RAMBUS INC
Form 10-Q
April 30, 2009

Table of Contents

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

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 000-22339

RAMBUS INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3112828**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4440 El Camino Real, Los Altos, CA 94022
(Address of principal executive offices) (zip code)
Registrant s telephone number, including area code: (650) 947-5000

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

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

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

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

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

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

RAMBUS INC.
TABLE OF CONTENTS

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- Outcome and effect of current and potential future intellectual property litigation;
- Litigation expenses;
- Resolution of the European Commission matters involving us;
- Protection of intellectual property;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Amounts owed under licensing agreements;
- Terms of our licenses;
- Indemnification and technical support obligations;
- Success in the markets of our or our licensees products;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Effective tax rates;
- Realization of deferred tax assets/release of deferred tax valuation allowance;
- Product development;
- Sources of competition;
- Pricing policies of our licensees;
- Success in renewing license agreements;
- Operating results;
- International licenses and operations, including our design facility in Bangalore, India;
- Methods, estimates and judgments in accounting policies;
- Growth in our business;
- Acquisitions, mergers or strategic transactions;
- Ability to identify, attract, motivate and retain qualified personnel;

Trading price of our Common Stock;

Internal control environment;

Corporate governance;

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

Consequences of the lawsuits related to the stock option investigation;

The level and terms of our outstanding debt;

Engineering, marketing and general and administration expenses;

Contract revenue;

Interest and other income, net;

Adoption of new accounting pronouncements;

Likelihood of paying dividends;

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

Restructuring activities.

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

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

Table of Contents

RAMBUS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

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

Issued and outstanding: no shares at March 31, 2009 and December 31, 2008				
Common stock, $.001 par value:				
Authorized: 500,000,000 shares				
Issued and outstanding: 104,466,738 shares at March 31, 2009 and 103,803,006 shares at December 31, 2008		104		104
Additional paid-in capital		716,908		703,640
Accumulated deficit		(489,098)		(471,672)
Accumulated other comprehensive income		333		869
Total stockholders equity		228,247		232,941
Total liabilities and stockholders equity	$	395,292	$	397,370

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

See Notes to Unaudited Condensed Consolidated Financial Statements

5

Table of Contents

RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

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

* Includes stock-based compensation:		
Cost of contract revenue	$ 390	$ 1,918

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

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

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

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

Cash and cash equivalents at beginning of period	116,241	119,391
Cash and cash equivalents at end of period	$ 125,838	$ 124,861
Supplemental disclosure of cash flow information:		
Property and equipment received and accrued in accounts payable and other accrued liabilities	$ 173	$ 4,838
Proceeds receivable from issuance of common stock under employee stock plans	$	$ 4,237

See Notes to Unaudited Condensed Consolidated Financial Statements

7

RAMBUS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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

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

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

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

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

2. Recent Accounting Pronouncements.

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

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

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

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

8

Table of Contents

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

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

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

3. Revenue Recognition

Overview

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

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

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

Royalty Revenue

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

(2) technology license royalties.

Table of Contents

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

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

Contract Revenue

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

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

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

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

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

Table of Contents

4. Comprehensive Loss

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

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

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

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

5. Equity Incentive Plans and Stock-Based Compensation

Stock Option Plans

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

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

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

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

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

General Stock Option Information

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

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

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

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

Employee Stock Purchase Plans

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

Stock-Based Compensation

Stock Options

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

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

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

Table of Contents

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

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

Valuation Assumptions

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

	Three Months Ended March 31,	
	2009	**2008**
Stock Option Plans		
Expected stock price volatility	96%	63%
Risk free interest rate	1.76%	3.13%
Expected term (in years)	5.3	5.3
Weighted-average fair value of stock options granted	$6.38	$11.28

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

Nonvested Equity Stock and Stock Units

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

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

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

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

6. Marketable Securities

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

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

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

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

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

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

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

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

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

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

14

Table of Contents

7. Commitments and Contingencies

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

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

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

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

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

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

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

Indemnifications

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

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

Table of Contents

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

8. Stockholders Equity

Share Repurchase Program

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

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

9. Income Taxes

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

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

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

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

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

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

Table of Contents

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

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

10. Earnings (Loss) Per Share

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

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

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

For all periods presented, approximately 5.1 million shares that would be issued upon the conversion of the contingently issuable convertible notes were excluded from the calculation of earnings per share because the conversion price was higher than the average market price of the Common Stock during this period. For the three months ended March 31, 2009 and 2008, options to purchase approximately 14.3 million and 11.2 million shares, respectively, were excluded from the calculation because they were anti-dilutive after considering proceeds from exercise, taxes and related unrecognized stock-based compensation expense. For the three months ended March 31, 2009 and 2008, an additional 0.7 million and 3.4 million shares, including nonvested equity stock and stock units, that would be dilutive have been excluded from the weighted average dilutive shares because there was a net loss for the period.

11. Business Segments, Exports and Major Customers

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

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

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

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

12. Amortizable Intangible Assets

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

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

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

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

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

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

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

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

13. Litigation and Asserted Claims

Hynix Litigation

U.S District Court of the Northern District of California

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

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

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

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

On June 24, 2008, the court heard oral argument on Rambus motion to supplement the damages award and for equitable relief related to Hynix s infringement of Rambus patents. On February 23, 2009, the Court issued an order 1) granting Rambus motion for supplemental damages and prejudgment interest for the period after December 31, 2005, at the same rates ordered for the prior period; 2) denying Rambus motion for injunction; and 3) ordering the parties to begin negotiations regarding the terms of a compulsory license regarding Hynix s continued manufacture, use, and sale of infringing devices.

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

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

On March 10, 2009, the court entered final judgment against Hynix in the amount of approximately $397 million as follows: approximately $134 million for infringement through December 31, 2005; approximately $215 million for infringement from January 1, 2006 through January 31, 2009; and approximately $48 million in pre-judgment interest. Post-judgment interest will accrue at the statutory rate. In addition, the judgment orders Hynix to pay Rambus royalties on net sales for U.S. infringement after January 31, 2009 and before April 18, 2010 of 1% for SDR SDRAM and 4.25% by DDR DDR2, DDR3, GDDR, GDDR2 and GDDR3 SDRAM memory devices. On April 9, 2009, Rambus submitted its cost bill in the amount of approximately $0.9 million. On March 24, 2009, Hynix filed a motion under Rule 62 seeking relief from the requirement that it post a supersedeas bond in the full amount of the final judgment in order to stay its execution pending an appeal. Rambus filed a brief opposing Hynix s motion on April 10, 2009. A hearing on Hynix s motion is scheduled for May 8, 2009. Execution of the judgment is stayed until two weeks after the hearing date or until such time as may otherwise be ordered by the court.

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

Micron Litigation

U.S District Court in Delaware: Case No. 00-792-SLR

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

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

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

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

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

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

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

21

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

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

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

European Patent Infringement Cases

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

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

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

U.S District Court in the Northern District of California

On January 25, 2005, Rambus filed a patent infringement suit in the U.S. District Court in the Northern District of California court against Hynix, Infineon, Nanya, and Inotera. Infineon and Inotera were subsequently dismissed from this litigation and Samsung was added as a defendant. Rambus alleges that certain of its patents are infringed by certain of the defendants SDRAM, DDR, DDR2, DDR3, gDDR2, GDDR3, GDDR4 and other advanced memory products. Hynix, Samsung and Nanya have denied Rambus claims and asserted counterclaims against Rambus for, among other things, violations of federal antitrust laws, unfair trade practices, equitable estoppel, and fraud in connection with Rambus participation in JEDEC.

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

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

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

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

Samsung Litigation

U.S District Court in the Northern District of California

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

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

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

On August 11, 2008, the Court granted summary judgment in Rambus favor on Samsung s claims for aiding and abetting a breach of fiduciary duty, intentional interference with contract, and certain aspects of Samsung s unfair competition claim. On September 16, 2008, the Court entered a stipulation and order of dismissal with prejudice of certain of Samsung s claims and defenses (including those based on Rambus alleged JEDEC conduct) and Rambus defenses corresponding to Samsung s claims. A bench trial on the remaining claims and defenses that are unique to Samsung (breach of license, breach of duty of good faith and fair dealing, and estoppel based on those claims), as well as Samsung s claims and defenses related to its allegations that Rambus spoliated evidence, was held between September 22 and October 1, 2008. On April 27, 2009, the court issued Findings of Fact and Conclusions of Law holding that: 1) the parties 2000 SDR/DDR license agreement did not cover DDR2 and future generation products; 2) the license did not entitle Samsung to most favored licensee benefits in any renewal or subsequent agreement; 3) Rambus did not fail to negotiate an extension or renewal license in good faith, and Samsung would not have been entitled to damages for any such failure; 4) Samsung s equitable estoppel defense failed; 4) Rambus breached the license by not offering Samsung the benefit to which it was entitled under the license (for the second quarter of 2005 only) of the royalty in the March 2005 settlement agreement between Rambus and Infineon; 5) Rambus failed to prove that Samsung breached certain audit provisions in the license, and therefore Rambus s termination of the license less than one month before it was due to expire was improper; and 6) Rambus s actions did not cause the parties failure to reach agreement on an extension or renewal of the license. No decision has been issued to date regarding Samsung s spoliation allegations.

Table of Contents

FTC Complaint

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

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

On August 2, 2006, the FTC released its July 31, 2006, opinion and order reversing and vacating the Initial Decision and determining that Rambus violated Section 5 of the Federal Trade Commission Act. Following further briefing and oral argument on issues relating to remedy, the FTC released its opinion and order on remedy on February 5, 2007. The remedy order set the maximum royalty rate that Rambus could collect on the manufacture, use or sale in the United States of certain JEDEC-compliant parts after the effective date of the Order. The order also mandated that Rambus offer a license for these products at rates no higher than the maximums set by the FTC, including a further cap on rates for the affected non-memory products. The order further required Rambus to take certain steps to comply with the terms of the order and applicable disclosure rules of any standard setting organization of which it may become a member.

The FTC s order explicitly did not set maximum rates or other conditions with respect to Rambus royalty rates for DDR2 SDRAM, other post-DDR JEDEC standards, or for non-JEDEC-standardized technologies such as those used in RDRAM or XDR DRAM.

On March 16, 2007, the FTC issued an order granting in part and denying in part Rambus motion for a stay of the remedy pending appeal. The March 16 order permitted Rambus to acquire rights to royalty payments for use of the patented technologies affected by the February 2 remedy order during the period of the stay in excess of the FTC-imposed maximum royalty rates on SDRAM and DDR SDRAM products, provided that funds above the maximum allowed rates be either placed into an escrow account to be distributed, or payable pursuant a contingent contractual obligation, in accordance with the ultimate decision of the court of appeals. In an opinion accompanying its order, the FTC clarified that it intended its remedy to be forward-looking and prospective only, and therefore unlikely to be construed to require Rambus to refund royalties already paid or to restrict Rambus from collecting royalties for the use of its technologies during past periods.

On April 27, 2007, the FTC issued an order granting in part and denying in part Rambus petition for reconsideration of the remedy order. The FTC s order and accompanying opinion on Rambus petition for reconsideration clarified the remedy order in certain respects. For example, (a) the FTC explicitly stated that the remedy order did not require Rambus to make refunds or prohibit it from collecting royalties in excess of maximum allowable royalties that accrue up to the effective date of the remedy order; (b) the remedy order was modified to specifically permit Rambus to seek damages in litigation up to three times the specified maximum allowable royalty rates on the ground of willful infringement and any allowable attorneys fees; and (c) under the remedy order, licensees were permitted to pay Rambus a flat fee in lieu of running royalties, even if such an arrangement resulted in payments above the FTC s rate caps in certain circumstances.

Rambus appealed the FTC s liability and remedy orders to the United States Court of Appeals for the District of Columbia (the CADC). Oral argument was heard February 14, 2008. On April 22, 2008, the CADC issued an opinion which requires vacatur of the FTC s orders. The CADC held that the FTC failed to demonstrate that Rambus conduct was exclusionary, and thus failed to establish its allegation that Rambus unlawfully monopolized any relevant market. The CADC s opinion set aside the FTC s orders and remanded the matter to the FTC for further proceedings consistent with the opinion. Regarding the chance of further proceedings on remand, the CADC expressed serious concerns about the strength of the evidence relied on to support some of the FTC s crucial findings regarding the scope of JEDEC s patent disclosure policies and Rambus alleged violation of those policies. On August 26, 2008, the CADC denied the FTC s petition to rehear the case en banc. On October 16, 2008, the FTC issued an order explicitly authorizing Rambus to receive amounts above the maximum rates allowed by the FTC s now-vacated order payable pursuant to any contingent contractual obligation.

