

Ungaretti & Harris LLP
E-Discovery Update

Qualcomm Applies to Everyone

Qualcomm Inc. v. Broadcom Corp. (S.D. Cal. 05CV1958)

**Welcome to Ungaretti & Harris’
first E-Discovery Update.**

In this first edition, we dissect the *Qualcomm* sanctions opinion coming out of the Southern District of California earlier this year. *Qualcomm* applies to everyone. As our articles explain, the *Qualcomm* sanctions order affected everyone in the lawsuit from in-house counsel, outside counsel, associates, partners, managers and employees of Qualcomm, and, of course, Qualcomm itself. The litigants and attorneys are still addressing the reverberations of one of the harshest and most complete sanctions in the history of jurisprudence and, indeed, among the rapidly developing E-Discovery case law.

Contents

Overview of *Qualcomm Inc. v. Broadcom Corp.*
(S.D. Cal. 05CV1958)

Shannon Capone Kirk

CREDO - What is it? Using the Mistakes in *Qualcomm*
to Develop Best Discovery Practices
and Comply with Federal Discovery Obligations

Richard H. Tilghman

The *Qualcomm* Take-Away For Attorneys?
Remember Your Obligations.

Jessica K. Thomas

DDRPs or How I Learned To Stop Worrying and Love
Digital Discovery

James M. Carlson

Qualcomm for In-House Counsel

Kamau A. Coar

What *Qualcomm* Means for Associates

Steffany L. Hreno

Qualcomm Inc. v. Broadcom Corp.
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By Shannon Capone Kirk

On January 7, 2008, the Magistrate Judge presiding over the *Qualcomm* post-trial phase entered a significant order. It required Qualcomm to pay all of Broadcom’s attorneys’ fees and costs, amounting to over eight million dollars. It also required Qualcomm and its attorneys to participate in a CREDO program to analyze “without blame” what went wrong. Lastly the court referred six of Qualcomm’s attorneys to the California State Bar for failure to find, review, or preserve, tens of thousands of responsive documents. Three of those attorneys were associates; three were partners or otherwise lead counsel. So what happened?

Qualcomm sued Broadcom for patent infringement. A defense to that claim was Qualcomm’s waiver of patent rights for its participation in a certain industry group at a certain time and disclosing to that group the essential aspects of the patent. Throughout the litigation and half of the trial, Qualcomm strenuously asserted that it had not participated in the industry group at the relevant time. It claimed that no emails or other communications existed showing its participation in this industry group prior to a certain date. Apparently Qualcomm did not search key laptops.

It all unraveled during trial. While preparing a key witness for his trial testimony, an associate representing Qualcomm asked to review the witness’ laptop. He found around twenty emails responsive to the issue of Qualcomm’s participation in the subject industry group and within the time-frame Qualcomm had claimed no such participation. The associate showed lead trial counsel and other counsel working on Qualcomm’s behalf. They decided not to produce the emails.

On cross examination, Broadcom’s counsel stumbled upon the stunning admission that counsel had just recently discovered the twenty responsive emails and that there were, in fact, despite Qualcomm’s many protestations otherwise, communications concerning Qualcomm’s participation in the subject industry group during the relevant time.

In post-trial discovery, Qualcomm produced some 40,000 responsive emails related to its participation in the subject industry group. The Magistrate Judge found that these emails should have been discovered and produced long ago as they likely prevented Qualcomm's lawsuit in the first place. The sanctions order followed. The sanctions issue, however, is far from over.

On March 5, 2008, the District Judge vacated and remanded the portion of the Magistrate's sanctions order pertaining to the six sanctioned lawyers. In doing so, the District Judge instructed that the six attorneys had due process rights to defend themselves by any means, including piercing the attorney-client privilege. Indeed, the attorney-client privilege had been waived by several Qualcomm declarations placing blame for the discovery debacle on outside counsel. In what appears to be some down-right mud-throwing, Qualcomm's attorneys responded to their now former client's declarations by calling them "false," "self-serving," and "misleading," but were constrained by the attorney-client privilege to explain why.

