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12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
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15 LEONARD BRODY, on Behalf of Himself)
and All Others Similarly Situated,)

16 Plaintiff,)

17 v.)

18 RAMBUS, INC., GEOFFREY R. TATE,)
19 DAVID MOORING, GARY G. HARMON,)
20 MARK HOROWITZ, PAUL MICHAEL)
FARMWALD, BRUCE S. DUNLEVIE,)
21 EDWARD H. LARSEN and WILLIAM)
DAVIDOW,)

22 Defendants.)
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CASE NO.

CLASS ACTION

COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

1 **NATURE OF THE ACTION**

2 1. This is a securities fraud class action brought on behalf of all purchasers of the
3 common stock of Rambus, Inc. ("Rambus" or the "Company") between January 18, 2000 and May
4 9, 2001, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange
5 Act of 1934 (the "1934 Act"). This action involves the dissemination of materially false and
6 misleading statements concerning, among other things, the undisclosed fact that: (i) the Company
7 had engaged in fraudulent activity in order to obtain purportedly valuable patents on SDRAM
8 computer memory and memory-related technologies which enable semiconductor memory devices to
9 keep pace with faster generations of processors and controllers; (ii) the true enforceability and
10 viability of these patents and the true risks involved with investing in Rambus stock during the Class
11 Period; (iii) the effects these adverse undisclosed actions were having and would continue to have on
12 the Company's growth and earnings prospects; and (iv) that Company insiders, certain of which are
13 named as defendants herein, sold or otherwise disposed of over \$125¹ million of their privately held
14 Rambus stock while in possession of undisclosed, material adverse information regarding the true
15 validity of the Company's SDRAM patents, including the undisclosed fact that such patents were
16 obtained by defendants' fraud.

17 **OVERVIEW OF THE ACTION**

18 2. For the past several years, Rambus has been a leader in developing computer memory
19 and memory controllers and interfaces for personal computers, video games and other electronic
20 systems. In fact, by the late 1990's and into 2000, Rambus was an exclusive provider of memory
21 technology to giant micro-chip manufacturer Intel Corp. ("Intel") and others. Recently, however, as
22 the cost of memory products which compete with Rambus' memory products has fallen, and as
23 Rambus' new memory products have become more complex and more difficult to produce, Intel has
24 decided to create microprocessors which are compatible with non-Rambus memory and non-Rambus
25 controllers and interfaces. In fact, Intel has even encouraged other manufacturers, excluding
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28 ¹ All share prices and share amounts have been adjusted to account for the Company's June
15, 2000 4:1 stock split.

1 Rambus, to work together to develop memory that was not based on Rambus' purportedly
2 proprietary intellectual property and technology.

3 3. In fact, both prior to and during the Class Period, Intel repeatedly indicated to Rambus
4 that it was seeking to open its microprocessor designs to competing memory and memory device
5 products, as follows:

6 * In late 1999 and early 2000, Intel had difficulty launching its new microprocessors
7 because Intel found it difficult to integrate Rambus memory into the Intel products
8 and because Rambus memory was relatively expensive and in short supply. In fact,
9 during this time, as Rambus was aware, Intel was forced to pay a premium to semi-
10 conductor manufacturers to even manufacture new Rambus memory and memory
11 devices to meet the needs of Intel. Due to the complexity of Rambus memory and its
12 high prices, semiconductor manufacturers resisted manufacturing such chips, and only
13 did so after Intel had agreed to pay them a premium. *See Client Server News,*
14 *1/24/00.*

11 * In early 2000, at the behest of Intel, a group called the Advanced DRAM Technology
12 (“ADT”) alliance was formed to develop new PC main-memory architecture. The
13 purpose of this group, composed of Hyundai Electronics (“Hyundai”), Infineon
14 Technologies (“Infineon”), Micron Technologies (“Micron”), NEC Corp. (“NEC”),
15 Samsung Technologies (“Samsung”), and Intel, is to create a low-cost royalty-free,
16 “open-architecture” PC main memory that would replace current designs by 2003.
17 Notably, Rambus was not invited to participate in the ADT alliance. *See Electronic*
18 *Buyers' News, 2/14/00.*

15 * In addition to such high costs and capacity constraints, other problems existed, at
16 least from the inception of the Class Period, with Rambus memory and memory-
17 related products – notably that these new products, despite their higher cost and
18 added complexity, did not outperform standard forms of high-speed memory which
19 competed with the Rambus technology. In fact, according to Intel's own benchmark
20 tests, published on the Intel website, a 933MHz Pentium III Computer equipped with
21 128MB of PC 133 (standard high-speed) memory, surpassed the same processor
22 equipped with 128MB of Rambus memory on 11 out of 14 benchmarks. In addition
23 to needlessly raising Intel's costs, these results also caused Intel significant
24 embarrassment because Intel had previously encouraged its partners to adopt Rambus
25 technologies, despite their higher costs and added manufacturing complexity. *See*
26 *eWeek, 7/24/00.*

22 4. While alternative memory designs, such as synchronous link-DRAM, were available
23 to Intel on a royalty-free basis, Intel's historical preference for Rambus memory may be explained, in
24 part, by a 1996 agreement which would allow Intel to purchase 4 million shares of Rambus stock at a
25 split-adjusted price of \$2.50 per share. According to the terms of this agreement, which were made
26 public in 1996, the Intel warrants were contingent upon Intel achieving a 20% share of Rambus chip
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1 set shipments in any two consecutive quarters.² Based on the price of Rambus stock within the Class
2 Period, these warrants were valued at well over \$400 million. By mid-June 2000, however,
3 following the recall of certain Rambus SDRAM equipped Intel motherboards and the slow adoption
4 of Rambus' new memory technologies by consumers, it became obvious that Intel would probably
5 not be able to incorporate Rambus memory in anything close to 20% of its microprocessors prior to
6 the end of 2000, when the Intel warrant was set to expire. This realization further reduced Intel's
7 dependence on and relationship with Rambus.

8 5. Thus, faced with non-competitive new products, which are difficult to manufacture,
9 costly and not necessarily faster than competing products which cost a fraction of Rambus memory,
10 and facing the loss of Intel's support for the reasons stated above, plus the impending loss of the
11 ability to exercise the \$400 million warrants that would allow Intel to purchase Rambus stock for
12 \$2.50 per share, the Company quickly embarked on a scheme to sustain and enhance its revenues and
13 inflate its share price by suddenly seeking to enforce patents which Rambus received in 1997, which
14 were purportedly based on a patent application filed in 1990 and which also purportedly gave
15 Rambus proprietary rights to synchronous memory and SDRAM interfaces and controllers.

16 6. Rambus' sudden decision to enforce its SDRAM patents, especially against those
17 companies who manufacture controllers and interfaces (as opposed to actual memory products),
18 reflected defendants' realization that Rambus was encountering great difficulty generating revenues
19 from its new memory products, such as Rambus DRAM ("RDRAM"). From at least the inception of
20 the Class Period, Rambus attempted to transition itself from a computer memory design house into
21 an IP company, which entailed shifting the Company's focus from innovative and cost effective
22 design and creation to becoming a "lawsuit business." Thus, it was during this time when Rambus'

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24 ² Unbeknownst to investors, until the belated disclosure in 7/00, the Intel warrant deal had
25 been amended within 10 months of its adoption to allow Intel to purchase the low-cost Rambus
26 shares if Intel was able to achieve the 20% benchmark in *any two quarters*, regardless of whether
27 or not they were consecutive. In addition to the other undisclosed risks involved in investing in
28 Rambus stock during the Class Period, the revision of the Intel warrant deal also created the
undisclosed risk that Intel would be able to achieve its benchmark much sooner than originally
agreed and, as such, a significant share overhang existed which investors did not, and could not,
know.

1 new memory products were not being widely adopted by semiconductor manufacturers, and when
2 Intel was distancing itself from Rambus, that defendants suddenly began to claim that Rambus
3 “invented fundamental aspects of high-speed memory interfaces which are currently being
4 implemented in SDRAM and DDR SDRAM and anticipates that semiconductor companies will want
5 to license its technology for use in non-RDRAM-compatible products.” *See Client Server News*,
6 1/24/00.

7 7. Thus, to counter the Company's deteriorating relationship with Intel and the fact that
8 its new, complicated and expensive memory products were not being widely adopted, defendants
9 embarked on a multi-faceted litigation strategy. Since Rambus was having a difficult time competing
10 in the market based on the high price of its products, first the Company attempted to raise the price
11 of rival memory interfaces by initiating litigation against companies which were attempting to bypass
12 the Company by utilizing a rival interface not designed by Rambus, but which could interact with
13 Rambus memory. The goal of this litigation was to raise the price of competitors' interfaces by
14 imposing a royalty (*i.e.*, tax) upon its competitors, thereby enhancing the competitiveness of its own
15 products. In fact, according to *Electronic News*, on June 26, 2000:

16 I believe that Intel and Rambus were convinced that DRAM vendors weren't going to
17 ramp up production on parts, and so Rambus decided to cash in on the majority of
18 parts those vendors will be making, which is SDRAM, at least for the foreseeable
19 future. Call me crazy, but if you're already going down this road, then why not jack
20 the royalty price up on all non-RDRAM memory so it encourages those same vendors
21 to invest in and manufacture RDRAM? Makes sense to me.

22 8. The second goal of the Company's newly implemented litigation strategy was to
23 increase revenues by forcing companies to enter into licensing agreements for the manufacture of
24 SDRAM and SDRAM-compatible products.³ The Company attempted to gain such licenses first by
25 beginning to negotiate with chip producers, but soon thereafter, when such manufacturers inevitably

26 ³ This in addition to cajoling manufacturers into manufacturing Rambus memory and
27 controllers by offering them low-cost warrants to purchase Rambus stock if certain product quantity
28 benchmarks were met. While this strategy did result in some payments to leading Rambus memory
manufacturers, by and large it did little to encourage new manufacturers to begin production of
Rambus products.

1 would not agree to pay Rambus the royalty it requested, to initiate litigation – generally
2 simultaneously in several courts, located in several different countries.

3 9. Rambus' litigation/licensing strategy initially appeared to be successful, and resulted in
4 licensing agreements with Toshiba, Hitachi and Oki Technologies, among Asian manufacturers. The
5 Company was quickly able to obtain licenses with chip manufacturers who were unwilling to engage
6 in protracted litigation with Rambus in foreign jurisdictions where these manufacturers maintained
7 manufacturing plants and operations. The result of Rambus' legal gambit was the signing of several
8 SDRAM licensing agreements with large Japanese, Korean and Taiwanese memory manufacturers.

9 10. It was only once Rambus attempted to extend its hegemony over SDRAM technology
10 to European memory manufacturers that the scheme began to unravel. In fact, it was through the
11 discovery and findings conducted in an action initiated by Rambus against German chip manufacturer
12 Infineon, that the true genesis of Rambus SDRAM patents became known to investors. It was only
13 on May 9, 2001 that U.S. District Court Judge Payne of the Eastern District of Virginia announced
14 that certain counterclaims brought by Infineon against Rambus had resulted in *a \$3.5 million*
15 *punitive judgment against Rambus for fraud* related to Rambus' 1990 patent applications,
16 subsequently granted in 1997. According to Judge Payne and the jury in the Infineon action, *Rambus*
17 *was guilty of misappropriating technology created by the industry consortium JEDEC (the "Joint*
18 *Electron Device Engineering Counsel") during 1990-1996, and for failing to disclose the*
19 *existence of the 1990 Rambus patent application during the period when Rambus was a member*
20 *in JEDEC and a participant in setting a purportedly open standard for computer memory, and*
21 *for illegally appending the 1990 patent application to include the misappropriated JEDEC*
22 *SDRAM technology.*

23 11. Judge Payne's May 9, 2001 ruling, as well as a prior ruling on March 15, 2001 that
24 dismissed Rambus' patent infringement claims, had a devastating effect on the price of Rambus stock.
25 Having traded to a Class Period high of over \$127 per share on June 23, 2000, following the
26 Company's announcement that Toshiba Corporation, Japan's second largest chip manufacturer, had
27 agreed to pay Rambus a licensing fee to manufacture SDRAM memory chips, after Judge Payne's
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1 May 9, 2001 ruling, shares of Rambus traded to a Class Period low of \$12.80 per share and
2 continued to trade lower following this shocking revelation. This dramatic decline in the price of
3 Rambus shares has resulted in the loss of over \$11 billion in Rambus market capitalization, and has
4 caused plaintiff and the other members of the Class to suffer losses, in the aggregate, of over several
5 hundred millions, if not billions of dollars.

