

Qualcomm v. Broadcom: How many red flags does it take?



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INTRODUCTION

In a January 2008 ruling that sent, or should have sent, ripples of fear through the litigation community and in-house counsel managing or supervising litigation, Magistrate Judge Barbara Major entered an Order sanctioning Qualcomm, Inc. and various individual attorneys from Qualcomm's outside legal team for misconduct in connection with the production of electronically stored information (ESI).¹ What happened in this case highlights the importance of the legal and ethical duties of both in-house and outside counsel in connection with discovery of ESI and also, how this type of situation can be avoided by adherence to the spirit, if not the letter, of the amended Federal Rules of Civil Procedure (FRCP) directed to the discovery of ESI.

TIMING IS EVERYTHING

The *Qualcomm v. Broadcom* case was a patent infringement lawsuit alleging that Broadcom infringed Qualcomm's '104 and '767 patents based on Broadcom's manufacture, sale and offers to sell H.264 compliant products. The H.264 standard is a video coding standard developed by the Joint Video Team (JVT), a joint project launched by two parent standards bodies.² As one of its affirmative defenses, Broadcom asserted that the '104 and '767 patents were unenforceable due to a waiver premised on Qualcomm's participation in the JVT. If Qualcomm had participated in the JVT prior to the publication of the H.264 standard, it would have been required to disclose patents that "may reasonably be essential to practice the H.264 standard" and license them royalty free or under non-discriminatory reasonable terms. *Qualcomm v. Broadcom*, 2007 WL 1031373, at *19-21 (S.D. Cal. March 21, 2007). Moreover, Qualcomm would also have been prohibited from suing companies that utilize the H.264 standard. Hence, a key issue in the case was the timing of Qualcomm's participation in the JVT—Qualcomm claimed that its participation began in late 2003—after the May 2003 publication of the H.264 standard.

DECISION TIME

While Magistrate Judge Major's ruling sanctioning the lawyers in the case that has gotten the most attention, a review of decisions in the case from at least March 2007 demonstrates that the January ruling was the culmination of a series of decisions and opinions addressing a litany of misconduct by Qualcomm at various stages in the litigation (pretrial, during trial and post-trial). The court found that Qualcomm had not only intentionally failed to disclose those patents to the JVT and filed the lawsuit against Broadcom, but also apparently intentionally withheld evidence from Broadcom (and the Court) of its participation in the JVT and the development of the H.264 standard.

With respect to the discovery issues, Qualcomm did not simply fail to produce "some" documents that "may" be relevant or responsive to "some" issues in the case. Rather, it was a wholesale failure or breakdown in the discovery process which resulted in Qualcomm failing to disclose over 46,000 clearly relevant and responsive documents (300,000 pages) and taking substantive legal positions that it could not have taken had this information been located and produced. Interestingly, at least one document had been produced which implied Qualcomm may have been involved in the JVT prior to May 2003. Broadcom's apparent failure to vigorously pursue whether there were other such documents and Qualcomm's failure to recognize the significance of this document and investigate further whether other such documents may have existed, are the key failures of both parties.

Qualcomm's repeated concealments and their effects snowballed: first Qualcomm concealed its patents from the JVT and the marketplace; then Qualcomm sued Broadcom for practicing the H.264 standard which it would have been banned from doing had it satisfied its JVT disclosure obligations; Qualcomm withheld relevant evidence before and during the trial; based on the fact that it withheld this evidence, Qualcomm provided false answers to interrogatories; Qualcomm's employees provided false testimony; and Qualcomm's lawyers made false arguments to the court. Of course, none of this misconduct paid off as Qualcomm lost on the merits at trial and its misconduct resulted in various monetary and nonmonetary sanctions.

THE MID-TRIAL "DISCOVERY"

The spark that ignited the fire resulting in the ultimate revelation of the extent of Qualcomm's discovery failures actually occurred in the middle of the trial. During

the trial preparation of Ms. Viji Raveendran, a Qualcomm engineer, Qualcomm's counsel discovered 21 emails regarding a JVT "ad hoc" group on Ms. Raveendran's computer which had not previously been searched. Several lawyers on Qualcomm's trial team became aware of these emails and a decision was made that they were "not responsive" to Broadcom's requests, as unilaterally narrowed by Qualcomm, and thus were not initially produced. At a sidebar during the trial Qualcomm argued that there were no emails sent to this "ad hoc" list. (This lawyer later claimed he was unaware of what his colleagues knew about the additional emails). During cross examination, Ms. Raveendran disclosed the existence of the 21 emails and that they had been searched for and located during her trial testimony preparation. Remarkably, at another sidebar, Qualcomm's counsel argued that he did not know if the emails were responsive to any of Broadcom's requests. Nonetheless, Qualcomm produced the emails after the lunch recess that day.