In Opposition to the Magistrate Judge's sanctions order, the six sanctioned attorneys argued that their due process rights had been violated because they were not permitted to explain what they had discussed with Qualcomm personnel regarding discovery, what Qualcomm had told its attorneys, what efforts Qualcomm represented it had made and couldn't make with respect to searching for documents, what Qualcomm had stated to its attorneys about its past participation, and other representations of Qualcomm to its counsel. They now had their chance to set the record straight.

Following the District Court's remand, the Magistrate Judge accepted a joint discovery plan. A status hearing was scheduled for April 22, 2008, on the status of discovery related to the sanctioned attorneys' pursuit to forever reverse the sanctions against them. Our articles below explain further the various aspects of this sanctions order, what has happened since, and provide recommendations to various groups affected by this ruling.

CREDO - What is it?

Using the Mistakes in Qualcomm to Develop Best Discovery Practices and Comply with Federal Discovery Obligations

By Richard H. Tilghman

In addition to awarding monetary sanctions and referring responsible counsel to the California Bar, the Court in *Qualcomm Inc. v. Broadcom Corp.* ordered Qualcomm and its attorneys to participate in a "comprehensive Case Review and Enforcement of Discovery Obligations (CREDO) program." The purpose of the CREDO program is to analyze the failures in the *Qualcomm* case and to develop procedures to avoid these failures in the future. The CREDO program also requires the participants to develop protocols to guide future cases and to adapt the protocols based on different types of attorney-client relationships. The goal of the CREDO program is to "provide a road map to assist counsel and corporate clients in complying with their ethical and discovery obligations and conducting the requisite 'reasonable inquiry.'"

Clearly, the Court's goal for the CREDO program is to develop discovery protocols to prevent the failures prevalent in *Qualcomm* during future cases. Assuming the CREDO program serves this purpose, the results of the program will provide a resource for determining best discovery practices for different types of commercial clients.

In addition, the CREDO program should serve as guidance for parties attempting to comply with increasingly difficult federal discovery obligations. As the *Qualcomm* Court stated, attorneys and clients must work together to "conduct a comprehensive and appropriate document search" and act in "good faith." Additionally, Counsel must conduct a "reasonable inquiry" before signing off on a discovery response. These can be amorphous terms for complex business organizations with many types of electronic information kept in multiple locations. With the amount of electronic communication done in business today, even the most thorough search for documents may not capture every single version of every single document on a given subject. The results of the CREDO program should provide guidance about what it means to conduct a "comprehensive search," act in "good faith," and perform a "reasonable inquiry." In the event that a document does slip through the cracks, compliance with the CREDO protocols would certainly assist a party in defending against a sanctions request by the opposing party.

The *Qualcomm* Court ordered that a report from the CREDO program be filed. Once that report is released, Ungaretti & Harris's E-Discovery group will provide an update on the report's recommendations and its impact for attorneys and their clients.

The Qualcomm Take-Away For Attorneys? Remember Your Obligations.

By Jessica K. Thomas

While the emphasis of the *Qualcomm* opinion may appear at first glance to be upon electronic discovery, the case boils down to the ethical requirements of the attorneys and is entirely consistent with long standing ethical standards. The *Qualcomm* Court's finding was that the attorneys did not conduct a reasonable inquiry into their client's document search and production, thereby holding them accountable along with Qualcomm for the massive discovery violation. The following principles will assist attorneys in "ensuring that their clients conduct a comprehensive and appropriate document search" such that neither client nor attorney is sanctioned for such discovery failures.