6 12. In addition, the revelation on May 9, 2001 that Rambus had engaged in fraudulent
7 and deceptive behavior relating to obtaining a proprietary interest in the SDRAM technology directly
8 contradicted many of the statements made by defendants during the Class Period, proving these
9 statements to be false and materially misleading, as follows:

- 10 * That defendants, the majority of whom were long-time managers of the Company and
11 who were associated with Rambus from the early 1990's, knew or deliberately
12 disregarded that the synchronous memory patents, upon which its Hitachi
13 infringement suit was brought, were not based on claims which stemmed from the
14 Company's original 1990 disclosures regarding fundamental technology related to
15 SDRAM memory devices and methods of controlling such devices, but were rather
16 based on claims that the defendants added to their original, over-broad application
17 after defendants had participated with industry consortium members of JEDEC, and
18 after the Company illegally misappropriated the technology contributed by such
19 JEDEC members.
- 20 * That defendants also knew that they had failed to disclose the 1990 patent application
21 to JEDEC or its members, as was required by participation in that organization, and
22 also knew that as a result of such non-disclosure and illegal misappropriation of the
23 JEDEC technological standards for SDRAM, which defendants appended to their
24 undisclosed patent application, the Company did not possess a valid patent and as
25 such had no reasonable basis to claim either that companies were infringing on its
26 proprietary technology, nor that Rambus "invented" fundamental aspects of such
27 high-speed memory interfaces.
- 28 * That defendants knew that, had they disclosed the existence of their 1990 patent
29 applications to the JEDEC members in 1990, even if Rambus had invented certain
30 aspects of synchronous memory and the methods to control the same, this SDRAM
31 technology would not have been adopted by JEDEC as an "open" industry standard
32 absent a waiver of Rambus' patent claims, and that it was only by failing to disclose
33 the existence of its prior patent applications that Rambus was able to convince
34 JEDEC to adopt synchronous memory as a standard memory form.
- 35 * That, based on the foregoing, defendants had no reasonable basis to claim that they
36 expected or anticipated that other semiconductor companies would or did want to
37 license such Rambus SDRAM technology for either compatible or non-compatible
38 Rambus memory.
- 39 * That Rambus' purportedly "very valuable patents that cover fundamental aspects of
40 synchronous DRAM" were obtained by fraud, deception and misappropriation.

- 1 * That the Company's "clear and straightforward" patents were the product of
2 misappropriated technology and that if this misappropriation of the JEDEC
3 technology was disclosed, these patents would be found to be unenforceable and
4 worthless.
- 5 * That defendants' statements regarding quarterly licensing revenue gains created the
6 false impression that, based on the Company's successful enforcement of its patents
7 and licensing of its technologies, Rambus was and would continue to generate
8 significant royalties on its patented technologies. In fact, however, due to the fraud
9 engaged in by defendants in securing the synchronous memory patents, or which
10 actions have been later ratified by defendants, the Company would not be able to
11 continue to generate such licensing and royalty fees in the foreseeable future.
- 12 * That it was materially false and misleading to announce that the Company was
13 looking forward to renewing its long-term relationships with Hitachi and Toshiba,
14 after settling their SDRAM patent infringements suits and entering into licensing
15 agreements with these companies, without also disclosing that its new synchronous
16 memory licenses with Hitachi and Toshiba were wholly dependent upon the SDRAM
17 patents and that such licenses would be void if Rambus' patents were found to be
18 invalid. The undisclosed contingent nature of this and other licensing agreements for
19 synchronous memory created an enormous undisclosed risk to Rambus' investors, in
20 that if the Company's SDRAM patents were found to be invalid (*i.e.*, if the fraudulent
21 activities surrounding the filing of these patents was eventually discovered), the
22 Company would instantly lose the revenue expected to be generated by its licenses.
23 Just as the Company had failed to disclose its pending patent application to JEDEC
24 years before, defendants again failed to disclose important and material terms of its
25 licensing agreements to investors. Instead, the Company merely heralded its triumph
26 in obtaining such agreements, and said nothing about the interdependence of the
27 patents and its licenses.

13. Rather than disclose the truth about Rambus and the deceptive manner in which it had
obtained its patents, which was known to or deliberately disregarded by defendants, defendants were
motivated to make the false statements summarized above. That is, by the inception of the Class
Period, Rambus was losing support from Intel, its new products were not being widely accepted and
that, as a result, the Company faced a certain slow-down in demand and a likely reduction in royalty
revenues. Defendants' wrongful scheme was designed to and did allow Rambus insiders, several of
whom are named as defendants herein, to sell or otherwise dispose of over 2.1 million shares of their
privately held Rambus stock while in possession of material adverse non-public information and to
realize illicit gross proceeds of more than **\$125 million**. Plaintiff and other members of the Class
who acquired their shares of Rambus stock at prices as high as \$127 per shares have suffered
tremendous losses. In fact, Rambus' current price represents an \$11 billion reduction in market
capitalization, or over 90% from its Class Period high.

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1 **JURISDICTION AND VENUE**

2 14. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the
3 1934Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities
4 and Exchange Commission (“SEC”) [17 C.F.R. §240.10b-5].

5 15. This Court has jurisdiction over the subject matter of this action pursuant to 28
6 U.S.C. §§1331 and 1337 and §27 of the 1934 Act [15 U.S.C. §78aa].

7 16. Venue is proper in this District pursuant to §27 of the 1934 Act, and 28
8 U.S.C. §1391(b). Many of the acts alleged herein, including the preparation and dissemination of
9 materially false and misleading information, occurred in substantial part in this District. Additionally,
10 defendants maintain their chief executive offices and principal place of business within this District.

11 17. In connection with the acts alleged in this complaint, defendants, directly or indirectly,
12 used the means and instrumentalities of interstate commerce, including, but not limited to, the mails,
13 interstate telephone communications and the facilities of the national securities markets.

14 **PARTIES**

15 18. Plaintiff Leonard Brody purchased the common stock of Rambus at artificially inflated
16 prices during the Class Period, as detailed in the attached certification, and was damaged thereby.

17 19. Defendant Rambus is a Delaware corporation with its principal executive offices
18 located at 4440 El Camino Real, Los Altos, CA 94022. According to the Company's press releases,
19 Rambus purports to be an intellectual property (“IP”) company that designs, develops and licenses
20 high-bandwidth chip-connection technology which enables semiconductor memory devices to keep
21 pace with faster generations of processors and controllers. During the Class Period, Rambus claims
22 to have had licensed its technologies to over 30 semiconductor companies for the development,
23 manufacture and sale of Rambus-compatible integrated circuits (“ICs”).

24 20. The individual defendants identified below (the “Individual Defendants”), served at all
25 times material to the claims set forth herein, as senior officers and/or directors of Rambus in the
26 positions set forth below:
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1 a. Defendant Geoffrey R. Tate (“Tate”) is, and at all times relevant to the
2 allegations raised herein was, Chief Executive Officer and a director of the Company. Defendant
3 Tate has held these positions since May 1990 and also served as President of the Company from 1990
4 to December 1999. During the Class Period and as part of the fraudulent scheme, defendant Tate
5 sold or otherwise disposed of 540,000 shares of his privately held Rambus common stock for prices
6 as high as \$89.48 per share to realize illicit gross proceeds of at least ***\$31.57 million***.

7 b. Defendant David Mooring (“Mooring”) is, and at all times relevant to the
8 allegations raised herein was, President and a director of the Company. Defendant Mooring joined
9 the Company in February 1992 as Vice-President of Marketing and Sales and in March of
10 1997 became Senior Vice President and General Manager of the Computer and Memory Group.
11 During the Class Period and as part of the fraudulent scheme, defendant Mooring sold or otherwise
12 disposed of 420,000 shares of his privately held Rambus common stock for prices as high as \$86.48
13 per share to realize illicit gross proceeds of at least ***\$23.96 million***.

14 c. Defendant Gary G. Harmon (“Harmon”) is, and at all times relevant to the
15 allegations raised herein was, Chief Financial Officer and Senior Vice President of the Company.
16 During the Class Period and as part of the fraudulent scheme, defendant Harmon sold 28,664 shares
17 of his privately held Rambus common stock for prices as high as \$ 53.46 per share to realize illicit
18 gross proceeds of at least ***\$1.15 million***.

19 d. Defendant Mark Horowitz (“Horowitz”) is, and at all times relevant to the
20 allegations raised herein was, a director of the Company. Defendant Horowitz has been a director of
21 the Company since its founding in March 1990, and currently serves as a part-time member of the
22 Company's technical staff. During the Class Period and as part of the fraudulent scheme, defendant
23 Horowitz sold 380,000 shares of his privately held Rambus common stock for prices as high as \$91
24 per share to realize illicit gross proceeds of at least ***\$18.13 million***.

25 e. Defendant Paul Michael Farmwald (“Farmwald”) is, and at all times relevant
26 to the allegations raised herein was, a director of the Company. Defendant Farmwald has been a
27 director of the Company since March 1990, and also served as Chief Scientist from March 1990 to
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1 November 1993. During the Class Period and as part of the fraudulent scheme, defendant Farmwald
2 sold 270,000 shares of his privately held Rambus common stock for prices as high as \$83.45 per
3 share to realize illicit gross proceeds of at least **\$24.9 million**.

4 f. Defendant Bruce S. Dunlevie (“Dunlevie”) is, and at all times relevant to the
5 allegations raised herein was, a director of the Company. Defendant Dunlevie has been a director of
6 the Company since its founding in March 1990. Defendant Dunlevie is also a member of the venture
7 capital firms of Benchmark Capital and Merrill, Pickard, Anderson & Eyre where he has served as a
8 general partner since 1989. During the Class Period and as part of the fraudulent scheme, defendant
9 Dunlevie sold 30,000 shares of his privately held Rambus common stock for prices as high as \$88.98
10 per share for proceeds of at least **\$2.66 million**.

11 g. Defendant Edward H. Larsen (“Larsen”) is, and at all times relevant to the
12 allegations raised herein was, Vice-President - Administration for the Company. During the Class
13 Period and as part of the fraudulent scheme, defendant Larsen sold or otherwise disposed of 149,526
14 shares of his privately held Rambus common stock for prices as high as \$90 per share to realize illicit
15 gross proceeds of at least **\$7.3 million**.

16 h. Defendant William Davidow (“Davidow”) is, and at all times relevant to the
17 allegations raised herein was, Chairman of the Board of Directors, and has held that position since
18 the Company was founded in March 1990. In addition, defendant Davidow is also a general partner
19 of Mohr, Davidow Ventures, a venture capital firm.

20 21. Because of the Individual Defendants' positions with the Company, they had access to
21 the adverse undisclosed information about the methods used by the Company to obtain its patents,
22 the true validity and enforceability of these patents, and Rambus' present and future business
23 prospects via access to internal corporate documents (including the Company's operating plans,
24 budgets and forecasts and reports of actual operations compared thereto), conversations and
25 connections with other corporate officers and employees, attendance at management and/or Board of
26 Directors meetings and committees thereof and via reports and other information provided to them in
27 connection therewith. In addition, the majority of the defendants, including defendants Tate,
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1 Mooring, Horowitz, Farmwald, Dunlevie and Davidson, are also board members and long-standing
2 officers and/or directors of the Company who controlled Rambus during the time when the Company
3 improperly misappropriated the JEDEC technology and attempted to and did incorporate such
4 technology into the Company's then pending 1990 patent application, which was subsequently issued
5 in 1997 under false pretenses.

6 22. It is appropriate to treat the Individual Defendants as a group for pleading purposes
7 and to presume that the false, misleading and incomplete information conveyed in the Company's
8 public filings, press releases and other publications as alleged herein are the collective actions of the
9 narrowly defined group of defendants identified above. Each of the above officers and/or directors
10 of Rambus, by virtue of their high-level positions with the Company, directly participated in the
11 management of the Company, was directly involved in the day-to-day operations of the Company at
12 the highest levels and was privy to confidential proprietary information concerning the Company, its
13 intellectual property, business, growth, and financial prospects, as alleged herein. Said defendants
14 were directly involved in drafting, modifying, supplementing, producing, reviewing and/or filing the
15 Company's improper and illegal patent applications, as well as the other false and misleading public
16 statements and information related to the Company's intellectual property as alleged herein, and were
17 aware or deliberately disregarded that the false and misleading statements were being issued
18 regarding the Company, and approved or ratified these statements, in violation of the federal
19 securities laws.

20 23. As officers and/or directors and controlling persons of a publicly held company whose
21 common stock was, and is, registered with the SEC pursuant to the 1934 Act, traded on Nasdaq
22 National Market System (the "Nasdaq"), and governed by the provisions of the federal securities
23 laws, the Individual Defendants each had a duty to disseminate promptly, accurate and truthful
24 information with respect to the Company's intellectual property, business, products, markets, growth,
25 and present and future business prospects, and to correct any previously issued statements that had
26 become materially misleading or untrue, so that the market price of the Company's common stock
27 would be based upon truthful and accurate information. The Individual Defendants'

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1 misrepresentations and omissions during the Class Period violated these specific requirements and
2 obligations.

3 24. The Individual Defendants participated in the drafting, preparation, and/or approval of
4 the various public, shareholder and investor reports and other communications complained of herein
5 and were aware of, or deliberately disregarded, the misstatements contained therein and omissions
6 therefrom, and were aware of their materially false and misleading nature. Because of their Board
7 membership and/or executive and managerial positions with Rambus, each of the Individual
8 Defendants had access to the adverse undisclosed information about Rambus' intellectual property,
9 its patent applications and the circumstances surrounding the making of such applications, business
10 prospects, financial condition and performance as particularized herein and knew (or deliberately
11 disregarded) that these adverse facts rendered the positive representations made by or about Rambus
12 and its business issued or adopted by the Company materially false and misleading.

