

## IP Advisory: Federal Circuit Enforces Disclosure Requirements in Standard-Setting Process

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Last week's Federal Circuit decision in the *Qualcomm v. Broadcom* litigation offers interesting insights into that court's willingness to apply poorly defined notions of public policy and implied contract to situations wherein participants in the adoption of an interoperability standard later try to assert patents arguably necessary to the practice of that standard. The court affirmed the district court (Southern District of California), which had held two Qualcomm patents unenforceable due to waiver and equitable estoppel arising from Qualcomm's participation in a standard-setting organization (SSO). In doing so, the Federal Circuit fills in some of the details and unanswered questions left open in its earlier decision in *Rambus Inc. v. Infineon Technologies AG*, wherein the court reversed a district court finding that Rambus committed fraud by failing to disclose an intent to procure patent claims that it thought would be necessary to practice a standard for computer memory operation. The *Qualcomm* decision could be important in several respects.

First, the Federal Circuit appears to acknowledge that a duty to disclose intellectual property implicated in the practice of a standard arises, if at all, out of the written and unwritten policies of the SSO itself, along with its actual practices and the manner in which other members construe the policies. Put differently, the court does not appear to hold that a duty arises as a matter of law out of the process itself.

The case involves the H.264 standard for video compression technology, developed by the Joint Video Team (JVT), an informal SSO that operated under the auspices of ISO, a large and well established SSO. Applying the same analytical framework used in the *Rambus* decision, the Federal Circuit asked two questions, noting that an affirmative answer to either would have independently given rise to a duty to disclose:

- . Did the JVT's written policies require a participant to disclose its intellectual property rights?
  - . To the extent the written policies are ambiguous about such a requirement, did the other participants behave as if the policies of the JVT require disclosure?
- Second, the court holds that where there is a duty to disclose patents and patent applications that are "reasonably required" to practice a standard, the duty applies even though the patents might subsequently be held not essential to the standard. In this respect, the decision appears to accommodate the high levels of uncertainty that are almost always present when trying to assess the scope of patent claims. The court thus refused to predicate the duty to disclose on an after-the-fact analysis of what the patent actually was found to cover.

Third, the Federal Circuit examined the remedies that may be available for users of a standard when the duty to disclose has been breached, probing pointedly into the theories on which equitable waiver and equitable estoppel of the right to enforce can be applied. Having found that Qualcomm breached its duty to disclose the two patents to other participants in the JVT, the district court had held that a theory of waiver would render the patents unenforceable against the rest of the world. The Federal Circuit appears to have approved an "implied waiver" theory predicated on the notion that Qualcomm knew that it had a duty to disclose, breached that duty intentionally under circumstances where it knew it would induce detrimental changes of position by the other participants, and therefore waived its right to enforce. The court also reached the same result on the theory that Qualcomm's behavior constituted equitable estoppel as to the subsequent enforcement of the patents.

While affirming that Qualcomm's behavior created equitable defenses to claims of patent infringement, the Federal Circuit limited the reach of such defenses to the other participants and to products that embody the standard, reversing the district court's ruling that the patents were permanently unenforceable against the entire world. The unenforceability remedy was limited to products implementing the H.264 standard.

In general, the tone of the *Qualcomm* decision is one of intolerance for the company that recognizes and fails to disclose to others that it has or is planning to have relevant intellectual property necessary to practice the standard under discussion. It is not clear to what extent the Federal Circuit's decision was influenced by the unusual factual setting in which the issues arose, namely judicial findings of litigation misconduct by Qualcomm in its initial denials of participation in the standard-setting process and its subsequent disclosure of thousands of documents demonstrating that it had participated. **What does seem clear, however, is that companies having intellectual property that they do not want to dedicate, in whole or in part, to the public are well advised to make sure that their employees understand the rules of any SSO they work with and the potential impact of failing to let other participants in an SSO know that the company has such rights and will seek to enforce them.**

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