RAMBUS INC
Form 10-Q
May 02, 2008

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

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 000-22339

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

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

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

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

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

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

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

The number of shares outstanding of the registrant s Common Stock, par value $.001 per share, was 104,428,295 as of March 31, 2008.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

Internal control environment;

Corporate governance;

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

Consequences of the derivative, class-action and other lawsuits related to the stock option investigation;

The level and terms of our outstanding debt;

Engineering, marketing and general and administration expenses;

Contract revenue;

Interest and other income, net;

Adoption of new accounting pronouncements; and

Likelihood of paying dividends.

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

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

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RAMBUS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2008	December 31, 2007
	(In thousands, except shares and per share amounts)	
ASSETS		
urrent assets:		
ash and cash equivalents	$ 124,861	$ 119,391
Iarketable securities	257,165	321,491
ccounts receivable	5,636	442
nbilled receivables	1,760	1,478
repaids and other current assets	13,936	8,349
eferred taxes	11,595	11,595
estricted cash (Note 13)	18,345	
otal current assets	433,298	462,746
estricted cash	2,416	2,286
eferred taxes, long-term	121,643	116,209
ntangible assets, net	12,381	13,441
roperty and equipment, net	28,497	24,587
oodwill	4,454	4,454
ther assets	5,746	3,624
otal assets	$ 608,435	$ 627,347
LIABILITIES		
urrent liabilities:		
ccounts payable	$ 12,014	$ 11,283
ccrued salaries and benefits	10,467	9,985
ccrued litigation expenses	24,097	26,234
ncome taxes payable	748	834
ther accrued liabilities	8,017	5,060
eferred revenue	3,799	2,756
otal current liabilities	59,142	56,152

onvertible notes	160,000	160,000
ong-term income taxes payable	2,983	2,917
ther long-term liabilities	1,069	1,194
otal liabilities	223,194	220,263
ommitments and contingencies (Note 7 and 13)		
STOCKHOLDERS EQUITY		
onvertible preferred stock, $.001 par value:		
uthorized: 5,000,000 shares		
sued and outstanding: no shares at March 31, 2008 and December 31, 2007		
ommon stock, $.001 par value:		
uthorized: 500,000,000 shares		
sued and outstanding: 104,428,295 shares at March 31, 2008 and 105,294,534 shares at December 31, 2007	104	105
dditional paid-in capital	615,149	601,821
ccumulated deficit	(230,735)	(194,966
ccumulated other comprehensive income	723	124
otal stockholders equity	385,241	407,084
otal liabilities and stockholders equity	$ 608,435	$ 627,347

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
	(In thousands, except per share amounts)	
Revenue		
Royalties	$ 33,093	$ 43,746
Contract revenues	6,645	6,404
Total revenues	39,738	50,150
Costs and expenses:		
Cost of contract revenues*	7,233	6,215
Research and development*	21,502	23,430
Marketing, general and administrative*	33,321	24,965
Costs of restatement and related legal activities	912	7,009
Total costs and expenses	62,968	61,619
Operating loss	(23,230)	(11,469)
Interest and other income, net	4,595	5,194
Loss before income taxes	(18,635)	(6,275)
Benefit from income taxes	(6,001)	(2,387)
Net loss	$ (12,634)	$ (3,888)
Net loss per share:		
Basic	$ (0.12)	$ (0.04)
Diluted	$ (0.12)	$ (0.04)
Weighted average shares used in per share calculation		
Basic	104,683	103,820

Diluted		104,683		103,820

* Includes stock-based compensation:				
Cost of contract revenues	$	1,918	$	1,091
Research and development	$	3,904	$	3,383
Marketing, general and administrative	$	4,707	$	4,943

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (12,634)	$ (3,888)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation	10,529	9,417
Depreciation	2,702	3,116
Amortization of intangible assets	1,360	1,320
Deferred tax benefit	(6,113)	(3,234)
Change in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable and unbilled receivables	(5,476)	1,455
Prepaids and other assets	(3,472)	(7,324)
Accounts payable	(125)	9,345
Accrued salaries and benefits and other accrued liabilities	581	987
Accrued litigation expenses	(2,137)	843
Income taxes payable	(20)	3,390
Increases in deferred revenue	3,078	5,554
Decreases in deferred revenue	(2,035)	(6,403)
Net cash provided by (used in) operating activities	(13,762)	14,578
Cash flows from investing activities:		
Purchases of property and equipment	(1,684)	(2,289)
Acquisition of intangible assets	(300)	
Purchases of marketable securities	(97,164)	(152,033)
Maturities of or proceeds from the sale of marketable securities	162,252	127,050
Increase in restricted cash	(18,475)	(6)
Net cash provided by (used in) investing activities	44,629	(27,278)
Cash flows from financing activities:		
Payments under installment payment arrangement	(1,250)	(3,850)
Proceeds received from issuance of common stock under employee stock plans	629	
Repurchase and retirement of common stock	(24,921)	
Net cash used in financing activities	(25,542)	(3,850)
Effect of exchange rates on cash and cash equivalents	145	22
Net increase (decrease) in cash and cash equivalents	5,470	(16,528)

Cash and cash equivalents at beginning of period	119,391	73,304
Cash and cash equivalents at end of period	$ 124,861	$ 56,776
Supplemental disclosure of cash flow information:		
Property and equipment received and accrued in accounts payable and other accrued liabilities	$ 4,838	$ 266
Proceeds receivable from issuance of common stock under employee stock plans	$ 4,237	$

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Rambus Inc. (Rambus or the Company) and its wholly-owned subsidiaries, Rambus K.K., located in Tokyo, Japan, Rambus Deutschland GmbH, located in Pforzheim, Germany, Rambus, located in George Town, Grand Caymans, BWI, Rambus Chip Technologies (India) Private, Limited located in Bangalore, India and Rambus Korea, located in Seoul, Korea. All intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Investments in entities with less than 20% ownership by Rambus and in which Rambus does not have the ability to significantly influence the operations of the investee are being accounted for using the cost method and are included in other assets.

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) applicable to interim financial information. Certain information and footnote disclosures included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in these interim statements pursuant to such SEC rules and regulations. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto in Form 10-K for the year ended December 31, 2007.

We have reclassified certain prior year balances to conform to the current year s presentation. None of these reclassifications had an impact on reported net income (loss) for any of the periods presented.

2. Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141R, Business Combinations . This Statement replaces SFAS No. 141. SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company believes the adoption of this pronouncement will not have a material impact on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 . SFAS No. 160 requires that ownership interests in subsidiaries held by parties other than the parent, and the amount of consolidated net income, be clearly identified, labeled, and presented in the consolidated financial statements within equity, but separate from the parent s equity. It also requires that once a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The provisions of SFAS No. 160 will be effective for the Company beginning January 1, 2009. The Company believes the adoption of this pronouncement will not have a material impact on the Company s financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 . SFAS No. 159 is effective for the Company in the fiscal year beginning January 1, 2008. SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. SFAS No. 159 became effective in the first quarter of fiscal 2008. The Company has not elected to apply the fair value option to any of its financial instruments that are presently accounted for at cost.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 (FSP 157-1) and FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2). FSP 157-1 amends SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. The provisions of SFAS No. 157 were adopted by the Company, as it applies to its financial instruments, effective beginning January 1, 2008. The impact of adoption of SFAS No. 157 is discussed in Note 14, Fair Value of Financial Instruments .

3. Revenue Recognition

Overview

Rambus revenue recognition policy is based on the American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by SOP 98-4 and SOP 98-9. For certain of Rambus revenue contracts, revenue is recognized according to SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts .

In application of the specific authoritative literature cited above, Rambus complies with Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 5 and 6. Rambus recognizes revenue when persuasive evidence of an arrangement exists, Rambus has delivered the product or performed the service, the fee is fixed or determinable and collection is reasonably assured. If any of these criteria are not met, Rambus defers recognizing the revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require the Company to make judgments, assumptions and estimates based upon current information and historical experience.

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

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

Royalty Revenues

Rambus recognizes royalty revenues upon notification by its licensees. The terms of the royalty agreements generally either require licensees to give Rambus notification and to pay the royalties within 60 days of the end of the quarter during which the sales occur or are based on a fixed royalty that is due within 45 days of the end of the quarter. From time to time, Rambus engages accounting firms other than its independent registered public accounting firm to perform, on Rambus behalf, periodic audits of some of the licensee s reports of royalties to Rambus and any adjustment resulting from such royalty audits is recorded in the period such adjustment is determined. Rambus has two types of royalty revenues: (1) patent license royalties and (2) product license royalties.

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

Product licenses. Rambus develops proprietary and industry-standard chip interface products, such as RDRAM and XDR that Rambus provides to its customers under product license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. Rambus recognizes revenue from these arrangements (except for those royalties subject to the FTC order discussed below) upon notification from the licensee of the royalties earned and when collectability is deemed reasonably assured.

On February 2, 2007, the Federal Trade Commission (the FTC) issued an order requiring Rambus to limit the royalty rates charged for certain SDR and DDR SDRAM memory and controller products sold after April 12, 2007. The FTC stayed this requirement on March 16, 2007, subject to certain conditions. One such condition of the stay limits the royalties Rambus can receive under certain contracts so that they do not exceed the FTC s Maximum Allowable Royalties (MAR). The

Company is using its best efforts to comply with these orders. Amounts in excess of MAR that are subject to the order are excluded from revenue. As of March 31, 2008, $3.8 million has been excluded from revenue, including $1.4 million in the quarter ended March 31, 2008. On April 22, 2008, the United States Court of Appeals for the District of Columbia (the CADC) overturned the FTC decision and remanded the matter back to the FTC for further proceedings consistent with the Court s opinion. The CADC s order vacating the FTC s order has not yet been issued. The Company will continue to defer revenue in accordance with the FTC s order so long as it remains in effect (see Note 13 Litigation and Asserted Claims).

Contract Revenues

Rambus generally recognizes revenue in accordance with the provisions of SOP 81-1 for development contracts related to licenses of its chip interface products, such as XDR and FlexIO that involve significant engineering and integration services. Revenues derived from such license and engineering services may be recognized using the completed contract or percentage-of-completion method. For all license and service agreements accounted for using the percentage-of-completion method, Rambus determines progress to completion using input measures based upon contract costs incurred. Prior to the first quarter of 2008, Rambus determined progress to completion using labor-hours incurred. The change in input measure better reflects the overall gross margin over the life of the contract. This change did not have a significant impact on the Company s results of operations. Rambus has evaluated use of output measures versus input measures and has determined that its output is not sufficiently uniform with respect to cost, time and effort per unit of output to use output measures as a measure of progress to completion. Part of these contract fees may be due upon the achievement of certain milestones, such as provision of certain deliverables by Rambus or production of chips by the licensee. The remaining fees may be due on pre-determined dates and include significant up-front fees.

A provision for estimated losses on fixed price contracts is made, if necessary, in the period in which the loss becomes probable and can be reasonably estimated. If Rambus determines that it is necessary to revise the estimates of the total costs required to complete a contract, the total amount of revenue recognized over the life of the contract would not be affected. However, to the extent the new assumptions regarding the total efforts necessary to complete a project were less than the original assumptions, the contract fees would be recognized sooner than originally expected. Conversely, if the newly estimated total efforts necessary to complete a project was longer than the original assumptions, the contract fees will be recognized over a longer period. If there is significant uncertainty about the time to complete or the deliverables by either party, Rambus evaluates the appropriateness of applying the completed contract method of accounting under SOP 81-1. Such evaluation is completed on a contract-by-contract basis. For all contracts where revenue recognition must be delayed until the contract deliverables are substantially complete, Rambus evaluates the realizability of the assets which the accumulated costs would represent and defers or expenses as incurred based upon the conclusions of its realization analysis.

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

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

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

4. Comprehensive Loss

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

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

(In thousands)	Three Months Ended March 31, 2008	2007
Net loss	$ (12,634)	$ (3,888)
Other comprehensive income:		
Foreign currency translation adjustments	145	22
Unrealized gain on marketable securities, net of tax	454	248
Other comprehensive income	599	270
Total comprehensive loss	$ (12,035)	$ (3,618)

5. Stock-Based Compensation and Employee Stock Plans

For the three months ended March 31, 2008 and 2007, the Company maintained stock plans covering a broad range of potential equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors an ESPP, whereby eligible employees were entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

Stock Options: During the three months ended March 31, 2008 and 2007, Rambus granted 1,671,960 and 2,697,100 stock options, respectively, with an estimated total grant-date fair value of $18.9 million and $33.6 million, respectively. During the three months ended March 31, 2008 and 2007, Rambus recorded stock-based compensation related to stock options of $9.2 million and $8.8 million, respectively, for all unvested options granted prior to and after the adoption of SFAS No. 123(R), including the modification charge for the extension of expiring options in 2007 discussed below.

