

THE UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
JACKSONVILLE DIVISION

PARKERVISION, INC.,

Plaintiff,

v.

QUALCOMM INCORPORATED,

Defendant.

Civil Action No. 3:11-cv-719-J-37-JBT

QUALCOMM INCORPORATED,

Counterclaim Plaintiff,

v.

PARKERVISION, INC., and
STERNE KESSLER GOLDSTEIN FOX

Counterclaim Defendants.

**QUALCOMM'S MOTION FOR A PRELIMINARY INJUNCTION
AND SUPPORTING MEMORANDUM OF LAW**

Pursuant to Federal Rule of Civil Procedure 65 and Local Rule 4.06, with notice to Counterclaim Defendant Sterne, Kessler, Goldstein & Fox LLP ("Sterne Kessler"), Defendant/Counterclaim Plaintiff Qualcomm Incorporated ("Qualcomm"), moves this Court for entry of a preliminary injunction enjoining Sterne Kessler from representing Plaintiff ParkerVision, Inc. ("ParkerVision") in connection with this litigation. In support of this motion, Qualcomm states:

Sterne Kessler is a Washington, D.C. patent law firm. It has represented Qualcomm for more than a decade in patent-related matters, including the prosecution of patents before the United States Patent and Trademark Office ("PTO") and, more recently, providing opinions of counsel relating to third-party patents that have been or may be asserted

against Qualcomm. During that time, Sterne Kessler has served as counsel to Qualcomm in the prosecution of over 50 U.S. patents, including patents encompassing radio-frequency (“RF”) circuits and systems and at least one patent related to Qualcomm’s direct conversion receiver technology, the subject of this litigation. Sterne Kessler has also analyzed and prepared numerous opinions on third party patents for Qualcomm, including two opinion projects that are—or at least until October 14, were—ongoing.

Despite its long-standing attorney-client, fiduciary relationship with Qualcomm, it now appears that Sterne Kessler has been secretly assisting ParkerVision in this lawsuit and, indeed, that it was integrally involved in its preparation. At no point prior to the filing of this lawsuit did Sterne Kessler seek Qualcomm’s consent to represent ParkerVision in litigation adverse to Qualcomm. Notably, when Sterne Kessler sought to withdraw from its representation of Qualcomm in August, citing the existence of this lawsuit as the reason for withdrawal, the firm refused to confirm to Qualcomm that it had no involvement in this action or its preparation. To date, Sterne Kessler has never entered an appearance in this case on ParkerVision’s behalf, and has persisted in refusing to answer every one of Qualcomm’s repeated inquiries about the nature and extent of its representation of ParkerVision in connection with this litigation. Sterne Kessler’s continued refusal to answer those inquiries speaks volumes.

Confronted with Sterne Kessler’s apparent involvement in this case, Qualcomm included in its Answer counterclaims against Sterne Kessler for breach of its fiduciary duty and for breach of contract, each related to the firm’s simultaneous representation of ParkerVision and Qualcomm. Sterne Kessler responded by unilaterally terminating its ongoing relationship with Qualcomm, acknowledging that it would leave its ongoing work for Qualcomm unfinished. Sterne Kessler has done this as part of an improper and ethically misguided effort

to enable it to continue to represent ParkerVision adverse to Qualcomm, in further breach of its fiduciary duties.

Sterne Kessler's concurrent representation of adverse clients clearly violates the most fundamental of legal ethical duties owed to a client, the duty of undivided loyalty. The appropriate immediate sanction for such egregious conduct is disqualification. Accordingly, Qualcomm now moves for a preliminary injunction enjoining Sterne Kessler from providing further assistance to ParkerVision in connection with this litigation.

Factual Background¹

A. Sterne Kessler's Representation of Qualcomm

Qualcomm is the world's leading innovator in wireless communications equipment and technology, and the world's largest supplier of cell phone chips. Since its formation in 1985, Qualcomm has invested billions of dollars in research and development to build cutting-edge technologies, for which it has secured more than 10,000 patents worldwide. Rogers Decl. ¶ 5. To grow and maintain this extensive patent portfolio, Qualcomm regularly retains outside law firms to assist in the filing and prosecution of the many patent applications it files every year. Through this "prosecution work," performed in conjunction with Qualcomm's in-house patent counsel, outside attorneys retained by Qualcomm acquire very detailed and highly confidential knowledge of Qualcomm's products—including future products—and are exposed to confidential attorney-client privileged communications.

¹ Documents cited herein are attached to the Declaration of Alex H. Rogers ("Rogers Decl."), dated November 10, 2011, and the Declaration of Joseph E. Lasher ("Lasher Decl."), dated November 8, 2011, which are submitted herewith. Qualcomm also submits herewith the expert Declaration of Culver Smith III ("Smith Decl."), dated November 8, 2011.

Qualcomm also retains outside law firms to analyze and provide opinions relating to third-party patents that have been, or may be, asserted against Qualcomm. Through this “opinion work,” as through prosecution work, outside attorneys acquire very detailed knowledge of confidential information relating to Qualcomm’s products, and are involved in confidential attorney-client privileged communications. Based on this information, such “opinion counsel” may provide written opinions concerning whether the Qualcomm products at issue infringe the asserted patents, and whether such patents are valid and enforceable. Preparing such an opinion is only the first step in such opinion work, followed by the delivery of the opinion, potentially updating the opinion and defending the opinion if Qualcomm chooses to rely on it as part of an advice of counsel defense to claims of willful infringement. This multi-step process can, and often does, develop over a period of years with respect to any given opinion project.

One such firm that Qualcomm has often retained for both patent prosecution and opinion work is Sterne Kessler. Since 1998, Sterne Kessler has served as outside counsel to Qualcomm on over 100 matters, most related to patent prosecution with the rest concerning opinion work. Over the course of this relationship, Sterne Kessler has served as counsel to Qualcomm in the prosecution of over 50 U.S. patents. *See* Rogers Decl. ¶ 10. Qualcomm has paid Sterne Kessler in excess of \$1.5 million in legal fees for its prosecution and opinion work. *Id.* ¶ 8.