13 25. The Individual Defendants, because of their positions of control and authority as
14 officers and/or directors of the Company, were able to and did control the content of the various
15 SEC filings, press releases and other public statements pertaining to the Company during the Class
16 Period. Each Individual Defendant was provided with copies of the documents alleged herein to be
17 misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent
18 their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is
19 responsible for the accuracy of the public reports and releases detailed herein and is therefore
20 primarily liable for the representations contained therein.

21 26. Each of the defendants is liable as a participant in a fraudulent scheme and course of
22 business that operated as a fraud or deceit on purchasers of Rambus common stock by disseminating
23 materially false and misleading statements about the Company's exclusive right to license certain
24 important and valuable SDRAM computer memory technology, and/or concealed the material
25 adverse fact that the Company had misappropriated this SDRAM technology from the industry
26 consortium, JEDEC, which together with Rambus worked in the early 1990's to set a common
27 standard for computer memory and memory transmission. The scheme: (i) deceived the investing
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1 public regarding Rambus' right to exclusively license certain valuable SDRAM technology, the
2 foreseeable ability of the Company to obtain royalties for such licensed SDRAM technology, its
3 foreseeable product demand and growth, and the intrinsic value of Rambus common stock; (ii)
4 caused plaintiff and other members of the Class to purchase Rambus common stock at artificially
5 inflated prices; and (iii) allowed defendants and other insiders of the Company, who were also
6 officers and directors, to sell or otherwise dispose of over 2 million shares of their privately held
7 Rambus common stock to realize illicit gross proceeds of over \$125 million, while in possession of
8 material, adverse non-public information regarding the Company's true claims to ownership over the
9 SDRAM computer memory technology.

10 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

11 27. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure
12 23(a) and (b)(3) on behalf of a class consisting of all persons who purchased Rambus common stock
13 during the Class Period and who were damaged thereby (the "Class"). Excluded from the Class are
14 defendants, the officers and directors of the Company, members of their immediate families and their
15 legal representatives, heirs, successors or assigns and any entity in which defendants have or had a
16 controlling interest.

17 28. The members of the Class are so numerous that joinder of all members is
18 impracticable. Throughout the Class Period, Rambus common shares were actively traded on the
19 Nasdaq. As of October 31, 2000, there were approximately 97.64 million shares of Rambus common
20 stock issued and outstanding. While the exact number of Class members is unknown to plaintiff at
21 this time and can only be ascertained through appropriate discovery, plaintiff believe that there are
22 hundreds or thousands of members in the proposed Class. Record owners and other members of the
23 Class may be identified from records maintained by Rambus or its transfer agent and may be notified
24 of the pendency of this action by mail, using a form of notice similar to that customarily used in
25 securities class actions.

1 system's specific functions and performed calculations – the microprocessor. In recent years,
2 however, new generations of microprocessors and controllers have become substantially faster and
3 more powerful and, increasingly, the bottleneck in system performance is becoming the component
4 that stores the instructions and data needed by the microprocessors and controllers – the DRAM. To
5 reduce such “bottlenecks” in newer, more powerful computer systems, according to the Company's
6 FY:00 Form 10-K, Rambus purportedly provides the following important and “revolutionary”
7 technology:

8 Rambus has created a revolutionary chip connection architecture, which addresses the
9 Performance Gap by transferring data through a simplified bus at significantly higher
10 frequencies than permitted by conventional technologies. To date, the largest
11 immediate application for this interface technology is to connect logic circuits to
12 memory in home video game consoles, PCs, workstations and other electronic
13 systems. Among such “revolutionary” technology, the Company provides several
14 types of DRAM, including: synchronous DRAM (“SDRAM”), Rambus Standard
15 DRAM (“RDRAM”) and double data-rate SDRAM (“DDR SDRAM”), among other
16 products.

17 35. In order to establish Rambus interface technology as an industry standard, the
18 Company purportedly has adopted a business model whereby Rambus neither manufactures nor sells
19 semiconductors, but rather patents and then licenses such technology.⁴ The Company's FY:00 Form
20 10-K states that:

21 The Company generates revenues from two types of licenses. The first, for
22 technology which is fully compatible with the Rambus standard (“RDRAM-
23 compatible licenses”), allows semiconductor manufacturers to manufacture and sell
24 RDRAMs ... to systems companies which have adopted Rambus technology. The
25 second type of license (“SDRAM-compatible licenses”), covers the use of Rambus
26 patents and other intellectual property in non-Rambus ICs, specifically in synchronous
27 DRAM (“SDRAM”) and double data-rate (“DDR”) SDRAM memory devices and
28 logic ICs which control such memory.

* * *

SDRAM-compatible licenses also generally provide for the payment of license fees as well as quarterly royalties.... The license fees, which generally are millions of dollars,

⁴ While a patent gives its owner exclusive proprietary interests in the subject of the patent, patents alone provide no revenue. To exploit technology which is the subject of a patent, its owner must enter into a contractual relationship with a licensee, whereby the licensee agrees to pay for the use of such property. The royalty paid under a license is independent of any patent, and as such licenses may also be negotiated on non-patented property. A license, however may be dependant upon the validity of a patent if the parties to a license specify this in their agreement.

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include compensation for use of Rambus patents from the time the Company notifies the licensee of potential infringement.

1 37. In addition to the statements made by defendants in Rambus' press releases, following
2 the Company's announcement of its Hitachi lawsuit, defendants also granted interviews to leading
3 news publications in which they made further claims regarding their ownership of SDRAM
4 technology, and their foreseeable ability to license such technology, as follows:

5 * “Rambus executives make no secret of the fact that they believe that all of the memory
6 cited in the lawsuit, no matter which company makes it, violates their patents. *'We*
7 *believe we have very valuable patents that cover fundamental aspects of*
8 *synchronous DRAM,' said Avo Kanadjian, vice president of worldwide marketing*
9 *for Rambus. 'It's always been our position that we've invented fundamental aspects*
10 *of high speed memory interfaces and that other companies will want to license our*
11 *technology for use in (developing) non-Rambus memory,' he added. 'We would*
12 *prefer to negotiate and settle amicably.'” San Jose Mercury News, 1/21/00.*

13 * ““We had a meeting with Hitachi in 1999 during which we reviewed the details of the
14 infringement with them, but they failed to respond,' said Avo Kanadjian, Rambus'
15 newly appointed vice president of worldwide marketing. 'We feel that a company that
16 wants the use of our intellectual property for the development of non-Rambus-
17 compatible products will have to get a separate license.' *According to Rambus*
18 *executives, the SDRAM patents in question were granted in 1997 were originally*
19 *filed as part of a 1990 application.” Electronic Buyers' News, 1/24/00.*

20 * Defendant Tate told shareholders at the Company's annual shareholder meeting that
21 Rambus' suit against Hitachi is distinguishable from the “traditional” practice of
22 semiconductor companies – suing sector mates but eventually striking cross-licensing
23 agreements. *“If the matter ends up in court, Tate says, 'our intention is not to let*
24 *Hitachi license our technology.' He dryly encouraged shareholders to check out the*
25 *'riveting reading' in Rambus' 141 patent claims. 'Our patent claims are as clear and*
26 *straightforward as you're going to see.’” TheStreet.com, 2/11/00.*

27 38. The statements made by defendants and published in the Company's press releases and
28 in other media reports, and reproduced herein in ¶¶36-37, were false and materially misleading at the
time of such publication, and were know to defendants to be false, or were deliberately disregarded
as such, for the following reasons:

a. Defendants, the majority of whom were long-time managers of the Company
and who were associated with Rambus from the early 1990's, knew or deliberately disregarded that
the synchronous memory patents, upon which the Hitachi infringement suit was brought, were not
based on claims which stemmed from the Company's original 1990 disclosures regarding fundamental
technology related to SDRAM memory devices and methods of controlling such devices, but rather
were based on claims that the defendants added to their original, over-broad application after

1 defendants had participated with industry consortium members of JEDEC, and after the Company
2 illegally misappropriated the technology contributed by such JEDEC members;

3 b. Defendants also knew that they had failed to disclose the 1990 patent
4 application to JEDEC or its members, as was required by Rambus' participation in that organization,
5 and also knew that as a result of such non-disclosure and unfair misappropriation of the JEDEC
6 technological standards for SDRAM which defendants appended to their undisclosed patent
7 application, the Company did not possess a valid patent and as such had no reasonable basis to claim
8 either that Hitachi had infringed on its proprietary technology, nor that Rambus “invented”
9 fundamental aspects of such high-speed memory interfaces;

10 c. Defendants knew that had they disclosed the existence of their 1990 patent
11 applications to the JEDEC members during the period 1990-1996, even if Rambus had invented
12 certain aspects of synchronous memory and the methods to control the same, this SDRAM
13 technology would *not* have been adopted by JEDEC as an “open” industry standard absent a waiver
14 of Rambus' patent claims, and that it was only by failing to disclose the existence of its prior patent
15 applications that Rambus was able to convince JEDEC to adopt synchronous memory as a standard
16 memory form;

17 d. Based on the foregoing, defendants had no reasonable basis to claim that they
18 expected or anticipated that other semi-conductor companies would or did want to license such
19 Rambus SDRAM technology for either compatible or non-compatible Rambus memory;

20 e. It was false and materially misleading to claim that Rambus had “very valuable
21 patents to cover fundamental aspects of synchronous DRAM,” when such patents were obtained by
22 fraud, deception and misappropriation; and

23 f. It was false and materially misleading for defendants to claim that the
24 Company's patents were “clear and straightforward,” when defendants knew that they had
25 misappropriated the technology covered by such patents and that if this misappropriation of the
26 JEDEC technology was disclosed, that these patents would be found to be unenforceable and
27 worthless.

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1 39. The false and materially misleading statements made by the Company had the effect of
2 artificially inflating the value of Rambus shares, and between January 18, 2000 and February 15, 2000
3 shares of Rambus stock soared, trading from a low of \$18.13 on January 28, 2000, to a high of \$43
4 on February 15, 2000.⁶ On February 15, 2000, over 57 million shares of Rambus stock traded on the
5 Nasdaq, over 10 times its average trading volume. On March 14, 2000, shares of Rambus traded over
6 \$117 per share (almost \$470 per share on a non-split adjusted basis). Taking full advantage of the
7 artificial inflation in the price of Rambus stock which their false statements had created, during the
8 period between January 21, 2000 and February 29, 2000, certain insiders, several of whom are named
9 as defendants herein, sold over 600,000 shares of their privately held Rambus stock to realize illicit
10 gross proceeds of over \$32.69 million.

11 40. The false and materially misleading statements made by defendants also had the effect
12 of misleading analysts. As evidence of this, on January 19, 2000, following the Company's report of
13 strong quarterly financial results and after announcing its suit against Hitachi, Warburg Dillon Read
14 analyst Gregory Mischou issued a report on Rambus giving its shares a "Strong Buy"
15 recommendation and stating the following:

16 We are increasing [our] FY'00 EPS estimate for Rambus to \$0.64 from \$0.60.
17 Additionally *we are instituting a FY'01 EPS estimate of \$2.18 based on our market*
18 *estimate of 15% DRAM penetration rate for Rambus in CY-00 and 40-45%*
19 *penetration rate in CY-01.* We believe the near-term outlook for Rambus is
20 improving as the market begins to ramp with the introduction of additional desktop
21 PCs and the Sony Playstation 2 in Mar-00. *We reiterate our Strong Buy rating on*
22 *Rambus*

23 41. On March 23, 2000, with Rambus shares trading in the high \$80 range, the Company
24 issued a release which stated that Rambus had requested that the U.S. International Trade
25 Commission (the "ITC") investigate purportedly unlawful SDRAM imports by Hitachi and Sega.
26 According to the Company, "Rambus is seeking to halt the importation and sale of the infringing
27 Hitachi memory and microprocessor products and Sega Dreamcast game consoles." The complaint
28 filed by Rambus with the ITC was calculated to pressure Hitachi into settling the patent infringement

⁶ On a non-split adjusted basis, the share increase on February 15, 2000 alone was over \$40 per share, as shares of Rambus traded as high as \$172 per share, pre-split.

1 suit Rambus had brought against it. On April 11, 2000, the Company issued an additional release
2 which stated that Rambus had filed a patent infringement suit against Hitachi in the District Court in
3 Mannheim, Germany, also purportedly stemming from Hitachi's infringement of patents based on the
4 Company's original 1990 disclosures.