The effect of recording stock-based compensation for the quarter ended March 31, 2007 includes a charge resulting from the Company s modifying the terms of 17 grants during the quarter by offering an extension of time to exercise. An additional charge was taken during the quarter to extend the time of the extension of the 59 grants previously extended in 2006. The total modification charge was $2.0 million for the three months ended March 31, 2007.

The total intrinsic value of options exercised was $5.5 million for the three months ended March 31, 2008. There were no option exercises in the first quarter of 2007. Intrinsic value is the total value of exercised shares based on the price of the Company s common stock at the time of exercise less the cash received from the employees to exercise the options.

During the three months ended March 31, 2008, proceeds from employee stock option exercises totaled approximately $4.8 million. Of this amount, $0.6 million was received during the quarter and $4.2 million (included in prepaid and other assets as of March 31, 2008) was received in April 2008.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three months ended March 31, 2008 and 2007 calculated in accordance with SFAS No. 123(R).

Valuation Assumptions

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

	Three Months Ended March 31, 2008 (In thousands)	2007
Stock Option Plans		
Expected stock price volatility	63%	62%-69%

Risk free interest rate	3.13%	4.51%-4.84%
Expected term (in years)	5.3	6.2
Weighted-average fair value of stock options granted	$ 11.28	$ 12.45

No grants were made under the Employee Stock Purchase Plans during the three months ended March 31, 2008 and 2007.

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During the quarter ended March 31, 2008, the Company changed its methodology for determining estimated expected term from the Monte Carlo simulation model to observed historical exercise patterns. The change in methodology resulted from an analysis of observed historical exercise patterns which better approximates the actual expected term. The impact of this change was not significant to our results from operations.

See Note 9 Income Taxes for additional information related to tax effects of stock-based compensation.

Summary of shares available for grant under stock option plans

As of March 31, 2008, 2,729,199 shares of the 8,400,000 shares approved under the 2006 Plan remain available for grant. The 2006 Plan is now Rambus only plan for providing stock-based incentive compensation to eligible employees, executive officers and non-employee directors and consultants.

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

	Shares Available for Grant
Shares available as of December 31, 2007	4,589,131
Stock options granted	(1,671,960)
Stock options forfeited	203,046
Stock options expired under former plans	(119,518)
Nonvested equity stock and stock units granted (1)	(271,500)
Total available for grant as of March 31, 2008	2,729,199

(1) For purposes of determining the number of shares available for grant under the 2006 Plan against the maximum number of shares authorized, each restricted stock granted reduces the number of shares available for grant by 1.5 shares and each restricted stock forfeited increases shares available for grant by 1.5 shares.

General Stock Option Information

The following table summarizes stock option activity under the 1997, 1999 and 2006 Plans for the three months ended March 31, 2008 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of March 31, 2008.

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2007	18,750,738	$ 20.17		
Options granted	1,671,960	19.83		
Options exercised	(465,392)	11.02		
Options forfeited	(203,046)	20.24		
Outstanding as of March 31, 2008	19,754,260	20.35	5.97	$ 130,089
Vested or expected to vest at March 31, 2008	17,864,125	20.98	5.91	111,903
Options exercisable at March 31, 2008	11,022,139	20.97	4.57	84,819

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at March 31, 2008, based on the $23.31 closing stock price of Rambus Common Stock on March 31, 2008 on the Nasdaq Global Select Market, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options outstanding and exercisable as of March 31, 2008 was 15,248,286 and 8,148,565 respectively.

As of March 31, 2008, there was $72.5 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock-based compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average period of 3.2 years. The total fair value of shares vested as of March 31, 2008 was $222.3 million.

Employee Stock Purchase Plans

As of March 31, 2008, all shares under the 2006 Purchase Plan remain available for issuance. As of March 31, 2008, there was $0.2 million of total unrecognized compensation cost related to share-based compensation arrangements granted under the Employee Stock Purchase Plan. That cost is expected to be recognized over one month.

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Nonvested Equity Stock and Stock Units

For the three months ended March 31, 2008, Rambus granted nonvested equity stock units to certain officers and employees, totaling 181,000 shares. These nonvested equity stock units have a service condition, generally a service period of four years. Included in the 2008 grants are 48,000 nonvested equity stock units which were granted to our chief executive officer with vesting subject to the achievement of certain performance conditions related to revenue goals and other factors. All of these nonvested equity stock units were valued at the date of grant, assuming no shares would be forfeited, giving them a fair value of approximately $3.6 million.

For the three months ended March 31, 2008 and 2007, Rambus recorded stock-based compensation expense of approximately $0.8 million and $0.4 million, respectively, related to all outstanding unvested equity stock grants. Unrecognized stock-based compensation related to all these grants was approximately $7.0 million at March 31, 2008.

The following table reflects the activity related to nonvested equity stock and stock units for the three months ended March 31, 2008:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2007	244,177	$ 21.41
Granted	181,000	19.86
Vested	(42,089)	19.22
Forfeited		
Nonvested at March 31, 2008	383,088	$ 20.92

Contingent Unvested Options

As of December 31, 2007, there were 635,348 contingent unvested options, which vest upon the achievement of certain milestones by Intel relating to shipment volumes of RDRAM 850E chipsets. Intel has since phased out the 850E chipset and as a result the unvested options will never vest. The impact of the unvested options has been excluded from the calculation of net loss per share. During the quarter ended March 31, 2008, 2,500 contingent unvested options were forfeited. The forfeitures of the contingent unvested options are included in the forfeitures in the table summarizing stock option activity.

As of March 31, 2008, there were 632,848 contingent unvested options, none of which are expected to vest.

6. Marketable Securities

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

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

	March 31, 2008			
(dollars in thousands)	Fair Value	Book Value	Unrealized Gain, net	Weighted Rate of Return
Money Market Funds	$ 93,903	$ 93,903	$	3.30%
Municipal Bonds and Notes	5,085	5,045	40	4.40%
U.S. Government Bonds and Notes	112,778	112,262	516	3.92%
Commercial Paper	166,758	166,386	372	3.88%
Total cash equivalents and marketable securities	378,524	377,596	928	

Cash	3,502	3,502	
Total cash, cash equivalents and marketable securities	$ 382,026	$ 381,098	$ 928

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	December 31, 2007			
(dollars in thousands)	**Fair Value**	**Book Value**	**Unrealized Gain, net**	**Weighted Rate of Return**
Money Market Funds	$ 104,836	$ 104,836	$	4.82%
Municipal Bonds and Notes	3,008	3,000	8	4.81%
U.S. Government Bonds and Notes	108,660	108,568	92	4.39%
Commercial Paper	219,734	219,668	66	4.90%
Total cash equivalents and marketable securities	436,238	436,072	166	
Cash	4,644	4,644		
Total cash, cash equivalents and marketable securities	$ 440,882	$ 440,716	$ 166	

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

(dollars in thousands)	**March 31, 2008**	**December 31, 2007**
Cash	$ 3,502	$ 4,644
Cash Equivalents	121,359	114,747
Short term marketable securities	257,165	321,491
Total cash, cash equivalents and marketable securities	$ 382,026	$ 440,882

The estimated fair value of marketable securities classified by date of contractual maturity and the associated unrealized gains at March 31, 2008 and December 31, 2007 are as follows:

	As of		**Unrealized Gain, net**	
	March 31, 2008	**December 31, 2007**	**March 31, 2008**	**December 31, 2007**
		(In thousands)		
Contractual maturity:				
Due within one year	$ 290,576	$ 361,974	$ 363	$ 27
Due from one year through three years	87,948	74,264	565	139
	$ 378,524	$ 436,238	$ 928	$ 166

The Company adopted SFAS No. 157 effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. For the discussion regarding the impact of the adoption of SFAS No. 157 on the Company s marketable securities, see Note 14, Fair Value of Financial Instruments .

7. Commitments and Contingencies

On February 1, 2005, Rambus issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (the convertible notes) due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities as initial purchasers who then sold the convertible notes to institutional investors. Rambus elected to pay the principal amount of the convertible notes in cash when they are due. Subsequently, Rambus repurchased a total of $140.0 million face value of the outstanding convertible notes in 2005. The convertible notes outstanding as of March 31, 2008 are $160.0 million and are classified as a non-current liability in the accompanying condensed consolidated balance sheets.

As of March 31, 2008, Rambus material contractual obligations are:

	Payment Due by Year						
	Total	**Remainder of 2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**
	(In thousands)						
Contractual obligations(1)							
Operating leases	$ 18,742	$ 5,427	$ 6,357	$ 5,735	$ 667	$ 556	$
Convertible notes	160,000			160,000			
Purchased software license agreements(2)	2,013	1,506	507				
Total	$ 180,755	$ 6,933	$ 6,864	$ 165,735	$ 667	$ 556	$

(1) The above table does not reflect possible payments in connection with uncertain tax benefits associated with FASB Interpretation No. (FIN) 48 of approximately $14.2 million, including $8.6 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $2.6 million of federal tax benefits, and including $3.0 million in

long-term
income taxes
payable, as of
March 31, 2008.
As noted below
in Note 9,
Income Taxes ,
although it is
possible that

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

(2) Rambus has commitments with various software vendors for non-cancellable license agreements that generally have terms greater than one year. The above table summarizes those contractual obligations as of March 31, 2008, which are also included on Rambus condensed consolidated balance sheets under current and other long-term liabilities.

Rent expense was approximately $1.8 million and $1.6 million for the three months ended March 31, 2008 and 2007, respectively.

Deferred rent, included primarily in other long-term liabilities, was approximately $1.4 million and $1.7 million as of March 31, 2008 and 2007, respectively.

In connection with certain litigation taking place in Germany, the German courts have requested that the Company set aside adequate funds to cover potential court cost claims. Accordingly, approximately $1.8 million is restricted as to withdrawal, managed by a third party subject to certain limitations under the Company s investment policy and included in restricted cash, long-term, to cover the German court requirements.

The Company has entered into a stipulation of settlement in the class action lawsuit in connection with stock option issues. Pursuant to the stipulation, which has received preliminary approval from the court, the Company transferred approximately $18.3 million into an escrow account in March 2008. The stipulation is subject to review and final approval by the court. If the settlement becomes final, it would lead to a dismissal with prejudice of all claims against the Company and all other defendants in the consolidated class action litigation. The escrow agent is responsible for the distribution of the settlement fund according to the terms of the stipulation. The Company has classified this amount as restricted cash and continues to carry the liability and will continue to do so until the settlement is finalized. If the settlement is not finalized or the stipulation is cancelled or terminated, the funds in the escrow account will be returned to the Company. (See Note 13 Litigation and Asserted Claims , for further discussion.)

Indemnifications

Rambus enters into standard license agreements in the ordinary course of business. Although Rambus does not indemnify most of its customers, there are times when an indemnification is a necessary means of doing business. Indemnifications cover customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement claim by any third party with respect to Rambus products. The maximum amount of indemnification Rambus could be required to make under these agreements is generally limited to fees received by Rambus. Rambus estimates the fair value of its indemnification obligation as insignificant, based upon its history of litigation concerning product and patent infringement claims. Accordingly, Rambus has no liabilities recorded for indemnification under these agreements as of March 31, 2008 or 2007.

Several securities fraud class actions, private lawsuits and shareholder derivative actions were filed in state and federal courts against certain of the Company s current and former officers and directors related to the stock option granting actions. As permitted under Delaware law, Rambus has agreements whereby its officers and directors are indemnified for certain events or occurrences while the officer or director is, or was serving, at Rambus request in such capacity. The term of the indemnification period is for the officer s or director s term in such capacity. The maximum potential amount of future payments Rambus could be required to make under these indemnification agreements is unlimited. Rambus has a director and officer insurance policy that reduces Rambus exposure and enables Rambus to recover a portion of future amounts to be paid. As a result of these indemnification agreements, Rambus continues to make payments on behalf of current and former officers. As of March 31, 2008, the Company had made payments of approximately $6.1 million on their behalf, including $0.4 million in the quarter ended March 31, 2008. As of March 31, 2007, the Company had made payments of approximately $2.3 million on their behalf, including $1.4 million in the quarter ended March 31, 2007. These payments were recorded under costs of restatement and related legal activities in the condensed consolidated statements of operations.

