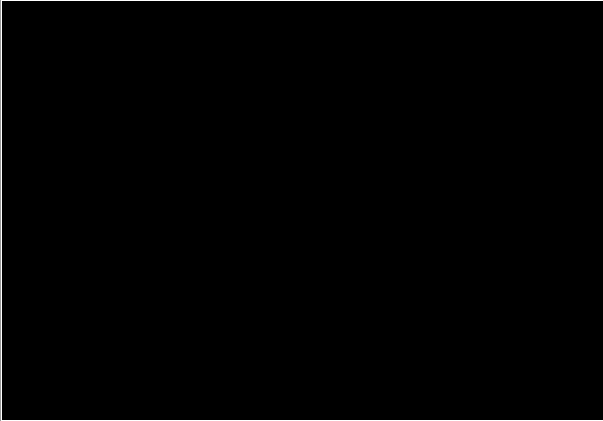



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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

 Individually and on behalf of all others similarly situated,

Plaintiff,

v.


QUALCOMM INCORPORATED,
STEVE MOLLENKOPF, PAUL E. JACOBS, GEORGE S. DAVIS, and WILLIAM KEITEL,

Defendants.

Case No: '17CV121 JAH WVG

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff  (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, inter alia, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings,

1 wire and press releases published by and regarding Qualcomm Incorporated
2 (“Qualcomm” or the “Company”), analysts’ reports and advisories about the
3 Company, and information readily obtainable on the Internet. Plaintiff believes that
4 substantial evidentiary support will exist for the allegations set forth herein after a
5 reasonable opportunity for discovery.

6 **NATURE OF THE ACTION**

7 1. This is a federal securities class action on behalf of a class consisting of
8 all persons other than Defendants who purchased or otherwise acquired Qualcomm
9 securities between February 1, 2012 and January 17, 2017, both dates inclusive (the
10 “Class Period”). Plaintiff seeks to recover compensable damages caused by
11 Defendants’ violations of the federal securities laws and to pursue remedies under
12 Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange
13 Act”) and Rule 10b-5 promulgated thereunder.

14 **JURISDICTION AND VENUE**

15 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)
16 of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated
17 thereunder by the SEC (17 C.F.R. §240.10b-5).

18 3. This Court has jurisdiction over the subject matter of this action under
19 28 U.S.C. §1331 and §27 of the Exchange Act.

20 4. Venue is proper in this District pursuant to §27 of the Exchange Act (15
21 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Defendants conduct business and maintains
22 its headquarters in this district, and a significant portion of the Defendants’ actions,
23 and the subsequent damages, took place within this District.

24 5. In connection with the acts, conduct and other wrongs alleged in this
25 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of
26 interstate commerce, including but not limited to, the United States mail, interstate
27 telephone communications and the facilities of the national securities exchange.

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PARTIES

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2 6. Plaintiff, as set forth in the accompanying Certification, purchased
3 Qualcomm securities at artificially inflated prices during the Class Period and was
4 damaged upon the revelation of the alleged corrective disclosures.

5 7. Defendant Qualcomm develops, designs, manufactures, and markets
6 worldwide digital communications products and services. Qualcomm is a corporation
7 incorporated in Delaware with principle executive offices at 5775 Morehouse Drive,
8 San Diego, California. Qualcomm securities are traded on NASDAQ under the ticker
9 symbol “QCOM.”

10 8. Defendant Steve Mollenkopf (“Mollenkopf”) has been the Chief
11 Executive Officer (“CEO”) and a director of Qualcomm since March 2014.

12 9. Defendant Paul E. Jacobs (“Jacobs”) was the CEO of Qualcomm from
13 July 2005 to March 2014 when he was appointed and is currently the Executive
14 Chairman of Qualcomm. He was appointed as Chairman of the Board of Qualcomm
15 in 2009.

16 10. Defendant George S. Davis (“Davis”) has been the Chief Financial
17 Officer (“CFO”) Qualcomm since March 11, 2013.

18 11. Defendant William Keitel (“Keitel”) was Qualcomm’s CFO from the
19 beginning of the Class Period until March 11, 2013.

20 12. Defendants Mollenkopf, Jacobs, Davis, and Keitel are sometimes
21 referred to herein as the “Individual Defendants.”

22 13. Each of the Individual Defendants:

- 23 (a) directly participated in the management of the Company;
- 24 (b) was directly involved in the day-to-day operations of the Company at the
25 highest levels;
- 26 (c) was privy to confidential proprietary information concerning the
27 Company and its business and operations;

- 1 (d) was directly or indirectly involved in drafting, producing, reviewing
2 and/or disseminating the false and misleading statements and
3 information alleged herein;
- 4 (e) was directly or indirectly involved in the oversight or implementation of
5 the Company's internal controls;
- 6 (f) was aware of or recklessly disregarded the fact that the false and
7 misleading statements were being issued concerning the Company;
8 and/or
- 9 (g) approved or ratified these statements in violation of the federal securities
10 laws.

11 14. The Company is liable for the acts of the Individual Defendants and its
12 employees under the doctrine of *respondeat superior* and common law principles of
13 agency because all of the wrongful acts complained of herein were carried out within
14 the scope of their employment.

15 15. The scienter of the Individual Defendants and other employees and
16 agents of the Company is similarly imputed to the Company under *respondeat*
17 *superior* and agency principles.

18 16. The Company and the Individual Defendants are referred to herein,
19 collectively, as the "Defendants."

20 SUBSTANTIVE ALLEGATIONS

21 Background

22 17. Qualcomm sells its cellular baseband processors through its business,
23 Qualcomm CDMA Technologies, also known as "QCT." To license its intellectual
24 property, Qualcomm has a business unit called Qualcomm Technology Licensing,
25 also known as "QTL."

26 18. Cell phone manufacturers, such as Apple Inc. ("Apple"), are known as
27 "original equipment manufacturers" or "OEMs."

28

1 19. Cellular communications need to be standardized in order for different
2 devices to communicate with each other. Standardization, however, provides
3 competitive risk as it would require patents covering technologies that would be
4 incorporated into the standard. This poses the possibility for opportunistic patent
5 holders to argue that the patent that they hold does not just capture the technology but
6 the standardization itself. The common practice in the industry is to require patent
7 holders to disclose their patents and commit to license standard-essential patents
8 (“SEPs”) on fair, reasonable, and non-discriminatory (“FRAND”) terms. When
9 making a FRAND commitment, the patent holder accepts that it is benefited from
10 participating in standards development and that its patented technology will be
11 incorporated into the standard, but agrees that in exchange it is not to exercise any
12 market power resulting from its patents’ incorporation into the standard.

13 **Materially False and Misleading Statements**

14 20. On February 1, 2012, the Company filed a Form 10-Q for the quarter
15 ending December 25, 2011 (the “1Q12 10-Q”) with the SEC which provided the
16 Company’s first quarter of 2012 financial results and stated that the Company’s
17 internal control over financial reporting was effective as of December 25, 2011. The
18 1Q12 10-Q was signed by Defendant Keitel. The 1Q12 10-Q also contained signed
19 certifications pursuant to Sarbanes-Oxley Act of 2002 (“SOX”) by Defendants Jacobs
20 and Keitel attesting to the accuracy of financial reporting, the disclosure of any
21 material changes to the Company’s internal controls over financial reporting and the
22 disclosure of all fraud.

23 21. The 1Q12 10-Q discussed Qualcomm’s first quarter of 2012 financial
24 results about its QCT and QTL Segments, stating in relevant part:

25
26 **QCT Segment.** QCT revenues for the first quarter of fiscal 2012 were
27 \$3.09 billion, compared to \$2.12 billion for the first quarter of fiscal
28 2011. Equipment and services revenues, mostly related to sales of MSM
and accompanying RF and PM integrated circuits, were \$3.03 billion for

1 the first quarter of fiscal 2012, compared to \$2.07 billion for the first
2 quarter of fiscal 2011. The increase in equipment and services revenues
3 resulted primarily from a \$783 million increase related to higher unit
4 shipments and a \$308 million increase related to sales of connectivity
5 products, primarily resulting from the acquisition of Atheros, partially
6 offset by a \$154 million decrease related to the net effects of changes in
7 product mix and lower average selling prices of such products.
8 Approximately 156 million MSM integrated circuits for CDMA- and
OFDMA- based wireless devices were sold during the first quarter of
fiscal 2012, compared to approximately 118 million during the first
quarter of fiscal 2011.

