RAMBUS INC
Form 10-Q
July 31, 2009

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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 June 30, 2009

OR

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

For the transition period from to

Commission File Number: 000-22339

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

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

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

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

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

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

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

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

The number of shares outstanding of the registrant s Common Stock, par value $.001 per share, was 104,900,875 as of June 30, 2009.

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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 European Commission matters involving us;

Protection of intellectual property;

Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;

Amounts owed under licensing agreements;

Terms of our licenses;

Indemnification and technical support obligations;

Success in the markets of our or our licensees products;

Research and development costs and improvements in technology;

Sources, amounts and concentration of revenue, including royalties;

Effective tax rates;

Realization of deferred tax assets/release of deferred tax valuation allowance;

Product development;

Sources of competition;

Pricing policies of our licensees;

Success in renewing license agreements;

Operating results;

International licenses and operations, including our design facility in Bangalore, India;

Methods, estimates and judgments in accounting policies;

Growth in our business;

Acquisitions, mergers or strategic transactions;

Ability to identify, attract, motivate and retain qualified personnel;

Trading price of our Common Stock;

Internal control environment;

Corporate governance;

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- Accounting, tax, regulatory, legal and other outcomes and effects of the stock option investigation;
- Consequences of the lawsuits related to the stock option investigation;
- The level and terms of our outstanding debt;
- Engineering, marketing and general and administration expenses;
- Contract revenue;
- Interest and other income, net;
- Adoption of new accounting pronouncements;
- Likelihood of paying dividends;
- Effects of changes in the economy and credit market on our industry and business; and
- Restructuring activities.

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

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

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RAMBUS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2009	December 31, 2008
	(In thousands, except shares and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 317,986	$ 116,241
Marketable securities	162,400	229,612
Accounts receivable	1,550	1,503
Prepaids and other current assets	8,534	8,486
Deferred taxes	919	88
Total current assets	491,389	355,930
Restricted cash	632	632
Deferred taxes, long-term	957	1,857
Intangible assets, net	7,268	7,244
Property and equipment, net	18,378	22,290
Goodwill	4,454	4,454
Other assets	5,745	4,963
Total assets	$ 528,823	$ 397,370
LIABILITIES		
Current liabilities:		
Accounts payable	$ 10,932	$ 6,374
Accrued salaries and benefits	7,358	9,859
Accrued litigation expenses	8,592	14,265
Income taxes payable	478	638
Other accrued liabilities	2,991	3,178
Convertible notes	130,646	
Deferred revenue	396	1,787
Total current liabilities	161,393	36,101
Deferred revenue, non-current	20	90
Convertible notes	92,450	125,474
Long-term income taxes payable	1,880	1,953
Other long-term liabilities	486	811
Total liabilities	256,229	164,429
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Convertible preferred stock, $.001 par value:		

Authorized: 5,000,000 shares		
Issued and outstanding: no shares at June 30, 2009 and December 31, 2008		
Common stock, $.001 par value:		
Authorized: 500,000,000 shares		
Issued and outstanding: 104,900,875 shares at June 30, 2009 and 103,803,006 shares at December 31, 2008	105	104
Additional paid-in capital	784,744	703,640
Accumulated deficit	(513,069)	(471,672)
Accumulated other comprehensive income	814	869
Total stockholders equity	272,594	232,941
Total liabilities and stockholders equity	$ 528,823	$ 397,370

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(In thousands, except per share amounts)			
Revenue:				
Royalties	$ 24,759	$ 32,288	$ 50,928	$ 65,381
Contract revenue	2,224	3,427	3,389	10,072
Total revenue	26,983	35,715	54,317	75,453
Costs and expenses:				
Cost of contract revenue*	1,438	6,567	3,621	13,800
Research and development*	15,713	20,035	33,550	41,537
Marketing, general and administrative*	32,563	23,768	69,719	57,089
Costs (recovery) of restatement and related legal activities	(429)	2,260	(14,068)	3,172
Total costs and expenses	49,285	52,630	92,822	115,598
Operating loss	(22,302)	(16,915)	(38,505)	(40,145)
Interest and other income, net	1,173	2,908	2,613	7,503
Interest expense	(2,817)	(2,944)	(5,487)	(5,832)
Interest and other income (expense), net	(1,644)	(36)	(2,874)	1,671
Loss before income taxes	(23,946)	(16,951)	(41,379)	(38,474)
Provision for income taxes	25	121,364	18	114,195
Net loss	$ (23,971)	$ (138,315)	$ (41,397)	$ (152,669)
Net loss per share:				
Basic	$ (0.23)	$ (1.32)	$ (0.40)	$ (1.46)
Diluted	$ (0.23)	$ (1.32)	$ (0.40)	$ (1.46)
Weighted average shares used in per share calculation				
Basic	104,675	104,804	104,536	104,743
Diluted	104,675	104,804	104,536	104,743

