

] *Id.*

at 445-46 (citing CX-1599C (Waskiewicz WS) at Q&A 235- 237; Waskiewicz Tr. 202-203; Carmichael Tr. 1465-1469; Chen Tr. 1283-1284). Complainants argue that on this basis alone, [] should defeat Realtek's affirmative defense premised on the allegation that LSI breached its RAND obligations. *Id.* at 446.

Further, it is argued, Realtek failed to introduce any evidence as to what would constitute RAND terms in either an opening proposal or an executed license, and indeed, Mr. Carmichael (Realtek's expert) testified that he did not offer an opinion as to the rate or terms of a RAND license. Moreover, it is argued, LSI's opening proposal to Realtek is not discriminatory because LSI [

] . Compls. Br. at 446-47 (citing Carmichael Tr. 1425-1426, 1431, 1431-1436, 1461; CX-1599C (Waskiewicz WS) at Q&A 112-144; Waskiewicz Tr. 157-162, 177, 182, 192-19, 200-201; Leonard Tr. 1380-1383, 1393, 1398-1399; CX-1642C (Kerr RWS) at Q&A 68-70, Q&A 117-118, Q&A 121, Q&A 122; CX-0348C ([] at 2-3; CX-0349C ([] at 14-16; CX-1078C ([] at 19; CX-1006C ([] at 13).

Thus, Complainants argue, LSI's proposal is a reasonable starting point for good faith negotiations, and rather than being a "take-it-or-leave-it" offer, in fact, the terms and structure of this initial high-level proposal have not been viewed as non-negotiable by LSI's licensees, as LSI has successfully negotiated numerous final licenses after opening with this [] offer. *Id.* at 446 (citing, *inter alia*, CX-1599C (Waskiewicz WS) at Q&A 38-89; CX-1642C (Kerr RWS) at

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Q&A 22-82, Q&A 100; CX-1598C (Salute WS) at Q&A 104-194, Q&A 213-539; CX-1115C ([] at 2, 19-21, 27-35; Leonard Tr. 1393-1401; CX-0348C ([] at 2-3; CX-0349C ([] at 16; CX-1084C ([] at 88); CX-0035C ([] PLA); CX-525C (Kerr Report Ex 4); CX-0526C (Kerr Report Ex 5); CX-0349C ([] at 16)).

Complainants also argue that the reasonableness of LSI's initial proposal is also illustrated by []. For example, it is argued, LSI's opening proposal [

] Compls. Br. at 447-48 (citing, *inter alia*, CX-1599C (Waskiewicz WS) at Q&A 216-217; CX-1006C ([] at 10-13; CX-0348C ([] at 2-3; CX-0349C ([] at 16; CX-1084C ([] at 88; CX-1006C ([] at 9; CX-0349C ([] at 16)).

Further, Complainants contend, LSI has established a long history of engaging in good faith licensing negotiations, including several licenses with grants to the '958 and '867 patents. Compls. Br. at 448 (citing, *inter alia*, CX-1599C (Waskiewicz WS) at Q&A 38-89; CX-1599C (Waskiewicz RWS) at Q&A 13-14, Q&A 6-61; CX-1642C (Kerr RWS) at Q&A 22-82, Q&A 100; CX-1598C (Salute WS) at Q&A 104-194, Q&A 213-539; CX-525C (Kerr Report Ex 4); CX-0526C (Kerr Report Ex 5); CX-758C ([] at 2; CX-36C ([] PLA) at 3, 4, 18; CX-37C ([] PLA Amendment) at 2; CX-762C ([

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]) at 22; CX-763C ([] at 19;
CX-27C ([] PLA) at 3-4, 13-15; CX-765C ([]
at 15-24; CX-766C ([] at 4; CX-1557C ([]
]) at 80-119; CX-768C ([] at
86-94, 103; CX-38C ([] PLA) at 14-17; CX-1115C ([]
]) at 2, 19-21, 27-35).

Complainants argue that [] rings hollow because Realtek could have engaged LSI in negotiations concerning this proposed term and any others to arrive at a license that addressed Realtek's specific licensing needs. Compls. Br. at 448. It is argued that even assuming as true [] such a provision is not inherently unreasonable. For example, Complainants argue, in *Hanson v. Alpine Valley Ski Area, Inc.*, the Federal Circuit held that a patent royalty to an infringer's snow-blowing machines was reasonable even though the royalty exceeded the purchase price of another company's machines that were actually licensed by the patentee. *Id.* at 449-50 (citing *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1081-82 (Fed. Cir. 1983); *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983) ("[W]e expressly reject Heublein's premise that the royalty fee must be less than the price of an HUB-2000."); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1555 (Fed. Cir. 1995) (en banc); *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1238-39 (Fed. Cir. 2011) (explaining a reasonable royalty is not capped by infringer's profits or the sales price of the patented product)).