Many of the patent applications Sterne Kessler prosecuted for Qualcomm related to technologies found in RF devices and, significantly, at least one of those applications related to Qualcomm’s own direct conversion receiver technology, *see* Rogers Decl. ¶ 10, which is the very technology at issue in this litigation. *See* D.I. 1 ¶ 11 (alleging that Qualcomm “sell[s] integrated circuits that contain direct conversion receiver technology which infringes the

Patents-in-Suit”). In particular, Sterne Kessler assisted in the prosecution of U.S. Patent No. 6,985,711 (the “711 Patent”), entitled “Direct Current Offset Cancellation for Mobile Station Modems Using Direct Conversion,” which relates to a “system and method for canceling DC offset for Mobile Station Modems having direct conversion architectures.” See Rogers Decl. ¶ 10; Rogers Decl. Ex. 10.

During Sterne Kessler’s early representation of Qualcomm, in 1999, Sterne Kessler sought Qualcomm’s consent to allow the firm to represent ParkerVision in licensing negotiations with Qualcomm. These negotiations concerned direct conversion receiver technology that ParkerVision claimed to possess, and which is the subject of one or more of the Patents-in-Suit. In response to Sterne Kessler’s request for consent, ParkerVision and Qualcomm each agreed to waive, with important limitations, the conflict of interest that resulted from Sterne Kessler’s representation of ParkerVision in negotiations opposite Sterne Kessler’s other client, Qualcomm.

In soliciting Qualcomm’s consent, Sterne Kessler stated in a January 12, 1999 Letter Agreement signed by Robert Sterne on behalf of Sterne Kessler, and by authorized representatives of ParkerVision and Qualcomm, that “if this negotiation were unsuccessful and hypothetically resulted in some dispute between the parties, [Sterne Kessler] would not represent either party in connection with such a dispute.” See Rogers Decl. Ex. 1. Furthermore, in this same letter agreement, Sterne Kessler committed, “as a condition for this waiver of any potential conflict, that no one at [Sterne Kessler] would in any future matter take an adversarial position (*e.g.*, participate in litigation against either QUALCOMM or ParkerVision on any matters), at least as long as we continue to represent such company, even in unrelated matters.” *Id.* Those licensing negotiations were ultimately unsuccessful, but the waiver letter and the restrictions on Sterne Kessler remained as agreed.

From 2010 until the start of this lawsuit, Qualcomm retained Sterne Kessler for six “opinion” matters. Rogers Decl. ¶ 16. For each of those matters, Qualcomm executed an engagement letter prepared by Sterne Kessler. Those letters, while requesting waivers of certain types of conflicts of interest, did *not* include a waiver of the conflict of interest that would arise if Sterne Kessler represented another client in litigation against Qualcomm while Qualcomm was a current client of Sterne Kessler. To the contrary, in every such letter, Sterne Kessler stated, “We understand that this consent does not extend to concurrent representation of clients adverse to Qualcomm in a litigation concurrent with the firm’s representation of Qualcomm.” *Id.* ¶ 17. In addition, in every one of its 2010 engagement letters with Qualcomm, Sterne Kessler confirmed that even after Qualcomm ceased to be a Sterne Kessler client, Sterne Kessler would not represent a different client in litigation against Qualcomm if Sterne Kessler was “in possession of confidential information of Qualcomm that would preclude the representation adverse to Qualcomm in violation of an applicable rule of professional conduct.” *Id.* ¶ 18.

Of the six opinion matters for which Qualcomm has recently retained Sterne Kessler, two were still ongoing when ParkerVision filed this lawsuit. *Id.* ¶ 19. One of the ongoing matters relates to a set of asserted patents. In the engagement letter for this matter, Sterne Kessler committed to provide Qualcomm with analysis and legal opinions. Sterne Kessler’s obligations to Qualcomm had not expired either at the time this suit was filed or when the firm unilaterally withdrew from representation of Qualcomm.

The other ongoing matter concerns a single patent. In the engagement letter for this matter, Sterne Kessler committed to provide Qualcomm with analysis of and a legal opinion about the patent. *Id.* ¶ 21. Sterne Kessler’s obligations to Qualcomm had not expired

either at the time this suit was filed, or when the firm withdrew from representation of Qualcomm.²

B. Sterne Kessler's Involvement in the Present Litigation

On July 20, 2011, ParkerVision filed this lawsuit against Qualcomm alleging infringement of the Patents-in-Suit, each of which was prosecuted by members of Sterne Kessler. Although Sterne Kessler did not enter an appearance, it soon became apparent that Sterne Kessler had been involved in the preparation of this lawsuit against its own client, Qualcomm, and that its involvement was ongoing.

During a July 21, 2011 conference call with investment analysts, the day after the filing of the Complaint, Jeffrey Parker, ParkerVision's founder and CEO deflected questions about the pre-suit legal analysis underlying the allegations of infringement against Qualcomm, stating only that such information would "come out in the lawsuit." Lasher Decl. Ex. 1, at 4. But Parker stated that, when ParkerVision discovered the alleged infringement, it "took the information to its legal counselors immediately," who "helped walk [ParkerVision] through the process of [verifying the alleged infringement]." *Id.* Although Parker did not identify the "legal counselors" who helped ParkerVision "walk through the process of verification," ParkerVision's website identifies Sterne Kessler as the company's "Patent Counsel." *See* Lasher Decl. Ex. 2. The website does not identify any other law firm serving that function. *See id.* During the same call, when asked specifically about longtime ParkerVision director and Sterne

² In addition to being ongoing, the opinion work matters Qualcomm has entrusted to Sterne Kessler are highly confidential, and disclosure of identifying details concerning them would be highly prejudicial to Qualcomm. Qualcomm does not believe that disclosure of other identifying details by any party are material to the discrete issues raised in this motion. However, if necessary, Qualcomm is prepared to make a confidential submission to the Court under seal to provide further details about Sterne Kessler's legal work for Qualcomm.

Kessler partner, Robert Sterne's role in the decision to sue Qualcomm, Parker responded, "Right. Well, the Sterne firm started from day one analyzing the core invention. . . . So, they've been very involved in the creation [and] prosecution of the patent and they will continue to be." Lasher Decl. Ex. 1, at 4.