On November 24, 2008, the FTC filed a petition seeking review of the CADC decision by the United States Supreme Court. Rambus filed an opposition to the FTC s petition on January 23, 2009, and the FTC filed a reply on February 4, 2009. On February 23, 2009, the United States Supreme Court denied the FTC s petition.

Indirect Purchaser Class Action

On August 10, 2006, the first of nine class action lawsuits were filed against Rambus in 2006 alleging violations of federal and state antitrust laws, violations of state consumer protection laws, and various common law claims based almost entirely on the same conduct which was the subject of the FTC s July 31, 2006 opinion. Three of these lawsuits filed outside of California were dismissed pursuant to agreement of the parties. The remaining six of these cases were consolidated under the caption, *In re Rambus Antitrust Litigation*, 06-4852 RMW (N.D. Cal.). The consolidated complaint seeks injunctive and declaratory relief, disgorgement, restitution and compensatory and punitive damages in an unspecified amount, and attorneys fees and costs. On March 28, 2007, Rambus filed a motion to dismiss the consolidated complaint. On July 27, 2007, the court heard oral argument on Rambus motion and took the matter under submission. Before the court issued a decision on Rambus motion to dismiss, the parties agreed that the case should be dismissed. On April 8, 2009, the court entered a stipulation and order dismissing the case, each party bearing its own costs.

European Commission Competition Directorate-General

On or about April 22, 2003, Rambus was notified by the European Commission Competition Directorate-General (Directorate) (the European Commission) that it had received complaints from Infineon and Hynix. Rambus answered the ensuing requests for information prompted by those complaints on June 16, 2003. Rambus obtained a copy of Infineon s complaint to the European Commission in late July 2003, and on October 8, 2003, at the request of the European Commission, filed its response. The European Commission sent Rambus a further request for information on December 22, 2006, which Rambus answered on January 26, 2007. On August 1, 2007, Rambus received a statement of objections from the European Commission. The statement of objections alleges that through Rambus participation in the JEDEC standards setting organization and subsequent conduct, Rambus violated European Union competition law. Rambus filed a response to the statement of objections on October 31, 2007, and a hearing was held on December 4 and 5, 2007. The matter is currently under submission by the European Commission.

Superior Court of California for the County of San Francisco

On May 5, 2004, Rambus filed a lawsuit against Micron, Hynix, Infineon and Siemens in San Francisco Superior Court (the San Francisco court) seeking damages for conspiring to fix prices (California Bus. & Prof. Code §§ 16720 *et seq.*), conspiring to monopolize under the Cartwright Act (California Bus. & Prof. Code §§ 16720 *et seq.*), intentional interference with prospective economic advantage, and unfair competition (California Bus. & Prof. Code §§ 17200 *et seq.*). This lawsuit alleges that there were concerted efforts beginning in the 1990s to deter innovation in the DRAM market and to boycott Rambus and/or deter market acceptance of Rambus RDRAM product. Subsequently, Infineon and Siemens were dismissed from this action (as a result of a settlement with Infineon) and three Samsung-related entities were added as defendants.

A hearing on Rambus motion for summary judgment on the grounds that Micron s cross-complaint is barred by the statute of limitations was held on August 1, 2008. At the hearing, the San Francisco court granted Rambus motion as to Micron s first cause of action (alleged violation of California s Cartwright Act) and continued the motion as to Micron s second and third causes of action (alleged violation of unfair business practices act and alleged intentional interference with prospective economic advantage). No further order has issued on Rambus motion.

On November 25, 2008, Micron, Samsung, and Hynix filed eight motions for summary judgment on various grounds. On January 26, 2009, Rambus filed briefs in opposition to all eight motions. A hearing on these motions for summary judgment was held on March 4-6 and 16-17, 2009. The court denied seven of the eight motions and permitted Hynix to submit further briefing on the remaining motion.

On March 10, 2009, defendants filed motions requesting that Rambus case be dismissed on the ground that the Delaware Order should be given preclusive effect. Rambus filed a brief opposing this request. The parties filed further briefs on the preclusive effect, if any, of the Delaware Order on April 3 and April 17, 2009. The parties submitted briefs on their allegations regarding alleged spoliation of evidence on April 20, 2009. A hearing on these issues was held on April 27, 2009, and the hearing was continued to June 1, 2009.

Trial is scheduled to begin on September 28, 2009.

Stock Option Investigation Related Claims

On May 30, 2006, the Audit Committee commenced an internal investigation of the timing of past stock option grants and related accounting issues.

On May 31, 2006, the first of three shareholder derivative actions was filed in the Northern District of California against Rambus (as a nominal defendant) and certain current and former executives and board members. These actions have been consolidated for all purposes under the caption, *In re Rambus Inc. Derivative Litigation,* Master File No. C-06-3513-JF (N.D. Cal.), and Howard Chu and Gaetano Ruggieri were appointed lead plaintiffs. The consolidated complaint, as amended, alleges violations of certain federal and state securities laws as well as other state law causes of action. The complaint seeks disgorgement and damages in an unspecified amount, unspecified equitable relief, and attorneys fees and costs.

On August 22, 2006, another shareholder derivative action was filed in Delaware Chancery Court against Rambus (as a nominal defendant) and certain current and former executives and board members (*Bell v. Tate et al.*, 2366-N (Del. Chancery)). On May 16, 2008, this case was dismissed pursuant to a notice filed by the plaintiff.

On October 18, 2006, the Board of Directors formed a Special Litigation Committee (the SLC) to evaluate potential claims or other actions arising from the stock option granting activities. The Board of Directors appointed J. Thomas Bentley, Chairman of the Audit Committee, and Abraham Sofaer, a retired federal judge and Chairman of the Legal Affairs Committee, both of whom joined the Rambus Board of Directors in 2005, to comprise the SLC.

On August 24, 2007, the final written report setting forth the findings of the SLC was filed with the court. As set forth in its report, the SLC determined that all claims should be terminated and dismissed against the named defendants in *In re Rambus Inc. Derivative Litigation* with the exception of claims against named defendant Ed Larsen, who served as Vice President, Human Resources from September 1996 until December 1999, and then Senior Vice President, Administration until July 2004. The SLC entered into settlement agreements with certain former officers of the Company. These settlements are conditioned upon the dismissal of the claims asserted against these individuals in *In re Rambus Inc. Derivative Litigation*. The aggregate value of the settlements to the Company exceeds $5.3 million in cash as well as substantial additional value to the Company relating to the relinquishment of claims to over 2.7 million stock options. The SLC stated its intention to assert control over the litigation. The conclusions and recommendations of the SLC are subject to review by the court. On October 5, 2007, Rambus filed a motion to terminate in accordance with the SLC s recommendations. Pursuant to the parties agreement, that motion was taken off calendar.

On August 30, 2007, another shareholder derivative action was filed in the Southern District of New York against Rambus (as a nominal defendant) and PricewaterhouseCoopers LLP (*Francl v. PricewaterhouseCoopers LLP et al.*, No. 07-Civ. 7650 (GBD)). On November 21, 2007, the New York court granted PricewaterhouseCoopers LLP s motion to transfer the action to the Northern District of California.

The parties have settled *In re Rambus Inc. Derivative Litigation* and *Francl v. PricewaterhouseCoopers LLP et al.*, No. 07-Civ. 7650 (GBD). The settlement provides for a payment by Rambus of $2.0 million and dismissal with prejudice of all claims against all defendants, with the exception of claims against Ed Larsen, in these actions. The $2.0 million was accrued for during the quarter ended June 30, 2008 within accrued litigation expenses. A final approval hearing was held on January 16, 2009, and an order of final approval was entered on January 20, 2009. During the first quarter of 2009, Rambus paid the $2.0 million.

On July 17, 2006, the first of six class action lawsuits was filed in the Northern District of California against Rambus and certain current and former executives and board members. These lawsuits were consolidated under the caption, *In re Rambus Inc. Securities Litigation*, C-06-4346-JF (N.D. Cal.). The settlement of this action was preliminarily approved by the court on March 5, 2008. Pursuant to the settlement agreement, Rambus paid $18.3 million into a settlement fund on March 17, 2008. Some alleged class members requested exclusion from the settlement. A final fairness hearing was held on May 14, 2008. That same day the court entered an order granting final approval of the settlement agreement and entered judgment dismissing with prejudice all claims against all defendants in the consolidated class action litigation.

On March 1, 2007, a pro se lawsuit was filed in the Northern District of California by two alleged Rambus shareholders against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers

LLP (*Kelley et al. v. Rambus, Inc. et al.* C-07-01238-JF (N.D. Cal.)). This action was consolidated with a substantially identical pro se lawsuit filed by another purported Rambus shareholder against the same parties. The consolidated complaint against Rambus alleges violations of federal and state securities laws, and state law claims for fraud and breach of fiduciary duty. Following several rounds of motions to dismiss, on April 17, 2008, the court dismissed all claims with prejudice except for plaintiffs claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934 as to which leave to amend was granted. On June 2, 2008, plaintiffs filed an amended complaint containing

27

substantially the same allegations as the prior complaint although limited to claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934. Rambus motion to dismiss the amended complaint was heard on September 12, 2008. On December 9, 2008, the court granted Rambus motion and entered judgment in favor of Rambus. Plaintiffs filed a notice of appeal on December 15, 2008. Plaintiffs filed their opening brief on April 13, 2009. Rambus opposition brief is not yet due, and no date has been set for oral argument.

On September 11, 2008, the same pro se plaintiffs filed a separate lawsuit in Santa Clara County Superior Court against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (*Kelley et al. v. Rambus, Inc. et al.*, Case No. 1-08-CV-122444). The complaint alleges violations of certain California state securities statues as well as fraud and negligent misrepresentation based on substantially the same underlying factual allegations contained in the pro se lawsuit filed in federal court. On November 24, 2008, Rambus filed a motion to dismiss or, in the alternative, stay this case in light of the first-filed federal action. On January 12, 2009, Rambus filed a demurrer to plaintiffs complaint on the ground that it was barred by the doctrine of claim preclusion. A hearing on Rambus motions was held on February 27, 2009. The court granted Rambus s motion to stay the case pending the outcome of the appeal in the federal action and denied the remainder of the motions without prejudice.

On August 25, 2008, an amended complaint was filed by certain individuals and entities in Santa Clara County Superior Court against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (*Steele et al. v. Rambus Inc. et al.*, Case No. 1-08-CV-113682). The amended complaint alleges violations of certain California state securities statues as well as fraud and negligent misrepresentation. On October 10, 2008, Rambus filed a demurrer to the amended complaint. A hearing was held on January 9, 2009. On January 12, 2009, the court sustained Rambus demurrer without prejudice. Plaintiffs filed a second amended complaint on February 13, 2009, containing the same causes of action as the previous complaint. On March 17, 2009, Rambus filed a demurrer to the second amended complaint. A hearing is scheduled for May 22, 2009.

NVIDIA Litigation

U.S District Court in the Northern District of California

On July 10, 2008, Rambus filed suit against NVIDIA Corporation (NVIDIA) in the U.S. District Court for the Northern District of California alleging that NVIDIA s products with memory controllers for at least the SDR, DDR, DDR2, DDR3, GDDR and GDDR3 technologies infringe 17 patents. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against NVIDIA under U.S. Patent Nos. 6,493,789 and 6,496,897, so 15 patents remain in suit. On August 29, 2008, NVIDIA filed a motion to dismiss or strike the complaint, or in the alternative, for more definite statement. On November 13, 2008, the Court denied NVIDIA s motion. On December 4, 2008, NVIDIA filed a motion to stay this action in its entirety. On December 30, 2008, the court granted NVIDIA s motion as to Rambus claims that NVIDIA s products infringe nine patents that are also the subject of proceedings in front of the International Trade Commission (described below), and denied NVIDIA s motion as to the remainder of Rambus patent infringement claims. On January 16, 2009, NVIDIA filed a motion to dismiss on the ground that Rambus claims not subject to the stay are precluded due to the Delaware Order. On February 6, 2009, NVIDIA filed a motion to lift the partial stay and for summary judgment on the ground that certain of Rambus patent infringement claims subject to the stay are precluded due to the Delaware Order. On February 20, 2009, Rambus filed a consolidated opposition to both motions. A hearing on NVIDIA s motions was held on March 13, 2009. On March 20, 2009, a follow-up hearing was held regarding how the case should proceed. On April 2, 2009, NVIDIA filed another motion to stay. On April 13, 2009, the court denied each of NVIDIA s motions and ordered that certain limited discovery proceed. A case management conference is scheduled for August 21, 2009.

On February 2, 2009, NVIDIA s suit against Rambus, originally filed in the Middle District of North Carolina (see below), was consolidated into Rambus s patent infringement case. Rambus s motion to dismiss NVIDIA s claims remains pending, and no decision has issued to date.

