IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA
JACKSONVILLE DIVISION

CASE NO.: 3:11-CV-719-J-37-TEM

PARKERVISION, INC.,

Plaintiff.

v.

QUALCOMM INCORPORATED,

Defendant.
_____/

QUALCOMM INCORPORATED,

Counterclaim Plaintiff,

v.

PARKERVISION, INC, AND
STERNE, KESSLER, GOLDSTEIN & FOX PLLC,

Counterclaim Defendants.
_____/

COUNTERCLAIM-DEFENDANT, STERNE, KESSLER, GOLDSTEIN & FOX'S, MOTION TO DISMISS OR, ALTERNATIVELY, TO STRIKE PORTIONS OF QUALCOMM'S FIRST AMENDED COUNTERCLAIM, OR, IN THE ALTERNATIVE, MOTION TO ABATE QUALCOMM'S FIRST AMENDED COUNTERCLAIM, AND INCORPORATED MEMORANDUM OF LAW

Counterclaim-Defendant, Sterne, Kessler, Goldstein & Fox PLLC ("SKGF"), moves to dismiss Counterclaim-Plaintiff, Qualcomm Incorporated's ("Qualcomm"), First Amended Counterclaim, pursuant to Rules 12(b)(6) and 10(b) of the Federal Rules of Civil Procedure or, alternatively, to strike portions of the Amended Counterclaim, pursuant to Rule 12(f) of the Federal Rules of Civil Procedure. In the alternative, SKGF moves to abate or stay

Qualcomm's Amended Counterclaim against SKGF until the conclusion of the underlying patent infringement suit between Plaintiff, ParkerVision, Inc. ("ParkerVision"), and Qualcomm.

I. Introduction and Background

This case originated when ParkerVision filed a straightforward complaint for patent infringement against Qualcomm. In response, Qualcomm filed an aggressive, thirteen-count counterclaim against ParkerVision, also naming SKGF, the law firm that, in the 1990's, began helping ParkerVision obtain the patents at issue. Qualcomm accuses ParkerVision of, among other things, inequitable conduct by committing fraud on the Patent and Trademark Office ("PTO") with the assistance of SKGF. And Qualcomm claims that SKGF had conflicts of interest that caused it to breach its fiduciary duties and an agreement with Qualcomm.

SKGF moved to dismiss the initial Counterclaim for failure to state a claim, among other grounds. [DE 34] Qualcomm then filed its First Amended Counterclaim [DE 60][1], attempting to fix the deficiencies in its claims. The First Amended Counterclaim is still inadequate as a matter of law because Qualcomm has failed to sufficiently allege the elements of its claims.

Qualcomm alleges that SKGF, while representing Qualcomm on unrelated matters, breached its fiduciary duties to Qualcomm and breached the parties' conflict-waiver agreement by allegedly assisting ParkerVision in preparing to file the instant infringement suit against Qualcomm. Qualcomm's claims contain no factual allegations that would

[1] Qualcomm's First Amended Answer, Counterclaim, and Demand for Jury Trial is cited as "[A.C.___]."

reasonably support the inference that SKGF committed the alleged breaches. Qualcomm's allegations of breach are based entirely on reckless inferences and speculation. Even treating the allegations as true, Qualcomm cannot state a claim because it cannot allege a sufficient causal connection between SKGF's purported breaches and its alleged damages -- having to defend the underlying infringement suit, and having to possibly retain replacement counsel to complete the work SKGF was doing when Qualcomm sued SKGF in this action. Even if it could allege causation, Qualcomm cannot sufficiently allege damages until the underlying infringement suit has concluded because it is impossible to determine if Qualcomm has suffered any harm until those claims are resolved, and Qualcomm's other alleged damages are similarly too speculative and remote to support its claims. If the Court does not dismiss Qualcomm's claims entirely, the Court should, at a minimum, strike Qualcomm's claims for damages that are not available as a matter of law or are unsupported by its factual allegations.

In addition, Qualcomm's breach of fiduciary duty claim should be dismissed because it improperly commingles claims for compensatory damages and disgorgement of fees, which require different elements of proof. And if Qualcomm intended to name SKGF as a counter-defendant in its declaratory relief claims relating to the patents at issue, those counts must also be dismissed because SKGF is not a proper party, the allegations do not state a cause of action for damages, and Qualcomm has failed to plead those counts with sufficient particularity.

Alternatively, if Qualcomm's claims against SKGF are not dismissed, they must be abated until the underlying patent infringement claims against Qualcomm have been resolved because they are premature as a matter of law.

II. Argument

A. Standard Regarding Motions to Dismiss

Federal Rule of Civil Procedure 8(a)(2) requires "a short and plain statement of the claim showing that the pleader is entitled to relief," so as to "give the defendant fair notice of what the ... claim is and the grounds upon which it rests." *Bell Atlantic Corp. v. Twombly,* 550 U.S. 544, 555 (2007) (citation omitted). A court may dismiss a complaint pursuant to Rule 12(b)(6) when, on the basis of a dispositive issue of law, no construction of the factual allegations will support the cause of action. As the Supreme Court recently clarified, to survive a motion to dismiss under Rule 12(b)(6), a plaintiff's "factual allegations must be enough to raise a right to relief above the speculative level." *Id.* at 556 (citation omitted).

