

Qualcomm Inc. v. Broadcom Corp.

Nos. 07-1545, 08-1162, Fed. Cir. (Mayer, Lourie, Prost*)

[A] district court may in appropriate circumstances order patents unenforceable as a result of silence in the face of a [standard setting organization] disclosure duty, as long as the scope of the district court's unenforceability remedy is properly limited in relation to the underlying breach.

On December 1, 2008, the Federal Circuit, inter alia, vacated-in-part and remanded the district court's order holding unenforceable U.S. Patents No. 5,452,104 and No. 5,576,767, which related to video compression technology, because Qualcomm failed to disclose them to the Joint Video Team Standard Setting Organization regarding the H.264 standard. The Federal Circuit stated:

[A]fter finding that Qualcomm waived its rights to enforce the asserted patents against H.264 products by silence in the face of a disclosure duty, the district court discussed the proper remedy to apply in this case. The district court was unable to find guidance for an equitable remedy of waiver by a patentee, but it noted that “[i]nequitable conduct by an inventor and his/her agents before the PTO may result in a decree of unenforceability of the patent, but the remedy depends on equitable considerations arising from the circumstances involved.” The court reasoned that an equitable remedy to a finding of waiver should not be automatic; rather, it should be fashioned to give a fair, just and equitable response reflective of the offending conduct. In light of this, the district court considered the extent of the materiality of the withheld information and the circumstances of the nondisclosure relating to the JVT proceedings. [A]fter a hearing on the Order to Show Cause, the district court entered an Order on Remedy for Finding of Waiver, ordering the '104 and '767 Patents (and their continuations, continuations-in-part, divisions, reissues, and any other derivatives thereof) unenforceable against the world. In reaching this conclusion, the district court rejected Qualcomm's argument that Broadcom may not have any remedies beyond itself, because it raised waiver as an affirmative defense rather than as a counterclaim or cross-claim. The district court noted that this court has upheld the unenforceability of a patent to the world due to inequitable conduct even when pled as an affirmative defense.

Qualcomm argues that the remedy of unenforceability entered on Broadcom's defense of waiver is contrary to law. . . . Qualcomm argues that, because waiver was pled as an affirmative defense, it cannot result in a judgment of unenforceability. We disagree. It was entirely appropriate for the district court to address the defense of waiver after the jury returned a non-infringement verdict. As the district court noted, this court has upheld judgments of unenforceability based on inequitable conduct even where pled as an affirmative defense. We see no reason why an affirmative defense of waiver cannot similarly result in a judgment of unenforceability.

Broadcom also submits that “[t]he district court, sitting in equity, had the authority to grant relief as a result of Qualcomm’s conduct.” By analogy, it claims that successful assertion of the defenses of inequitable conduct, equitable estoppel, and patent misuse has resulted in unenforceability judgments. In response to Broadcom’s analogy to inequitable conduct, Qualcomm argues “the rationale for a remedy of unenforceability for inequitable conduct before the PTO—that such conduct taints the property right ab initio—is simply not present for waiver based on post-PTO conduct before a private SSO.” . . .

In addition to the analogy to inequitable conduct, we find the remedy of unenforceability based on post-issuance patent misuse instructive in this case. As Qualcomm notes, the successful assertion of patent misuse may render a patent unenforceable until the misconduct can be purged; it does not render the patent unenforceable for all time. [W]e agree [but] the limited scope of unenforceability in the patent misuse context does not necessarily lead to the conclusion that an unenforceability remedy is unavailable in the waiver context in the present case. Instead, we conclude that a district court may in appropriate circumstances order patents unenforceable as a result of silence in the face of an SSO disclosure duty, as long as the scope of the district court’s unenforceability remedy is properly limited in relation to the underlying breach.

While the scope of an unenforceability remedy in the patent misuse context is limited to rendering the patent unenforceable until the misuse is purged, the scope of the district court’s unenforceability remedy in the present case was not limited in relation to Qualcomm’s misconduct in the SSO context. The basis for Broadcom’s waiver defense was Qualcomm’s conduct before the JVT during development of the H.264 standard, including intentional nondisclosure of patents that it knew “reasonably might be necessary” to practice the standard. [While] there is an “obvious connection between the ’104 and ’767 patents and H.264 compliant products,” we do not discern such a connection between the asserted patents and products that are not H.264-compliant, and neither party points us to any such connection. Accordingly, based on the district court’s findings, the broadest permissible unenforceability remedy in the circumstances of the present case would be to render the ’104 and ’767 Patents (and their continuations, continuations-in-part, divisions, reissues, and any other derivatives thereof) unenforceable against all H.264-compliant products (including the accused products in this case, as well as any other current or future H.264-compliant products).

The previous statements are for information purposes only, and do not constitute legal advice. Questions regarding the matters discussed above, and any requests to be subscribed to the free electronic distribution of this publication, may be directed to Lawrence M. Sung, Ph.D., at +1 202.346.7850 or lsung@dl.com, or to any other Dewey & LeBoeuf LLP attorney with whom you regularly consult.

NEWYORK|LONDONMULTINATIONALPARTNERSHIP|WASHINGTON,DC
ALBANY|ALMATY|AUSTIN|BEIJING|BOSTON|BRUSSELS|CHARLOTTE|CHICAGO|DUBAI
FRANKFURT|HARTFORD|HONGKONG|HOUSTON|JACKSONVILLE|JOHANNESBURG (PTY)LTD. | LOSANGELES
MILAN | MOSCOW | PARISMULTINATIONALPARTNERSHIP | RIYADHAFFILIATEDOFFICE | ROME | SANFRANCISCO | SILICON VALLEY | WARSAW