U.S. District Court in the Middle District of North Carolina

On July 11, 2008, one day after Rambus filed suit, NVIDIA filed its own action against Rambus in the U.S. District Court for the Middle District of North Carolina alleging that Rambus committed antitrust violations of the Sherman Act; committed antitrust violations of North Carolina law; and engaged in unfair and deceptive practices in violation of North Carolina law. NVIDIA seeks injunctive relief, damages, and attorneys fees and costs. On

September 8, 2008, Rambus filed a motion to dismiss the complaint. On September 17, 2008, Rambus filed a motion to transfer this action to the Northern District of California where Rambus first-filed patent infringement suit is pending against NVIDIA. On December 1, 2008, the Court granted Rambus s motion to transfer, and the case was consolidated into Rambus first-filed action on February 2, 2009.

Table of Contents

International Trade Commission

On November 6, 2008, Rambus filed a complaint with the United States International Trade Commission (the ITC) requesting the commencement of an investigation pertaining to NVIDIA products. The complaint seeks an exclusion order barring the importation, sale for importation, or sale after importation of products that infringe nine Rambus patents from the Ware and Barth families of patents. The accused products include NVIDIA products that incorporate DDR, DDR2, DDR3, LPDDR, GDDR, GDDR2, and GDDR3 memory controllers, including graphics processors, and media and communications processors.

The complaint names NVIDIA as a proposed respondent, as well as companies whose products incorporate accused NVIDIA products and are imported into the United States. Additional respondents include: Asustek Computer Inc. and Asus Computer International, BFG Technologies, Biostar Microtech and Biostar Microtech International Corp., Diablotek Inc., EVGA Corp., G.B.T. Inc. and Giga-Byte Technology Co., Hewlett-Packard, MSI Computer Corp. and Micro-Star International Co., Palit Multimedia Inc. and Palit Microsystems Ltd., Pine Technology Holdings, and Sparkle Computer Co.

On December 4, 2008, the ITC instituted the investigation. On February 12, 2009, NVIDIA filed a motion to stay the investigation pending resolution of Rambus appeal of the Delaware Order. On February 23, 2009, Rambus and the ITC s Investigative Staff filed briefs in opposition to NVIDIA s motion. On March 4, 2009, the ITC s administrative law judge denied NVIDIA s motion. A hearing on claim construction was held on March 24, 2009. A final hearing before the administrative law judge is scheduled for August 17-28, 2009.

Potential Future Litigation

In addition to the litigation described above, participants in the DRAM and controller markets continue to adopt Rambus technologies into various products. Rambus has notified many of these companies of their use of Rambus technology and continues to evaluate how to proceed on these matters. There can be no assurance that any ongoing or future litigation will be successful. Rambus spends substantial company resources defending its intellectual property in litigation, which may continue for the foreseeable future given the multiple pending litigations. The outcomes of these litigations as well as any delay in their resolution could affect Rambus ability to license its intellectual property going forward.

The Company records a contingent liability when it is probable that a loss has been incurred and the amount is reasonably estimable in accordance with SFAS No. 5, Accounting for Contingencies.

14. Fair Value of Financial Instruments

The Company adopted SFAS No. 157 effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. There was no impact for adoption of SFAS No. 157 to the consolidated financial statements. SFAS No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

The Company uses unadjusted quotes to determine fair value. The financial assets in Level 1 include money market funds.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

The Company uses observable pricing inputs including benchmark yields, reported trades, and broker/dealer quotes. The financial assets in Level 2 include U.S. government bonds and notes, corporate notes, commercial paper and municipal bonds and notes.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The Company does not hold financial assets categorized in Level 3.

The Company tests the pricing inputs by obtaining prices from two different sources for the same security on a sample of its portfolio. The Company has not adjusted the pricing inputs it has obtained.

The following table summarizes the valuation of our cash equivalents and marketable securities by the above SFAS No. 157 pricing levels as of March 31, 2009:

	As of March 31, 2009			
(in thousands)	**Total**	**Quoted market prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Cash equivalents	$ 124,563	$ 124,563	$	$
Marketable securities	222,090		220,090	
Total available-for-sale securities	$ 346,653	$ 124,563	$ 220,090	$

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure as of March 31, 2009 and December 31, 2008:

	As of March 31, 2009		As of December 31, 2008	
(in thousands)	**Face Value**	**Fair Value**	**Face Value**	**Fair Value**
Convertible notes	$136,950	$127,364	$136,950	$125,493

The fair value of the convertible notes are determined based on recent quoted market prices for these notes. As noted in Note 15

Convertible Notes, the convertible notes are carried at face value of $137 million, less any unamortized debt discount in accordance with FSP APB 14-1. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable and other payables, approximate fair value due to their short maturities.

The Company monitors its investments for other than temporary losses by considering current factors, including the economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, reductions in carrying values when necessary and the Company s ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in the market. Any other than temporary loss is reported under Interest and other income, net in the consolidated statement of operations. As of March 31, 2009 and March 31, 2008, the Company has not incurred any impairment loss on its investments.

15. Convertible Notes

On February 1, 2005, Rambus issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (the convertible notes) due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities as initial purchasers who then sold the convertible notes to institutional investors. The convertible notes are convertible at any time prior to the close of business on the maturity date into cash in an amount equal to the lesser of:

(1) the principal amount of each note to be converted and

(2) the conversion value, which is equal to (a) the applicable conversion rate, multiplied by (b) the applicable stock price, as defined.

if the conversion value is greater than the principal amount of each note, (as defined) represented by the excess of conversion value, Rambus, at its option, may deliver net shares, cash, or a combination of cash and shares of its Common Stock, with a value equal to the net shares.

The initial conversion price is $26.84 per share of Common Stock (which represents an initial conversion rate of 37.2585 shares of Rambus Common Stock per $1,000 principal amount of convertible notes). The initial conversion price is subject to adjustment, as defined.

Subsequently, Rambus repurchased $140.0 million and $23.1 million face value of the outstanding convertible notes in 2005 and 2008, respectively.

Table of Contents

In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. FSP APB 14-1 specifies that an issuer of such instruments should separately account for the liability and equity components of the instruments in a manner that reflects the issuer s non-convertible debt borrowing rate when interest costs are recognized in subsequent periods. The debt component was determined based on a binomial lattice model. The equity component, recorded as additional paid-in capital, represents the difference between the proceeds from the issuance of the convertible notes and the fair value of the liability, net of deferred taxes, as of the date of issuance. The Company s convertible notes satisfy the criteria for accounting under FSP APB 14-1. FSP APB 14-1 is effective for the Company s fiscal year beginning January 1, 2009, and retrospective application is required for all periods presented. The Company determined that the liability component of the convertible notes was $200.3 million and the equity component of the convertible notes was $99.7 million as of the date of issuance. The Company is accounting for this change in accounting principle by retrospectively adjusting prior period financial statements.

The cumulative effect of this change in accounting principle as of December 31, 2007 is $32.8 million which is reflected as an increase to the accumulated deficit. The following adjustments have been made to the previously reported consolidated condensed balance sheets and statements of operations.

	As of December 31, 2008		
	As previously reported	Adjustments	As adjusted
		(In thousands)	
Deferred taxes, long term	$ 1,857	$	$ 1,857
Other Assets	$ 4,483	$ 480	$ 4,963
Total Assets	$ 396,890	$ 480	$ 397,370
Convertible notes	$ 136,950	$(11,476)	$ 125,474
Additional paid in capital	$ 655,724	$ 47,916	$ 703,640
Accumulated deficit	$(435,712)	$(35,960)	$(471,672)
Total stockholder s equity	$ 220,985	$ 11,956	$ 232,941
Total liabilities and stockholder s equity	$ 396,890	$ 480	$ 397,370

	Three months ended March 31, 2008		
	As previously reported	Adjustments	As adjusted
	(In thousands, except per share amounts)		
Interest expense	$	$ (2,888)	$ (2,888)
Net loss before income taxes	$ (18,635)	$ (2,888)	$ (21,523)
Benefit from income taxes	(6,001)	(1,168)	(7,169)
Net loss	$ (12,634)	$ (1,720)	$ (14,354)
Net loss per share			
Basic	$ (0.12)	$ (0.02)	$ (0.14)
Diluted	$ (0.12)	$ (0.02)	$ (0.14)

	As of December 31, 2007	
	Adjustments	As adjusted

	As previously reported		
		(In thousands)	
Deferred taxes, long term	$ 116,209	$(10,461)	$ 105,748
Other Assets	$ 3,624	$ 1,077	$ 4,701
Total Assets	$ 627,347	$ (9,384)	$ 617,963
Convertible notes	$ 160,000	$(24,786)	$ 135,214
Additional paid in capital	$ 601,821	$ 48,175	$ 649,996
Accumulated deficit	$(194,966)	$(32,773)	$(227,739)
Total stockholder s equity	$ 407,084	$ 15,402	$ 422,486
Total liabilities and stockholder s equity	$ 627,347	$ (9,384)	$ 617,963

Table of Contents

The convertible notes are reflected in the consolidated condensed balance sheets as of March 31, 2009 and December 31, 2008 as follows:

(dollars in thousands)	**March 31, 2009**	**December 31, 2008**
Principal amount	$ 136,950	$ 136,950
Unamortized discount	(8,916)	(11,476)
Convertible notes	$ 128,034	$ 125,474

The convertible note liability is classified as a current liability at March 31, 2009 since the notes are due February 1, 2010.

Additional paid in capital at March 31, 2009 and December 31, 2008 includes $47.9 million related to the remaining equity component of the convertible notes.

As of March 31, 2009, the if-converted value of the outstanding convertible notes is less than the principal amount of the notes.

Interest expense for the three months ended March 31, 2009 and 2008 includes $2.7 million, and $2.9 million, respectively, representing amortization of the notes discount at an annualized effective interest rate of 8.4%.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including any statements regarding trends in future revenue or results of operations, gross margin or operating margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning developments, performance or industry ranking; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Generally, the words anticipate, believes, plans, expects, future, intends, may, should, estimates, predicts, potential, continue and similar expressions identify forward-looking statements. Our forward-looking statements are based on current expectations, forecasts and assumptions and are subject to risks, uncertainties and changes in condition, significance, value and effect. As a result of the factors described herein, and in the documents incorporated herein by reference, including, in particular, those factors described under Risk Factors, we undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this report with the Securities and Exchange Commission.

Rambus, RDRAM, XDR, FlexIO and FlexPhase are trademarks or registered trademarks of Rambus Inc. Other trademarks that may be mentioned in this quarterly report on Form 10-Q are the property of their respective owners.

Industry terminology, used widely throughout this report, has been abbreviated and, as such, these abbreviations are defined below for your convenience:

Double Data Rate	DDR
Dynamic Random Access Memory	DRAM
Fully Buffered-Dual Inline Memory Module	FB-DIMM
Gigabits per second	Gb/s
Graphics Double Data Rate	GDDR
Input/Output	I/O
Peripheral Component Interconnect	PCI
Rambus Dynamic Random Access Memory	RDRAM
Single Data Rate	SDR
Synchronous Dynamic Random Access Memory	SDRAM
eXtreme Data Rate	XDR

From time to time we will refer to the abbreviated names of certain entities and, as such, have provided a chart to indicate the full names of those entities for your convenience.

Advanced Micro Devices Inc.	AMD
ARM Holdings plc	ARM
Cadence Design Systems, Inc.	Cadence
Cisco Systems, Inc.	Cisco
Elpida Memory, Inc.	Elpida
Fujitsu Limited	Fujitsu
GDA Technologies, Inc.	GDA
Hewlett-Packard Company	Hewlett-Packard
Hynix Semiconductor, Inc.	Hynix
Infineon Technologies AG	Infineon
Inotera Memories, Inc.	Inotera
Intel Corporation	Intel
International Business Machines Corporation	IBM

Joint Electron Device Engineering Council	JEDEC
Juniper Networks, Inc.	Juniper
Matsushita Electrical Industrial Co.	Matsushita
Micron Technologies, Inc.	Micron
Nanya Technology Corporation	Nanya
NEC Electronics Corporation	NEC
Optical Internetworking Forum	OIF

Qimonda AG (formerly Infineon s DRAM operations)	Qimonda
Panasonic Corporation	Panasonic
Peripheral Component Interconnect Special Interest Group	PCI-SIG
Renesas Technology Corporation	Renesas
Samsung Electronics Co., Ltd.	Samsung
Sony Computer Electronics	Sony
Spansion, Inc.	Spansion
ST Microelectronics	ST Micro
Synopsys Inc.	Synopsys
Tessera Technologies, Inc.	Tessera
Texas Instruments Inc.	Texas Instruments
Toshiba Corporation	Toshiba
Velio Communications	Velio

Business Overview

We design, develop and license chip interface technologies and architectures that are foundational to nearly all digital electronics products. Our chip interface technologies are designed to improve the performance, power efficiency, time-to-market and cost-effectiveness of our customers semiconductor and system products for computing, gaming and graphics, consumer electronics and mobile applications.