In ruling on a motion to dismiss, "conclusory allegations, unwarranted factual deductions or legal conclusions masquerading as facts will not prevent dismissal." *Davila v. Delta Air Lines, Inc.,* 326 F.3d 1183, 1185 (11th Cir. 2003). Although the Court must accept all well-pled allegations of fact as true when considering a motion to dismiss, the Court need not draw inferences that are unsupported or accept unwarranted deductions of fact as true. *See Aldana v. Del Monte Fresh Produce, N.A., Inc.,* 416 F. 3d 1242, 1248-49 (11th Cir. 2005); *Cooper v. Centric Group, LLC,* No. 3:10CV849J32MCR, 2011 WL 1364061, at *1-2 (M.D. Fla. April 11, 2011). Dismissal is warranted if, assuming the truth of the well-pled factual allegations, there is a dispositive legal issue that precludes relief. *Hughes v. American Tripoli, Inc.,* No. 2:04CV485FTM29DNF, 2006 WL 1529051, at *1 (M.D. Fla. May 30, 2006)(citing *Brown v. Crawford County, Ga.,* 960 F.2d 1002, 1009-10 (11th Cir. 1992). Applying these standards, dismissal is required here.

B. Qualcomm's breach of fiduciary duty claim against SKGF must be dismissed for failure to state a claim because Qualcomm has failed to sufficiently allege (1) a breach of duty, (2) proximate cause, and (3) resulting damages.

Count X for breach of fiduciary duty against SKGF must be dismissed for failure to state a claim because Qualcomm has failed to sufficiently allege breach, proximate cause, and damages. The type of claim asserted in Count X, alleging breach of fiduciary duties arising out of purported ethical obligations, is equivalent to a legal malpractice claim. *See Resolution Trust Corp. v. Holland & Knight,* 832 F.Supp. 1528, 1531 (S.D. Fla. 1993). In a legal malpractice claim, whether based on breach of fiduciary duty or negligence, courts require the plaintiff to allege and prove that the lawyer breached a duty and that the breach is the proximate cause of particular damage suffered by the plaintiff. *See* Professional Liability of Lawyers in Florida, The Florida Bar, Fourth Ed. 2006, 1-46 ("As with actions for professional negligence, an action for breach of fiduciary duty requires proof of proximate cause and injury."); *Bankers Trust Reality, Inc. v. Kluger,* 672 So. 2d 897, 898-99 (Fla. 3d DCA 1996)(dismissing counts for legal malpractice and breach of fiduciary duty because complaint failed to allege damages and a causal connection to the alleged breaches of duty); *Herbin v. Hoeffel,* 806 A.2d 186, 196 (D.C.App. 2002) (dismissing count for legal malpractice amounting to a breach of fiduciary duty, based on revealing client confidences, because plaintiff failed to allege facts supporting causation and injury); *Cecala v. Newman,* 532 F.Supp.2d 1118, 1140 (D.Ariz. 2007) ("The same standards of actual and legal causation

that govern an action for attorney negligence apply with equal force in an action for fiduciary breach").[2]

1. Breach

Qualcomm's allegations of breach of duty by SKGF rest entirely on reckless inferences and unwarranted deductions, which are insufficient to state a claim. Qualcomm alleges that SKGF breached its fiduciary duty of loyalty in two ways: (1) "by providing legal counsel to ParkerVision in preparing to file this action" [A.C. ¶182]; and (2) "when one of its partners, Robert Sterne, participated in and failed to recuse himself from ParkerVision board discussions concerning the initiation of the present litigation against Qualcomm" [A.C. ¶183]. But Qualcomm makes no factual allegations that could reasonably support such inferences. And, significantly, Qualcomm alleges no facts that would establish that SKGF's alleged conduct was not permitted by the conflict waivers contained in the parties' 2010 engagement letters referenced in paragraphs 157 and 158.[3] Of course, Qualcomm could not make such allegations because, in the 2010 engagement letters, Qualcomm explicitly agreed that SKGF could be adverse to Qualcomm in all varieties of unrelated disputes and transactions, including "patent analyses and opinions," which by definition would include SKGF analyzing patents held by another client and advising the other client whether

[2]SKGF is an intellectual property law firm headquartered in Washington D.C. [A.C. ¶3] Qualcomm is headquartered in California. [A.C. ¶1] Although there may ultimately be a choice-of-law issue in this case, it appears unnecessary for the Court to make a choice-of-law determination at this stage because Florida law, D.C. law, and California law on these issues do not appear to be materially different.

[3] Qualcomm references and quotes from the 2010 engagement letters in paragraphs 157 and 158, acknowledging that the letters include waivers of certain conflicts of interest, but fails to attach any of the 2010 engagement letters or fully describe their terms. Under these circumstances, SKGF is entitled to address the content of the 2010 engagement letters in its Motion to Dismiss, and the Court may consider the letters in ruling on the Motion to Dismiss. *See Hodge v. Orlando Util. Com'n,* 2009 WL 5067758, *3 (M.D. Fla. Dec. 15, 2009); *Day v. Taylor,* 400 F.3d 1272, 1276 (11th Cir. 2005).