1. Establish That Your Client Has Performed A Search Reasonable In Scope.

While Qualcomm appropriately maintained detailed records showing whose computers were searched and which search terms were used, it did not present any evidence that it searched for records or emails on its computer system or email databases using the key terms or during the time frame at issue. Moreover, Qualcomm did not search the computers or email databases of the individuals who were the most knowledgeable corporate witnesses who testified on Qualcomm's behalf at trial or during discovery, including its own Federal Rule of Civil Procedure 30(b)(6) witnesses. The Courts findings that these "basic" searches were not performed indicated that Qualcomm intentionally withheld the documents. To avoid such pitfalls, attorneys should provide their clients during the discovery process with the key words or issues to be searched, the time frame of the documents to be searched, and the individuals whose computers and email databases to be searched. Additionally, attorneys should follow up with their clients to ensure

that such searches were conducted and to maintain detailed records of these searches.

2. Follow Up On Newly Discovered Information Whenever It Is Discovered.

The Court also condemned Qualcomm for failing "to heed several warning signals" that should have alerted it to the fact that its discovery production efforts were insufficient. Despite becoming aware of the existence of the 21 emails, the attorneys did not conduct any further investigation, thereby missing the "critical inquiry" of whether Qualcomm's document search was adequate. A reasonable inquiry after the discovery of these emails would have uncovered (and ultimately did uncover) Qualcomm's inadequate search and the additional documents. Attorneys cannot hide their heads in the sand and ignore signs that discovery searches may have been inadequate, even in the midst of trial.

3. Know The Facts Prior To Making Representations To The Court.

Most disturbingly, however, is that despite the knowledge of the existence of these emails, the Qualcomm attorneys represented to the Court that no evidence proved that any emails existed. However, prior to making his affirmative statements to the Court, the attorney had a duty to conduct a reasonable investigation as to the truth of his assertion. Additionally, pleadings filed by Qualcomm contained false assertions regarding the underlying facts, which could have been prevented by a reasonable search for documents. Federal Rule of Civil Procedure 11(b) explicitly requires attorneys to make a reasonable inquiry into the facts and circumstances by an attorney prior to signing any pleading.

As electronic media and communication methods advance with technological developments, attorneys must be prepared to handle the shift into e-discovery by maintaining the same ethical considerations used with traditional discovery methods.

DDRPs or How I Learned To Stop Worrying and Love Digital Discovery *By James M. Carlson*

When Qualcomm first filed its patent infringement case against Broadcom, it surely had no idea its case would eventually crater in such spectacular fashion. Not only did it lose its patent infringement case, but it wound up suffering the indignity of having two of its patents declared unenforceable. Moreover, Qualcomm was whacked with an \$8.5 million judgment award in favor of Broadcom.¹ Likewise, Qualcomm's attorneys could not have imagined a Federal Judge sanctioning them individually, using their conduct as an additional basis for assessing attorneys' fees against Qualcomm, and recommending that the California Bar look into the attorneys' poor behavior. And at the source of this nightmare? Digital documents that should have been produced during discovery but were not. The significant repercussions of mishandling digital documents serve as a loud warning to companies and business owners. Put simply – if you do not know and understand what digital documents are in your possession, those documents just might mean a complete loss at trial.

What Went Wrong?

Ultimately, the Qualcomm case teaches companies to truly know and understand what digital documents it has, where those digital documents are located, and how to quickly access and account for them. In the past, companies simply kept boxes and boxes of paper documents – this is no longer sufficient. Electronically stored information (“ESI”) is now the life's blood of much litigation. E-mails, electronic documents such as word processing files, spreadsheets presentation slides, calendars, contact information and other computer files are all ripe for discovery. The Federal Rules of Civil Procedure now mandate that such documents must be produced in litigation. This does not mean that one may simply “print out” copies of these files. In many cases, they must be produced in their native file format.

In the Qualcomm case, it remains to be seen whether or not the failure to produce was due to failure to understand their computer systems and their discovery obligations or something more sinister. Interestingly enough, Qualcomm's lawyers asked that Qualcomm waive its attorney/client privilege so that the lawyers could explain their side to the Court. Qualcomm refused, fired those lawyers, and have retained new counsel. Stay tuned.