As of March 31, 2009, our chip interface technologies are covered by more than 790 U.S. and foreign patents. Additionally, we have approximately 550 patent applications pending. These patents and patent applications cover important inventions in memory and logic chip interfaces, in addition to other technologies. We believe that our chip interface technologies provide our customers a means to achieve higher performance, improved power efficiency, lower risk, and greater cost-effectiveness in their semiconductor and system products.

Our primary method of providing interface technologies to our customers is through our patented innovations. We license our broad portfolio of patented inventions to semiconductor and system companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of our patent portfolio. Patent license agreements are generally royalty bearing.

We also develop a range of solutions including leadership (which are Rambus-proprietary interfaces or architectures widely licensed to our customers) and industry-standard chip interfaces that we provide to our customers under license for incorporation into their semiconductor and system products. Due to the often complex nature of implementing state-of-the art chip interface technology, we offer engineering services to our customers to help them successfully integrate our chip interface solutions into their semiconductors and systems. These technology license agreements may have both a fixed price (non-recurring) component and ongoing royalties. Engineering services are generally offered on a fixed price basis. Further, under technology licenses, our customers may receive licenses to our patents necessary to implement the chip interface in their products with specific rights and restrictions to the applicable patents elaborated in their individual contracts with us.

We derive the majority of our annual revenue by licensing our broad portfolio of patents for chip interfaces to our customers. Such licenses may cover part or all of our patent portfolio. Leading semiconductor and system companies such as AMD, Fujitsu, Intel, NEC, Panasonic, Renesas, and Toshiba have licensed our patents for use in their own products.

We derive additional revenue by licensing our leadership architectures and industry-standard chip interfaces to customers for use in their semiconductor and system products. Our customers include leading companies such as Elpida, IBM, Intel, Panasonic, Sony and Toshiba. Due to the complex nature of implementing our technologies, we provide engineering services under certain of these licenses to help our customers successfully integrate our technology solutions into their semiconductors and system products. Additionally, licensees may receive, as an adjunct to their technology license agreements, patent licenses as necessary to implement the technology in their products with specific rights and restrictions to the applicable patents elaborated in their individual contracts.

Royalties represent a substantial majority of our total revenue. The remaining part of our revenue is contract services revenue which includes license fees and engineering services fees. The timing and amounts invoiced to customers can vary significantly depending on specific contract terms and can therefore have a significant impact on deferred revenue or unbilled receivables in any given period.

We have a high degree of revenue concentration, with our top five licensees representing approximately 79% and 67% of our revenue for the three months ended March 31, 2009 and 2008, respectively. For the three months ended March 31, 2009, revenue from Fujitsu, NEC, AMD and Panasonic each accounted for 10% or more of our total revenue. For the three months ended March 31, 2008, revenue from Elpida, Fujitsu and Sony each accounted for 10% or more of our total revenue.

Our revenue from companies headquartered outside of the United States accounted for approximately 81% and 83% of our total revenue for the three months ended March 31, 2009 and 2008, respectively. We expect that we may continue to experience significant revenue concentration and have significant revenue from sources outside the United States for the foreseeable future.

Historically, we have been involved in significant litigation stemming from the unlicensed use of our inventions. Our litigation expenses have been high and difficult to predict and we anticipate future litigation expenses will continue to be significant, volatile and difficult to predict. If we are successful in the litigation and/or related licensing, our revenue could be substantially higher in the future; if we are unsuccessful, our revenue would likely decline. Furthermore, our success in litigation matters pending before courts and regulatory bodies that relate to our intellectual property rights have impacted and will likely continue to impact our ability and the terms upon which we are able to negotiate new or renegotiate existing licenses for our technology.

We expect that revenue derived from international licensees will continue to represent a significant portion of our total revenue in the future. To date, all of the revenue from international licensees have been denominated in U.S. dollars. However, to the extent that such licensees sales to systems companies are not denominated in U.S. dollars, any royalties that we receive as a result of such sales could be subject to fluctuations in currency exchange rates. In addition, if the effective price of licensed semiconductors sold by our foreign licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for licensed semiconductors could fall, which in turn would reduce our royalties. We do not use financial instruments to hedge foreign exchange rate risk.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of total revenue represented by certain items reflected in our unaudited condensed consolidated statements of operations:

	Three Months Ended March 31, 2009	2008
Revenue:		
Royalties	95.7%	83.3%
Contract revenue	4.3%	16.7%
Total revenue	100.0%	100.0%
Costs and expenses:		
Cost of contract revenue*	8.0%	18.2%
Research and development*	65.3%	54.1%
Marketing, general and administrative*	135.9%	83.9%
Costs (recovery) of restatement and related legal activities	(49.9)%	2.3%
Total costs and expenses	159.3%	158.5%
Operating loss	(59.3)%	(58.5)%
Interest income and other income (expense), net	5.3%	11.6%
Interest expense	(9.8)%	(7.3)%
Interest and other income (expense), net	(4.5)%	4.3%
Loss before income taxes	(63.8)%	(54.2)%
Benefit from income taxes		(18.0)%
Net loss	(63.8)%	(36.2)%
* Includes stock-based compensation:		
Cost of contract revenue	1.4%	4.8%
Research and development	10.0%	9.8%
Marketing, general and administrative	19.4%	11.8%

	Three Months Ended March 31, 2009	2008	Change in Percentage
	(Dollars in millions)		
Total Revenue			
Royalties	$ 26.1	$ 33.1	(20.9)%
Contract revenue	1.2	6.6	(82.5)%
Total revenue	$ 27.3	$ 39.7	(31.2)%

Royalty Revenue

Patent Licenses

In the three months ended March 31, 2009, our largest source of royalties was related to the license of our patents for SDR and DDR-compatible products. Royalties decreased approximately $4.9 million for SDR and DDR-compatible products to $20.1 million for the three months ended March 31, 2009 from $25.0 million for the same period in 2008, primarily due to the expiration of Elpida licensing agreement in the first quarter of 2008.

We are in negotiations with prospective and existing licensees. We expect SDR and DDR-compatible royalties will continue to vary from period to period based on our success in renewing existing license agreements and adding new licensees, as well as the level of variation in our licensees reported shipment volumes, sales price and mix, offset in part by the proportion of licensee payments that are fixed.

Technology Licenses

In the three months ended March 31, 2009, royalties from XDR, FlexIO, DDR and serial link-compatible products represented the second largest category of royalties. Royalties from these products decreased approximately $1.1 million to $5.3 million for the three months ended March 31, 2009 from $6.4 million for the same period in 2008. This decrease was primarily due to lower royalties from the Sony PLAYSTATION®3 product. In the future, we expect royalties from XDR, FlexIO, DDR and serial link-compatible products will continue to vary from period to period based on our licensees shipment volumes, sales prices and product mix.

In the three months ended March 31, 2008, royalties from RDRAM-compatible products represented the third largest source of royalties. Royalties from RDRAM memory chips and controllers decreased approximately $0.9 million to $0.8 million for the three months ended March 31, 2009 from $1.7 million for the same period in 2008. The decrease was primarily due to lower royalties from RDRAM controllers.

Contract Revenue

Percentage-of-Completion Contracts

Percentage of completion contract revenue decreased approximately $3.9 million to $0.9 million for the three months ended March 31, 2009 from $4.8 million for the same period in 2008. The decrease is due to decreased revenue recognized from leadership and industry standard chip interface contracts. We believe that percentage-of-completion contract revenue recognized will continue to fluctuate over time based on our ongoing contractual requirements, the amount of work performed, and by changes to work required, as well as new contracts booked in the future.

Other Contracts

Revenue for other contracts decreased approximately $1.6 million to $0.3 million for the three months ended March 31, 2009 from $1.9 million for the same period in 2008. The decrease is due to decreased revenue from leadership and industry chip interface contracts. We believe that other contracts revenue will continue to fluctuate over time based on our ongoing contract requirements, the timing of completing engineering deliverables, as well as new contracts booked in the future.

Engineering costs:

	Three Months Ended March 31,		Change in Percentage
	2009	2008	
	(Dollars in millions)		
Engineering costs			
Cost of contract revenue	$ 1.8	$ 5.3	(66.3)%
Stock-based compensation	0.4	1.9	(79.7)%
Total cost of contract revenue	2.2	7.2	(69.8)%
Research and development	15.1	17.6	(14.2)%
Stock-based compensation	2.7	3.9	(29.8)%
Total research and development	17.8	21.5	(17.0)%
Total engineering costs	$ 20.0	$ 28.7	(30.3)%

Total engineering costs decreased 30.3% for the three months ended March 31, 2009 as compared to the same period in 2008, primarily due to lower headcount and the related decrease in salary, benefits and stock based compensation expenses as well as decreases in consulting and facilities costs as a result of our cost reduction initiatives during 2008.

In the near term, we expect engineering expenses will be lower than in 2008 as a result of our cost reduction initiative undertaken in 2008. We intend to continue to make investments in the infrastructure and technologies to maintain our leadership position in chip interface technologies and expenses could vary.

Marketing, general and administrative costs:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change in Percentage
	(Dollars in millions)		
Marketing, general and administrative costs			
Marketing, general and administrative costs	$ 13.9	$ 15.4	(10.0)%
Litigation expense	18.0	13.2	36.4%
Stock-based compensation	5.3	4.7	12.4%
Total marketing, general and administrative costs	$ 37.2	$ 33.3	11.5%

Total marketing, general and administrative costs increased 11.5% for the three months ended March 31, 2009 as compared to the same period in 2008 due primarily to the increased litigation expenses related to ongoing major cases. Non-litigation related marketing, general and administrative costs decreased in the first quarter of 2009 primarily due to reduced consulting and professional fees and decrease in overall marketing expenses related to cost reduction initiatives taken in 2008, offset by an increase in stock based compensation expenses related to nonvested equity awards granted during 2008. Salary expenses for the first quarter of 2009 remained relatively flat as compared to the same period in 2008 due to an internal reorganization from our engineering group to the licensing and marketing group and corporate development group offset by a decrease in headcount due to the cost reduction initiative.

In the future, marketing, general and administrative costs will vary from period to period based on the trade shows, advertising, legal, and other marketing and administrative activities undertaken, and the change in sales, marketing and administrative headcount in any given period. Litigation expenses are expected to vary from period to period due to the variability of litigation activities, but are expected to remain at levels higher than 2008 for the foreseeable future. In the near term, we expect marketing, general and administrative costs will decline as a result of our cost reduction initiatives undertaken in 2008. However, certain expenses may increase from period to period.

Costs (recovery) of restatement and related legal activities:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change in Percentage
	(Dollars in millions)		
Cost (recovery) of restatement and related legal activities	$ (13.6)	$ 0.9	NM*

* NM percentage is not meaningful as the change is too large

Costs (recovery) of restatement and related legal activities consist primarily of investigation, audit, legal and other professional fees related to the 2006-2007 stock option investigation and the filing of the restated financial statements and related litigation.

Costs (recovery) of restatement and related legal activities were $(13.6) million for the three months ended March 31, 2009 primarily due to recognition of reimbursements of $10.0 million from the insurance carriers and the receipt of $4.5 million from former executives as part of their settlement agreements with Rambus in connection with the derivative and class action lawsuits. The $14.5 million was recorded as a recovery of costs of restatement and related legal activities. Until all the litigation and related issues are resolved, we anticipate that there could be additional amounts relating to these matters in the future.

Interest and other income (expense), net:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change in Percentage
	(Dollars in millions)		
Interest income and other income (expense), net	$ 1.4	$ 4.6	(68.7)%
Interest expense	(2.6)	(2.9)	(7.6)%
Interest and other income (expense), net	$ 1.2	$ 1.7	(172.1)%

Interest and other income (expense), net consists primarily of interest income generated from investments in high quality fixed income securities and foreign currency gains and losses. The decrease in interest and other income (expense), net for the three months ended March 31, 2009 as compared to the same period in 2008 was primarily due to lower average investment balances and lower yields on invested balances during the period.

Interest expense consists of non-cash interest expense related to the convertible notes due to the adoption of FSP APB 14-1 beginning in the first quarter of 2009. See Note 15, Convertible Notes of Notes to Unaudited Condensed Consolidated Financial Statements.