Qualcomm's products infringed the other client's patent. *See* **Exhibit A**, an example of the 2010 engagement letters (redacted per Qualcomm's request).

As it admits in paragraph 178, Qualcomm is ***inferring*** that SKGF committed these purported acts of breach based solely on (a) SKGF's "refusal to respond" to all of Qualcomm's questions about whether SKGF had assisted ParkerVision in preparing to file this action, coupled with (b) Jeffrey "Parker's comments at the July 21 conference call [with investors] and the inherent technical complexity of the seven Patents-in-Suit." The fact that SKGF did not respond to Qualcomm's questions about the specifics of what services it had provided to another client [A.C. ¶¶165-169] – a response which would breach SKGF's confidentiality obligations under the applicable ethical rules -- does not support the inference that SKGF improperly assisted ParkerVision in suing Qualcomm. Such an inference is particularly unreasonable given the fact that SKGF responded to Qualcomm's inquiries by explicitly advising Qualcomm that SKGF "will not enter its appearance or otherwise act as counsel for ParkerVision in the pending Florida matter" 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," as Qualcomm admits in paragraph 166. And SKGF's failure to immediately respond to questions about Robert Sterne's recusal from ParkerVision board discussions about the infringement does not support the inference that Mr. Sterne "participated and failed to recuse himself."[4]

[4] SKGF denies that Mr. Sterne had any involvement in the decision of ParkerVision's board to file suit against Qualcomm, and Mr. Sterne has filed a Declaration denying his involvement in opposition to Qualcomm's Motion for Preliminary Injunction. [DE 59-17]

Similarly, Qualcomm tries to stack inference upon inference from the allegations that (1) ParkerVision's CEO, Jeffrey Parker, in a conference call with investors, said that ParkerVision talked to its unnamed "legal counselors" about the infringement [A.C. ¶161], (2) "ParkerVision's website identified [SKGF] as the company's "'Patent Counsel'" [A.C. ¶162], (3) Parker mentioned SKGF as the firm involved in the procurement of the patents (not the litigation) [A.C. ¶ 163], and (4) the "technical complexity" of the Patents-in-Suit [A.C. ¶178]. None of these underlying factual allegations, even stacked one upon the other, reasonably supports the conclusion that SKGF was assisting ParkerVision with this infringement action. Qualcomm ignores other statements by Mr. Parker in the same call to the effect that SKGF was the firm that prosecuted the patents at the PTO, but that other "legal experts" had been and would be called on to prosecute the infringement action. *See* **Exhibit B,** a copy of the transcript of the July 21, 2011 special conference call held by ParkerVision, at p. 10.[5] A fair reading of Mr. Parker's statements on the July 21, 2011 call contradict rather than support any inference that SKGF assisted ParkerVision in filing the infringement suit against Qualcomm.

In evaluating the sufficiency of claims for relief, the Court must make reasonable inferences in the plaintiff's favor, "but [is] not required to draw plaintiff's inference." *Aldana*, 416 F. 3d at 1248-49. And unwarranted deductions of fact are not deemed true on a motion to dismiss. *Id.* (rejecting plaintiff's deduction that police had certain knowledge and

[5] Qualcomm references and discusses the July 21, 2011 special conference call in its Amended Counterclaim (¶¶161-163, 178), but failed to attach it as an exhibit despite that it is central to its purported claim. Thus, the Court may consider the transcript in ruling on SKGF's Motion to Dismiss. *See Hodge,* 2009 WL 5067758 at *3; *Day,* 400 F.3d at 1276.

intent because allegations provided insufficient factual basis to make that inference)*; Cooper,* 2011 WL 1364061, at *1-2(dismissing claims because factual allegations did not give rise to a reasonable inference that defendant was liable for misconduct). Here, Qualcomm's allegations of breach are based on pure speculation and unwarranted inferences, and are therefore legally insufficient.

2. Proximate Cause and Damages

Additionally, at the motion to dismiss stage, conclusory allegations of causation and damage are insufficient; the plaintiff must "link up the breach of duty to the loss he claims to have sustained." *Herbin,* 806 A.2d at 196. To establish proximate cause, the plaintiff must show that "but for" the lawyer's breach of duty, the plaintiff would not have suffered the particular damages claimed. *See Kirkland & Ellis v. CMI Corp.,* No. 95C7457, 1996 WL 559951, at *10 (N.D.Ill. Sept. 30, 1996) (dismissing breach of fiduciary duty claim because plaintiff could not show proximate causation, i.e., that "but for" the lawyers' alleged conduct, plaintiff would not have incurred the alleged damages); *Olmstead v. Emmanuel,* 783 So. 2d 1122, 1125 and 1128 (Fla. 1st DCA 2001) (dismissing legal malpractice claim with prejudice because plaintiff could not establish that, "but for" the lawyer's negligence, the plaintiff would have prevailed on the underlying claim).