Warranties

Rambus offers some of its customers a warranty that its products will conform to their functional specifications. To date, there have been no payments or material costs incurred related to fulfilling these warranty obligations. Accordingly, Rambus has no liabilities recorded for these warranties as of March 31, 2008 or December 31, 2007. Rambus assesses the need for a warranty accrual on a quarterly basis, and there can be no guarantee that a warranty accrual will not become necessary in the future.

8. Stockholders Equity

Share Repurchase Program

In October 2001, Rambus Board of Directors (the Board) approved a share repurchase program of its Common Stock, principally to reduce the dilutive effect of employee stock options. To date, the Board has approved the authorization to repurchase up to 19.0 million shares of the Company s outstanding Common Stock over an undefined period of time. During the three months ended March 31, 2008, the Company repurchased approximately 1.4 million shares with an aggregate value of $24.9 million. As of March 31, 2008, Rambus had repurchased a cumulative total of approximately 14.6 million shares of its Common Stock since the commencement of this program. As of March 31, 2008, there remained an outstanding authorization to repurchase approximately 4.4 million shares of Rambus outstanding Common Stock.

Rambus records stock repurchases as a reduction to stockholders equity. As prescribed by Accounting Principles Board (APB) Opinion No. 6, Status of Accounting Research Bulletins, Rambus records a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the cost of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock. During the quarter ended March 31, 2008, the cumulative price of the shares repurchased exceeded the proceeds received from the issuance of the same number of shares. The excess of $23.1 million was recorded as an increase to accumulated deficit for the quarter ended March 31, 2008. During the quarter ended March 31, 2007, the Company did not repurchase any Common Stock.

9. Income Taxes

The effective tax rate for the quarter ended March 31, 2008 was 32.2% which is lower than the U.S. statutory tax rate primarily due to stock-based compensation expense associated with executives and other employees, partially offset by state income taxes and research and development tax credits. The effective tax rate for the quarter ended March 31, 2007 was 38.0% which was higher than the U.S. statutory tax rate primarily due to research and development tax credits, stock-based compensation expense related to our executives and other employees, state income taxes and foreign income taxes.

As of March 31, 2008, the Company s condensed consolidated balance sheet included net deferred tax assets of approximately $133.2 million, primarily due to the difference between tax and book treatment of depreciation and amortization, employee stock-based compensation expenses, litigation expenses, net operating loss carryovers and tax credit carryovers.

Pursuant to Footnote 82 of SFAS No. 123(R), tax attributes related to stock option windfall deductions should not be recorded until they result in a reduction of cash taxes payable. Starting in 2006, we no longer include net operating losses attributable to stock option windfall deductions as components of our gross deferred tax assets. The benefit of these net operating losses will be recorded to equity when they reduce cash taxes payable.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three months ended March 31, 2008 and 2007 calculated in accordance with SFAS No. 123(R).

In addition, Rambus has elected to account for the indirect effects of stock-based awards on other tax attributes, such as the research tax credits, through the statement of operations as part of the tax effect of stock-based compensation.

On January 1, 2006, Rambus adopted the long method in accordance with SFAS No. 123(R) to calculate the excess tax credit pool. The long method requires a detailed calculation of the January 1, 2006 balance of the portion of the excess/shortfall tax benefit credits recorded in the additional paid-in capital account. The tax effect on stock-based compensation is calculated as the stock-based compensation that the Company believes is deductible, multiplied by the applicable statutory tax rate.

Management periodically evaluates the realizability of the deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on the Company s ability to generate sufficient future taxable income during periods before the expiration of tax statutes. Forecasted income is based on assumptions about current trends in operations and future litigation outcomes or expected settlements, and there can be no assurance that such results will be achieved. The Company reviews such forecasts in comparison with actual results and expected trends at least quarterly for the purpose of the realizability assessment. As of March 31, 2008, management has concluded that it is more likely than not that the Company s $133.2 million of net deferred tax assets will be realized. If management determines that it has insufficient future taxable income to fully realize its net deferred tax assets in the future, the Company will record a valuation allowance by a charge to income tax expense in the period when such determination is made.

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

As of December 31, 2007, the Company had $14.0 million of unrecognized tax benefits, including $8.5 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $2.6 million of federal tax benefits, and including $2.9 million in long-term income taxes payable.

As of March 31, 2008, the Company had $14.2 million of unrecognized tax benefits, including $8.6 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $2.6 million of federal tax benefits, and including $3.0 million in long-term income taxes payable. If recognized, approximately $8.4 million, net of federal benefits, would be recorded as an income tax benefit in the consolidated statements of operations, and $3.1 million, net of federal benefits, would be recorded as an increase in additional paid in capital.

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

Rambus recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At December 31, 2007 and March 31, 2008, an insignificant amount of interest and penalties are included in long-term income taxes payable.

Rambus files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. Rambus is currently under a remote payroll examination by the Internal Revenue Service for the years ended December 31, 2004 and 2005. The Company is also under examination by the California Franchise Tax Board for the fiscal year ended March 31, 2003 and the years ended December 31, 2003 and 2004. Although the outcome of any tax audit is uncertain, the Company believes it has adequately provided for any additional taxes that may be required to be paid as a result of such examinations. If the Company determines that no payment will ultimately be required, the reversal of these tax liabilities may result in tax benefits being recognized in the period when that conclusion is reached. However, if an ultimate tax assessment exceeds the recorded tax liability for that item, an additional tax provision may need to be recorded. The impact of such adjustments in the Company s tax accounts could have a material impact on the consolidated results of operations in future periods. The Company is subject to general examination by the IRS for tax years ended 2004 through 2007. The Company is also subject to examination by the State of California for tax years ended March 31, 2003 through December 31, 2007. In addition, any research and development credit carryforward and net operating loss generated in prior years and utilized in these or future years may also be subject to examination by the IRS and the State of California. The Company is also subject to examination in various other jurisdictions for various periods.

10. Earnings (Loss) Per Share

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

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

	Three Months Ended March 31,	
	2008	**2007**

	(In thousands, except per share amounts)	
Numerator:		
Net loss	$ (12,634)	$ (3,888)
Denominator:		
Weighted average shares used to compute basic EPS	104,683	103,820
Dilutive potential shares from stock options, ESPP and nonvested equity stock and stock units		
Weighted average shares used to compute diluted EPS	104,683	103,820
Net loss per share:		
Basic	$ (0.12)	$ (0.04)
Diluted	$ (0.12)	$ (0.04)

For the three months ended March 31, 2008 and 2007, approximately 5.9 million shares that would be issued upon the conversion of the contingently issuable convertible notes were excluded from the calculation of earnings per share because the conversion price was higher than the average market price of the Common Stock during these periods. For the three months ended March 31, 2008 and 2007, options to purchase approximately 11.2 million shares in both periods were excluded from the calculation because they were anti-dilutive after considering proceeds from exercise, taxes and related unrecognized stock-based compensation expense. For the three months ended March 31, 2008, an additional 3.4 million shares, including nonvested equity stock and stock units, that would be dilutive have been excluded from the weighted average dilutive shares because there was a net loss for the period.

11. Business Segments, Exports and Major Customers

Rambus operates in a single industry segment, the design, development and licensing of chip interface technologies and architectures. Three customers accounted for 18%, 17% and 13%, respectively, of revenues in the three months ended March 31, 2008. Three customers accounted for 26%, 14% and 13%, respectively, of revenues in the three months ended March 31, 2007. Rambus expects that its revenue concentration will decrease over the long term as Rambus licenses new customers.

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

	Three Months Ended March 31,	
(In thousands)	**2008**	**2007**
Japan	$ 30,982	36,181
North America	6,848	6,340
Taiwan	341	100
Korea	383	424
Singapore	99	
Europe	1,085	7,105
	$ 39,738	$ 50,150

Revenues are attributed to individual countries according to the countries in which the licensees are headquartered. At March 31, 2008, of the $28.5 million of total long-lived assets, approximately $24.4 million are located in the United States, $3.3 million are located in India and $0.8 million are located in other foreign locations. At December 31, 2007, of the $24.6 million of total long-lived assets, approximately $20.2 million were located in the United States, $3.6 million were located in India and $0.8 million were located in other foreign locations.

12. Amortizable Intangible Assets

The components of the Company s intangible assets as of March 31, 2008 and December 31, 2007 were as follows:

	As of March 31, 2008		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
		(In thousands)	
Patents	$ 9,941	$ (4,654)	$ 5,287
Intellectual property	10,384	(8,429)	1,955
Customer contracts and contractual relationships	8,000	(3,566)	4,434
Existing technology	2,700	(1,997)	703
Non-competition agreement	100	(98)	2
Total intangible assets	$ 31,125	$ (18,744)	$ 12,381

	As of December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)	
Patents	$ 9,941	$ (4,363)	$ 5,578
Intellectual property	10,084	(7,759)	2,325
Customer contracts and contractual relationships	8,000	(3,344)	4,656
Existing technology	2,700	(1,828)	872
Non-competition agreement	100	(90)	10
Total intangible assets	$ 30,825	$ (17,384)	$ 13,441

Amortization expense for intangible assets for the three months ended March 31, 2008 and 2007 was $1.4 million and $1.3 million, respectively.

The estimated future amortization expense of intangible assets as of March 31, 2008 was as follows (amounts in thousands):

Years Ending December 31:	Amount
2008 (remaining 9 months)	$ 3,146
2009	3,108
2010	1,921
2011	1,593
2012	1,321
Thereafter	1,292
	$ 12,381

The valuation and useful lives of the acquired intangible assets were allocated based on estimated fair values at the acquisition dates. The value of the agreements, along with interviews and management s estimates were used to determine the useful lives of the assets. The income approach, which includes an analysis of the cash flows and risks associated with achieving such cash flows, was the primary technique utilized in valuing the acquired patented technology. Key assumptions included estimates of revenue growth, cost of revenues, operating expenses and income taxes. The discount rates used in the valuation of intangible assets reflected the level of risk associated with the particular technology and the current return on investment requirements of the market.

13. Litigation and Asserted Claims

Hynix Litigation

U.S District Court of the Northern District of California

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

The case was divided into three phases. In the first phase, Hynix tried its unclean hands defense beginning on October 17, 2005 and concluding on November 1, 2005. In its January 4, 2006 Findings of Fact and Conclusions of Law, the court held that Hynix s unclean hands defense failed. Among other things, the court found that Rambus did not adopt its document retention policy in bad faith, did not engage in unlawful spoliation of evidence, and that while Rambus disposed of some relevant documents pursuant to its document retention policy, Hynix was not prejudiced by the destruction of Rambus documents.

The second phase of the Hynix-Rambus trial on patent infringement, validity and damages began on March 15, 2006, and was submitted to the jury on April 13, 2006. On April 24, 2006, the jury returned a verdict in favor of Rambus on all issues and awarded Rambus a total of approximately $307 million in damages, excluding prejudgment interest. Specifically, the jury found that each of the ten selected patent claims was supported by the written description, and was not anticipated or rendered obvious by prior art; therefore, none of the patent claims were invalid. The jury also found that Hynix infringed all eight of the patent claims for which the jury was asked to determine infringement; the court had previously determined on summary judgment that Hynix infringed the other two claims at issue in the trial. On July 17, 2006, the court granted Hynix s motion for a new trial on the issue of damages unless Rambus agreed to a reduction of the total jury award to approximately $134 million. The court found that the record supported a maximum royalty rate of 1% for SDR SDRAM and 4.25% for DDR SDRAM, which the court applied to the stipulated U.S. sales of infringing Hynix products through December 31, 2005. On July 27, 2006, Rambus elected remittitur of the jury s award to approximately $134 million. Rambus intends to move to supplement the damages award and for equitable relief related to Hynix s infringement of Rambus patents. A hearing on those issues is currently set for June 24, 2008. No opinion has issued to date on Hynix s post-trial motions for judgment as a matter of law and new trial on certain issues relating to validity and infringement; likewise, no opinion has issued to date on Rambus s post-trial motion for prejudgment interest.