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Complainants argue that Realtek's claim that [] also misses the mark because LSI has in fact licensed WLAN patents to [] Compls. Br. at 449 (citing CX-1599C (Waskiewicz WS) at Q&A 230-234; Waskiewicz Tr. 178; Carmichael Tr. 1464; CX-0035C ([] PLA); CX-39C ([] PLA); CX-668C ([] PLA)). It is argued that notwithstanding LSI's [], which includes the '987 patent and '867 patent, LSI will consider the specific concerns and unique needs of each potential licensee when engaged in licensing negotiations. *Id.* at 450 (citing Waskiewicz Tr. 174, 177, 182, 193-194, 201-202; Kerr Tr. 2048-2049, 2055-2056, 2113-2115; CX-1599C (Waskiewicz WS) at Q&A 145-173, Q&A 224-230; CX-1642C (Kerr RWS) at Q&A 117-130; CX-0035C ([] PLA) at 19, 20; CX-0028C ([] PLA) at 6-8). It is argued that at the hearing, Realtek was unable to identify a single instance in which LSI had refused to license the '985 patent or the '867 patent []. *Id.* at 451 (citing Carmichael Tr. 1464).

In fact, Complainants argue, LSI's proposal to Realtek []" Compls. Br. at 450 (quoting CX-1006C ([]) at 9). It is argued that LSI's proposal was not a "take it or leave it" offer, and made clear that LSI was willing to have a subsequent discussion with Realtek. Yet, Complainants argue, Realtek [] *Id.* (citing, *inter alia*, Waskiewicz Tr. 202-203; Chen Tr. 1283-1284). Instead, it is

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argued, [

] *Id.*

Complainants argue that in this investigation, Realtek has conducted a faulty and cursory comparison between only the [] royalty rate outlined in LSI's initial [] RAND WLAN proposal, the [] royalty rate in the [] license, and the [] royalty rate in the [] license. Yet, it is argued, a comparison between high-level terms of an opening proposal and the final terms of executed licenses is insufficient because there are several substantial terms in the executed license agreements which were negotiated based on the specific considerations of each licensee. Compls. Br. at 452 (citing CX-1599C (Waskiewicz WS) at Q&A 145-173; CX-1642C (Kerr RWS) at Q&A 117-130; Kerr Tr. 2048-2049, 2055-2056, 2113-2115; CX-0035C ([] PLA) at 19, 20; CX-0028C ([] PLA) at 6-8).

Further, Complainants argue, the other final negotiated terms of the [] licenses are also very different from one another. It is also argued that even if a comparison to the [] licenses were proper, Realtek's theory should be rejected because Mr. Carmichael did not offer an opinion that the [] licenses constituted RAND licenses. Compls. Br. at 452 (citing CX-1642C (Kerr RWS) at Q&A 117-130; CX-1599C (Waskiewicz WS) at Q&A 162-173; Carmichael Tr. 1431-1433).

Complainants argue that the evidentiary record does not establish that Realtek reasonably relied on any conduct by Complainants that caused Realtek to change or worsen its position or actions. It is argued that Realtek's witness [] made clear that []

] Compls. Br. at 453 (citing [] 1261-1262 ([]

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]; [

] It is argued that

[] also testified that [

] *Id.* (citing [] Tr. 1263-1264,

1267-1268, 1283, 1287 [

] Thus, Complainants

argue, Realtek has not demonstrated that it reasonably relied on Complainants' conduct. *Id.*

With respect to the '663 patent, which is asserted only against Funai, Complainants argue that Funai failed to introduce any evidence as to what would constitute RAND terms in either an opening proposal or executed license, and Dr. Leonard testified that he did not offer an opinion as to the rate or terms of a RAND license between Funai and LSI. Compls. Br. at 365 (citing Leonard Tr. 1335). Instead, it is argued, Funai's defense merely represents Funai's dislike of LSI's opening licensing proposal, which is a starting point for negotiations, and is not viewed by LSI as a "take it or leave it" offer. *Id.* at 366 (citing Waskiewicz Tr. 193-194, 201-202; Carmichael Tr. 1470).

