

2008-1199, -1271, -1272

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BROADCOM CORPORATION,
Plaintiff-Appellee,

v.

QUALCOMM INCORPORATED,
Defendant-Appellant.

On Petition for Rehearing *En Banc*

**BRIEF FOR THE BUSINESS SOFTWARE ALLIANCE AS *AMICUS
CURIAE* SUPPORTING DEFENDANT-APPELLANT QUALCOMM
INCORPORATED AND SUPPORTING THE PETITION FOR
REHEARING *EN BANC***

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Dated: November 12, 2008

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CERTIFICATE OF INTEREST

Counsel for amicus Business Software Alliance certifies the following:

1. The full name of every party or amicus represented by me is:

Business Software Alliance

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Business Software Alliance

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

N/A

4. There is no such corporation as listed in paragraph 3.

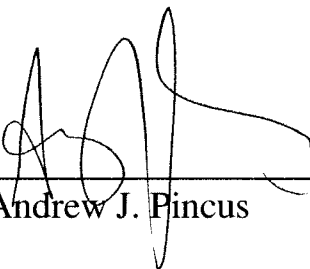
5. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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INTEREST OF THE *AMICUS CURIAE*¹

The Business Software Alliance (“BSA”) is an association of the world’s leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies. BSA members collectively own more than 30,000 patents, and include three of the six leading patent recipients for 2006. Because patent policy is vitally important to promoting the innovation that has kept the United States at the forefront of software and hardware development, BSA members have a strong stake in the proper functioning of the U.S. patent system.

The members of BSA are Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, CA, Cadence Design Systems, Cisco Systems, CNC Software/Mastercam, Corel, Dell, EMC Corporation, HP, IBM, Intel, McAfee, Microsoft, Monotype Imaging, PTC, Quark, SAP, Siemens PLM Software, SolidWorks, Sybase, Symantec, Synopsys, and The MathWorks.

ARGUMENT

The panel held that, in deciding whether a plaintiff has established the intent element of inducement to infringe, a jury may consider the defendant’s failure to obtain or rely upon the advice of counsel. Slip op. 23-25. As explained below,

¹ Pursuant to Fed. Cir. R. 35(g), this *amicus curiae* brief is accompanied by a motion for leave to file.

that holding (a) will have serious adverse consequences and (b) is inconsistent with this Court's *en banc* decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004). Rehearing should be granted to reconsider or remove that aspect of the panel's decision.

A. The Panel's Decision Will Have Serious Adverse Consequences.

In *Knorr-Bremse*, this Court considered whether it is "appropriate to draw an adverse inference with respect to willful infringement" when the defendant "had not obtained legal advice." 383 F.3d at 1345. To help it decide that issue, the *en banc* Court solicited the views of *amici curiae*, dozens of which filed briefs describing the very real and substantial costs and burdens that stem from the obligation to obtain and disclose legal opinions for every possible instance of infringement. In unanimously holding that an adverse inference may *not* be drawn from the failure to obtain or disclose a legal opinion, the Court relied, in part, upon the costs and burdens identified by *amici*. *Id.* at 1344-46.

The very same concerns are implicated here. To minimize the risk that they will be found to have had the requisite state of mind for willful infringement or inducement to infringe under the panel's decision, companies will be forced to seek opinion letters from lawyers. That will have a number of predictable, and extremely significant, adverse consequences, several of which are described below.

Indeed, in many respects, the concerns of the *Knorr-Bremse amici* are

heightened in the context of this case. The determination of willfulness that was directly at issue in *Knorr-Bremse* is typically made during the damages-only phase of a bifurcated trial, after liability has already been found. See *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-44 (Fed. Cir. 1991). But this case involves a company's state of mind in an inducement action. Thus, under the panel's decision, a company's decision whether to seek advice of counsel is thrust into the middle of the jury's determination of liability.

The risks and costs discussed below are profoundly important considerations for technology firms that interact with the patent system. Yet the panel addressed none of them. Further review is warranted to ensure that these risks and costs are not needlessly borne by firms that innovate.

1. If the panel's decision is permitted to stand, it will effectively supersede *Knorr-Bremse's* holding on privilege in the context of inducement to infringe, and the very same problems that led to the court's decision in that case will be reproduced here. Among other things, the possibility of an adverse inference will induce companies to waive their attorney-client privilege in a manner that will undermine the attorney-client relationship. See *Knorr-Bremse*, 383 F.3d at 1344-45. It will also trigger complex questions about the breadth of the waiver. Cf. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1372-75 (Fed. Cir. 2007) (*en banc*); *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1302-03 (Fed. Cir. 2006).

