RAMBUS INC
Form 10-K
February 26, 2010

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

Form 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

or

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

Commission file number: 000-22339

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

Delaware	94-3112828
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
4440 El Camino Real Los Altos, California	94022
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(650) 947-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.001 Par Value	The NASDAQ Stock Market LLC
Preferred Share Purchase Rights	(The NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 Act). Yes o No þ

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant as of June 30, 2009 was approximately $1.2 billion based upon the closing price reported for such date on The NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by officers and directors of the Registrant and persons that may be deemed to be affiliates under the Act have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the Registrant's Common Stock, $.001 par value, was 115,648,517 as of January 29, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information is incorporated into Part III of this report by reference to the Proxy Statement for the Registrant's annual meeting of stockholders to be held on or about April 29, 2010 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Annual 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 governmental agency 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;
- Sources of competition;
- Operating results;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Effects of changes in the economy and credit market on our industry and business;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Restructuring activities;
- Growth in our business;
- Product development;
- Pricing policies of our licensees;
- Success in renewing license agreements;
- Engineering, marketing and general and administration expenses;
- Contract revenue;
- International licenses and operations, including our design facility in Bangalore, India;

- Acquisitions, mergers or strategic transactions;
- Issuances of our securities, which could involve restrictive covenants or be dilutive to our existing stockholders;
- Effective tax rates;
- Realization of deferred tax assets/release of deferred tax valuation allowance;

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- Methods, estimates and judgments in accounting policies;
- Adoption of new accounting pronouncements;
- Ability to identify, attract, motivate and retain qualified personnel;
- Trading price of our Common Stock;
- Corporate governance;
- Consequences of the lawsuits related to the stock option investigation;
- The level and terms of our outstanding debt;
- Internal control environment;
- Interest and other income, net; and
- Likelihood of paying dividends or repurchasing stock.

You can identify these and other forward-looking statements by the use of words such as “may,” “future,” “shall,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” or the negative of su 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.

PART I

Rambus, RDRAMtm, XDRtm, FlexIOtm and FlexPhasetm are trademarks or registered trademarks of Rambus Inc. Other trademarks that may be mentioned in this annual report on Form 10-K 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:

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	RDRAMtm
Single Data Rate	SDR
Synchronous Dynamic Random Access Memory	SDRAM

eXtreme Data Rate	XDRtm

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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
Elpida Memory, Inc.	Elpida
Fujitsu Limited	Fujitsu
Global Lighting Technologies, Inc.	GLT
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 Electronic Device Engineering Councils	JEDEC
Juniper Networks, Inc.	Juniper
Micron Technologies, Inc.	Micron
Nanya Technology Corporation	Nanya
NEC Electronics Corporation	NEC
NVIDIA Corporation	NVIDIA
Optical Internetworking Forum	OIF
Qimonda AG (formerly Infineon's DRAM operations)	Qimonda
Panasonic Corporation	Panasonic
Peripheral Component Interconnect — Special Interest Group	PCI-SIG
Renesas Technology Corporation	Renesas
Research Data Group, Inc.	RDG
Samsung Electronics Co., Ltd.	Samsung
Sony Computer Electronics	Sony
Spansion, Inc.	Spansion
Synopsys Inc.	Synopsys
Texas Instruments Inc.	Texas Instruments
Toshiba Corporation	Toshiba
Velio Communications	Velio

Item 1. Business

Rambus Inc. ("we" or "Rambus") was founded in 1990 and reincorporated in Delaware in March 1997. Our principal executive offices are located at 4440 El Camino Real, Los Altos, California. Our Internet address is www.rambus.com. You can obtain copies of our Forms 10-K, 10-Q, 8-K, and other filings with the SEC, and all amendments to these filings, free of charge from our website as soon as reasonably practicable following our filing of any of these reports with the SEC. In addition, you may read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy, and information statements, and other information regarding registrants that file electronically with the SEC at www.sec.gov.

We are a premier technology licensing company. Our primary focus is the design, development and licensing of chip interface technologies and architectures that are foundational to nearly all digital electronics products. Our chip interface technologies aim to improve the performance, power efficiency, time-to-market and cost-effectiveness of our customers' semiconductor and system products for computing, gaming and graphics, consumer electronics and mobile applications.

In December 2009, we added lighting technology to our portfolio of solutions through the acquisition of patented innovations and technology from Global Lighting Technologies Inc. This technology is highly complementary to our chip interface technologies since it is intended to improve the visual capabilities, form factor, power efficiency and cost-effectiveness of backlighting of liquid crystal displays ("LCD") in products for computing, gaming and graphics, consumer electronics and mobile applications. Our new technology also has great potential to enable cost-effective and power-efficient light-emitting diode ("LED") based general lighting products.

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As of December 31, 2009, our chip interface, lighting and other technologies are covered by more than 950 U.S. and foreign patents. Additionally, we have approximately 600 patent applications pending. These patents and patent applications cover important inventions in memory and logic chip interfaces, optoelectronics and other technologies. Some of the patents and pending patent applications are derived from a common parent patent application or are foreign counterpart patent applications. We have a program to file applications for and obtain patents in the United States and in selected foreign countries where we believe filing for such protection is appropriate. In some instances, obtaining appropriate levels of protection may involve prosecuting continuation and counterpart patent applications based on a common parent application. We believe that our patented innovations provide our customers means to achieve higher performance, improved power efficiency, lower risk, and greater cost-effectiveness in their semiconductor and system products.

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

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

Background

The performance of computers, mobile phones, consumer electronics and other electronic systems rises dramatically with each passing year. Semiconductor and system designers face key challenges in sustaining this pace of innovation. Since battery technology improves modestly over time, mobile device designers face adding increased functionality and higher performance with only small increases in power budget. For plug-in systems, there is a strong desire to reduce power consumption for both economical and environmental reasons while still providing increased computing capability and more visually compelling displays. At the chip level, it becomes increasingly difficult to maintain signal integrity and power efficiency as data transfer speeds rise to support more powerful, multi-core processors. To address these challenges and enable the continued improvement of electronics systems requires ongoing innovation. The many innovations developed by Rambus’ scientists and engineers are key to tackling some of the most difficult chip and system challenges. We have developed what we believe are the world’s fastest memory solutions delivering breakthrough performance at unmatched power efficiency. Our innovations can deliver the memory bandwidth and throughput needed to unleash the potential of multi-core processors. In addition, our advanced lighting technology can enable what we believe to be the thinnest, most power-efficient and cost-effective LCD displays for mobile phones, computers and HDTVs.

Our Offerings

Patented Innovations

Royalties represent a substantial majority of our total revenue. We derive the majority of our royalty revenue by licensing our broad portfolio of patents for chip interfaces to our customers. Such licenses may cover part or all of our patent portfolio. Leading semiconductor and system companies such as AMD, Fujitsu, Intel, NEC, Panasonic, Renesas, and Toshiba have licensed our patents for use in their own products. Examples of the many patented innovations in our portfolio include:

Dual Edge Clocking which is designed to allow data to be sent on both the leading and trailing edge of the clock pulse, effectively doubling the transfer rate out of a memory core without the need for higher system clock speeds.

Variable Burst Length which is designed to improve data transfer efficiency by allowing varying amounts of data to be sent per a memory read or write request in DRAMs and Flash memory.

FlexPhasetm technology which synchronizes data output and compensates for circuit timing errors.

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Channel Equalization which is designed to improve signal integrity and system margins by reducing inter-symbol interference in high speed parallel and serial link channels.

Module Threading which improves the throughput and power efficiency of a memory module by applying parallelism to module data accesses.

MicroLenstm optical design technology which provides optimum utilization of high-brightness LEDs in edge-lit lighting applications delivering superior brightness and uniformity of illumination.

Technology Solutions and Enabling Services

We license a range of technology solutions including our leadership architectures and industry-standard solutions to customers for use in their semiconductor and system products. Our customers include leading companies such as Elpida, IBM, Intel, Panasonic, Sony and Toshiba. Due to the complex nature of implementing our technologies, we provide engineering services under certain of these licenses to help our customers successfully integrate our technology solutions into their semiconductor and system products. Licensees may also receive, in addition to their technology license agreements, patent licenses as necessary to implement the technology in their products with specific rights and restrictions to the applicable patents elaborated in their individual contracts.

Our leadership technology solutions include the XDRtm, XDRtm2, Mobile XDRtm and RDRAMtm memory architectures and the FlexIOtm processor bus.

The XDRtm Memory Architecture enables what we believe to be the world’s fastest production DRAM with operation up to 7.2Gb/s. XDRtm DRAM is the main memory solution for Sony Computer Entertainment’s PlayStation®3 as well as for Texas Instrument’s latest generation of DLP projectors.

The XDRtm2 Memory Architecture incorporates new innovations, including DRAM micro-threading, to deliver the world’s highest performance for graphics intensive applications such as gaming and digital video.

The Mobile XDRtm Memory Architecture delivers high performance at extremely high power efficiency enabling applications such as HD video recording and 3D gaming on battery powered mobile devices.

RDRAMtm Memory has shipped in the Sony PlayStation®2, Intel-based PCs, Texas Instruments DLP TVs and in Juniper routers. Our customers have sold over 500 million RDRAMtm devices across all applications to date. This product is approaching end-of-life, and we anticipate revenue from RDRAMtm will continue to decline.

The FlexIOtm Processor Bus is a high speed chip-to-chip interface. It is one of our two key chip interface products that enable the Cell BE processor co-developed by Sony, Toshiba and IBM. In the PlayStation®3, the FlexIOtm bus provides the interface between the Cell BE, the RSX graphics processor and the SouthBridge chip.

We also offer industry-standard chip interface solutions, including DDRx (where the “x” is a number that represents a version), as well as digital logic controllers for PCI Express and other industry standard interfaces.

In addition, we offer custom solutions for LED edge-lit displays and general lighting.

Target Markets, Applications and Customers

We work with leading and emerging semiconductor and system customers to enable their next-generation products. We engage with our customers across the entire product life cycle, from system architecture development, to component design, to system integration, to production ramp up through product maturation. Our patented inventions and technology solutions are incorporated into a broad range of high-volume applications in computing, gaming and graphics, consumer electronics and mobile markets. System level products that utilize our patented inventions and/or solutions include personal computers, servers, printers, video projectors, game consoles, HDTVs, set-top boxes and mobile phones manufactured by such companies as Fujitsu, IBM, Hewlett-Packard, Panasonic, Toshiba and Sony.

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Our Strategy

The key elements of our strategy are as follows:

Innovate: Develop and patent our innovative technology to provide fundamental competitive advantage when incorporated into semiconductors and electronic systems.

Drive Adoption: Communicate the advantages of our patented innovations and technology to the industry and encourage its adoption through demonstrations and incorporation in the products of select customers.

Monetize: License our patented inventions and technology solutions to customers for use in their semiconductor and system products.

Design and Manufacturing

Our technology solutions are developed with high-volume commercial manufacturing processes in mind. Our solutions can be delivered in a number of ways, from reference designs to full turnkey custom developments. A reference design engagement might include an architectural specification, data sheet, theory of operation and implementation guides. A custom development would entail a specific design implementation optimized for the licensee's manufacturing process.

Research and Development

Our ability to compete in the future will be substantially dependent on our ability to develop and patent key innovations that meet the future needs of a dynamic market. To this end, we have assembled a team of highly skilled engineers whose activities are focused on continually developing new innovations within our chosen technology fields. Using this foundation of patented innovations, our engineers also develop new product solutions that enable increased performance, and greater power efficiency as well as other improvements and benefits. Our solution design and development process is a multi-disciplinary effort requiring expertise in system architecture, digital and analog circuit design and layout, semiconductor process characteristics, packaging, printed circuit board routing, signal integrity and high-speed testing techniques.

As of December 31, 2009, we had approximately 200 employees in our engineering departments, representing 59% of our total employees. A significant number of our engineers spend all or a portion of their time on research and development. For the years ended December 31, 2009, 2008 and 2007, research and development expenses were $67.3 million, $76.2 million and $82.9 million, respectively, including stock-based compensation of approximately $9.7 million, $13.5 million and $16.2 million, respectively. We expect to continue to invest substantial funds in research and development activities. In addition, because our license and support agreements often call for us to provide engineering support, a portion of our total engineering costs are allocated to the cost of contract revenue, even though some of these engineering efforts may have direct applicability to our technology development.

