

- Keywords:** patent litigation; spoliation of documents; reasonably foreseeable litigation; document retention policy; shred day
- General:** In analysis of issue of spoliation of documents, standard for determining whether litigation was reasonably foreseeable at time documents were destroyed does not carry gloss requiring that litigation be “imminent, or probable without significant contingencies”; district court in present action applied improper standard in concluding that litigation was not reasonably foreseeable at time patentee shredded documents, and that patentee therefore did not engage in spoliation.

Hynix Semiconductor Inc. v. Rambus Inc.
98 U.S.P.Q.2d 1711 (Fed. Cir. 2011)
Decided May 13, 2011

I. Facts

In the 1990s, Rambus filed many patent applications relating to dynamic random access memory ("DRAM"), and licensed its intellectual property ("IP") to various manufacturers to produce Rambus DRAM ("RDRAM"), while restricting use of its IP for production of non-compatible DRAM. However, many manufacturers eventually moved away from RDAM in favor of SDRAM and DDR SDRAM.

Rambus was a member of the Joint Electron Devices Engineering Council ("JEDEC") from February 1992 through June 1996. JEDEC is an open standard setting organization that develops standards for semiconductor products, including memory interfaces. During its membership in JEDEC, Rambus instructed its patent attorneys to change their prosecution strategy based on the features discussed in JEDEC meetings.

In October 1997, Rambus hired Joel Karp as its Vice President for Intellectual Property, as a first step toward enforcing its IP against non-compatible DRAM. In January 1998, the CEO of Rambus, Geoff Tate, instructed Karp to prepare a licensing and litigation strategy, and Karp enlisted Dan Leal to prepare such a strategy for a March 1998 board meeting. Leal's notes include a proposal to create a document retention policy that would make Rambus "battle ready," including a need to "clean out all attorney notes so that [the PTO prosecution] file is same as official file." In the March 1998 board meeting, Karp presented the licensing and litigation strategy, specifically indicating a choice of defendants and 4-6 month timeframe after procuring potentially infringing parts. Karp announced the document retention policy in May 1998, and made internal presentations on the policy in July 1998.

In September 1998, Rambus held its first "Shred Day" to destroy 400 boxes of documents pursuant to Karp's document retention policy. In October 1998, Karp advised Rambus to delay litigation until the Direct RDRAM ramp reached a point of no return - likely in the first quarter of 2000, and also indicated that direct infringement cases against Mosel and Nanya could be ready by the first quarter of 1999. In November 1998, Karp sent a memorandum to Rambus executives, identifying litigation targets, times frames, and causes of action. Within days of issuance of U.S. Patent No. 5,915,105 ("the '105 patent") in June 1999, the CEO instructed Karp to prepare a licensing or litigation strategy for a first target in October 1999. Karp's goal for the third quarter of 1999 was to prepare a litigation strategy against 1 of 3 manufacturers, and be ready for litigation with 30 days notice.

On August 26, 1999, Rambus held its second "Shred Day" to destroy 300 additional boxes of documents pursuant to Karp's document retention policy. Subsequently, on September 24, 1999, Karp made a presentation to the Rambus board, indicating the need for an aggressive assertion of

Rambus IP. On October 22, 1999, Karp sent a letter to Hitachi referencing the Rambus patents, and subsequently sued Hitachi on January 18, 2000.

Hynix filed an action against Rambus for a declaratory judgment of patent invalidity, unenforceability, and noninfringement. In the district court, Hynix made a motion to dismiss due to unenforceability arising from an alleged spoliation¹ of documents by Rambus. The district court denied this motion based on its conclusion that Rambus held its first and second "Shred Days" before litigation was reasonably foreseeable. Hynix then appealed to the Federal Circuit.

II. Issues

- A. Does the *reasonably foreseeable* standard for a finding of spoliation of documents require that litigation be *imminent or probable without significant contingencies*?

III. Discussion

- A. No. A finding of spoliation of documents *does not require* that litigation be *imminent or probably without significant contingencies*.

Hynix argued that the reasonable foreseeability standard does not require any imminence of litigation, whereas Rambus argued that litigation must be "imminent" to meet the standard. The district court found that various contingencies existed prior to Karp's September 1999 IP strategy update, which was a turning point in the litigation strategy for Rambus. Prior to this IP strategy update, the contingencies included locking-in of the manufacturers to the RDRAM standard, issuance of the Rambus patents relating to non-compatible DRAM, availability and reverse engineering of product samples to create claim charts, approval by the Rambus board to begin licensing negotiations with the manufacturers, and the manufacturer's refusal of licensing terms. In view of these contingencies, the district court found that litigation was not reasonably foreseeable until after the first and second "Shred Days."

The Federal Circuit referenced its opinion in *Micron II*, indicating that the reasonable foreseeability standard *does not require* litigation to be *imminent or probable without significant contingencies*. The Federal Circuit noted that the district court understood that the contingencies were foreseeable, yet the district court still determined that litigation was not foreseeable. The Federal Circuit noted that the resolution of each contingency (e.g., conditions such as until, only at the time, before, and once) was reasonably foreseeable, and thus litigation itself was also reasonably foreseeable. The Federal Circuit also noted that it would be inequitable to allow a party to destroy documents that are expected to be relevant in an expected future litigation, solely because contingencies exist, where the party also expects a resolution of those contingencies.

Accordingly, the Federal Circuit found that litigation was reasonably foreseeable prior to the second "Shred Day," vacated the district court's finding of fact and conclusions of law relating to spoliation of documents, and remanded the case to the district court.

IV. Conclusion

Spoliation of documents may be found if litigation is reasonably foreseeable, regardless of whether or not litigation is imminent or probable without significant contingencies.

¹ 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.