Even if the panel's decision is somehow read to mean that a company may be penalized for failing to seek advice of counsel but cannot be penalized—if such advice is sought—for refusing to disclose that advice, it will produce bizarre incentives inconsistent with *Knorr-Bremse*. In particular, a company that does not seek the advice of counsel will be worse off than a company that either (1) makes only a cursory effort to obtain legal advice or (2) obtains legal advice and ignores it.

2. Another consequence of the panel's decision will be to dramatically increase the cost of patent compliance. A company that faces potential liability for infringement or inducement to infringe because it has not sought an opinion of counsel will be forced to seek one. But this Court has identified a series of requirements for effective opinion letters, *see Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1364 (Fed. Cir. 1998), and obtaining such letters is expensive, *see Knorr-Bremse*, 383 F.3d at 1345. The panel's opinion will thus serve to divert scarce financial resources from research and development into legal compliance. Such a reallocation disserves the goal of fostering innovation that is at the heart of the Patent Act.

3. The costs of obtaining opinion letters cannot be justified on the ground that they are necessary to remedy some deficiency in the patent system. To the contrary, the effect of the panel's ruling will be to distract from the legitimate inquiry into the state of mind of an alleged infringer or inducer and to refocus that

inquiry into a collateral sideshow. There are any number of legitimate reasons why a company might not seek the advice of counsel. For example, it might believe that it has a suitable defense. Or it might make a conscious decision that the risk of liability is remote and allocate financial resources elsewhere. If a company that has not sought the advice of counsel faces an adverse inference with respect to its intent, it will be required to develop arguments explaining why it was justified in not seeking a lawyer. Recasting the state-of-mind inquiry into a mini-trial about whether a company should have sought legal advice serves no useful purpose and will only divert the jury's attention from the relevant issues.

4. The opinion letters that companies will inevitably secure as a result of the panel's ruling will do little to promote patent compliance. By effectively obligating companies to obtain such letters, lawyers' opinions will become further commoditized and generic. To avoid an adverse effect on their clients, moreover, lawyers will likely err on the side of telling them that there is no infringement. Overall, this may reduce findings of "willful" infringement or inducement to infringe (because of the existence of the letters) but increase infringement generally (because the letters will say that the conduct does not give rise to liability).

5. The panel's decision will also promote willful ignorance. If mere knowledge of patents effectively triggers a duty to obtain a legal opinion on infringement, then technology firms will be given an incentive to shield their re-

searchers from learning about new patents. *See, e.g.*, FTC Roundtable on Competition, Economic, and Business Perspectives on Substantive Patent Law Issues 78-82 (Oct. 30, 2002) (statement of Robert Barr, Vice President and Worldwide Patent Counsel, Cisco Systems, Inc.), *available at* <http://www.ftc.gov/opp/intellect/021030trans.pdf>; Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore up the Foundations of Patent Law that the Underwater Line Eroded*, 20 HASTINGS COMM. & ENT. L.J. 721, 737 (1998). Company efforts in this regard will serve to reduce instances of willful infringement and inducement. But the patent system's central purpose of teaching the patented invention to the public will be undermined, and progressive invention and new innovation that designs around existing patents will be discouraged.

B. The Panel's Decision Is Inconsistent With This Court's *En Banc* Decision in *Knorr-Bremse*.

In *Knorr-Bremse*, the *en banc* Court unanimously answered “no” the question whether it is appropriate to draw an adverse inference with respect to willful infringement when the defendant has not obtained legal advice. 383 F.3d at 1345. This case presents a virtually identical question—but the panel gave a different answer. In considering whether it is appropriate to draw an adverse inference with respect to the “requisite level of intent to induce infringement,” slip op. 24, the panel authorized the use of “failures to procure [attorney] advice as circumstantial evidence of intent to infringe,” *id.* at 26. That is just what *Knorr-Bremse* prohibits.

Further review is warranted to correct the panel's unjustified deviation from the principle established in that case.

1. The panel's decision violates *Knorr-Bremse* for at least three reasons.

First, while this case does not involve the precise legal issue addressed in *Knorr-Bremse*, there is no basis for distinguishing the issue here from the one decided by the *en banc* court. On the contrary, the adverse inference allowed by the panel is essentially identical to the adverse inference proscribed by *Knorr-Bremse*. Yet beyond the assertion that permitting consideration of the failure to consult counsel "comports with [the] holding" of *Knorr-Bremse*, slip op. 24, the panel made no real attempt to reconcile its decision with that case.