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

European Patent Infringement Case

Beginning on September 4, 2000, Rambus filed suit against Hynix in multiple European jurisdictions for infringement of EP 0 525 068 (the 068 patent). Rambus later filed a further infringement action against Hynix in Mannheim, Germany on a second patent, EP 1 022 642 (the 642 patent). Both patents were opposed by Hynix, Micron, and Infineon in the European Patent Office (EPO). The 068 patent was revoked by an Appeal Board in 2004, and a hearing in the opposition with respect to the 642 patent has not yet been scheduled. On January 8, 2008, the Mannheim court issued an Order of Cost with respect to the 068 proceeding requiring Rambus to reimburse Hynix court fees in the amount of $0.6 million. This amount is recorded under accrued litigation expenses in the accompanying consolidated balance sheet.

Micron Litigation

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

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

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

U.S District Court in Delaware: Case No. 06-269-SLR

On February 21, 2006, Micron filed suit against Rambus in the U.S. District Court in the Eastern District of Virginia, asserting claims for violation of the federal civil Racketeer Influenced and Corrupt Organizations Act (RICO) and Virginia state conspiracy laws. Among other things, the complaint alleges document spoliation and litigation misconduct. Rambus believes these claims lack merit. On March 29, 2006, the Delaware court granted Rambus motion to enjoin Micron s suit in the Eastern District of Virginia, and the case was subsequently transferred to the U.S. District Court in Delaware.

On May 26, 2006, Rambus moved to dismiss Micron s complaint on the grounds that, among other things: (1) Micron s claims are barred by the statute of limitations; (2) Micron s claims fail on the merits; and (3) Micron s claims are barred by the *Noerr-Pennington* doctrine. Prior to the hearing, the case was dismissed with prejudice on April 14, 2008, pursuant to a stipulation entered into by the parties.

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

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

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

In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties cross-motions for summary judgment on infringement and validity is set for June 4 and 5, 2008. One or more trials on Rambus patent infringement claims is set to begin on January 19, 2009.

European Patent Infringement Cases

On September 11, 2000, Rambus filed suit against Micron in multiple European jurisdictions for infringement of its 068 patent (described above), which was later revoked. Additional suits were filed pertaining to the 642 patent and a third Rambus patent, EP 1 004 956 (the 956 patent). Rambus suit against Micron for infringement of the 642 patent in Mannheim, Germany, has not been active.

One proceeding in Italy relating to the 642 patent was adjourned at a hearing on June 15, 2007, each party bearing its own costs. In a second proceeding in Italy relating to the 956 patent, the court has scheduled a hearing for October 22, 2008, regarding continuation of the proceedings. On September 29, 2005, Rambus received a letter from Micron seeking to toll a statute of limitations period in Italy for a purported cause of action resulting from a seizure of evidence in Italy in 2000 carried out by Rambus pursuant to a court order. Micron asserts that its damages allegedly caused by this seizure equal or exceed $30.0 million. Micron formally filed suit against Rambus relating to this seizure in February 2006. Rambus filed its written defense on April 24, 2006. The Italian court has ordered further briefing on issues related to Rambus suit in Italy for infringement of its 068 patent. No decision has issued to date.

DDR2, GDDR2 & GDDR3 Litigation (DDR2)

U.S District Court in the Northern District of California

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

As explained above, the court ordered a coordinated trial of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The court subsequently excused Samsung from the coordinated trial on December 14, 2007, based on Samsung s agreement to certain conditions, including trial of its claims against Rambus within six months following the conclusion of the coordinated trial. That trial is currently scheduled to begin on September 22, 2008. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. At the conclusion of the hearing, the court denied the motion for a new trial. A further hearing on the equitable claims and defenses is scheduled for May 27, 2008.

In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties cross-motions for summary judgment on infringement and validity is currently set for June 4 and 5, 2008. One or more trials on Rambus patent infringement claims is set to begin on January 19, 2009.

Samsung Litigation

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

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

As explained above, the court ordered a coordinated trial of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The court subsequently excused Samsung from the coordinated trial on December 14, 2007, based on Samsung s agreement to certain conditions, including trial of its claims against Rambus within six months following the conclusion of the coordinated trial. That trial is currently scheduled to begin on September 22, 2008. In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties cross-motions for summary judgment on infringement and validity is currently set for June 4 and 5, 2008, and one or more trials on Rambus patent infringement claims is set to begin on January 19, 2009.

U.S. District Court in the Eastern District of Virginia

On June 7, 2005, Samsung sued Rambus in the U.S. District Court in the Eastern District of Virginia seeking a declaratory judgment that four Rambus patents are invalid, unenforceable and/or not infringed. Rambus answered the complaint, disputing Samsung s claims. Rambus granted Samsung covenants not to sue Samsung for infringement of the four patents for which Samsung sought declaratory relief. Rambus subsequently offered to pay Samsung s attorneys fees, but Samsung did not accept the offer. On November 8, 2005, the Virginia court granted Rambus motion to dismiss with respect to Samsung s claims for declaratory judgment but denied Rambus motion with respect to Samsung s claim for attorneys fees pursuant to 35 U.S.C. § 285. On July 19, 2006, the Virginia court issued orders finding that: (1) it had subject matter jurisdiction over Samsung s motions; (2) Samsung is a prevailing party; (3) Rambus had spoliated evidence in anticipation of litigation against DRAM manufacturers such as Samsung; (4) Rambus spoliation rendered the case exceptional; (5) Rambus did not assert its counterclaims in subjective bad faith or for the purpose of vexation; (6) Rambus counterclaims were not objectively baseless at the time they were filed; and (7) Samsung was not entitled to an award of attorneys fees.

Rambus filed a notice of appeal to the United States Court of Appeals for the Federal Circuit (the CAFC) on August 16, 2006. Oral argument was heard on August 7, 2007. On April 29, 2008, the CAFC vacated the orders of the Virginia court denying Samsung s application for attorney fees and entering findings with respect to the alleged spoliation of evidence. The CAFC held that the Virginia court s findings with respect to alleged spoliation constituted an impermissible advisory opinion. The CAFC further held that Rambus s offer to pay Samsung s attorneys fees rendered the case moot, and that the Virginia court did not thereafter have independent jurisdiction to assess whether the case was exceptional. The CAFC remanded the matter to the Virginia court with the instruction that the court dismiss Samsung s complaint.

FTC Complaint

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

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

On August 2, 2006, the FTC released its July 31, 2006, opinion and order reversing and vacating the Initial Decision and determining that Rambus violated Section 5 of the Federal Trade Commission Act. Following further briefing and oral argument on issues relating to remedy, the FTC released its opinion and order on remedy on February 5, 2007. The remedy order sets the maximum royalty rate that Rambus can collect on the manufacture, use or sale in the United States of certain JEDEC-compliant parts after the effective date of the Order, as follows: 0.25% for SDRAM products; 0.5% for DDR SDRAM products; 0.5% for SDRAM memory controllers or other non-memory chip components; and 1.0% for DDR SDRAM memory controllers or other non-memory chip components. The order specifies that these maximum rates will be in effect for three years, after which time the maximum rates for these products will be 0%. The order also mandates that Rambus offer a license for these products at rates no higher than the maximums set by the FTC, including a further cap on rates for the affected non-memory products. The order further requires Rambus to take certain steps to comply with the terms of the order and applicable disclosure rules of any standard setting organization of which it may become a member.

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

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

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

Rambus appealed the FTC s liability and remedy orders to the United States Court of Appeals for the District of Columbia (the CADC). Oral argument was heard February 14, 2008. On April 22, 2008, the CADC issued an opinion which requires vacatur of the FTC s orders. The CADC held that the FTC failed to demonstrate that Rambus s conduct was exclusionary, and thus failed to establish its allegation that Rambus unlawfully monopolized any relevant market. The CADC s opinion sets aside the FTC s orders and remands the matter to the FTC for further proceedings consistent with the opinion. Regarding the chance of further proceedings on remand, the CADC expressed serious concerns about the strength of the evidence relied on to support some of the Commission s crucial finding regarding the scope of JEDEC s patent disclosure policies and Rambus s alleged violation of those policies.

Indirect Purchaser Class Action

On August 10, 2006, the first of nine class action lawsuits were filed against Rambus in 2006 alleging violations of federal and state antitrust laws, violations of state consumer protection laws, and various common law claims based almost entirely on the same conduct which was the subject of the FTC s July 31, 2006 opinion. Three of these lawsuits filed outside of California were dismissed pursuant to agreement of the parties. The remaining six of these cases were consolidated under the caption, *In* *re Rambus Antitrust Litigation*, 06-4852 RMW (N.D. Cal.). The consolidated complaint seeks injunctive and declaratory relief, disgorgement, restitution and compensatory and punitive damages in an unspecified amount, and attorneys fees and costs. On March 28, 2007, Rambus filed a motion to dismiss the consolidated complaint. On July 27, 2007, the court heard oral argument on Rambus motion and took the matter under submission. No final order has been issued to date.

European Commission Competition Directorate-General

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

Superior Court of California for the County of San Francisco

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

On June 28, 2007, Hynix filed a motion for summary judgment on the ground that Rambus claims should be dismissed on the grounds that they allegedly were compulsory counterclaims in the *Hynix* 00-20905 action. Following briefing and oral argument, the court denied Hynix s motion in an order filed November 2, 2007. Hynix sought review of the trial court s order by the California Court of Appeal, which the appellate court summarily denied on January 17, 2008. On January 28, 2008, Hynix filed a petition for review of this decision by the California Supreme Court. Rambus filed an answer requesting that Hynix s petition be denied. On March 19, 2008, the California Supreme Court issued an order denying Hynix s petition. Discovery in this case remains ongoing.

Alberta Telecommunications Research Centre Litigation

On November 15, 2005, Alberta Telecommunications Research Centre, dba TR Labs, a Canadian company, filed suit against Rambus in the U.S. District Court in the Eastern District of Virginia. The complaint alleges that Alberta is the owner of U.S. patent no. 5,361,277 (the 277 patent), and asserts claims for interferences-in-fact pursuant to 35 U.S.C. § 291 between the 277 patent and Rambus U.S. patent nos. 5,243,703 (the 703 patent) and 5,954,804 (the 804 patent); infringement of the 277 patent by Rambus; and unjust enrichment. Alberta seeks an order assigning the claims of the 703 and 804 patent to Alberta, disgorgement of Rambus profits from licensing the 703 and 804 patents, compensatory and punitive damages, attorneys fees, and injunctive relief. Rambus filed an answer on February 10, 2006, denying Alberta s claims.

Rambus moved to dismiss Alberta s claims on January 26, 2006, and to transfer the action to the Northern District of California. On April 13, 2006, the Virginia court ordered that this matter be transferred to the Northern District of California in its entirety (without deciding Rambus motion to dismiss). The case was filed in the Northern District of California on April 17, 2006. On October 23, 2006, the court granted in part Rambus motion to dismiss with leave to amend. Alberta filed an amended complaint on November 8, 2006. On August 30, 2007, Rambus filed an answer denying the allegations in the amended compliant. On January 9, 2008, the case was dismissed pursuant to the parties stipulation based on a settlement agreement between the parties.

Stock Option Investigation Related Claims

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

On May 31, 2006, the first of three shareholder derivative actions was filed in the Northern District of California against Rambus (as a nominal defendant) and certain current and former executives and board members. These actions have been consolidated for all purposes under the caption, *In re Rambus Inc. Derivative Litigation*, Master File No. C-06-3513-JF (N.D.

Cal.), and Howard Chu and Gaetano Ruggieri were appointed lead plaintiffs. The consolidated complaint, as amended, alleges violations of certain federal and state securities laws as well as other state law causes of action. The complaint seeks disgorgement and damages in an unspecified amount, unspecified equitable relief, and attorneys fees and costs.

On August 22, 2006, another shareholder derivative action was filed in Delaware Chancery Court against Rambus (as a nominal defendant) and certain current and former executives and board members (*Bell v. Tate et al.*, 2366-N (Del. Chancery)). Pursuant to agreement of the parties, no deadline for Rambus to respond to the complaint has been set.