* Includes stock-based compensation:				
Cost of contract revenue	$ 233	$ 1,365	$ 623	$ 3,283

Research and development	$ 2,214	$ 3,767	$ 4,954	$ 7,671
Marketing, general and administrative	$ 5,403	$ 3,821	$ 10,692	$ 8,528

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Six Months Ended June 30, 2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (41,397)	$ (152,669)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	16,269	19,482
Depreciation	5,439	5,537
Impairment of investments	164	
Amortization of intangible assets	1,526	2,713
Non-cash interest expense and amortization of convertible debt issuance costs	5,445	5,832
Deferred tax provision	69	113,854
Loss on disposal of property plant and equipment		10
Change in operating assets and liabilities:		
Accounts receivable	(47)	(264)
Prepaids and other assets	360	(1,246)
Accounts payable	4,050	(1,197)
Accrued salaries and benefits and other accrued liabilities	(2,773)	(2,965)
Accrued litigation expenses	(5,673)	(14,491)
Income taxes payable	(233)	87
Deferred revenue	(1,461)	(232)
Increase in restricted cash		(126)
Net cash used in operating activities	(18,262)	(25,675)
Cash flows from investing activities:		
Purchases of property and equipment	(1,510)	(6,954)
Acquisition of intangible assets	(1,550)	(300)
Purchases of marketable securities	(97,008)	(246,479)
Maturities of marketable securities	164,165	280,143
Proceeds from sale of marketable securities		24,996
Net cash provided by investing activities	64,097	51,406
Cash flows from financing activities:		
Proceeds from issuance of convertible senior notes	150,000	
Issuance costs related to the issuance of convertible senior notes	(3,750)	
Proceeds received from issuance of common stock under employee stock plans	9,660	12,781
Payments under installment payment arrangement		(1,250)
Repurchase and retirement of common stock		(24,921)
Net cash provided by (used in) financing activities	155,910	(13,390)
Effect of exchange rates on cash and cash equivalents		60

Net increase in cash and cash equivalents	201,745	12,401
Cash and cash equivalents at beginning of period	116,241	119,391
Cash and cash equivalents at end of period	$ 317,986	$ 131,792

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. All intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Investments in entities with less than 20% ownership and in which Rambus does not have the ability to significantly influence the operations of the investee are being accounted for using the cost method and are included in other assets.

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) applicable to interim financial information. Certain information and Note disclosures included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in these interim statements pursuant to such SEC rules and regulations. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto in and the Current Report on Form 8-K filed on June 22, 2009 to reflect changes to the Company s accounting for convertible debt to retrospectively apply the provisions of Financial Accounting Standards Board Staff Position (FSP) Accounting Principles Board (APB) 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), on previously issued financial statements.

In accordance with the adoption of FSP APB 14-1 as of January 1, 2009 as noted above, the Company has changed its accounting for its zero coupon convertible senior notes due 2010 and has retrospectively adjusted the financial statements for the three years ended December 31, 2008. See Note 15 Convertible Notes for the impact of the adoption of FSP APB 14-1.

Subsequent events have been disclosed through July 30, 2009.

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with original maturity of three months or less at the date of purchase. The Company maintains its cash balances with high quality financial institutions and has not experienced any material losses.

Marketable Securities

Available-for-sale securities are carried at fair value, based on quoted market prices, with the unrealized gains or losses reported, net of tax, in stockholders equity as part of accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, both of which are included in interest and other income, net. Realized gains and losses are recorded on the specific identification method and are included in interest and other income, net. The Company reviews its investments in marketable securities for possible other than temporary impairments on a regular basis. If any loss on investment is believed to be other than temporary, a charge will be recognized in operations. In evaluating whether a loss on a debt security is other than temporary, the Company considers the following factors: 1) the Company s intent to sell the security, 2) if the Company intends to hold the security, whether or not it is more likely than not that the Company will be required to sell the security before recovery of the security s amortized cost basis and 3) even if the Company intends to hold the security, whether or not the Company expects the security to recover the entire amortized cost basis. Due to the high credit quality and short term nature of the Company s investments, there have been no other than temporary impairments recorded to date. The classification of funds between short-term and long-term is based on whether the securities are available for use in operations or other purposes.