Complainants argue that far from refusing to license Funai or to negotiate beyond LSI's opening offer, [

] Compls. Br. at 366 (citing CX-1599C (Waskiewicz WS) at Q&A 90-129; Waskiewicz Tr. 191-193; Leonard Tr. 1339-1341; CX-1145C ([

CX-0341C ([] at 5, 7; CX-0345C ([

] at 42; CX-0348C ([]); CX-0349C ([

]); RX-978C ([] at 42)). It is argued that

the negotiation of a RAND license contemplates a "give-and-take" negotiation between the

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patent holder and potential licensee. *Id.* (citing Leonard Tr. 1337-1338; *Microsoft*, No. C10-1823, 2012 WL 2030098, at *11 (“[T]he language of Motorola’s agreements with the IEEE . . . envisions a negotiation between the parties towards a resulting RAND license.”)). In fact, Complainants argue, the evidence demonstrates that LSI has a history of engaging in good faith patent licensing negotiations, and has concluded several resulting licenses with grants to the ‘958 and the ‘867 patent, as well as the ‘663 patent. *Id.* at 366-67 (citing CX-1599C (Waskiewicz WS) at Q&A 38-89; CX-1599C (Waskiewicz RWS) at Q&A 13-14, Q&A 56-61; CX-1642C (Kerr RWS) at Q&A 22-82, Q&A 100; CX-1598C (Salute WS) at Q&A 104-194, Q&A 213-539; CX-525C (Kerr Rpt. Ex 4); CX-0526C (Kerr Rpt. Ex 5); CX-758C ([] at 2; CX-36C ([] PLA) at 3, 4, 18; CX-37C ([] PLA Amendment) at 2; CX-762C ([] at 22; CX-763C ([] at 19; CX-27C ([] PLA) at 3-4, 13-15; CX-765C ([] at 15-24; CX-766C ([] at 4; CX-1557C ([] at 80-119; CX-768C ([] at 86-94, 103; CX-38C ([] PLA) at 14-17; CX-1115C ([] at 2, 19-21, 27-35).

Complainants argue that no evidence supports the assertion that LSI’s licensing proposal was discriminatory or unreasonable with respect to the ‘663 patent. In particular, it is argued that Funai did not introduce sufficient evidence to substantiate its claim that LSI breached a RAND obligation with respect to the ‘663 patent. Compls. Br. at 367-68. It is argued that Funai’s expert, Dr. Leonard, did not compare LSI’s [] licensing proposal to Funai regarding the ‘663 patent with any other proposals or offers LSI made to other potential licensees for the ‘663 patent; and that likewise, he did not compare LSI’s [] licensing

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proposal to Funai regarding the '663 patent with any existing LSI licenses, which included a license to the '663 patent. It is argued that Dr. Leonard admitted that his testimony did not discuss or provide an evaluation of LSI's existing licenses to the '663 patent. *Id.* (citing Leonard Tr. 1381, 1383-1384; CX-0349C ([])). Thus, it is argued, Dr. Leonard provided no viable testimony that supports Funai's assertions that LSI's [

] proposal to Funai was discriminatory or unreasonable with respect to the '663 patent, and did not offer an opinion as to what terms of a hypothetical license between Funai and LSI would constitute a RAND license. *Id.* at 368 (citing, *inter alia*, CX-1642C (Kerr RWS) at Q&A 108-116).

Instead, Complainants argue, the only supposed evidence that Funai attempted to offer with respect to the '663 patent was the legally insufficient and factually unsubstantiated testimony of Dr. Leonard regarding a purported alternative technology to the '663 patent. Moreover, they argue, Dr. Leonard testified that he had not provided any technical analysis or evaluation of any potential technical alternatives to the '663 patent. In addition, it is argued, Dr. Leonard is not qualified to provide opinions regarding whether technical alternatives to the '663 patent exist. Dr. Leonard has never provided an infringement or invalidity opinion in a patent case; and he was not received as an expert on technical issues relating to the '663 patent or any alternative technologies. Compls. Br. at 368 (citing Leonard Tr. 1325, 1384-1385).

Nevertheless, Complainants argue, they presented evidence from a qualified technical expert (Dr. Iain Richardson) to establish that Dr. Leonard's testimony alluding to the possibility of a purported technical alternative to the '663 patent was incorrect. *Id.* (citing CX-1644C (Richardson RWS) at Q&A 535-41).

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Thus, Complainants argue, as they do with respect to the '867 and '958 patents, there is no basis to find the '663 patent unenforceable under the doctrine of patent misuse or any other legal theory. Compls. Br. at 368.