9 QCT earnings before taxes for the first quarter of fiscal 2012 were \$739
10 million, compared to \$640 million for the first quarter of fiscal 2011.
11 The increase in QCT earnings before taxes was primarily attributable to
12 the increase in QCT revenues, partially offset by the impact of a
13 decrease in gross margin percentage, a \$173 million increase in research
14 and development expenses and a \$42 million increase in selling, general
15 and administrative expenses. QCT operating income as a percentage of
16 revenues (operating margin percentage) was 24% in the first quarter of
17 fiscal 2012, compared to 30% in the first quarter of fiscal 2011. The
18 decrease in operating margin percentage was primarily due to a decrease
19 in gross margin percentage, partially offset by a higher increase in QCT
20 revenues relative to the increase in research and development expenses.
21 QCT gross margin percentage decreased as a result of the net effects of
22 lower average selling prices, unfavorable product mix and higher
23 product support costs, partially offset by a decrease in average unit costs.
24 Starting with acquisitions in the third quarter of fiscal 2011, expenses
25 related to the step-up of acquired inventories to fair value and
26 amortization of acquired intangible assets are not allocated to our
27 operating segments. Expenses related to acquisitions that were not
28 included in QCT's earnings before taxes were \$59 million in the first
quarter of fiscal 2012.

QCT inventories decreased by 7% to \$663 million in the first quarter of
fiscal 2012 from \$714 million at September 25, 2011 primarily due to an
increase in product shipments and a decrease in work-in-process related
to the timing of inventory receipts and builds.

1 **QTL Segment.** QTL revenues for the first quarter of fiscal 2012 were
2 \$1.44 billion, compared to \$1.06 billion for the first quarter of fiscal
3 2011. The \$383 million increase in revenues was primarily due to an
4 increase in sales of CDMA-based devices by licensees and higher
5 average royalties per unit of CDMA-based devices as well as
6 increased current period revenues from two licensees following
7 settlement of disputes in the second quarter of fiscal 2011. QTL
8 earnings before taxes for the first quarter of fiscal 2012 were \$1.27
9 billion, compared to \$892 million for the first quarter of fiscal 2011.
10 QTL operating margin percentage was 88% in the first quarter of
11 fiscal 2012, compared to 84% in the first quarter of fiscal 2011. The
12 increase in QTL operating margin percentage was attributable to the
13 36% increase in revenues relative to the 5% increase in QTL
14 operating expenses.

15 22. The 1Q12 10-Q discussed Qualcomm's licensing segment and its
16 importance to the Company, stating in relevant part:

17 QTL grants licenses or otherwise provides rights to use portions of our
18 intellectual property portfolio, which, among other rights, includes
19 certain patent rights essential to and/or useful in the manufacture and
20 sale of certain wireless products, including, without limitation, products
21 implementing cdmaOne, CDMA2000, WCDMA, CDMA TDD
22 (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards
23 and their derivatives. QTL licensing revenues are comprised of license
24 fees as well as royalties based on sales by licensees of products
25 incorporating or using our intellectual property. License fees are fixed
26 amounts paid in one or more installments. Royalties are generally based
27 upon a percentage of the wholesale (i.e., licensee's) selling price of
28 licensed products, net of certain permissible deductions (e.g., certain
shipping costs, packing costs, VAT, etc.). QTL revenues comprised 31%
and 32% of total consolidated revenues in the first quarter of
fiscal 2012 and 2011, respectively. The vast majority of such revenues
were generated through our licensees' sales of cdmaOne, CDMA2000
and WCDMA subscriber equipment products.

1 products. QCT's integrated circuit products and system software are sold
2 to or licensed to manufacturers that use our products in wireless devices,
3 particularly mobile phones, tablets, laptops, data modules, handheld
4 wireless computers and gaming devices, access points and routers, data
5 cards and infrastructure equipment, and in wired devices, particularly
6 broadband gateway equipment, desktop computers, televisions and Blu-
7 ray players. The MSM integrated circuits, which include the Mobile
8 Data Modem, Qualcomm Single Chip and Qualcomm Snapdragon
9 processor-based devices, perform the core baseband modem
10 functionality in wireless devices providing voice and data
11 communications, as well as multimedia applications and global
12 positioning functions. In addition, our Snapdragon processors provide
13 advanced application and graphics processing capabilities. QCT's
14 system software enables the other device components to interface with
15 the integrated circuit products and is the foundation software enabling
16 manufacturers to develop devices utilizing the functionality within the
17 integrated circuits. In fiscal 2012, QCT shipped approximately
18 590 million MSM integrated circuits for wireless devices worldwide as
19 compared to approximately 483 million and 399 million in
20 fiscal 2011 and 2010, respectively. QCT revenues comprised 63%, 59%
21 and 61% of total consolidated revenues in fiscal 2012, 2011 and 2010,
22 respectively.

23 * * *

24 ***The market in which our QCT segment operates is intensely***
25 ***competitive.*** QCT competes worldwide with a number of United States
26 and international designers and manufacturers of semiconductors. As a
27 result of global expansion by foreign and domestic competitors,
28 technological changes and the potential for further industry
consolidation, we anticipate the market to remain very competitive. ***We***
believe that the principal competitive factors for our products may
include performance, level of integration, quality, compliance with
industry standards, price, time-to-market, system cost, design and
engineering capabilities, new product innovation and customer
support. We also compete in both single- and dual-mode environments
against alternative communications technologies including but not
limited to, GSM/GPRS/EDGE, TDMA, TD-SCDMA and WiMAX.

1 QCT's current competitors include, but are not limited to, major
2 companies such as Broadcom, CSR plc, Freescale, HiSilicon
3 Technologies, Intel, Lantiq, Marvell Technology, MediaTek, nVidia,
4 Renesas Electronics, Spreadtrum Communications, ST-Ericsson (a joint
5 venture between Ericsson Mobile Platforms and ST-NXP Wireless),
6 Texas Instruments and VIA Telecom, as well as major communications
7 equipment companies such as Matsushita, Motorola Mobility and
8 Samsung, who design at least some of their own integrated circuits and
9 software for certain products. QCT also faces competition from some
10 early-stage companies. Our competitors devote significant amounts of
11 their financial, technical and other resources to develop and market
12 competitive products and, in some cases, to develop and adopt
13 competitive digital cellular technologies, and those efforts may
14 materially and adversely affect QCT. *Moreover, competitors may offer
15 more attractive product pricing or financing terms or have a more
16 established presence in certain device markets or emerging geographic
17 regions than we do as a means of gaining access to the market or
18 customers.*

14 * * *

15 ***QTL Segment.*** QTL grants licenses or otherwise provides rights to use
16 portions of our intellectual property portfolio, which includes certain
17 patent rights essential to and/or useful in the manufacture and sale of
18 certain wireless products, including, without limitation, products
19 implementing cdmaOne, CDMA2000, WCDMA, CDMA TDD
20 (including TD-SCDMA), GSM/GPRS/EDGE, LTE and/or WiMAX
21 standards and their derivatives. QTL licensing revenues are comprised of
22 license fees as well as royalties based on worldwide sales by licensees of
23 products incorporating or using our intellectual property. License fees
24 are fixed amounts paid in one or more installments. Royalties are
25 generally based upon a percentage of the wholesale (i.e., licensee's)
26 selling price of licensed products, net of certain permissible deductions
27 (e.g., certain shipping costs, packing costs, VAT, etc.). Revenues
28 generated from royalties are subject to quarterly and annual fluctuations.
QTL revenues comprised 33%, 36% and 33% of total consolidated
revenues in fiscal 2012, 2011 and 2010, respectively.

1 Separate and apart from licensing manufacturers of subscriber and
2 network equipment, we have entered into certain patent arrangements
3 with competitors of our QCT segment, such as Broadcom, Fujitsu,
4 MediaTek, NEC, Renesas Electronics, Texas Instruments and VIA
5 Telecom. The purpose of these arrangements is to provide our QCT
6 segment and the counterparties certain freedom of operation with respect
7 to each party's integrated circuits business. In every case, these
8 agreements expressly reserve the right for QTL to seek royalties from
9 the customers of such integrated circuit suppliers with respect to such
10 suppliers' customers' sales of CDMA-, WCDMA- and OFDMA-based
11 wireless devices into which such suppliers' integrated circuits are
12 incorporated.

13 (Emphasis added).

14 26. The 2012 10-K discussed FRAND commitments, stating in relevant
15 part:

16 **Patents, Trademarks and Trade Secrets**

17 We rely on a combination of patents, copyrights, trade secrets,
18 trademarks and proprietary information to maintain and enhance our
19 competitive position. We have an extensive portfolio of United States
20 and foreign patents, and we continue to pursue patent applications
21 around the world. Our patents have broad coverage in many countries,
22 including China, Japan, South Korea, Europe, Brazil, India, Taiwan and
23 elsewhere. A substantial portion of our patents and patent applications
24 relate to digital wireless communications technologies, including patents
25 that are essential or may be important to the commercial implementation
26 of CDMA2000, WCDMA (UMTS), TD-SCDMA, TD-CDMA and
27 OFDMA products.