And to properly plead damages, the plaintiff must allege that he has suffered an ***actual injury stemming from the lawyer's alleged misconduct***. *See Loftin v. KPMG LLP,* No. 0281166CIV, 2003 WL 22225621, at *7-8 (S.D. Fla. Sept. 10, 2003); *Sentinel Products Corp. v. Platt,* No. CIVA9811143GAO, 2002 WL 1613713, at *2 (D. Mass. July 22, 2002) (to sue attorney for breach of fiduciary duty, the client must be able to prove that the breach

caused him some specific harm); *Bankers Trust Reality, Inc.,* 672 So. 2d at 898-99; *Herbin,* 806 A.2d at 196.

Qualcomm has wholly failed to allege "but for" causation. Nor has it adequately pled an actual injury resulting from SKGF's alleged breaches of duty. Qualcomm alleges that SKGF breached its fiduciary duty of loyalty to Qualcomm in two specific ways: (1) "by providing legal counsel to ParkerVision in preparing to file this action;" and (2) "when one of its partners, Robert Sterne, participated in and failed to recuse himself from ParkerVision board discussions concerning the initiation of the present litigation against Qualcomm." [A.C. ¶¶182-183] Qualcomm claims that it has been damaged as a result of these two alleged breaches in three ways: (1) by "being required to defend against [ParkerVision's infringement] lawsuit;" (2) "by losing the value of the opinion work that [SKGF] performed on the two matters that were still ongoing at the time the Complaint was filed;" and (3) "through the payment of fees to [SKGF] during the period when [SKGF] was assisting ParkerVision in its action against Qualcomm." [A.C. ¶¶ 184-186].

As to proximate causation, Qualcomm has not alleged that, "but for" SKGF's conduct – in allegedly helping ParkerVision prepare to file its infringement suit and allowing a SKGF partner to participate in ParkerVision board discussions about filing suit -- Qualcomm would not have suffered the alleged harm of being required to defend against the infringement suit.[6]

[6] At most, Qualcomm has alleged that SKGF lawyers breached ethical duties to Qualcomm. However, an alleged ethical violation, without a showing of damages proximately caused by the violation, is not actionable. *See Sentinel*, 2002 WL 1613713 at * at 2-4 (finding that lawyers' fiduciary duties require avoiding conflicts of interest, however, to be actionable conflicts must be the proximate cause of injury).

Moreover, SKGF denies that any of its lawyers committed ethical violations and is prepared to defend those allegations in the appropriate forum. While Qualcomm purports to paraphrase from the 2010 engagement and waiver letters [A.C. ¶¶ 157-158], it is telling that Qualcomm fails to attach them as exhibits. Those letters show

Specifically, nowhere has Qualcomm alleged that but for these actions, ParkerVision would not have filed suit to protect its patents from infringement.

SKGF did not file the infringement suit on behalf of ParkerVision. ParkerVision's counsel of record who filed the Complaint is Smith, Hulsey & Busey ("Smith Hulsey") and Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A. ("Allen Dyer").[7] Both Ava K. Doppelt, Esq. and Brian R. Gilchrist, Esq., the Allen Dyer attorneys who have appeared as counsel for ParkerVision, are Board Certified by the Florida Bar in intellectual property law. These other law firms and attorneys representing ParkerVision in the litigation obviously evaluated ParkerVision's claims and determined that ParkerVision had a good faith basis to sue Qualcomm for patent infringement. *See* Rule 11, Fed. R. Civ. P.[8] Thus, it is impossible for Qualcomm to allege that it would not have been sued for infringement "but for" SKGF's alleged pre-litigation involvement. *See Sentinel,* 2002 WL 1613713 at *4 (finding that causation was not established where plaintiff did not demonstrate that result would have been different if it had been represented by a different, conflict-free attorney).

Even if Qualcomm's unwarranted inference that "Robert Sterne participated in and failed to recuse himself from ParkerVision board discussions concerning the initiation of the present litigation against Qualcomm" [A.C. ¶183] constituted a sufficient allegation of

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the full scope of the conflict-waivers agreed to by Qualcomm, while represented by its in-house counsel, and they eliminate any basis for the alleged ethical violations.

[7] A third firm, McKool Smith, P.C., has also now appeared as counsel of record for ParkerVision.

[8] Rule 11 of the Federal Rules of Civil Procedure "imposes a duty on attorneys to certify that they have conducted a reasonable inquiry and have determined that any papers filed with the court are well grounded in fact, legally tenable, and 'not interposed for any improper purpose.'" *Hoffman-La Roche, Inc. v. Invamed, Inc.*, 213 F.3d 1359, 1363 (Fed. Cir. 2000)(internal citation omitted)(discussing reasonableness of inquiry made by plaintiff's attorneys before filing patent infringement action); *Cambridge Prods. Ltd. v. Penn Nutrients Inc.* 962 F.2d 1048 (Fed. Cir. 1992) (same).

breach, Qualcomm has failed to allege that, but for Mr. Sterne's purported participation in the board discussions, the numerous other board members would not have voted to protect ParkerVision's patent rights against infringement by Qualcomm.