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

On August 24, 2007, the final written report setting forth the findings of the SLC was filed with the court. As set forth in its report, the SLC determined that all claims should be terminated and dismissed against the named defendants in *In re Rambus Inc. Derivative Litigation* with the exception of claims against named defendant Ed Larsen, who served as Vice President, Human Resources from September 1996 until December 1999, and then Senior Vice President, Administration until July 2004. The SLC entered into settlement agreements with certain former officers of the Company. These settlements are conditioned upon the dismissal of the claims asserted against these individuals in *In re Rambus Inc. Derivative Litigation*. The aggregate value of the settlements to the Company exceeds $6.5 million in cash and estimated equivalent value as well as substantial additional value to the Company relating to the relinquishment of claims to over 2.7 million stock options. The SLC stated its intention to assert control over the litigation. The conclusions and recommendations of the SLC are subject to review by the court. On October 5, 2007, Rambus filed a motion to terminate in accordance with the SLC s recommendations. A hearing on this motion is scheduled for May 23, 2008.

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

The parties to *In re Rambus Inc. Derivative Litigation* and *Francl v. PricewaterhouseCoopers LLP et al.* have been engaged in on-going settlement discussions. However, the terms of any potential settlement have not been agreed upon by the parties and the amount of any settlement cannot currently be determined. Additionally, any settlement would be subject to final documentation as well as review and approval by the court.

On July 17, 2006, the first of six class action lawsuits was filed in the Northern District of California against Rambus and certain current and former executives and board members. These lawsuits have been consolidated under the caption, *In re Rambus Inc. Securities Litigation*, C-06-4346-JF (N.D. Cal.) and Ronald L. Schwarcz was appointed lead plaintiff. The amended consolidated complaint names as defendants Rambus, certain of its current and former executives and board members, and PricewaterhouseCoopers LLP. The complaint alleges violations of various federal securities laws and seeks damages in an unspecified amount as well as attorneys fees and costs. After Rambus and certain other defendants filed motions to dismiss the lawsuit, the parties agreed in principle to settle this dispute. The settlement was preliminarily approved by the court in an order signed on March 5, 2008, but it is still subject to review and final approval by the court. Pursuant to the settlement agreement, Rambus paid $18.3 million into a settlement escrow fund on March 17, 2008. A final fairness hearing is set for May 14, 2008. Some alleged class members have requested exclusion from the settlement. If the settlement becomes final, it would lead to a dismissal with prejudice of all claims against all defendants in the consolidated class action litigation and a release of the funds to the plaintiff.

On March 1, 2007, a pro se lawsuit was filed in the Northern District of California by two alleged Rambus shareholders against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (*Kelley et al. v. Rambus, Inc. et al.* C-07-01238-JF (N.D. Cal.)). This action was consolidated with a substantially identical pro se lawsuit filed by another purported Rambus shareholder against the same parties. The consolidated complaint against Rambus alleges violations of federal and state securities laws, and state law claims for fraud and breach of fiduciary duty. Rambus and the other defendants have filed motions to dismiss the consolidated complaint and a hearing on these motions was held on March 14, 2008. On April 17, 2008, the court granted the motions, dismissing all claims with prejudice except for plaintiffs claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934 as to which leave to amend was granted.

All of these cases relate to stock options issues. There can be no assurance that additional claims or actions arising out of or related to stock option issues will not be asserted against Rambus and its current or former executives and board members.

Potential Future Litigation

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

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

14. Fair Value of Financial Instruments

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

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

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

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

The following table summarizes the valuation of our marketable securities and financial instruments by the above SFAS No. 157 pricing levels as of March 31, 2008:

		As of March 31, 2008		
(in thousands)	**Total**	**Quoted market prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Available-for-sale securities	$378,524	$93,903	$284,621	$

The Company s investments in available-for-sale securities are recorded at fair value based on quoted market prices.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure as of March 31, 2008 and March 31, 2007:

	As of March 31, 2008		**As of March 31, 2007**	
(in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Convertible notes	$160,000	$180,912	$160,000	$178,266

The fair value of the convertible notes are determined based on recent quoted market prices for these notes. The carrying value of other financial instruments, including cash, accounts receivable and accounts payable, approximate fair value due to their short maturities.

The Company monitors its investments for impairment by considering current factors, including the economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, and records reductions in carrying values when necessary. Any impairment loss is reported under Interest and other income, net in the condensed consolidated statement of operations. As of March 31, 2008, the

Company has not incurred any impairment loss on its investments.

The Company has adopted SFAS No. 159 effective January 1, 2008. The Company has not elected the fair value option for financial instruments not already carried at fair value.

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15. Subsequent Events

In April 2008, the Company received $5.0 million of insurance proceeds related to reimbursement claims associated with the stock option investigation claims discussed in Note 13 Litigation and Asserted Claims . Our use of these proceeds is subject to the final resolution of the class action case and various derivative lawsuits.

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

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

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

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

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

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

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

International Business Machines Corporation	IBM
Joint Electron Device Engineering Council	JEDEC
Juniper Networks, Inc.	Juniper
Matsushita Electrical Industrial Co.	Matsushita
Micron Technologies, Inc.	Micron
Nanya Technology Corporation	Nanya

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NEC Electronics Corporation	NECEL
Optical Internetworking Forum	OIF
Qimonda AG (formerly Infineon s DRAM operations)	Qimonda
Peripheral Component Interconnect Special Interest Group	PCI-SIG
Renesas Technology Corporation	Renesas
S3 Graphics, Inc.	S3 Graphics
Samsung Electronics Co., Ltd.	Samsung
Sony Computer Electronics	Sony
Spansion, Inc.	Spansion
ST Microelectronics	ST Micro
Synopsys Inc.	Synopsys
Tessera Technologies, Inc.	Tessera
Texas Instruments Inc.	Texas Instruments
Toshiba Corporation	Toshiba
Velio Communications	Velio

Business Overview

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

As of March 31, 2008, our chip interface technologies are covered by more than 680 U.S. and foreign patents. Additionally, we have approximately 540 patent applications pending. These patents and patent applications cover important inventions in memory and logic chip interfaces, in addition to other technologies. We believe that our chip interface technologies provide a higher performance, lower risk, and more cost-effective alternative for our customers than can be achieved through their own internal research and development efforts.

We offer our customers two alternatives for using our chip interface technologies in their products:

First, we license our broad portfolio of patented inventions to semiconductor and system companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of our patent portfolio. Patent license agreements are royalty bearing.

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

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

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

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

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We have a high degree of revenue concentration, with our top five licensees representing approximately 67% and 69% of our revenues for the three months ended March 31, 2008 and 2007, respectively. For the three months ended March 31, 2008, revenues from Elpida, Fujitsu and Sony each accounted for 10% or more of our total revenues. For the three months ended March 31, 2007, revenues from Fujitsu, Qimonda and Elpida each accounted for 10% or more of our total revenues.

Our revenue from companies headquartered outside of the United States accounted for approximately 83% and 87% of our total revenues for the three months ended March 31, 2008 and 2007, respectively. We expect that we may continue to experience significant revenue concentration and have significant revenues from sources outside the United States for the foreseeable future.

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

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

Results of Operations

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

	Three Months Ended March 31,	
	2008	**2007**
Revenues:		
Royalties	83.3%	87.2%
Contract revenues	16.7%	12.8%
Total revenues	100.0%	100.0%
Costs and expenses:		
Cost of contract revenues*	18.2%	12.4%
Research and development*	54.1%	46.7%
Marketing, general and administrative*	83.9%	49.8%
Costs of restatement and related legal activities	2.3%	14.0%
Total costs and expenses	158.5%	122.9%
Operating loss	(58.5)%	(22.9)%
Interest and other income, net	11.6%	10.4%
Loss before income taxes	(46.9)%	(12.5)%
Benefit from income taxes	(15.1)%	(4.8)%

Net loss	(31.8)%	(7.8)%
* Includes stock-based compensation:		
Cost of contract revenues	4.8%	2.2%
Research and development	9.8%	6.7%
Marketing, general and administrative	11.8%	9.9%

	Three Months Ended March 31,		**Change in Percentage**
	2008	**2007**	
	(Dollars in millions)		
Total Revenues			
Royalties	$ 33.1	$ 43.8	(24.4)%
Contract revenues	6.6	6.4	3.8%
Total revenues	$ 39.7	$ 50.2	(20.8)%

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Royalty Revenues

Patent Licenses

In the three months ended March 31, 2008, our largest source of royalties was related to the license of our patents for SDR and DDR-compatible products. Royalties decreased approximately $13.9 million for SDR and DDR-compatible products in the three months ended March 31, 2008, as compared to the same period in 2007, primarily due to decreased revenue from Fujitsu, Qimonda and Matsushita.

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

On February 2, 2007, the Federal Trade Commission (the FTC) issued an order requiring us to limit the royalty rates charged for certain SDR and DDR SDRAM memory and controller products sold after April 12, 2007. The FTC stayed this requirement on March 16, 2007, subject to certain conditions. One such condition of the stay limits the royalties we can receive under certain contracts so that they do not exceed the FTC s Maximum Allowable Royalties (MAR). We are using our best efforts to comply with these orders. Amounts in excess of MAR that are subject to the order are excluded from revenue. As of March 31, 2008, $3.8 million has been excluded from revenue, including $1.4 million in the quarter ended March 31, 2008. On April 22, 2008, the United States Court of Appeals for the District of Columbia (the CADC) overturned the FTC decision and remanded the matter back to the FTC for further proceedings consistent with the Court s opinion. The CADC s order vacating the FTC s order has not yet been issued. We will continue to defer revenue in accordance with the FTC s order so long as it remains in effect. See Note 13 Litigation and Asserted Claims of Notes to Unaudited Condensed Consolidated Financial Statements.

Product Licenses

In the three months ended March 31, 2008, royalties from XDR, FlexIO, DDR and serial link-compatible products represented the second largest category of royalties. Royalties from XDR, FlexIO, DDR and serial link-compatible products increased approximately $2.7 million during the three months ended March 31, 2008 as compared to the same period in 2007. This increase was primarily due to higher royalties from XDR, DDR and FlexIO products. In the future, we expect royalties from XDR, FlexIO, DDR and serial link-compatible products will continue to vary from period to period based on our licensees shipment volumes, sales prices and product mix.

In the three months ended March 31, 2008, royalties from RDRAM-compatible products represented the third largest source of royalties. Royalties from RDRAM memory chips and controllers increased approximately $0.5 million during the three months ended March 31, 2008 as compared to the same period in 2007. The increase was primarily due to higher royalties from RDRAM controllers.

Contract Revenue

Percentage-of-Completion Contracts

Percentage of completion contract revenue increased approximately $2.4 million for the three months ended March 31, 2008 as compared to the same period in 2007 due to revenue recognized on the new leadership chip interface contracts. We believe that percentage-of-completion contract revenues recognized will continue to fluctuate over time based on our ongoing contractual requirements, the amount of work performed, and by changes to work required, as well as new contracts booked in the future.

Other Contracts

Revenue for other contracts decreased approximately $2.2 million for the three months ended March 31, 2008 as compared to the corresponding period in 2007 due to decreased revenue from leadership chip interface contracts including FlexIO and XDR, offset in part by an increase in revenue from industry standard chip interface contracts. We believe that other contracts revenue will continue to fluctuate over time based on our ongoing contract requirements, the timing of completing engineering deliverables, as well as new contracts booked in the future.

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Engineering costs:

	Three Months Ended March 31, 2008	2007	Change in Percentage
	(Dollars in millions)		
Engineering costs			
Cost of contract revenues	$ 5.3	$ 5.1	3.7%
Stock-based compensation	1.9	1.1	75.8%
Total cost of contract revenues	7.2	6.2	16.4%
Research and development	17.6	20.0	(12.2)%
Stock-based compensation	3.9	3.4	15.4%
Total research and development	21.5	23.4	(16.4)%
Total engineering costs	$ 28.7	$ 29.6	(3.1)%

Total engineering costs decreased 3.1% for the three months ended March 31, 2008 as compared to the same period in 2007 primarily due to the lack of charges in 2008 associated with the one-time tax reimbursement expenses of approximately $4.1 million recorded in the first quarter of 2007. The tax reimbursement expenses were associated with our decision to reimburse current and former non-executive employees for the Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006. This decrease in costs was offset primarily by increases in salaries and benefits of $1.6 million and stock based compensation of $1.3 million in the first quarter of 2008 over the first quarter of 2007.