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Fair Value of Financial Instruments

The amounts reported for cash equivalents, marketable securities, accounts receivable, unbilled receivables, accounts payable, and accrued liabilities are considered to approximate fair values based upon comparable market information available at the respective balance sheet dates. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements , 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 and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. 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. Additionally, the Company has adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 , effective January 1, 2008. The Company has not elected the fair value option for financial instruments not already carried at fair value.

Recent Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, Subsequent Events , which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This standard required the Company to disclose the date through which the Company has evaluated subsequent events and the basis for the date. This standard was effective for interim periods which ended after June 15, 2009. See Note 1, Basis of Presentation, for disclosure of the date to which subsequent events are disclosed and Note 16, Subsequent Events, for disclosure of subsequent events.

In April 2009, the FASB issued FASB Staff Position No. 107-1 (FSP FAS 107-1) and APB 28-1, which amended FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments and APB Opinion No. 28, Interim Financial Reporting, which required disclosures about the fair value of financial instruments for interim reporting periods. FSP FAS 107-1 and APB 28-1 was effective for interim reporting periods which ended after June 15, 2009. These new pronouncements have been incorporated into the disclosure related to the fair value of financial instruments as discussed in Note 14, Fair Value of Financial Instruments.

In April 2009, the FASB issued FASB Staff Position No. 157-4 (FSP FAS 157-4), which provided additional guidance in accordance with FASB No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability has significantly decreased. FSP FAS 157-4 was effective for interim and annual reporting periods which ended after June 15, 2009. The adoption of this staff position did not have a material impact on the Company s financial statements. This new pronouncement has been incorporated into the disclosure related to the fair value of financial instruments as discussed in Note 14, Fair Value of Financial Instruments.

In April 2009, the FASB issued FASB Staff Position No. 115-2 (FSP FAS 115-2) and FASB Staff Position No. 124-2 (FSP FAS 124-2), which amended the other-than-temporary impairment guidance for debt and equity securities. FSP FAS 115-2 and FSP FAS 124-2 were effective for interim and annual reporting periods which ended after June 15, 2009. The adoption of these staff positions did not have a material impact on the Company s financial statements and are more fully disclosed in Note 6, Marketable Securities.

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 157-1 amended SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 delayed the effective date to January 1, 2009 of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. The provisions of SFAS No. 157 were adopted by the Company, as it applied to its financial instruments, effective beginning January 1, 2008 and FSP 157-2, as it applies to nonfinancial investments, effective beginning January 1, 2009. There may be an impact from the adoption of FSP 157-2 in the second half of 2009 when the Company performs its annual impairment test. The impact of adoption of SFAS No. 157 is discussed in Note 14, Fair Value of Financial Instruments.

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3. Revenue Recognition

Overview

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

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

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

Royalty Revenue

Rambus recognizes royalty revenue upon notification by its licensees and when deemed collectible. The terms of the royalty agreements generally either require licensees to give Rambus notification and to pay the royalties within 60 days of the end of the quarter during which the sales occur or are based on a fixed royalty that is due within 45 days of the end of the quarter. Rambus has two types of royalty revenue: (1) patent license royalties and (2) technology license royalties.

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

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

Contract Revenue

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

A provision for estimated losses on fixed price contracts is made, if necessary, in the period in which the loss becomes probable and can be reasonably estimated. If Rambus determines that it is necessary to revise the estimates of the total costs required to complete a contract, the total amount of revenue recognized over the life of the contract would not be affected. However, to the extent the new assumptions regarding the total efforts necessary to complete a project were less than the original assumptions, the contract fees would be recognized sooner than originally expected.

Conversely, if the newly estimated total efforts necessary to complete a project were longer than the original assumptions, the contract fees will be recognized over a longer period. As of June 30, 2009, we have accrued a liability of approximately $0.2 million related to estimated loss contracts.

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

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

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

4. Comprehensive Loss

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2009**	**2008**	**2009**	**2008**
Net loss	$ (23,971)	$ (138,315)	$ (41,397)	$ (152,669)
Other comprehensive income:				
Foreign currency translation adjustments, net of tax		(85)		60
Unrealized gain (loss) on marketable securities, net of tax	482	(1,208)	(55)	(753)
Other comprehensive income (loss)	482	(1,293)	(55)	(693)
Total comprehensive loss	$ (23,489)	$ (139,608)	$ (41,452)	$ (153,362)

As a result of providing a full valuation allowance of the net deferred tax assets in the U.S., the Company reversed $0.4 million of unrealized gain (loss) previously recorded in other comprehensive income (loss) during the six months ended June 30, 2008.