28 *Standards bodies have been informed that we hold patents that might
be essential for all 3G standards that are based on CDMA. We have
committed to such standards bodies that we will offer to license our
essential patents for these CDMA standards on a fair and reasonable
basis free from unfair discrimination. We have also informed
standards bodies that we hold patents that might be essential for
certain standards that are based on OFDMA technology (e.g., 802.16e,
802.16m and LTE (including FDD and TDD versions)) and have*

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committed to offer to license our essential patents for these OFDMA standards on a fair and reasonable basis free from unfair discrimination.

(Emphasis added).

27. On November 6, 2013, the Company filed a Form 10-K for the fiscal year ended September 29, 2013 (the "2013 10-K") with the SEC which provided the Company's year-end financial results as of September 29, 2013. The 2013 10-K was signed by Defendant Jacobs and Davis. The 2013 10-K also contained SOX certifications signed by Defendants Jacobs and Davis attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal controls over financial reporting and the disclosure of all fraud.

28. The 2013 10-K discussed Qualcomm's significant customers, stating in relevant part:

Revenue Concentrations, Significant Customers and Geographical Information

* * *

A small number of customers/licensees historically have accounted for a significant portion of our consolidated revenues. In fiscal 2013, 2012 and 2011, revenues from Samsung Electronics constituted more than 10% of consolidated revenues; *in fiscal 2013 and 2012, revenues from Hon Hai Precision Industry Co., Ltd./Foxconn, its affiliates and other suppliers to Apple Inc. constituted more than 10% of consolidated revenues*; and in fiscal 2011, revenues from HTC constituted more than 10% of consolidated revenues.

(Emphasis added).

29. The 2013 10-K discussed the Company's operating segments and FRAND commitments, stating in relevant part:

1 ***QCT (Qualcomm CDMA Technologies) Segment.*** QCT is a leading
2 developer and supplier of integrated circuits and system software based
3 on CDMA, OFDMA and other technologies for use in voice and data
4 communications, networking, application processing, multimedia and
5 global positioning system products. QCT's integrated circuit products
6 and system software are sold to and/or licensed to manufacturers that use
7 our products in wireless devices, particularly mobile phones, tablets,
8 laptops, data modules, handheld wireless computers and gaming devices,
9 access points and routers, data cards and infrastructure equipment, and in
10 wired devices, particularly broadband gateway equipment, desktop
11 computers, televisions, set-top boxes and Blu-ray players. Our Mobile
12 Station Modem (MSM) integrated circuits, which include the Mobile
13 Data Modem, Qualcomm Single Chip and Qualcomm Snapdragon
14 processor devices, perform the core baseband modem functionality in
15 wireless devices providing voice and data communications, as well as
16 multimedia applications and global positioning functions. Our
17 Snapdragon processors provide advanced application and graphics
18 processing capabilities. QCT's system software enables the other device
19 components to interface with the integrated circuit products and is the
20 foundation software enabling manufacturers to develop devices utilizing
21 the functionality within our integrated circuits. Because of our
22 experience in designing and developing CDMA- and OFDMA-based
23 products, we design both the baseband integrated circuit and the
24 supporting system as well, including the RF (Radio Frequency) devices,
25 PM (Power Management) devices and accompanying software products.
26 This approach enables us to optimize the performance of the wireless
27 device with improved product features and integration with the network
28 system. We also provide support, including reference designs and tools,
to enable our customers to reduce the time required to design their
products and bring their products to market faster. We plan to add
additional features and capabilities to our integrated circuit products to
help our customers reduce the cost and size of their products, to simplify
our customers' design processes and to enable more wireless devices and
services.

* * *

QTL (Qualcomm Technology Licensing) Segment. QTL grants licenses
or otherwise provides rights to use portions of our intellectual property

1 portfolio, which, among other rights, includes certain patent rights
2 essential to and/or useful in the manufacture and sale of certain wireless
3 products, including, without limitation, products implementing
4 CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA),
5 GSM/GPRS/EDGE and/or OFDMA (including LTE) standards and their
6 derivatives. Our licensees manufacture wireless products, such as mobile
7 devices, also known as subscriber units, which include handsets, other
8 consumer devices (e.g., tablets, personal computers, e-readers, personal
9 navigation devices), machine-to-machine devices (e.g., telematics
10 devices, meter reading devices) and plug-in end user data modem cards,
11 certain embedded modules for incorporation into end user products, the
12 infrastructure equipment required to establish and operate a network, and
13 equipment to test networks and subscriber units. QTL licensing revenues
14 are comprised of license fees as well as royalties based on worldwide
15 sales by licensees of products incorporating or using our intellectual
16 property. License fees are fixed amounts paid in one or more
17 installments. Royalties are generally based upon a percentage of the
18 wholesale (i.e., licensee's) selling price of complete licensed products,
19 net of certain permissible deductions (e.g., certain shipping costs,
20 packing costs, VAT, etc.). Revenues generated from royalties are subject
21 to quarterly and annual fluctuations. The vast majority of QTL revenues
22 have been generated through our licensees' sales of CDMA2000- and
23 WCDMA-based products, such as feature phones and smartphones.

18 * * *

19 *We have licensed or otherwise provided rights to use our patented*
20 *technologies to interested companies on terms that are fair, reasonable*
21 *and non-discriminatory. Unlike some other companies in our industry*
22 *that hold back certain key technologies, we offer interested companies*
23 *essentially our entire patent portfolio for use in cellular subscriber*
24 *devices and cell site infrastructure equipment. Our strategy to make*
25 *our patented technologies broadly available has been a catalyst for*
26 *industry growth, helping to enable a wide range of companies offering*
27 *a broad array of wireless products and features while increasing the*
28 *capabilities of and/or driving down average and low-end selling prices*
for 3G handsets and other wireless devices. By licensing or otherwise
providing rights to use our patented technologies to a wide range of
equipment manufacturers, encouraging innovative applications,

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supporting equipment manufacturers with integrated chipset and software products, and focusing on improving the efficiency of the airlink for wireless operators, we have helped 3G CDMA evolve, grow and reduce device pricing all at a faster pace than the 2G technologies that preceded it (e.g., GSM).

* * *

We derive a significant portion of our consolidated revenues from a small number of customers and licensees. If revenues derived from these customers or licensees decrease or the timing of such revenues fluctuate, our operating results could be negatively affected.

Our QCT segment derives a significant portion of revenues from a small number of customers, and we may be unable to further diversify our customer base. In addition, our industry is experiencing and may continue to experience an increasing concentration of device share among a few companies, and this trend may result in an increasing portion of our revenues being derived from a small number of customers. The loss of any one of our significant customers, a reduction in the purchases of our products by such customers or cancelation of significant purchases from any of these customers would reduce our revenues and could harm our ability to achieve or sustain expected operating results, and a delay of significant purchases, even if only temporary, would reduce our revenues in the period of the delay. Further, concentration of device share among a few companies, and the corresponding purchasing power of these companies, may result in lower prices for our products which, if not accompanied by a sufficient increase in the volume of purchases of our products, could have an adverse effect on our revenues and margins. In addition, the timing and size of purchases by our significant customers may be impacted by the timing of such customers' new or next generation product introductions, over which we have little or no control, and the timing of such introductions may cause our operating results to fluctuate. Accordingly, if current industry dynamics and concentrations continue, our QCT segment's revenues will continue to depend largely upon, and be impacted by, future purchases and the timing and size of any such future purchases by these significant customers.

1 (Emphasis added).

2 30. On November 5, 2014, the Company filed a Form 10-K for the fiscal year
3 ended September 28, 2014 (the “2014 10-K”) with the SEC which provided the
4 Company’s year-end financial results as of September 28, 2014. The 2014 10-K was
5 signed by Defendant Mollenkopf and Davis. The 2014 10-K also contained SOX
6 certifications signed by Defendants Mollenkopf and Davis attesting to the accuracy of
7 financial reporting, the disclosure of any material changes to the Company’s internal
8 controls over financial reporting and the disclosure of all fraud.

9 31. The 2014 10-K discussed Qualcomm’s significant customers, stating in
10 relevant part:

11
12 **Revenue Concentrations, Significant Customers and Geographical**
13 **Information**

14 * * *

15 A small number of customers/licensees historically have accounted for a
16 significant portion of our consolidated revenues. *In*
17 *fiscal 2014, 2013 and 2012, revenues from Samsung Electronics and*
18 *Hon Hai Precision Industry Co., Ltd./Foxconn, its affiliates and other*
19 *suppliers to Apple Inc. constituted more than 10% of consolidated*
20 *revenues.*

21 (Emphasis added).