How Can You Avoid Being Qualcomm?

A company can do a number of things to make sure that it does not fall into the same traps that Qualcomm did. The two first steps are as follows:

1. Create an E-Discovery Checklist

- Understand what ESI your company has and where they are located. Determine if your ESI is resident on your employees' home computers or third party systems (AOL, Yahoo, Gmail).
- Determine if your company has a retention policy covering ESI. If it does not, your employees do not know what ESI should be retained and what ESI should be deleted. That is a dangerous situation.
- Determine if you have IT professionals and legal counsel who can adequately address ESI concerns.

2. Review Your Document Policy

- If your company has a document retention policy, make sure it contains a section concerning digital documents. Preferably, a company should have a separate but integrated Digital Document Retention Policy (“DDRP”).
- Make sure your DDRP is frequently updated.
- Make sure your DDRP contains a provision for a “litigation hold” – that is an emergency procedure for suspending deletion of ESI in the face of litigation.
- Most importantly – address your “smoking gun” documents. Hiding the incriminating document just never works. Embracing any “bad” documents and dealing with those documents is always the best solution.

Closing Thoughts

In short, *Qualcomm* is only one of many cases that make it clear that a company can be punished – severely – for failing to understand what ESI it has. The warning is clear – lose your documents and lose your case.

¹ The Court would later add sanctionable discovery conduct as an additional reason for that award – making Broadcom's case stronger on a possible appeal.

Qualcomm for In-House Counsel

By Kamau A. Coar

The Qualcomm court specifically described the in-house counsel as the first line of defense against the possibility of electronic discovery abuses. The court noted that “in-house lawyers were in the unique position of (a) having unlimited access to all [company] employees, as well as the emails and documents maintained, possessed and used by them, (b) knowing or being able to determine all of the computers and databases that were searched and the search terms that were utilized, and (c) having the ability to review all of the pleadings filed on [company’s] behalf which did (or should have) alerted them to the fact that either the document search was inadequate or they were knowingly not producing tens of thousands of relevant and requested documents.”

While the court specifically sanctioned the outside attorneys who signed pleadings and responses to discovery requests, it is on the foreseeable horizon that courts will increasingly hold in-house attorneys responsible for electronic discovery abuses.

Before these situations get to be full disputes, however, the in-house attorneys are best situated to monitor discovery and avoid cases detouring so far from the actual allegations and facts. The longer in-house attorneys wait to assert themselves in this role, the more likely it is that a case will spiral away from the complaint and into unwanted electronic discovery waters. This is when case budgets are exceeded at exponential rates, which can often be prevented by earlier management of electronic discovery pitfalls. An in-house attorney should think about these particular issues as soon as litigation becomes a realistic possibility:

- What particular information might be important and how do we work out a deal with the opposing party to gather that information?
- What particular keywords would help in an electronic search for documents?
- How does the opponent store electronic information and how can we use that knowledge to our advantage.

More often than ever, cases can be won or lost on electronic document management issues. The lawyer who is well versed in these areas and prepared to use this knowledge has a distinct and unprecedented advantage in the litigation arena. In-house attorneys are uniquely equipped to overcome electronic information barriers, if they are properly prepared to do so.

What Qualcomm Means for Associates

By Steffany L. Hreno

In *Qualcomm*, three of the six attorneys the Magistrate referred to the California State Bar were associates. The Magistrate found all three associates responsible for Qualcomm’s discovery violations because they failed to fulfill their obligations under Rule 26(g), which requires attorneys to conduct “a reasonable inquiry” that a party’s discovery responses are sufficient and proper before signing them. Although the district court judge has since vacated this portion of the Magistrate’s order so that Qualcomm’s attorneys can defend themselves without being bound by attorney-client privilege, the order lays the groundwork for subsequent cases sanctioning attorneys for discovery violations.

