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Qualcomm v. Broadcom: Lessons for Counsel and a Road Map to e-Discovery Preparedness

Mr. Shelton discusses the litigation of a patent dispute that led to innovative court sanction against Qualcomm's counsel and provides strong lessons and strategies for litigation preparedness when dealing with electronically stored information.

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On January 7, 2008, Magistrate Judge Barbara L. Major issued the latest chapter in the *Qualcomm v. Broadcom* dispute. *Qualcomm, Inc. v. Broadcom Corp.*, No. 05cv1958-B (BLM) (S.D. Cal., Jan. 7, 2008). Judge Major was tasked with determining whether Qualcomm and its counsel should be sanctioned for discovery violations that occurred during litigation of a patent dispute between the two parties. In addition to sanctioning Qualcomm over $8.5 million in attorneys' fees and referring six of its outside counsel to the California State Bar for investigation and potential disciplinary action, the court crafted a novel sanction that requires the six sanctioned attorneys and five of Qualcomm's in-house counsel to participate and a Case Review and Enforcement of Discovery Obligations ("CREDO") program which the Court described as "a collaborative process to identify the failures in the case management and discovery protocol utilized by Qualcomm and its in-house and retained attorneys in this case, to craft alternatives, and ultimately, to create a case management protocol which will serve as a model for the future." Slip op. at 38. The events in the litigation and the Court's innovative sanction provide strong lessons and strategies for litigation preparedness when dealing with electronically stored information.

Background of the Litigation

The litigation arose when Qualcomm sued Broadcom alleging infringement of two patents that relate to digital video coding standard H.264. Broadcom raised a defense, in part, that Qualcomm waived its right to enforce the patents due to its voluntary conduct and disclosures before the Joint Video Team ("JVT"), the standards-setting body that created and set the H.264 digital video coding standard. Qualcomm denied participating in the JVT during the time it was creating the H.264 standard. The Court noted, "[t]his argument was vital to Qualcomm's success in this litigation because if Qualcomm had participated in the creation of the H.264 standard, it would have been required to identify its patents that reasonably may be essential to the practice of the H.264 standard, [including the patents at issue], and to license them royalty-free or under non-discriminatory, reasonable terms." Slip op. at 7-8.

In discovery, Broadcom sought information relating to Qualcomm's communications with and participation in the JVT prior to the standard being set. Qualcomm agreed to produce "non-privileged relevant and responsive documents describing Qualcomm's participation in the JVT, if any, which can be located after a reasonable search." *Id*. at 4-5. Qualcomm made additional representations that it attended a JVT meeting in 2003 and submitted proposals in 2006 (after the standard had been adopted). Qualcomm's first 30(b)(6) witness on this issue testified that Qualcomm had never been involved in the JVT. After Broadcom impeached this testimony, Qualcomm produced a second 30(b)(6) witness who testified that Qualcomm only began participating in the JVT in late 2003 (after the standard was set). At the deposition, Broadcom attorneys attempted to impeach this testimony with December 2002 email that was addressed to a Qualcomm employee from the Advanced Video Coding ("AVC") group of the JVT. Neither Qualcomm nor its outside counsel searched the 30(b)(6) witnesses' computers for relevant documents or emails.

At trial, Qualcomm continued to stand steadfast that it had not participated in the JVT in 2002 and early 2003. While preparing a witness to testify, one of

Qualcomm's outside counsel discovered an August 2002 email addressed to a Qualcomm employee from the AVC. A search of the employee's laptop revealed 21 additional emails from the AVC that had not been produced in discovery. According to the Magistrate Judge:

> The Qualcomm trial team decided not to produce these newly discovered emails to Broadcom, claiming they were not responsive to Broadcom's discovery requests. . . . The attorneys ignored the fact that the presence of the emails on [the employee's] computer undercut Qualcomm's premier argument that it had not participated in the JVT in 2002. The Qualcomm trial team failed to conduct any investigation to determine whether there were more emails that also had not been produced.

Id. at 9. Compounding Qualcomm's problems, its counsel told the court in a sidebar conference that "[a]ctually there are no emails – there are no emails . . . there's no evidence that any email was actually sent to this list." *Id.* The employee was called to testify at trial and on cross examination revealed that she had received emails from the AVC list. Qualcomm produced the 21 emails the same day.

The jury was less than impressed with Qualcomm's actions and returned a unanimous verdict against it. In addition, the trial court held that Qualcomm had waived its right to enforce the patents due to its participation in the JVT.

After trial, Broadcom pursued the discovery violations that it believed had occurred. Qualcomm disputed the allegations, but three months after trial, Qualcomm eventually searched its computer systems and discovered 46,000 relevant and responsive emails and documents, totaling over 300,000 pages, not one single page of which had been produced in discovery. The trial court ruled that Qualcomm and its attorneys had engaged in litigation misconduct and concealment during discovery, trial and post-trial. As sanctions, the trial court awarded Broadcom its attorneys fees, costs and interest totaling approximately $9.3 million based on the exceptional case standard set forth at 35 U.S.C. § 285. Broadcom requested additional sanctions for Qualcomm's failure to produce nearly fifty thousand responsive emails and other documents that were discovered post-trial. Magistrate Judge Major ordered Qualcomm and 14 of its attorneys to show cause as to why they should not be sanctioned. In response, the attorneys requested that the Court pierce the attorney-client privilege under a "self-defense exception" so that they could better explain their actions. Qualcomm refused to waive the privilege and the Court refused to consider any privileged attorney-client communications.