5 42. On April 12, 2000, Rambus issued a release which announced results for 2Q:F00, the
6 period ended March 31, 2000. According to this release:

7 Fiscal Q2 earnings excluding acquisition-related costs and one-time employee
8 compensation expenses ... \$0.15 per share, up 50% sequentially. ... Revenues for the
9 quarter were \$15.7 million, up 59% over the same period last year and up 31% from
10 the previous quarter.... Also included in the second quarter is ***a record \$3.5 million in
royalties received from licensees based on their shipments of Rambus ICs in the
October - December period. This is an increase of 83% over the same period last
year and 33% over the previous quarter.***

11 * * *

12 Also in the second quarter, Rambus recorded a one-time charge of \$171 million
13 associated with the vesting of certain employee options and Common Stock
14 Equivalents (CSEs). This is a non-cash charge, except for a \$1.2 million payment for
payroll taxes.⁷

15 43. The statements made by defendants and contained in the April 12, 2000 release were
16 materially misleading and false and were known by defendants to be false at that time, or were
17 deliberately disregarded as such, for the reasons stated herein in ¶138. In addition, such statements
18 were false and materially misleading because they created the false impression that, based on the
19 Company's successful enforcement of its patents, Rambus was and would continue to generate
20 significant royalties on its patented technologies. In fact, however, due to the fraud engaged in by

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22 ⁷ As previously disclosed in its Form 10-Q for the first fiscal quarter of 2000, the Company
23 granted all its employees performance-based options and CSEs which vest based on the achievement
24 of key indicators of success for Rambus. In order to tie rewards to employees closer to an increase
25 in stockholder value, vesting for one portion of the options and CSEs was made contingent on an
26 increase in the price of Rambus common stock to greater than \$200 per share (pre-split) for 30
27 consecutive days. This target was achieved by the end of March 2000, and resulted in the one-time
28 \$171 million charge to earnings in the second quarter. The other portion of these performance-based
employee options and CSEs vest on the same basis as the Intel and DRAM warrants (two
consecutive quarters in which Rambus-based chipsets are greater than 20% of Intel's total chipset
shipments) and will result in another non-cash charge to the statement of operations based on the fair
value of the options and CSEs at the time achievement becomes probable.

1 defendants in securing the synchronous memory patents, or which actions were later ratified by
2 defendants, it was highly unlikely that the Company would be able to continue to generate such
3 licensing and royalty fees in the foreseeable future.

4 44. By the time the Company announced its results for 2Q:F00, on April 12, 2000, the
5 price of Rambus stock had fallen to about \$53 per share from a high of \$117.75 on March 14, 2000.
6 The announcement of the huge options grants given to the Company's employees in addition to the
7 uncertainty created by Rambus' patent litigations were substantial causes leading to the decline in
8 Rambus' stock price.

9 45. By this time, however, the Company's positive guidance caused analysts to increase
10 their price targets on Rambus stock to as high as \$350 per share (non-adjusted, or \$87.50 adjusted).
11 As evidence of this positive guidance, on April 13, 2000, Warburg Dillon Read analyst Seth Dickson
12 issued a report on Rambus which reiterated a "Strong Buy" recommendation, stating the following:

13 We reiterate our Strong Buy rating on RMBS. We believe near-term catalysts for the
14 stock include new RDRAM PC introductions in the Spring, a continued successful
15 ramp of Sony Playstation 2, and additional RDRAM vendors ramping volume
16 production during the current quarter. *We believe the recent weakness in the stock
17 provides a very attractive buying opportunity.*

18 * * *

19 **Hitachi/SDRAM lawsuits:** Early this quarter Rambus announced a lawsuit against
20 Hitachi for willful infringement on four key Rambus patents and is seeking an
21 injunction against shipments of Hitachi SDRAM and DDR memory products and
22 certain SH processors. *Rambus holds claims on certain patents dealing with
23 fundamental aspects of high-speed memory interfaces that Rambus believes
24 Hitachi used in certain memory logic ICs. A favorable ruling for Rambus would
25 set a precedent whereby the company could attempt to license other DRAM and
26 semiconductor companies manufacturing chips that incorporate elements of
27 Rambus technology, but are not Rambus "branded" (Rambus-compatible) ICs -
28 greatly opening the company's total available market (TAM) and enhancing the
Rambus royalty stream over the long-term.*

23 46. During early May 2000, Intel was forced to recall certain computer motherboards
24 using the 820 chipset and Direct Rambus DRAM ("RDRAM"), which were designed to run with
25 both Rambus and non-Rambus interfaces. While Intel and Rambus had, until this time, refused to
26 discuss how many Rambus RDRAM chipsets had been sold by Intel, the recall by Intel unintendedly
27 revealed that Intel had only sold between 350,000 and 500,000 RDRAM chipsets, or only about 1%
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1 of the 40 million boards shipped in the first quarter. As commentators reported at that time, this
2 volume of RDRAM shipments was surprisingly below expectations. As a reaction to this unwitting
3 disclosure, the price of Rambus stock receded from over \$62 per share on May 1, 2000 to
4 approximately \$41 per share on May 10, 2000.

5 47. Thus, by early June 2000, defendants again attempted to assure investors that Rambus
6 was ramping up the licensing of the Company's proprietary SDRAM, and that Rambus was then
7 aggressively pursuing its claims by initiating at least seven litigations against purported infringers,
8 located on two continents. In addition, at that time defendants also guided analysts, such as Morgan
9 Stanley financial analyst Mark Edelstone, to report that even companies such as Germany's Infineon
10 would be forced to settle with Rambus. As reported by *Electronic Buyers' News* on June 16, 2000,
11 Rambus claimed that it was likely to succeed on its patent infringement claims against Hitachi and
12 others, since the claims at issue were granted in 1997, as a result of claims made by the Company in
13 1990. In addition, as reported, defendants denied claims that they had acted improperly in obtaining
14 such patents or that Rambus had violated any disclosure rules related to its involvement in the
15 JEDEC consortium, as follows:

16 ***Rambus also claims its SDRAM IP goes back to a broad patent application filed in***
17 ***1990 that was only amended by its 1997-98 claims.*** But the record shows that the
18 Patents and Trademarks Office (PTO) refused to consider the original Rambus 1990
19 application as filed because it was considered too broad and included a number of
different inventions. Rambus subsequently broke out a series of separate invention
claims that were withdrawn or continued until the final 1997-98 amendments were
filed and accepted by the PTO.

20 Rambus' contention that its SDRAM patent goes back to the frequently withdrawn
21 and continued claims appended to the 1990 application seems to be a prima facie
22 admission the company failed to disclose such proprietary IP to JEDEC. In fact,
Rambus doesn't dispute that it failed to make such a disclosure, arguing instead
that it wasn't required to.

23 48. The statements made by defendants and reported in the June 16, 2000 *Electronic*
24 *Buyers' News* report were false and materially misleading and were known by defendants to be false
25 at that time, or were deliberately disregarded as such, for the reasons stated herein in ¶38. In
26 addition, such statements were false and materially misleading because they purported to represent
27 that defendants had not violated Rambus' JEDEC disclosure obligations when, in fact, defendants
28

1 were required to, but did not, disclose the 1990 patent application during the six years, 1990-1996,
2 the Company was participating in JEDEC. Moreover, according to statements made by other JEDEC
3 members as well as that body's president, had JEDEC known of the earlier patents it would either
4 have required Rambus to waive any claim to the enforcement of such patents or would not have
5 adopted SDRAM as an "open" industry memory standard.

6 49. The same day, June 16, 2000, the Company announced that Toshiba Corporation
7 ("Toshiba"), Japan's second biggest chip maker, said that it would pay Rambus royalties for a broader
8 range of computer memory designs.⁸ As a result of the Toshiba announcement and the further
9 reports about the purported validity of Rambus' SDRAM patents, shares of Rambus again rose on
10 substantial volume. On June 15, 2000, shares of Rambus closed at approximately \$56.50 per share
11 and on June 16, 2000 shares of Rambus closed at \$83.38 per share, on huge volume of over 64
12 million shares. The following trading day, June 19, 2000, shares of Rambus traded as high as
13 \$100.25 per share and by June 23, 2000 shares of Rambus reached a Class Period high of \$127 per
14 share. Taking advantage of the artificial inflation in the price of Rambus shares created by
15 defendants' misrepresentations, between mid-April and early June 2000, Company insiders, including
16 certain of the defendants herein, sold or otherwise disposed of over 400,000 of their personally held
17 Rambus shares to reap additional illicit gross proceeds of over \$18.57 million.

18 50. On June 19, 2000, *the Street.com* reported on the huge spike in the price of Rambus
19 shares, and attributed this price increase to several factors including: (i) the "growing expectations
20 that it could soon be signing additional licensing deals for the use of its high-speed chip connection
21 technology"; (ii) receiving an upgrade by Morgan Stanley analyst Mark Edelstone to "strong buy"
22 from "outperform"; and (iii) following reports of the Toshiba licensing deal.

23 51. Again, the false and materially misleading statements made by defendants also had the
24 effect of misleading analysts. On June 19, 2000, following the Company's announcement of its new
25 licensing deal with Toshiba, UBS Warburg analyst Seth Dickson issued a report on Rambus which
26

27 ⁸ The royalty rates for synchronous memory would be higher than those charged to Toshiba
28 for Direct Rambus memory.

1 reiterated its “Strong Buy” recommendation. In addition, the UBS Warburg report stated the
2 following:

3 Rambus and Toshiba announced that the companies engaged in a licensing agreement
4 in which *Toshiba will pay Rambus royalties on shipments of SDRAM, DDR and
FC-DRAM products and controllers which interface with these memories.*

5 *We believe other DRAM vendors will follow suit.* Likely candidates to sign in the
6 near-term include Samsung, the world's largest DRAM vendor, NEC and Hyundai.
7 *Ultimately, these deals could double Rambus DRAM royalty opportunity over the
next 12-18 months.*

8 52. On June 22, 2000, the Company issued a release announcing that it had settled its
9 patent infringement suit against Hitachi, and that Hitachi had signed a patent license agreement with
10 Rambus to license SDRAM and DDR SDRAM memory and controllers. According to this release:

11 As part of the agreement, *Hitachi will pay Rambus an up-front settlement fee, as
12 well as quarterly royalty payments.*

13 *The license agreement involves patents for fundamental aspects of high-speed
14 memory interfaces invented by Rambus which are currently being implemented in
Hitachi's SDRAM, Double Data Rate (DDR) SDRAM memory, and Hitachi's
15 controllers which directly interface with these types of memory.* Under the licensing
16 agreement, the royalty rates for DDR SDRAM and the controllers, which directly
interface with DDR SDRAM, are greater than the RDRAM compatible rates. *The
agreement also includes royalties for SDRAM and for controllers that directly
interface with SDRAM.*

17 “Rambus develops and licenses IP - *our objective is to produce innovations that will
18 benefit the semiconductor and systems industries, and by licensing these
innovations to generate a return on investment to our shareholders,*” said Geoff
19 Tate, chief executive officer of Rambus, Inc. “We believe our Rambus memory
20 interface is the best solution for the majority of the market. Developing and
marketing the Rambus memory interface has been and remains our top priority, but
21 we are willing to license our IP for other memory interface solutions as well. *We are
pleased that Hitachi chose to license our patents for SDRAM, DDR SDRAM
22 memory and controllers. We look forward to renewing a long-term relationship
with Hitachi.*”

23 53. In negotiating its license agreement with Hitachi, Rambus represented that it owned
24 the rights to synchronous memory as a result of its 1990 patents, granted in 1997. It was critical that
25 Hitachi believe that Rambus owned the rights to SDRAM prior to signing its license agreement,
26 because this agreement extended Rambus' hegemony over synchronous memory. Moreover,
27 Toshiba's and Hitachi's decisions to pay a royalty for the controllers which merely interact with
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1 Rambus SDRAM technology set a new precedent that would help Rambus extract royalties from
2 Hitachi and Toshiba and almost any other company that designs products that directly interface with
3 SDRAM memory.

4 54. The statements made by defendants and contained in the June 16, 2000 and June 22,
5 2000 releases were false and materially misleading and were known by defendants to be false at that
6 time, or were deliberately disregarded as such, for the reasons stated herein in ¶¶38, 43, and 48,
7 above. In addition, it was also materially false and misleading to announce that the Company was
8 looking forward to renewing its long-term relationships with Hitachi and Toshiba after settling their
9 SDRAM patent infringements suits and entering into licensing agreements with these companies,
10 ***without also disclosing that its new synchronous memory licenses with Hitachi and Toshiba were***
11 ***wholly dependent upon the SDRAM patents, and that such licenses would be void if Rambus'***
12 ***patents were found to be invalid.*** The undisclosed contingent nature of this and other licensing
13 agreements for synchronous memory created an enormous undisclosed risk to Rambus investors, in
14 that if the Company's SDRAM patents were found to be invalid (*i.e.*, if the fraudulent activities
15 surrounding the filing of these patents was eventually discovered), the Company would instantly lose
16 the revenue expected to be generated by its licenses. Just as the Company had failed to disclose its
17 pending patent application to JEDEC years before, defendants again failed to disclose important and
18 material terms of its licensing agreements to investors. Instead, the Company merely heralded its
19 triumph in obtaining such agreements, and said nothing about the interdependence of the patents and
20 its licenses.

