The consequences of silence

by Donald E. Purcell, Chairman, Center for Global Standards Analysis

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Since 1996 the US Court of Appeals for the Federal Circuit (Federal Circuit) and the US Federal Trade Commission (FTC) have published several decisions concerning standardization activities and disclosure of patents, or pending patent applications, that are reasonably necessary to comply with a standard being developed.

These decisions provide a body of law, advice and guidelines for individuals, firms, corporations and standards development organizations concerning development of standards and disclosure of patents.[1)]

On December 1, 2008, the Federal Circuit announced its decision in Qualcomm v. Broadcomm, 548 F.3d 1004. As stated by Circuit Judge Prost, "[t]his patent infringement case involves the consequence of silence in the face of a duty to disclose patents in a standards-setting organization ("SSO")" (emphasis added). The Court's decision affirmed in part, vacated in part,

and remanded the decision of the trial court in Qualcomm Inc. v. Broadcom Corp., 539 F.Supp. 2d 1214 (USDC S.D. Cal. Aug. 6, 2007).

The Qualcomm decision is important for several reasons. First, the Federal Circuit reaffirmed the principle of Rambus Inc. v. Infineon Technologies AG, 318 F. 3d 1081, 1098 (Fed.Cir. 2003) that expectations of standardization participants are a controlling factor in a standards proceeding. As stated by the Court, if standardization participants treat a patent policy as requiring disclosure of patents or pending patent applications that reasonably might be necessary to comply with a standard being developed, there is a duty for a participant to disclose such patents.

"In a world dominated by globalization, the Federal Circuit's Qualcomm decision is an important landmark."

The Federal Circuit's Qualcomm decision contains an extensive discussion of the legal standard set forth in Rambus that a standardization participant's "duty to disclose [to the SSO] extended only to claims in patents or applications that reasonably might be necessary to practice the standard. In other words, this duty encompassed any patent or application with claims that a competitor or other [SSO] member reasonably would construe to cover the standardized technology." Rambus Inc. v. Infineon Technologies AG, 318 F.3d 1081, 1100 (Fed. Cir. 2003) (emphasis added).

It is important to note that the Federal Circuit found Qualcomm had failed twice in its duty to disclose patents or pending patent applications. Although the standards joint venture arguably did not expressly require disclosure of patents, the Court noted that the patent policy required participants to use "best efforts to provide information concerning intellectual property rights" to all participants in the standards project.

The Court relied on the expectations of joint venture participants to establish a *de facto* rule of patent disclosure in a manner similar to Rambus. In addition, the Federal Circuit found the ITU/ISO/IEC Patent Policy specifically applied to Qualcomm, a participant in the joint venture standards project, and this policy set forth a specific duty to disclose patents, or pending patent applications, reasonably necessary to comply with a standard being developed.

Second, the Federal Circuit extended a patent disclosure duty to international joint ventures established by SSOs. This is the first court decision to require such disclosures in the context of an international standards setting project. This aspect of the Qualcomm decision raises an interesting question – Are all international joint ventures, consortia, or ad hoc standards groups now subject to a *de facto* patent disclosure policy where a patent is found to be reasonably necessary to comply with a standard being developed regardless of whether there is an actual patent disclosure policy, or a patent disclosure policy exists but is ambiguous and does not clearly require disclosure of patents necessary to comply with a standard?

Third, the Qualcomm decision stands for the proposition that failure to disclose participation in a standards project and failure to meet a duty to disclose patents or pending patent applications necessary to meet a standard being developed can be very expensive. The Federal Circuit affirmed the trial court's misconduct findings against Qualcomm based upon (1) "bad faith participation" in the joint standards venture; and (2) "litigation misconduct . . . during discovery, motions practice, trial and post-trial proceedings."

The Federal Circuit affirmed the trial court's decision to award legal expenses against the company for failure to properly disclose its patents in the joint venture project and for Qualcomm's intentionally "organized plan of repeated false claims during discovery, trial and post-trial" by the company's attorneys and witnesses. Note that on January 7, 2008, a Federal Magistrate issued a decision that (1) provided an initial award of $8.5 million in legal fees to Broadcomm, and (2) referred six Qualcomm attorneys to the California State Bar for possible sanctions.

"The Federal Circuit decision confirms that the consequences of silence are very significant."

In a world dominated by globalization, international competition, engineering, science and technology, the Federal Circuit's December 1, 2008, Qualcomm decision is an important landmark concerning the disclosure of participation in a standards project, and disclosure of patents or pending patent applications during a standards project (national or international) that are reasonably necessary to comply with a standard being developed. In short, the Federal Circuit decision confirms that the consequences of silence by a participant in a standards project under such circumstances are very significant. ■

1) In the Matter of Rambus Incorporated, Docket No. 9302, (FTC Decision August 2, 2006), remanded, 522 F.3d 456 (USCA D.C. April 22, 2008), petition for writ of certiorari filed (US Supreme Court, No. 08-694); In the Matter of N-Data, File No. 051 0094, (FTC Decision January 23, 2008); In the Matter of Chevron Corporation and Union Oil Company of California, Docket No. 9305 (FTC Decision June 10, 2005); Rambus v. Infineon Technologies, 318 F.3d 1081 (USCA Fed.Cir. January 29, 2003), reversing and remanding, Rambus v. Infineon Technologies, 164 F.Supp. 2d 743 (USDC E.D.Va. August 9, 2001); In the Matter of Dell Corporation, 121 F.T.C. 616 (May 20, 1996).

About the author

Donald E. Purcell is Chairman of the Center for Global Standards Analysis. Don Purcell is a recognized expert in strategic relationships between globalization, international standardization and strategic standards education initiatives. This article represents the Chairman's personal views; see **www.strategicstandards.com** and **www.purcellfox.com** for background.