On August 1, 2011, eleven days after the filing of this lawsuit, in-house legal counsel for Qualcomm was contacted by Michael Ray, the partner at Sterne Kessler handling the ongoing Qualcomm opinion work. Rogers Decl. ¶ 22. During a subsequent telephone call, Ray advised Qualcomm's in-house lawyers that due to ParkerVision's lawsuit against Qualcomm, Sterne Kessler needed to "wrap up" its work on the legal matters it was handling for Qualcomm. *Id.* Legal counsel for Qualcomm responded that Sterne Kessler's work on those matters was not complete, and that Qualcomm did not consent to Sterne Kessler's premature termination of its representation. *Id.* ¶ 23. Ray noted that Robert Sterne had been an advisor to ParkerVision for a long time, and remarked that Sterne Kessler was now in a "tough spot." *Id.* ¶ 22. Legal counsel for Qualcomm responded that Mr. Sterne should have recused himself from any action adverse to Qualcomm. *Id.*

On August 16, 2011, Qualcomm sent a letter to Sterne Kessler, seeking information about the extent of Sterne Kessler's involvement in the present litigation and reiterating Qualcomm's refusal to allow Sterne Kessler prematurely to withdraw from its ongoing representation of Qualcomm. Among the questions Qualcomm asked were:

whether any present or former [Sterne Kessler] attorney or patent agent has devoted any time to advising or assisting ParkerVision or its counsel . . . in any way in connection with the analysis, preparation, filing, or litigation of the [this lawsuit], and, if so, who those [Sterne Kessler] individuals are and how many hours they have devoted to such efforts; . . .

[whether any] present or former [Sterne Kessler] attorney or patent agent will devote any time in the future to advising or assisting ParkerVision or its counsel in any way in connection with [this lawsuit];" . . . and

whether Robert Sterne participated in ParkerVision board discussions concerning the initiation of the Florida Action, and whether he recused himself from any vote on the same.

Rogers Decl. Ex. 2.

On August 25, 2011, Sterne Kessler responded, acknowledging that Qualcomm was a current client of Sterne Kessler, and that it would complete the ongoing projects it was performing for Qualcomm. *See* Rogers Decl. Ex. 3. Sterne Kessler made cagey and limited promises about representing ParkerVision; specifically, the firm stated that “Sterne Kessler will not enter its appearance or otherwise act as counsel for ParkerVision in the pending Florida matter or any related litigation” and “will not advise ParkerVision or its litigation counsel regarding the Florida matter or any other litigation with Qualcomm . . . so long as Qualcomm remains a firm client.” *Id.* (Emphasis added.)

Sterne Kessler’s August 25 letter was silent, however, on several questions Qualcomm had posed in its August 16 letter, including whether Sterne Kessler had helped ParkerVision prepare this action against its current client, Qualcomm, and whether Robert Sterne, a director of ParkerVision, had recused himself from any ParkerVision board discussions concerning the initiation of this action. As the reason for declining to answer these and other questions, Sterne Kessler cited “[its] obligations of confidentiality under District of Columbia Rule of Professional Conduct 1.6,” which prohibits a lawyer from revealing client “confidences” and “secrets.” *Id.* Based on this response, and in conjunction with Jeff Parker’s statements at the July 21 conference call, it was and remains reasonable to conclude that Sterne Kessler did, in fact, provide substantial assistance to ParkerVision in the preparation of this action. Had it not assisted ParkerVision, there would have been no ethical impediment to Sterne Kessler’s stating that it had not been involved. A simple acknowledgement of a lack of

involvement could not have disserved ParkerVision's interests or compromised any confidence or secret of ParkerVision.

On September 2, 2011, Qualcomm sent a letter to Michael Ray, explaining that Sterne Kessler's refusal even to address whether it had provided assistance to ParkerVision compelled the inference that Sterne Kessler had provided such assistance. Rogers Decl. Ex. 4. Qualcomm invited Sterne Kessler to rebut that inference by providing the previously requested assurances. To this day, Sterne Kessler has not attempted to rebut that inference, despite several communications between counsel for Qualcomm and counsel for Sterne Kessler.

C. Sterne Kessler's Termination of Its Relationship with Qualcomm in Response to Qualcomm's Suit

On September 16, 2011, Qualcomm filed its Answer and Counterclaims, joining Sterne Kessler as an additional counterclaim defendant for breaching its fiduciary duty of loyalty to Qualcomm by representing ParkerVision in connection with this litigation. Qualcomm also sued Sterne Kessler for breach of its January 12, 1999 Letter Agreement with Sterne Kessler (and ParkerVision) in which Sterne Kessler had promised Qualcomm that it would not "take an adversarial position (*e.g.*, participate in litigation)]]" against Qualcomm in any future matter. *See* Rogers Decl. Ex 1.

Nearly a month later, on October 14, 2011, counsel for Sterne Kessler wrote to Qualcomm, stating that Qualcomm's counterclaim against Sterne Kessler gave rise to an "ethical obligation" that the firm withdraw immediately from its representation of Qualcomm, leaving its work on the ongoing matters unfinished. *See* Rogers Decl. Ex. 6. Sterne Kessler's letter did not identify the source of that obligation, nor did it provide any response to Qualcomm's repeated inquiries about the nature of Sterne Kessler's representation of

ParkerVision in connection with this litigation and whether Sterne Kessler intended to continue in that representation.

On October 18, 2011, counsel for Qualcomm wrote to Sterne Kessler's counsel, asking, among other things: "[D]oes Sterne Kessler intend to assist ParkerVision in any way in its litigation against Qualcomm?" The letter continued:

In the absence of an unequivocal disavowal of any intent to assist ParkerVision in its litigation with Qualcomm, we will seek to enjoin Sterne Kessler from providing such assistance to ParkerVision. We fail to see how a current client's decision to seek legal redress for prior and, to date, undisputed breaches of fiduciary duty by its law firm, can justify that firm in not only dropping that client, but actively assisting the very client (here, ParkerVision) that the hot potato rule would forbid assisting.