Benefit from income taxes:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change in Percentage
	(Dollars in millions)		
Benefit from income taxes	$	$ (7.2)	NM*
Effective tax rate	0.1%	33.3%	

* NM percentage is not meaningful as the change is too large

Our effective tax rate for the three months ended March 31, 2009 is lower than the U.S. statutory tax rate applied to our net loss due to a full valuation allowance on our U.S. net deferred tax assets, foreign income taxes and state income taxes, partially offset by refundable research and development tax credits.

Our effective tax rate for the three months ended March 31, 2008 was lower than the U.S. statutory tax rate applied to our net loss primarily due to stock-based compensation expense associated with executives and other employees, partially offset by state income taxes and research and development tax credits.

Liquidity and Capital Resources

	As of March 31, 2009	As of December 31, 2008
	(In millions)	
Cash and cash equivalents	$ 125.8	$ 116.2
Marketable securities	222.1	229.6
Total cash, cash equivalents, and marketable securities	$ 347.9	$ 345.8

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(In millions)	
Net cash used in operating activities	$(0.6)	$(30.8)
Net cash provided by investing activities	$ 4.7	$ 61.7
Net cash provided by (used in) financing activities	$ 5.5	$(25.5)

Liquidity

Although we used cash for operating activities in the first quarter of 2009, our management continues to believe that total cash, cash equivalents and marketable securities will continue at adequate levels to finance our operations, projected capital expenditures and commitments for the next twelve months. Cash needs for the first quarter of 2009 were funded primarily from investing and financing activities, as investments in marketable securities matured and were not reinvested as well as from proceeds from the issuance of common stock under equity incentive plans.

Operating Activities

Cash used in operating activities of $0.6 million for the three months ended March 31, 2009 was primarily attributable to the net loss adjusted for non-cash items, including stock-based compensation expense, non-cash interest expense and depreciation/amortization expense. Changes in operating assets and liabilities for the first quarter ended March 31, 2009 primarily included decreases in accrued litigation expenses due to recognition of proceeds of $5.0 million from an insurance company related to the security lawsuits (class action/derivative lawsuits) and payments received in the amount of $9.5 million related to the recovery of restatement and legal activities, offset by increases in accounts payable due to the timing of vendor payments.

Cash used in operating activities of $30.8 million for the three months ended March 31, 2008 was primarily attributable to the net loss adjusted for non-cash items including stock-based compensation expense, deferred tax benefit and depreciation and amortization. In addition, we increased restricted cash for the amount of the shareholder class action proposed settlement. Changes in operating assets and liabilities for the first quarter ended March 31, 2008 primarily included increases in prepaid and other assets for new maintenance agreements and increases in accounts receivable for end of quarter invoicing on new contracts.

Investing Activities

Cash provided by investing activities of approximately $4.7 million for the three months ended March 31, 2009 primarily consisted of proceeds from the maturities of available-for-sale marketable securities of $90.5 million, partially offset by purchases of available-for-sale marketable securities of $83.5 million. In addition, we paid $1.6 million to acquire intangible assets and $0.7 million to acquire property and equipment, primarily computer software licenses.

Cash provided by investing activities of approximately $61.7 million for the three months ended March 31, 2008 primarily consisted of proceeds from the maturities and sales of available-for-sale marketable securities of $162.3 million, partially offset by purchases of available-for-sale marketable securities of $97.2 million. In addition, we purchased $3.1 million of property and equipment, primarily computer software licenses.

Financing Activities

Cash provided by financing activities was $5.5 million for the three months ended March 31, 2009 due to the proceeds received from issuance of common stock under equity incentive plans.

Cash used in financing activities was $25.5 million for the three months ended March 31, 2008. We repurchased stock with an aggregate price of $24.9 million under our share repurchase program. We also made payments under installment payment plans to acquire software license agreements. During the three months ended March 31, 2008, proceeds from employee stock option exercises totaled approximately $4.8 million. Of this amount, $0.6 million was received during the quarter and $4.2 million (included in prepaid and other assets as of March 31, 2008) was received in April 2008.

We currently anticipate that existing cash, cash equivalents and marketable securities balances and cash flows from operations will be adequate to meet our cash needs for at least the next 12 months and to satisfy our cash requirement to pay for our zero coupon convertible notes due in 2010. We do not anticipate any liquidity constraints as a result of either the current credit environment or investment fair value fluctuations. Additionally, we have the intent and ability to hold our debt investments that have unrealized losses in accumulated other comprehensive income for a sufficient period of time to allow for recovery of the principal amounts invested. We continually monitor the credit risk in our portfolio and mitigate our credit risk exposures in accordance with our policies. We may also incur additional expenditures related to future potential restructuring activities. As described elsewhere in this Management s Discussion and Analysis of Financial Condition and Results of Operations and this Quarterly Report on Form 10-Q, we are involved in ongoing litigation related to our intellectual property and our past stock option investigation. Any adverse settlements or judgments in any of this litigation could have a material adverse impact on our results of operations, cash balances and cash flows in the period in which such events occur.

Contractual Obligations

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

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

		Payments Due by Year					
	Total	Remainder of 2009	2010	2011	2012	2013	Thereafter

Contractual obligations(1)							
Operating leases	$ 13,306	$ 5,812	$ 6,411	$ 645	$ 438	$	$
Convertible notes	136,950		136,950				
Total	$ 150,256	$ 5,812	$ 143,361	$ 645	$ 438	$	$

40

(1) The above table does not reflect possible payments in connection with uncertain tax benefits associated with FIN 48 of approximately $9.8 million, including $8.0 million recorded as a reduction of long-term deferred tax assets and $1.8 million in long-term income taxes payable, as of March 31, 2009. Although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, we cannot reasonably estimate the outcome at this time.

Share Repurchase Program

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

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

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, investments, income taxes, litigation and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting estimates include those regarding (1) revenue recognition, (2) litigation, (3) income taxes and (4) stock-based compensation. For a discussion of our critical accounting estimates, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2008.

See Note 15, Convertible Notes of Notes to Unaudited Condensed Consolidated Financial Statements regarding the accounting policy in regards to the adoption of FSP APB 14-1 Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).

Recent Accounting Pronouncements

See Note 2 Recent Accounting Pronouncements of Notes to Unaudited Condensed Consolidated Financial Statements for discussion of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, primarily arising from the effect of interest rate fluctuations on our investment portfolio. Interest rate fluctuation may arise from changes in the market s view of the quality of the security issuer, the overall economic outlook, and the time to maturity of our portfolio. We mitigate this risk by investing only in high quality, highly liquid instruments. Securities with original maturities of one year or less must be rated by two of the three industry standard rating agencies as follows: A1 by Standard & Poor s, P1 by Moody s and/or F-1 by Fitch. Securities with original maturities of greater than one year must be rated by two of the following industry standard rating agencies as follows: AA- by Standard & Poor s, Aa3 by Moody s and/or AA- by Fitch. By corporate policy, we limit the amount of our credit exposure to $10.0 million for any one issuer. Our policy requires that at least 10% of the portfolio be in securities with a maturity of 90 days or less. In addition, we may make investments in securities with maturities up to 36 months. However, the bias of our investment policy is toward shorter maturities.

We invest our cash equivalents and marketable securities in a variety of U.S. dollar financial instruments such as Treasuries, Government Agencies, Commercial Paper and Corporate Notes. Our policy specifically prohibits trading securities for the sole purposes of realizing trading profits. However, we may liquidate a portion of our portfolio if we experience unforeseen liquidity requirements. In such a case if the environment has been one of rising interest rates we may experience a realized loss, similarly, if the environment has been one of declining interest rates we may experience a realized gain. As of March 31, 2009, we had an investment portfolio of fixed income marketable securities of $346.7 million including cash equivalents. If market interest rates were to increase immediately and uniformly by 10% from the levels as of March 31, 2009, the fair value of the portfolio would decline by approximately $0.3 million. Actual results may differ materially from this sensitivity analysis.

The table below summarizes the book value, fair value, unrealized gains and related weighted average interest rates for our cash equivalents and marketable securities portfolio as of March 31, 2009 and December 31, 2008:

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

	December 31, 2008			
(dollars in thousands)	**Fair Value**	**Book Value**	**Unrealized Gain, net**	**Weighted Rate of Return**
Money Market Funds	$ 110,732	$ 110,732	$	0.90%
Municipal Bonds and Notes	1,000	1,000		3.85%
U.S. Government Bonds and Notes	149,304	148,178	1,126	2.79%

Corporate Notes, Bonds, and Commercial Paper	79,308	79,275	33	3.06%
Total cash equivalents and marketable securities	340,344	339,185	1,159	
Cash	5,509	5,509		
Total cash, cash equivalents and marketable securities	$ 345,853	$ 344,694	$ 1,159	

We bill our customers in U.S. dollars. Although the fluctuation of currency exchange rates may impact our customers, and thus indirectly impact us, we do not attempt to hedge this indirect and speculative risk. Our overseas operations consist primarily of small business development offices in any one country and one design center in India. We monitor our foreign currency exposure; however, as of March 31, 2009, we believe our foreign currency exposure is not material enough to warrant foreign currency hedging.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Securities and Exchange Act of 1934 as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2009, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item regarding legal proceedings is incorporated by reference to the information set forth in Note 13 Litigation and Asserted Claims of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q.

Item 1A. Risk Factors

Because of the following factors, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. See also Note Regarding Forward-looking Statements elsewhere in this report.

Risks Associated With Our Business, Industry and Market Conditions

If market leaders do not adopt our innovations, our results of operations could decline.

An important part of our strategy is to penetrate market segments for chip interfaces by working with leaders in those market segments. This strategy is designed to encourage other participants in those segments to follow such leaders in adopting our chip interfaces. If a high profile industry participant adopts our chip interfaces but fails to achieve success with its products or adopts and achieves success with a competing chip interface, our reputation and sales could be adversely affected. In addition, some industry participants have adopted, and others may in the future adopt, a strategy of disparaging our memory solutions adopted by their competitors or a strategy of otherwise undermining the market adoption of our solutions.

We target system companies to adopt our chip interface technologies, particularly those that develop and market high volume business and consumer products, which have traditionally been focused on PCs, including PC graphics processors, and video game consoles, but also are expanding to include HDTVs, cellular and digital phones, PDAs, digital cameras and other consumer electronics that incorporate all varieties of memory and chip interfaces. In particular, our strategy includes gaining acceptance of our technology in high volume consumer applications, including video game consoles, such as the Sony PlayStation(R) 2 and Sony PLAYSTATION(R) 3, HDTVs and set top boxes. We are subject to many risks beyond our control that influence whether or not a particular system company will adopt our chip interfaces, including, among others:

- competition faced by a system company in its particular industry;
- the timely introduction and market acceptance of a system company s products;

- the engineering, sales and marketing and management capabilities of a system company;
- technical challenges unrelated to our chip interfaces faced by a system company in developing its products;
- the financial and other resources of the system company;
- the supply of semiconductors from our licensees in sufficient quantities and at commercially attractive prices;
- the ability to establish the prices at which the chips containing our chip interfaces are made available to system companies; and
- the degree to which our licensees promote our chip interfaces to a system company.

There can be no assurance that consumer products that currently use our technology will continue to do so, nor can there be any assurance that the consumer products that incorporate our technology will be successful in their segments thereby generating expected royalties, nor can there be any assurance that any of our technologies selected for licensing will be implemented in a commercially developed or distributed product.

If any of these events occur and market leaders do not successfully adopt our technologies, our strategy may not be successful and, as a result, our results of operations could decline.

We operate in an industry that is highly cyclical and in which the number of our potential customers may be in decline as a result of industry consolidation, and we face intense competition that may cause our results of operations to suffer.

The semiconductor industry is intensely competitive and has been impacted by price erosion, rapid technological change, short product life cycles, cyclical market patterns and increasing foreign and domestic competition. As the semiconductor industry is highly cyclical, significant economic downturns characterized by diminished demand, erosion of average selling prices, production overcapacity and production capacity constraints could affect the semiconductor industry. We are currently experiencing such a period of economic downturn. As a result, we may face a reduced number of licensing wins, tightening of customers operating budgets, difficulty or inability of our customers to pay our licensing fees, extensions of the approval process for new licenses, as discussed below, and consolidation among our customers, all of which may adversely affect the demand for our technology and may cause us to experience substantial period-to-period fluctuations in our operating results.

Many of our customers operate in industries that have experienced significant declines as a result of the current economic downturn. In particular, DRAM manufacturers, which make up a majority of our existing and potential licensees, have suffered material losses and other adverse effects to their businesses. These factors may result in industry consolidation as companies seek to reduce costs and improve profitability through business combinations. Consolidation among our existing DRAM and other customers may result in loss of revenues under existing license agreements. Consolidation among companies in the DRAM and other industries within which we license our technology may reduce the number of future licensees for our products and services. In either case, consolidations in the DRAM and other industries in which we operate may negatively impact our short-term and long-term business prospects, licensing revenues and results of operations.