5. Equity Incentive Plans and Stock-Based Compensation

Stock Option Plans

As of June 30, 2009, 7,660,930 shares of the 14,900,000 shares approved under the 2006 Plan remained available for grant which includes an increase of 6,500,000 shares approved by stockholders on April 30, 2009. The 2006 Plan is now Rambus only plan for providing stock-based incentive compensation to eligible employees, executive officers and non-employee directors and consultants.

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

	Shares Available

	for Grant
Shares available as of December 31, 2008	2,556,984
Increase in shares approved for issuance	6,500,000
Stock options granted	(1,383,613)
Stock options forfeited	1,555,258
Stock options expired under former plans	(1,336,837)
Nonvested equity stock and stock units granted (1)	(269,862)
Nonvested equity stock and stock units forfeited (1)	39,000
Total available for grant as of June 30, 2009	7,660,930

(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.

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General Stock Option Information

The following table summarizes stock option activity under the 1997, 1999 and 2006 Plans for the six months ended June 30, 2009 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of June 30, 2009.

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2008	16,573,739	$ 21.19		
Options granted	1,383,613	8.68		
Options exercised	(794,875)	8.98		
Options forfeited	(1,555,258)	24.77		
Outstanding as of June 30, 2009	15,607,219	20.35	5.55	$31,997
Vested or expected to vest at June 30, 2009	14,430,047	21.21	5.58	23,404
Options exercisable at June 30, 2009	9,944,198	22.87	4.53	15,314

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at June 30, 2009, based on the $15.47 closing stock price of Rambus Common Stock on June 30, 2009 on the Nasdaq Global Select Market, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options outstanding and exercisable as of June 30, 2009 was 5,065,438 and 2,749,453, respectively.

As of June 30, 2009, there was $46.4 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock-based compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average period of 3.0 years. The total fair value of shares vested as of June 30, 2009 was $191.0 million.

Employee Stock Purchase Plans

Under the 2006 Employee Stock Purchase Plan (ESPP), the Company issued 254,748 shares at a price of $8.06 per share during the six months ended June 30, 2009. The Company issued 146,633 shares at a price of $16.77 per share during the six months ended June 30, 2008. As of June 30, 2009, 1,010,323 shares under the 2006 ESPP remained available for issuance. For the three and six months ended June 30, 2009, the Company recorded compensation expense related to the ESPP of $0.5 million and $1.0 million, respectively. For the three and six months ended June 30, 2008, the Company recorded compensation expense related to the ESPP of $0.4 million and $1.0 million, respectively. As of June 30, 2009, there was $0.7 million of total unrecognized compensation cost related to stock-based compensation arrangements granted under the ESPP. That cost is expected to be recognized over four months.

Stock-Based Compensation

Stock Options

For the six months ended June 30, 2009 and 2008, the Company maintained stock plans covering a broad range of potential equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors an ESPP, whereby eligible employees are entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

During the three and six months ended June 30, 2009, Rambus granted 33,844 and 1,383,613 stock options, respectively, with an estimated total grant-date fair value of $0.3 million and $8.9 million, respectively. During the three and six months ended June 30, 2009, Rambus recorded stock-based compensation related to stock options of $6.0 million and $12.6 million, respectively.

During the three and six months ended June 30, 2008, Rambus granted 91,930 and 1,763,890 stock options, respectively, with an estimated total grant-date fair value of $1.3 million and $20.1 million, respectively. During the three and six months ended June 30, 2008, Rambus recorded stock-based compensation related to stock options of $8.1 million and $17.3 million, respectively.

The total intrinsic value of options exercised was $0.9 million and $5.0 million for the three and six months ended June 30, 2009, respectively. The total intrinsic value of options exercised was $4.7 million and $10.2 million for the three and six months ended June 30, 2008, respectively. Intrinsic value is the total value of exercised shares based on the price of the Company s common stock at the time of exercise less the cash received from the employees to exercise the options.

During the six months ended June 30, 2009, proceeds from employee stock option exercises totaled approximately $7.1 million.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three and six months ended June 30, 2009 and 2008 calculated in accordance with SFAS No. 123(R), Share-based Payment .