Rogers Decl. Ex. 7.

On October 25, 2011, counsel for Sterne Kessler responded, stating only that Sterne Kessler "is not representing ParkerVision . . . with respect to the patent infringement claims against Qualcomm, nor regarding ParkerVision's defense of the counter-claim Qualcomm filed against ParkerVision." Rogers Decl. Ex. 8. Once again, Sterne Kessler's response was silent with respect to both the extent of its work for ParkerVision in the preparation of this lawsuit, and whether Sterne Kessler intends to provide further assistance to ParkerVision in connection with this litigation. *See id.*

On October 27, 2011, counsel for Qualcomm sent a letter to counsel for Sterne Kessler, stating that, unless Sterne Kessler provides clear and unequivocal answers to these questions, Qualcomm would have no choice but to assume that Sterne Kessler has, in fact, breached its obligations to Qualcomm and would move to enjoin the firm from providing further assistance to ParkerVision in connection with this lawsuit. *See* Rogers Decl. Ex. 9. In that letter, Qualcomm asked for a response by November 3, 2011. *Id.*

Despite assurances from counsel for Sterne Kessler that it would respond by November 4, 2011, Sterne Kessler failed to provide a timely response to that letter. Instead, on November 7, 2011, Sterne Kessler moved to dismiss the counterclaims against it. *See* D.I. 34. Notably, Sterne Kessler does not deny in its motion to dismiss that it assisted ParkerVision in preparing this lawsuit. *See id.* Nor does it disclaim intent to assist ParkerVision in the future.

On November 9, 2011, counsel for Sterne Kessler finally responded to Qualcomm's October 27, 2011 letter. Once again, however, Sterne Kessler failed to address Qualcomm's questions about the extent of Sterne Kessler's work for ParkerVision in the preparation of this lawsuit or whether the firm intends to further assist ParkerVision in this lawsuit. *See* Rogers Decl. Ex. 11.

In light of ParkerVision's continued failure to provide a satisfactory response to Qualcomm's inquiries, Qualcomm now moves the Court to enjoin Sterne Kessler's continued representation of ParkerVision in connection with this litigation. Sterne Kessler's stonewall compels the conclusion that it has been assisting one client, ParkerVision, in attacking another client, Qualcomm, while attempting both to hide that fact and to preserve its ability to continue the forbidden representation.

Argument

I. Sterne Kessler's Concurrent Representation of ParkerVision and Qualcomm Constitutes an Impermissible Conflict of Interest Warranting Immediate Disqualification.

Florida's Rules of Professional Conduct limit an attorney's ability to represent concurrently two clients whose interests are adverse.³ Rule 4-1.7(a) provides:

³ Sterne Kessler's representation of ParkerVision in this lawsuit is governed by Florida's Rules of Professional Conduct, as well as by those of the District of Columbia. *See* R. Reg. Fla. Bar 3-4.6(b) (noting that the rules of professional conduct to be applied "for conduct in

Except as provided in subdivision (b), a lawyer shall not represent a client if:

- (1) the representation of [one] client will be directly adverse to another client; or
- (2) there is a substantial risk that the representation of [one] or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

R. Reg. Fla. Bar 4-1.7(a); Smith Decl. ¶ 9.c. Rule 4-1.10 imputes conflicts of interest to all lawyers in the disqualified lawyer's firm. According to the rule, "[w]hile lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by rule 4-1.7 or 4-1.9."

The prohibition on concurrent representation is grounded in two principles.

First, every lawyer owes his client "undivided loyalty" as his "advocate and champion." *Florida Ins. Guar. Ass'n, Inc. v. Carey Canada, Inc.*, 749 F. Supp. 255, 258 (S.D. Fla. 1990) (quoting *Cinema 5 Ltd. v. Cinerama, Inc.*, 528 F.2d 1384, 1386 (2d Cir. 1976)). That is, a "client has a right to expect that his attorney would accept no retainer to do anything that might be adverse to [the client's] interests." *Harte Biltmore Ltd. V. First Pennsylvania Bank, N.A.*, 655 F. Supp. 419, 421 (S.D. Fla. 1987) (quotation omitted). Second, a lawyer "should never place himself in a position where a conflicting interest may, even inadvertently, affect the obligations of an ongoing professional relationship." *Hilton v. Barnett Banks, Inc.*, 1994 WL 776971, at *3 (M.D. Fla. 1994). Thus, as the comments to Rule 4-1.7 make clear, an attorney may not, without consent, "act as advocate against a client the lawyer represents in some other matter," even where the adverse representations are "wholly unrelated." R. Reg. Fla. Bar 4-1.7 cmt. 7.

connection with a matter pending before a tribunal [are] the rules in which the tribunal sits, unless the rules of the tribunal provide otherwise"); Smith Decl. ¶ 9.a. Because Sterne Kessler's representation of ParkerVision is "in connection with" this litigation, its conduct is subject to the ethical rules of this forum.

A. Sterne Kessler's Representation of ParkerVision Is Governed by the Rules of Professional Conduct.

Although Sterne Kessler has not appeared on ParkerVision's behalf in this litigation, it has, by assisting ParkerVision in the preparation of the lawsuit and the development of whatever theories of infringement underlie the complaint, undertaken a representation that is subject to the Rules of Professional Conduct. *See* Fla. Bar Ethics Op. 79-7 (Feb. 15, 2000) ("An attorney who drafts pleadings or other filings for a party triggers an attorney-client relationship with that party even if the attorney does not represent the party as attorney of record"); Smith Decl. ¶ 9.b. Such behind-the-scenes representation creates the same kind of attorney-client relationship, with all its attendant ethical obligations, as formal appearance as an attorney of record. *See* Fla. Bar Ethics Op. 79-7. Accordingly, when Sterne Kessler assisted ParkerVision in preparing to sue Qualcomm, while at the same time continuing to represent Qualcomm, its conduct was subject to the same ethical standards as if Sterne Kessler attorneys had signed the Complaint. *Id.*

B. Sterne Kessler Must Be Disqualified Because It Represented ParkerVision in Connection with This Litigation While Qualcomm Was a Current Client