Competition

The electronics 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. We 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 XDRtm licensees, produce versions of DRAM such as SDR, DDRx and GDDRx SDRAM which compete with XDRtm solutions. Further, there are ongoing efforts to integrate memory and processors such as in system-in-package products. For our lighting technology, we face competition from system and subsystem providers of backlighting and general lighting solutions.

We believe that our principal competition for our technologies may come from our prospective licensees, some of whom 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.

To the extent that alternatives might provide comparable system performance at lower than or similar cost to our technologies, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our licensees and

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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.

Employees

As of December 31, 2009, we had approximately 350 full-time employees. None of our employees are covered by collective bargaining agreements. We believe that our future success is dependent on our continued ability to identify, attract, motivate and retain qualified personnel. To date, we believe that we have been successful in recruiting qualified employees and that our relationship with our employees is good.

Patents and Intellectual Property Protection

We maintain and support an active program to protect our intellectual property, primarily through the filing of patent applications and the defense of issued patents against infringement. As of December 31, 2009, we have more than 950 U.S. and foreign patents on various aspects of our technology, with expiration dates ranging from 2010 to 2027, and we have approximately 600 pending patent applications. These patents and patent applications cover important inventions in memory and logic chip interfaces, optoelectronics and other technologies. Some of the patents and pending patent applications are derived from a common parent patent application or are foreign counterpart patent applications. We have a program to file applications for and obtain patents in the United States and in selected foreign countries where we believe filing for such protection is appropriate. In some instances, obtaining appropriate levels of protection may involve prosecuting continuation and counterpart patent applications based on a common parent application. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with current and prospective licensees, and confidentiality agreements with employees and consultants and other security measures. We also rely on trademarks and trade secret laws to protect our intellectual property.

Business Segment Data, Customers and Our Foreign Operations

We operate in a single industry segment, the design, development and licensing of intellectual property for memory and logic interfaces, lighting and optoelectronics, and other technologies. Information concerning revenue, results of operations and revenue by geographic area is set forth in Item 6, “Selected Financial Data,” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in Note 13, “Business Segments, Exports and Major Customers,” of Notes to Consolidated Financial Statements, all of which are incorporated herein by reference. Information concerning identifiable assets is also set forth in Note 13, “Business Segments, Exports and Major Customers,” of Notes to Consolidated Financial Statements. Information on customers that comprise 10% or more of our consolidated revenue and risks attendant to our foreign operations is set forth below in Item 1A, “Risk Factors.”

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Our Executive Officers

Information regarding our executive officers and their ages and positions as of December 31, 2009, is contained in the table below. Our executive officers are appointed by, and serve at the discretion of, our Board of Directors. There is no family relationship between any of our executive officers.

Name	Age	Position and Business Experience
Kevin S. Donnelly	48	Senior Vice President, IP Strategy. Mr. Donnelly joined us in 1993. Mr. Donnelly has served in his current position since November 2008. From March 2006 to November 2008, Mr. Donnelly served as our Senior Vice President, Engineering. From February 2005 to March 2006, Mr. Donnelly served as co-vice president of Engineering. From October 2002 to February 2005 he served as vice president, Logic Interface Division. Mr. Donnelly held various engineering and management positions before becoming vice president, Logic Interface Division in October 2002. Before joining us, Mr. Donnelly held engineering positions at National Semiconductor, Sipex, and Memorex, over an eight year period. He holds a B.S. in Electrical Engineering and Computer Sciences from the University of California, Berkeley, and an M.S. in Electrical Engineering from San Jose State University.
Sharon E. Holt	45	Senior Vice President, Licensing and Marketing. Ms. Holt has served as our senior vice president, Licensing and Marketing (formerly titled Senior Vice President, Worldwide Sales, Licensing and Marketing) since joining us in August 2004. From November 1999 to July 2004, Ms. Holt held various positions at Agilent Technologies, Inc., an electronics instruments and controls company, most recently as vice president and general manager, Americas Field Operations, Semiconductor Products Group. Prior to Agilent Technologies, Inc., Ms. Holt held various engineering, marketing, and sales management positions at Hewlett-Packard Company, a hardware manufacturer. Ms. Holt holds a B.S. in Electrical Engineering, with a minor in Mathematics, from the Virginia Polytechnic Institute and State University.
Harold Hughes	64	Chief Executive Officer and President. Mr. Hughes has served as our chief executive officer and president since January 2005 and as a director since June 2003. He served as a United States Army Officer from 1969 to 1972 before starting his private sector career with Intel Corporation. Mr. Hughes held a variety of positions within Intel Corporation from 1974 to 1997, including treasurer, vice president of Intel Capital, chief financial officer, and vice president of Planning and Logistics. Following his tenure at Intel, Mr. Hughes was the chairman and chief executive officer of Pandesic, LLC. He holds a B.A. from the University of Wisconsin and an M.B.A. from the University of Michigan. He also serves as a director of Berkeley Technology, Ltd.

Thomas Lavelle	Senior Vice President and General Counsel. Mr. Lavelle has served in his current position since December 2006. Previous to that, Mr. Lavelle served as vice president and general counsel at Xilinx, one of the world's leading suppliers of programmable chips. Mr. Lavelle joined Xilinx in 1999 after spending more than 15 years at Intel Corporation where he held various positions in the legal department. Mr. Lavelle earned a J.D. from Santa Clara University School of Law and a B.A. from the University of California at Los Angeles.

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Name	Age	Position and Business Experience
Satish Rishi	50	Senior Vice President, Finance and Chief Financial Officer. Mr. Rishi joined us in his current position in April 2006. Prior to joining us, Mr. Rishi held the position of executive vice president of Finance and chief financial officer of Toppan Photomasks, Inc., (formerly DuPont Photomasks, Inc.) one of the world's leading photomask providers, from November 2001 to April 2006. During his 20-year career, Mr. Rishi has held senior financial management positions at semiconductor and electronic manufacturing companies. He served as vice president and assistant treasurer at Dell Inc. Prior to Dell, Mr. Rishi spent 13 years at Intel Corporation, where he held financial management positions both in the United States and overseas, including assistant treasurer. Mr. Rishi holds a B.S. with honors in Mechanical Engineering from Delhi University in Delhi, India and an M.B.A. from the University of California at Berkeley's Haas School of Business. He also serves as a director of Measurement Specialties, Inc.
Michael Schroeder	50	Vice President, Human Resources. Mr. Schroeder has served as our vice president, Human Resources since joining us in June 2004. From April 2003 to May 2004, Mr. Schroeder was vice president, Human Resources at DigitalThink, Inc., an online service company. From August 2000 to August 2002, Mr. Schroeder served as vice president, Human Resources at Alphablox Corporation, a software company. From August 1992 to August 2000, Mr. Schroeder held various positions at Synopsys, Inc., a software and programming company, including vice president, California Site Human Resources, group director Human Resources, director Human Resources and employment manager. Mr. Schroeder attended the University of Wisconsin, Milwaukee and studied Russian.
Martin Scott, Ph.D.	54	Senior Vice President, Research and Technology Development. Dr. Scott has served in his current position (formerly titled Senior Vice President, Engineering) since December 2006. Dr. Scott joined us from PMC-Sierra, Inc., a provider of broadband communications and storage integrated circuits, where he was most recently vice president and general manager of its Microprocessor Products Division from March 2006. Dr. Scott was the vice president and general manager for the I/O Solutions Division (which was purchased by PMC-Sierra) of Avago Technologies Limited, an analog and mixed signal semiconductor components and subsystem company, from October 2005 to March 2006. Dr. Scott held various positions at Agilent Technologies, including as vice president and general manager for the I/O Solutions division from October 2004 to October 2005, when the division was purchased by Avago Technologies, vice president and general manager of the ASSP Division from March 2002 until October 2004, and, before that, Network Products operation manager. Dr. Scott started his career in 1981 as a member of the technical staff at Hewlett Packard Laboratories and held various management positions at Hewlett Packard and was appointed

		ASIC business unit manager in 1998. He earned a B.S. from Rice University and holds both an M.S. and Ph.D. from Stanford University.
Laura S. Stark	41	Senior Vice President, Corporate Development. Ms. Stark joined us in 1996. Ms. Stark has served in her current position since May 2008. From February 2005 to May 2008, Ms. Stark headed up our Platform Solutions Group. From October 2002 to February 2005, Ms. Stark served as our vice president, Memory Interface Division. Ms. Stark has served as strategic accounts manager, and held the positions of strategic accounts director and vice president, Alliances and Infrastructure, before assuming the position of vice president, Memory Interface Division in October 2002. Prior to joining Rambus, Ms. Stark held various positions in the semiconductor products division of Motorola, a communications equipment company, during a six year tenure, including technical sales engineer for the Apple sales team and field application engineer for the Sun and SGI sales teams. Ms. Stark holds a B.S. in Electrical Engineering from the Massachusetts Institute of Technology.

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Item 1A. Risk Factors

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 "Special Note Regarding Forward-Looking Statements" elsewhere in this report.

Risks Associated With Our Business, Industry and Market Conditions

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

An important part of our strategy is to penetrate our target market segments 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 innovations. If a high profile industry participant adopts our innovations but fails to achieve success with its products or adopts and achieves success with a competing technology, our reputation and sales could be adversely affected. For example, if our commercial relationships with Samsung do not achieve success, our reputation could be adversely affected given the market position of Samsung as a leading memory manufacturer. 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 were traditionally focused on PCs, including PC graphics processors, and video game consoles, and now 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®3, HDTVs and set top boxes. As we diversify our technologies, such as through the establishment of our Lighting Technology Division, we will seek out other target markets in and related to computing, gaming and graphics, consumer electronics, mobile and general lighting applications. We are subject to many risks beyond our control that influence whether or not a potential licensee or partner company will adopt our technologies, including, among others:

- competition faced by a company in its particular industry;
- the timely introduction and market acceptance of a company's products;
- the engineering, sales and marketing and management capabilities of a company;
- technical challenges unrelated to our innovations faced by a company in developing its products;
- the financial and other resources of a company;
- the supply of semiconductors from our memory and chip interface 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 innovations to their customers.

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 markets in order to generate 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.

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

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

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

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

JEDEC has standardized what it calls extensions of DDR, known as DDR2 and DDR3. Other efforts are underway to create other products including those sometimes referred to as GDDR4 and GDDR5, as well as new ways to integrate products such as system-in-package DRAM. To the extent that these alternatives might provide comparable system performance at lower or similar cost than XDRtm 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, which 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 FlexIOtm 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 FlexIOtm 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

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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.

Our newly established Lighting Technology Division faces competition from system and subsystem providers of backlighting and general lighting solutions, some of which have substantial resources and operations.

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

If our new Lighting Technology Division does not succeed, our results of operations may be adversely affected.

The future success of our new Lighting Technology Division, formed in connection with the recent acquisition of certain technology and a portfolio of advanced lighting and optoelectronics patents of Global Lighting Technologies, depends on our ability to improve the visual capabilities, form factor, power efficiency and cost-effectiveness of backlighting of LCD displays in products for computing, gaming and graphics, consumer electronics, mobile and general lighting applications. We will need to keep pace with rapid changes in advanced lighting and optoelectronics technology, changing consumer requirements, new product introductions and evolving industry standards, any of which could render our existing technology obsolete if we fail to respond in a timely manner. The development, application and licensing of new backlit lighting technologies is a complex process subject to a number of uncertainties, including the integration of our Lighting Technology Division into the rest of our company and the small size of the Lighting Technology Division. Our competitors have significant marketing, workforce, financial and other resources and longer operating history which could make acceptance of our lighting technologies more difficult. If others develop innovative proprietary lighting technology that is superior to ours or if we fail to accurately anticipate technology and market trends, respond on a timely basis with our own new enhancements and technology, and achieve broad market acceptance of these enhancements and technology, our competitive position may be harmed and our operating results may be adversely affected.

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

If new competitors, technological advances by existing competitors, our entry into new markets, and/or development of new technologies 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 years ended December 31, 2009, 2008 and 2007, research and development expenses were $67.3 million, $76.2 million and $82.9 million, respectively, including stock-compensation of approximately $9.7 million, $13.5 million and $16.2 million, respectively. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, especially with respect to our new lighting technology division and any other new technologies that we pursue outside of our core memory and chip interface technologies, 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, including as a result of our investment in new technologies, and these investments may be independent of our level of revenue. In order to grow, which may include entering new markets and/or developing new technologies, we anticipate that we will continue to devote substantial resources to research and development. We expect these expenses to increase in absolute dollars in the foreseeable future due to the increased complexity and the greater number of products under development as well as selectively hiring additional employees.