In certain periods, the cost of contract revenues may exceed contract revenues that do not factor in the expected stream of future royalty payments. This can be further impacted by timing of expensing of pre-contract costs as research and development expenses and expensing of completed contract costs where the realizability of an asset is uncertain. As of March 31, 2008, we have accrued approximately $0.8 million related to estimated loss contracts. These expenses were recognized in cost of contract revenues during the quarter when such loss was determined.

In the near term, we expect engineering costs will remain constant or increase as we invest in the infrastructure and technologies required to maintain our leadership position in chip interface technologies and increase headcount.

Marketing, general and administrative costs:

	Three Months Ended March 31, 2008	2007	Change in Percentage
	(Dollars in millions)		
Marketing, general and administrative costs			
Marketing, general and administrative costs	$ 15.4	$ 15.2	2.2%
Litigation expense	13.2	4.9	167.7%
Stock-based compensation	4.7	4.9	(4.8)%
Total marketing, general and administrative costs	$ 33.3	$ 25.0	33.5%

Total marketing, general and administrative costs increased 33.5% for the three months ended March 31, 2008 as compared to the same period in 2007 due primarily to increased litigation expenses of $8.3 million related to major cases that went to trial during the quarter ended March 31, 2008. Non-litigation related marketing, general and administrative costs were primarily flat as the lack of charges in 2008 associated with the one-time tax reimbursement expenses of approximately $2.5 million recorded in the first quarter of 2007 was offset primarily by increases in salaries and bonuses of $0.8 million and accounting and professional service fees of $1.4 million in the first quarter of 2008. The tax reimbursement expenses were associated with our decision to reimburse current and former non-executive employees for the Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006.

In the future, marketing, general and administrative costs will vary from period to period based on the trade shows, advertising, legal, and other marketing and administrative activities undertaken, and the change in sales, marketing and administrative headcount in any given period. Litigation expenses are expected to vary from period to period due to the variability of litigation activities, but are expected to remain at levels higher than 2007 for the foreseeable future.

Costs of restatement and related legal activities:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Change in Percentage
	(Dollars in millions)		
Cost of restatement and related legal activities	$ 0.9	$ 7.0	(87.0)%

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

Costs of restatement and related legal activities were $0.9 million for the three months ended March 31, 2008 due primarily to litigation expenses associated with the lawsuits related to this stock option investigation. Costs in the first quarter of 2008 were significantly lower than in the first quarter of 2007 because the majority of the investigation was completed during 2007. Until all the litigation and related issues are resolved, we anticipate that there could be additional amounts relating to these matters in the future.

Interest and other income, net:

	Three Months Ended March 31,		Change in Percentage
	2008	2007	
	(Dollars in millions)		
Interest and other income, net	$ 4.6	$ 5.2	(11.5)%

Interest and other income, net consists primarily of interest income generated from investments in high quality fixed income securities. The decrease in interest and other income, net for the three months ended March 31, 2008 as compared to the same period in 2007 was primarily due to lower average investment balances and lower yields on invested balances during the period, partially offset by foreign exchange gains during the first quarter of 2008.

In the future, we expect that interest and other income, net will vary from period to period based on the amount of cash and marketable securities, interest rates and foreign currency exchange rates.

Benefit from income taxes:

	Three Months Ended March 31,		Change in Percentage
	2008	2007	
	(Dollars in millions)		
Benefit from income taxes	$ (6.0)	$ (2.4)	151.4%
Effective tax rate	32.2%	38.0%	

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

Our effective tax rate for the quarter ended March 31, 2007 was higher than the U.S. statutory tax rate primarily due to research and development tax credits, stock-based compensation expense related to our executives and other employees, state income taxes and foreign income taxes.

As of March 31, 2008, our balance sheet included net deferred tax assets of approximately $133.2 million, primarily due to the difference between tax and book treatment of depreciation and amortization, employee stock-based compensation expenses, litigation expenses, net operating loss carryovers and tax credits.

We periodically evaluate the realizability of the deferred tax assets based on all available evidence, both positive and negative. The realization of our net deferred tax assets is solely dependent on our ability to generate sufficient future taxable income during periods before the expiration of tax statutes. Forecasted income is based on assumptions about current trends in operations and future litigation outcomes or expected settlements, and there can be no assurance that such results will be achieved. We review such forecasts in comparison with actual results and expected trends at least quarterly for the purpose of the realizability assessment. As of March 31, 2008, management has concluded that it is more likely than not that our $133.2 million of net deferred tax assets will be realized. If management determines that we have insufficient future taxable income to fully realize our net deferred tax assets in the future, we will record a valuation allowance by a charge to income tax expense in the period when such determination is made.

Pursuant to Footnote 82 of SFAS No. 123(R), tax attributes related to stock option windfall deductions should not be recorded until they result in a reduction of cash taxes payable. Starting in 2006, we no longer include net operating losses attributable to stock option windfall deductions as components of our gross deferred tax assets. The benefit of these net operating losses will be recorded to equity when they reduce cash taxes payable.

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Liquidity and Capital Resources

	As of March 31, 2008	As of December 31, 2007
	(In millions)	
Cash and cash equivalents	$ 124.9	$ 119.4
Marketable securities	257.1	321.5
Total cash, cash equivalents, and marketable securities	$ 382.0	$ 440.9

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
	(In millions)	
Net cash provided by (used in) operating activities	$ (13.8)	$ 14.6
Net cash provided by (used in) investing activities	$ 44.6	$ (27.3)
Net cash used in financing activities	$ (25.5)	$ (3.9)

Liquidity

Although we used cash for operating activities in the first quarter of 2008, our management continues to believe that total cash and marketable securities will continue at adequate levels to finance our operations, projected capital expenditures and commitments for the next twelve months. Cash needs for the first quarter of 2008 were funded primarily from investing activities, as investments in marketable securities matured and were not reinvested.

Operating Activities

Cash used in operating activities of $13.8 million for the three months ended March 31, 2008 was primarily attributable to the net loss adjusted for non-cash items, including stock-based compensation expense, depreciation and amortization expense, and increases in our non-cash working capital. Items in our working capital changes in the first quarter of 2008 included increases in prepaids and other assets for new maintenance agreements and increases in accounts receivable for end of quarter invoicing on new contracts.

Cash provided by operating activities of $14.6 million for the three months ended March 31, 2007 was primarily attributable to the net loss adjusted for non-cash items including stock-based compensation expense, depreciation and amortization, and decreases in our non-cash working capital. Items in our working capital changes in the first quarter of 2007 included primarily an increase in other accrued liabilities due to our liability for reimbursing current and former non-executive employees for Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006.

Investing Activities

Cash provided by investing activities of approximately $44.6 million for the three months ended March 31, 2008 primarily consisted of proceeds from the maturities of available-for-sale marketable securities of $162.3 million, of which only $97.2 million was reinvested in available-for-sale marketable securities. In addition, we increased restricted cash investments for the amount of the shareholder class action proposed settlement. We also purchased $1.7 million of property and equipment, primarily computer software licenses.

Cash used in investing activities for the three months ended March 31, 2007 primarily consisted of purchases of available-for-sale investments of $152.0 million, offset by proceeds from the maturities of available-for-sale investments of $127.1 million.

Financing Activities

Cash used in financing activities was $25.5 million for the three months ended March 31, 2008. We used more cash under the stock repurchase program than we received from stock option exercises during the period. See Share

Repurchase Program, below, for further discussion of our stock repurchase activities. We also made payments under installment payment plans used to acquire software license agreements. During the three months ended March 31, 2008, proceeds from employee stock option exercises totaled approximately \$4.8 million. Of this amount, \$0.6 million was received during the quarter and \$4.2 million (included in prepaid and other assets as of March 31, 2008) was received in April 2008.

We did not engage in any stock-related financing activities for the three months ended March 31, 2007 primarily due to the stock option investigation and restatement, during which time we suspended our common stock repurchase program and suspended employee stock option exercises and purchases under our employee stock purchase plan. We used approximately \$3.9 million to make payments under installment payment arrangements.

We currently anticipate that existing cash and cash equivalent balances and cash flows will be adequate to meet our cash needs for at least the next 12 months. As described elsewhere in this Management s Discussion and Analysis of Financial Condition and Results of Operations and this Quarterly Report on Form 10-Q, we are involved in ongoing litigation related to our intellectual property and our past stock option investigation. Any adverse settlements or judgments in any of this litigation could have a material adverse impact on our results of operations, cash balances and cash flows in the period in which such

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events occur.

Contractual Obligations

On February 1, 2005, we issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (the convertible notes) due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities as initial purchasers who then sold the convertible notes to institutional investors. We elected to pay the principal amount of the convertible notes in cash when they are due. Subsequently, we repurchased a total of $140.0 million face value of the outstanding convertible notes in 2005. The convertible notes outstanding and payable as of March 31, 2008 are $160.0 million and are classified as a non-current liability in the accompanying condensed consolidated balance sheets.

As of March 31, 2008, our material contractual obligations are:

	Payments Due by Year						
	Total	Remainder of 2008	2009	2010	2011	2012	Thereafter
	(In thousands)						
Contractual obligations(1)							
Operating leases	$ 18,742	$ 5,427	$ 6,357	$ 5,735	$ 667	$ 556	$
Convertible notes	160,000			160,000			
Purchased software license agreements(2)	2,013	1,506	507				
Total	$ 180,755	$ 6,933	$ 6,864	$ 165,735	$ 667	$ 556	$

(1) The above table does not reflect possible payments in connection with uncertain tax benefits associated with FIN 48 of approximately $14.2 million, including $8.6 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $2.6 million of federal tax benefits, and including

$3.0 million in long-term income taxes payable, as of March 31, 2008. As noted below, although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, we cannot reasonably estimate the outcome at this time.

(2) We have commitments with various software vendors for non-cancellable license agreements that generally have terms greater than one year. The above table summarizes those contractual obligations as of March 31, 2008, which are also included on our condensed consolidated balance sheets under current and other long-term liabilities.

Share Repurchase Program

In October 2001, our Board of Directors (the Board) approved a share repurchase program of our Common Stock, principally to reduce the dilutive effect of employee stock options. To date, the Board has approved the authorization to repurchase up to 19.0 million shares of our outstanding Common Stock over an undefined period of time. During the three months ended March 31, 2008, we repurchased approximately 1.4 million shares with an aggregate value of

$24.9 million. As of March 31, 2008, we had repurchased a cumulative total of approximately 14.6 million shares of our Common Stock since the commencement of this program. As of March 31, 2008, there remained an outstanding authorization to repurchase approximately 4.4 million shares of our outstanding Common Stock.

We record stock repurchases as a reduction to stockholders equity. As prescribed by APB Opinion No. 6, Status of Accounting Research Bulletins, we record a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the cost of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock. During the quarter ended March 31, 2008, the cumulative price of the shares repurchased exceeded the proceeds received from the issuance of the same number of shares. The excess of $23.1 million was recorded as an increase to accumulated deficit for the quarter ended March 31, 2008. During the quarter ended March 31, 2007, we did not repurchase any Common Stock.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, investments, income taxes, litigation and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting estimates include those regarding (1) revenue recognition, (2) litigation, (3) income taxes and (4) stock-based compensation. For a discussion of our critical accounting estimates, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2007.

Recent Accounting Pronouncements

See Note 2 Recent Accounting Pronouncements of Notes to Unaudited Condensed Consolidated Financial Statements for discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

We invest our cash equivalents and short-term marketable securities in a variety of U.S. dollar financial instruments such as *Treasuries, Government Agencies, Repurchase Agreements, Commercial Paper and Corporate Notes.* Our policy specifically prohibits trading securities for the sole purposes of realizing trading profits. However, we may liquidate a portion of our portfolio if we experience unforeseen liquidity requirements. In such a case if the environment has been one of rising interest rates we may experience a realized loss, similarly, if the environment has been one of declining interest rates we may experience a realized gain. As of March 31, 2008, we had an investment portfolio of fixed income marketable securities of $378.5 million including cash equivalents. If market interest rates were to increase immediately and uniformly by 10% from the levels as of March 31, 2008, the fair value of the portfolio would decline by approximately $0.8 million. Actual results may differ materially from this sensitivity analysis.