Qualcomm has similarly failed to allege that, but for SKGF purportedly assisting ParkerVision in filing this infringement suit, and but for Mr. Sterne's involvement in board meetings, ParkerVision would not have lost the value of the opinion work SKGF was performing. It was not SKGF or Mr. Sterne's conduct that caused SKGF to withdraw from any ongoing opinion work for Qualcomm. The fact that Qualcomm sued SKGF in this litigation was what forced SKGF to withdraw. [A.C. ¶¶173, 174]. Qualcomm may argue that it was SKGF's purported breaches of duty that caused it to be sued in this litigation, and ultimately caused it to withdraw from ongoing opinion work for Qualcomm. But this argument is fatally flawed because, even if Qualcomm had not sued SKGF for breach of fiduciary duty or breach of contract, SKGF would have had to withdraw in light of the serious allegations in Qualcomm's publicly filed Counterclaim that SKGF engaged in inequitable conduct before the PTO and essentially committed a fraud on the PTO to procure the patents at issue for ParkerVision. These types of allegations by a client against its lawyers create a conflict of interest requiring withdrawal. *See* D.C. R. Prof'l Conduct, Rules 4-1.16(a)(1) and 4-1.7(a)(4).

Likewise, Qualcomm has failed to sufficiently allege damages stemming from SKGF's or Mr. Sterne's alleged misconduct. Qualcomm's allegation that it has been damaged by having to defend the infringement suit is insufficient and premature because, until there is a resolution of the infringement claims, it is impossible to say that Qualcomm

has actually suffered damage as a result of SKGF's alleged breaches of duty. *See Loftin,* 2003 WL 22225621, at *7-8 (dismissing breach of fiduciary duty claim against former lawyers and accountants, and finding that plaintiff failed to allege an actual injury in connection with IRS dispute because, until dispute is resolved, it is impossible to determine whether plaintiff has actually been injured by defendants' alleged misconduct or whether plaintiff will ultimately have to pay back-taxes, simply because he owed them); *Kirkland & Ellis,* 1996 WL 559951, at *9 (in suit alleging that lawyers' malpractice and breach of fiduciary duty in client's underlying infringement suit caused client to suffer damages in form of lost judgments and lost settlement proceeds, finding that "entire issue of damages was mooted" by the later invalidation of client's patents through no fault of the lawyers). If Qualcomm is ultimately found liable for infringing the patents at issue, Qualcomm cannot claim that it has been "damaged" by having to defend the infringement suit. And Qualcomm certainly cannot allege that SKGF caused Qualcomm to infringe.[9] Thus, until the patent infringement claims are resolved, Qualcomm's allegation that it has been damaged by having to defend the infringement suit is premature and insufficient to state a claim for breach of fiduciary duty.

Qualcomm's claim that it lost the value of SKGF's opinion work because it "will need to retain replacement counsel to complete, or possibly, restart, the opinion work left unfinished by SKGF" [A.C. ¶185], is also too speculative and remote to state a claim. "[S]peculative harm or the risk of future harm – not yet realized- does not suffice" to

[9]Even if Qualcomm ultimately prevails on its defense that it does not infringe or that the patents are invalid, Qualcomm cannot show that SKGF's alleged ethical violations are the "but for" cause of Qualcomm having to defend the action. As discussed above, the infringement action was not brought by SKGF, but by the Smith Hulsey and Allen Dyer law firms.

establish a cause of action for malpractice. *Alhino v. Starr,* 112 Cal.App.3d 158, 175-67 (Cal. App. 1980); *see also Hold v. Manzini,* 736 So. 2d 138, 142 (Fla. 3d DCA 1999). And Qualcomm has failed to allege any *facts* that would show that Qualcomm did not receive fair value from the work performed by SKGF, or that replacement counsel will need to correct or redo any work SKGF performed on the matters in question. The mere fact that SKGF withdrew from its representation of Qualcomm does not support the conclusion that Qualcomm has lost the value of SKGF's earlier legal work. If lost value could be presumed whenever a lawyer withdrew or was fired from a matter, even in the absence of malpractice, the client would always have a claim for damages against the lawyer. That is not the law.

Finally, there is no factual support in Count X for the allegation that Qualcomm was "injured through the payment of fees to [SKGF] during the period when [SKGF] was assisting ParkerVision in its action against Qualcomm." [A.C. ¶186] This, again, would require the Court to draw inference upon inference with no reasonable factual basis in Qualcomm's claims. And Qualcomm cannot bootstrap a damage theory for this claim with its related request for disgorgement, because disgorgement is an equitable remedy that requires different elements of proof as discussed in Section C below. Accordingly, Count X must be dismissed for failure to state a claim.

C. Qualcomm's breach of fiduciary duty claim against SKGF must be dismissed because it improperly commingles claims for compensatory damages and disgorgement, which require different elements of proof.

In addition to failing to sufficiently allege the elements of breach of fiduciary duty required to recover compensatory damages, Qualcomm has also improperly commingled that claim with its claim for equitable disgorgement of attorney's fees in Count X, in violation of

Rule 10(b), Federal Rules of Civil Procedure. For clarity, Rule 10(b) requires that each claim must be stated in a separate count. And the Court can dismiss claims that are improperly combined in one count. *See Perez v. Radioshack Corp.,* 2002 WL 1335158, * 2 (S.D. Fla. April 23, 2002)(dismissing counts which combined various theories of recovery that required different elements of proof and different defenses); *Hughes,* 2006 WL 1529051, at *2 (finding that complaint violated Rule 10(b) where failure to warn count improperly commingled strict liability claim).