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

We have a high degree of revenue concentration. As a result of our settlement with Samsung, Samsung is expected to account for a significant portion of our ongoing licensing revenue commencing in 2010. Our top five licensees represented approximately 77%, 67% and 67% of our revenue for the years ended December 31, 2009, 2008 and 2007, respectively. For the year ended December 31, 2009, revenue from AMD, Fujitsu, NEC, Panasonic, and Toshiba, each accounted for 10% or more of total revenue. For the year ended December 31, 2008, revenue from AMD, Elpida, Fujitsu, NEC, Panasonic, and Sony, each accounted for 10% or more of total revenue. For the year ended December 31, 2007, revenue from Elpida, Fujitsu, Qimonda and Toshiba, each accounted for 10% or more of total revenue. We expect to continue to experience significant revenue concentration for the foreseeable future.

In addition, some of our commercial agreements require us to provide certain customers with the lowest royalty rate that we provide to other customers for similar technologies, volumes and schedules. These clauses may limit our ability to effectively price differently among our customers, to respond quickly to market forces, or otherwise to compete on the basis of price. The particular licensees which account for revenue concentration have varied from period to period as a result of the addition of new contracts, expiration of existing contracts, industry consolidation, the expiration of deferred revenue schedules under existing contracts, and the volumes and

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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 patent license agreements for DRAM devices and DRAM controllers. We expect that 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. A number of our material license agreements are scheduled to expire throughout 2010, including certain ones that accounted for more than 10% of our revenue in the year ended December 31, 2009. We are currently in discussions with those licensees whose agreements are scheduled to expire in 2010. However, we cannot provide any assurance that we will reach agreement on renewal terms or that the royalty rates we will be entitled to receive under the new agreements will be as favorable to us as our current agreements. If we are unsuccessful in renewing any of these patent license agreements, our results of operations may decline significantly.

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

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

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

Any downturn in economic conditions could threaten the financial health of our counterparties, including companies with whom we have entered into licensing arrangements, settlements agreements or that have been subject to litigation judgments that provide for payments to us, and their ability to fulfill their financial and other obligations to us. Economic downturns such as the one we are currently experiencing lead to financial pressures on our counterparties and may eventually lead to bankruptcy proceedings or other attempts to avoid financial obligations that are due to us under licenses, settlement agreements or litigation judgments. Because bankruptcy courts have the power to modify or cancel contracts of the petitioner which remain subject to future performance and alter or discharge payment obligations related to pre-petition debts, we may receive less than all of the payments that we would otherwise be entitled to receive from any such counterparty as a result of a bankruptcy proceedings.

In 2009, two of our counterparties, Qimonda and Spansion, were subject to insolvency proceedings in their applicable jurisdictions as a result of a downturn in business. Qimonda, which was a party to a settlement and licensing agreement with us, is under the process of being liquidated under its German insolvency proceeding. As part of the process, the administrator for Qimonda's insolvency informed us that our license agreement was terminated. Under the license agreement, if we entered into licenses with certain other DRAM manufacturers, Qimonda would have been required to make certain additional payments to us up to an aggregate of $100.0 million. Given the status of Qimonda's liquidation and the notice of termination of the license agreement, we do not believe that even if we satisfied the conditions for additional payments, we will obtain any future payment from Qimonda or the successors to its business. Spansion, which was one of our licensees that owed us an immaterial amount, is in the process of exiting a voluntary

Chapter 11 reorganization.

If we are unable to collect all of such payments owed to us, or if other of our counterparties enter into bankruptcy or otherwise seek to renegotiate their financial obligations to us as a result of the deterioration of their financial health, our business and results of operations may be affected adversely.

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

From time to time, we may undertake to restructure our business. There are several factors that could cause a restructuring to have an adverse effect on our business, financial condition and results of operations. These include potential disruption of our operations,

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the development of our technology, the deliveries to our customers and other aspects of our business. Employee morale and productivity could also suffer and we may lose employees whom we want to keep. Loss of sales, service and engineering talent, in particular, could damage our business. Any restructuring would require substantial management time and attention and may divert management from other important work. Employee reductions or other restructuring activities also cause us to incur restructuring and related expenses such as severance expenses. Moreover, we could encounter delays in executing any restructuring plans, which could cause further disruption and additional unanticipated expense.

Our business historically experienced periods of rapid growth that placed significant demands on our managerial, operational and financial resources. In the event that we return to such a period of growth, whether through internal expansion or acquisitions of other businesses or technologies, we would need to improve and expand our management, operational and financial systems and controls. We also would need to expand, train and manage our employee base. We cannot assure you that in connection with any such growth we will be able to timely and effectively meet demand and maintain the quality standards required by our existing and potential customers and licensees. If we ineffectively manage our growth or we are unsuccessful in recruiting and retaining personnel, our business and operating results will be harmed.

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

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 semiconductor industry is characterized by rapid technological change, with new generations of semiconductors being introduced periodically and with ongoing improvements. 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.

Significant technological innovations generally require a substantial investment before their commercial viability can be determined, and this concept applies to all of our target markets. There can be no assurance that we have accurately estimated the amount of resources required to complete our innovation efforts, or that we will have, or be able to expend, sufficient resources required for the development of our innovations. In addition, there is market risk associated with these products for which we develop technological innovations, 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 target consumer market, our business results 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

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premium charged by our licensees, the resulting decline in sales of products incorporating our technology could harm our operating results.

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

The process of persuading customers to adopt and license our chip interface and other technologies can be lengthy and, even if successful, there can be no assurance that our technologies 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 or even years. In addition, our ongoing intellectual property litigation and regulatory actions have and will likely continue to have an impact on our ability to enter into new licenses and renewals of licenses. As such, we may incur costs in any particular period before any associated revenue stream begins, if at all. If our marketing and sales efforts are very lengthy or unsuccessful, then we may face a material adverse effect on our business and results of operations as a result of delay or failure to obtain royalties.

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

Our lengthy and costly license negotiation cycle and our ongoing intellectual property litigation make our future revenue difficult to predict because we may not be successful in entering into licenses with our customers on our estimated timelines and we are reliant on the litigation timelines for any results or settlements, such as our January 2010 settlement with Samsung.

While some of our license agreements provide for fixed, quarterly royalty payments, many of our license agreements provide for volume-based royalties, and may also be subject to caps on royalties in a given period. The sales volume and prices of our licensees' products in any given period can be difficult to predict. As a result, our actual results may differ substantially from analyst estimates or our forecasts in any given quarter.

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

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

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

- semiconductor and system companies' acceptance of our chip interface products;
- the success of high volume consumer applications, such as the Sony PLAYSTATION® 3;

- the dependence of our royalties upon fluctuating sales volumes and prices of licensed chips that include our technology;
- the seasonal shipment patterns of systems incorporating our chip interface products;
- the loss of any strategic relationships with system companies or licensees;
- semiconductor or system companies discontinuing major products incorporating our chip interfaces;
- the unpredictability of litigation results or settlements and the timing and amount of any litigation expenses;
- changes in our customers' development schedules and levels of expenditure on research and development;

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- our licensees terminating or failing to make payments under their current contracts or seeking to modify such contracts, whether voluntarily or as a result of financial difficulties;

- the results of our efforts to expand into new target markets, such as with our Lighting Technology Division;

- changes in our strategies, including changes in our licensing focus and/or acquisitions of companies with business models or target markets different from our own; and

- changes in the economy and credit market and their effects upon demand for our technology and the products of our licensees.

We believe that royalties will continue to represent a majority of total revenue for the foreseeable future. For the years ended December 31, 2009, 2008 and 2007, royalties accounted for 96%, 89% and 86%, respectively, of our total revenue. Royalties are generally recognized in the quarter in which we receive a report from a licensee regarding the sale of licensed chips in the prior quarter; however, royalties are recognized only if collectability is assured. As a result of these uncertainties and effects being outside of our control, royalty revenue is difficult to predict and makes it difficult to develop accurate financial forecasts, which could cause our stock price to become volatile and decline.

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

For the years ended December 31, 2009, 2008 and 2007, revenue from our sales to international customers constituted approximately 83%, 84% and 85% of our total revenue, respectively. As a result of our continued focus on international markets, we expect that future revenue derived from international sources will continue to represent a significant portion of our total revenue.

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

We currently have international operations in India (design), Japan (business development), Taiwan (business development) and Germany (business development). Our international operations and revenue are subject to a variety of risks which are beyond our control, including:

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

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

- treatment of revenue from international sources and changes to tax codes, including being subject to foreign tax laws and being liable for paying withholding, income or other taxes in foreign jurisdictions;

- 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;

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- 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, PC and other consumer electronics 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.

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

As part of our strategic initiatives, we have completed, currently are evaluating, and expect to continue to engage in, investments in or acquisitions of companies, products or technologies, and the entry into strategic transactions or other arrangements. These acquisitions, investments, transactions or arrangements are likely to range in size, some of which may be significant. After completing an acquisition, including the recent acquisition of technology and a patent portfolio from Global Lighting Technologies, 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 entity or business may decide not to work for us or may not perform according to our expectations;
- we may experience additional legal, financial and accounting challenges and complexities in areas such as licensing, 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 financial benefits we anticipated, both with respect to our ongoing business and the acquired entity or business;
- our increasing international presence resulting from acquisitions may increase our exposure to international currency, tax and political risks; and
- our lack of experience in new markets, products or technologies may cause us to fail to recognize the forecasted financial and strategic benefits of the acquisition.

In connection with our strategic initiatives related to future acquisitions or mergers, strategic transactions or other arrangements, we may incur substantial expenses regardless of whether any transactions occur. Further, the risks described above may be exacerbated as a result of managing multiple acquisitions simultaneously. 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.

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

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

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

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations, including the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities, as described elsewhere in this report. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, such as percentage-of-completion contracts, investments, income taxes, litigation, goodwill and intangibles, and other contingencies. 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. In addition, actual results may differ from these estimates under different assumptions or conditions.

Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the measurement of share-based compensation expense requires us to use valuation methodologies and a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, and the exercise behavior of our employees. Changes in these factors may affect both our reported results (including cost of contract revenue, research and development expenses, marketing, general and administrative expenses and our effective tax rate) and any forward-looking projections we make that incorporate projections of share-based compensation expense. Furthermore, there are no means, under applicable accounting principles, to compare and adjust our reported 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.

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.

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 we expect to continue in the future in response to, among other things, the following:

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- new litigation or developments in current litigation, including an unfavorable outcome to us from court proceedings relating to our litigation with Hynix, Micron, Nanya and NVIDIA and reaction to any settlements that we enter into with former litigants, such as Samsung;
- any progress, or lack of progress, real or perceived, in the development of products that incorporate our innovations;
- our signing or not signing new licensees;
- announcements of our technological innovations or new products by us, our licensees or our competitors;
- positive or negative reports by securities analysts as to our expected financial results;
- developments with respect to patents or proprietary rights and other events or factors; and
- issuance of additional securities by us, such as our issuance of approximately 9.6 million shares of common stock to Samsung in connection with our settlement agreement in January 2010.

In addition, the stock market in general, and prices for companies in our industry in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance. Because our outstanding senior convertible notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our notes. In addition, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock. Sales of substantial amounts of shares of our common stock in the public market, or the perception that those sales may occur, could cause the market price of our common stock to decline. In addition, lack of positive performance in our stock price may adversely affect our ability to retain key employees.

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 Securities and Exchange Commission, regulations and NASDAQ rules, have historically created uncertainty for companies such as ours. Any 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. Any new investment of resources to comply with evolving laws, regulations and standards, 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 and our business and operations would suffer.

We have been party to, and may in the future be subject to, lawsuits relating to securities law matters which may result in unfavorable outcomes and significant judgments, settlements and legal expenses which could cause our business, financial condition and results of operations to suffer.