We bill our customers in U.S. dollars. Although the fluctuation of currency exchange rates may impact our customers, and thus indirectly impact us, we do not attempt to hedge this indirect and speculative risk. Our overseas operations consist primarily of small business development offices in any one country and one design center in India. We monitor our foreign currency exposure; however, as of March 31, 2008, we believe our foreign currency exposure is not material enough to warrant foreign currency hedging.

The table below summarizes the book value, fair value, unrealized gains and related weighted average interest rates for our marketable securities portfolio as of March 31, 2008 and December 31, 2007.

	March 31, 2008			
(dollars in thousands)	**Fair Value**	**Book Value**	**Unrealized Gain, net**	**Weighted Rate of Return**
Money Market Funds	$ 93,903	$ 93,903	$	3.30%
Municipal Bonds and Notes	5,085	5,045	40	4.40%
U.S. Government Bonds and Notes	112,778	112,262	516	3.92%
Commercial Paper	166,758	166,386	372	3.89%
Total cash equivalents and marketable securities	378,524	377,596	928	
Cash	3,502	3,502		
	$ 382,026	$ 381,098	$ 928	

Total cash, cash equivalents and marketable securities

	December 31, 2007			
(dollars in thousands)	**Fair Value**	**Book Value**	**Unrealized Gain, net**	**Weighted Rate of Return**
Money Market Funds	$ 104,836	$ 104,836	$	4.82%
Municipal Bonds and Notes	3,008	3,000	8	4.81%
U.S. Government Bonds and Notes	108,660	108,568	92	4.39%
Commercial Paper	219,734	219,668	66	4.90%
Total cash equivalents and marketable securities	436,238	436,072	166	
Cash	4,644	4,644		
Total cash, cash equivalents and marketable securities	$ 440,882	$ 440,716	$ 166	

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such terms are defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of March 31, 2008, the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including our CEO and CFO. To the extent that components of our internal control over financial reporting are included within our disclosure controls and procedures, they are included in the scope of management s annual assessment of our internal control over financial reporting.

Based on this evaluation, our management, including our CEO and CFO, has concluded that our disclosure controls and procedures were not effective as of March 31, 2008 because of the material weakness in our internal control over financial reporting described under Management s Report on Internal Control over Financial Reporting in Item 9A of the Company s Annual Report on Form 10-K for the year ended December 31, 2007 (and summarized below), which the Company is still in the process of remediating.

Insufficient personnel with appropriate accounting knowledge and training. We did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements. Specifically, this deficiency resulted in audit adjustments that corrected an understatement of revenue and audit adjustments to deferred revenue, deferred rent, property and equipment, depreciation, consulting expenses and certain accrual accounts and disclosures in the consolidated financial statements for the year ended December 31, 2006 and in an audit adjustment that corrected an understatement of operating expenses and related legal accrual accounts and disclosures in the consolidated financial statements for the year ended December 31, 2007, primarily arising from an insufficient review by us of relevant information obtained through communications with third parties. Additionally, this deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined this control deficiency constitutes a material weakness.

Based on this material weakness, our management, including our CEO and CFO have concluded that we did not maintain effective internal control over financial reporting as of March 31, 2008, based on the criteria in *Internal Control-Integrated Framework* issued by the COSO.

We have undertaken the remedial actions described below and in connection with the preparation of this Quarterly Report, our management performed additional analyses, reconciliations and other post-closing procedures and has concluded that the Company s consolidated financial statements for the periods covered by and included in this Quarterly Report are fairly stated in all material respects in accordance with generally accepted accounting principles in the U.S. for each of the periods presented herein.

Implemented or Planned Remedial Actions of the Material Weakness

In response to the identification of the material weakness described above, management has initiated the following corrective actions:

- During the quarter ended December 31, 2007, we hired a new VP of Finance, with experience in public accounting as well as in senior accounting roles in a public company, who will oversee all of our accounting functions.

- During the quarter ended December 31, 2007 and prior to filing the financial statements, we hired two Assistant Corporate Controllers; one to oversee revenue recognition and financial systems and the other to oversee external reporting. We have also hired a General Ledger and Consolidations Manager.

- During the quarter ended December 31, 2007, we required all of our finance, accounting and stock administration staff to attend training in various areas of U.S. generally accepted accounting principles. In this regard, members of our

finance, accounting and operations departments have attended revenue recognition, SEC reporting and stock administration training in the fourth quarter of 2007.

We have on-going efforts to improve communications between finance personnel responsible for completing reviews of our accrual accounts and operations personnel responsible for the execution of the work on those transactions and have instituted quarterly close meetings involving finance and operations personnel; and

We are continuing our efforts to review our internal control over financial reporting with the intent to automate previously manual processes specifically in the areas of legal billing administration.

Additionally, management is investing in on-going efforts to continuously improve the control environment and has committed considerable resources to the continuous improvement of the design, implementation, documentation, testing and monitoring of our internal controls.

Changes in Internal Control Over Financial Reporting

There have been changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting as described above in the section, Implemented or Planned Remedial Actions of the Material Weakness .

Limitation on Effectiveness of Controls

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Risks Associated With Our Business, Industry and Market Conditions

If market leaders do not adopt our chip interface products, our results of operations could decline.

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

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

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

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

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

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

If new competitors, technological advances by existing competitors, our entry into new markets, or other competitive factors require us to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. For the three months ended March 31, 2008 and 2007, research and development expenses were $21.5 million and $23.4 million, respectively, including stock-compensation of approximately $3.9 million and $3.4 million, respectively. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results could decline. Research and development expenses are likely to fluctuate from time to time to the extent we make periodic incremental investments in research and development and these investments may be independent of our level of revenue. In order to grow, which may include entering new markets, we anticipate that we will continue to devote substantial resources to research and development, and we expect these expenses to increase in absolute dollars in the foreseeable future due to the increased complexity and the greater number of products under development as well as hiring additional employees.

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

We have a high degree of revenue concentration, with our top five licensees representing approximately 67% and 69% of our revenues for the three months ended March 31, 2008 and 2007, respectively. For the three months ended March 31, 2008, revenues from Elpida, Fujitsu and Sony each accounted for 10% or more of our total revenues. For the three months ended March 31, 2007, revenues from Fujitsu, Qimonda and Elpida each accounted for 10% or more of total revenues. We may continue to experience significant revenue concentration for the foreseeable future.

Substantially all of our licensees have the right to cancel their licenses. Failure to renew licenses and/or the loss of any of our top five licensees would cause revenues to decline substantially. Intel has been one of our largest customers and is an important catalyst for the development of new memory and logic chip interfaces in the semiconductor industry. We have a patent cross-license agreement with Intel for which we received quarterly royalty payments through the second quarter of 2006. The patent cross-license agreement expired in September 2006. Intel now has a paid up license for the use of all of our patents which claimed priority prior to September 2006. We have other licenses with Intel, in addition to the patent cross-license agreement, for the development of serial link chip interfaces. If we do not continue to replace the revenues we previously received under the Intel contract, our results of operations may decline significantly.

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

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

Unanticipated changes in our tax rates or in our assessment of the realizability of our deferred tax assets or exposure to additional income tax liabilities could affect our operating results and financial condition.

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

The realization of our net deferred tax assets of approximately $133.2 million as of March 31, 2008 is solely dependent on our ability to generate sufficient future taxable income during periods before the expiration of tax statutes. Forecasted income is based on assumptions about current trends in operations and future litigation outcomes or expected settlements, and there can be no assurance that such results will be achieved. We review such forecasts in comparison with actual results and expected trends at least quarterly for the purpose of realizability assessment. If we determine that we will have insufficient future taxable income to fully realize the net deferred tax assets, we will record a valuation allowance by a charge to income tax expense.

If we cannot respond to rapid technological change in the semiconductor industry by developing new innovations in a

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timely and cost effective manner, our operating results will suffer.

The semiconductor industry is characterized by rapid technological change, with new generations of semiconductors being introduced periodically and with ongoing improvements. We derive most of our revenue from our chip interface technologies that we have patented. We expect that this dependence on our fundamental technology will continue for the foreseeable future. The introduction or market acceptance of competing chip interfaces that render our chip interfaces less desirable or obsolete would have a rapid and material adverse effect on our business, results of operations and financial condition. The announcement of new chip interfaces by us could cause licensees or system companies to delay or defer entering into arrangements for the use of our current chip interfaces, which could have a material adverse effect on our business, financial condition and results of operations. We are dependent on the semiconductor industry to develop test solutions that are adequate to test our chip interfaces and to supply such test solutions to our customers and us.

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

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

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

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

We face intense competition that may cause our results of operations to suffer.

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

As the semiconductor industry is highly cyclical, significant economic downturns characterized by diminished demand, erosion of average selling prices, production overcapacity and production capacity constraints could affect the semiconductor industry. As a result, we may face a reduced number of licensing wins, tightening of customers operating budgets, extensions of the approval process for new licenses and consolidation among our customers, all of which may adversely affect the demand for our technology and may cause us to experience substantial period-to-period fluctuations in our operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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include:

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

For the three months ended March 31, 2008 and 2007, royalties accounted for 83% and 87%, respectively, of our total revenues, and we believe that royalties will continue to represent a majority of total revenues for the foreseeable future. Royalties are generally recognized in the quarter in which we receive a report from a licensee regarding the sale of licensed chips in the prior quarter; however, royalties are recognized only if collectibility is assured. As a result of these uncertainties and effects being outside of our control, royalty revenues are difficult to predict and make accurate financial forecasts difficult to achieve, which could cause our stock price to become volatile and decline.

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

For the three months ended March 31, 2008 and 2007, revenues from our sales to international customers constituted approximately 83% and 87% of our total revenues, respectively. We currently have international operations in India (design), Japan (business development), Taiwan (business development), Germany (business development) and Korea (business development). As a result of our continued focus on international markets, we expect that future revenues derived from international sources will continue to represent a significant portion of our total revenues.

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

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

- export controls, tariffs, import and licensing restrictions and other trade barriers;

profits, if any, earned abroad being subject to local tax laws and not being repatriated to the United States or, if repatriation is possible, limited in amount;

changes to tax codes and treatment of revenues from international sources, including being subject to foreign tax laws and potentially being liable for paying taxes in that foreign jurisdiction;

foreign government regulations and changes in these regulations;

social, political and economic instability;

lack of protection of our intellectual property and other contract rights by jurisdictions in which we may do business to

- the same extent as the laws of the United States;
- changes in diplomatic and trade relationships;
- cultural differences in the conduct of business both with licensees and in conducting business in our international facilities and international sales offices;
- operating centers outside the United States;
- hiring, maintaining and managing a workforce remotely and under various legal systems; and
- geo-political issues.

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

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

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations, as described elsewhere in this report. Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of share-based compensation expense under Statement of Financial Accounting Standards No. 123(R) (SFAS No. 123(R)), requires us to use valuation methodologies which were not developed for use in valuing employee stock options and a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, and the exercise behavior of our employees. Furthermore, there are no means, under applicable accounting principles, to compare and adjust our expense if and when we learn about additional information that may affect the estimates that we previously made, with the exception of changes in expected forfeitures of share-based awards. Factors may arise that lead us to change our estimates and assumptions with respect to future share-based compensation arrangements, resulting in variability in our share-based compensation expense over time. Changes in forecasted stock-based compensation expense could impact our cost of contract revenues, research and development expenses, marketing, general and administrative expenses and our effective tax rate, which could have an adverse impact on our results of operations.

Our business and operating results will be harmed if we are unable to manage growth in our business.

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

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

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

- the key personnel of the acquired company may decide not to work for us;

we may experience additional financial and accounting challenges and complexities in areas such as tax planning, cash management and financial reporting;

our ongoing business may be disrupted or receive insufficient management attention;

we may not be able to recognize the cost savings or other financial benefits we anticipated; and

our increasing international presence resulting from acquisitions may increase our exposure to international currency, tax and political risks.

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

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

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

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

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

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

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

Risks Related to Corporate Governance and Capitalization Matters

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

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

any progress, or lack of progress, in the development of products that incorporate our chip interfaces;

our signing or not signing new licensees;

new litigation or developments in current litigation as discussed above;

announcements of our technological innovations or new products by us, our licensees or our competitors;

positive or negative reports by securities analysts as to our expected financial results;

developments with respect to patents or proprietary rights and other events or factors; and

any delisting of our Common Stock from The Nasdaq Global Select Market.