Although a request for equitable relief can sometimes be made in the same count as a request for compensatory damages, the requests cannot be properly combined into a single count here because a claim for a lawyer's breach of fiduciary duty seeking compensatory damages requires different elements of proof and different defenses than a claim for disgorgement of attorney's fees. To succeed on the former claim, the plaintiff must allege and prove that the lawyer breached a duty, and that the breach is the proximate cause of particular damage suffered by the plaintiff. *See* Professional Liability of Lawyers in Florida, The Florida Bar, Fourth Ed. 2006, 1-46 ("As with actions for professional negligence, an action for breach of fiduciary duty requires proof of proximate cause and injury."); *Bankers Trust Reality, Inc.,* 672 So. 2d at 898-99 (dismissing counts for legal malpractice and breach of fiduciary duty because complaint failed to allege damages and causal connection to the alleged breaches of duty).

As to the latter, disgorgement of legal fees is an equitable remedy that is available when a lawyer engages in a "clear and serious violation of duty to a client." *Bode & Grenier, L.L.P. v. Knight,* 2011 WL 5114829, *6-7 (D. D.C. Sept. 20, 2011)(quoting Restatement

(Third) of the Law Governing Lawyers §37); *see also Searcy, Denney, Scarola, Barnhardt & Shipley, P.A. v. Scheller,* 629 So.2d 947, 952-53 (Fla. 4th DCA 1993). Although disgorgement is an "extraordinary remedy," if a clear and serious violation of duty can be established, the client is not required to prove that the breach caused them actual injury. *See id.* And allowing Qualcomm to combine a request for disgorgement with the other alleged damages in Count X would be particularly unfair here, where the compensatory damages are clearly precluded and the combination is an apparent and inappropriate attempt to salvage claims that SKGF showed to be meritless in its initial Motion to Dismiss. Accordingly, Count X should be dismissed for improperly combining claims under Rule 10(b).

D. Alternatively, if the Court does not dismiss Qualcomm's breach of fiduciary duty claim entirely, the Court should strike Qualcomm's allegations of damages that are not available as a matter of law or unsupported by the factual allegations.

If the Court declines to dismiss Count X in its entirety, SKGF moves, in the alternative, to strike each of Qualcomm's allegations of damages that is unsupported by the factual allegations or unavailable as a matter of law pursuant to Rule 12(f), Federal Rules of Civil Procedure. The purpose of a motion to strike under Rule 12(f) is "to clean up the pleadings, streamline litigation, and avoid unnecessary forays into immaterial matters." *Slone v. Judd,* No. 8:09CV1175T27TGW, 2009 WL 5214984, at *1 (M.D. Fla. Dec. 29, 2009) (citations omitted). Under Rule 12(f), the Court has discretion to strike impertinent or unsupported demands for damages. *See id.* at *1-2 (granting defendant's motion to strike plaintiff's demands for punitive damages and loss of companionship); *Parsons v. Okaloosa County School Dist.,* No. 3:09CV254/WS/EMT, 2010 WL 1753152, *2-3 (N.D. Fla. March 30, 2010) (striking demand for punitive damages).

In Count X, Qualcomm alleges that it has been damaged in the following ways: (1) by "being required to defend against [ParkerVision's infringement] lawsuit;" (2) "by losing the value of the opinion work that [SKGF] performed on the two matters that were still ongoing at the time the Complaint was filed;" and (3) "through the payment of fees to [SKGF] during the period when [SKGF] was assisting ParkerVision in its action against Qualcomm." [A.C. ¶¶ 184-186; *see also* Prayer For Relief ¶¶ C and D]. For the reasons set forth in Section B.2., all three of Qualcomm's allegations of damage are unsupported and/or unavailable as a matter of law. If the Court finds any of them viable, SKGF requests that the Court strike the other allegations and corresponding paragraphs of Qualcomm's Prayer for Relief.

E. Qualcomm's breach of contract claim against SKGF must be dismissed for failure to state a claim because Qualcomm has not sufficiently alleged (1) breach, (2) causation, and (3) resulting damages.

Count XII for breach of contract against SKGF must be dismissed for the same reasons as Count X; it fails to state a claim because Qualcomm has failed to sufficiently allege breach, causation, and damages. *See Sentinel,* 2002 WL 1613713, at *3-4; *Vega v. T-Mobile USA, Inc.,* 564 F.3d 1256, 1272 (11th Cir. 2009)(applying Florida law); *Jia Di Feng v. See-Lee Lim,* 786 F.Supp.2d 96, 104-05 (D.D.C. 2011)(applying D.C. law); *Parrish v. National Football League Players Assoc.,* No. C0700943WHA, 2007 WL 3456988, at *2 (N.D.Cal. November 14, 2007)(applying California law).