2. Discussion and Ruling

Complainants do not dispute that the '867, '958 and '663 patents are SEPs, and that they or their predecessor-in-interest agreed to RAND obligations that remain in effect. Thus, based on Respondents' defenses, issues remain as to whether the '867 and '958 patents are unenforceable as to Realtek and Funai due the breach of RAND obligations, and whether Complainants are equitably and/or contractually estopped from enforcing the '867 and '958 patents; similar issues remain as to the '663 patent, but only as to Funai, inasmuch as it is not asserted against Realtek.

It is a respondent's burden to show by a preponderance of the evidence that a RAND defense precludes the Commission from finding a violation of section 337. *Certain Electronic Devices, Including Wireless Communications Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794 ("*Wireless Communications Devices*"), Comm'n Op. at 46 (July 5, 2013).

As recently observed by the Commission, "[t]he Commission and its ALJs have never adopted [respondent's] theory that a FRAND undertaking *per se* precludes a determination of violation." *Wireless Communications Devices*, Comm'n Op. at 46. To do so would appear contrary to statutory authority, which almost always requires the Commission to determine whether or not section 337 has been violated in each investigation, without regard to whether or not an asserted patent is an SEP. *Id.* (citing 19 U.S.C. § 1337(c)).

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There is no authority for the argument that a patent holder must make an initial offer for a specific fair and reasonable royalty rate. *Wireless Communications Devices*, Comm’n Op. at 60. Indeed, the limited precedent on the issue appears to indicate that an initial offer need not be the terms of a final FRAND license because SSOs intend the final license to be accomplished through negotiation. *Id.* (citing *Microsoft v. Motorola*, 864 F. Supp. 2d 1023, 1038 (W.D. Wash. 2012) (because SSOs contemplated that RAND terms be determined through negotiation “it logically does not follow that initial offers must be on RAND terms”)).

Respondents’ RAND-related defenses are based on Complainants’ opening offer. Furthermore, although their defenses are based on an argument that Complainants demanded an unreasonable and discriminatory royalty rate, and despite having discovery relating to existing LSI licenses, Respondents did not introduce any evidence as to what would constitute a RAND license or RAND royalty rates with respect to the ‘958, ‘867 or ‘663 patents. *See Leonard Tr.* 1335, 1425-1426. Yet, a finder of fact should usually compare offers with a RAND royalty rate because more than one rate could conceivably be within the range of reasonable and non-discriminatory license terms. *See Microsoft*, No. C10-1823JLR, at 5 (W.D. Wash. Apr. 25, 2013).

The April 25, 2013 district court order in *Microsoft v. Motorola* did not necessarily set RAND royalty rates for the IEEE and ITU. *See id.* at 2-8, 207. The district court in that case determined RAND rates specifically for Motorola’s SEP portfolios for the respective standards, which were not rates for either the 802.11 or H.264 standards themselves. *Id.* Specifically, the RAND rates for Motorola’s patents were determined within a framework that evaluated several factors, including the importance of Motorola’s patents to the standards, and the importance of Motorola’s patents and the standards to the Microsoft products at issue. *Id.* at 7. In contrast,

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Respondents did not offer a similar analysis for the SEPs asserted in this investigation. *See* Leonard Tr. 1335; Carmichael Tr. 1425-1426. Further, Motorola's opening offer with a 2.25% royalty rate was [] LSI's opening offer []. *See* Leonard Tr. 1350. Additionally, licensing negotiations involving SEPs may include layers of complexity beyond determining monetary royalty rates. *See Microsoft*, No. C10-1823JLR, at 6 (W.D. Wash. Apr. 25, 2013). Motorola's opening offer rate to Microsoft is not comparable or similar because, among other reasons, it involved different patent portfolios, different products, and different parties.

Indeed, to consider only LSI's opening proposal of a [] royalty rate may be misleading because when the offered rate [] with reference to the accused Funai products, [], as explained during the hearing, in part as follows:

Q. So the actual rate that's being offered by LSI to Funai is []; isn't that correct?

A. On the products, that's being discussed here, that's being applied to the television.

Q. And that's the rate that matters, correct? They are not asking Funai to pay [] on a television. They are asking them to pay []. Isn't that correct?

A. That is correct, but, of course—

Q. That's all I want to know. Isn't that correct?

A. Yes.

Q. It is not [] it is not []?

A. That's -- they are asking for [] on a TV or other devices.

Q. Okay. []. We agree on that. That's the actual royalty rate of this initial proposal?

A. Yes, absolutely.

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Leonard Tr. 1350. This rate is also substantiated by documentary evidence. *See* CX-0349C

([] at 16; CDX-1213C (CX-1084C ([] at 88; CX-0349C ([] at 16.