Valuation Assumptions

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

	Stock Option Plans			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
Stock Option Plans				
Expected stock price volatility	94%	66%	94-96%	63-66%
Risk free interest rate	2.1%	3.0%	1.8-2.1%	3.0-3.1%
Expected term (in years)	5.8	5.3	5.3 5.8	5.3
Weighted-average fair value of stock options granted	$9.18	$13.64	$ 6.45	$ 11.41

	Employee Stock Purchase Plan			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
Employee Stock Purchase Plan				
Expected stock price volatility	92%	58%	92%	58%
Risk free interest rate	0.3%	1.7%	0.3%	1.7%
Expected term (in years)	0.5	0.5	0.5	0.5
Weighted-average fair value of purchase rights granted under the purchase plan	$4.97	$7.41	$4.97	$7.41

Nonvested Equity Stock and Stock Units

For the six months ended June 30, 2009, Rambus granted nonvested equity stock units to certain officers and employees, totaling 179,908 shares under the 2006 Plan. These awards have a service condition, generally a service period of four years. The nonvested equity stock units were valued at the date of grant giving them a fair value of approximately $1.5 million.

For the three and six months ended June 30, 2009, Rambus recorded stock-based compensation expense of approximately $1.4 million and $2.7 million, respectively, related to all outstanding unvested equity stock grants. For the three and six months ended June 30, 2008, Rambus recorded stock-based compensation expense of approximately $0.4 million and $1.2 million, respectively, related to all outstanding unvested equity stock grants. Unrecognized stock-based compensation related to all nonvested equity stock grants, net of estimated forfeitures, was approximately $10.5 million at June 30, 2009. This is expected to be recognized over a weighted average of 2.7 years.

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The following table reflects the activity related to nonvested equity stock and stock units for the six months ended June 30, 2009:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2008	821,064	$ 18.46
Granted	179,908	8.36
Vested	(81,000)	22.18
Forfeited	(26,000)	18.05
Nonvested at June 30, 2009	893,972	$ 16.10

6. Marketable Securities

Rambus invests its excess cash primarily in U.S. government agency and treasury notes, commercial paper, corporate notes and bonds, money market funds and municipal notes and bonds that mature within three years. During the three months ended June 30, 2009, the Company issued $150.0 million aggregate principal amount of 5% convertible senior notes due June 15, 2014. See Note 15, Convertible Notes , for further discussion. The net cash received from the issuance of these convertible notes is included in cash, cash equivalents and marketable securities as of June 30, 2009.

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

	June 30, 2009				
(dollars in thousands)	Fair Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money Market Funds	$ 311,452	$ 311,452	$	$	0.19%
Municipal Bonds and Notes	1,011	1,000	11		3.85%
U.S. Government Bonds and Notes	116,514	115,691	823		2.10%
Corporate Notes, Bonds, and Commercial Paper	47,873	47,604	284	(15)	2.82%
Total cash equivalents and marketable securities	476,850	475,747	1,118	(15)	
Cash	3,536	3,536			
Total cash, cash equivalents and marketable securities	$ 480,386	$ 479,283	$ 1,118	$ (15)	

	December 31, 2008				
(dollars in thousands)	Fair Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money Market Funds	$ 110,732	$ 110,732	$	$	0.90%
Municipal Bonds and Notes	1,000	1,000			3.85%

U.S. Government Bonds and Notes	149,304	148,178	1,126		2.79%
Corporate Notes, Bonds, and Commercial Paper	79,308	79,275	197	(164)	3.06%
Total cash equivalents and marketable securities	340,344	339,185	1,323	(164)	
Cash	5,509	5,509			
Total cash, cash equivalents and marketable securities	$ 345,853	$ 344,694	$ 1,323	$ (164)	

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

(dollars in thousands)	**June 30, 2009**	**December 31, 2008**
Cash equivalents	$ 314,450	$ 110,732
Short term marketable securities	162,400	229,612
Total cash equivalent and marketable securities	476,850	340,344
Cash	3,536	5,509
Total cash, cash equivalents and marketable securities	$ 480,386	$ 345,853

The Company continues to invest in high quality, highly liquid debt securities that mature within three years. The Company holds all of its marketable securities as available-for-sale, marks them to market, and regularly reviews its portfolio to ensure adherence to its investment policy and to monitor individual investments for risk analysis, proper valuation, and unrealized losses that may be other than temporary. As of June 30, 2009, three of its corporate debt investments with a fair value of $7.8 million, which mature within approximately one year, have insignificant unrealized losses. The Company has considered all available evidence and determined that these unrealized losses are due to current market conditions. The Company has no intent to sell, there is no requirement to sell and the Company believes that it can recover the amortized cost of these investments. The Company has found no evidence of impairment due to credit losses in its portfolio. Therefore, these unrealized losses were recorded in other comprehensive income. However, the Company cannot provide any assurance that its portfolio of cash, cash equivalents and marketable securities will not be impacted by adverse conditions in the financial markets, which may require the Company in the future to record an impairment charge that could adversely impact its financial results.