1. Breach

In Count XII, Qualcomm alleges that SKGF materially breached a January 12, 1999

letter agreement[10] among SKGF, Qualcomm, and ParkerVision "by representing ParkerVision and participating on behalf of ParkerVision in litigation against Qualcomm" [A.C. ¶198], and through SKGF's "continued representation of ParkerVision and participation on behalf of ParkerVision in connection with this litigation" [A.C. ¶199]. Qualcomm alleges that, in the 1999 letter agreement, SKGF agreed that it would not participate in litigation against Qualcomm, at least as long as SKFG continued to represent Qualcomm. [A.C. ¶154] As with its allegations of breach in Count X, Qualcomm's allegations of SKGF's purported breaches of the 1999 letter agreement are based entirely on the same unsupported inferences and speculation. Qualcomm alleges no facts that would reasonably support the inference that SKGF is representing and participating on behalf of ParkerVision in this litigation, especially in light of SKGF's explicit representation, set forth in paragraph 166, that it is not and will not do so. Moreover, Qualcomm's allegation in Count XII that SKGF participated in the litigation on behalf of ParkerVision [A.C. ¶¶198-199] is not only factually inaccurate and unsupported, but is contradicted by Qualcomm's allegations in Count X that SKGF was merely involved in pre-litigation activities. [See A.C. ¶182].

The Court need not accept unreasonable inferences or unwarranted deductions on a motion to dismiss. *See Aldana,* 416 F. 3d at 1248-49 (rejecting plaintiff's deduction that police had certain knowledge and intent because allegations provided insufficient factual basis to make that inference)*; Cooper,* 2011 WL 1364061, at *1-2 (dismissing claims because factual allegations did not give rise to a reasonable inference that defendant was

[10] Qualcomm does not attach the letter agreement sued upon as an exhibit to its Amended Counterclaim.

liable for misconduct). Qualcomm's allegations of breach are based on pure speculation and unwarranted inferences and are therefore legally insufficient.

2. Causation and Damages.

As to causation and damages, Qualcomm alleges that it "suffered injury as a proximate result of [SKGF's] breach of contract: (1) by "being required to defend against [ParkerVision's infringement] lawsuit;" (2) "by losing the value of the opinion work that [SKGF] performed on the two matters that were still ongoing at the time the Complaint was filed;" and (3) "through the payment of fees to [SKGF] during the period when [SKGF] was assisting ParkerVision in its action against Qualcomm." [A.C. ¶¶200-202]. These are the very same damages that Qualcomm claims it suffered as a result of SKGF's purported breach of fiduciary duty.

Count XII is insufficient to state a claim because Qualcomm has not alleged that SKGF's alleged breaches of contract – purportedly representing and participating on behalf of ParkerVision in litigation against Qualcomm -- caused Qualcomm to suffer the "harm" of being required to defend against the infringement suit, the loss of the value of SKGF's opinion work, and the harm of having paid SKGF fees when SKGF was purportedly assisting ParkerVision in this action. SKGF incorporates the same arguments set forth in detail in section B.2. above. In short, Qualcomm has not alleged "but for" causation -- that SKGF is the cause of the infringement suit, because two other law firms, not SKGF, brought the infringement suit. And Qualcomm's allegation that it has been damaged by having to defend the infringement suit is insufficient and premature because, until the infringement claims are

resolved, it is impossible to say that Qualcomm has actually suffered damage as a result of SKGF's alleged breaches of contract.

In addition, Qualcomm's allegations show that it was Qualcomm's conduct in suing SKGF in this litigation that caused SKGF to withdraw from any ongoing opinion work, not SKGF's purported breaches of any agreement. And Qualcomm's prediction that it will suffer future harm because it will need to hire replacement counsel to re-do SKGF's work on the opinion matters is also too speculative and remote to state a claim for damages.

Finally, while disgorgement of fees can potentially be a remedy for a clear and serious breach of a lawyer's ethical duties, disgorgement is not a remedy for breach of contract. *See Proudfoot Consulting Co. v. Gordon,* 576 F.3d 1223, 1242 (11th Cir. 2009)(applying Florida law); *Koplowitz v. Girard*, 658 So. 2d 1183, 1184 (Fla. 4th DCA 1995) ("The goal of an award of damages in a breach of contract action is 'to restore the injured party to the condition which he would have been in had the contract been performed…A party can neither receive more than it bargained for nor should it be put in a better position that it would have been in had the contract been properly performed.'" (citing *Campbell v. Rawls*, 381 So. 2d 744, 746 (Fla. 1st DCA 1980), cited with approval in *Grossman Holdings, Ltd. v. Hourihan*, 414 So. 2d 1037, 1039 (Fla. 1982)). And disgorgement would be particularly inappropriate where, as here, the agreement that was purportedly breached is <u>not</u> a fee agreement, but a conflict waiver agreement allowing the law firm to represent another party in negotiations adverse to the former client who is seeking the return of fees. [See A.C. ¶¶151-154] Here, Qualcomm seeks the return of legal fees that it paid SKGF in 2010 and 2011 on unrelated opinion engagements as a remedy for

SKGF's alleged breach of a 1999 conflict waiver agreement in which Qualcomm agreed that SKGF could represent ParkerVision adverse to Qualcomm in licensing negotiations. [A.C. ¶202] Qualcomm does not (and could not) allege that it paid fees to SKGF in connection with the 1999 conflict waiver agreement, and there is no connection between the fees it seeks to recover and the agreement in question. Accordingly, Count XII must be dismissed for failure to state a claim because it fails to sufficiently allege breach, causation, and damages.