22 32. The 2014 10-K discussed the Company’s operating segments and
23 FRAND commitments, stating in relevant part:

24 ***QCT Segment.*** QCT is a leading developer and supplier of integrated
25 circuits and system software based on CDMA, OFDMA and other
26 technologies for use in voice and data communications, networking,
27 application processing, multimedia and global positioning system
28 products. QCT’s integrated circuit products are sold and its system
software is licensed to manufacturers that use our products in wireless
devices, particularly mobile phones, tablets, laptops, data modules,

1 handheld wireless computers and gaming devices, access points and
2 routers, data cards and infrastructure equipment, and in wired devices,
3 particularly broadband gateway equipment, desktop computers and
4 streaming media players. Our Mobile Station Modem (MSM) integrated
5 circuits, which include the Mobile Data Modem, Qualcomm Single Chip
6 and Qualcomm Snapdragon processors, perform the core baseband
7 modem functionality in wireless devices providing voice and data
8 communications, as well as multimedia applications and global
9 positioning functions. In addition, our Snapdragon processors provide
10 advanced application and graphics processing capabilities. Because of
11 our experience in designing and developing CDMA- and OFDMA-based
12 products, we design both the baseband integrated circuit and the
13 supporting system as well, including the RF (Radio Frequency), PM
14 (Power Management) and connectivity devices. This approach enables
15 us to optimize the performance of the wireless device with improved
16 product features and integration with the network system. Our portfolio
17 of RF products includes QFE (Qualcomm Front End) radio front end
18 components that are designed to simplify the RF design for LTE
19 multimode, multiband mobile devices, reduce power consumption and
20 improve radio performance. QCT's system software enables the other
21 device components to interface with our integrated circuit products and
22 is the foundation software enabling manufacturers to develop devices
23 utilizing the functionality within the integrated circuits. We also provide
24 support, including reference designs and tools, to enable our customers
25 to reduce the time required to design their products and bring their
26 products to market faster. We plan to add additional features and
27 capabilities to our integrated circuit products to help our customers
28 reduce the cost and size of their products, to simplify our customers'
design processes and to enable more wireless devices and services.

* * *

QCT's current competitors include, but are not limited to, companies
such as Broadcom, Ericsson, HiSilicon Technologies, Intel, Lantiq,
Marvell Technology, Maxim Integrated Products, MediaTek, nVidia,
Realtek Semiconductor, Samsung Electronics, Spreadtrum
Communications (which is controlled by Tsinghua Unigroup), Texas
Instruments and VIA Telecom. QCT also faces competition from
products internally developed by our customers, including some of our

1 largest customers, and from some early-stage companies. Our
2 competitors devote significant amounts of their financial, technical and
3 other resources to develop and market competitive products and, in some
4 cases, to develop and adopt competitive digital communication or signal
5 processing technologies, and those efforts may materially and adversely
6 affect us. Although we have attained a significant position in the
7 industry, many of our current and potential competitors may have
8 advantages over us, which include, among others: lower cost structures;
9 better known brand names; ownership and control of manufacturing
10 facilities and greater expertise in manufacturing processes; motivation
11 by our customers in certain circumstances to find alternate suppliers or
12 choose alternate technologies; foreign government support of other
13 technologies or our competitors; more extensive relationships with local
14 distribution and original equipment manufacturer companies in emerging
15 geographic regions (such as China); and/or a more established presence
16 in certain device markets.

13 ***QTL Segment.*** QTL grants licenses or otherwise provides rights to use
14 portions of our intellectual property portfolio, which, among other rights,
15 includes certain patent rights essential to and/or useful in the
16 manufacture and sale of certain wireless products, including, without
17 limitation, products implementing CDMA2000, WCDMA, CDMA TDD
18 (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA
19 (including LTE) standards and their derivatives. Our licensees
20 manufacture wireless products, such as mobile devices, also known as
21 subscriber units, which include handsets, other consumer devices (e.g.,
22 tablets, laptops, e-readers, personal navigation devices), machine-to-
23 machine devices (e.g., telematics devices, meter reading devices) and
24 plug-in end user data modem cards, certain embedded modules for
25 incorporation into end user products, the infrastructure equipment
26 required to establish and operate a network, and equipment to test
27 networks and subscriber units. QTL licensing revenues are comprised of
28 license fees as well as royalties based on worldwide sales by licensees of
products incorporating or using our intellectual property. License fees
are fixed amounts paid in one or more installments. Royalties are
generally based upon a percentage of the wholesale (i.e., licensee's)
selling price of complete licensed products, net of certain permissible
deductions (e.g., certain shipping costs, packing costs, VAT, etc.).
Revenues generated from royalties are subject to quarterly and annual

1 fluctuations. The vast majority of QTL revenues have been generated
2 through our licensees' sales of CDMA2000- and WCDMA-based
3 products, such as feature phones and smartphones.

4 * * *

5 We have licensed or otherwise provided rights to use our patents to
6 hundreds of companies on industry-accepted terms. Unlike some other
7 companies in our industry that hold back certain key technologies, *we*
8 *offer companies substantially our entire patent portfolio for use in*
9 *cellular subscriber devices and cell site infrastructure equipment. Our*
10 *strategy to make our patented technologies broadly available has been*
11 *a catalyst for industry growth, helping to enable a wide range of*
12 *companies offering a broad array of wireless products and features*
13 *while increasing the capabilities of and/or driving down average and*
14 *low-end selling prices for 3G handsets and other wireless devices.* By
15 licensing or otherwise providing rights to use our patents to a wide range
16 of equipment manufacturers, encouraging innovative applications,
17 supporting equipment manufacturers with integrated chipset and
18 software products and focusing on improving the efficiency of the
19 airlink for wireless operators, we have helped 3G CDMA evolve and
20 grow, and reduced device pricing, all at a faster pace than the 2G
21 technologies that preceded it (e.g., GSM).

22 *Standards bodies have been informed that we hold patents that might*
23 *be essential for all 3G standards that are based on CDMA. We have*
24 *committed to such standards bodies that we will offer to license our*
25 *essential patents for these CDMA standards on a fair, reasonable and*
26 *non-discriminatory basis. We have also informed standards bodies that*
27 *we hold patents that might be essential for certain standards that are*
28 *based on OFDMA technology (e.g., 802.16e, 802.16m and LTE*
(including FDD and TDD versions)) and have committed to offer to
license our essential patents for these OFDMA standards on a fair,
reasonable and non-discriminatory basis. We have made similar
commitments with respect to certain other technologies implemented in
industry standards.

Our license agreements generally provide us rights to use certain of our
licensees' technology and intellectual property to manufacture and sell

1 certain components (e.g., Application-Specific Integrated Circuits) and
2 related software, subscriber units and/or infrastructure equipment. In
3 most cases, our use of our licensees' technology and intellectual property
4 does not require us to pay royalties based on the sale of our products.
5 However, under some of the licenses, if we incorporate certain of our
6 licensees' licensed technology or intellectual property into certain of our
7 products, we are obligated to pay royalties on the sale of such products.

8 (Emphasis added).

9 33. On November 4, 2015, the Company filed a Form 10-K for the fiscal year
10 ended September 27, 2015 (the "2015 10-K") with the SEC which provided the
11 Company's year-end financial results as of September 27, 2015. The 2015 10-K was
12 signed by Defendant Mollenkopf and Davis. The 2015 10-K also contained SOX
13 certifications signed by Defendants Mollenkopf and Davis attesting to the accuracy of
14 financial reporting, the disclosure of any material changes to the Company's internal
15 controls over financial reporting and the disclosure of all fraud.

16 34. The 2015 10-K discussed Qualcomm's significant customers, stating in
17 relevant part:

18 **Revenue Concentrations, Significant Customers and Geographical**
19 **Information**

20 * * *

21 A small number of customers/licensees historically have accounted for a
22 significant portion of our consolidated revenues. *In*
23 *fiscal 2015, 2014 and 2013, revenues from Samsung Electronics and*
24 *from Hon Hai Precision Industry Co., Ltd./Foxconn, its affiliates and*
25 *other suppliers to Apple Inc. each comprised more than 10% of*
26 *consolidated revenues.*

27 (Emphasis added).