In connection with our stock option investigation, we and certain of our current and former officers and directors, as well as our current auditors, were subject to several stockholder derivative actions, securities fraud class actions and/or individual lawsuits filed in federal court against us and certain of our current and former officers and directors. The complaints generally allege that the defendants violated the federal and state securities laws and state law claims for fraud and breach of fiduciary duty. While we have settled the derivative and securities fraud class actions, the individual lawsuits continue to be adjudicated. For more information about the historic litigation described above, see Note 16, "Litigation and Asserted Claims," of Notes to Consolidated Financial Statements. The amount of time to resolve these current and any future lawsuits is uncertain, and these matters could require significant management and financial resources which could otherwise be devoted to the operation of our business. Although we have expensed or accrued for certain liabilities that we believe will result from certain of these actions, the actual costs and expenses to defend and satisfy all of these lawsuits and any potential future litigation may exceed our current estimated accruals, possibly significantly. Unfavorable outcomes and significant judgments, settlements and legal expenses in litigation related to our past and any future securities law claims could have material adverse impacts on our business, financial condition, results of operations, cash flows and the trading price of our common stock.

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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. In 2009, we issued $172.5 million aggregate principal amount of our senior convertible notes due June 2014. 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, litigation, 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 our convertible notes in cash upon conversion if specified conditions are met or when due;

- if upon any conversion of our notes we are required to satisfy our conversion obligation with shares of our common stock or we are required to pay a "make-whole" premium with shares of our 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 all of our notes. Any required repayment of our notes as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for 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.

If securities or industry analysts change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business or our market. If one or more of the analysts who cover us change their recommendation regarding our stock adversely, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

Our restated certificate of incorporation, our bylaws, our stockholder rights plan and Delaware law contain provisions that might enable our management to discourage, delay or prevent a 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. Pursuant to such provisions:

- 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;

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- 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, advance notice requirements and action of stockholders 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.

Certain provisions of our outstanding convertible notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the notes will have the right, at their option, to require us to repurchase, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest on the notes, all of their notes or any portion of the principal amount of such notes in multiples of $1,000. We may also be required to issue additional shares of our common stock upon conversion of such notes in the event of certain fundamental changes.

Litigation, Regulation and Business Risks Related to our Intellectual Property

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

We seek to diligently protect our intellectual property rights. In connection with the extension of our licensing program to SDR SDRAM-compatible and DDR SDRAM-compatible products, we became involved in litigation related to such efforts against different parties in multiple jurisdictions. In each of these cases, we have claimed infringement of certain of our patents, while the manufacturers of such products have generally sought damages and a determination that the patents in suit are invalid, unenforceable, and not infringed. Among other things, the opposing parties have alleged that certain of our patents are unenforceable because we engaged in document spoliation, litigation misconduct and/or acted improperly during our 1991 to 1995 participation in the JEDEC standard setting organization (including allegations of antitrust violations and unfair competition). See Note 16, "Litigation and Asserted Claims," of Notes to Consolidated Financial Statements.

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

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

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if we are successful in our litigation, or any settlement of such litigation, there is no guarantee that the applicable opposing parties will be able to pay any damages awards timely or at all as a result of financial difficulties or otherwise. Delay or any or all of these adverse results could cause a substantial decline in our revenue and stock price.

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

From time to time, we are subject to proceedings by government agencies. These proceedings may result in adverse determinations against us or in other outcomes that could limit our ability to enforce or license our intellectual property, and could cause our revenue to decline substantially.

In addition, third parties have and may attempt to use adverse findings by a government agency to limit our ability to enforce or license 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 U.S. Patent and Trademark Office ("PTO") and/or the European Patent Office (the "EPO"). Currently, we are subject to several re-examination proceedings, including proceedings initiated by Hynix, Micron and NVIDIA as a defensive action in connection with our litigation against those companies. An adverse decision by the PTO or EPO could invalidate some or all of these patent claims and could also result in additional adverse consequences affecting other related U.S. or European patents, including in our intellectual property litigation. If a sufficient number of such patents are impaired, our ability to enforce or license our intellectual property would be significantly weakened and this could cause our revenue to decline substantially.

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

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

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

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

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

- any current or future U.S. or foreign patent applications will be approved and not be challenged by third parties;
- our issued patents will protect our intellectual property and not be challenged by third parties;
- the validity of our patents will be upheld;
- our patents will not be declared unenforceable;

- the patents of others will not have an adverse effect on our ability to do business;
- Congress or the U.S. courts or foreign countries will not change the nature or scope of rights afforded patents or patent owners or alter in an adverse way the process for seeking patents;
- changes in law will not be implemented that will affect our ability to protect and enforce our patents and other intellectual property;
- new legal theories and strategies utilized by our competitors will not be successful; or
- others will not independently develop similar or competing chip interfaces or design around any patents that may be issued to us.

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

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

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

We rely upon the accuracy of 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 typically rely on the accuracy of the reports from licensees without independently verifying the information in them. Our failure to audit our licensees' books and records may result in our receiving more or less royalty revenue than we are entitled to under the terms of our license agreements. If we conduct 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.

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, and some require us to provide technical support and information to a licensee that is involved in litigation involving use of our technology. In addition, we may agree to indemnify others in the future. Any of these 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 as a result of lower or no royalty payments.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

As of December 31, 2009, we occupied offices in the leased facilities described below:

Number of Offices Under Lease	Location	Primary Use
3	United States Los Altos, CA (current Headquarters) Chapel Hill, NC Cleveland, OH	Executive and administrative offices, research and development, sales and marketing and service functions
1	Bangalore, India	Administrative offices, research and development and service functions
1	Tokyo, Japan	Business development
1	Taipei, Taiwan	Business development
1	Pforzheim, Germany	Business development

On December 15, 2009, we entered into a lease agreement for an incompleted office space located in Sunnyvale, California. We plan to move to the new premises in the second half of 2010 following completion of tenant improvements and will no longer occupy the Los Altos facilities after the move. The office space will serve as our corporate headquarters, as well as engineering, marketing and administrative operations and activities.

Item 3. Legal Proceedings

For the information required by this item regarding legal proceedings, see Note 16 “Litigation and Asserted Claims,” of Notes to Consolidated Financial Statements of this Form 10-K.

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

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Stock is listed on The NASDAQ Global Select Market under the symbol “RMBS.” The following table sets forth for the periods indicated the high and low sales price per share of our Common Stock as reported on The NASDAQ Global Select Market.

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	High	Low	High	Low
First Quarter	$18.70	$5.99	$26.41	$14.64
Second Quarter	$19.65	$9.07	$24.85	$18.61
Third Quarter	$19.94	$14.33	$18.90	$12.29
Fourth Quarter	$25.54	$15.53	$16.59	$4.95

The graph below matches Rambus Inc.'s cumulative five-year total shareholder return on Common Stock with the cumulative total returns of The NASDAQ Composite Index and the RDG Semiconductor Composite Index. The graph tracks the performance of a $100 investment in our Common Stock and in each of the indexes (with the reinvestment of all dividends) from December 31, 2004 to December 31, 2009.

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COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Rambus Inc., The NASDAQ Composite Index
And The RDG Semiconductor Composite Index

* $100 invested on 12/31/04 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Fiscal years ending:

	12/04	12/05	12/06	12/07	12/08	12/09
Rambus Inc.	100.00	70.39	82.30	91.04	69.22	106.09
NASDAQ Composite	100.00	101.33	114.01	123.71	73.11	105.61
RDG Semiconductor Composite	100.00	111.52	105.29	118.19	59.74	87.55

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Information regarding our securities authorized for issuance under equity compensation plans will be included in Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” of this report on Form 10-K.

As of January 29, 2010, there were 737 holders of record of our Common Stock. Because many of the shares of our Common Stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders. We have never paid or declared any cash dividends on our Common Stock or other securities. However, in the future, we may plan to pay or declare cash dividends depending on our financial condition, results of operations, capital requirements, business conditions and other factors.

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. For the year ended December 31, 2009, we did not repurchase any Common Stock. As of December 31, 2009, we had repurchased a cumulative total of approximately 16.8 million shares of our Common Stock with an aggregate price of approximately $233.8 million since the commencement of this program. As of December 31, 2009, there remained an outstanding authorization to repurchase approximately 2.2 million shares of our outstanding Common Stock.

We record stock repurchases as a reduction to stockholders’ equity. 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 year ended December 31, 2009, we did not repurchase any Common Stock. During the year ended December 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 $44.2 million was recorded as an increase to accumulated deficit for the year ended December 31, 2008.

Item 6. Selected Financial Data

The following selected consolidated financial data for and as of the years ended December 31, 2009, 2008, 2007, 2006 and 2005 was derived from our consolidated financial statements. The summary consolidated selected financial data for and as of the years ended December 31, 2008, 2007, 2006 and 2005 has been adjusted as a result of the retrospective adoption on January 1, 2009 of a new Financial Accounting Standards Board (“FASB”) accounting guidance which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement (“new FASB accounting guidance”). Our consolidated financial statements as of December 31, 2009, 2008 and 2007 and financial statements for the years ended December 31, 2009, 2008, 2007 and 2006 were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The

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following selected consolidated financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Data," and other financial data included elsewhere in this report. Our historical results of operations are not necessarily indicative of results of operations to be expected for any future period.

	Years Ended December 31,				
	2009	2008 (1)	2007 (1)	2006 (1) (2)	2005 (2)
	(In thousands, except per share amounts)				
Total revenue	$113,007	$142,494	$179,940	$195,324	$157,198
Net income (loss)	$(92,186)	$(199,110)	$(34,221)	$(18,006)	$6,914
Net income (loss) per share:					
Basic	$(0.88)	$(1.90)	$(0.33)	$(0.17)	$0.07
Diluted	$(0.88)	$(1.90)	$(0.33)	$(0.17)	$0.07
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$460,193	$345,853	$440,882	$436,341	$355,390
Total assets	$555,869	$397,370	$617,963	$591,295	$497,141
Convertible notes	$248,044	$125,474	$135,214	$124,719	$115,039
Stockholders' equity	$255,327	$232,941	$422,486	$404,247	$349,616

(1) Adjusted to reflect adoption of the new FASB accounting guidance. Refer to Note 3, "Retrospective Adoption of New Accounting Pronouncement," of Notes to Consolidated Financial Statements for further discussion.

(2) The year ended December 31, 2006 includes adjustments for the new FASB accounting guidance to decrease total assets by $13,322 and convertible notes by $35,281 and increase stockholders' equity by $21,959. The year ended December 31, 2005 includes additional interest expense (including amortization of debt issuance costs) of $12,253, decrease to interest income and other income (expense), net of $24,732, decrease to provision for income taxes of $14,959, decrease to net income of $22,026, decrease to basic net income per share of $0.22, decrease to diluted net income per share of $0.21, decrease to total assets of $18,812, decrease to convertible notes of $44,961 and increase to stockholders' equity of $26,149.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including any statements regarding trends in future revenue or results of operations, gross margin or operating margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning developments, performance or industry ranking; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Generally, the words "anticipate," "believes," "plans," "expects," "future," "intends," "may," "should," "estimates," "predicts," "potential," "continue" and similar expressions identify forwar 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.

Business Overview

We are a premier technology licensing company. Our primary focus is the design, development and licensing chip interface technologies and architectures that are foundational to nearly all digital electronics products. Our chip interface technologies aim to improve the performance, power efficiency, time-to-market and cost-effectiveness of our customers' semiconductor and system products for computing, gaming and graphics, consumer electronics and mobile applications. The key elements of our strategy are as follows:

Innovate: Develop and patent our innovative technology to provide fundamental competitive advantage when incorporated into semiconductors and electronic systems.

Drive Adoption: Communicate the advantages of our patented innovations and technology to the industry and encourage its adoption through demonstrations and incorporation in the products of select customers.

Monetize: License our patented inventions and technology solutions to customers for use in their semiconductor and system products.

In December 2009, we added lighting technology to our portfolio of solutions through the acquisition of patented innovations and technology from Global Lighting Technologies Inc. ("GLT"). This technology is highly complementary to our chip interface technologies since it is intended to improve the visual capabilities, form factor, power efficiency and cost effectiveness of backlighting of LCD displays in products for computing, gaming and graphics, consumer electronics and mobile applications. Our new technology also has great potential to enable cost-effective and power-efficient LED-based general lighting products.

As of December 31, 2009, our chip interface, lighting and other technologies are covered by more than 950 U.S. and foreign patents. Additionally, we have approximately 600 patent applications pending. These patents and patent applications cover important inventions in memory and logic chip interfaces, optoelectronics and other technologies. Some of the patents and pending patent applications are derived from a common parent patent application or are foreign counterpart patent applications. We have a program to file applications for and obtain patents in the United

States and in selected foreign countries where we believe filing for such protection is appropriate. In some instances, obtaining appropriate levels of protection may involve prosecuting continuation and counterpart patent applications based on a common parent application. We believe that our patented innovations provide our customers means to achieve higher performance, improved power efficiency, lower risk, and greater cost-effectiveness in their semiconductor and system products.