Discovery Sanctions Order

As previously noted, Magistrate Judge Major found that additional sanctions were warranted against Qualcomm and its outside attorneys for the discovery violations. The Court held that Qualcomm violated its discovery obligations by failing to produce the 46,000 emails and documents that were requested in discovery. Slip op. at 19. Based on the fact that Qualcomm did not even perform basic searches of its email system, and did not search the computers

and email databases of several individuals who testified at trial or in depositions, the Court reasoned that Qualcomm intentionally withheld the documents. *Id.* at 19-20. The Court described the outside attorneys' discovery violations as follows:

> one or more of the retained lawyers chose not to look in the correct locations for the correct documents, to accept the unsubstantiated assurances of an important client that its search was sufficient, to ignore the warning signs that the document search and production were inadequate, not to press Qualcomm employees for the truth, and/or to encourage employees to provide the information (or lack of information) that Qualcomm needed to assert its non-participation argument and to succeed in this lawsuit.

Id. at 26.

The Court analyzed the various discovery rules and determined that they "do not adequately address the attorneys' misconduct in this case." *Id.* at 26, n.9. Federal Rule of Civil Procedure 26(g) imposes an affirmative duty on the lawyer who signs the discovery responses to certify that *after a reasonable inquiry* the information contained in the responses is "consistent with the rules an law, not interposed for an improper purpose, and not unreasonable or unduly burdensome or expensive." Fed. R. Civ. P. 26(g)(2). Federal Rule of Civil Procedure 37 also did not provide the Court with adequate grounds to sanction Qualcomm or its attorneys. Fed. R. Civ. P. 37(a) authorizes sanctions against a party or attorney only if a motion to compel is filed. Broadcom had no way to know that it should file a motion to compel, because the relevant emails were actively concealed. Rule 37(b) and Rule 37(c) were also inapplicable. Accordingly, under the discovery rules only the attorney who signed the discovery responses was liable for the violations. The Court took a broad view of Rule 26(g), however, stating that:

> the Court believes the federal rules impose a duty of good faith and reasonable inquiry on all attorneys involved in litigation who rely on discovery responses executed by another attorney. *See* Fed. R. Civ. P. 26 Advisory Committee Notes (1983 Amendment) (Rule 26(g) imposes an affirmative duty to engage in pretrial discovery in a responsible manner that is consistent with the spirit and purposes of Rules 26 through 37); Fed. R. Civ. P. 11 (by signing, filing, submitting or advocating a pleading, an attorney is certifying that the allegations have factual, evidentiary support).

Slip op. at 26, n.9. The Court also reasoned that it had the inherent power to impose sanctions in this situation. *See*, *Fink v. Gomez*, 239 F.3d 989, 993-94 (9th Cir. 2001) ("an attorney's reckless misstatements of law and fact, when coupled with an improper purpose . . . are sanctionable under a court's inherent power").

As discovery sanctions, Broadcom requested (i) reimbursement of its attorneys' and

experts' fees (to the extent not already awarded); (ii) a fine to be paid to the court; (iii) implementation of a discovery compliance program to guard against future misconduct; and (iv) identification of all false statements and arguments. The Court determined that only monetary sanctions were appropriate and awarded all of Broadcom's attorneys' fees and costs totaling approximately $8.6 million. The Court determined, however, that Broadcom was not entitled to a double recovery of its attorneys' fees, so the sanction is to be offset by the amount paid Qualcomm pays under the trial court's initial sanctions order. The Court referred six of Qualcomm's attorneys to the State Bar of California for investigation of possible ethics violations. Finally, the Court ordered the six sanctioned attorneys and five of Qualcomm's in-house counsel to participate in a Case Review and Enforcement of Discovery Obligations ("CREDO") program which the Court described as "a collaborative process to identify the failures in the case management and discovery protocol utilized by Qualcomm and its in-house and retained attorneys in this case, to craft alternatives, and ultimately, to create a case management protocol which will serve as a model for the future." Slip Op. at 38. Broadcom is permitted, but not required, to have an attorney attend the CREDO process. If it chooses to send an attorney, Qualcomm and the sanctioned attorneys must pay for the Broadcom attorney's costs, fees and travel expenses required for participating in the process.

To develop the CREDO program, the attorneys were ordered to: (i) determine the factors that led to the discovery violations and inadequate case management; (ii) create proposals, processes and procedures to address the identified factors; (iii) develop a comprehensive protocol to prevent future violations; (iv) apply the protocol to other factual situations that the in-house or outside counsel may face in the future, including situations where no in-house counsel exist or where two law firms represent the same client on the same matter; (v) identify technology and procedures that will assist counsel to better identify potential sources of relevant information; and (vi) any other suggestions or information the group believes would help prevent discovery violations. *Id*. 39-40.