21 55. Following the announcement of the Hitachi settlement, on June 23, 2000, Morgan
22 Stanley analyst Mark Edelstone issued a report on the Company styled, "Hitachi Settlement Fortifies
23 Rambus's IP Position," which stated that:

24 Hitachi's settlement offers ***another validation of Rambus's intellectual property***

25 * * *

26 Given Toshiba's willingness to license Rambus's patents, and ***Hitachi's decision to***
27 ***settle out of court suggests that these leading companies believe that Rambus'***
28 ***patents are legitimate and have considerable value.*** As a result, we believe that the
Rambus DRAM transition issue is no longer the key issue facing RMBS. ***Based on***

1 *the scope of its patents, we continue to believe that every DRAM supplier and the*
2 *concomitant logic interface suppliers will need to license Rambus's patents,*
3 *including Acer Laboratories, ATI Technologies, Fujitsu, Hyundai, IBM, Infineon,*
4 *Intel, LSI Logic, Micron, Motorola, National Semiconductor, NEC, NVIDIA,*
5 *Samsung, Silicon Integrated Systems, Transmeta, Via Technologies, and many*
6 *others. We believe it is likely that several more companies will complete license*
7 *agreements before the end of the year, and RMBS should continue to advance as*
8 *more companies license its patents. Consequently, we reiterate our Strong Buy*
9 *rating and 12-18 month stock-price target of \$200.*

10 56. Following the announcement of the Hitachi deal, shares of Rambus soared, trading in
11 the aftermarket as high as \$139 per share. As the *Financial Times*(London) reported on June 26,
12 2000, if Rambus could force other companies to license their technologies, *the Company could*
13 *potentially increase their revenues to \$1 billion per year, up from \$43.4 million reported in*
14 *FY:99, based on a royalty rate of 1 to 2 percent on almost all memory chips manufactured*
15 *worldwide.* Supporting this conclusion, Company spokesman Avo Kanadjian stated that there was a
16 “high likelihood” that semiconductor makers were infringing Rambus' patents.

17 57. Adding credence to the widely circulated *Financial Times* report, on June 26, 2000,
18 the *Electronic Engineering Times* reported statements made by defendant Tate regarding the
19 Company's proprietary interest in Rambus SDRAM memory technology, as follows:

20 *“We think our patents are pretty fundamental,” said Geoff Tate, Rambus' chief*
21 *executive officer, adding the company believes that most of the SDRAM chips now*
22 *available in the market are based on Rambus technology and therefore liable for*
23 *royalty payments to the company.*

24 *“We don't have a huge legal department,” Tate said, “and we can't pursue claims*
25 *against everybody. We will go company by company and present them with our*
26 *detailed analysis of why we think are violating our patents. We [believe] it is likely*
27 *that most, if not all, will determine that they are infringing upon our patents.”*

28 Rambus was now asserting that any chip manufacturer using technology that either provided or was
designed to accept a connection based on synchronous memory technology was liable to the
Company for royalties based on claims made in the Company's 1990 patent application.

58. On July 1, 2000, *Microprocessor Report* reported that, based on Company guidance
and the closing of the Toshiba and Hitachi licensing agreements, “We expect most other makers of
memory chips and controllers to come to terms with Rambus over the next few months. *With*
Toshiba and Hitachi now firmly in the Rambus camp, it is unlikely that other chip makers will

1 *dispute the validity of the Rambus patents. It now appears that Rambus will have a significant*
2 *share in the memory market – no matter where the market goes from here.”*

3 59. On July 18, 2000, Rambus issued a release which announced “Record Quarterly
4 Royalties, Revenue [and] Earnings,” for 3Q:F00, the period ended June 30, 2000. According to this
5 release:

6 Revenues for the quarter were a record \$17.8 million, up 67% over the same period
7 last year and up 13% from the previous quarter. ***Included in third quarter results is***
8 ***a record \$6.6 million in royalties received from licensees based on their shipments***
9 ***of Rambus ICs in the January-March period. This is an increase of 265% over the***
10 ***same period last year and 88% over the previous quarter.***

11 * * *

12 During the quarter, the Company settled all outstanding litigation with Hitachi, Ltd.
13 As a result, Hitachi has been licensed to use Rambus intellectual property for the
14 production of SDRAMs, DDR SDRAMs and logic products which directly control
15 these memories. Also during the quarter, Toshiba Corporation signed a similar license
16 agreement for the use of Rambus intellectual property in non-Rambus ICs. ***Both***
17 ***agreements call for up-front payments and quarterly royalties which will be***
18 ***reflected in the Company's financial statements beginning next quarter upon the***
19 ***commencement of receipt of such payments.***

20 60. The statements made by defendants and contained in the June 26, 2000 *Financial*
21 *Times* report and the July 18, 2000 release were false and materially misleading and were known by
22 defendants to be false at that time, or were deliberately disregarded as such, for the reasons stated
23 herein in ¶¶38, 43, 48 and 54, above.

24 61. Following the release of 3Q:F00 results, shares of Rambus traded as high as \$108.50,
25 before closing the day at \$101.88 per share. Company insiders, several of whom are named as
26 defendants herein, raced to the market to sell more of their personally held Rambus stock while in
27 possession of material adverse information about the Company, and during the time Rambus shares
28 were artificially inflated by defendants false statements. During the period July 21, 2000 and July 27,
2000 Company insiders sold over 119,000 more shares of their personally held Rambus stock to
realize additional illicit gross proceeds of approximately \$11 million.

1 62. Based on Company guidance that “Royalty Momentum Builds,” USB Warburg
2 analyst Gregory Mischou issued a report on July 19, 2000, which reiterated a “Strong Buy” rating on
3 Rambus and maintained a near-term price target of \$165. Analyst Mischou stated, that:

4 Licensing Agreements – Rambus recently settled a lawsuit with Hitachi in which
5 Hitachi agreed to pay royalties to Rambus for shipments of SDRAM, DDR memories
6 (non-RDRAM) and logic controllers directly connecting to these products, thus
7 expanding Rambus' near-term market opportunity. Prior to the Hitachi settlement,
8 Toshiba[] signed [an] agreement with similar terms. **Although this quarter's results
9 did not include any non-Rambus royalties or license fee[s], we do begin to factor
10 them into our model going forward and have raised our estimate accordingly.**
11 Additionally, with Rambus aggressively seeking to secure such non-RDRAM licensing
12 agreements from other DRAM manufacturers, we anticipate additional near-term
13 upward revisions in our estimates.

14 63. By July 27, 2000, shares of Rambus slipped to \$65.38 per share after Intel announced
15 that in addition to Rambus' memory, Intel would open its next generation chip architecture to support
16 other types of memory, many of which were less expensive and simpler to manufacture than Rambus
17 products. According to a July 27, 2000 *Investors Business Daily* report:

18 Intel Says It's Not Married To Rambus Type Memory Intel Corp. finally came out and
19 said it. **Its new Pentium 4 microprocessor will work with memory chips other than
20 just Rambus Inc.'s.** This is a switch for Intel and **a big blow to Rambus, but not
21 unexpected.** For a few years, Intel said its future microprocessors would work
22 exclusively with Rambus memory. But Intel has been hinting since early this year that
23 it's not married to having its microprocessors – the brains of a PC – work only with
24 Rambus memory chips. **On Wednesday, Intel made it official. The world's largest
25 chipmaker said it's developing a chipset for its P4 that will support other memory
26 designs....** The news hammered Rambus stock, which fell 9½, or 11% to 75½,
27 though volume was below average. Intel at one time was pushing computer makers to
28 adopt Rambus memory because it's faster than other memory chips. PCs use dynamic
random access memory. **But there is a wide variety of DRAM memory chip flavors.
The problem with the flavor called Rambus, says Sherry Garber, analyst for
Semico Research in Phoenix, is that it's just too expensive for most personal
computers.** “Rambus is a niche product,” Garber said. “Only (makers of) high-end
products can afford the additional cost.” ... But **Avo Kanadjian, Rambus vice
president of worldwide marketing, says Rambus is the only way the market can go
in the future.** Why? Because increasingly sophisticated users of PCs and other
devices will demand the high performance of the Rambus-designed memory chips.
“Rambus has to become a mainstream memory because performance requirements
from end users continue to grow,” he said. In addition, the price difference between
Rambus and other memory chips has shrunk and will continue to shrink, he says....
Another issue in Intel's move away from only Rambus, says analyst Garber, is that
Rambus might have trouble meeting demand when P4 is launched. **Rambus memory
chips are harder to make than other memories.** In fact, most every type of memory
chip is in short supply. Complicating the matter for Rambus, though, is that **few
memory chipmakers have opted to make the Rambus memory because those chips
are harder to make.** Mountain View, Calif.-based Rambus doesn't manufacture any
chips itself. It licenses the design to other memory chipmakers. More than 30

1 companies have licensed the Rambus design. They include IBM Corp., Micron
2 Technology Inc., Samsung Group, Toshiba Corp. and Infineon Technologies AG.
3 But ***only five companies are actually making Rambus-type memories today, and***
4 ***only a couple of those are shipping large volumes of chips....*** Intel first talked
5 publicly about the possibility of using other types of memory at its Intel Developers
6 Forum in Palm Springs, Calif., in February. The company also discussed plans to use
7 other memories during its July 18 earnings conference call with analysts and the
8 media.

9 64. On July 28, 2000, Rambus issued a release which announced that Oki Electric
10 Industry Company (“Oki”), had signed a patent licensing agreement with Rambus to allow Oki to
11 manufacture and sell SDRAM and DDR SDRAM related high-speed memory interfaces purportedly
12 invented by Rambus.

13 65. The statements made by defendants and contained in the July 28, 2000 release were
14 false and materially misleading and were known by defendants to be false at that time, or were
15 deliberately disregarded as such, for the reasons stated herein in ¶60, above.

16 66. On August 28, 2000, Micron Technologies (“Micron”) filed suit against Rambus in
17 the U.S. District Court in Delaware. The Micron suit alleges that: (i) Rambus violated the Federal
18 antitrust laws; (ii) Rambus' SDRAM patents were not valid; (iii) Micron did not infringe on such
19 patents; and (iv) such patents were not enforceable. Micron and its subsidiaries manufacture and
20 market DRAMs, very fast SRAMs, Flash and other semiconductor components, memory modules
21 and personal computer systems.

22 67. Inspired by the Micron lawsuit, the following day, August 29, 2000, Hyundai
23 Electronics Industries Co. (“Hyundai”), announced that it was seeking a court order to declare that
24 their products do not infringe on Rambus' chip design patents. According to *Dow Jones Business*
25 *News*, Hyundai said that the lawsuit was in response to a recent assertion by Rambus that Hyundai's
26 products infringed on Rambus' patents, and the Company's demand that Hyundai pay royalties on the
27 use of the patents. The Hyundai suit was filed in U.S. District Court in San Jose, California, seeking
28 this order on grounds that the Rambus SDRAM patents are invalid and unenforceable.

68. The same day the Hyundai suit was filed, Rambus issued a release announcing that it
had received a copy of the Micron complaint filed the prior day, and that Rambus expected to prevail
on the Micron claims. According to this release:

1 Rambus initiated negotiations with Micron to license Rambus' intellectual property
2 (IP) for use in SDRAM and DDR SDRAMs. Rather than negotiate, Micron chose to
litigate. Rambus is preparing a response to Micron's allegations.

3 ***Rambus expects to prevail in this litigation and to be fairly compensated for the***
4 ***use of its IP.***

5 According to sources familiar with the allegations contained in the Micron suit, the ***Micron***
6 ***complaint charged that Rambus was seeking to maintain a monopoly over high-speed memory***
7 ***technology by violating the terms of its involvement in a semiconductor-industry standards***
8 ***organization. Rambus allegedly sought to patent technology being developed collectively by***
9 ***members of the organization without notifying other members of the group of its actions.***

10 According to *The Wall Street Journal*:

11 In a statement, ***Rambus said it “expects to prevail in this litigation.”*** The company
12 said the lawsuit was prompted by Micron's unwillingness to negotiate licenses for the
use of patented Rambus technology. ***Rambus added that it expects it will be “fairly***
13 ***compensated” by Micron for the use of the technology.***

14 * * *

15 ***Mark Edelstone, a semiconductor analyst at Morgan Stanley Dean Witter & Co.,***
16 ***said he believes Rambus will prevail in the case. “I think having Toshiba [Corp.],***
17 ***Hitachi and Oki [Electric Industry Co.] license those patents gives them***
credibility,” Mr. Edelstone said, referring to three Japanese companies that have
agreed to license Rambus's technology.