This discovery during the trial led Broadcom to take the unusual step of aggressively pursuing additional discovery post-trial in an attempt to ascertain the extent of other documents on this topic that were not previously produced by Qualcomm. Qualcomm vigorously resisted such discovery until Broadcom threatened to seek court intervention. Apparently, it was not until its search for documents post-trial, in March 2007, that Qualcomm searched the email archives of five Qualcomm witnesses (including Ms. Raveendran) for the search terms "JVT," "Joint Video Team," "AVC," "Advanced Video Coding," "H.264," "MPEG-4 Part 10," "MPEG4 Part 10" and "Gary Sullivan." The Court noted that it "finds it incredible that Qualcomm never conducted such an obvious search for these key terms in the email archives of these key Qualcomm witnesses during the many months of discovery that occurred before trial since Broadcom had clearly requested all of it and more." (Aug. 6 Order at 51).

This compromise of candor even continued in connection with the briefing of the sanctions motion. Qualcomm refused to waive the attorney-client privilege and hence its outside counsel essentially blamed each other or Qualcomm (not surprisingly, Qualcomm blamed its outside counsel).³ Now that the Court has lifted the veil of the attorney-client privilege in connection with this discovery dispute, we may actually learn how and by whom the failure occurred and whether it was intentional, fraudulent, reckless or negligent. What the Qualcomm ruling teaches us is in some measure dependent on the answer to that question.

WHAT CAN WE LEARN FROM QUALCOMM?

There were numerous points in the conduct of this litigation where red flags should have alerted experienced counsel to investi-

gate further. Regardless of who is ultimately found to be at fault, as may be revealed in the ongoing proceedings, there are several lessons to be learned from this case from the perspective of both in-house counsel and outside counsel.

1. In-house Counsel should be actively involved in the discovery of ESI

Magistrate Judge Major clearly lays some of the blame for what happened in this case at the feet of Qualcomm's in-house legal team, noting that they had access to all Qualcomm employees, know or could have determined all the computers and databases that were searched and the search terms that were utilized and reviewed the pleadings filed on Qualcomm's behalf. *Qualcomm v. Broadcom*, 2008 WL 66932, at *18 (S.D. Cal. Jan. 7, 2008). Significantly, the CREDO protocol outlined by the Court provides a blueprint for the type of program that a large organization should implement in order to fulfill its discovery obligations under the amended FRCP and the evolving case law dealing with the preservation, collection, review and production of electronically stored information.

Hence, a clear message of the Qualcomm decisions is that in-house legal staff needs to be actively involved in supervising the litigation and the outside legal team. The in-house legal staff is in the best position to understand the organization, the various roles of the different business units and where to obtain information. Moreover, as the litigation develops, the in-house counsel is better equipped to recognize issues that arise in the litigation that may need further investigation.

2. Transparency is key

Consistent with the amended FRCP, the decisions in Qualcomm clearly hold outside counsel accountable for how the process of the identification, collection, review and production of ESI is conducted. Notably, what happened in the Qualcomm case demonstrates the importance of transparency in the meet and confer process for ESI that is now mandated by amended FRCP 26(f). Had Qualcomm and Broadcom agreed on the custodians whose data was to be searched and the search terms or concepts to be applied, much of what happened here could have been avoided. Typically, such agreements can be revised as the case proceeds and additional information is discovered which may lead to the identification of additional key custodians or relevant search terms.

3. Witness Preparation

While it may seem obvious, another important lesson from the Qualcomm case is that any witness presented for deposition, whether as a fact witness or a Rule 30(b)(6) corporate representative, should have his or her data searched, reviewed and produced where it contains relevant and responsive information.

4. Be Aware, Ask Questions

It is clear that both Judge Brewster and Magistrate Judge Major were struck by outside counsel's apparent failure to recognize and/or act on numerous "red flags" and "warning signs" during the course of the document production and depositions. Outside counsel must be aware, pay attention to warning signs and be assertive about getting your client to be responsive and keep you informed about all steps taken to ascertain who the relevant witnesses may be and who may have relevant documents.