The estimated fair value of cash equivalents and marketable securities classified by date of contractual maturity and the associated unrealized gain at June 30, 2009 and December 31, 2008 are as follows:

	As of		Unrealized Gains, net	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
	(In thousands)			
Contractual maturity:				
Due within one year	$ 388,552	$ 223,458	$ 692	$ 345
Due from one year through three years	88,298	116,886	411	814
	$ 476,850	$ 340,344	$ 1,103	$ 1,159

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

7. Commitments and Contingencies

On February 1, 2005, Rambus issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (the 2010 Notes) due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities as initial purchasers who then sold the convertible notes to institutional investors. Rambus has elected to pay the principal amount of the 2010 Notes in cash when they are due. Subsequently, Rambus repurchased a total of $163.1 million face value of the outstanding 2010 Notes in 2005 and 2008. The aggregate principal amount of the 2010 Notes outstanding as of June 30, 2009 was $137.0 million, offset by an unamortized debt discount of $6.3 million. The debt discount is expected to be amortized over the remaining 7 months until maturity of the 2010 Notes, see Note 15, Convertible Notes , for additional details.

On June 29, 2009, Rambus entered into an Indenture (the Indenture) by and between Rambus and U.S. Bank, National Association, as trustee, relating to the issuance by Rambus of $150.0 million aggregate principal amount of 5% convertible senior notes due June 15, 2014 (the 2014 Notes). The aggregate principal amount of the 2014 Notes outstanding as of June 30, 2009 was $150.0 million, offset by unamortized debt discount of $57.5 million in the accompanying condensed consolidated balance sheets. The debt discount is expected to be amortized over the remaining 60 months until maturity of the 2014 Notes on June 15, 2014, see Note 15, Convertible Notes , for additional details.

As of June 30, 2009, Rambus material contractual obligations are (in thousands):

	Payments Due by Year						
	Total	Remainder of 2009	2010	2011	2012	2013	Thereafter
Contractual obligations(1)							
Operating leases	$ 12,825	$ 4,941	$ 6,668	$ 747	$ 469	$	$
Convertible notes	286,950		136,950				150,000

Total	$ 299,775	$ 4,941	$ 143,618	$ 747	$ 469	$	$ 150,000

(1) The above table does not reflect possible payments in connection with uncertain tax benefits associated with FASB Interpretation No. (FIN) 48 of approximately $10.0 million, including $8.1 million recorded as a reduction of long-term deferred tax assets and $1.9 million in long-term income taxes payable, as of June 30, 2009. As noted below in Note 9, Income Taxes, although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

Rent expense was approximately $1.6 million and $3.2 million for the three and six months ended June 30, 2009, respectively. Rent expense was approximately $1.7 million and $3.5 million for the three and six months ended June 30, 2008, respectively.

Deferred rent, included primarily in other long-term liabilities, was approximately $0.9 million and $1.1 million as of June 30, 2009 and December 31, 2008, respectively.

Indemnifications

Rambus enters into standard license agreements in the ordinary course of business. Although Rambus does not indemnify most of its customers, there are times when an indemnification is a necessary means of doing business. Indemnifications cover customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement claim by any third party with respect to Rambus products. The maximum amount of indemnification Rambus could be required to make under these agreements is generally limited to fees received by Rambus. Rambus estimates the fair value of its indemnification obligation as insignificant, based upon its history of litigation concerning product and patent infringement claims.

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 and directors. As of June 30, 2009, the Company had made payments of approximately $10.8 million on their behalf, including $1.5 million in the three months ended June 30, 2009. The Company received approximately $5.3 million from the former officers related to their settlement agreements with the Company in connection with the derivative and class action lawsuits which was comprised of approximately $4.5 million in cash received in the first quarter of 2009 as well as approximately 163,000 shares of Rambus stock with a value of approximately $0.8 million in the fourth quarter of 2008. Additionally, as of June 30, 2009, the Company has received $11.9 million from insurance settlements related to the defense of the Company, its directors and its officers which were recorded under costs (recovery) of restatement and related legal activities in the condensed consolidated statements of operations. As of June 30, 2008, the Company had made payments of approximately $6.4 million on their behalf, including $0.3 million in the quarter ended June 30, 2008. These payments made by the Company and the repayments by the former officers to the Company were recorded under costs (recovery) of restatement and related legal activities in the condensed consolidated statements of operations.