Sterne Kessler concedes that Qualcomm was its current client at least until October 14, 2011 — nearly four months after the Complaint was filed. *Compare* Rogers Decl. Ex. 3 (agreeing, as of August 25, 2011, that "Sterne Kessler will continue to work on and complete the on-going matters that it is currently handling for Qualcomm") *with* Rogers Decl. Ex. 6 (giving notice of Sterne Kessler's unilateral withdrawal and noting that Sterne Kessler would "be unable to complete" its work for Qualcomm). Given the inherent complexity of the asserted patents, all of which Sterne Kessler prosecuted on behalf of ParkerVision, and the requirements of Fed. R. Civ. P. 11, it is very likely that Sterne Kessler began helping ParkerVision prepare the lawsuit against Qualcomm significantly before the filing date of the

complaint. Thus, for a period of *at least* four months, Sterne Kessler was actively representing Qualcomm, while at the same time representing ParkerVision behind the scenes in a matter directly adverse to Qualcomm. *See Hilton v. Barnett Banks, Inc.*, 1994 WL 776971 (M.D. Fla. 1994) (parties to litigation are directly adverse to each other).

Not once during that period of time, despite Qualcomm's repeated, highly specific inquiries, did Sterne Kessler inform Qualcomm about the nature and extent of its representation of ParkerVision. Sterne Kessler did not even suggest to Qualcomm that it might have a conflict of interest until August 1, 2011, eleven days after the Complaint was filed. *See Rogers Decl.* ¶ 22. At that time, Sterne Kessler not only failed fully to inform Qualcomm about its representation of ParkerVision, but also attempted to withdraw prematurely from its ongoing representation of Qualcomm.⁴ To date, Sterne Kessler has failed to provide Qualcomm the information that it has requested about Sterne Kessler's involvement in this litigation on behalf of ParkerVision.

Sterne Kessler plainly failed to satisfy its duty of undivided loyalty owed to Qualcomm by assisting ParkerVision in this litigation without Qualcomm's informed consent. *See Smith Decl.* ¶¶ 9.c, 9.d. This conduct is a clear violation of Rule 4-1.7 and warrants disqualification of Sterne Kessler from assisting ParkerVision in matters related to this

⁴ If Sterne Kessler had in fact withdrawn in August to represent ParkerVision, as it had threatened on August 1, there can be little question that such withdrawal would have violated the "hot potato rule," under which it is unethical to terminate an ongoing representation for the purpose of taking on a different representation adverse to the terminated client. *Picker Intern., Inc. v. Varian Associates, Inc.*, 670 F. Supp. 1363, 1365 (N.D. Ohio 1987) ("[a] firm may not drop a client like a hot potato, especially if it is in order to keep happy a far more lucrative client"); *Harrison v. Fisons Corp.*, 819 F. Supp. 1039, 1041 (M.D. Fla. 1993). Sterne Kessler's August 25 commitment (now broken) to continue working for Qualcomm and not to assist ParkerVision in this case for as long as Qualcomm was a client, was a tacit admission that its earlier threat to withdraw violated the hot potato rule.

litigation. See *Lincoln Associates & Const., Inc. v. Wentworth Const. Co., Inc.*, 26 So.3d 638, 639 (Fla. D.C.A. 1st 2010) (“[t]o disqualify a law firm from concurrently representing a party whose interests are adverse, a client need only show that an attorney/client relationship exists”); *Morse, P.A. v. Clark*, 890 So.2d 496 (Fla. D.C.A. 5th 2004) (applying *per se* disqualification rule because conflicting representation was with current client); *Hilton v. Barnett Banks, Inc.*, 1994 WL 776971, at *3 (M.D. Fla. 1994) (“A firm is *per se* ineligible to participate in an action if it has concurrently represented adverse interests at any point during the action”); *Cinema 5, Ltd. v. Cinerama, Inc.*, 528 F.2d 1384, 1386 (2d Cir. 1976) (“[w]here the relationship is a continuing one, adverse representation is *prima facie* improper”); *Gerffert Co. Inc. v. Dean*, 2011 WL 683963, at *7 (E.D.N.Y. 2011) (noting that courts apply *per se* disqualification rule in cases of conflict between concurrent clients, even where the representation of one client ceases before disqualification motion is filed); *Strategem Dev't Corp. v. Heron Int'l N.V.*, 756 F. Supp. 789, 793 (S.D.N.Y. 1991) (applying current client conflict rule to disqualify law firm that had assisted in preparing complaint prior to terminating its relationship with the defendant).

Sterne Kessler’s belated and unilateral withdrawal from its ongoing representation of Qualcomm does not change this result. See Smith Decl. ¶ 9.e. Even if Sterne Kessler’s withdrawal were permissible under Rule 4-1.16,⁵ it is well-settled that whether an adverse attorney-client relationship is simultaneous or continuing—*i.e.*, whether it is governed

⁵ Contrary to Sterne Kessler’s contention, its withdrawal from its representation of Qualcomm was far from mandatory. Indeed, the Rules of Professional Conduct require a lawyer to withdraw from an ongoing representation only in narrowly-defined circumstances, such as where an attorney becomes physically or mentally incapable of continuing the representation, is discharged by the client, or where the continued representation would be in violation of the ethical rules or law. See R. Reg. Fla. Bar 4-1.16. Thus, Qualcomm’s decision to seek redress for the harms brought about by Sterne Kessler’s self-imposed conflict of interest does not, by itself, trigger any obligation that Sterne Kessler withdraw from its ongoing representation of Qualcomm.