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

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

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

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

The remainder of our revenue is contract services revenue which includes license fees and engineering services fees. The timing and amounts invoiced to customers can vary significantly depending on specific contract terms and can therefore have a significant impact on deferred revenue or account receivables in any given period.

We intend to continue making significant expenditures associated with engineering, marketing, general and administration including litigation expenses, and expect that these costs and expenses will continue to be a significant percentage of revenue in future periods. Whether such expenses increase or decrease as a percentage of revenue will be substantially dependent upon the rate at which our revenue or expenses change.

Executive Summary

Fiscal 2009 continued to be a difficult and challenging time for us. The economic recession had caused our revenue from variable royalties to decrease. In addition, we were not able to grow our revenue from new customers as many potential customers are hesitant to sign licensing agreements with us until the current litigation activities are resolved. Our revenue for 2009 therefore decreased $29.5 million, or 20.7%, from 2008. In fiscal 2009, cutting costs, strengthening our business and attempting to reach agreements with those companies that have infringed our patented technologies remained our primary focus. We have lowered costs in 2009 through reductions in headcount in the third quarter of 2008 as well as curtailing capital expenditures and implementing other cost control measures. Our cost cutting initiatives are working, in spite of the continuing impact of the economic recession.

We also have taken several additional critical steps to better position ourselves not only to weather the recession but to capitalize on opportunities when the economy improves. Research and development continues to play a key role in our efforts to maintain product innovations. Consistent with our strategy to expand our patent portfolio and diversify our business, we added lighting technology through the acquisition of patented innovations and technology from GLT.

As a result of our reorganization and reductions in headcount in 2008, our engineering costs for 2009, in aggregate and as a percentage of revenue, decreased $23.4 million and 2.9%, respectively, in 2009 as compared to 2008.

Marketing, general and administrative expenses in aggregate increased $4.1 million in 2009 as compared to 2008 primarily due to expenses related to acquisition activities. Our lower revenue combined with the increase in marketing, general and administrative expenses, has caused marketing, general and administrative expenses to increase as a percentage of revenue. In 2009, we had a net recovery of restatement and related legal activities of $13.5 million, primarily due to recognition of insurance settlements of $12.3 million from the insurance carriers and the receipt of $4.5 million from former executives as part of their settlement agreements with us in connection with the derivative and class action lawsuits.

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Trends

There are a number of trends that we expect may or will have a material impact on us in the future, including global economic conditions with the resulting impact on sales, continuing pursuit of litigation against companies that have infringed our patented technologies and shifts in our overall effective tax rate.

We have a high degree of revenue concentration, with our top five licensees representing approximately 77%, 67% and 67% of our revenue for the years ended December 31, 2009, 2008 and 2007, respectively. As a result of our Samsung settlement, Samsung is expected to account for a significant portion of our ongoing licensing revenue commencing in 2010. For the year ended December 31, 2009, revenue from AMD, Fujitsu, NEC, Panasonic, and Toshiba, each accounted for 10% or more of total revenue. For the year ended December 31, 2008, revenue from AMD, Elpida, Fujitsu, NEC, Panasonic, and Sony, each accounted for 10% or more of total revenue. For the year ended December 31, 2007, revenue from Elpida, Fujitsu, Qimonda and Toshiba, each accounted for 10% or more of total revenue.

Many of our licensees have the right to cancel their licenses. 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 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 expect that our revenue concentration will decrease over time as we license new customers.

The semiconductor industry is intensely competitive and highly cyclical. Our visibility with respect to future sales is very limited at this time. We are continuing to experience a period of economic downturn, which has resulted in and may continue to result in, among other things, diminished demand and the erosion of average selling prices in the semiconductor industry. To the extent that these macroeconomic pressures affect our principal licensees, the demand for our technology may be significantly and adversely impacted and we may experience substantial period-to-period fluctuations in our operating results. The downturn in worldwide economic conditions also threatens the financial health of our commercial counterparties, including companies with whom we have entered into licensing arrangements, settlement agreements or that have been subject to litigation judgments that provide for payments to us, and their ability to fulfill their financial and other obligations to us. Some of our existing patent licensees have fixed royalty payments which are not impacted by the current economic downturn. Royalty payments from the remaining licensees are related to variable royalty agreements which have been impacted by the current economic conditions. Current market indicators are mixed, but there are some recent signs of some stabilization. However, there continue to be indications that global demand will not quickly recover and may continue to contract for most, if not all, of 2010. Such lower demand levels may adversely impact our revenue and profitability. See Item 1A, “Risk Factors.”

The royalties we receive are partly a function of the adoption of our chip interfaces by system companies. Many system companies purchase semiconductors containing our chip interfaces from our licensees and do not have a direct contractual relationship with us. Our licensees generally do not provide us with details as to the identity or volume of licensed semiconductors purchased by particular system companies. As a result, we face difficulty in analyzing the extent to which our future revenue will be dependent upon particular system companies. System companies face intense competitive pressure in their markets, which are characterized by extreme volatility, frequent new product introductions and rapidly shifting consumer preferences. There can be no assurance as to the unit volumes of licensed semiconductors that will be purchased by these companies in the future or as to the level of royalty-bearing revenue that our licensees will receive from sales to these companies. Additionally, there can be no assurance that a significant number of other system companies will adopt our chip interfaces or that our dependence upon particular system companies will decrease in the future. See Item 1A, “Risk Factors.”

Our revenue from companies headquartered outside of the United States accounted for approximately 83%, 84% and 85% of our total revenue for the years ended December 31, 2009, 2008 and 2007, respectively. We expect that revenue derived from international licensees will continue to represent a significant portion of our total revenue in the future. To date, all of the revenue from international licensees have been denominated in U.S. dollars. However, to the extent that such licensees' sales to their customers 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.

For additional information concerning international revenue, see Note 13, "Business Segments, Exports and Major Customers," of Notes to Consolidated Financial Statements of this Form 10-K.

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Engineering costs as a percent of net sales decreased in the year ended December 31, 2009 as compared to the prior year, reflecting the decrease in engineering costs from reductions in headcount. In the near term, we expect engineering costs to be higher than in 2009 due primarily to the engineering activities in our newly established Lighting Technology Division which was created from the acquisition of patented innovations and technology from GLT. In addition, we intend to continue to make investments in the infrastructure and technologies required to maintain our product innovations and leadership position in chip interface technologies and, as a result, expenses are expected to increase.

Marketing, general and administrative expenses in the aggregate and as a percentage of net sales increased in the year ended December 31, 2009 as compared to the prior year, reflecting the increase in marketing, general and administrative expenses due to expenses related to acquisition activities as well as the decrease in revenue. 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 may not grow. 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 will continue to pursue litigation against those companies that have infringed our patented technologies, which in turn will continue to increase marketing, general and administrative expenses as litigation expenses will continue to increase until such litigation is resolved.

As we continue to pursue litigation and invest in research and development projects combined with the recent lower revenue from our licensees, our cash from operations will continue to be negatively affected.

Our overall effective tax rate will continue to fluctuate as a result of the allocation of earnings among various taxing jurisdictions with varying tax rates.

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Results of Operations

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

	Years Ended December 31, 2009		2008		2007	
Revenue:						
Royalties	95.6	%	89.1	%	85.8	%
Contract revenue	4.4	%	10.9	%	14.2	%
Total revenue	100.0	%	100.0	%	100.0	%
Costs and expenses:						
Cost of contract revenue*	6.1	%	15.0	%	15.1	%
Research and development*	59.5	%	53.5	%	46.1	%
Marketing, general and administrative*	113.4	%	87.1	%	67.0	%
Costs (recoveries) of restatement and related legal activities	(11.9	)%	2.3	%	10.8	%
Restructuring costs*	—	%	2.9	%	—	%
Impairment of intangible asset	—	%	1.5	%	—	%
Total costs and expenses	167.1	%	162.3	%	139.0	%
Operating loss	(67.1	)%	(62.3	)%	(39.0	)%
Interest income and other income, net	3.6	%	10.7	%	12.1	%
Interest expense	(18.6	)%	(8.3	)%	(6.1	)%
Interest and other income (expense), net	(15.0	)%	2.4	%	6.0	%
Loss before income taxes	(82.1	)%	(59.9	)%	(33.0	)%
Provision for (benefit from) income taxes	(0.5	)%	79.8	%	(14.0	)%
Net loss	(81.6	)%	(139.7	)%	(19.0	)%
* Includes stock-based compensation:						
Cost of contract revenue	0.9	%	3.6	%	3.3	%
Research and development	8.6	%	9.5	%	9.0	%
Marketing, general and administrative	18.5	%	13.0	%	12.6	%
Restructuring costs	—	%	0.4	%	—	%

	Years Ended December 31, 2009	2008	2007	2008 to 2009 Change		2007 to 2008 Change	
	(Dollars in millions)						
Total Revenue							
Royalties	$108.0	$126.9	$154.3	(14.9	)%	(17.8	)%
Contract revenue	5.0	15.6	25.6	(67.9	)%	(39.2	)%
Total revenue	$113.0	$142.5	$179.9	(20.7	)%	(20.8	)%

Royalty Revenue

Patent Licenses

Royalties related to our patents for SDR and DDR-compatible products decreased approximately $21.2 million to $79.3 million for the year ended December 31, 2009 from $100.5 million for the same period in 2008. The decrease was primarily due to the expiration of the Elpida licensing agreement in the first quarter of 2008, the one-time receipt of previously withheld royalties from the FTC Disposition Order in 2008 and lower variable patent royalty payments received in 2009, as a result of, among other things, lower product shipment volumes reported by customers.

Royalties related to our patents for SDR and DDR-compatible products decreased approximately $32.5 million to $100.5 million for the year ended December 31, 2008 from $133.0 million for the same period in 2007. The decrease was primarily due to the higher licensing payments received in 2007 as a result of, among other things, our receipt of the final installment payments from Qimonda, which we were entitled to under the terms of our license agreement and settlement with Qimonda, in 2007 and lower licensing payments received in 2008 as a result of, among other things, the expiration of the Elpida licensing agreement in the first quarter of 2008.

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We are in negotiations with prospective licensees as well as existing licensees regarding renewals as some of the existing patent license agreements will expire in 2010. We expect SDR and DDR-compatible royalties will continue to vary from period to period based on our success in renewing existing license agreements and adding new licensees, as well as the level of variation in our licensees' reported shipment volumes, sales price and mix, offset in part by the proportion of licensee payments that are fixed.

Technology Licenses

Royalties from technology licenses increased approximately $2.3 million to $28.7 million for the year ended December 31, 2009 from $26.4 million for the same period in 2008. The increase was primarily due to higher royalties reported from increased shipments related to DDR2 technologies and a one-time catch-up royalty payment in the second quarter of 2009 related to RDRAMtm controllers associated with shipments of the Sony PlayStation®2 product, offset by decreased royalties from XDRtm DRAM associated with decreased shipments of the Sony PLAYSTATION®3 product.

Royalties from technology licenses increased approximately $5.1 million to $26.4 million for the year ended December 31, 2008 from $21.3 million for the same period in 2007. This increase was primarily due to higher royalties reported from increased shipments related to DDR2 technologies and increased royalties from XDRtm DRAM associated with increased amount of shipments of the Sony PLAYSTATION®3 product.

In the future, we expect technology royalties will continue to vary from period to period based on our licensees' shipment volumes, sales prices, and product mix.

Contract Revenue

Contract revenue decreased approximately $10.6 million to $5.0 million for the year ended December 31, 2009 from $15.6 million for the year ended December 31, 2008. The decrease is due to fewer new technology development contracts, decrease in work performed on existing technology development contracts, as well as decreased revenue from reseller arrangements.

Contract revenue decreased approximately $10.0 million to $15.6 million for the year ended December 31, 2008 from $25.6 million for the year ended December 31, 2007. The decrease is due to fewer new technology development contracts as well as a decrease in work performed on existing technology development contracts.

We believe that contract revenue recognized will continue to fluctuate over time based on our ongoing contractual requirements, the amount of work performed, the timing of completing engineering deliverables, and by changes to work required, as well as new technology development contracts booked in the future.