8. Stockholders Equity

Share Repurchase Program

In October 2001, Rambus Board of Directors (the Board) approved a share repurchase program of its Common Stock, principally to reduce the dilutive effect of employee stock options. To date, the Board has approved the authorization to repurchase up to 19.0 million shares of the Company s outstanding Common Stock over an undefined period of time. During the six months ended June 30, 2009, the Company did not repurchase any Common Stock. As of June 30, 2009, Rambus had repurchased a cumulative total of approximately 16.8 million shares of its Common Stock with an aggregate price of approximately $233.8 million since the commencement of this program. As of June 30, 2009, there remained an outstanding authorization to repurchase approximately 2.2 million shares of Rambus outstanding Common Stock.

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

9. Income Taxes

The effective tax rate for the three months ended June 30, 2009 was 0.1% which is lower than the U.S. statutory tax rate applied to the Company s net loss primarily due to a full valuation allowance on its U.S. net deferred tax assets, foreign income taxes and state income taxes, partially offset by refundable research and development tax credits. The effective tax rate for the three months ended June 30, 2008 was 716.0% which was higher than the U.S. statutory tax rate applied to the Company s net loss primarily due to the establishment of a full valuation allowance on our U.S. net deferred tax assets.

As of June 30, 2009, the Company s condensed consolidated balance sheet included net deferred tax assets, before valuation allowance, of approximately $144.5 million, which consists of net operating loss carryovers, tax credit carryovers, depreciation and amortization, employee stock-based compensation expenses and certain liabilities, partially reduced by deferred tax liabilities associated with FSP APB 14-1. As of June 30, 2009, a valuation allowance of $142.6 million has been recorded against the deferred tax assets. Management periodically evaluates the realizability of the Company s net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on the Company s ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. The Company intends to maintain the valuation allowance until sufficient positive evidence exists to support reversal of the valuation allowance.

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

As of June 30, 2009, the Company had $10.0 million of unrecognized tax benefits, including $7.3 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $0.9 million of federal tax benefit, and including $1.9 million in long-term income taxes payable. If recognized, approximately $0.7 million would be recorded as an income tax benefit. No benefit would be recorded for the remaining unrecognized tax benefits as the recognition would require a corresponding increase in the valuation allowance. As of December 31, 2008, the Company had $9.6 million of unrecognized tax benefits, including $6.9 million recorded as a reduction of long-term deferred tax assets, which is net of approximately $0.8 million of federal tax benefits, and including $1.9 million in long-term income taxes payable.

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

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At June 30, 2009 and December 31, 2008, an insignificant amount of interest and penalties are included in long-term income taxes payable.

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

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

10. Earnings (Loss) Per Share

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Numerator:				
Net loss	$ (23,971)	$ (138,315)	$ (41,397)	$ (152,669)
Denominator:				
Weighted average shares used to compute basic EPS	104,675	104,804	104,536	104,743
Dilutive potential shares from stock options, ESPP and nonvested equity stock and stock units				
Weighted average shares used to compute diluted EPS	104,675	104,804	104,536	104,743
Net loss per share:				
Basic	$ (0.23)	$ (1.32)	$ (0.40)	$ (1.46)
Diluted	$ (0.23)	$ (1.32)	$ (0.40)	$ (1.46)

For the three and six months ended June 30, 2009, approximately 12.9 million shares that would be issued upon the conversion of the convertible notes were excluded from the calculation of earnings per share because the conversion price was higher than the average market price of the Common Stock during this period. For the three and six months ended June 30, 2008, 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 this period. For the three months ended June 30, 2009 and 2008, options to purchase approximately 13.5 million and 9.9 million shares, respectively, and for the six months ended June 30, 2009 and 2008, options to purchase approximately 13.8 million and 10.4 million shares, respectively, were excluded from the calculation because they were anti-dilutive after considering proceeds from exercise, taxes and related unrecognized stock-based compensation expense. For the three months ended June 30, 2009 and 2008, an additional 1.2 million and 3.9 million shares, respectively, and for the six months ended June 30, 2009 and 2008, an additional 0.7 million and 3.6 million shares, respectively, 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. Five customers accounted for 26%, 15%, 14%, 13% and 12%, respectively, of revenue in the three months ended June 30, 2009. Five customers accounted for 19%, 17%, 12%, 11% and 11%, respectively, of revenue in the three months ended June 30, 2008. Five customers accounted for 25%, 15%, 14%, 12% and 12%, respectively, of revenue in the six months ended June 30, 2009. Three customers accounted for 18%, 18% and 13%, respectively, of revenue in the six months ended June 30, 2008. Rambus expects that its revenue concentration will decrease over the long term as Rambus licenses new customers.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2009	2008	2009	2008
Japan	$ 22,070	$ 29,579	$ 43,881	$ 60,561