Some semiconductor companies have developed and support competing logic chip interfaces including their own serial link chip interfaces and parallel bus chip interfaces. We also face competition from semiconductor and intellectual property companies who provide their own DDR memory chip interface technology and solutions. In addition, most DRAM manufacturers, including our XDR licensees, produce versions of DRAM such as SDR, DDRx and GDDRx SDRAM which compete with XDR chips. We believe that our principal competition for memory chip interfaces may come from our licensees and prospective licensees, some of which are evaluating and developing products based on technologies that they contend or may contend will not require a license from us. In addition, our competitors are also taking a system approach similar to ours in seeking to solve the application needs of system companies. Many of these companies are larger and may have better access to financial, technical and other resources than we possess. Wider applications of other developing memory technologies, including FLASH memory, may also pose competition to our licensed memory solutions.

JEDEC has standardized what it calls extensions of DDR, known as DDR2 and DDR3. Other efforts are underway to create other products including those sometimes referred to as GDDR4 and GDDR5, as well as new ways to integrate products such as system-in-package DRAM. To the extent that these alternatives might provide comparable system performance at lower or similar cost than XDR memory chips, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our licensees and prospective licensees may adopt and promote alternative technologies. Even to the extent we determine that such alternative technologies infringe our patents, there can be no assurance that we would be able to negotiate agreements that would result in royalties being paid to us without litigation, which could be costly and the results of which would be uncertain. In the industry standard and leadership serial link chip interface business, we face additional competition from semiconductor companies that sell discrete transceiver chips for use in various types of systems, from semiconductor companies that develop their own serial link chip interfaces, as well as from competitors, such as ARM and Synopsys, who license similar serial link chip interface products and digital controllers. At the 10 Gb/s speed, competition will also come from optical technology sold by system and semiconductor companies. There are standardization efforts under way or completed for serial links from standard bodies such as PCI-SIG and OIF. We may face increased competition from these types of consortia in the future that could negatively impact our serial link chip interface business.

In the FlexIO processor bus chip interface market segment, we face additional competition from semiconductor companies who develop their own parallel bus chip interfaces, as well as competitors who license similar parallel bus chip interface products. We may also see competition from industry consortia or standard setting bodies that could negatively impact our FlexIO processor bus chip interface business.

As with our memory chip interface products, to the extent that competitive alternatives to our serial or parallel logic chip interface products might provide comparable system performance at lower or similar cost, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our licensees and prospective licensees may adopt and promote alternative technologies, which could negatively impact our memory and logic chip interface business.

If for any of these reasons we cannot effectively compete in these primary market segments, our results of operations could suffer.

In order to grow, we may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively impact our operating results.

If new competitors, technological advances by existing competitors, our entry into new markets, or other competitive factors require us to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. For the three months ended March 31, 2009 and 2008, research and development expenses were $17.8 million and $21.5 million, respectively, including stock-compensation of approximately $2.7 million and $3.9 million, respectively. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results could decline. Research and development expenses are likely to fluctuate from time to time to the extent we make periodic incremental investments in research and development and these investments may be independent of our level of revenue. In order to grow, which may include entering new markets, we anticipate that we will continue to devote substantial resources to research and development, and we expect these expenses to increase in absolute dollars in the foreseeable future due to the increased complexity and the greater number of products under development as well as selectively hiring additional employees.

Our revenue is concentrated in a few customers, and if we lose any of these customers, our revenue may decrease substantially.

We have a high degree of revenue concentration, with our top five licensees representing approximately 79% and 67% of our revenues for the three months ended March 31, 2009 and 2008, respectively. For the three months ended March 31, 2009, revenues from Fujitsu, NEC, AMD and Panasonic each accounted for 10% or more of our total revenue. For the three months ended March 31, 2008, revenues from Elpida, Fujitsu and Sony each accounted for 10% or more of our total revenue. We may continue to experience significant revenue concentration for the foreseeable future.

In addition, some of our commercial agreements require us to provide certain customers with the lowest royalty rate that we provide to other customers for similar technologies, volumes and schedules. These clauses may limit our ability to effectively price differently among our customers, to respond quickly to market forces, or otherwise to compete on the basis of price. The particular licensees which account for revenue concentration have varied from period to period as a result of the addition of new contracts, expiration of existing contracts, industry consolidation, the expiration of deferred revenue schedules under existing contracts, and the volumes and prices at which the licensees have recently sold licensed semiconductors to system companies. These variations are expected to continue in the foreseeable future, although we anticipate that revenue will continue to be concentrated in a limited number of licensees.

We are in negotiations with licensees and prospective licensees to reach SDR and DDR patent license agreements. We expect SDR and DDR patent license royalties will continue to vary from period to period based on our success in renewing existing license agreements and adding new licensees, as well as the level of variation in our licensees reported shipment volumes, sales price and mix, offset in part by the proportion of licensee payments that are fixed. If we are unsuccessful in renewing any of our SDR and DDR-compatible contracts, our results of operations may decline significantly.

Weakening global economic conditions may adversely affect demand for our products and services.

Our operations and performance depend significantly on worldwide economic conditions, and the U.S. and world economies are undergoing a period of recession. Uncertainty about current global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values, which could have a material negative effect on the demand for the products of our licensees in the foreseeable future. Other factors that could influence demand include continuing increases in fuel and energy costs, competitive pressures, including pricing pressures, from companies that have competing products, changes in the credit market, conditions in the residential real estate and mortgage markets, consumer confidence, and other macroeconomic factors affecting consumer spending behavior. If demand for the products of our licensees fluctuates as a result of economic conditions or otherwise, our business and results of operations could be harmed. A continuation of current conditions in credit markets could limit our ability to obtain external financing to fund our operations and capital expenditures.

If our commercial counterparties are unable to fulfill their financial and other obligations to us, our business and results of operations may be affected adversely.

The downturn in worldwide economic conditions threatens the financial health of our commercial counterparties, including companies with whom we have entered into licensing arrangements and litigation settlements that provide for ongoing payments to us, and their ability to fulfill their financial and other obligations to us. As discussed in further detail below, we are a party to a settlement and licensing agreement with Qimonda, which provides that, subject to certain conditions that have not yet been fulfilled, Qimonda may be required to make additional royalty payments to us of up to $100.0 million. In January 2009, Qimonda filed for bankruptcy. In addition, Spansion, which was one of our licensees and owes us certain amounts, filed a voluntary petition for Chapter 11 reorganization relief in Delaware federal court in March 2009, and is now operating as debtors-in-possession under the jurisdiction of the bankruptcy court. Because bankruptcy courts have the power to modify or cancel contracts of the petitioner which remain subject to future performance and alter or discharge payment obligations related to pre-petition debts, we may receive less than all of the payments that we would otherwise be entitled to receive from Qimonda or Spansion as a result of their bankruptcy proceedings. If we are unable to collect all of such payments owed to us, or if other of our commercial counterparties enter into bankruptcy or otherwise seek to renegotiate their financial obligations to us as a result of the deterioration of their financial health, our business and results of operations may be affected adversely.

Our business and operating results may be harmed if we undertake any restructuring activities or if we are unable to manage growth in our business.

From time to time, we may undertake to restructure our business, such as the reduction in our workforce that we announced in August 2008. There are several factors that could cause a restructuring to have an adverse effect on our business, financial condition and results of operations. These include potential disruption of our operations, the development of our technology, the deliveries to our customers and other aspects of our business. Employee morale and productivity could also suffer and we may lose employees whom we want to keep. Loss of sales, service and engineering talent, in particular, could damage our business. Any restructuring would require substantial management time and attention and may divert management from other important work. Employee reductions or other restructuring activities also cause us to incur restructuring and related expenses such as severance expenses. Moreover, we could encounter delays in executing any restructuring plans, which could cause further disruption and additional unanticipated expense.

Our business historically has experienced periods of rapid growth that have placed, and may continue to place, significant demands on our managerial, operational and financial resources. In managing this growth, we must continue to improve and expand our management, operational and financial systems and controls. We also need to continue to expand, train and manage our employee base. We cannot assure you that we will be able to timely and effectively meet demand and maintain the quality standards required by our existing and potential customers and licensees. If we ineffectively manage our growth or we are unsuccessful in recruiting and retaining personnel, our business and operating results will be harmed.

If we cannot respond to rapid technological change in the semiconductor industry by developing new innovations in a timely and cost effective manner, our operating results will suffer.

The semiconductor industry is characterized by rapid technological change, with new generations of semiconductors being introduced periodically and with ongoing improvements. We derive most of our revenue from our chip interface technologies that we have patented. We expect that this dependence on our fundamental technology will continue for the foreseeable future. The

46

introduction or market acceptance of competing chip interfaces that render our chip interfaces less desirable or obsolete would have a rapid and material adverse effect on our business, results of operations and financial condition. The announcement of new chip interfaces by us could cause licensees or system companies to delay or defer entering into arrangements for the use of our current chip interfaces, which could have a material adverse effect on our business, financial condition and results of operations. We are dependent on the semiconductor industry to develop test solutions that are adequate to test our chip interfaces and to supply such test solutions to our customers and us.

Our continued success depends on our ability to introduce and patent enhancements and new generations of our chip interface technologies that keep pace with other changes in the semiconductor industry and which achieve rapid market acceptance. We must continually devote significant engineering resources to addressing the ever increasing need for higher speed chip interfaces associated with increases in the speed of microprocessors and other controllers. The technical innovations that are required for us to be successful are inherently complex and require long development cycles, and there can be no assurance that our development efforts will ultimately be successful. In addition, these innovations must be:

- completed before changes in the semiconductor industry render them obsolete;
- available when system companies require these innovations; and
- sufficiently compelling to cause semiconductor manufacturers to enter into licensing arrangements with us for these new technologies.

Finally, significant technological innovations generally require a substantial investment before their commercial viability can be determined. There can be no assurance that we have accurately estimated the amount of resources required to complete the projects, or that we will have, or be able to expend, sufficient resources required for these types of projects. In addition, there is market risk associated with these products, and there can be no assurance that unit volumes, and their associated royalties, will occur. If our technology fails to capture or maintain a portion of the high volume consumer market, our business results could suffer.

If we cannot successfully respond to rapid technological changes in the semiconductor industry by developing new products in a timely and cost effective manner our operating results will suffer.

Some of our revenue is subject to the pricing policies of our licensees over whom we have no control.

We have no control over our licensees pricing of their products and there can be no assurance that licensee products using or containing our chip interfaces will be competitively priced or will sell in significant volumes. One important requirement for our memory chip interfaces is for any premium charged by our licensees in the price of memory and controller chips over alternatives to be reasonable in comparison to the perceived benefits of the chip interfaces. If the benefits of our technology do not match the price premium charged by our licensees, the resulting decline in sales of products incorporating our technology could harm our operating results.

Our licensing cycle is lengthy and costly and our marketing and licensing efforts may be unsuccessful.

The process of persuading customers to adopt and license our chip interface technologies can be lengthy and, even if successful, there can be no assurance that our chip interfaces will be used in a product that is ultimately brought to market, achieves commercial acceptance, or results in significant royalties to us. We generally incur significant marketing and sales expenses prior to entering into our license agreements, generating a license fee and establishing a royalty stream from each licensee. The length of time it takes to establish a new licensing relationship can take many months. In addition, our ongoing intellectual property litigation and regulatory actions have and will likely continue to have an impact on our ability to enter into new licenses and renewals of licenses. As such, we may incur costs in any particular period before any associated revenue stream begins. If our marketing and sales efforts are very lengthy or unsuccessful, then we may face a material adverse effect on our business and results of operations as a result of delay or failure to obtain royalties.

Future revenue is difficult to predict for several reasons, and our failure to predict revenue accurately may cause us to miss analysts estimates and result in our stock price declining.

Our lengthy and costly license negotiation cycle makes our future revenue difficult to predict because we may not be successful in entering into licenses with our customers on our estimated timelines. In addition, a portion of our revenue comes from development and support services provided to our licensees. Depending upon the nature of the services, a portion of the related revenue may be recognized ratably over the support period, or may be recognized according to contract accounting. Contract revenue accounting may result in deferral of the service fees to the completion of the contract, or may be recognized over the period in which services are performed on a percentage-of-completion basis. There can be no assurance that the product development schedule for these projects will not be changed or delayed. All of these factors make it difficult to predict future licensing revenue and may result in our missing previously announced earnings guidance or analysts estimates which would likely cause our stock price to decline.

Our quarterly and annual operating results are unpredictable and fluctuate, which may cause our stock price to be volatile and decline.