Engineering costs:

	Years Ended December 31,			2008 to 2009	2007 to 2008
	2009	2008	2007	Change	Change
	(Dollars in millions)				
Engineering costs					
Cost of contract revenue	$5.9	$16.1	$21.2	(63.6)%	(24.0)%
Stock-based compensation	1.0	5.2	5.9	(80.7)%	(12.2)%
Total cost of contract revenue	6.9	21.3	27.1	(67.7)%	(21.5)%
Research and development	57.5	62.7	66.7	(8.3)%	(5.9)%

Stock-based compensation	9.7	13.5	16.2	(28.0)%	(16.7)%
Total research and development	67.2	76.2	82.9	(11.8)%	(8.0)%
Total engineering costs	$74.1	$97.5	$110.0	(24.0)%	(11.3)%

Engineering costs are allocated between cost of contract revenue and research and development expenses. Cost of contract revenue reflects the portion of the total engineering costs which are specifically devoted to individual licensee development and support services. The balance of engineering costs, incurred for the development of generally applicable chip interface technologies, is charged to research and development. In a given period, the allocation of engineering costs between these two components is a function of the timing of the development and implementation schedules of individual licensee contracts.

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For the year ended December 31, 2009 as compared to the same period in 2008, engineering costs decreased primarily due to lower headcount and the related decrease in salary, benefits, allocations and stock based compensation expenses as well as decreases in consulting and travel and entertainment costs as a result of our cost reduction initiatives that commenced in the second half of 2008.

For the year ended December 31, 2008 as compared to the same period in 2007, engineering costs decreased primarily due to tax reimbursement expenses in 2007 associated with Internal Revenue Code Section 409A of approximately $4.1 million and decreased salary and related stock-based compensation expenses in 2008 due to the restructuring initiative. The tax reimbursement expenses were associated with our decision to reimburse current employees for the Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006. In addition, depreciation and amortization expense decreased in 2008 due to lower design software maintenance amortization.

In the near term, we expect engineering costs to be higher than in 2009 due primarily to the engineering activities in our newly established Lighting Technology Division which was created from the acquisition of patented innovations and technology from GLT. In addition, we intend to continue to make investments in the infrastructure and technologies required to maintain our product innovation and leadership position in chip interface technologies and, as a result, costs are expected to increase.

Marketing, general and administrative costs:

	Years Ended December 31,			2008 to 2009 Change	2007 to 2008 Change
	2009	2008	2007		
	(Dollars in millions)				
Marketing, general and administrative costs					
Marketing, general and administrative costs	$51.8	$49.9	$58.4	3.8 %	(14.7)%
Litigation expense	55.5	55.7	39.5	(0.3)%	41.1 %
Stock-based compensation	20.9	18.5	22.7	12.8 %	(18.5)%
Total marketing, general and administrative costs	$128.2	$124.1	$120.6	3.3 %	2.9 %

Marketing, general and administrative expenses include expenses and costs associated with trade shows, public relations, advertising, litigation, general legal, insurance and other marketing and administrative efforts. Litigation expenses are a significant portion of our marketing, general and administrative expenses and they can vary significantly from quarter to quarter. Consistent with our business model, licensing and marketing activities are focused on developing relationships with potential licensees and on participating with existing licensees in marketing, sales and technical efforts directed to system companies. Due to the long business development cycles we face and the semi-fixed nature of marketing, general and administrative expenses in a given period, these expenses generally do not correlate to the level of revenue in that period or in recent or future periods.

For the year ended December 31, 2009 as compared to 2008, total marketing, general and administrative costs were higher due primarily to ongoing patent acquisition activities in 2009, higher headcount in corporate development as a result of our strategic initiatives related to our investing activities, increased stock-based compensation expenses primarily related to nonvested equity awards granted during late 2008 and early 2009, and higher allocated costs. These increases were offset by decreases in depreciation expenses, rent and facilities expenses and overall marketing expenses due primarily to our cost reduction initiatives taken in 2008. Litigation expenses remained relatively flat from 2008 to 2009 as we continued to pursue litigation against those companies that have infringed on our patented technologies.

For the year ended December 31, 2008 as compared to 2007, the increase in total marketing, general and administrative costs was primarily due to higher litigation expense, partially offset by decreased stock-based compensation, salary expenses due to the restructuring initiative in 2008, general legal costs, marketing and advertising costs, professional fees and the lack of the $2.5 million of tax reimbursement expenses associated with Internal Revenue Code Section 409A incurred in 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. The higher litigation expenses were primarily due to costs incurred in connection with cases that came to trial in 2008.

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.

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Costs (recoveries) of restatement and related legal activities:

	Years Ended December 31,			2008 to 2009	2007 to 2008
	2009	2008	2007	Change	Change
	(Dollars in millions)				
Costs (recoveries) of restatement and related legal activities	$(13.5)	$3.3	$19.5	NM*	(83.2)%

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

Costs (recoveries) 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.

For the year ended December 31, 2009, recoveries of restatement and related legal activities were $13.5 million due primarily to recognition of insurance settlements of $12.3 million from the insurance carriers and the receipt of $4.5 million from former executives as part of their settlement agreements with us in connection with the derivative and class action lawsuits. The $16.8 million was recorded as recoveries of restatement and related legal activities. Until all the litigation and related issues are resolved, we anticipate that there could be additional costs.

For the year ended December 31, 2008 as compared to the same period in 2007, the decrease in costs of restatement and related legal activities was primarily associated with the decrease in accounting and consulting charges related to the filing of our restated financial statements in 2007 and a decrease in legal expenses in connection with related lawsuits. Additionally, during the fourth quarter of 2008, we received approximately 163,000 shares of Rambus stock with a value of approximately $0.8 million from a former executive as part of the former executive's settlement agreement with Rambus in connection with the derivative and class action lawsuits. The $0.8 million was recorded as recoveries of restatement and related legal activities.

Restructuring costs:

	Years Ended December 31,			2008 to 2009	2007 to 2008
	2009	2008	2007	Change	Change
	(Dollars in millions)				
Restructuring costs	$—	$4.2	$—	N/A *	N/A *

* N/A — not applicable

During the year ended December 31, 2009, we did not incur any costs associated with restructuring activities. During the year ended December 31, 2008, we initiated a workforce reduction in certain areas of excess capacity. The cash severance, including continuance of certain employee benefits, totaled approximately $3.6 million and non-cash employee severance was approximately $0.5 million of stock-based compensation expense. We also leased a facility in Mountain View, California, through November 11, 2009, which we vacated during the fourth quarter of 2008 as a result of the restructuring measures. This facility was being subleased at a rate equal to our rent associated with the facility and, as a result no restructuring charge was recorded. The total restructuring charge for the year ended December 31, 2008 was approximately $4.2 million. We paid approximately $3.5 million of severance and benefits during 2008. We paid the remaining $0.1 million of severance and benefits during 2009.

Impairment of intangible asset:

	Years Ended December 31,			2008 to 2009 Change		2007 to 2008 Change	
	2009	2008	2007				
	(Dollars in millions)						
Impairment of intangible asset	$—	$2.2	$—	N/A	*	N/A	*

* N/A — not applicable

In 2009, we did not impair any of our intangible assets. In 2008, we determined that approximately $2.2 million of our intangible assets had no alternative future use and were impaired as a result of a customer's change in technology requirements. The impairment of the intangible asset related to a contractual relationship acquired in the Velio acquisition during December 2003.

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Interest and other income (expense), net:

	Years Ended December 31,			2008 to 2009	2007 to 2008
	2009	2008	2007	Change	Change
	(Dollars in millions)				
Interest income and other income, net	$4.1	$15.2	$21.7	(73.1)%	(30.1)%
Interest expense	$(21.0)	$(11.8)	$(11.0)	77.5%	7.2%
Interest and other income (expense), net	$(16.9)	$3.4	$10.7	NM*	(68.4)%

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

Interest income and other income, net, consists primarily of interest income generated from investments in high quality fixed income securities. For the year ended December 31, 2009 as compared to the same period in 2008, the decrease in interest income and other income, net, was primarily due to lower yields on invested balances.

For the year ended December 31, 2008 as compared to the same period in 2007, the decrease in interest income and other income, net, was primarily due to lower average investment balances and lower yields on invested balances, offset by a gain of $2.5 million related to the repurchase of $23.1 million in face value of the zero coupon convertible senior notes due 2010 (the “2010 Notes”) for $18.7 million during the fourth 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 as well as changes in interest rates.

Interest expense primarily consists of non-cash interest expense related to the amortization of the debt discount on the 2010 Notes and the 5% convertible senior notes due 2014 (the “2014 Notes”) as well as the coupon interest related to the 2014 Notes. During the fourth quarter of 2009, we made a payment of approximately $4.0 million related to the 2014 Notes. We expect interest expense to be higher in 2010 as the 2014 Notes were outstanding for only six months in 2009 and remain substantially the same thereafter until maturity. See Note 15 “Convertible Notes,” of Notes to Consolidated Financial Statements for additional details.

Provision for (benefit from) income taxes:

	Years Ended December 31,			2008 to 2009	2007 to 2008
	2009	2008	2007	Change	Change
	(Dollars in millions)				
Provision for (benefit from) income taxes	$(0.5)	$113.8	$(25.1)	NM*	NM*
Effective tax rate	0.6%	(133.4)%	42.4%		

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

We report certain items of income and expense for financial reporting purposes in different years than they are reported for tax purposes. We recognize revenue for financial reporting purposes as such amounts are earned and this could occur over several reporting periods. As a result of the above and other differences between tax and financial reporting for income and expense recognition, our net operating loss for tax purposes may be more or less than the amount recorded for financial reporting purposes. In addition, we maintain estimated liabilities for uncertain tax positions.

Our effective tax rate for the year ended December 31, 2009 was lower than the U.S. statutory tax rate applied to our net loss primarily due to a full valuation allowance on our U.S. net deferred tax assets, foreign income taxes and state income taxes, partially offset by refundable research and development tax credits and carryback of net operating loss. Our effective tax rate for the year ended December 31, 2008 was lower than the U.S. statutory tax rate applied to our net loss primarily due to the establishment of a full valuation allowance on our U.S. net deferred tax assets. Our effective tax rate for the year ended December 31, 2007 was higher than the U.S. statutory tax rate applied to our net loss primarily due to research and development tax credits, stock-based compensation expense associated with executives and state income taxes.

For the year ended December 31, 2009, we remained in a full valuation allowance on our U.S. net deferred tax assets. Management periodically evaluates the realizability of our net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. Based on all available evidence, we determined that it was not more likely than not that the deferred tax assets would be realized. In January 2010, we signed an agreement with Samsung which will be

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considered in assessing the need for a valuation allowance going forward which may result in a partial or full valuation release on its deferred tax assets.

Liquidity and Capital Resources

	December 31, 2009	December 31, 2008
	(In millions)	
Cash and cash equivalents	$289.1	$ 116.3
Marketable securities	171.1	229.6
Total cash, cash equivalents, and marketable securities	$460.2	$ 345.9

	Years Ended December 31,		
	2009	2008	2007
		(In millions)	
Net cash provided by (used in) operating activities	$(40.6)	$(38.5)	$5.3
Net cash provided by investing activities	$24.5	$82.7	$33.2
Net cash provided by (used in) financing activities	$188.9	$(47.5)	$7.6

Liquidity

Although we used cash for operating activities in the year ended December 31, 2009, total cash, cash equivalents and marketable securities are expected to continue at adequate levels to finance our operations, projected capital expenditures and commitments for the next twelve months. Cash needs for the year ended December 31, 2009 were funded primarily from financing and investing activities, including the issuance of the 2014 Notes, common stock under our equity incentive plans and some of our investments in marketable securities that matured and were not reinvested.

Operating Activities

Cash used in operating activities of $40.6 million in the year ended December 31, 2009 was primarily attributable to the net loss adjusted for certain non-cash items including stock-based compensation expense, non-cash interest expense, depreciation and amortization expense. Changes in operating assets and liabilities which included decreases in accrued litigation expenses due to recognition of proceeds of $5.0 million from an insurance company related to the derivative and class action lawsuits offset by increases in accounts payable due to the timing of vendor payments.

Cash used in operating activities of $38.5 million in the year ended December 31, 2008 was primarily attributable to the net loss for the period adjusted for non-cash items, including the tax provision related to the deferred tax asset valuation allowance, stock-based compensation expense, non-cash interest expense, depreciation and amortization expense, impairment of an asset, offset by gain on repurchase of convertible notes and recoveries of restatement and related legal activities. The change in operating assets and liabilities for the year ended December 31, 2008 was primarily due to a decrease in accrued litigation expenses due to payments related to the class action lawsuit settlement.