North America	4,624	5,813	9,892	12,661
Taiwan	18	180	41	521
Korea	230	56	372	439
Singapore		75	43	174
Europe	41	12	88	1,097
	$ 26,983	$ 35,715	$ 54,317	$ 75,453

At June 30, 2009, of the $18.4 million of total property and equipment, approximately $15.9 million are located in the United States, $2.0 million are located in India and $0.5 million are located in other foreign locations. At December 31, 2008, of the $22.3 million of total property and equipment, approximately $19.3 million are located in the United States, $2.4 million are located in India and $0.6 million are located in other foreign locations.

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12. Amortizable Intangible Assets

The components of the Company s intangible assets as of June 30, 2009 and December 31, 2008 were as follows:

	As of June 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)	
Patents	$ 11,491	$ (6,182)	$ 5,309
Intellectual property	10,384	(9,956)	428
Customer contracts and contractual relationships	4,000	(2,469)	1,531
Existing technology	2,700	(2,700)	
Non-competition agreement	100	(100)	
Total intangible assets	$ 28,675	$ (21,407)	$ 7,268

	As of December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)	
Patents	$ 9,941	$ (5,527)	$ 4,414
Intellectual property	10,384	(9,527)	857
Customer contracts and contractual relationships	4,000	(2,224)	1,776
Existing technology	2,700	(2,503)	197
Non-competition agreement	100	(100)	
Total intangible assets	$ 27,125	$ (19,881)	$ 7,244

Amortization expense for intangible assets for the three and six months ended June 30, 2009 was $0.7 million and $1.5 million, respectively. Amortization expense for intangible assets for the three and six months ended June 30, 2008 was $1.3 million and $2.7 million, respectively.

During the three months ended March 31, 2009, the company purchased patents related to mobile memory and other applications in an asset acquisition from Inapac Technology, Inc for approximately $1.6 million.

The estimated future amortization expense of intangible assets as of June 30, 2009 was as follows (amounts in thousands):

Years Ending December 31:	**Amount**
2009 (remaining 6 months)	$ 1,366
2010	1,743
2011	1,414
2012	1,143
2013	1,122
Thereafter	480
	$ 7,268

13. Litigation and Asserted Claims

Hynix Litigation

U.S District Court of the Northern District of California

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

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

The second phase of the Hynix-Rambus trial on patent infringement, validity and damages began on March 15, 2006, and was submitted to the jury on April 13, 2006. On April 24, 2006, the jury returned a verdict in favor of Rambus on all issues and awarded Rambus a total of approximately $307 million in damages, excluding prejudgment interest. Specifically, the jury found that each of the ten selected patent claims was supported by the written description, and was not anticipated or rendered obvious by prior art; therefore, none of the patent claims was 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 14, 2006, the court granted Hynix s motion for a new trial on the issue of damages unless Rambus agreed to a reduction of the total jury award to approximately $134 million. The court found that the record supported a maximum royalty rate of 1% for SDR SDRAM and 4.25% for DDR SDRAM, which the court applied to the stipulated U.S. sales of infringing Hynix products through December 31, 2005. On July 27, 2006, Rambus elected remittitur of the jury s award to approximately $134 million. On August 30, 2006, the court awarded Rambus prejudgment interest for the period June 23, 2000 through December 31, 2005. Hynix filed a motion on July 7, 2008 to reduce the amount of remitted damages and any supplemental damages that the court may award, as well as to limit the products that could be affected by any injunction that the court may grant, on the grounds of patent exhaustion. Following a hearing on August 29, 2008, the court denied Hynix s motion. In separate orders issued December 2, 2008, January 16, 2009, and January 27, 2009, the court denied Hynix s post-trial motions for judgment as a matter of law and new trial on infringement and validity.

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

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