attorney-client privilege, the waiver is not so broad to encompass the scope of this Court's order requiring the production of all documents relating to the creation, preparation or scope of the policy, regardless of however tangential their connection to the advice that Mr. Karp received. At a minimum, the waiver would encompass only what was actually disclosed to Mr. Karp.

B. Rambus Will Be Irreparably Injured Absent a Stay.

The prejudice to Rambus from immediate compliance with an un-reviewed (and, Rambus submits, erroneous) order compelling the production of privileged documents is both immediate and irreparable. As to the specific documents produced, compliance with the Court's order will destroy the confidentiality of the communications, even if the order compelling disclosure is later found to be erroneous. *See, e.g., In re General Motors Corp.*, 153 F.3d 714, 716 (8th Cir. 1998) ("By ordering disclosure, the district court effectively destroyed the confidentiality of the communications.").

But that is not the only risk of prejudice. As has been demonstrated repeatedly in this case and the related actions (*FTC, Micron, and Hynix*), the compelled production of privileged

documents to one of Rambus's litigation adversaries has been used by adversaries in the other cases as the basis for claiming a broad subject matter waiver. Before Rambus is put to the round-robin exercise of opposing claims of subject matter waiver in those other cases, Rambus should have the opportunity to put the correctness of the Court's Order and Memorandum Opinion before the Federal Circuit.

C. The Requested Stay Will Not Prejudice Infineon.

In contrast to the palpable prejudice to Rambus from immediate compliance with the Court's Order, the prejudice to Infineon from awaiting disposition of Rambus's mandamus petition is minimal.

This Court has not yet resolved the full scope of documents that Rambus may be ordered to produce pursuant to Infineon's Motion to Compel regarding document retention issues. Rambus was informed last week that Infineon has continued the deposition of Cooley Godward LLP pending the Court's resolution of the full scope of that motion. Infineon presumably wishes to avoid a potential duplication of resources and time, and thus is likely to await the Court's disposition of the remaining portions of the motion to compel before commencing depositions of Rambus's legal counsel on document retention matters. Thus, there would appear to be no prejudice to Infineon from permitting a brief stay of the Court's Order to allow the Federal Circuit to resolve Rambus's mandamus petition. (The brief stay that Rambus requests also would spare the witnesses in question the risk of being asked to sit for deposition twice.)

D. The Public Interest Weighs in Favor of a Stay.

The public interest in preserving the attorney-client privilege weighs in favor of a stay until the Federal Circuit can review the Court's ruling. The purpose of the attorney-client privilege is to encourage full and frank communications between attorneys and their clients by assuring clients their disclosures will be held in confidence. *American Standard, Inc. v. Pfizer,*

Inc., 828 F.2d 734, 745 (Fed. Cir. 1987). By protecting client communications designed to obtain legal advice or assistance, the client will disclose all relevant information and, in turn, observance of the law and the administration of justice. *Upjohn*, 449 U.S. at 389; *see In re Regents of the Univ. of Cal.*, 101 F.3d 1386, 1390-91 (Fed. Cir. 1996). Without a stay, Rambus's privileges in the documents ordered to be disclosed – and any privileged testimony that is at risk of being elicited based on those documents – is at risk of being lost. The public policy that values the attorney-client privilege weighs strongly in favor of a stay so that the Court's decision may be reviewed prior to such a drastic result.

III. CONCLUSION

For the reasons stated above, Rambus respectfully requests this Court grant a stay of the ordering provision of the second paragraph of the Court's February 26, 2004 Order, pending the Federal Circuit's disposition of Rambus's Petition for Writ of Mandate or Interlocutory Appeal regarding this provision in the Court's Order.

DATED: March 3, 2004

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was served this 3rd day of March 2004

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