Cash provided by operating activities of $5.3 million in the year ended December 31, 2007 was primarily attributable to the net loss for the period adjusted for non-cash items including stock-based compensation expense, non-cash interest expense, depreciation and amortization expense, partially offset by a deferred tax benefit. Changes in operating assets and liabilities for the year ended December 31, 2007 included increases in prepaid and other assets primarily due to prepaid software maintenance agreements and deferred tax assets resulting from our operating loss, decreases in deferred revenue and accrued salaries and benefits and other accrued liabilities, offset by a net increase in accounts payable primarily due to restatement and related legal expenses and capitalized software license maintenance agreements.

Investing Activities

Cash provided by investing activities of approximately $24.5 million in the year ended December 31, 2009 primarily consisted of proceeds from the maturities of available-for-sale marketable securities of $240.9 million, partially offset by purchases of available-for-sale marketable securities of $183.2 million. In December 2009, we paid $26.0 million to acquire technology and a portfolio of advanced lighting and optoelectronics patents from GLT. Additionally, we paid $2.7 million to acquire property and equipment,

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primarily computer software, and $2.5 million for intangible assets. We also made a $2.0 million investment in a non-marketable equity security of a technology company.

Cash provided by investing activities of approximately $82.7 million in the year ended December 31, 2008 primarily consisted of proceeds from the maturities and sale of available-for-sale marketable securities of $455.8 million, partially offset by purchases of available-for-sale marketable securities of $363.0 million. Additionally, we paid $9.9 million to acquire property and equipment, primarily computer equipment and computer software licenses.

Cash provided by investing activities of approximately $33.2 million in the year ended December 31, 2007 primarily consisted of proceeds from the maturities and sale of available-for-sale marketable securities of $707.1 million, partially offset by purchases of available-for-sale marketable securities of $664.4 million. Additionally, we purchased $5.7 million of primarily computer software and $2.6 million of leasehold improvements.

Financing Activities

Cash provided by financing activities was $188.9 million in the year ended December 31, 2009. We received proceeds of $168.2 million from the issuance of 2014 Notes. Additionally, we received approximately $20.7 million from the issuance of common stock under equity incentive plans.

Cash used in financing activities was $47.5 million in the year ended December 31, 2008. We repurchased stock with an aggregate price of $49.2 million under our share repurchase program. Additionally, we repurchased approximately $23.1 million in face value of our zero coupon convertible senior notes for $18.7 million. We also received approximately $21.7 million from the issuance of common stock under equity incentive plans. In addition, we paid $1.3 million under installment payment plans used to acquire software license agreements.

Cash provided by financing activities was $7.6 million in the year ended December 31, 2007. We received proceeds from the issuance of common stock under equity incentive plans of $11.8 million during the fourth quarter of the year and paid $4.3 million under installment payment plans used to acquire software license agreements. No other significant financing activities occurred during the year primarily due to the stock option investigation and restatement, during which we suspended our common stock repurchase program and suspended employee stock option exercises and purchases under our employee stock purchase plan.

We currently anticipate that existing cash, cash equivalents and marketable securities balances and cash flows from operations will be adequate to meet our cash needs for at least the next 12 months. In February 2010, we satisfied our requirement to pay the 2010 Notes with an aggregate principal amount of $137.0 million. We do not anticipate any liquidity constraints as a result of either the current credit environment or investment fair value fluctuations. We have the ability to hold and we believe that we can recover the amortized cost of our investments. There is no evidence of impairment due to credit losses in our portfolio. We continually monitor the credit risk in our portfolio and mitigate our credit risk exposures in accordance with our policies. We may also incur additional expenditures related to future potential restructuring activities. As described elsewhere in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and this Annual Report on Form 10-K, we are involved in ongoing litigation related to our intellectual property and our past stock option investigation. Any adverse settlements or judgments in any of this litigation could have a material adverse impact on our results of operations, cash balances and cash flows in the period in which such events occur.

Contractual Obligations

We lease our present office facilities in Los Altos, California, under an operating lease agreement through December 31, 2010. As part of this lease transaction, we provided a letter of credit restricting approximately

$0.6 million of our cash as collateral for certain obligations under the lease. The cash is restricted as to withdrawal and is managed by a third party subject to certain limitations under our investment policy. We also leased a facility in Mountain View, California, through November 11, 2009, which we vacated during the fourth quarter of 2008 and subleased at a rate equal to its rent associated with the facility. We lease a facility in Chapel Hill, North Carolina through November 14, 2015, a facility for our design center in Bangalore, India through November 4, 2012 and a facility in Tokyo, Japan through July 31, 2010. In addition, we also lease office facilities in Ohio and various international locations under non-cancelable leases that range in terms from month-to-month to one year.

On December 15, 2009, we entered into a definitive triple net space lease agreement with MT SPE, LLC (the "Landlord") whereby we will lease approximately 125,000 square feet of office space located at 1040 Enterprise Way in Sunnyvale, California (the

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"Lease"). The office space will be used for our corporate headquarters functions, as well as engineering, marketing and administrative operations and activities. We plan to move to the new premises in the second half of 2010 following completion of leasehold improvements. The Lease has a term of 120 months from the commencement date. The initial annual base rent is $3.7 million, subject to a full abatement of rent for the first six months of the Lease term. The annual base rent increases each year to certain fixed amounts over the course of the term as set forth in the Lease and will be $4.8 million in the tenth year. In addition to the base rent, we will also pay operating expenses, insurance expenses, real estate taxes and a management fee. We have two options to extend the Lease for a period of sixty months each and a one-time option to terminate the Lease after 84 months in exchange for an early termination fee.

During the first quarter of 2010, we will begin a build-out of this facility and expect to incur approximately $11.5 million in construction costs. Under the terms of the Lease, the landlord has agreed to reimburse approximately $10.0 million of this amount. Because certain improvements constructed by us were considered structural in nature and we are responsible for any cost overruns, we are considered to be the owner of the construction project in accordance with accounting for the effect of lessee involvement in asset construction. Therefore, we have capitalized the fair value of the space to be occupied at $25.1 million with a corresponding credit to liability named non-cash obligation for construction in progress. The fair value was determined as of December 31, 2009 using the cost approach which measures the value of an asset as the cost to reconstruct or replace it with another similar asset.

Upon completion of construction, we will apply sale-leaseback accounting. Additionally, we will determine whether the lease will be treated as a capital or operating lease.

On February 1, 2005, we issued $300.0 million aggregate principal amount of zero coupon convertible senior notes due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities as initial purchasers who then sold the convertible notes to institutional investors. We have elected to pay the principal amount of the 2010 Notes in cash when they are due. Subsequently, we 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 December 31, 2009 was $137.0 million, offset by an unamortized debt discount of $0.9 million. The debt discount was amortized over the remaining one month until maturity of the 2010 Notes, see Note 15, "Convertible Notes," of Notes to Consolidated Financial Statements for additional details. The 2010 Notes were paid off in full in February 2010.

On June 29, 2009, we entered into an Indenture by and between us and U.S. Bank, National Association, as trustee, relating to the issuance by us of $150.0 million aggregate principal amount of 5% convertible senior notes due June 15, 2014. On July 10, 2009, an additional $22.5 million in aggregate principal amount of 2014 Notes were issued as a result of the underwriters exercising their overallotment option. The aggregate principal amount of the 2014 Notes outstanding as of December 31, 2009 was $172.5 million, offset by unamortized debt discount of $60.5 million in the accompanying consolidated balance sheets. The debt discount is currently being amortized over the remaining 54 months until maturity of the 2014 Notes on June 15, 2014. See Note 15, "Convertible Notes," of Notes to Consolidated Financial Statements for additional details.

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

	Total	2010	2011	2012	2013	2014	Thereafter
Contractual obligations(1)							
Operating leases	$50,504	$7,304	$4,654	$4,737	$4,313	$4,444	$25,052
Convertible notes	309,450	136,950	—	—	—	172,500	—
Interest payments related to convertible notes	38,432	8,625	8,625	8,625	8,625	3,932	—

Total	$398,386	$152,879	$13,279	$13,362	$12,938	$180,876	$25,052

(1) The above table does not reflect possible payments in connection with uncertain tax benefits of approximately $10.4 million, including $8.4 million recorded as a reduction of long-term deferred tax assets and $2.0 million in long-term income taxes payable, as of December 31, 2009. As noted in Note 11, "Income Taxes," of Notes to Consolidated Financial Statements, 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.

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Share Repurchase Program

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

We record stock repurchases as a reduction to stockholders' equity. 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 year ended December 31, 2009, we did not repurchase any Common Stock. During the year ended December 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 $44.2 million was recorded as an increase to accumulated deficit for the year ended December 31, 2008.

Shareholder Litigation Related to Historical Stock Option Practices

See Note 16 "Litigation and Asserted Claims," of Notes to Consolidated Financial Statements for further discussion.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, investments, income taxes, litigation and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Overview

We recognize revenue when persuasive evidence of an arrangement exists, we have 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, we defer recognizing the revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require us to make judgments, assumptions and estimates based upon current information and historical experience.

Our 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 our technology solutions into our 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 our patent and technology licenses. We do not recognize revenue for these arrangements until we have received notice of revenue earned by and paid to the reseller, accompanied by the pass-through payment from the reseller. We do not pay commissions to the reseller for these arrangements.

In addition, we may enter into certain settlement of patent infringement disputes. The amount of consideration (including but not limited to past royalty payments, future royalty payments and punitive damages) of the settlement agreement is allocated to each element based on the fair value of each element. In addition, revenues related to past royalties are recognized upon execution of the agreement by both parties, provided that the amounts are fixed or determinable, there are no significant obligations and collectibility is

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reasonably assured. We do not recognize any revenues prior to execution of the agreement since there is no reliable basis on which we can estimate the amounts for royalties related to previous periods or assess collectability.

Many of our 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 our revenue recognition policy.

Royalty Revenue

We recognize royalty revenue upon notification by our licensees and when deemed collectible. The terms of the royalty agreements generally either require licensees to give us 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. We have two types of royalty revenue: (1) patent license royalties and (2) technology license royalties.

Patent licenses. We license our 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 our patent portfolio. We generally recognize 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. We develop proprietary and industry-standard chip interface products, such as RDRAMtm and XDRtm that we provide to our customers under technology license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. We recognize revenue from these arrangements upon notification from the licensee of the royalties earned and when collectability is deemed reasonably assured.

Contract Revenue

We generally recognize revenue using percentage of completion for development contracts related to licenses of our interface solutions, such as XDRtm and FlexIOtm that involve significant engineering and integration services. For all license and service agreements accounted for using the percentage-of-completion method, we determine progress to completion using input measures based upon contract costs incurred. Prior to the first quarter of 2008, we determined progress to completion using labor-hours incurred. The change to input measures better reflects the overall gross margin over the life of the contract. This change did not have a significant impact on our results of operations. We have evaluated use of output measures versus input measures and have determined that our 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 us 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 we determine 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.

If application of the percentage-of-completion method results in recognizable revenue prior to an invoicing event under a customer contract, we will recognize the revenue and record an unbilled receivable. Amounts invoiced to our 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.

We also recognize revenue for development contracts related to licenses of our 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.

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Our 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, we do not have a sufficient population of contracts from which to derive vendor specific objective evidence for each of the elements.

Therefore, after we deliver the product, if the only undelivered element is PCS, we will recognize all revenue ratably over either the contractual PCS period or the period during which PCS is expected to be provided. We review assumptions regarding the PCS periods on a regular basis. If we determine 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.

Litigation

We are involved in certain legal proceedings, as discussed in Note 16, “Litigation and Asserted Claims,” of Notes to Consolidated Financial Statements of this Form 10-K. Based upon consultation with outside counsel handling our defense in these matters and an analysis of potential results, we accrue for losses related to litigation if we determine that a loss is probable and can be reasonably estimated. If a specific loss amount cannot be estimated, we review the range of possible outcomes and accrue the low end of the range of estimates. Any such accrual would be charged to expense in the appropriate period. We recognize litigation expenses in the period in which the litigation services were provided.

Income Taxes

As part of preparing our consolidated financial statements, we are required to calculate the income tax expense or benefit which relates to the pretax income or loss for the period. In addition, we are required to assess the realization of the tax asset or liability to be included on the consolidated balance sheet as of the reporting dates.

