

## STANDARDS BLOG

### FEDERAL COURT RULES AGAINST QUALCOMM in a "Son of Rambus" Suit

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A Federal Court sitting in San Diego, California has upheld a jury's unanimous verdict that QUALCOMM Incorporated abused the standards process by failing to make timely patent disclosures during the process of developing a technical standard. The litigation arose when Qualcomm filed suit against arch-enemy



Broadcom Corporation, an implementer of the standard. The decision follows on the heels of a unanimous verdict by the Federal Trade Commission against memory technology company Rambus, inc. under similar factual circumstances.

Cases involving standards abuse are infrequent, but Qualcomm and Broadcom are currently involved in as many separate pieces of standards-related litigation as the entire industry usually indulges in over a period of years. In one suit (in which I helped draft and file a friend of the court brief on behalf of several standards organizations), Broadcom alleges that Qualcomm refused to honor its pledge to license its "essential claims" under a standard on "reasonable and nondiscriminatory terms." Other suits are continuing in multiple courts in several countries, including an antitrust suit that Broadcom lost –but perhaps not permanently – before the FTC issued its verdict in Rambus. Ironically, the flurry of legal action is helping develop judicial guidelines for standards development and licensing on a more rapid basis than usual.

The current case was brought by Qualcomm in October 2005, and involved two patents that it later alleged would be infringed by implementing [H.264](#), a video compression standard developed by the Joint Video Team (JVT), an effort supported by two global standard setting bodies, [ITU-T](#), acting through its [Video Coding Experts Group](#) (VCEG) and the [ISO/IEC](#), acting through its [Moving Picture Experts Group](#) (MPEG). The jury concluded that implementing the H/264 standard would not result in infringement, but also indicated that it believed that Qualcomm had acted improperly before the United States Patent Office (USPTO) in obtaining the patents in question.

In affirming the jury's verdict, the federal judge found that Qualcomm's behavior was equivalent to that of Rambus, Inc., as determined by the FTC:

Qualcomm waived its rights to enforce the...patents against H.264 products by its silence in the face of a "clear duty to speak" to identify to the JVT its IPR related to the development of the H.264 standard....The non-disclosure of a participant's core patents in such a program could put the participant in a position in which it could literally block the use of the published H.264 standard by any company unless the company obtained a separate license

from the participant. Such an undesirable consequence is likely one factor behind the basis for the Federal Circuit ruling in Rambus, which the Court applies in this case.

But unlike the FTC, which recently decided to limit, rather than eliminate, Rambus's right to charge royalties to implementers of the SDRAM standards there at issue, the Qualcomm court has apparently decided to apply the penalty levied by the FTC in its prosecution of Dell computer, a decade ago – and bar Qualcomm from enforcing the patents against implementers at all.

Broadcom, not surprisingly, is taking the verdict well. In a [press release](#) issued earlier today titled "Federal Court Rules that Qualcomm Abused Industry Standard Process," David A. Dull (unfortunate name, that), its Senior Vice President and General counsel, stated:

We are pleased that the court agreed with the jury's recommendation on standards abuse and believe the evidence that came to light in this case is illustrative of Qualcomm's ongoing abuse of the rules of industry standards bodies. It confirms what the industry has long suspected: that Qualcomm does not shoot straight with standards bodies. We are continuing to examine their conduct before various cellular and other standards bodies.

Qualcomm, naturally, sees it a bit differently, especially for purposes of its own [press release](#). Instead of focusing on the part of the opinion that held it had failed to disclose its patents, it directed the reader's attention to the fact that the USPTO decided that Qualcomm had not failed to disclose important "prior art" as required, when applying for the patents in question. As a result, while Qualcomm may not be able to assert the patents against implementers of the H. 264 standard, the patents themselves will stand, and can be used to economic advantage in other applications.

The press release in which Qualcomm made this point bears the following rather lengthy title: "Federal Judge Rules QUALCOMM's Conduct before U.S. Patent Office Lawful But Finds QUALCOMM Did Not Meet Unwritten IPR Disclosure Expectations of Standard Setting Group." That press release begins:

A federal judge ruled today that "despite the jury's advisory verdict to the contrary, the Court finds no clear and convincing evidence of inequitable conduct" by QUALCOMM Incorporated...in obtaining two patents. ...A 2005 suit filed by QUALCOMM in San Diego federal court accused Broadcom's video encoding chips of infringing the patents. At a trial in January 2007, Broadcom argued that QUALCOMM had deceived the Patent Office by withholding certain alleged prior art in order to obtain the patents. In today's ruling, Judge Rudi M. Brewster flatly disagreed, finding that QUALCOMM had disclosed the most relevant prior art to the patent office and that QUALCOMM was not guilty of any conduct before the Patent Office that would render the patents unenforceable.

The release goes on to more delicately admit that the judge also ruled that Qualcomm's patent disclosure "was not timely," and that disclosure, in any event was mandated only by:

...the unwritten expectations of the group's members....Notably, the court did not find that QUALCOMM had violated any provision of the JVT's written intellectual property policy, but rather that a duty to make an earlier disclosure arose from his conclusion that the JVT members considered themselves

obligated to make IPR declarations in circumstances not mandated by the written IPR policy.

Qualcomm's own general counsel, Lou Lupin, was "gratified" by the finding on the USPTO issues, but less happy about the disclosure ruling, stating:

We are very troubled, however, by the judge's finding that an obligation to make IPR declarations may arise in the standard setting environment from members' 'understandings' not expressed in the standard setting organization's written IPR policy. Such a rule would leave companies whose businesses require them to participate in standardization efforts in the untenable position of having to guess what their disclosure obligations might be. We respectfully disagree with the court's reasoning that strict compliance with a standards body's written IPR policy is not enough. We also believe that, even if such an unwritten obligation could arise when the standards body members all considered themselves to be so obligated, all evidence here was that the JVT participants did not.

The court will reconvene on May 2, 2007 to consider the issue of damages, at which point, one assumes, further dueling press releases may be anticipated.

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