Since many of our revenue components fluctuate and are difficult to predict, and our expenses are largely independent of revenue in any particular period, it is difficult for us to accurately forecast revenue and profitability. Factors other than those set forth above, which are beyond our ability to control or assess in advance, that could cause our operating results to fluctuate include:

- semiconductor and system companies acceptance of our chip interface products;
- the success of high volume consumer applications, such as the Sony PLAYSTATION® 3;
- the dependence of our royalties upon fluctuating sales volumes and prices of licensed chips that include our technology;
- the seasonal shipment patterns of systems incorporating our chip interface products;
- the loss of any strategic relationships with system companies or licensees;
- semiconductor or system companies discontinuing major products incorporating our chip interfaces;
- the unpredictability of the timing and amount of any litigation expenses;
- changes in our chip and system company customers development schedules and levels of expenditure on research and development;
- our licensees terminating or failing to make payments under their current contracts or seeking to modify such contracts, whether voluntarily or as a result of financial difficulties;
- changes in our strategies, including changes in our licensing focus and/or possible acquisitions of companies with business models different from our own; and
- changes in the economy and credit market and their effects upon demand for our technology and the products of our licensees.

For the three months ended March 31, 2009 and 2008, royalties accounted for 96% and 83%, respectively, of our total revenue.

We believe that royalties will continue to represent a majority of total revenue for the foreseeable future. Royalties are generally recognized in the quarter in which we receive a report from a licensee regarding the sale of licensed chips in the prior quarter; however, royalties are recognized only if collectability is assured. As a result of these uncertainties and effects being outside of our control, royalty revenue are difficult to predict and make accurate financial forecasts difficult to achieve, which could cause our stock price to become volatile and decline.

A substantial portion of our revenue is derived from sources outside of the United States and this revenue and our business generally are subject to risks related to international operations that are often beyond our control.

For the three months ended March 31, 2009 and 2008, revenue from our sales to international customers constituted approximately 81% and 83% of our total revenue, respectively. We currently have international operations in India (design), Japan (business development), Taiwan (business development) and Germany (business development). As a result of our continued focus on international markets, we expect that future revenue derived from international sources will continue to represent a significant portion of our total revenue.

To date, all of the revenue from international licensees has been denominated in U.S. dollars. However, to the extent that such licensees sales to systems companies are not denominated in U.S. dollars, any royalties which are based as a percentage of the customer s sales that we receive as a result of such sales could be subject to fluctuations in currency exchange rates. In addition, if the effective price of licensed semiconductors sold by our foreign licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for licensed semiconductors could fall, which in turn would reduce our royalties. We do not use financial instruments to hedge foreign exchange rate risk.

Our international operations and revenue are subject to a variety of risks which are beyond our control, including:

- export controls, tariffs, import and licensing restrictions and other trade barriers;
- profits, if any, earned abroad being subject to local tax laws and not being repatriated to the United States or, if repatriation is possible, limited in amount;
- changes to tax codes and treatment of revenue from international sources, including being subject to foreign tax laws and potentially being liable for paying taxes in that foreign jurisdiction;
- foreign government regulations and changes in these regulations;
- social, political and economic instability;
- lack of protection of our intellectual property and other contract rights by jurisdictions in which we may do business to the same extent as the laws of the United States;
- changes in diplomatic and trade relationships;
- cultural differences in the conduct of business both with licensees and in conducting business in our international facilities and international sales offices;
- operating centers outside the United States;
- hiring, maintaining and managing a workforce remotely and under various legal systems; and
- geo-political issues.

We and our licensees are subject to many of the risks described above with respect to companies which are located in different countries, particularly home video game console and PC manufacturers located in Asia and elsewhere. There can be no assurance that one or more of the risks associated with our international operations could not result in a material adverse effect on our business, financial condition or results of operations.

Unanticipated changes in our tax rates or in the tax laws and regulations could expose us to additional income tax liabilities which could affect our operating results and financial condition.

We are subject to income taxes in both the United States and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision (benefit) for income taxes and, in the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and regulations as well as other factors. For example, the state of California has enacted regulations which limit the use of net operating losses and certain tax credits, including research and development credits, that apply for 2008 and 2009, which could lead to an increase in our effective tax rate. Our tax determinations are regularly subject to audit by tax authorities and developments in those audits could adversely affect our income tax provision. Although we believe that our tax estimates are reasonable, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions which could affect our operating results.

Our results of operations could vary as a result of the methods, estimates, and judgments we use in applying our accounting policies.

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations, as described elsewhere in this report. Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments.

Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of share-based compensation expense under Statement of Financial Accounting Standards No. 123(R) (SFAS No. 123(R)) requires us to use valuation methodologies and a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, and the exercise behavior of our employees. Furthermore, there are no means, under applicable accounting principles, to compare and adjust our expense if and when we learn about additional information that may affect the estimates that we previously made, with the exception of changes in expected forfeitures of share-based awards. Factors may arise that lead us to change our estimates and assumptions with respect to future share-based compensation arrangements, resulting in variability in our share-based compensation expense over time. Changes in forecasted stock-based compensation expense could impact our cost of contract revenue, research and development expenses, marketing, general and administrative expenses and our effective tax rate, which could have an adverse impact on our results of operations.

We may make future acquisitions or enter into mergers, strategic transactions or other arrangements that could cause our business to suffer.

We may continue to make investments in companies, products or technologies or enter into mergers, strategic transactions or other arrangements. If we buy a company or a division of a company, we may experience difficulty integrating that company s or division s personnel and operations, which could negatively affect our operating results. In addition:

- the key personnel of the acquired company may decide not to work for us;
- we may experience additional financial and accounting challenges and complexities in areas such as tax planning, cash management and financial reporting;
- our ongoing business may be disrupted or receive insufficient management attention;
- we may not be able to recognize the cost savings or other financial benefits we anticipated; and
- our increasing international presence resulting from acquisitions may increase our exposure to international currency, tax and political risks.

In connection with future acquisitions or mergers, strategic transactions or other arrangements, we may incur substantial expenses regardless of whether the transaction occurs. In addition, we may be required to assume the liabilities of the companies we acquire. By assuming the liabilities, we may incur liabilities such as those related to intellectual property infringement or indemnification of customers of acquired businesses for similar claims, which could materially and adversely affect our business. We may have to incur debt or issue equity securities to pay for any future acquisition, the issuance of which could involve restrictive covenants or be dilutive to our existing stockholders.

If we are unable to attract and retain qualified personnel, our business and operations could suffer.

Our success is dependent upon our ability to identify, attract, compensate, motivate and retain qualified personnel, especially engineers, who can enhance our existing technologies and introduce new technologies. Competition for qualified personnel, particularly those with significant industry experience, is intense, in particular in the San Francisco Bay Area where we are headquartered and in the area of Bangalore, India where we have a design center. We are also dependent upon our senior management personnel. The loss of the services of any of our senior management personnel, or key sales personnel in critical markets, or critical members of staff, or of a significant number of our engineers could be disruptive to our development efforts or business relationships and could cause our business and operations to suffer.

Decreased effectiveness of equity-based compensation could adversely affect our ability to attract and retain employees.

We have historically used stock options and other forms of stock-based compensation as key components of our employee compensation program in order to align employees interests with the interests of our stockholders, encourage employee retention and provide competitive compensation and benefit packages. As a result of changes in previous accounting principles, we have incurred increased compensation costs associated with our stock-based compensation programs. In addition, if we face any difficulty relating to obtaining stockholder approval of our equity compensation plans, it could make it harder or more expensive for us to grant stock-based payments to employees in the future. As a result of these factors leading to lower equity compensation of our employees, we may find it difficult to attract, retain and motivate employees, and any such difficulty could materially adversely affect our business.

Table of Contents

Our operations are subject to risks of natural disasters, acts of war, terrorism or widespread illness at our domestic and international locations, any one of which could result in a business stoppage and negatively affect our operating results.

Our business operations depend on our ability to maintain and protect our facility, computer systems and personnel, which are primarily located in the San Francisco Bay Area. The San Francisco Bay Area is in close proximity to known earthquake fault zones. Our facility and transportation for our employees are susceptible to damage from earthquakes and other natural disasters such as fires, floods and similar events. Should an earthquake or other catastrophes, such as fires, floods, power loss, communication failure or similar events disable our facilities, we do not have readily available alternative facilities from which we could conduct our business, which stoppage could have a negative effect on our operating results. Acts of terrorism, widespread illness and war could also have a negative effect at our international and domestic facilities.

Risks Related to Corporate Governance and Capitalization Matters

The price of our Common Stock may fluctuate significantly, which may make it difficult for holders to resell their shares when desired or at attractive prices.

Our Common Stock is listed on The Nasdaq Global Select Market under the symbol RMBS. The trading price of our Common Stock has been subject to wide fluctuations which may continue in the future in response to, among other things, the following:

- new litigation or developments in current litigation as discussed below;
- any progress, or lack of progress, in the development of products that incorporate our chip interfaces;
- our signing or not signing new licensees;
- announcements of our technological innovations or new products by us, our licensees or our competitors;
- positive or negative reports by securities analysts as to our expected financial results;
- developments with respect to patents or proprietary rights and other events or factors;
- any delisting of our Common Stock from The Nasdaq Global Select Market; and
- changes in general market sentiment due to macroeconomic and geopolitical factors.

In addition, the equity markets have experienced volatility that has particularly affected the market prices of equity securities of many high technology companies and that often has been unrelated or disproportionate to the operating performance of such companies.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including new SEC regulations and Nasdaq rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

We have been party to, and may in the future be subject to, lawsuits relating to securities law matters which may result in unfavorable outcomes and significant judgments, settlements and legal expenses which could cause our

business, financial condition and results of operations to suffer.

In connection with our stock option investigation, we and certain of our current and former officers and directors, as well as our current auditors, were subject to several shareholder derivative actions, securities fraud class actions and/or individual lawsuits filed in federal court against us and certain of our current and former officers and directors. The complaints generally allege that the defendants violated the federal and state securities laws and state law claims for fraud and breach of fiduciary duty. While we have settled the derivative and securities fraud class actions, the individual lawsuits continue to be adjudicated. For more information about the historic litigation described above, see Note 13 Litigation and Asserted Claims of Notes to Unaudited Condensed Consolidated Financial Statements. The amount of time to resolve these current and any future lawsuits is uncertain, and these matters could require significant management and financial resources which could otherwise be devoted to the operation of our business. Although we have expensed or accrued for certain liabilities that we believe will result from certain of these actions, the actual costs and expenses to defend and satisfy all of these lawsuits and any potential future litigation may exceed our current estimated accruals, possibly significantly. Unfavorable outcomes and significant judgments, settlements and legal expenses in the litigation related to our past stock option granting practices and in any future litigation concerning securities law claims could have material adverse impacts on our business, financial condition, results of operations, cash flows and the trading price of our Common Stock.

We are leveraged financially, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to satisfy our future research and development needs, and to defend our intellectual property.

We have indebtedness. On February 1, 2005, we issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (convertible notes) due February 1, 2010, of which $137.0 million aggregate principal amount remains outstanding as of March 31, 2009.

The degree to which we are leveraged could have important consequences, including, but not limited to, the following:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;
- a substantial portion of our cash flows from operations will be dedicated to the payment of the principal of our indebtedness as we are required to pay the principal amount of the convertible notes in cash when due;
- if we elect to pay any premium on the convertible notes with shares of our Common Stock or we are required to pay a make-whole premium with our shares of Common Stock, our existing stockholders interest in us would be diluted; and
- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

A failure to comply with the covenants and other provisions of our debt instruments could result in events of default under such instruments, which could permit acceleration of the convertible notes. Any required repayment of the convertible notes as a result of an acceleration would lower our current cash on hand such that we would not have those funds available for the use in our business.

If we are at any time unable to generate sufficient cash flow from operations to service our indebtedness when payment is due, we may be required to attempt to renegotiate the terms of the instruments relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that we will be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

Our certificate of incorporation and bylaws, our stockholder rights plan, and Delaware law contain provisions that could discourage transactions resulting in a change in control, which may negatively affect the market price of our Common Stock.

Our certificate of incorporation, our bylaws, our stockholder rights plan and Delaware law contain provisions that might enable our management to discourage, delay or prevent change in control. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our Common Stock. Among these provisions are:

- our board of directors is authorized, without prior stockholder approval, to create and issue preferred stock, commonly referred to as blank check preferred stock, with rights senior to those of Common Stock;

our board of directors is staggered into two classes, only one of which is elected at each annual meeting;

stockholder action by written consent is prohibited;

nominations for election to our board of directors and the submission of matters to be acted upon by stockholders at a meeting are subject to advance notice requirements;

certain provisions in our bylaws and certificate of incorporation such as notice to stockholders, the ability to call a stockholder meeting, advanced notice requirements and the stockholders acting by written consent may only be amended with the approval of stockholders holding 66 2/3% of our outstanding voting stock;

the ability of our stockholders to call special meetings of stockholders is prohibited; and

our board of directors is expressly authorized to make, alter or repeal our bylaws.