This process requires us to calculate various items including permanent and temporary differences between the financial accounting and tax treatment of certain income and expense items, differences between federal and state tax treatment of these items, the amount of taxable income reported to various states, foreign taxes and tax credits. The differing treatment of certain items for tax and accounting purposes results in deferred tax assets and liabilities, which are included on our consolidated balance sheet.

As of December 31, 2009, our consolidated balance sheet included net deferred tax assets, before valuation allowance, of approximately $153.1 million, which consists of net operating loss carryovers, tax credit carryovers, depreciation and amortization, employee stock-based compensation expenses and certain liabilities. For the year ended December 31, 2009, a valuation allowance of $150.9 million reduced net deferred tax assets to $2.2 million. Management periodically evaluates the realizability of our net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. Our forecasted future operating results are highly influenced by, among other factors, assumptions regarding (1) our ability to achieve our forecasted revenue, (2) our ability to effectively manage our expenses in line with our forecasted revenue and (3) general trends in the semiconductor industry.

We weighed both positive and negative evidence and determined that there is a continued need for a valuation allowance due to the existence of three years of historical cumulative losses, which we considered significant verifiable negative evidence. Though considered positive evidence, projected income from favorable patent and related settlement litigation were not included in the determination for the valuation allowance due to our inability to reliably estimate the timing and amounts of such settlements. In January 2010, we signed an agreement with Samsung which will be considered in assessing the need for a valuation allowance going forward.

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.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax law and regulations in a multitude of jurisdictions. Although FASB Accounting Standards Codification ("ASC") 740 Income Taxes, provides further clarification on the accounting for uncertainty in income taxes, significant judgment is required by management. If the ultimate resolution of tax uncertainties is different from what is currently estimated, a material impact on income tax expense could result.

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Stock-Based Compensation

For the years ended December 31, 2009, 2008 and 2007, we 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, we sponsor an Employee Stock Purchase Plan ("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.

Effective January 1, 2006, we adopted the revised accounting guidance for share-based payment. The accounting guidance for share-based payments requires the measurement and recognition of compensation expense in our statement of operations for all share-based payment awards made to our employees, directors and consultants including employee stock options, nonvested equity stock and equity stock units, and employee stock purchase grants. Stock-based compensation expense is measured at grant date, based on the estimated fair value of the award, reduced by an estimate of the annualized rate of expected forfeitures, and is recognized as expense over the employees' expected requisite service period, generally using the straight-line method. In addition, the accounting guidance for share-based payments requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as prescribed under previous accounting rules. We selected the modified prospective method of adoption, which recognizes compensation expense for the fair value of all share-based payments granted after January 1, 2006 and for the fair value of all awards granted to employees prior to January 1, 2006 that remain unvested on the date of adoption. This method did not require a restatement of prior periods. However, awards granted and still unvested on the date of adoption are attributed to expense under the accounting guidance for share-based payments, including the application of a forfeiture rate on a prospective basis. Our forfeiture rate represents the historical rate at which our stock-based awards were surrendered prior to vesting. The accounting guidance for share-based payments requires forfeitures to be estimated at the time of grant and revised on a cumulative basis, if necessary, in subsequent periods if actual forfeitures differ from those estimates. See Note 8, "Equity Incentive Plans and Stock-Based Compensation," of Notes to Consolidated Financial Statements for more information regarding the valuation of stock-based compensation.

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. We review our 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, we consider the following factors: 1) our intent to sell the security, 2) if we intend to hold the security, whether or not it is more likely than not that we will be required to sell the security before recovery of the security's amortized cost basis and 3) even if we intend to hold the security, whether or not we expect the security to recover the entire amortized cost basis. Due to the high credit quality and short term nature of our 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.

Non-Marketable Securities

We have an investment in a non-marketable security of a private company which is carried at cost. We monitor the investment for other-than-temporary impairment and record appropriate reductions in carrying value when necessary. The non-marketable security is classified as other non-current assets in the consolidated balance sheets.

Convertible Notes

See Note 15, "Convertible Notes," of Notes to Consolidated Financial Statements regarding the accounting policy in regards to the adoption of the new FASB accounting guidance which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies," of Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

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Item 7A. 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 exposure to $15.0 million or 10% of the portfolio, whichever is lower, for any one non-U.S. Government issuer. A single U.S. Agency can represent up to 25% of the portfolio. No more than 20% of the total portfolio may be invested in the securities of an industry sector, with money market fund investments evaluated separately. Our policy requires that at least 10% of the portfolio be in securities with a maturity of 90 days or less. We may make investments in U.S. Treasuries, U.S. Agencies, corporate bonds and municipal bonds and notes with maturities up to 36 months. However, the bias of our investment portfolio is shorter maturities. All investments must be U.S. dollar denominated.

We invest our cash equivalents and marketable securities in a variety of U.S. dollar financial instruments such as Treasuries, Government Agencies, Commercial Paper and Corporate Notes. Our policy specifically prohibits trading securities for the sole purposes of realizing trading profits. However, we may liquidate a portion of our portfolio if we experience unforeseen liquidity requirements. In such a case if the environment has been one of rising interest rates we may experience a realized loss, similarly, if the environment has been one of declining interest rates we may experience a realized gain. As of December 31, 2009, we had an investment portfolio of fixed income marketable securities of $452.0 million including cash equivalents. If market interest rates were to increase immediately and uniformly by 10% from the levels as of December 31, 2009, the fair value of the portfolio would decline by approximately $0.1 million. Actual results may differ materially from this sensitivity analysis.

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

	December 31, 2009				
(dollars in thousands)	Fair Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money Market Funds	$280,908	$280,908	$—	$—	0.01 %
U.S. Government Bonds and Notes	138,829	138,521	377	(69)	1.09 %
Corporate Notes, Bonds, and Commercial Paper	32,291	32,222	70	(1)	1.89 %
Total cash equivalents and marketable securities	452,028	451,651	447	(70)	
Cash	8,165	8,165	—	—	
Total cash, cash equivalents and marketable securities	$460,193	$459,816	$447	$(70)	

	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)	

The fair value of our convertible notes is subject to interest rate risk, market risk and other factors due to the convertible feature. The fair value of the convertible notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the convertible notes will generally increase as our common stock prices increase and decrease as the stock prices fall. The interest and market value changes affect the fair value of our convertible notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations. Additionally, we do not carry the convertible notes at fair

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value. We present the fair value of the convertible notes for required disclosure purposes. The following table summarizes certain information related to our convertible notes as of December 31, 2009:

(in thousands)	Fair Value	Fair Value Given a 10% Increase in Market Prices	Fair Value Given a 10% Decrease in Market Prices
Zero Coupon Convertible Senior Notes due 2010	$142,599	$156,859	$128,339
5% Convertible Senior Notes due 2014	261,160	287,276	235,044
Total convertible notes	$403,759	$444,135	$363,383

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 one design center in India and small business development offices in Germany, Japan and Taiwan. We monitor our foreign currency exposure; however, as of December 31, 2009, we believe our foreign currency exposure is not material enough to warrant foreign currency hedging.

Item 8. Financial Statements and Supplementary Data

See Item 15 “Exhibits and Financial Statement Schedules” of this Form 10-K for required financial statements and supplementary data.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

The internal control over financial reporting related to the business acquired from Global Lighting Technologies, Inc., known as the Lighting Technology Division, was excluded from the evaluation of the effectiveness of the Company's disclosure control and procedures as of the end of the period covered by this report because it was acquired in a business combination during 2009. Total assets, revenues and operating expenses of this business represent approximately 0.04%, 0% and 0.1%, respectively, of the related consolidated financial statement amounts as of and for the period covered by this report.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, 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, and includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the 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.

Our management has excluded the business acquired from Global Lighting Technologies, Inc., known as the Lighting Technology Division, from its assessment of internal control over financial reporting as of December 31, 2009 because it was acquired by the Company in a business combination during the year ended December 31, 2009. Combined total assets, revenues and operating expenses of this business represent 0.04%, 0% and 0.1%, respectively, of the consolidated financial statement amounts of the Company as of and for the fiscal year ended December 31, 2009.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, our management used the criteria set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the results of this assessment,

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management has concluded that, as of December 31, 2009, our internal control over financial reporting was effective based on the criteria in Internal Control — Integrated Framework issued by the COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the last fiscal quarter that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2010 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. The information under the heading "Our Executive Officers" in Part I, Item 1 of this Annual Report on Form 10-K is also incorporated herein by reference.

We have a Code of Business Conduct and Ethics for all of our directors, officers and employees. Our Code of Business Conduct and Ethics is available on our website at http://investor.rambus.com/documentdisplay.cfm?DocumentID=5115. To date, there have been no waivers under our Code of Business Conduct and Ethics. We will post any amendments or waivers, if and when granted, of our Code of Business Conduct and Ethics on our website.

Item 11. Executive Compensation

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2010 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2010 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2010 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2010 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The following consolidated financial statements of the Registrant and Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included herewith:

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Rambus Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15 (a)(1) present fairly, in all material respects, the financial position of Rambus Inc. and its subsidiaries at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, under item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 3 of the Notes to the Consolidated Financial Statements, the Company changed the manner in which it accounts for certain convertible debt instruments, effective January 1, 2009.

A company’s 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. A company’s 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 generally accepted accounting principles, 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 the 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.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded the business acquired from Global Lighting Technologies, Inc., known as the Lighting Technology Division, from its assessment of internal control over financial reporting as of December 31, 2009 because it was acquired by the

Company in a business combination during the year ended December 31, 2009. We have also excluded this business from our audit of internal control over financial reporting. This business' total assets, revenues and operating expenses represent approximately 0.04%, 0% and 0.1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2009.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 25, 2010

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RAMBUS INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	2008
	(In thousands, except shares and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$289,073	$116,241
Marketable securities	171,120	229,612
Accounts receivable	949	1,503
Prepaids and other current assets	8,700	8,486
Deferred taxes	129	88
Total current assets	469,971	355,930
Restricted cash	639	632
Deferred taxes, long term	2,034	1,857
Intangible assets, net	21,660	7,244
Property and equipment, net	38,966	22,290
Goodwill	15,554	4,454
Other assets	7,045	4,963
Total assets	$555,869	$397,370
LIABILITIES		
Current liabilities:		
Accounts payable	$8,972	$6,374
Accrued salaries and benefits	6,435	9,859
Accrued litigation expenses	5,147	14,265
Income taxes payable	486	638
Non-cash obligation for construction in progress	25,100	—
Other accrued liabilities	4,020	4,965
Convertible notes	136,032	—
Total current liabilities	186,192	36,101
Convertible notes	112,012	125,474
Long-term income taxes payable	1,994	1,953
Other long-term liabilities	344	901
Total liabilities	300,542	164,429
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Convertible preferred stock, $.001 par value:		
Authorized: 5,000,000 shares; Issued and outstanding: no shares at December 31, 2009 and December 31, 2008	—	—
Common Stock, $.001 par value:		
Authorized: 500,000,000 shares; Issued and outstanding 105,934,157 shares at December 31, 2009 and 103,803,006 shares at December 31, 2008	106	104
Additional paid in capital	818,992	703,640
Accumulated deficit	(563,858)	(471,672)

Accumulated other comprehensive income, net	87	869
Total stockholders' equity	255,327	232,941
Total liabilities and stockholders' equity	$555,869	$397,370

See Notes to Consolidated Financial Statements

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RAMBUS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2009	2008	2007
	(In thousands, except per share amounts)		
Revenue:			
Royalties	$108,001	$126,910	$154,306
Contract revenue	5,006	15,584	25,634
Total revenue	113,007	142,494	179,940
Costs and expenses:			
Cost of contract revenue*	6,876	21,303	27,124
Research and development*	67,252	76,222	82,877
Marketing, general and administrative*	128,199	124,077	120,597
Costs (recoveries) of restatement and related legal activities	(13,458)	3,262	19,457
Restructuring costs*	—	4,185	—
Impairment of intangible asset	—	2,158	—
Total costs and expenses	188,869	231,207	250,055
Operating loss	(75,862)	(88,713)	(70,115)
Interest income and other income, net	4,085	15,199	21,759
Interest expense	(20,950)	(11,805)	(11,011)
Interest and other income (expense), net	(16,865)	3,394	10,748
Loss before income taxes	(92,727)	(85,319)	(59,367)
Provision for (benefit from) income taxes	(541)	113,791	(25,146)
Net loss	$(92,186)	$(199,110)	$(34,221)
Net loss per share:			
Basic	$(0.88)		