Second, the panel's principal rationale was rejected in *Knorr-Bremse*. The panel believed that "[i]t would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function * * * and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe." Slip op. 26. But the *en banc* court dismissed that notion, explaining that, although "[a] defendant may of course choose to * * * produce the advice of counsel" to disprove willfulness, neither the "withholding of the advice of counsel" nor the "failure to consult counsel" may "entail an adverse inference" with respect to state of mind. 383 F.3d at 1345. Thus, while *Knorr-Bremse* recognized that it is appropriate to prevent a specific party from relying on an advice-of-counsel de-

fense while simultaneously preventing an adverse party from exploring the underlying privileged communications, the panel erroneously carried over that sword-and-shield principle to all defendants as a class. The panel's rationale seems to be that, because *some* defendants may rely on an opinion, *all* defendants must explain their decision not to obtain or rely on an opinion. That rationale is both illogical and inconsistent with the sanctity of the attorney-client privilege, on which *Knorr-Bremse* is based.

Third, the panel relied upon no general principle of law in reaching its conclusion. The Supreme Court has cautioned against crafting patent-specific rules that supersede relevant generally applicable legal principles. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393-94 (2006). In deciding *Knorr-Bremse*, moreover, this Court emphasized that “a special rule affecting attorney-client relationships in patent cases is not warranted,” 383 F.3d at 1344, and the *en banc* Court has also recognized that state-of-mind determinations are “not unique to patent law,” *Seagate*, 497 F.3d at 1370. Yet the panel's decision bears every hallmark of a *sui generis* rule limited to the domain of patents.

2. In its brief before the panel, Broadcom defended the district court's instruction on the ground that *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (*en banc* in relevant part), permits a jury to rely upon “circumstantial evidence which permit[s] inferences” as to a defendant's state of mind. Condi-

tional Supp. Br. 17 (quoting *DSU*, 471 F.3d at 1306). No one contests that general principle. This case, however, turns on whether the *absence* of a legal opinion may constitute such evidence. *DSU* cannot possibly be probative on that point, because the issue did not arise there; rather, several legal opinions obtained by the defendant were admitted into evidence in the case. 471 F.3d at 1307. *Knorr-Bremse* was not even cited by the court in *DSU*, because the defendant there did not invoke privilege and instead opted to put in issue the merits of its legal opinions.

In its brief before the panel, Broadcom also relied upon several district court decisions for the proposition that “the failure to seek opinions remains relevant state-of-mind evidence.” Conditional Supp. Br. 17 & n.5 (emphasis omitted). Most of those decisions prohibit only the adverse inference that an opinion from counsel that was not solicited would have been unfavorable, while apparently permitting other (unidentified) types of adverse inferences to be drawn from the failure to obtain an opinion. *See z4 Techs., Inc. v. Microsoft Corp.*, No. 06-142, 2006 WL 2401099 (E.D. Tex. Aug. 18, 2006); *Avocent Huntsville Corp. v. ClearCube Tech., Inc.*, No. CV-03-S-2875, 2006 WL 2109503 (N.D. Ala. July 28, 2006); *IMX, Inc. v. Lendingtree, LLC*, No. 03-1067, 2006 WL 38918, at *1 (D. Del. Jan. 6, 2006). That position, however, is inconsistent with *Knorr-Bremse*, where the *en banc* court held that an adverse inference from the decision not to obtain or rely upon an opinion is inappropriate because there is no “legal duty upon a potential

infringer to consult with counsel.” 383 F.3d at 1345. The same reasoning precludes any adverse inference that would make a failure to consult with counsel relevant to a finding of intent to induce. Indeed, in holding in *Knorr-Bremse* that no adverse inference could be drawn from the failure to obtain or rely upon legal advice, the court identified the burdens and costs of requiring legal advice for “all potential infringement and validity issues.” *Id.* If the panel’s decision is allowed to stand, those same burdens and costs will be reimposed.²

CONCLUSION

For the foregoing reasons, the Petition for Rehearing *En Banc* should be granted to reconsider or remove the panel’s holding that the failure to obtain or rely upon an opinion of counsel is evidence of intent to infringe.

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² The district court decisions relied upon by Broadcom are unpersuasive for the additional reason that they effectively imposed a heightened duty of care to avoid a finding of willfulness that is inconsistent with this court’s intervening decision in *Seagate*, 497 F.3d at 1370-71 (overruling *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983)).

CERTIFICATE OF SERVICE

I hereby certify that, on November 12, 2008, two copies of the Brief for the Business Software Alliance as *Amicus Curiae* were served via first class mail, postage prepaid, on the following parties:

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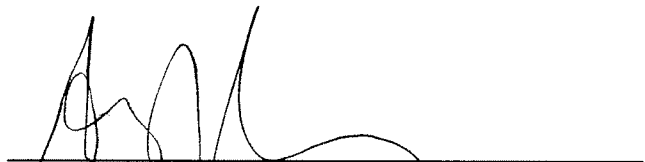
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