18 69. The following day, August 30, 2000, Rambus issued a release responding to its
19 receipt of the Hyundai district court complaint. According to this release:

20 Rambus had initiated negotiations with Hyundai to license the use of Rambus'
21 intellectual property (IP) by Hyundai in SDRAMs and DDR SDRAMs. In contrast to
Rambus' preference to negotiate and settle amicably, Hyundai abruptly cut off further
22 discussion with the commencement of litigation. Rambus is preparing a response to
Hyundai's allegations. ***Rambus expects to prevail in this litigation and to be fairly***
23 ***compensated for the use of its IP.***

24 70. The false and materially misleading statements made by the Company had the effect of
25 artificially inflating the value of Rambus shares and between August 16, 2000 and August 24, 2000
26 shares of Rambus stock continued to rise, trading from about \$79 on August 16, 2000 to \$92 per
27 share on August 25, 2000. Taking full advantage of the artificial inflation in the price of Rambus
28

1 stock which their false statements had created, during the period between August 3, 2000 and August
2 28, 2000, certain insiders, some named as defendants herein, sold or otherwise disposed of over
3 327,000 more shares of their privately held Rambus stock to realize additional illicit gross proceeds
4 of over \$28 million.

5 71. On September 11, 2000, Rambus issued a release which announced that it had
6 commenced a patent infringement suit against Micron in Germany and France, and again stated that,
7 as a result of the claims made by the Company in 1990, Rambus owned the rights to synchronous
8 memory, and that the Company fully expected to be able to license this technology. This release
9 stated the following:

10 Rambus attempted to initiate negotiations with Micron to license Rambus' IP for use
11 in SDRAMs and DDR SDRAMs. Micron preempted Rambus' attempts to negotiate
by filing a lawsuit in the United States.

12 ***Rambus is seeking injunctions to halt the sale, manufacture and use of Micron***
13 ***SDRAM and DDR SDRAM memory devices which infringe the Rambus***
14 ***intellectual property*** protected by European Patent EP 0 525 068. ***This patent stems***
15 ***from Rambus' original 1990 disclosure and covers fundamental aspects of high-***
speed memory invented by Rambus that are currently being implemented in
SDRAM and DDR SDRAM.

16 * * *

17 “IP is our business and we will not hesitate to protect our IP when it is being used
18 without a license,” said Geoff Tate, Rambus' chief executive officer. ***“Rambus***
develops and licenses intellectual property – since the early 1990s, we established
and still maintain the leadership in high bandwidth chip connection technology.
19 Our objective is to continue to produce innovations that will benefit the
20 semiconductor and systems industries, and ***by licensing these innovations to generate***
a return on investment to our shareholders.”

21 72. The same day Rambus issued a second release which announced that the Company
22 had also sued Hyundai for patent infringement in Germany and France. This release stated the
23 following:

24 Rambus Inc. has filed suit in Germany and France, against Hyundai Electronics
25 Industries Co. Ltd. for patent infringement. The suits were filed after negotiations
over Rambus' intellectual property rights were preempted by the filing of a lawsuit by
26 Hyundai in the United States. ***Rambus is seeking injunctions to halt the sale,***
manufacture and use of Hyundai SDRAM and DDR SDRAM memory devices
which infringe the Rambus intellectual property protected by European Patent EP 0
27 525 068. ***This patent stems from Rambus' original 1990 disclosure and covers***

1 *fundamental aspects of high- speed memory invented by Rambus that are currently*
2 *being implemented in SDRAM and DDR SDRAM.*

3 * * *

4 “IP is our business and we will not hesitate to protect our IP when it is being used
5 without a license,” said Geoff Tate, Rambus' chief executive officer. *“Rambus*
6 *develops and licenses intellectual property – since the early 1990s, we established*
7 *and still maintain the leadership in high bandwidth chip connection technology.*
8 Our objective is to continue to produce innovations that will benefit the
9 semiconductor and systems industries, and by *licensing these innovations to generate*
10 *a return on investment to our shareholders.”*

11 73. Rambus issued another release on September 11, 2000, which announced that it had
12 requested the ITC investigate unlawful importation into the U.S. of Hyundai memory products which
13 were covered by Rambus' patents. The complaint, filed with the ITC, requested the investigation of
14 Hyundai's importation of SDRAM and DDR SDRAM memory products and halting the importation
15 and sale of such products in the U.S.

16 74. On September 13, 2000, the Company issued a release which announced that it had
17 initiated a patent-infringement suit against Munich-based, Infineon Technologies AG (“Infineon”), in
18 the District Court in Mannheim, Germany. Again, Rambus stated that it was seeking injunctions to
19 halt the sale, manufacture and use of Infineon SDRAM and DDR SDRAM memory devices that
20 purportedly infringed on Rambus' intellectual property protected by its European Patent EP 525 068.
21 In addition, Rambus announced that it had also filed suit in the Eastern District of Virginia against
22 Infineon for willful patent infringement, relating to Rambus SDRAM patents which “stem from
23 Rambus' original 1990 disclosure and cover fundamental aspects of high-speed memory invented by
24 Rambus which are currently being implemented in SDRAM and DDR SDRAM.”

25 75. The statements made by defendants and contained in the August 29, 2000, August 30,
26 2000, September 11, 2000 and September 13, 2000 releases were false and materially misleading and
27 were known by defendants to be false at that time, or were deliberately disregarded as such, for the
28 reasons stated herein in ¶¶ 38, 43, 48 and 54, above.

1 Licensing agreements - Rambus signed two more agreements this quarter for Non-
2 RDRAM royalties (NEC and OKI). Prior to these, Hitachi and Toshiba signed
3 agreements with similar terms. ***We believe that Rambus is in discussions with other
major companies and could announce additional licenses over the next two
quarters. We believe that Rambus also continues to make progress in defending its
intellectual property position.*** Through leveraging the German court system, the
4 company is slated to go to trial with Infineon in December and with Hyundai and
5 Micron in Q101, greatly accelerating the timeline that might be expected in a domestic
6 venue. However, Rambus announced that in defending its position, its legal costs are
7 expected to rise to \$1m per month.

7 79. By October 30, 2000, shares of Rambus receded to approximately \$53.50 per share,
8 and the following day, traded as low as \$36.50 per share, before closing the day at \$44.94 per share,
9 after *Dow Jones Business News* reported that Intel had announced its plans to “phase out” Rambus
10 chipset designs in all but high-end computing platforms. According to *Dow Jones*, Intel said it would
11 phase out the 820 chipset with Direct RDRAM next year and drop plans for an DRDAM enabled 850
12 chipset, focusing instead on developing an enhanced 850 chipset for high-end workstations and
13 personal computers. Intel stated that the Rambus-based memory products are too expensive to be
14 used with Intel's new low-cost processor with a highly integrated design – ***a Rambus made 64MB
15 SDRAM chip costs Intel about \$200, but a similar chip designed by another company could cost
16 as little as \$50.***

17 80. According to *Dow Jones*, Rambus' chief financial officer, defendant Harmon,
18 downplayed the impact of the Intel announcement by stating that Rambus was reducing its
19 dependence on Intel through its aggressive licensing practice, as follows:

20 [Defendant] Harmon said ***Rambus isn't as dependent as it once was on Intel's
21 business, which he said makes up less than 10% of Rambus' total revenue. He said
22 Rambus is starting to get royalties from technology it invented that is used by all
DRAM companies.***

23 81. On November 1, 2000, Rambus issued a release which announced that Samsung
24 Electronics Co., Ltd. (“Samsung”), had signed a patent licensing agreement with Rambus to allow
25 Samsung to manufacture and sell SDRAM and DDR SDRAM related high-speed memory interfaces
26 purportedly invented by Rambus. According to this release:

1 Dataquest ranks Samsung as the world's leading DRAM supplier with revenues of
2 \$4,774M and 20.7% market share and the world's fourth largest semiconductor
supplier with revenues totaling \$7,125M in 1999.

3 * * *

4 Five companies, Samsung, NEC, Toshiba, Hitachi and Oki, have so far signed
5 SDRAM and DDR SDRAM licensing agreements with Rambus. According to
6 Dataquest, their cumulative DRAM market share in 1999 was greater than 40% and
7 four of these companies are listed among the top 10 semiconductor suppliers in the
8 world. The agreement, which includes an up-front license fee and quarterly royalty
9 payments to Rambus, is effective for shipments of licensed products by Samsung
beginning July 1, 2000. The first royalties from the Agreement will be recognized by
Rambus in the current (December) quarter. Rambus plans to utilize a portion of the
incremental revenues for increased promotional activities during the next several
quarters.

10 82. News of the Samsung licensing agreement again pushed shares of Rambus higher. As
11 news of the Samsung license reached the market shares of the Company traded as high as \$66 per
12 share on November 3, 2000 after trading as low as \$36.50 on October 31, 2000.

13 83. Analysts' considered the Samsung license as being critical to the Company's near- and
14 long-term financial outlook. As evidence of this, on November 2, 2000, UBS analyst Gregory
15 Mischou raised EPS estimates on the Company and reiterated a "Strong Buy" rating on its shares,
16 stating the following:

17 Rambus and Samsung announced an agreement today pursuant to which Samsung will
18 license from Rambus patented IP for SDRAM, DDR SDRAM and controllers that
19 interface with these two types of memory. We view this as a significant
20 announcement that should give increased credence to Rambus' IP position. Samsung
21 joins 4 other companies (NEC, Toshiba, Hitachi and Oki) that have signed SDRAM
22 and DDR SDRAM license agreements with Rambus. Based on 1999 market share
information, ***Rambus has now licensed IP in respect to approximately 40% of the
total DRAM market. Adding projected royalty revenues (to begin in the current
quarter) due under the Samsung agreement to our Rambus revenue model, we
increase our EPS estimates to \$0.12 from \$0.10 for Q1FY01 (December) and to
\$0.59 from \$0.50 for FY01.***

23 * * *

24 Maintain Strong Buy Rating. ***We continue to believe that Rambus has a dominant
IP position in the arena of memory and memory interface designs.*** The agreement
25 with Samsung, in our opinion, demonstrates the kind of momentum that will provide
26 significant challenges to Micron and Hyundai relative to their lawsuits with Rambus
relating to SDRAM and DDR SDRAM designs. We reiterate our Strong Buy rating
27 on Rambus stock.

1 Rambus shares. During this time Rambus insiders, including certain defendants herein, sold or
2 otherwise disposed of over 300,000 additional shares of their privately held Rambus stock to again
3 reap illicit gross proceeds of over \$15 million.

4 **THE TRUTH CONCERNING RAMBUS' SDRAM**
5 **INTELLECTUAL PROPERTY CLAIMS BEGINS TO EMERGE**

6 90. On March 15, 2001, shares of Rambus plummeted, falling over \$11.25 per share to
7 close at \$24.09, after a published report sparked speculation that Rambus' lawsuit against Infineon
8 was headed in Infineon's favor.⁹ According to *TheStreet.com*:

9 Investors grabbed on to the possibility that a decision in the suit would cost Rambus
10 the royalty revenue it's after from Infineon and other chipmakers. They had driven
down Rambus' stock more than 30% by the time the trading day was finished.

11 * * *

12 The judge overseeing the case issued a ruling Thursday that will become public
13 Friday. Infineon declined to comment on the contents of that ruling. Rambus
14 spokesman ***Gary Harmon said that investors' interpretation of the ruling's impact –***
whether it's for or against Rambus – is wrong.

15 * * *

16 Speculation that the judge in the federal court in Virginia was leaning toward an
17 Infineon-friendly ruling – specifically a partial summary judgment on what should be
18 included in the trial – took off Thursday as a report published Wednesday by Cahners
19 publication *Electronic News Online* gained momentum. ***The story cites judicial***
sources as saying that a pretrial ruling from the judge will limit the scope of
Rambus' patents on DDR and SDRAM. This ruling is based on testimony from a
hearing that took place in February.

20 The notion became more credible on Thursday morning when investment bank SG
21 Cowen wrote in its morning technology update, *TechRadar*, that the ruling had come
22 down and was a clear negative for Rambus. ***The note said that the ruling had sided***
with Infineon on the scope of Rambus patents, saying that the patents covered the
multiplex bus in SDRAM and DDR, which Infineon doesn't use. (SG Cowen hasn't
done underwriting for Rambus.)

23 Defendant Harmon attempted to downplay the impact of any such ruling in the Infineon case by
24 stating the following:

25 _____
26
27 ⁹ In addition to the one-day decline on March 15, 2001, as news of this result leaked to the
28 market, between March 7, 2001 and March 14, 2001, shares of Rambus traded for a high of \$46.25
to a low of \$33.71.

1 “I think people are misinterpreting what the ruling might mean when it comes out,”
Harmon said. ***“This is a relatively minor part of a patent case.”***

2 Harmon went on to explain that at issue in the ruling is the breadth of the definition of
3 a technology term in the patents. If the judge chooses a narrow definition, that could
4 make it more difficult for the jury to understand Rambus' claims regarding its patents,
he said.

5 ***“I think people jumped from that to, 'Gee, maybe the case against Infineon won't***
6 ***go forward and this will affect the case with Micron (MU:NYSE - news) and***
7 ***Hyundai and that will affect royalties from SDRAM and DDR,' and none of that is***
8 ***true,”*** he said.