The Court set forth a non-exclusive list of seven factors that the attorneys are to consider when developing the comprehensive protocol. The Court's suggested factors highlight issues that all counsel and clients should consider in any litigation preparedness planning:

- a determination of the breadth and depth of future case management and discovery plans;
- clear communications channels between in-house and outside counsel based on appropriate experience and authority of the attorneys involved;
- plans regarding the frequency of communications between in-house and outside counsel and whether additional individuals should be involved;
- identification of persons who should participate in developing case management and discovery plans;
- exploring and evaluating various methods of resolving conflicts and disputes between in-house and outside counsel—especially as they relate to electronic discovery searches and collections;
- a description of the type, nature, frequency and participants in case

management and discovery meetings; and
- ethical and discovery training.

The Court's Order also highlights the importance of outside counsel's obligations to conduct a reasonable inquiry prior to signing and serving discovery responses. This theme has been echoed over and over again in recent electronic discovery cases. *See e.g., Wingnut Films Ltd. v. Katja Motion Pictures Corp.*, No. CV 05-1516-RSWL SHX, 2007 U.S. Dist. LEXIS 72953, *54-55 (C.D. Calif. Sept 18, 2007) (various equitable and monetary sanctions) ("counsel must make a reasonable investigation and effort to certify that the client has provided all information and documents available to it which are responsive to a discovery request. . . ."); *Cache la Poudre Feeds, LLC v. Land O'Lakes, Inc.*, 244 F.R.D. 614, 630 (D. Colo. 2007) ($5,000 sanction) ("Counsel retains an on-going responsibility to take appropriate measures to ensure the client has provided all available information and documents which are responsive to discovery requests."); *Phoenix Four, Inc. v. Strategic Res. Corp.*, No. 05 Civ. 4837 (HB), 2006 U.S. Dist. LEXIS 32211 (S.D.N.Y. May 23, 2006) (over $30,000 sanction) ("counsel's obligation is not confined to a request for documents; the duty is to search for sources of information."); *Coleman (Parent) Holdings, Inc. v. Morgan Stanley & Co., Inc.*, No. CA 03-5045 AI, slip op. at 10 n.11, n.12 (Fla. Cir. Ct. Mar. 23, 2005) (partial default judgment) (*overturned on other grounds Morgan Stanley & Co., Inc. v. Coleman (Parent) Holdings, Inc.*, No. 4D05-2606 (Fla. Dist. Ct. App. Mar. 21, 2007); *Zubulake v. UBS Warburg LLC*, 229 F.R.D. 422, 432 (S.D.N.Y. 2004) (adverse inference) (counsel has a duty to ensure that "all sources of potentially relevant information are identified and placed on hold . . . . To do this, counsel must become fully familiar with her client's document retention policies, as well as the client's data retention architecture.").

Outside counsel, at all levels of authority, who are relying on a client's search and retrieval of electronically stored information are obligated to ask probing questions, audit the search and retrieval, and confirm that all potential sources of information have been investigated. To paraphrase Magistrate Judge Major, a junior attorney who is unable to get a client to conduct the type of search he or she deems necessary to verify the adequacy of the document search and production, then he or she should obtain the assistance of a supervising or senior attorney. If the supervising or senior attorney is not able to get the client to perform a competent and thorough document search, he or she should withdraw from the case or take other action to ensure production of the evidence. *See* Slip op. at 27, n.10. Another solution may be to insist that that in-house counsel appear in the case and sign the discovery responses if the client is not providing sufficient verification of the search and retrieval process. One could also consider some sort of indemnification; however, an indemnification does not relieve counsel from his or her ethical obligations.

Magistrate Judge Major's closing statement expresses optimism that the CREDO program that is ultimately developed by the Qualcomm attorneys will likely provide a good road map for other litigants, in-house counsel and outside counsel:

> While no one can undo the misconduct in this case, this process, hopefully, will establish a baseline for other cases. Perhaps it also will

> establish a turning point in what the Court perceives as a decline in and deterioration of civility, professionalism and ethical conduct in the litigation arena. To the extent it does so, everyone benefits - Broadcom, Qualcomm, and all attorneys who engage in, and judges who preside over, complex litigation. If nothing else, it will provide a road map to assist counsel and corporate clients in complying with their ethical and discovery obligations and conducting the requisite "reasonable inquiry."

Id. at 41.

We will never know all the reasons behind the decisions to withhold discovery in the Qualcomm case, but the case is another extraordinary electronic discovery case that highlights the necessity of attorneys to obtain competence in this area of the law, or associate with ESI specialty counsel who have the necessary expertise. In order to avoid malpractice claims, judicial sanctions, and ethical violations, attorneys are well advised to take advantage of educational opportunities, and engage in honest, open dialogue with on-going clients regarding their obligations with respect to electronic discovery.