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

If we fail to remediate any material weaknesses in our internal control over financial reporting, we may be unable to accurately report our financial results or reasonably prevent fraud which could result in a loss of investor confidence in our financial reports and have an adverse effect on our business and operating results and our stock price.

Effective internal control over financial reporting is essential for us to produce reliable financial reports and prevent fraud. If we cannot provide reliable financial information or prevent fraud, our business and operating results, as well as our stock price, could be harmed. We have during the year ended December 31, 2007 discovered, and may in the future discover, material weaknesses in our internal control over financial reporting. A failure to implement and maintain effective internal control over financial reporting, could harm our operating results, result in a material misstatement of our financial statements, cause us to fail to meet our financial reporting obligations or prevent us from providing reliable and accurate financial reports or avoiding or detecting fraud. This, in turn, could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

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

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

The matters relating to the independent investigation of our historical stock option granting practices and the restatement of our previous financial statements could adversely affect our business, financial condition, results of operations and cash flows.

During 2006 and 2007, our Audit Committee conducted an internal investigation of the timing of stock option grant practices and related accounting issues, and, as a result of the findings, we restated various previously filed financial statements. The costs of the investigation and restatement and any settlements, payment of claims, fines, taxes and other costs led to substantial expenses that materially affected our cash balance and cash flows from operations. In addition, the recent restatement of our financial results and any negative outcome that may occur from these investigations could impact our reputation, including our relationships with our investors and our licensees, our ability to hire and retain qualified personnel, our ability to acquire new licensees and other business partners and, ultimately, our ability to generate revenue. Furthermore, considerable legal and accounting expenses related to these matters have been incurred to date and significant expenditures may continue to be incurred in the future.

Future government actions may result from the completion of the investigation of stock option grants. We are also under examination by the Internal Revenue Service (IRS) on the various tax reporting implications resulting from the investigation. There is no assurance that other regulatory inquiries will not be commenced by other U.S. federal, state or foreign regulatory agencies, including the IRS and other tax authorities. The unfavorable resolution of any potential tax or other regulatory proceeding or action could require us to make significant payments in overdue taxes, penalties and fines or otherwise record charges (or reduce tax assets) that may adversely affect our results of operations and financial condition.

In addition, our bylaws and certain indemnification agreements require us to indemnify our current and former directors, officers, employees and agents against most actions of a civil, criminal, administrative or investigative nature unless such person acted criminally, in a manner opposed to our best interests or did not act in good faith. Generally, we are required to advance indemnification expenses prior to any final adjudication of an individual s culpability. Therefore, the expense of indemnifying our current and former directors, officers and employees and agents in their defense or related expenses as a

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result of the derivative, class action and any regulatory actions related to the investigation and financial restatement may be significant. Therefore, our indemnification obligations could result in the diversion of our financial resources that adversely affects our business, financial condition and results of operations.

We have been named as a party to several lawsuits arising from matters relating to our stock option investigation which may result in unfavorable outcomes and significant judgments, settlements and legal expenses which could cause our business, financial condition and results of operations to suffer.

Several shareholder derivative actions were filed in state and federal courts against certain of our current and former officers and directors, as well as our current auditors, related to the stock option investigation. The actions were brought by persons identifying themselves as shareholders and purporting to act on our behalf. We are named solely as a nominal defendant against whom the plaintiffs seek no recovery. The complaints allege that certain of these defendants violated securities laws and/or breached their fiduciary duties to us and obtained unjust enrichment in connection with grants of stock options to certain of our officers that were allegedly improperly dated. The complaints seek unspecified monetary damages and disgorgement from the defendants, as well as unspecified equitable relief.

Additionally, several securities fraud class actions and individual lawsuits were filed in federal court against us and certain of our current and former officers and directors. The complaints generally allege that the defendants violated the federal securities laws by filing documents with the SEC containing false statements regarding our accounting treatment of the stock option granting actions under investigation. The individual lawsuits allege not only federal and state securities law violations, but also state law claims for fraud and breach of fiduciary duty. The class actions have been consolidated into a single proceeding. On September 7, 2007, the parties to this class action proceeding advised the court that they had reached a settlement in principle of the litigation. The settlement, which is subject to final approval by the court, provides for a payment of $18.3 million, which we paid into a settlement fund in March 2008, for a dismissal with prejudice of all claims against all defendants. A final fairness hearing is scheduled to occur in May 2008. If the settlement becomes final, it would lead to a dismissal with prejudice of all claims against all defendants in the consolidated class action litigation. For more information about the litigation described above, see Note 13 Litigation and Asserted Claims of Notes to Unaudited Condensed Consolidated Financial Statements for more information.

There can be no assurance that further lawsuits by parties who allege they suffered injury as a consequence of our past stock option granting practices will not be filed in the future. The amount of time to resolve these current and any future lawsuits is uncertain, and these matters could require significant management and financial resources which could otherwise be devoted to the operation of our business. Although we have expensed or accrued for certain liabilities that we believe will result from certain of these actions, the actual costs and expenses to defend and satisfy all of these lawsuits and any potential future litigation will exceed our current estimated accruals, possibly significantly. Unfavorable outcomes and significant judgments, settlements and legal expenses in the litigation related to our past stock option granting practices could have material adverse impacts on our business, financial condition, results of operations, cash flows and the trading price of our Common Stock.

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

We have indebtedness. On February 1, 2005, we issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (convertible notes) due February 1, 2010, of which $160.0 million remains outstanding as of the date of this report.

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

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;

- a substantial portion of our cash flows from operations will be dedicated to the payment of the principal of our indebtedness as we are required to pay the principal amount of the convertible notes in cash when due;

if we elect to pay any premium on the convertible notes with shares of our Common Stock or we are required to pay a make-whole premium with our shares of Common Stock, our existing stockholders interest in us would be diluted; and

we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

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

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

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

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

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

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

- stockholder action by written consent is prohibited;

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

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

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

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

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

Litigation, Regulation and Business Risks Related to our Intellectual Property

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

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

There can be no assurance that any or all of the opposing parties will not succeed, either at the trial or appellate level, with such claims or counterclaims against us or that they will not in some other way establish broad defenses against our patents, achieve conflicting results, or otherwise avoid or delay paying royalties for the use of our patented technology. Moreover, there is a risk that if one party prevails against us, other parties could use the adverse result to defeat or limit our claims against them; conversely, there can be no assurance that if we prevail against one party, we will succeed against other parties on similar claims, defenses, or counterclaims. In addition, there is the risk that the pending litigations and other circumstances may cause us to accept less than what we now believe to be fair consideration in settlement. Among other things, there can be no assurance that we will succeed in negotiating future settlements or licenses on terms better than those extended in our Infineon settlement. There can be no assurances that the circumstances under which we negotiated our Infineon settlement will turn out to be significantly different from the circumstances of future cases and future settlements, although we currently believe that significant differences do exist.

Any of these matters, whether or not determined in our favor or settled by us, is costly, may cause delays (including delays in negotiating licenses with other actual or potential licensees), will tend to discourage future design partners, will tend to impair adoption of our existing technologies and divert the efforts and attention of our management and technical personnel from other business operations. In addition, we may be unsuccessful in our litigation if we have difficulty obtaining the cooperation of former employees and agents who were involved in our business during the relevant periods related to our litigation and are now needed to assist in cases or testify on our behalf. Furthermore, any adverse determination or other resolution in litigation could result in our losing certain rights beyond the rights at issue in a particular case, including, among other things: our being effectively barred from suing others for violating certain or all of our intellectual property rights; our patents being held invalid or unenforceable or not infringed; our being subjected to significant liabilities; our being required to seek licenses from third parties; our being prevented from licensing our patented technology; or our being required to renegotiate with current licensees on a temporary or permanent basis. Delay of any or all of these adverse results could cause a substantial decline in our revenues and stock price.

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

In addition to private litigations, we are involved in proceedings brought against us by one or more government agencies and we may become involved in future proceedings by other government agencies. The FTC brought an administrative action against us alleging, among other things, that we had failed to disclose certain patents and patent applications during our membership in JEDEC while it established SDRAM standards and that we, therefore, should be precluded from enforcing certain of our intellectual property rights in patents with a priority date prior to June 1996. See Note 13 Litigation and Asserted Claims of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of the FTC action. At the conclusion of this proceeding, the FTC found that our conduct at JEDEC was improper and issued an order on February 2, 2007, that, among other things, limits the royalty rates we may charge to license certain patents that cover certain JEDEC-compliant SDR and DDR SDRAM memory and controller products sold after April 12, 2007. Although we obtained a partial stay of the remedy order pending our appeal of the FTC decision, the FTC s adverse decision and remedy order has already impaired our ability to enforce or license our patents or collect royalties from existing or potential licensees. See Managements Discussion and Analysis of Financial Condition and Results of Operations Royalty Revenues Patent Licenses for a discussion of the terms of the FTC order. However, on April 22, 2008, the U.S. Court of Appeals for the DC Circuit overturned the FTC decisions regarding Rambus, and remanded the matter back to the FTC for further proceedings consistent with the Court s opinion. Additionally, the European Commission has instituted similar proceedings against us but has not yet issued a decision. These proceedings, or one by any other governmental agency, have already resulted in and may result in further adverse determination against us or in other outcomes that could limit our ability to enforce or license our intellectual property, and could cause our revenues to decline substantially.

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

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

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

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

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

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

- any current or future U.S. or foreign patent applications will be approved and not be challenged by third parties;
- our issued patents will protect our intellectual property and not be challenged by third parties;
- the validity of our patents will be upheld;
- our patents will not be declared unenforceable;
- the patents of others will not have an adverse effect on our ability to do business;
- Congress or the U.S. courts or foreign countries will not change the nature or scope of rights afforded patents or patent owners or alter in an adverse way the process for seeking patents;
- new legal theories and strategies utilized by our competitors will not be successful; or
- others will not independently develop similar or competing chip interfaces or design around any patents that may be issued to us.

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

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

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

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

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

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

On March 21, 2005, we entered into a settlement and license agreement with Infineon (and its former parent Siemens), which was assigned to Qimonda in October 2006 in connection with Infineon s spin-off of Qimonda. The settlement and license agreement, among other things, requires Qimonda to pay to us aggregate royalties of $50.0 million in quarterly installments of approximately $5.85 million, which started on November 15, 2005. The settlement and license agreement

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further provides that if we enter into licenses with certain other DRAM manufacturers, Qimonda will be required to make additional royalty payments to us that may aggregate up to $100.0 million. As we have not yet succeeded in entering into these additional license agreements necessary to trigger Qimonda s obligations, Qimonda s quarterly payment decreased to $3.2 million in the fourth quarter of 2007, and has ceased as of the first quarter of 2008. The quarterly payments with Qimonda will not recommence until we enter into additional license agreements with certain other DRAM manufacturers. We may not succeed in entering into these additional license agreements necessary to trigger Qimonda s obligations under the settlement and license agreement to pay to us additional royalty payments, thereby reducing the value of the settlement and license agreement to us.

An acquisition of all of Qimonda s DRAM operations could make it more difficult for us to obtain royalty rates we believe are appropriate and could reduce the number of companies in our antitrust litigation.

Our license with Qimonda (formerly Infineon s DRAM operations), which was part of our settlement with Infineon, provides for the extension of certain benefits under that license to a successor in interest that, under certain conditions, acquires all of Qimonda s DRAM operations. If such an acquisition were to occur, such successor would be entitled to the extension of such benefits, including the ability to pay a royalty calculated by multiplying the Qimonda rate by the percentage increase in DRAM volume represented by the successor company s combined operations. Such an extension of benefits could also make it more difficult for us to obtain the royalty rates we believe are appropriate from the market as a whole. Such an extension of benefits would, in addition, also operate to extend a release of claims to such successor, thus reducing the number of companies from which we may seek compensation for the antitrust injury alleged by us in our pending price-fixing action in San Francisco.

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

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

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

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

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

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SIGNATURE

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

RAMBUS INC.

Date: May 2, 2008

By: /s/ Satish Rishi
Satish Rishi
Senior Vice President, Finance and
Chief Financial Officer

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INDEX TO EXHIBITS

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

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

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

(3) Incorporated by reference to the Form 10-K filed on February 29, 2008.