9 91. The following day, March 16, 2001, Rambus issued a release announcing the issuance
10 of Judge Payne's pre-trial ruling in the Infineon case. According to this release:

11 In this ruling, the court interpreted the scope of disputed terms in the four Rambus
12 patents in suit. Based on this interpretation, ***Rambus maintains its allegation that***
13 ***Infineon has infringed these four patents.*** Rambus is prepared to protect its
14 intellectual property from those who infringe and looks forward to presenting its case
to the jury.

15 Intellectual property rights exist not to just protect Rambus and other companies, but
16 to protect innovation. It is Rambus' right and indeed obligation to our shareholders to
17 do all in our power to protect our patented innovations.

18 While the Rambus release made no mention of this, in fact, Judge Payne did not render summary
19 judgement on Infineon's racketeering counterclaim as requested by Rambus and, as a result, the
20 racketeering claim relating to Rambus' actions surrounding its participation with the JEDEC group
21 from 1990-1996 was allowed to continue to be brought against the Company.

22 92. Despite Rambus' positive spin on the pre-trial ruling, the market reacted negatively to
23 this announcement. On March 16, 2001, following the release of the Company's announcement,
24 shares of Rambus traded down another \$8.25, or 34%, to \$15.80 per share. During the two days of
25 March 15, 2001 and March 16, 2001 approximately 40 million Rambus shares traded on the Nasdaq.

26 93. As further evidence that analysts continued to be misled by Company guidance,
27 following the huge decline in the value of Rambus shares, analysts now stated that the shares were
28 oversold and that this decline in price represented a “more attractive” buying opportunity for
investors. In fact, as further evidence that Rambus had misled analysts into believing that the
Company had perfected its claims to the valuable SDRAM technology, on March 19, 2001, J.P.
Morgan analyst Eric Chen issued a report which still forecasted very positive results for Rambus

1 regardless of the outcome of the patent enforcement actions. Based substantially on the belief that
2 Rambus licenses could withstand the finding that the Rambus SDRAM patents were not valid, analyst
3 Chen stated:

4 ***[If] Rambus wins the Infineon and subsequent cases with Micron and Hyundai***
5 ***and thus, collects non-Rambus royalties*** (providing substantial upside to this worst-
6 case scenario) from the entire DRAM industry – ***UPSIDE***.

7 ***[If] Rambus loses the current and upcoming court cases, but retains a given***
8 ***portion of existing non-Rambus compatible royalties due to contractual and/or***
9 ***regional patent considerations*** – ***UPSIDE***.

10 [If] Rambus loses all cases and all existing non-Rambus compatible royalties, but
11 effectively removes the legal expense and litigation discount, which has created a
12 burden on the shares - UPSIDE, although with short-term volatility stemming from
13 psychological reaction to potential negative legal news flow.

14 94. On March 22, 2001, shares of Rambus stock rose over 33%, to \$23.25 per share,
15 after Morgan Stanley analyst Mark Edelstone said that ***“[a] review of the [Infineon] trial suggests***
16 ***Rambus may have a stronger case than expected.”*** Analyst Edelstone stated that he had seen
17 documents which were recently brought into that case which substantially favor Rambus. Edelstone
18 further stated: ***“Based on the new evidence, we believe that the potential for Infineon to want to***
19 ***settle out of court has increased significantly.”*** After leaking this information to Edelstone, not
20 surprisingly, according to *Dow Jones* news service, the Company wasn't “immediately available for
21 comment.”

22 95. On April 12, 2001, Rambus issued a release announcing results for 2Q:F01, the
23 period ended March 31, 2001, which, for the first time, showed declining sequential royalties from
24 SDRAM-compatible memory licenses. According to this release:

25 Rambus today reported financial results for its second fiscal quarter ended March 31,
26 2001. Revenues for the quarter were \$31.2 million, up 99% over the same period last
27 year and down 10% from the previous quarter.

28 ***Included in second fiscal quarter results was \$23.6 million in royalties, nearly***
29 ***seven times the amount reported in the same period last year and down 12% from***
30 ***the previous quarter.*** The quarter's results included the initial royalties from
31 Matsushita for use of Rambus patents in logic devices which control SDRAMs and
32 DDR SDRAMs.

33 * * *

1 *"Our second fiscal quarter results show the effect of both declining SDRAM prices*
2 *and costs associated with the continuing vigorous legal defense of our intellectual*
3 *property," said Geoff Tate, CEO of Rambus Inc....*¹⁰

4 "Royalties on SDRAM-compatible ICs declined in the second fiscal quarter due
5 mainly to a reduction in average selling prices (ASPs). We expect this trend to
6 continue and in fact to accelerate in the next quarter because *SDRAM ASPs declined*
7 *in the latest quarter by an estimated 50% sequentially. Since the majority of our*
8 *royalties are still from SDRAM-compatible ICs, we anticipate an overall decline in*
9 *our total revenues from current licensees next quarter by 20% sequentially, plus or*
10 *minus several points....*

11 "Due to delays in our litigation in Europe against Hyundai and Micron, and in the US
12 against Infineon, expenses associated with this litigation exceeded our expectations....

13 "Despite the sequential decline in revenues and net income, Rambus remains solidly
14 profitable and cash-flow positive.... *And we remain highly confident of ultimate*
15 *victory in the various litigations in defense of our intellectual property."*

16 96. The statements made by defendants and contained in the March 16, 2001 and April
17 12, 2001 releases, as well as the statements made by analysts Chen and Edelstone, which were
18 endorsed by defendants, were false and materially misleading and were known by defendants to be
19 false at that time, or were deliberately disregarded as such, for the reasons stated herein in ¶¶38, 43,
20 48 and 54, above.

21 **Rambus' Patent Infringement Claims Against Infineon Are Dismissed**

22 97. On May 1, 2001, U.S. District Court Judge Payne issued another ruling against
23 Rambus in the Infineon patent infringement suit. Judge Payne tossed out 54 out of Rambus' 57 claims
24 against Infineon, including the Company's claim of willful patent infringement against Infineon.
25 Following this report, shares of Rambus traded to below \$15.25 per share.

26 98. Soon thereafter, on May 4, 2001, Judge Payne dismissed the remaining patent claims
27 brought by Rambus against Infineon. Shares of Rambus fell another \$3.55, or 20%, to close trading
28 at \$14.60 per share, on 18.1 million shares traded, after trading to as low as approximately \$12.50
per share, a new 52-week low. Rambus vowed to appeal this ruling, however, analysts were quick to
note that the loss of this decision could put a rapid end to Rambus' licensing royalty growth, which
accounted for over 75% of the Company's revenues during the last two quarters.

¹⁰ During 2Q:F01, Rambus spent over \$7.3 million – or 23% of its revenues and 170% more than in 1Q:F01 – on legal fees related to the enforcement of Rambus' purported patent rights to SDRAM and DDR SDRAM.

1 99. On May 8, 2001, *Reuters News Service* reported that Infineon was now cleared to
2 pursue its counterclaims against Rambus. According to *Reuters*:

3 ***The charges***, which arise out of a patent infringement suit launched against Infineon
4 by Rambus, ***allege that Rambus did not disclose patent applications when the***
industry was developing common technical standards during the 1990s.

5 ***Infineon says Rambus deliberately hid the fact that it was applying for patents on***
6 ***so-called synchronous dynamic random access memory (SDRAM) chips at the***
7 ***same time that JEDEC, an industry body of which both firms were members, was***
working on common standards for the chips.

8 "We make JEDEC-compliant chips," an Infineon spokesman said. ***"We do not believe***
9 ***Rambus invented these chips. The industry developed these products by***
10 ***consensus."***

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1 *the hook on paying royal-ties,”* said Nathan Brookwood, principal analyst with
2 Insight 64 in Saratoga, Calif. *“That raises the question whether the current court
3 decision counts or whether a ruling has to be made at another level.”*

4 103. As a result of the revelations regarding Rambus' true claims to ownership of SDRAM
5 memory and controllers, which were ultimately made known to investors as a result of the Infineon
6 counterclaims, shares of Rambus closed as low as \$11.76 per share on May 10, 2001. The
7 precipitous decline in the value of Rambus shares represented a decline of over \$115 per share from
8 the Class Period high of \$127 reached on June 23, 2000. The amazing decline in the price of Rambus
9 stock has also resulted in the evisceration of over \$11 billion dollars of Rambus' market
10 capitalization, and has caused Class members hundreds of millions, if not billions of dollars in
11 damages.

12 **UNDISCLOSED ADVERSE INFORMATION**

13 104. The market for Rambus' common stock was open, well-developed and efficient at all
14 relevant times. As a result of these materially false and misleading statements and failures to disclose,
15 Rambus' common stock traded at artificially inflated prices during the Class Period. The artificial
16 inflation continued until the time it was discovered that Rambus did not have a valid claim to
17 ownership over SDRAM technology and that its SDRAM patents were obtained by fraud and this
18 revelation was communicated to, and/or digested by, the securities markets. Plaintiff and other
19 members of the Class purchased or otherwise acquired Rambus common stock relying upon the
20 integrity of the market price of Rambus' common stock and the market information relating to
21 Rambus, and have been damaged thereby.

22 105. During the Class Period, defendants materially misled the investing public, thereby
23 inflating the price of Rambus common stock, by publicly issuing false and misleading statements and
24 omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not
25 false and misleading. Said statements and omissions were materially false and misleading in that they
26 failed to disclose material, adverse non-public information and misrepresented the truth about the
27 Company, its business and operations, including, *inter alia*:

1 a. That defendants, the majority of whom were long-time managers of the
2 Company and who were associated with Rambus from the early 1990's, knew or deliberately
3 disregarded that the synchronous memory patents, upon which its patent infringement suits were
4 brought, were *not* based on claims which stemmed from the Company's original 1990 disclosures
5 regarding fundamental technology related to SDRAM memory devices and methods of controlling
6 such devices, but rather were based on claims that the defendants added to their original, overbroad
7 application *after* defendants had participated with industry consortium members of JEDEC, and after
8 the Company illegally misappropriated the technology contributed by such JEDEC members;

9 b. That defendants also knew that they had failed to disclose the 1990 patent
10 application to JEDEC or its members, as was required by Rambus' participation in that organization,
11 and also knew that as a result of such non-disclosure and unfair misappropriation of the JEDEC
12 technological standards for SDRAM which defendants appended to their undisclosed patent
13 application, the Company did not possess a valid patent and, as such, had no reasonable basis to
14 claim either that computer memory and memory controller companies had infringed on its proprietary
15 technology, nor that Rambus “invented” fundamental aspects of such high-speed memory interfaces;

16 c. That defendants knew that had they disclosed the existence of their 1990
17 patent applications to the JEDEC members during Rambus' association with the JEDEC during 1990-
18 1996, even if the Company had invented certain aspects of synchronous memory and the methods to
19 control the same, this SDRAM technology would *not* have been adopted by JEDEC as an “open”
20 industry standard absent a waiver of Rambus' parent claims, and that it was only by failing to disclose
21 the existence of its prior patent applications that Rambus was able to convince JEDEC to adopt
22 synchronous memory as a standard memory form;

23 d. That, based on the foregoing, defendants had no reasonable basis to claim that
24 they expected or anticipated that other semi-conductor companies would or did want to license such
25 Rambus SDRAM technology for either compatible or non-compatible Rambus memory;

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1 e. That it was false and materially misleading to claim that Rambus had “ very
2 valuable patents to cover fundamental aspects of synchronous DRAM” when such patents were
3 obtained by fraud, deception and misappropriation;

4 f. That it was false and materially misleading for defendants to claim that the
5 Company's patents were “clear and straightforward” when defendants knew that they had
6 misappropriated the technology covered by such patents and that if this misappropriation of the
7 JEDEC technology was disclosed, these patents would be found to be unenforceable and worthless;

8 g. That defendants statements regarding quarterly licensing revenue gains created
9 the false impression that, based on the Company's successful enforcement of its patents, Rambus was
10 and would continue to generate significant royalties on its patented technologies. In fact, however,
11 due to the fraud engaged in by defendants in securing the synchronous memory patents, which
12 actions were later ratified by defendants, it was highly unlikely that the Company would be able to
13 continue to generate such licensing and royalty fees in the foreseeable future; and

14 h. That it was materially false and misleading to announce that the Company was
15 looking forward to renewing its long-term relationships with Hitachi and Toshiba, after settling their
16 SDRAM patent infringements suits and entering into licensing agreements with these companies,
17 without also disclosing that its new synchronous memory licenses with Hitachi and Toshiba were
18 wholly dependent upon the validity of the SDRAM patents and that such licenses would be void if
19 Rambus' patents were found to be invalid. The undisclosed contingent nature of these and other
20 licensing agreements for synchronous memory created an enormous undisclosed risk to Rambus
21 investors, in that if the Company's SDRAM patents were found to be invalid (*i.e.*, if the fraudulent
22 activities surrounding the filing of these patents was eventually discovered), the Company would
23 instantly lose the revenue expected to be generated by its licenses. Just as the Company had failed to
24 disclose its pending patent application to JEDEC years before, defendants again failed to disclose
25 important and material terms of its licensing agreements to investors. Instead, the Company merely
26 heralded its triumph in obtaining such agreements, and said nothing about the interdependence of the
27 patents and its licenses.