by Rule 4-1.7, rather than the more permissive standard of Rule 4-1.9, governing former client conflicts—is determined as of the time that the conflict arises, and not at the time the motion to disqualify is brought before the court. See *Hilton v. Barnett Banks, Inc.*, 1994 WL 776971, at *3 (noting that a lawyer’s conduct is subject to Rule 4-1.7 “if [the lawyer] has concurrently represented adverse interests at any point during the action”); *Florida Ins. Guar. Ass’n, Inc. v. Carey Canada*, 749 F. Supp. 255, 261 (S.D. Fla. 1990) (“clients who were concurrently represented at any point during the conflict are treated as concurrent clients for purposes of [a] disqualification motion”); *Burda Media, Inc. v. Blumenberg*, 1999 WL 1021104, at *3 (S.D.N.Y. 1999). Further, it is established law that an attorney cannot avoid disqualification merely by “firing” the disfavored client—dropping the client “like a hot potato”—and transforming it from a present client to a former one. See *Harrison v. Fisons Corp.*, 819 F. Supp. 1039, 1041 (M.D. Fla. 1993) (“A lawyer may not evade ethical responsibilities by choosing to jettison a client whose continuing representation becomes awkward.”); *Strategem*, 756 F. Supp. at 793-94. Not only would a contrary rule “denigrate the fundamental concept of client loyalty,” *Harrison*, 819 F. Supp. at 1041, but also it would undermine “public confidence in lawyers and the legal system.” *Harte Biltmore, Ltd. v. First Pennsylvania Bank, N.A.*, 655 F. Supp. 419, 422 (S.D. Fla. 1987); see also Smith Decl. ¶ 9.d.

Nor is it of any consequence that Sterne Kessler has timed its withdrawal so as to postdate Qualcomm’s assertion of counterclaims alleging breach of fiduciary duty and breach of contract. Even if Qualcomm had fired Sterne Kessler after learning of its representation of ParkerVision, Sterne Kessler would have been barred from opposing Qualcomm even though it had been discharged. See *Merck Eprova AG v. Pro Thera, Inc.*, 670 F. Supp. 2d 201, 209 (S.D.N.Y. 2009) (noting that a contrary rule would allow a firm to “simply persist in dual representation until one client or the other capitulates”); *Ransburg Corp. v. Champion Spark Plug Co.*, 648 F. Supp.

1040 (N.D. Ill. 1986); *see also* Smith Decl. 9.f. *A fortiori*, and as a necessary corollary of the hot potato rule, Qualcomm's mere decision to seek proper legal redress for ParkerVision's past breaches, cannot give Sterne Kessler a green light for unfettered assistance to ParkerVision. Sterne Kessler "should not be rewarded for delaying resolution of a conflict issue" – a feat accomplished by keeping the facts and circumstances of the conflict secret from Qualcomm – "by being accorded a less demanding disqualification standard." *Merck*, 670 F. Supp. 2d at 209; *see also* Smith Decl. 9.f. Accordingly, the propriety of Sterne Kessler's conduct must be judged by the standard of Rule 4-1.7, governing concurrent representations. Under that standard, Sterne Kessler's conduct falls very short.

C. Sterne Kessler Must Be Disqualified Because This Litigation Is Substantially Related to Work Performed for Qualcomm.

Even if, contrary to fact, Sterne Kessler had terminated its relationship with Qualcomm prior to undertaking to assist Sterne Kessler in preparing this litigation, that representation would violate R. Reg. Fla. Bar 4-1.9, and would similarly warrant immediate disqualification. *See* Smith Decl. ¶ 9.g. Rule 4-1.9, which governs conflicts of interest with former clients, provides, in relevant part:

A lawyer who has formerly represented a client in a matter shall not thereafter:

(a) represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent; [or]

(b) use information relating to the representation to the disadvantage of the former client except as these rules would permit or require with respect to a client or when the information has become generally known[.]

R. Reg. Fla. Bar 4-1.9. Matters are "substantially related" if they "involve the same transaction or legal dispute," *In re Amendments to the Rules Regulating the Florida Bar*, 933 So. 2d 417, 445 (Fla. 2006), or if there is otherwise "a substantial risk that confidential factual information as would

normally have been obtained in the prior representation would materially advance the client's position in the subsequent matter." *Morgan Stanley & Co., Inc. v. Solomon*, 2009 WL 413519, at *6 (S.D. Fla. Feb. 19, 2009); R. Reg. Fla. Bar 4-1.9 cmt. (noting that "knowledge of specific facts gained in a prior representation that are relevant to the matter in question ordinarily will preclude" representation adverse to the interests of the former client); *State Farm Mut. Auto. Ins. Co. v. K.A.W.*, 575 So. 2d 630, 632 (Fla. 1991) (noting that the "legal system cannot function fairly or effectively if an attorney has an informational advantage in the form of confidences gained during a former representation of his client's current opponent"); *see also* Smith Decl. 9.g. Where a substantial relationship exists, disqualification is automatic. *State Farm*, 575 So. 2d at 633-634.

Application of Rule 4-1.9 "creates an irrefutable presumption that confidences were disclosed" between Qualcomm and Sterne Kessler during the prosecution of the '711 Patent, which concerns Qualcomm's direct conversion receiver technology. *See Health Care and Retirement Corp. of America Inc. v. Bradley*, 944 So.2d 508, 511 (Fla.App. 2006); Smith Decl. ¶ 9.g. Because such information would provide ParkerVision with a material advantage in this litigation, which necessarily concerns the development and nature of Qualcomm's own direct conversion receivers, the present litigation is substantially related to the Sterne Kessler's prosecution of the '711 Patent. *See Morgan Stanley*, 2009 WL 413519, at *6; R. Reg. Fla. Bar 4-1.9 cmt. Thus, having formerly represented Qualcomm in a the prosecution of a patent related to Qualcomm's direct conversion receiver technology, Sterne Kessler is precluded from now representing ParkerVision in connection with this litigation alleging that Qualcomm's direct conversion receivers infringe the patents-in-suit. *See, e.g., Monon Corp. v. Wabash Nat'l Corp.*, 764 F. Supp. 1320, 1323 (N.D. Ind. 1991) (disqualifying law firm from representing the defendant in

a patent infringement action where the attorney had prosecuted the patent-in-suit); *Asyst Techs., Inc. v. Empak, Inc.*, 962 F. Supp. 1241 (N.D. Cal. 1997) (same).