28

1 35. The 2015 10-K discussed the Company's operating segments and
2 FRAND commitments, stating in relevant part:

3 ***QCT Segment.*** QCT is a leading developer and supplier of integrated
4 circuits and system software based on CDMA, OFDMA and other
5 technologies for use in voice and data communications, networking,
6 application processing, multimedia and global positioning system
7 products. QCT's integrated circuit products are sold and its system
8 software is licensed to manufacturers that use our products in wireless
9 devices, particularly mobile phones, tablets, laptops, data modules,
10 handheld wireless computers and gaming devices, access points and
11 routers, data cards and infrastructure equipment, and in wired devices,
12 particularly broadband gateway equipment, desktop computers and
13 streaming media players. Our Mobile Station Modem (MSM) integrated
14 circuits, which include the Mobile Data Modem, Qualcomm Single Chip
15 and Qualcomm Snapdragon processors and LTE modems, perform the
16 core baseband modem functionality in wireless devices providing voice
17 and data communications, as well as multimedia applications and global
18 positioning functions. In addition, our Snapdragon processors provide
19 advanced application and graphics processing capabilities. Because of
20 our experience in designing and developing CDMA- and OFDMA-based
21 products, we design both the baseband integrated circuit and the
22 supporting system as well, including the RF (Radio Frequency), PM
23 (Power Management) and connectivity devices. This approach enables
24 us to optimize the performance of the wireless device with improved
25 product features and integration with the network system. Our portfolio
26 of RF products includes QFE (Qualcomm Front End) radio front end
27 components that are designed to simplify the RF design for LTE
28 multimode, multiband mobile devices, reduce power consumption and
improve radio performance. QCT's system software enables the other
device components to interface with the integrated circuit products and
is the foundation software enabling manufacturers to develop devices
utilizing the functionality within the integrated circuits. We also provide
support, including reference designs and tools, to enable our customers
to reduce the time required to design their products and bring their
products to market. We plan to add additional features and capabilities to
our integrated circuit products to help our customers reduce the cost and
size of their products, to simplify our customers' design processes and to
enable more wireless devices and services.

1 * * *

2
3 QCT's current competitors include, but are not limited to, companies
4 such as Airoha Technology Corp., Broadcom, Ericsson, HiSilicon
5 Technologies, Intel, Marvell Technology, Maxim Integrated Products,
6 MediaTek, Microchip Technology Inc., Nvidia, Realtek Semiconductor,
7 Samsung Electronics and Spreadtrum Communications (which is
8 controlled by Tsinghua Unigroup). QCT also faces competition from
9 products internally developed by our customers, including some of our
10 largest customers, and from some early-stage companies. Our
11 competitors devote significant amounts of their financial, technical and
12 other resources to develop and market competitive products and, in some
13 cases, to develop and adopt competitive digital communication or signal
14 processing technologies, and those efforts may materially and adversely
15 affect us. Although we have attained a significant position in the
16 industry, many of our current and potential competitors may have
17 advantages over us that include, among others: lower cost structures;
18 motivation by our customers in certain circumstances to utilize their own
19 internally-developed integrated circuit products or to find alternate
20 suppliers or choose alternate technologies; foreign government support
21 of other technologies or our competitors; better known brand names;
22 ownership and control of manufacturing facilities and greater expertise
23 in manufacturing processes; more extensive relationships with local
24 distribution companies and original equipment manufacturers in
25 emerging geographic regions (such as China); and/or a more established
26 presence in certain regions.

27
28 ***QTL Segment.*** QTL grants licenses or otherwise provides rights to use
portions of our intellectual property portfolio, which, among other rights,
include certain patent rights essential to and/or useful in the manufacture
and sale of certain wireless products, including, without limitation,
products implementing CDMA2000, WCDMA, CDMA TDD, and/or
LTE standards and their derivatives. Our licensees manufacture wireless
products, including mobile devices (also known as subscriber units,
which includes handsets), other consumer devices (e.g., tablets and
laptops), machine-to-machine devices (e.g., telematics devices, meter
reading devices) and plug-in end user data modem cards, certain
embedded modules for incorporation into end user products,

1 infrastructure equipment required to establish and operate a network and
2 equipment to test networks and subscriber units. QTL licensing revenues
3 include license fees and royalties based on sales by licensees of products
4 incorporating or using our intellectual property. License fees are fixed
5 amounts paid in one or more installments. Royalties are generally based
6 upon a percentage of the wholesale (i.e., licensee's) selling price of
7 complete licensed products, net of certain permissible deductions
8 (including transportation, insurance, packing costs and other items).
9 Revenues generated from royalties are subject to quarterly and annual
10 fluctuations. The vast majority of QTL revenues have been generated
11 through our licensees' sales of CDMA2000- and WCDMA-based
12 products, such as feature phones and smartphones. We have invested in
13 both the acquisition and development of OFDMA technology and
14 intellectual property and have generated the industry leading patent
15 portfolio applicable to LTE and LTE-Advanced. Nevertheless, we face
16 competition in the development of intellectual property for future
17 generations of digital wireless communications technologies and
18 services.

14 * * *

15 *We have licensed or otherwise provided rights to use our patents to*
16 *hundreds of companies on industry-accepted terms.* Unlike some other
17 companies in our industry that hold back certain key technologies, *we*
18 *offer companies substantially our entire patent portfolio for use in*
19 *cellular subscriber devices and cell site infrastructure equipment. Our*
20 *strategy to make our patented technologies broadly available has been*
21 *a catalyst for industry growth, helping to enable a wide range of*
22 *companies offering a broad array of wireless products and features*
23 *while increasing the capabilities of and/or driving down average and*
24 *low-end selling prices for 3G handsets and other wireless devices.* By
25 licensing or otherwise providing rights to use our patents to a wide range
26 of equipment manufacturers, encouraging innovative applications,
27 supporting equipment manufacturers with integrated chipset and
28 software products and focusing on improving the efficiency of the
airlink for wireless operators, we have helped 3G CDMA evolve and
grow and reduced device pricing, all at a faster pace than the 2G
technologies that preceded it (e.g., GSM).

1 *Standards bodies have been informed that we hold patents that might*
2 *be essential for all 3G standards that are based on CDMA. We have*
3 *committed to such standards bodies that we will offer to license our*
4 *essential patents for these CDMA standards on a fair, reasonable and*
5 *non-discriminatory basis. We have also informed standards bodies that*
6 *we hold patents that might be essential for certain standards that are*
7 *based on OFDM/OFDMA technology (e.g., 802.16e, 802.16m and*
8 *LTE, including FDD and TDD versions) and have committed to offer*
9 *to license our essential patents for these OFDMA standards on a fair,*
10 *reasonable and non-discriminatory basis. We have made similar*
11 *commitments with respect to certain other technologies implemented in*
12 *industry standards.*

13 Our license agreements generally provide us rights to use certain of our
14 licensees' technology and intellectual property to manufacture and sell
15 certain components (e.g., Application-Specific Integrated Circuits) and
16 related software, subscriber units and/or infrastructure equipment. In
17 most cases, our use of our licensees' technology and intellectual property
18 does not require us to pay royalties based on the sale of our products.

19 * * *

20 *We derive a significant portion of our consolidated revenues from a*
21 *small number of customers and licensees. If revenues derived from*
22 *these customers or licensees decrease or the timing of such revenues*
23 *fluctuates, our operating results could be negatively affected.*

24 *Our QCT segment derives a significant portion of revenues from a*
25 *small number of customers, and we expect this trend to continue in the*
26 *foreseeable future.*

27 Our industry is experiencing and may continue to experience an
28 increasing concentration of device share among a few companies,
particularly at the premium tier, contributing to this trend. In addition,
certain of our largest integrated circuit customers develop their own
integrated circuit products, which they have in the past chosen, and may
in the future, choose to utilize in their devices rather than our integrated
circuit products (and/or sell their integrated circuit products to third
parties in competition with us). The loss of any one of our significant

1 customers, a reduction in the purchases of our products by such
2 customers (due to their vertical integration strategies referenced above or
3 otherwise) or cancelation of significant purchases from any of these
4 customers would reduce our revenues and could harm our ability to
5 achieve or sustain expected operating results, and a delay of significant
6 purchases, even if only temporary, would reduce our revenues in the
7 period of the delay. Further, concentration of device share among a few
8 companies, and the corresponding purchasing power of these companies,
9 may result in lower prices for our products which, if not accompanied by
10 a sufficient increase in the volume of purchases of our products, could
11 have an adverse effect on our revenues and margins. In addition, the
12 timing and size of purchases by our significant customers may be
13 impacted by the timing of such customers' new or next generation
14 product introductions, over which we have little or no control, and the
15 timing of such introductions may cause our operating results to fluctuate.
16 Accordingly, if current industry dynamics and concentrations continue,
17 our QCT segment's revenues will continue to depend largely upon, and
18 be impacted by, future purchases and the timing and size of any such
19 future purchases by these significant customers.