5. Consult with co-counsel

One of the other significant failures in this case was the apparent lack of thorough communication between and among counsel. When multiple firms are working together on behalf of the same client in a matter, they cannot blindly rely on the work product of the other firm. Each firm has a responsibility to ensure that the other firm is complying with all appropriate rules, processes and procedures such that it is reasonable to rely on their representations and work product.

6. Associates need to be able to report concerns

Law firms should have a process or mechanism for associates to report concerns that they may have if they are privy to decisions or litigation conduct that they believe may be inappropriate or a violation of the rules. For example, if an associate points out that certain data sources should be searched (such as the email of a key witness) and is told not to do so by either a partner or a client, that associate should have somewhere to turn to voice his or her concerns. Some firms have an ombudsperson with whom an associate can consult without fear of reprisals.

7. Be aware of your ethical duties and obligations


It is not just associates who may be put in a difficult or uncomfortable position. Partners may also be faced with a situation where they believe that additional collection and searching should be performed to comply with discovery obligations and for either expense or other reasons are instructed by a client or colleagues not to proceed further. What are that lawyer's ethical obligations to his or her firm and the Court?

8. Pay attention to the documents

Broadcom had the document which identified Ms. Raveendran on the "ad hoc" list and used it in at least one of the Rule 30(b)(6) depositions of Qualcomm. This document should have put both Qualcomm and Broadcom on notice that there may have been additional documents which would have disclosed Qualcomm's earlier involvement in the JVT. Apparently, Broadcom did not aggressively pursue this until after the trial.

While we know that Ms. Raveendran's email archives were not searched, it is unclear whether or not Broadcom pursued such a basic line of questioning with her that would have revealed that they could have pursued it during the course of discovery. Similarly, it is unclear why Qualcomm did not recognize that as a key witness, her data should have been searched.

CONCLUSION

What should be immediately evident for in-house and outside counsel is that what happens in the ediscovery process—what is done or is not done—can become a "litigation within a litigation" and take on a life of its own at the expense of, or in place of, the actual substantive merits of the case. Moving forward, law firms will begin to recognize the lessons outlined above and are likely develop clear and consistent ediscovery protocols to avoid these situations in the future. 

ENDNOTES

1. In January 2007, the jury returned a verdict in favor of Broadcom and against Qualcomm of non-infringement of both patents but uphold the validity of the patents. Thereafter, both Judge Rudi Brewster, the District Court Judge, and Magistrate Judge Barbara Major entered a number of rulings addressing a litany of alleged misconduct engaged in by Qualcomm, much of which is beyond the scope of this article, both prior to the litigation, during the litigation and post litigation. On January 7, 2008, Magistrate Judge Major entered an order again ordering Qualcomm to pay Broadcom's fees and expenses (receiving credit for the exceptional case award previously entered), referred six attorneys the State Bar of California for investigation into possible ethical violations and ordered those six attorneys plus five in house Qualcomm attorneys to participate in the development of the comprehensive Case Review and Enforcement of Discovery Obligations (CREDO) protocol. *Qualcomm v. Broadcom*, 2008 WL 66932 (S.D. Cal. Jan. 7, 2008)
2. The JVT was a joint project of two standard setting bodies: (1) the Video Coding Experts Group ("VCEG") of the International Telecommunication Union Telecommunication Standardization Sector ("ITU-T") and (2) the Moving Picture Experts Group ("MPEG") of the International Organization for Standardization ("ISO")/International Electrotechnical Commission ("IEC").
3. On September 28, 2007, the Magistrate Judge held that the self-defense exception does not apply to disclosing privileged information. *Qualcomm v. Broadcom*, 2007 WL 2900537 (S.D. Cal. Sept. 28, 2007). However, on March 5, 2008, an order was entered vacating the order denying the application of the self-defense objection noting that as a result of the various declarations filed by Qualcomm and its retained attorney "this introduction of accusatory adversity between Qualcomm and its retained counsel regarding the issue of assessing responsibility for the failure of discovery changes the factual basis which supported the court's earlier order denying the self-defense exception to Qualcomm's attorney-client privilege." *Qualcomm v. Broadcom*, 2008 WL 638108, at *3 (S.D. Cal. March 5, 2008). Obviously, until we see what outside counsel will now recount of its relevant privileged communications, we cannot know whether outside counsel actually did ignore the warning signs or whether they were obstructed by Qualcomm.