II. Sterne Kessler Should Be Enjoined From Further Representation of ParkerVision in Connection with This Litigation.

The Court has the authority to enjoin an attorney from further representation of one client whose interests are directly adverse to the interests of another client. *See, e.g., Morgan Stanley DW, Inc. v. Kelley & Warren, P.A.*, 2002 WL 34382748, at *1 (S.D. Fla. 2002) (granting preliminary injunction disqualifying law firm from representing a former client's adversary in pending arbitration). In particular, the Court may enjoin Sterne Kessler's further breaches of the fiduciary duty of loyalty owed to Qualcomm, as well as its ongoing conduct in breach of its contractual obligations. *See DermWorx, Inc. v. Cooper*, 2009 U.S. Dist. LEXIS 129080 (S.D. Fla. Apr. 3, 2009) (enjoining defendant's ongoing breach of fiduciary duties owed to movant); *Estetique Inc., USA v. Xpamed LLC*, 2011 U.S. Dist. LEXIS 104427, at *31 (S.D. Fla. September 15, 2011) (enjoining defendants from further breaches of their contractual obligations under a non-compete agreement).

Under Eleventh Circuit law, a preliminary injunction is awarded in light of four factors: (1) whether there is a "substantial likelihood" that the movant will succeed on the merits of the underlying case; (2) whether the movant will suffer an "irreparable injury" in the absence of an injunction; (3) whether the harm that the movant will likely suffer outweighs any harm that its opponent will suffer as a result of an injunction; and (4) whether preliminary relief would disserve the public interest. *See Scott v. Roberts*, 612 F.3d. 1279, 1290 (11th Cir. 2010) (reversing denial of motion for preliminary injunction); *Ferrero v. Associated Materials Inc.*, 923 F.2d 1441, 1448 (11th Cir. 1991) (same). Each of those factors weighs strongly in favor of the grant of preliminary relief in this case.

A. Qualcomm Is Likely to Prevail on Its Claims for Breach of Fiduciary Duty and Breach of Contract.

To prevail on a claim for breach of fiduciary duty, Qualcomm must demonstrate “the existence of a fiduciary duty, and the breach of that duty such that it is the proximate cause of [its] damages.” *Gracey v. Eaker*, 837 So.2d 348, 353 (Fla. 2002). It is beyond dispute that, as Qualcomm’s long-time counsel, Sterne Kessler’s duty to Qualcomm “is that of a fiduciary.” *Harte Biltmore, Ltd. v. First Pennsylvania Bank, N.A.*, 655 F. Supp. at 421 (quoting *Cinema 5, Ltd. v. Cinerama, Inc.*, 528 F.2d at 1386). Accordingly, Sterne Kessler owed Qualcomm a duty of undivided loyalty. *See, e.g., Florida Ins. Guar. Ass’n, Inc. v. Carey Canada, Inc.*, 749 F.Supp 255, 261 (S.D. Fla. 1990) (failure to obtain consent from current client to adverse representation breached law firm’s duty of loyalty); *McConico v. Alabama*, 919 F.2d 1543, 1547-48 (11th Cir. 1990) (simultaneous adverse representation is a breach of the duty of loyalty).

That duty was breached when Sterne Kessler undertook the representation of ParkerVision in connection with this litigation, which is directly adverse to Qualcomm. As a proximate result of this breach of fiduciary duty, Qualcomm has been injured in that, among other things, it lost the value of the opinion work that Sterne Kessler has performed on the two matters that were still ongoing at the time the Complaint was filed. In particular, Qualcomm will need to retain replacement counsel to complete, or possibly re-start, the opinion work. *See Rogers Decl.* ¶ 35. Accordingly, there is a substantial likelihood that Qualcomm will prevail on the merits of its claim against Sterne Kessler for breach of fiduciary duty.

Additionally, there is a substantial likelihood that Qualcomm will prevail on its claim for breach of contract. To prevail on its contract claim, Qualcomm must demonstrate: (1) the existence of a valid contract, (2) a material breach, and (3) injury. *See Abbott Labs., Inc. v. Gen. Elec. Capital*, 765 So.2d 737, 740 (Fla. D.C.A. 5th 2000). It is beyond dispute that the January

12, 1999 Letter Agreement between Sterne Kessler, Qualcomm and ParkerVision—under which Sterne Kessler made certain promises in exchange for Qualcomm’s consent to Sterne Kessler representation of ParkerVision in negotiations between the two companies—constitutes a valid and enforceable contract. In that agreement, Stern Kessler committed that, “no one at [Sterne Kessler] would in any future matter take an adversarial position (*e.g.*, participate in litigation against either QUALCOMM or ParkerVision on any matters), at least as long as [it] continue[s] to represent such company, even in unrelated matters.” Rogers Decl. Ex. 1. Sterne Kessler committed a material breach of this provision by undertaking to represent ParkerVision in preparing this litigation against its then-current client, Qualcomm.

Sterne Kessler also committed in the January 12, 1999 Letter Agreement that, if the negotiations between Qualcomm and ParkerVision “were unsuccessful and . . . resulted in some dispute between the parties, [Sterne Kessler] would not represent either party in connection with such a dispute.” *Id.* Because the negotiations between the parties concerned direct conversion receiver technology to which ParkerVision claimed ownership, and which is the subject of one or more of the asserted patents, this lawsuit arises from those failed negotiations. For example, ParkerVision’s claims of willful infringement likely concern information allegedly disclosed to Qualcomm during those negotiations. Thus, Sterne Kessler’s continued representation of ParkerVision in connection with this litigation is also a material breach of the January 12, 1999 Letter Agreement. As described above, Qualcomm has suffered significant injury as a proximate result of Sterne Kessler’s impermissible representation of ParkerVision, including, among other things, the need for Qualcomm to retain replacement counsel for the opinion work that Sterne Kessler failed to complete. Accordingly, there is a substantial likelihood that Qualcomm will prevail on the merits of its claims against Sterne Kessler.