20 (Emphasis added).

21 36. On November 2, 2016, the Company filed a Form 10-K for the fiscal
22 year ended September 25, 2016 (the "2016 10-K") with the SEC which provided the
23 Company's year-end financial results as of September 25, 2016. The 2016 10-K was
24 signed by Defendant Mollenkopf and Davis. The 2016 10-K also contained SOX
25 certifications signed by Defendants Mollenkopf and Davis attesting to the accuracy of
26 financial reporting, the disclosure of any material changes to the Company's internal
27 controls over financial reporting and the disclosure of all fraud.

28 37. The 2016 10-K discussed Qualcomm's significant customers, stating in
relevant part:

**Revenue Concentrations, Significant Customers and Geographical
Information**

* * *

1 A small number of customers/licensees historically have accounted for a
2 significant portion of our consolidated revenues. *In*
3 *fiscal 2016, 2015 and 2014, revenues from Samsung Electronics and*
4 *from Hon Hai Precision Industry Co., Ltd./Foxconn, its affiliates and*
5 *other suppliers to Apple Inc. each comprised more than 10% of*
6 *consolidated revenues.*

(Emphasis added).

7 38. The 2016 10-K discussed the Company's operating segments and
8 FRAND commitments, stating in relevant part:

9
10 ***QCT Segment.*** QCT is a leading developer and supplier of integrated
11 circuits and system software based on CDMA, OFDMA and other
12 technologies for use in wireless voice and data communications,
13 networking, application processing, multimedia and global positioning
14 system products. QCT's integrated circuit products are sold, and its
15 system software is licensed, to manufacturers that use our products in
16 mobile phones, tablets, laptops, data modules, handheld wireless
17 computers and gaming devices, access points and routers, data cards and
18 infrastructure equipment, broadband gateway equipment and other
19 consumer electronics. Our Mobile Station Modem (MSM) integrated
20 circuits, which include the Mobile Data Modem, Qualcomm Single Chip
21 and Qualcomm Snapdragon processors and LTE modems, perform the
22 core baseband modem functionality in wireless devices providing voice
23 and data communications, as well as multimedia applications and global
24 positioning functions. In addition, our Snapdragon processors provide
25 advanced application and graphics processing capabilities. Because of
26 our experience in designing and developing CDMA- and OFDMA-based
27 products, we design both the baseband integrated circuit and the
28 supporting system as well, including the RF (Radio Frequency), PM
(Power Management) and wireless connectivity integrated circuits. This
approach enables us to optimize the performance of the wireless device
with improved product features and integration with the network system.
Our portfolio of RF products includes QFE (Qualcomm Front End) radio
frequency front-end components that are designed to simplify the RF
design for LTE multimode, multiband mobile devices, reduce power
consumption and improve radio performance. QCT's system software
enables the other device components to interface with the integrated

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circuit products and is the foundation software enabling manufacturers to develop devices utilizing the functionality within the integrated circuits. We also provide support, including reference designs and tools, to assist our customers in reducing the time required to design their products and bring their products to market. We plan to add additional features and capabilities to our integrated circuit products to help our customers reduce the cost and size of their products, to simplify our customers' design processes and to support more wireless devices and services.

* * *

QCT's current competitors include, but are not limited to, companies such as Broadcom Limited, Cirrus Logic, Ericsson, HiSilicon Technologies, Intel, Marvell Technology, Maxim Integrated Products, MediaTek, Microchip Technology Inc., Nvidia, Realtek Semiconductor, Samsung Electronics, Skyworks Solutions Inc. and Spreadtrum Communications (which is controlled by Tsinghua Unigroup). QCT also faces competition from products internally developed by our customers, including some of our largest customers, and from some early-stage companies. Our competitors devote significant amounts of their financial, technical and other resources to develop and market competitive products and, in some cases, to develop and adopt competitive digital communication or signal processing technologies, and those efforts may materially and adversely affect us. Although we have attained a significant position in the industry, many of our current and potential competitors may have advantages over us that include, among others: motivation by our customers in certain circumstances to utilize their own internally-developed integrated circuit products, to use our competitors' integrated circuit products, or to choose alternative technologies; lower cost structures and/or a willingness and ability to accept lower prices and lower or negative margins for their products, particularly in China; foreign government support of other technologies or competitors; better known brand names; ownership and control of manufacturing facilities and greater expertise in manufacturing processes; more extensive relationships with local distribution companies and original equipment manufacturers in emerging geographic regions (such as China); and/or a more established presence in certain regions.

1 **QTL Segment.** QTL grants licenses or otherwise provides rights to use
2 portions of our intellectual property portfolio, which, among other rights,
3 include certain patent rights essential to and/or useful in the manufacture
4 and sale of certain wireless products, including, without limitation,
5 products implementing CDMA2000, WCDMA, CDMA TDD and/or
6 LTE standards and their derivatives. Our licensees manufacture wireless
7 products including mobile devices (also known as subscriber units,
8 which include handsets), other consumer devices (e.g., tablets and
9 laptops), machine-to-machine devices (e.g., telematics devices, meter
10 reading devices), plug-in end user data modem cards, certain embedded
11 modules for incorporation into end user products, infrastructure
12 equipment required to establish and operate a network and equipment to
13 test networks and subscriber units. QTL licensing revenues include
14 license fees and royalties based on sales by licensees of products
15 incorporating or using our intellectual property. License fees are fixed
16 amounts paid in one or more installments. Royalties are generally based
17 upon a percentage of the wholesale (i.e., licensee's) selling price of
18 complete licensed products, net of certain permissible deductions
19 (including transportation, insurance, packing costs and other items).
20 Revenues generated from royalties are subject to quarterly and annual
21 fluctuations. The vast majority of QTL revenues have been generated
22 through our licensees' sales of CDMA2000- and WCDMA-based
23 products, such as feature phones and smartphones. We have invested and
24 continue to invest in both the acquisition and development of OFDMA
25 technology and intellectual property and have generated the industry
26 leading patent portfolio applicable to LTE and LTE Advanced.
27 Nevertheless, we face competition in the development of intellectual
28 property for future generations of digital wireless communications
technologies and services.

* * *

23 We have licensed or otherwise provided rights to use our patents to
24 hundreds of companies on industry-accepted terms. Unlike some other
25 companies in our industry that hold back certain key technologies, *we*
26 *offer companies substantially our entire patent portfolio for use in*
27 *cellular subscriber devices and cell site infrastructure equipment. Our*
28 *strategy to make our patented technologies broadly available has been*
a catalyst for industry growth, helping to enable a wide range of

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companies offering a broad array of wireless products and features while increasing the capabilities of and/or driving down average and low-end selling prices for 3G handsets and other wireless devices. By licensing or otherwise providing rights to use our patents to a wide range of equipment manufacturers, encouraging innovative applications, supporting equipment manufacturers with integrated chipset and software products and focusing on improving the efficiency of the airlink for wireless operators, we have helped 3G CDMA evolve and grow and reduced device pricing, all at a faster pace than the 2G technologies such as GSM that preceded it.

Standards bodies have been informed that we hold patents that might be essential for all 3G standards that are based on CDMA. We have committed to such standards bodies that we will offer to license our essential patents for these CDMA standards on a fair, reasonable and non-discriminatory basis. We have also informed standards bodies that we hold patents that might be essential for certain standards that are based on OFDM/OFDMA technology (e.g., LTE, including FDD and TDD versions) and have committed to offer to license our essential patents for these OFDMA standards on a fair, reasonable and non-discriminatory basis. We have made similar commitments with respect to certain other technologies implemented in industry standards.

Our license agreements also may provide us with rights to use certain of our licensees' technology and intellectual property to manufacture and sell certain components (e.g., Application-Specific Integrated Circuits) and related software, subscriber units and/or infrastructure equipment.

* * *

We derive a significant portion of our consolidated revenues from a small number of customers and licensees. If revenues derived from these customers or licensees decrease or the timing of such revenues fluctuates, our operating results could be negatively affected.

Our QCT segment derives a significant portion of its revenues from a small number of customers, and we expect this trend to continue in the foreseeable future. Our industry is experiencing and may continue to experience concentration of device share among a few companies,

1 particularly at the premium tier, contributing to this trend. In addition,
2 certain of our largest integrated circuit customers develop their own
3 integrated circuit products, which they have in the past chosen, and may
4 in the future choose, to utilize in certain of their devices rather than our
5 integrated circuit products (and/or sell their integrated circuit products to
6 third parties in competition with us). Also, one of our largest integrated
7 circuit customers has begun to utilize products of one of our competitors
8 in certain of their devices rather than our products.