In addition, the provisions in our stockholder rights plan could make it more difficult for a potential acquirer to consummate an acquisition of our company. We are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our outstanding voting stock, the person is an interested stockholder and may not engage in any business combination with us for a period of three years from the time the person acquired 15% or more of our outstanding voting stock.

Litigation, Regulation and Business Risks Related to our Intellectual Property

We face current and potential adverse determinations in litigation stemming from our efforts to protect and enforce our patents and intellectual property, which could broadly impact our intellectual property rights, distract our management and cause a substantial decline in our revenue and stock price.

We seek to diligently protect our intellectual property rights. In connection with the extension of our licensing program to SDR SDRAM-compatible and DDR SDRAM-compatible products, we became involved in litigation related to such efforts against different parties in multiple jurisdictions. In each of these cases, we have claimed infringement of certain of our patents, while the manufacturers of such products have generally sought damages and a determination that the patents in suit are invalid, unenforceable, and not infringed. Among other things, the opposing parties have alleged that certain of our patents are unenforceable because we engaged in document spoliation, litigation misconduct and/or acted improperly during our 1991 to 1995 participation in the JEDEC standard setting organization (including allegations of antitrust violations and unfair competition). See Note 13 Litigation and Asserted Claims of Notes to Consolidated Financial Statements for additional information regarding certain cases that are active as of the date of this report.

There can be no assurance that any or all of the opposing parties will not succeed, either at the trial or appellate level, with such claims or counterclaims against us or that they will not in some other way establish broad defenses against our patents, achieve conflicting results, or otherwise avoid or delay paying royalties for the use of our patented technology. Moreover, there is a risk that if one party prevails against us, other parties could use the adverse result to defeat or limit our claims against them; conversely, there can be no assurance that if we prevail against one party, we will succeed against other parties on similar claims, defenses, or counterclaims. In addition, there is the risk that the pending litigations and other circumstances may cause us to accept less than what we now believe to be fair consideration in settlement.

Any of these matters, whether or not determined in our favor or settled by us, is costly, may cause delays (including delays in negotiating licenses with other actual or potential licensees), will tend to discourage future design partners, will tend to impair adoption of our existing technologies and divert the efforts and attention of our management and technical personnel from other business operations. In addition, we may be unsuccessful in our litigation if we have difficulty obtaining the cooperation of former employees and agents who were involved in our business during the relevant periods related to our litigation and are now needed to assist in cases or testify on our behalf. Furthermore, any adverse determination or other resolution in litigation could result in our losing certain rights beyond the rights at issue in a particular case, including, among other things: our being effectively barred from suing others for violating certain or all of our intellectual property rights; our patents being held invalid or unenforceable or not infringed; our being subjected to significant liabilities; our being required to seek licenses from third parties; our being prevented from licensing our patented technology; or our being required to renegotiate with current licensees on a temporary or permanent basis. Even if we are successful in our litigation, there is no guarantee that the applicable opposing parties will be able to pay any damages awards timely or at all as a result of financial difficulties or otherwise. Delay or any or all of these adverse results could cause a substantial decline in our revenue and stock price.

An adverse resolution by or with a governmental agency, such as the European Commission or patent offices, could result in severe limitations on our ability to protect and license our intellectual property, and would cause our revenue to decline substantially.

Table of Contents

The European Commission has instituted proceedings against us regarding our alleged violations of European Union competition laws but has not yet issued a decision. These proceedings, or one by any other governmental agency, may result in adverse determination against us or in other outcomes that could limit our ability to enforce or license our intellectual property, and could cause our revenue to decline substantially.

In addition, third parties have and may attempt to use adverse findings by a government agency to limit our ability to enforce our patents in private litigations and to assert claims for monetary damages against us. Although we have successfully defeated certain attempts to do so, there can be no assurance that other third parties will not be successful in the future or that additional claims or actions arising out of adverse findings by a government agency will not be asserted against us.

Further, third parties have sought and may seek review and reconsideration of the patentability of inventions claimed in certain of our patents by the United States Patent & Trademark Office (the PTO) and/or the European Patent Office (the EPO). An adverse decision by the PTO or EPO could invalidate some or all of these patent claims and could also result in additional adverse consequences affecting other related U.S. or European patents, including in our intellectual property litigation. If a sufficient number of such patents are impaired, our ability to enforce or license our intellectual property would be significantly weakened and this could cause our revenue to decline substantially.

The pendency of any governmental agency acting as described above may impair our ability to enforce or license our patents or collect royalties from existing or potential licensees, as our litigation opponents may attempt to use such proceedings to delay or otherwise impair any pending cases and our existing or potential licensees may await the final outcome of any proceedings before agreeing to new licenses or pay royalties.

Litigation or other third-party claims of intellectual property infringement could require us to expend substantial resources and could prevent us from developing or licensing our technology on a cost-effective basis.

Our research and development programs are in highly competitive fields in which numerous third parties have issued patents and patent applications with claims closely related to the subject matter of our research and development programs. We have also been named in the past, and may in the future be named, as a defendant in lawsuits claiming that our technology infringes upon the intellectual property rights of third parties. In the event of a third-party claim or a successful infringement action against us, we may be required to pay substantial damages, to stop developing and licensing our infringing technology, to develop non-infringing technology, and to obtain licenses, which could result in our paying substantial royalties or our granting of cross licenses to our technologies. Threatened or ongoing third-party claims or infringement actions may prevent us from pursuing additional development and licensing arrangements for some period. For example, we may discontinue negotiations with certain customers for additional licensing of our patents due to the uncertainty caused by our ongoing litigation on the terms of such licenses or of the terms of such licenses on our litigation. We may not be able to obtain licenses from other parties at a reasonable cost, or at all, which could cause us to expend substantial resources, or result in delays in, or the cancellation of, new product.

If we are unable to successfully protect our inventions through the issuance and enforcement of patents, our operating results could be adversely affected.

We have an active program to protect our proprietary inventions through the filing of patents. There can be no assurance, however, that:

- any current or future U.S. or foreign patent applications will be approved and not be challenged by third parties;
- our issued patents will protect our intellectual property and not be challenged by third parties;
- the validity of our patents will be upheld;
- our patents will not be declared unenforceable;
- the patents of others will not have an adverse effect on our ability to do business;

Congress or the U.S. courts or foreign countries will not change the nature or scope of rights afforded patents or patent owners or alter in an adverse way the process for seeking patents;

changes in law will not be implemented that will affect our ability to protect and enforce our patents and other intellectual property;

new legal theories and strategies utilized by our competitors will not be successful; or

others will not independently develop similar or competing chip interfaces or design around any patents that may be issued to us.

If any of the above were to occur, our operating results could be adversely affected.

Our inability to protect and own the intellectual property we create would cause our business to suffer.

We rely primarily on a combination of license, development and nondisclosure agreements, trademark, trade secret and copyright law, and contractual provisions to protect our non-patentable intellectual property rights. If we fail to protect these intellectual property rights, our licensees and others may seek to use our technology without the payment of license fees and royalties, which could weaken our competitive position, reduce our operating results and increase the likelihood of costly litigation. The growth of our business depends in large part on the use of our intellectual property in the products of third party manufacturers, and our ability to enforce intellectual property rights against them to obtain appropriate compensation. In addition, effective trade secret protection may be unavailable or limited in certain foreign countries. Although we intend to protect our rights vigorously, if we fail to do so, our business will suffer.

We rely upon the accuracy on our licensees recordkeeping, and any inaccuracies or payment disputes for amounts owed to us under our licensing agreements may harm our results of operations.

Many of our license agreements require our licensees to document the manufacture and sale of products that incorporate our technology and report this data to us on a quarterly basis. While licenses with such terms give us the right to audit books and records of our licensees to verify this information, audits rarely are undertaken because they can be expensive, time consuming, and potentially detrimental to our ongoing business relationship with our licensees. Therefore, we rely on the accuracy of the reports from licensees without independently verifying the information in them. Our failure to audit our licensees books and records may result in our receiving more or less royalty revenue than we are entitled to under the terms of our license agreements. If we conducted royalty audits in the future, such audits may trigger disagreements over contract terms with our licensees and such disagreements could hamper customer relations, divert the efforts and attention of our management from normal operations and impact our business operations and financial condition.

We may not be able to satisfy the requirements under the Qimonda settlement and license agreement that would require Qimonda to pay us up to an additional $100.0 million in royalty payments.

On March 21, 2005, we entered into a settlement and patent license agreement with Infineon (and its former parent Siemens), which was assigned to Qimonda (formerly Infineon s DRAM operations) in October 2006 in connection with Infineon s spin-off of Qimonda. The agreement, among other things, requires Qimonda to pay to us an aggregate payment of $50.0 million in quarterly installments of approximately $5.85 million, which started on November 15, 2005. The agreement further provides that if we enter into licenses with certain other DRAM manufacturers, Qimonda will be required to make additional payments to us that may aggregate up to $100.0 million. As we have not yet succeeded in entering into these additional license agreements necessary to trigger Qimonda s obligations, Qimonda s quarterly payment decreased to $3.2 million in the fourth quarter of 2007, and has ceased as of the first quarter of 2008. The quarterly payments with Qimonda will not recommence until we enter into additional license agreements with certain other DRAM manufacturers. We may not succeed in entering into these additional license agreements necessary to trigger Qimonda s obligations under the settlement and patent license agreement to pay to us additional amounts, thereby reducing the value of the settlement and license agreement to us. In addition, Qimonda commenced insolvency proceedings in Germany in January 2009, with the intent to restructure Qimonda and its affiliates. Such insolvency or restructuring may lead to Qimonda s inability to make any further payment, even if we satisfy the conditions described above for such payment.

An acquisition by Qimonda of a third party DRAM manufacturer could make it more difficult for us to obtain royalty rates we believe are appropriate and could reduce the number of companies in our antitrust litigation.

On or about July 8, 2008, we amended our patent license agreement with Qimonda. The amended agreement grants a supplemental term license of approximately the same scope as the original term license originally provided for in the agreement, but specifies that in the event Infineon ceases to control or otherwise own a majority of Qimonda shares, certain competitors would not accede to this license upon such competitor s acquisition of control of Qimonda. Furthermore, such acquiring competitor would not receive the benefit of a release from Rambus for past damages, including past infringement of Rambus patent portfolio. To the extent that Qimonda acquires another company, including such certain competitors, the acquired company would accede to the license and would be eligible to receive the benefit of the release from Rambus for past damages. Following such an acquisition by Qimonda, the combined entity would be required to pay a stepped up payment calculated in accordance with the percentage increase in the DRAM volume brought about by the acquisition. Such an increase in the payments could make it more difficult for us to obtain the royalties we believe are appropriate from the market as a whole. Such an acquisition by Qimonda of any of the certain competitors would in addition reduce the number of companies from which we may seek compensation for the antitrust injury alleged by us in our pending price-fixing action in San Francisco. Except in the case of the certain competitors, the extension of any such benefits to a third party entity, whether acquiring control or otherwise a majority of shares of Qimonda or being acquired by Qimonda, could, in addition, result in the release of claims to such third party entity, thus reducing the number of companies from which we may seek compensation for patent damages.

Any dispute regarding our intellectual property may require us to indemnify certain licensees, the cost of which could severely hamper our business operations and financial condition.

In any potential dispute involving our patents or other intellectual property, our licensees could also become the target of litigation. While we generally do not indemnify our licensees, some of our license agreements provide limited indemnities, some require us to provide technical support and information to a licensee that is involved in litigation involving use of our technology, and we may agree to indemnify others in the future. Our indemnification and support obligations could result in substantial expenses. In addition to the time and expense required for us to indemnify or supply such support to our licensees, a licensee s development, marketing and sales of licensed semiconductors could be severely disrupted or shut down as a result of litigation, which in turn could severely hamper our business operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

Refer to the Exhibit Index of this quarterly report on Form 10-Q.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	RAMBUS INC.
Date: April 29, 2009	By: /s/ Satish Rishi
	Satish Rishi
	Senior Vice President, Finance and
	Chief Financial Officer

57

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description of Document
3.1(1)	Amended and Restated Certificate of Incorporation of Registrant filed May 29, 1997.
3.2(2)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Registrant filed June 14, 2000.
3.3(3)	Amended and Restated Bylaws of Registrant dated November 13, 2007.
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to the Form 10-K filed on December 15, 1997.

(2) Incorporated by reference to the Form 10-Q filed on May 4, 2001.

(3) Incorporated by reference to the Form 10-Q filed on August 4, 2008.