B. Irreparable Harm to Qualcomm Will Result from Sterne Kessler's Continued Representation of ParkerVision.

The harm that will befall Qualcomm cannot be quantified and will be irreparable if Sterne Kessler is not enjoined from representing ParkerVision in connection with this litigation. Over the thirteen years that Sterne Kessler has been retained by Qualcomm, Sterne Kessler attorneys have gained access to significant amounts of highly confidential information about Qualcomm's technology, including Qualcomm's RF and direct conversion receiver technology at issue in this litigation. Such information would provide a real, though unquantifiable, advantage to ParkerVision in this litigation. Thus, monetary damages would be an inadequate remedy. See *FoodComm Intern. v. Barry*, 328 F.3d 300, 304 (7th Cir. 2003) ("[I]nadequate remedy at law does not mean wholly ineffectual; rather, the remedy must be seriously deficient as compared to the harm suffered."). Accordingly, the harm that Qualcomm will suffer if Sterne Kessler is not enjoined from further representation of ParkerVision in connection with this litigation would be irreparable.

C. The Harm to Qualcomm Absent an Injunction Greatly Outweighs the Harm to ParkerVision and Sterne Kessler.

While the harm that would befall Qualcomm absent an injunction is both unquantifiable and significant, ParkerVision would not suffer any cognizable prejudice if Sterne Kessler is enjoined from participating in this litigation. Because it is still very early in the litigation, ParkerVision has ample time to secure alternative, unconflicted counsel. Further, because Sterne Kessler clearly knew of the conflict of interest prior to undertaking the representation of ParkerVision in connection with this litigation,⁶ and did its best to hide the

⁶ Further, it is clear that ParkerVision also knew of Sterne Kessler's conflict prior to filing this litigation. Indeed, ParkerVision has known that Sterne Kessler also represented Qualcomm since at least 1999, when the companies executed a narrow conflict waiver that would allow

existence of that conflict from Qualcomm, Sterne Kessler cannot be heard to complain of harm arising out of the need to remedy that misconduct.

D. Preliminary Relief for Qualcomm Would Serve the Public Interest.

Finally, entry of an injunction preventing Sterne Kessler from representing ParkerVision in this litigation would promote, not disserve, the public interest because the bar, and the public at large, have an interest in seeing the ethical duties of the Rules of Professional Conduct enforced. "The business pressures of the modern practice of law cannot be permitted to erode the assurance of undivided loyalty upon which every client of a law firm is entitled to rely." *Harrison v. Fisons Corp.*, 819 F. Supp. at 1042.

Robert Sterne, of Sterne Kessler, to represent ParkerVision in (ultimately unproductive) negotiations with Qualcomm, despite Sterne Kessler's concurrent representation of both companies. *See* Rogers Decl. Ex. 1.

Conclusion

For the foregoing reasons, Qualcomm respectfully requests that this Court enter a preliminary injunction enjoining Sterne, Kessler, Goldstein & Fox LLP ("Sterne Kessler") from further representation of ParkerVision in connection with this litigation.⁷

November 10, 2011

CRAVATH, SWAINE & MOORE LLP

By: s/ Keith R. Hummel
Keith R. Hummel (admitted pro hac vice) (Trial Counsel)
khummel@cravath.com
David Greenwald (admitted pro hac vice)
dgreenwald@cravath.com
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
Telephone: (212) 474-1000
Facsimile: (212) 474-3700

-and-

BEDELL, DITTMAR, DEVAULT, PILLANS & COXE, P.A.

John A. DeVault, III
Florida Bar No. 103979
jad@bedellfirm.com
Courtney K. Grimm
cgrimm@bedellfirm.com
Florida Bar No. 953740
The Bedell Building
101 East Adams Street
Jacksonville, Florida 32202
Telephone: (904) 353-0211
Facsimile: (904) 353-9307

-and-

⁷ Pursuant to Local Rule 4.05(b)(3) and 4.06(b)(1), Qualcomm submits herewith a proposed order enjoining Sterne Kessler from providing legal advice and services to ParkerVision in connection with this action. Also submitted herewith is Qualcomm's Request for Oral Argument pursuant to Local Rule 3.01(j).

CADWALADER, WICKERSHAM & TAFT LLP
Christopher A. Hughes (admitted pro hac vice)
Christopher.Hughes@cwt.com
1 World Financial Center
New York, New York 10281
Telephone: (212) 504-6000
Facsimile: (212) 504-6666

Counsel for Defendant, Counterclaim Plaintiff Qualcomm Incorporated

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 10th day of November, 2011, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system which will send a notice of electronic filing to the following:

Stephen D. Busey
busey@smithhulsey.com

James A. Bolling
jbolling@smithhulsey.com

Ava K. Doppelt
adoppelt@addmg.com

Brian R. Gilchrist
bgilchrist@addmg.com

Jeffrey S. Boyles
jboyles@addmg.com

David R. Atkinson
datkinson@gunster.com

David M. Wells
dwells@gunster.com

Katherine H. Underwood
KUnderwood@gunster.com

s/ Keith R. Hummel
Keith R. Hummel (admitted pro hac vice)
khummel@cravath.com
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
Telephone: (212) 474-1000
Facsimile: (212) 474-3700
*Attorney for Defendant,
Counterclaim Plaintiff*

THE UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
JACKSONVILLE DIVISION

PARKERVISION, INC.,

Plaintiff,

v.

QUALCOMM INCORPORATED,

Defendant.

Civil Action No. 3:11-cv-719-J-37-JBT

QUALCOMM INCORPORATED,

Counterclaim Plaintiff,

v.

PARKERVISION, INC., and
STERNE KESSLER GOLDSTEIN FOX

Counterclaim Defendants.

[PROPOSED] ORDER

WHEREAS Defendant, Counterclaim Plaintiff Qualcomm Incorporated ("Qualcomm") has moved for a preliminary injunction pursuant to Fed. R. Civ. P. 65 and Local Rule 4.06;

WHEREAS upon consideration of the motion, the accompanying declarations and all exhibits thereto, the Court holds that the requirements for the entry of a preliminary injunction are satisfied and that Qualcomm's motion should be granted;

IT IS HEREBY ORDERED that Qualcomm's motion for a preliminary injunction is granted pending a trial on the merits; and it is further

ORDERED that Counterclaim Defendant Sterne, Kessler, Goldstein & Fox LLP is enjoined from providing legal advice and services to Plaintiff, Counterclaim Defendant ParkerVision, Inc. in connection with this action.

Dated: _____

Roy B. Dalton, Jr., U.S.D.J.