The most senior of these associates had prepared and defended two Rule 30(b)(6) witnesses who testified about Qualcomm’s knowledge of and involvement in an organization whose work was at the heart of the case. Both witnesses asserted that Qualcomm had never been involved in the organization. Later, the court discovered that both of their computers contained emails that flatly contradicted their testimony.

Whose responsibility was it to search the witnesses’ computers? In this case, Qualcomm had handled all of the document collection. But was the senior associate required to supervise and/or audit the company’s collection work? According to the Magistrate, the answer is yes. The associate who prepared and defended the witnesses was responsible for making sure that his superiors or their client properly checked the witnesses’ computers. It was not enough that he had raised concerns about the thoroughness of Qualcomm’s document production. According to the Magistrate:

“If the associate was unable to get Qualcomm to conduct the type of search he deemed necessary to verify the adequacy of the document search and production, then he should have obtained the assistance of supervising or senior attorneys. If [the partners] were unable to get Qualcomm to conduct a competent and thorough document search, they should have withdrawn from the case or taken other action to ensure production of the evidence.”

One of the most important lessons of the *Qualcomm* decision is that outside counsel cannot rely entirely on

their client's IT people to perform the correct searches and collect all the relevant documents. All attorneys, even associates, have an obligation to make sure the type of search necessary to verify the adequacy of a document search has been conducted.

The second and most unnerving consequence of the *Qualcomm* decision involves the associate/partner hierarchy. The reality of life in most law firms is that associates, especially the junior ones, are often uninvolved in the "big picture" strategy of a case, are not privy to high-level attorney or client communications, and sometimes may not even know whether a disclosure is relevant to potential trial testimony. None of this mattered to the *Qualcomm* Magistrate, who sanctioned two associates for following the decisions of their superiors.

In *Qualcomm*, a second year associate preparing a witness for trial inadvertently discovered 21 emails on the witness' computer that directly contradicted Qualcomm's main defense. None of the emails had been produced in discovery. The associate immediately told his supervising attorneys, who decided, erroneously, that they did not fall within the documents requested by the defendant.

The Magistrate sanctioned the associate anyway. The fact that he had reported the problem to his superiors did not relieve him of responsibility for following their decisions, nor did the fact that the *Qualcomm* litigation was the first case he had ever worked as an attorney. Since the associate knew or should have known that the emails contradicted *Qualcomm's* trial arguments, he had an obligation to make sure they were produced. At the very least, the Magistrate noted, the emails should have prompted the associate to conduct a comprehensive document search, which would have revealed the inadequacy of Qualcomm's search and other suppressed documents. The fact that the attorney was a second year associate did not exempt him from his obligations under Rule 26(g).

Model Rule of Professional Responsibility 5.2 protects subordinate lawyers who act "in accordance with a supervisory lawyer's reasonable resolution of an arguable question of professional duty." But under *Qualcomm*, reporting up the chain of command may not always be enough. If a partner's decisions are unreasonable, an associate, like the second year sanctioned in *Qualcomm*, must also discharge his or her professional obligations to the extent possible.

Who We Are

The Ungaretti & Harris E-Discovery Team specializes in solving electronic discovery issues. The Team advises clients prior to litigation regarding their protocol and processes for handling Electronically Stored Information ("ESI"). The Team also has advised law firms regarding the retention and destruction policies concerning ESI. All of the team members have significant experience in handling ESI issues during litigation including searching for destroyed ESI, handling spoliation issues, and properly producing ESI in an efficient and cost effective manner. The Team members have appeared in federal and state courts across the country dealing with these issues. They also educate corporate staff and in-house counsel on meeting the new ESI requirements of the Federal Rules of Civil Procedure.

In Our Next Issue

We will examine the varying case law related to "non-traditional" Electronically Stored Information such as text messages, PDAs, Blackberrys, instant messages, voicemail, and phone calls. We will provide a brief introduction to these issues and how companies and institutions can best protect their interests.

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