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106. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Rambus' business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Rambus and its business, prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

INSIDER TRADING

<u>Name</u>	<u>Date</u>	<u>Action</u>	<u>Shares</u>	<u>Price (\$)</u>	<u>Value (\$)</u>
Horowitz	2/1/01	Sold	20,000	50.25	1,005,000
	1/3/01 -1/31/01	Sold	40,000	51.96 to 52.27	2,084,600
	8/23/00	Sold	20,000	89.75	1,795,000
	8/23/00	Sold	20,000	89.75	1,795,000
	7/24/00	Sold	20,000	91.08	1,821,600
	7/21/00	Sold	20,000	89.25	1,785,000
	5/17/00	Sold	60,000	37.965	2,277,900
	4/17/00	Sold	52,000	37.965	1,974,180
	2/14/00 - 2/15/00	Sold	38,400	23.415 to 31.125	997,824
	2/14/00 - 2/15/00	Sold	<u>89,600</u>	23.415 to 38.25	<u>2,597,136</u>
Sub-Total			380,000		\$18,133,240
Larsen	2/1/01	Sold	12,083	50.00	604,150
	11/6/00	Sold	10,268	69.41	712,702
	8/3/00	Sold	5,417	65.94	357,197
	7/21/00	Sold	10,838	90.00	975,420
	5/1/00	Disposed	37,228	60.24	2,242,615

1	<u>Name</u>	<u>Date</u>	<u>Action</u>	<u>Shares</u>	<u>Price (\$)</u>	<u>Value (\$)</u>
2		4/17/00	Disposed	60,000	35.72	2,143,200
3		2/2/00	Sold	5,416	19.875	107,643
4		1/21/00	Sold	<u>8,276</u>	19.345	<u>160,099</u>
5	Sub-Total			149,526		\$7,303,026
6	<u>Name</u>	<u>Date</u>	<u>Action</u>	<u>Shares</u>	<u>Price (\$)</u>	<u>Value (\$)</u>
7	Mooring	1/26/01	Sold	100,000	48.39	4,839,000
8		11/29/00	Sold	100,000	41.76	4,176,000
9		8/25/00	Disposed	100,000	86.48	8,648,000
10		2/16/00 - 2/29/00	Sold	<u>120,000</u>	36.522 to 69.345	<u>6,304,700</u>
11	Sub-Total			420,000		\$23,967,700
12	Tate	1/26/01	Sold	100,000	48.39	4,839,000
13		11/29/00	Disposed	100,000	86.48	8,648,000
14		11/29/00	Sold	100,000	41.76	4,176,000
15		8/25/00	Sold	100,000	86.48	8,648,000
16		5/5/00 - 5/8/00	Sold	80,000	49.125 to 51.765	4,087,800
17		2/2/00 - 2/8/00	Sold	<u>60,000</u>	19.312 to 20.032	<u>1,179,995</u>
18	Sub-Total			540,000		\$31,578,795
19	Harmon	1/24/01	Sold	10,000	53.46	534,600
20		2/22/00	Sold	<u>18,664</u>	33.032	<u>616,519</u>
21	Sub-Total			28,664		\$1,151,119
22	Kanadjian	1/23/01	Sold	25,000	48.38	1,209,500
23		7/24/00 - 7/25/00	Sold	29,000	85.00 to 90.53	2,570,070
24		4/19/00	Disposed	<u>20,000</u>	42.672	<u>853,450</u>
25	Sub-Total			74,000		\$4,633,020
26	Donnelly	11/6/00 - 11/7/00	Sold	38,000	69.00 to 69.48	2,630,640
27		8/18/00	Sold	12,000	83.20	998,400
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<u>Name</u>	<u>Date</u>	<u>Action</u>	<u>Shares</u>	<u>Price (\$)</u>	<u>Value (\$)</u>
	7/21/00 - 7/24/00	Sold	10,000	91.00	910,000
	5/4/00	Sold	20,000	51.25	1,025,00
	2/14/00 - 2/25/00	Sold	<u>31,264</u>	25.845 to 52.312	<u>1,189,150</u>
Sub-Total			111,264		\$6,753,190
Farmwald	8/17/00 -8/28/00	Sold	70,000	81.52 to 83.45	5,764,300
	4/27/00	Sold	80,000	49.782	3,982,600
	2/15/00 - 2/29/00	Sold	<u>120,000</u>	36.062 to 71.49	<u>15,156,900</u>
Sub-Total			270,000		\$24,903,800
Dunlevie	7/27/00	Sold	<u>30,000</u>	88.98	<u>2,669,400</u>
Sub-Total			30,000		\$2,669,400
Toprani	2/2/00 - 2/29/00	Sold	<u>132,000</u>	19.62 to 73.332	<u>4,388,490</u>
Sub-Total			132,000		\$4,388,490
Grand Total of Class Period Insider Sales/Dispositions			2,135,454		\$125,481,780

SCIENTER ALLEGATIONS

107. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Rambus, their control over, and/or receipt and/or modification of Rambus' allegedly materially misleading misstatements and/or their associations with the Company which

1 made them privy to confidential proprietary information concerning Rambus, participated in the
2 fraudulent scheme alleged herein.

3 108. In addition, the nature and timing of defendants' insider stock sales is a strong
4 indication that defendants acted with scienter. While defendants Tate and Larson sold, in the
5 aggregate, 21,300 Rambus shares during the period from the time the Company went public in mid-
6 1997 through the end of 1999 (Tate sold 20,000 shares on October 21, 1998 and Larson sold 1,300
7 on November 16, 1998), the same defendants sold over \$31.57 million and \$7.3 million of their
8 privately held Rambus shares during the Class Period. In addition, other Company insider who had
9 never sold any of their personally held Rambus shares, sold over \$87 million worth of Rambus stock
10 during the Class Period. All of these stock sales occurred during the time when defendants were in
11 possession of material, adverse non-public information about Rambus, its claims to the SDRAM
12 technology and the foreseeable impact these undisclosed facts would have on the long-term financial
13 condition of the Company. Moreover, many if not all of defendants' stock sales occurred
14 immediately following the Company's publication of materially false and misleading information
15 which was intended to and which did artificially inflate the price of Rambus shares.

16 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**
17 **FRAUD-ON-THE-MARKET DOCTRINE**

18 109. At all relevant times, the market for Rambus stock was an efficient market for the
19 following reasons, among others: (a) Rambus' stock met the requirements for listing, and was listed
20 and actively traded on the Nasdaq, a highly efficient and automated market; (b) As a regulated issuer,
21 Rambus filed periodic public reports with the SEC and the Nasdaq; (c) Rambus regularly
22 communicated with public investors via established market communication mechanisms, including
23 through regular disseminations of press releases on the national circuits of major news wire services
24 and through other wide-ranging public disclosures, such as communications with the financial press
25 and other similar reporting services; and (d) Rambus was followed by several securities analysts
26 employed by major brokerage firms who wrote reports which were distributed to the sales force and
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1 certain customers of their respective brokerage firms. Each of these reports was publicly available
2 and entered the public marketplace.

3 110. As a result of the foregoing, the market for Rambus stock promptly digested current
4 information regarding Rambus from all publicly available sources and reflected such information in
5 Rambus' stock price. Under these circumstances, all purchasers of Rambus' common stock during
6 the Class Period suffered similar injury through their purchase of Rambus' common stock at
7 artificially inflated prices and a presumption of reliance applies.

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1 **NO SAFE HARBOR**

2 111. The statutory safe harbor provided for forward-looking statements under certain
3 circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many
4 of the specific statements pleaded herein were not identified as “forward-looking statements” when
5 made. To the extent there were any forward-looking statements, there were no meaningful
6 cautionary statements identifying important factors that could cause actual results to differ materially
7 from those in the purportedly forward-looking statements. Alternatively, to the extent that the
8 statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are
9 liable for those false forward-looking statements because at the time each of those forward-looking
10 statements was made, the particular speaker knew that the particular forward-looking statement was
11 false, and/or the forward-looking statement was authorized and/or approved by an executive officer
12 of Rambus who knew that those statements were false when made.

13 **FIRST CLAIM FOR RELIEF**

14 **Violation of Section 10(b) of the 1934 Act and Rule 10b-5**
15 **Promulgated Thereunder Against All Defendants**

16 112. Plaintiff repeats and realleges each and every paragraph contained above as if set forth
17 herein. This Count is asserted against all defendants.

18 113. The defendants named in this Count knew, or were deliberate in failing to know, of
19 the material omissions from and misrepresentations contained in the statements as set forth above.
20 Each of these defendants: (a) knew or had access to the material adverse non-public information
21 about Rambus' adverse financial outlook and then-existing business conditions, which was not
22 disclosed; (b) knew of the Company's true claims to ownership over the SDRAM technology; and (c)
23 directly or indirectly participated in drafting, reviewing and/or approving the misleading statements,
24 releases, analyst reports and SEC filings and other public representations of and about Rambus.

25 114. Throughout the Class Period, the defendants named in this Count, with knowledge of
26 or deliberate disregard for the truth, disseminated or approved releases, statements and reports,
27 referred to above, which were misleading in that they contained misrepresentations and failed to
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1 disclose material facts necessary in order to make the statements made, in light of the circumstances
2 under which they were made, not misleading.

3 115. During the Class Period, the defendants named in this Count, individually and via a
4 fraudulent scheme, directly and indirectly, participated in a course of business that operated as a fraud
5 or deceit on purchasers of Rambus stock and concealed material adverse information regarding the
6 then-existing business conditions and financial outlook of the Company as specified herein.
7 Defendants employed devices, schemes and artifices to defraud and engaged in acts, practices and a
8 course of business as herein alleged to commit a fraud on the integrity of the market for the
9 Company's stock and to maintain artificially high market prices for the common stock of Rambus,
10 long enough to allow Company insiders, in the aggregate, to sell or otherwise dispose of over \$125
11 million of their privately held Rambus stock while in possession of material, adverse non-public
12 information. This included the formulation, making of and/or participation in the making of, untrue
13 statements of material facts and the omission to state material facts necessary in order to make the
14 statements made, in light of the circumstances under which they were made, not misleading, and
15 engaging in acts, practices and a course of business which operated as a fraud and deceit upon
16 plaintiff and the Class, all in connection with the purchase or acquisition of Rambus common stock by
17 plaintiff and members of the Class.

18 116. By reason of the conduct alleged herein, the defendants named in this Count
19 knowingly or deliberately, directly and indirectly, have violated §10(b) of the 1934 Act and Rule 10b-
20 5 promulgated thereunder in that they: (a) employed devices, schemes and artifices to defraud; (b)
21 made untrue statements of material facts or omitted to state material facts necessary in order to make
22 statements made, in light of the circumstances under which they were made, not misleading; or (c)
23 engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff
24 and others similarly situated in connection with their purchases of Rambus stock.

25 117. Plaintiff and the Class have suffered substantial damages in that, in reliance on the
26 integrity of the market, they paid artificially inflated prices for Rambus common stock as a result of
27 defendants' violations of §10(b) of the 1934 Act and SEC Rule 10b-5. Plaintiff and the Class would
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1 not have purchased Rambus common stock at the prices they paid, or at all, if they had been aware
2 that the market prices had been artificially and falsely inflated by defendants' misleading statements
3 and concealment. At the time of the purchases by plaintiff and the Class of Rambus common stock,
4 the fair and true market value of said common stock was substantially less than the prices paid by
5 them.

6 **SECOND CLAIM FOR RELIEF**

7 **Against All Defendants for Violation of Section 20(a) of the 1934 Act**

8 118. Plaintiff repeats and realleges each and every paragraph contained above as if set forth
9 herein. This Count is asserted against all defendants.

10 119. Each of the Individual Defendants acted as a controlling person of the Company
11 within the meaning of §20 of the 1934 Act. Rambus controlled each of the Individual Defendants.
12 Each controlling person had the power and authority to cause others to engage in the wrongful
13 conduct complained of herein.

14 120. By reason of such wrongful conduct, the defendants named in this Count are liable
15 pursuant to §20(a) of the 1934 Act. As a direct and proximate result of their wrongful conduct,
16 plaintiff and the other members of the Class suffered damages in connection with their purchases of
17 Rambus stock.

18 **PRAYER FOR RELIEF**

19 WHEREFORE, plaintiff prays for relief and judgment, as follows:

- 20 1. Determining that this action is a proper class action pursuant to Rule 23 of the Federal
21 Rules of Civil Procedure;
- 22 2. Awarding compensatory damages in favor of plaintiff and the other Class members
23 against all defendants, jointly and severally, for all damages sustained as a result of
24 defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- 25 3. Awarding extraordinary, equitable and/or injunctive relief as permitted by law, equity
26 and the federal statutory provisions sued hereunder, pursuant to Rules 64, 65 and any
27 other appropriate state law remedies;

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- 4. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- 5. Such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: August 21, 2001

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