9 The loss of any one of our significant customers, a reduction in the
10 purchases of our products by such customers or the cancelation of
11 significant purchases from any of these customers, whether due to the
12 use of their own integrated circuit products, our competitors' integrated
13 circuit products or otherwise, would reduce our revenues and could harm
14 our ability to achieve or sustain expected operating results, and a delay
15 of significant purchases, even if only temporary, would reduce our
16 revenues in the period of the delay. Further, the concentration of device
17 share among a few companies, and the corresponding purchasing power
18 of these companies, may result in lower prices for our products which, if
19 not accompanied by a sufficient increase in the volume of purchases of
20 our products, could have an adverse effect on our revenues and margins.
21 In addition, the timing and size of purchases by our significant
22 customers may be impacted by the timing of such customers' new or
23 next generation product introductions, over which we have no control,
24 and the timing of such introductions may cause our operating results to
25 fluctuate. Accordingly, if current industry dynamics and concentrations
26 continue, our QCT segment's revenues will continue to depend largely
27 upon, and be impacted by, future purchases, and the timing and size of
28 any such future purchases, by these significant customers.

(Emphasis added).

39. The statements referenced in ¶¶ 20-38 above were materially false
and/or misleading because they misrepresented and failed to disclose the following
adverse facts pertaining to Qualcomm's business, operational and financial results,
which were known to Defendants or recklessly disregarded by them. Specifically,
Defendants made false and/or misleading statements and/or failed to disclose that: (1)

1 Qualcomm was engaging and/or had engaged in anticompetitive conduct to maintain
2 a monopoly for semiconductors used in mobile phones in violation of the FTC Act;
3 (2) in turn, Qualcomm lacked effective internal controls over financial reporting; and
4 (3) as a result, the Defendants’ public statements were materially false and
5 misleading at all relevant times.

6 **The Truth Emerges**

7 40. On January 17, 2017, *Bloomberg* published the article, “Qualcomm
8 Accused of Forcing Deal on Apple to Thwart Rivals” detailing a complaint filed on
9 January 17, 2017 by the Federal Trade Commission (“FTC”), attached hereto as
10 Exhibit 1, stating in relevant part:

11 *Qualcomm Inc. forced Apple Inc. to use its chips exclusively in return*
12 *for lower licensing fees, unfairly cutting out competitors, the U.S. said*
13 *in a lawsuit against the biggest maker of mobile phone chips.*

14 *Qualcomm’s exclusive deal with Apple was detailed in a Federal Trade*
15 *Commission lawsuit accusing the chipmaker of illegally maintaining a*
16 *monopoly for semiconductors used in mobile phones and pocketing*
17 *elevated royalties from customers.*

18 “Qualcomm recognized that any competitor that won Apple’s business
19 would become stronger, and used exclusivity to prevent Apple from
20 working with and improving the effectiveness of Qualcomm’s
21 competitors,” the FTC said in the lawsuit filed Tuesday.

22 The lawsuit presents yet another regulatory challenge to Qualcomm’s
23 most lucrative business, technology licensing. The chipmaker gets most
24 of its profits from selling the rights to use patents that are essential to all
25 modern mobile phone systems. Qualcomm has argued that its licensing
26 follows industry standards that have been in place for more than 20 years
27 and are used by other companies.

28 Last month, South Korea, home to two of Qualcomm’s largest
customers, fined the San Diego-based company 1.03 trillion won (\$890
million) and described its practices as monopolistic. Qualcomm has said

1 it would appeal that decision. The chipmaker is also the subject of
2 investigations by the European Union and Taiwanese authorities. Its
3 shares fell as much as 5.6 percent Tuesday, before closing down 4
percent at \$64.19.

4 * * *

5
6 **Profit Center**

7 Qualcomm has two businesses, selling the right to use patents on the
8 fundamentals of cellular technology and designing and selling chips.
9 Underlining the importance of those patents, it brought in \$7.66 billion
10 of licensing revenue in its most recent financial year. That translated to
11 \$6.5 billion of pretax profit. Chip revenue of \$15.4 billion contributed
only \$1.8 billion to its profit.

12 Tuesday’s FTC case in federal court in San Jose, California, stems from
13 a process in which companies get together to develop industry standards
14 so devices from different manufacturers can interoperate -- so, for
15 instance, data sent from an Apple phone can be received and understood
by one made by Samsung Electronics Co.

16 Since the companies that develop those standards have an advantage in
17 ensuring their patented inventions get included in the new specifications,
18 they pledge to license the patents on “reasonable and non-
19 discriminatory” terms.

20 That phrase has been left undefined. As a result, courts and regulators
21 have been struggling to interpret what’s fair and reasonable, and it has
22 been a key issue during the legal wars among smartphone manufacturers.

23 **Rebates Offered**

24 *The crux of the FTC’s case against Qualcomm is the claim that it*
25 *offered Apple rebates on licensing fees in return for it exclusively*
26 *using Qualcomm modem chips in the iPhone from 2011 to 2016.*
27 *Citing agreements between the two companies, the FTC said in its*
28 *complaint that Qualcomm intended to create “de facto exclusive deals*
that were as effective as express purchase requirements and that

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effectively foreclosed Qualcomm’s competitors from gaining processor business at Apple.”

Qualcomm said in its statement that it has never withheld or threatened to withhold chip supply in order to obtain unfair or unreasonable licensing terms.

“The FTC’s allegation to the contrary -- the central thesis of the complaint -- is wrong,” the company said.

Apple spokesman Josh Rosenstock declined to comment on the case.

The FTC lawsuit marks a new front in the agency’s challenges to anticompetitive conduct in patent licensing, said Michael Carrier, a professor at Rutgers Law School who specializes in antitrust and intellectual property law. Unlike past cases, the agency is targeting royalties collected by Qualcomm as excessive.

FTC Wades In

“This is a more aggressive complaint than we’ve seen in the past,” Carrier said. “Once you say higher royalties are a problem, the FTC is wading a little more in the details of what the royalties should be.”

The FTC seeks a court order stopping Qualcomm’s alleged misconduct. Possible remedies could include disgorgement of unjust profits from past licenses or a requirement to obtain pre-approval for license terms in the future, said Mark Lemley, a professor at Stanford Law School.

The FTC voted 2-1 to bring the case with Commissioner Maureen K. Ohlhausen dissenting. Ohlhausen, a Republican, said the lawsuit is based on a flawed legal theory that “lacks economic and evidentiary support” and will undermine U.S. intellectual property rights.

The case is Federal Trade Commission v. Qualcomm Inc., 17-cv-00220, U.S. District Court, Northern District of California (San Jose).

(Emphasis added).

1 41. On this news, Qualcomm securities fell \$2.69 per share or over 4% from
2 its previous closing price to close at \$64.19 per share on January 17, 2017, damaging
3 investors.

4 42. As a result of Defendants' wrongful acts and omissions, and the
5 precipitous decline in the market value of the Company's securities, Plaintiff and
6 other Class members have suffered significant losses and damages.

7 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

8 43. Plaintiff brings this action as a class action pursuant to Federal Rule of
9 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
10 purchased or otherwise acquired Qualcomm securities publicly traded on NASDAQ
11 during the Class Period (the "Class"); and were damaged upon the revelation of the
12 alleged corrective disclosures. Excluded from the Class are Defendants herein, the
13 officers and directors of the Company, at all relevant times, members of their
14 immediate families and their legal representatives, heirs, successors or assigns and
15 any entity in which Defendants have or had a controlling interest.

16 44. The members of the Class are so numerous that joinder of all members is
17 impracticable. Throughout the Class Period, Qualcomm securities were actively
18 traded on NASDAQ. While the exact number of Class members is unknown to
19 Plaintiff at this time and can be ascertained only through appropriate discovery,
20 Plaintiff believes that there are hundreds or thousands of members in the proposed
21 Class. Record owners and other members of the Class may be identified from records
22 maintained by the Company or its transfer agent and may be notified of the pendency
23 of this action by mail, using the form of notice similar to that customarily used in
24 securities class actions.

25 45. Plaintiff's claims are typical of the claims of the members of the Class as
26 all members of the Class are similarly affected by Defendants' wrongful conduct in
27 violation of federal law that is complained of herein.

28

1 46. Plaintiff will fairly and adequately protect the interests of the members
2 of the Class and has retained counsel competent and experienced in class and
3 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those
4 of the Class.

