Qualcomm v. Broadcom: Lessons In E-Discovery

- IP Law360, January 22, 2008

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Tuesday, January 22, 2008 — In Qualcomm Inc. v. Broadcom Corp., No. 05-cv-1958-B, slip op. (S.D. Cal. Jan. 7, 2008), the Court sanctioned Qualcomm and its attorneys for failure to produce key electronic documents. There is little doubt that the behavior of Qualcomm and its attorneys was egregious and warranted the severe sanctions imposed. However, the Qualcomm decision underscores two key issues for clients and their attorneys to keep in mind with respect to discovery.

First, the decision highlights the ever-increasing importance of electronic discovery. Indeed, the Court sanctioned Qualcomm and its attorney for failure to search for and produce key electronic documents such as the relevant e-mails of the employees who testified on behalf of Qualcomm. It is imperative, therefore, that clients and their attorneys make sure to adequately search for and produce electronic documents and information in litigation.

Second, the decision emphasizes the obligation of clients and their attorneys to work together regarding discovery to ensure that they produce relevant, non-privileged documents. The Court found fault with Qualcomm for concealing and lying about key electronic documents.

The Court also found fault with Qualcomm's attorneys for initially failing to perform a reasonable inquiry into whether the documents requested by Broadcom existed and later for concealing these documents once discovered.

The Court specifically faulted the Qualcomm attorneys for simply taking Qualcomm's word that there were no relevant documents, even though there were many indications to the contrary. As such, the key lesson from Qualcomm is that the burden is on both the client and its attorneys to ensure that a reasonable inquiry is performed to identify and produce relevant documents and information, particularly electronic documents.

Factual Background

On Oct. 14, 2005, Qualcomm Incorporated ("Qualcomm") filed a patent infringement suit against Broadcom Corporation ("Broadcom") in the Southern District of California, alleging infringement of two Qualcomm patents directed to video encoding. See Qualcomm, Inc. v. Broadcom Corp., No. 05-cv-1958-B, slip op. at 3 (S.D. Cal. Jan. 7, 2008).

Qualcomm alleged infringement based on Broadcom's manufacture and sale of products compliant with the H.264 standard for video encoding. Id. One of Broadcom's defenses was that the patents were unenforceable due to a "waiver". Id.

This waiver defense was predicated on Qualcomm's participation in the Joint Video Team ("JVT") in late 2002 and early 2003. The JVT is the standards-setting body that created the H.264 standard which was released in May 2003.

If Qualcomm had participated in the creation of the H.264 standard, it would have been required to identify patents essential to the standard, including the two patents asserted against Broadcom, and to license such patents royaltyfree or under non-discriminatory, reasonable terms.

According to the Court, if Qualcomm participated in the creation of the H.264 standard (during 2002 or early 2003), Qualcomm would have been prohibited from suing Broadcom. As such, this issue of Qualcomm's participation in the JVT became critical to the litigation.

During the course of discovery, Broadcom utilized various discovery mechanisms to seek information relating to Qualcomm's participation in the JVT. See id. at 3-4. Despite its promises to do so, Qualcomm never produced such discovery. For example, in response to Broadcom's document requests, Qualcomm promised to produce responsive documents "which can be located after a reasonable search." Id. at 4–5.

However, Qualcomm failed to perform such a search and consequently failed to produce any documents evidencing its involvement in the JVT prior to creation of the H.264 standard.

Instead, Qualcomm repeatedly and aggressively asserted throughout discovery and during trial that it first attended a JVT meeting after the H.264 standard was created. Id. at 5. For example, in response to interrogatory requests, Qualcomm stated that it first attended the JVT in December 2003 and that it first submitted a proposal in January 2006. Id.

Also, Qualcomm presented two witnesses to testify that about Qualcomm's involvement in the JVT. Id. at 5-7. Both witnesses falsely testified that Qualcomm did not participate in the JVT until after the H.264 standard was created. Moreover, Qualcomm failed to search the computers of these two witnesses for relevant documents and e-mails.