E. Alternatively, if the Court does not dismiss Qualcomm's breach of contract claim entirely, the Court should strike Qualcomm's claims for damages that are not available as a matter of law or unsupported by the factual allegations.

If the Court declines to dismiss Count XII in its entirety, SKGF moves, in the alternative, to strike each of Qualcomm's allegations of damages that is unsupported by the factual allegations or unavailable as a matter of law pursuant to Rule 12(f), Federal Rules of Civil Procedure. SKGF incorporates the same arguments made in Section D with regard to the Court's ability to strike improper or unsupported damages claims, and the arguments in Section D.2. above regarding the inadequacy of Qualcomm's allegations of damage relating to its breach of contract claim.

F. If Qualcomm is attempting to name SKGF as a party to its declaratory relief claims relating to the Patents-in-Suit, those claims must be dismissed because SKGF is not a proper party to such claims, inequitable conduct is not a basis for an affirmative claim, and Qualcomm has failed to plead the claims with sufficient particularity.

Counts I through IX of Qualcomm's Amended Counterclaim are claims for declaratory relief that seek declarations that the Patents-in-Suit are either unenforceable, invalid, or not infringed by Qualcomm. It does not appear that Qualcomm is naming SKGF as a party to its declaratory relief claims because SKGF is not specifically mentioned.

However, because Qualcomm has pled its claims in a confusing and unclear manner, including vague references to misconduct by the "Applicants" (a term that could potentially include SKGF), SKGF moves to dismiss Counts I through IX to the extent that Qualcomm intended to name SKGF as a party.

First, SKGF is not a proper party to the declaratory relief claims because it has no interest in the Patents-in-Suit. *See Newmatic Sound Systems, Inc. v. Magnacoustics, Inc.,* No. C1000129JSW, 2010 WL 1691862, at *3 (N.D. Cal. April 23, 2010) (in declaratory relief claim for patent non-infringement, invalidity, or unenforceability, court must dismiss claims where the party sued is neither the patent owner or the exclusive licensee of the patent owner). Second, Counts I through VII are based on alleged "inequitable conduct." Inequitable conduct is an equitable defense to patent infringement; it is not a basis for an affirmative claim for damages. *See Dow Chemical Co. v. Exxon Corp.,* 139 F.3d 1471, 1478 (Fed. Cir. 1998). Third, if Qualcomm intended to name SKGF as a party, Counts I through IX are so vague that SKGF cannot adequately respond them. *See* Rules 8(a), and 10(b), Fed.R.Civ.P.

G. Alternatively, Qualcomm's claims against SKGF should be abated or stayed until the underlying patent infringement claims are resolved because its claims against SKGF have not accrued.

If Qualcomm's claims against SKGF are not dismissed on the grounds set forth above, the claims should be abated or stayed until the underlying patent infringement proceeding is concluded because Qualcomm's claims against SKGF are premature. *See Blumberg v. USAA Cas. Ins. Co.,* 790 So. 2d 1061, 1065 (Fla. 2001). A malpractice claim, like that alleged against SKGF in Count X, accrues when the client incurs damages at the

conclusion of the related or underlying judicial proceedings. *Id.* Redressable harm for legal malpractice cannot be established until an adverse judgment has been rendered against the client. *Hold,* 736 So. 2d at 142. Until that time, the claim is "hypothetical and damages are speculative." *Id.*

In this case, the underlying patent infringement suit against Qualcomm has just begun. Any purported damage to Qualcomm is purely speculative. The fact that Qualcomm is incurring attorney's fees or other expenses in defending the infringement claims is not sufficient to establish redressable harm for purposes of its claims against SKGF. *See Bierman v. Miller,* 639 So. 2d 627, 628 (Fla. 3d DCA 1994).

Likewise, Qualcomm's claim that it has lost the value of SKGF's opinion work because it "will need" to retain replacement counsel to finish, or possibly restart, the opinion work SKGF was doing is a premature, speculative claim for potential future damages. *See Hold,* 736 So. 2d at 142. Thus, Qualcomm's malpractice claim is premature and should be abated or stayed until the underlying infringement suit is concluded or Qualcomm can otherwise demonstrate actual redressable harm caused by SKGF.

For the same reasons, Qualcomm lacks redressable damages on its breach of contract claim against SKGF, Count XII. Accordingly, Count XII is also premature and should be abated or stayed.

III. Conclusion

For the foregoing reasons, SKGF respectfully requests that the Court grant its motion to dismiss each of Qualcomm's claims against SKGF for failure to state a claim or, alternatively, grant its motion to strike Qualcomm's improper claims for damages from

Counts X and XII. Alternatively, if the claims against SKGF are not dismissed, SKGF requests that the Court abate or stay all claims against SKGF until the underlying patent infringement claims are resolved.

Dated: January 6, 2012 By: s/ David M. Wells

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CERTIFICATE OF SERVICE (Documents filed via CM/ECF)

I hereby certify that on the 6th day of January, 2012, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

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ELECTRONIC MAIL SERVICE LIST
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