5 47. Common questions of law and fact exist as to all members of the Class
6 and predominate over any questions solely affecting individual members of the Class.
7 Among the questions of law and fact common to the Class are:

- 8 • whether the federal securities laws were violated by Defendants' acts as
9 alleged herein;
- 10 • whether statements made by Defendants to the investing public during
11 the Class Period misrepresented material facts about the financial
12 condition, business, operations, and management of the Company;
- 13 • whether Defendants' public statements to the investing public during the
14 Class Period omitted material facts necessary to make the statements
15 made, in light of the circumstances under which they were made, not
16 misleading;
- 17 • whether the Individual Defendants caused the Company to issue false
18 and misleading SEC filings and public statements during the Class
19 Period;
- 20 • whether Defendants acted knowingly or recklessly in issuing false and
21 misleading SEC filings and public statements during the Class Period;
- 22 • whether the prices of Qualcomm securities during the Class Period were
23 artificially inflated because of the Defendants' conduct complained of
24 herein; and
- 25 • whether the members of the Class have sustained damages and, if so,
26 what is the proper measure of damages.

27 48. A class action is superior to all other available methods for the fair and
28 efficient adjudication of this controversy since joinder of all members is

1 impracticable. Furthermore, as the damages suffered by individual Class members
2 may be relatively small, the expense and burden of individual litigation make it
3 impossible for members of the Class to individually redress the wrongs done to them.
4 There will be no difficulty in the management of this action as a class action.

5 49. Plaintiff will rely, in part, upon the presumption of reliance established
6 by the fraud-on-the-market doctrine in that:

- 7 • Defendants made public misrepresentations or failed to disclose material
8 facts during the Class Period;
- 9 • the omissions and misrepresentations were material;
- 10 • Qualcomm securities are traded in efficient markets;
- 11 • the Company's securities were liquid and traded with moderate to heavy
12 volume during the Class Period;
- 13 • the Company traded on NASDAQ, and was covered by multiple
14 analysts;
- 15 • the misrepresentations and omissions alleged would tend to induce a
16 reasonable investor to misjudge the value of the Company's securities;
17 and
- 18 • Plaintiff and members of the Class purchased and/or sold Qualcomm
19 securities between the time the Defendants failed to disclose or
20 misrepresented material facts and the time the true facts were disclosed,
21 without knowledge of the omitted or misrepresented facts.

22 50. Based upon the foregoing, Plaintiff and the members of the Class are
23 entitled to a presumption of reliance upon the integrity of the market.

24 51. Alternatively, Plaintiff and the members of the Class are entitled to the
25 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*
26 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants
27 omitted material information in their Class Period statements in violation of a duty to
28 disclose such information, as detailed above.

COUNT I

**Violation of Section 10(b) of The Exchange Act and Rule 10b-5
Against All Defendants**

1
2
3 52. Plaintiff repeats and realleges each and every allegation contained above
4 as if fully set forth herein.

5 53. This Count is asserted against the Company and the Individual
6 Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b),
7 and Rule 10b-5 promulgated thereunder by the SEC.

8 54. During the Class Period, the Company and the Individual Defendants,
9 individually and in concert, directly or indirectly, disseminated or approved the false
10 statements specified above, which they knew or deliberately disregarded were
11 misleading in that they contained misrepresentations and failed to disclose material
12 facts necessary in order to make the statements made, in light of the circumstances
13 under which they were made, not misleading.

14 55. The Company and the Individual Defendants violated §10(b) of the 1934
15 Act and Rule 10b-5 in that they:

- 16
- 17 • employed devices, schemes and artifices to defraud;
 - 18 • made untrue statements of material facts or omitted to state material
19 facts necessary in order to make the statements made, in light of the
20 circumstances under which they were made, not misleading; or
 - 21 • engaged in acts, practices and a course of business that operated as a
22 fraud or deceit upon plaintiff and others similarly situated in connection
23 with their purchases of Qualcomm securities during the Class Period.

24 56. The Company and the Individual Defendants acted with scienter in that
25 they knew that the public documents and statements issued or disseminated in the
26 name of the Company were materially false and misleading; knew that such
27 statements or documents would be issued or disseminated to the investing public; and
28 knowingly and substantially participated, or acquiesced in the issuance or

1 dissemination of such statements or documents as primary violations of the securities
2 laws. These defendants by virtue of their receipt of information reflecting the true
3 facts of the Company, their control over, and/or receipt and/or modification of the
4 Company's allegedly materially misleading statements, and/or their associations with
5 the Company which made them privy to confidential proprietary information
6 concerning the Company, participated in the fraudulent scheme alleged herein.

7 57. Individual Defendants, who are the senior officers and/or directors of
8 the Company, had actual knowledge of the material omissions and/or the falsity of
9 the material statements set forth above, and intended to deceive Plaintiff and the other
10 members of the Class, or, in the alternative, acted with reckless disregard for the truth
11 when they failed to ascertain and disclose the true facts in the statements made by
12 them or other personnel of the Company to members of the investing public,
13 including Plaintiff and the Class.

14 58. As a result of the foregoing, the market price of Qualcomm securities
15 was artificially inflated during the Class Period. In ignorance of the falsity of the
16 Company's and the Individual Defendants' statements, Plaintiff and the other
17 members of the Class relied on the statements described above and/or the integrity of
18 the market price of Qualcomm securities during the Class Period in purchasing
19 Qualcomm securities at prices that were artificially inflated as a result of the
20 Company's and the Individual Defendants' false and misleading statements.

21 59. Had Plaintiff and the other members of the Class been aware that the
22 market price of Qualcomm securities had been artificially and falsely inflated by the
23 Company's and the Individual Defendants' misleading statements and by the material
24 adverse information which the Company's and the Individual Defendants did not
25 disclose, they would not have purchased Qualcomm securities at the artificially
26 inflated prices that they did, or at all.

27 60. As a result of the wrongful conduct alleged herein, Plaintiff and other
28 members of the Class have suffered damages in an amount to be established at trial.

1 61. By reason of the foregoing, the Company and the Individual Defendants
2 have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder
3 and are liable to the plaintiff and the other members of the Class for substantial
4 damages which they suffered in connection with their purchase of Qualcomm
5 securities during the Class Period.

6 **COUNT II**

7 **Violation of Section 20(a) of The Exchange Act**
8 **Against The Individual Defendants**

9 62. Plaintiff repeats and realleges each and every allegation contained in the
10 foregoing paragraphs as if fully set forth herein.

11 63. During the Class Period, the Individual Defendants participated in the
12 operation and management of the Company, and conducted and participated, directly
13 and indirectly, in the conduct of the Company’s business affairs. Because of their
14 senior positions, they knew the adverse non-public information regarding the
15 Company’s business practices.

16 64. As officers and/or directors of a publicly owned company, the Individual
17 Defendants had a duty to disseminate accurate and truthful information with respect
18 to the Company’s financial condition and results of operations, and to correct
19 promptly any public statements issued by the Company which had become materially
20 false or misleading.

21 65. Because of their positions of control and authority as senior officers, the
22 Individual Defendants were able to, and did, control the contents of the various
23 reports, press releases and public filings which the Company disseminated in the
24 marketplace during the Class Period. Throughout the Class Period, the Individual
25 Defendants exercised their power and authority to cause the Company to engage in
26 the wrongful acts complained of herein. The Individual Defendants therefore, were
27 “controlling persons” of the Company within the meaning of Section 20(a) of the
28

1 Exchange Act. In this capacity, they participated in the unlawful conduct alleged
2 which artificially inflated the market price of Qualcomm securities.

3 66. Each of the Individual Defendants, therefore, acted as a controlling
4 person of the Company. By reason of their senior management positions and/or being
5 directors of the Company, each of the Individual Defendants had the power to direct
6 the actions of, and exercised the same to cause, the Company to engage in the
7 unlawful acts and conduct complained of herein. Each of the Individual Defendants
8 exercised control over the general operations of the Company and possessed the
9 power to control the specific activities which comprise the primary violations about
10 which Plaintiff and the other members of the Class complain.

11 67. By reason of the above conduct, the Individual Defendants are liable
12 pursuant to Section 20(a) of the Exchange Act for the violations committed by the
13 Company.

14 **PRAYER FOR RELIEF**

15 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

16 A. Determining that the instant action may be maintained as a class action
17 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
18 Class representative;

19 B. Requiring Defendants to pay damages sustained by Plaintiff and the
20 Class by reason of the acts and transactions alleged herein;

21 C. Awarding Plaintiff and the other members of the Class prejudgment and
22 post-judgment interest, as well as their reasonable attorneys' fees, expert fees and
23 other costs; and

24 D. Awarding such other and further relief as this Court may deem just and
25 proper.

26 **DEMAND FOR TRIAL BY JURY**

27 Plaintiff hereby demands a trial by jury.
28