Qualcomm and its attorneys remained steadfast in their denial of Qualcomm's early participation in the JVT, including during trial. However, in preparing a Qualcomm corporate witness, Viji Raveendran, for trial testimony, a Qualcomm attorney discovered an Aug. 6, 2002 e-mail to Ms. Raveendran establishing Qualcomm's participation in the JVT at that time, i.e., during creation of the H.264 standard.

Several days later, a search was made of Ms. Raveendran's laptop computer resulting in the discovery of 21 e-mails relevant to this issue of JVT participation (which were not previously produced). Id. at 8-9.

The Qualcomm trial team decided not to produce these 21 e-mails and failed to conduct an investigation to determine if other relevant e-mails or documents existed.

Even on direct examination of Ms. Raveendran, Qualcomm's lawyers carefully crafted the questioning to avoid asking whether she had received any relevant e-mails (only whether she had "read" any), despite the fact that the trial team knew of the existence of the 21 e-mails.

However, on cross-examination, Broadcom's lawyer established that Ms. Raveendran had in fact received the e-mails, thereby acknowledging their existence. Undaunted, Qualcomm argued that these e-mails were nevertheless not responsive to Broadcom's discovery requests. Id. at 9-12.

Eventually, Qualcomm's attorneys agreed to search the current and archived e-mails of five trial witnesses for additional relevant documents and uncovered tens of thousands of relevant and unproduced e-mails.

Through additional searches, Qualcomm identified over 46,000 relevant documents (totaling more than 300,000 pages). Id. at 13. Qualcomm had produced over one million pages of what the Court characterized as "marginally relevant" documents. Id. at 18.

Sanctions

The Court determined that there was "clear and convincing evidence that Qualcomm intentionally engaged in conduct designed to prevent Broadcom from learning that Qualcomm had participated in the JVT during the time period when the H.264 standard was being developed." Id. at 13.

Specifically, Qualcomm failed to search for relevant documents, including the computers of its witnesses/employees, and consequently withheld over 46,000 e-mails and documents. Qualcomm also falsely claimed that there was "no evidence" of its involvement in the creation of the H.264 standard. As a result, the Court ordered Qualcomm to pay all of Broadcom's attorneys' fees and costs incurred during the lawsuit (totaling US$8.6M) plus interest. Id. at 36.

As for Qualcomm's attorneys, the Court faulted them for not looking in the correct locations for relevant documents, for accepting the unsubstantiated assurances of the client, for ignoring clear warning signs that the document search and production were inadequate, and for not pressing Qualcomm employees for relevant documents and information. Id. at 26.

According to the Court, "[t]he Federal Rules [of Civil Procedure] impose an affirmative duty upon lawyers to engage in discovery in a responsible manner and to conduct a 'reasonable inquiry' to determine whether discovery responses are sufficient and appropriate." Id. at 27.

Qualcomm's attorneys failed this duty and, consequently, the Court referred certain of Qualcomm's outside attorneys to the State Bar of California in order to investigate whether any additional ethical sanctions are necessary. Id. at 37.

In addition, the Court ordered both Qualcomm and its outside counsel to participate in a comprehensive Case Review and Enforcement of Discovery Obligations ("CREDO") program,

designed to identify Qualcomm's failures during discovery, to create alternatives to prevent such failures in the future, and to create a case management protocol for use in the future. Id. at 38.

With respect to e-discovery, the Court noted:

"[f]or the current 'good faith' discovery system to function in the electronic age, attorneys and clients must work together to ensure that both understand how and where electronic documents, records and emails are maintained and to determine how best to locate, review, and produce responsive documents. Attorneys must take responsibility for ensuring that their clients conduct a comprehensive and appropriate document search." Id. at 18.

Conclusion

Both Qualcomm and its attorneys committed egregious acts which warranted the severe actions. However, this opinion makes clear that both a client and its attorneys have an affirmative duty to search for relevant documents, including electronic documents residing on the computers of employees. To accomplish this, the client and its attorney should pay particular attention to electronic documents and formulate a related strategy, both before litigation (with a document retention policy) and during litigation (through open dialogue and strategies for dealing with electronic documents).

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