Funai's claim that LSI overvalued the '663 patent is not supported by evidence. Respondents' expert miscalculated the value of the '663 patent because he made an erroneous comparison to what he believed to be the next-best alternative technology. He believed that the next best alternative to the '663 patent is '087 patent. *See* RX-0009C (Leonard WS) at Q&A 24-28, Q&A 202-205. Yet, Respondents' RAND expert is not a technical expert.⁷⁴ Moreover, the '087 patent, discussed in detail above, uses a kind of unified memory in video systems and relates to different subject matter than the video compression/coding technology of the '663 patent. *See, e.g.,* CX-1644C (Richardson RWS) at Q&A 535-541.

Funai's RAND defense as to the '958 and '867 patents is largely premised upon a faulty comparison between LSI's [] proposal to Funai and the executed [] license agreements. The [] license agreements do not include televisions like those sold by Funai (or [], another LSI licensee), and the final negotiated terms of the [] licenses even differ from one another. *See* CX-1642C (Kerr RWS) at Q&A 117-130; CX-1599C (Waskiewicz WS) at Q&A 162-173; Carmichael Tr. 1446-1459. Further, even if a comparison to the [] licenses were proper, one would nevertheless find that an opening [] royalty rate of [] is an objectively reasonable opening proposal in view the [] royalty rates contained in the [] license agreements, and because it was possible that through

⁷⁴ Respondents' expert did not perform a technical analysis. Leonard Tr. 1384-1385.

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negotiations, a final [] royalty rate could have been obtained that would have been lower than []. *See* Leonard Tr. 1358.

Funai's RAND defense does not even take into account LSI's negotiations and license agreement with []. *See* Leonard Tr. 1392-1402. Yet, LSI's initial proposal to [] was during the same time period as the initial proposal LSI made to Funai [] Leonard Tr. 1393-1401;

CX-0348C ([]) at 1-3; CX-0349C ([]) at 16; CX-1084C ([]) at 88; CDX-1213C (CX-1084C ([]) at 88; CX-0349C ([]) at 16). LSI's opening proposal to Funai and [] also included an [] royalty rate of []. *See* CX-0349C ([]) at 16; CX-1084C ([]) at 88.

Importantly, Funai and [] sell DTVs that feature WLAN functionality. CX-1642C (Kerr RWS) at Q&A 55-56; CX-1634 ([] Television Products). Unlike Funai, [] negotiated a license to LSI's WLAN patent portfolio. CX-1599C (Waskiewicz WS) at Q&A 73-85; CX-1115C ([]) at 2, 19-21, 27-35. In contrast, neither the [] nor the [] licenses included DTVs as licensed products. CX-0035C ([] PLA) at 7; CX-0028C ([] PLA) at 6.

Additionally, after receiving the same initial offer that LSI provided to Funai, [] executed a license []. *See* CX-1115C ([]) at 6. In this case, LSI [] the parties were never able to conclude an agreement. *See* CX-1599C (Waskiewicz WS) at Q&A 90-129; Waskiewicz Tr. 191-193; CX-1145C ([]

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]); CX-341C ([] at 5, 7;
CX-345C ([] at 42; CX-0348C ([
]); CX-0349C ([]); RX-978C ([
]) at 42. Nevertheless, the [] of a potential license agreement, as seen in the
[] agreement, is a term that could be raised by a potential licensee during licensing
negotiations. CX-1115C ([] at 6; Carmichael Tr. 1455.

Consequently, Funai has not adequately supported its RAND and equitable defenses.

With respect to Realtek, the evidence shows that [

]

[

] CX-1007C [

]; *see* CX-1599C (Waskiewicz WS) at Q&A 179-182.

[] CX-1599C (Waskiewicz
WS) at Q&A 183-185; CX-1077C [

] CX-1599C (Waskiewicz WS) at Q&A
187-189; CX-0414C [] at 2. [

] CX-1599C (Waskiewicz WS) at Q&A 193-194;
CX-0415C []. [

] CX-1599C (Waskiewicz WS) at
Q&A 196-199; [] Tr. 1278-1282; CX-1075C [].

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[
] See CX-1599C (Waskiewicz WS) at Q&A 207-213;
CX-1006C []. [
] See Carmichael Tr. 1469-1470; CX-1006C
[] at 2. [
] See CX-1599C (Waskiewicz WS) at Q&A 235-237; Waskiewicz Tr. 202-203; []
Tr. 1283-1284 [].
In addition to [] Realtek has not offered evidence
showing which terms might constitute a RAND offer or license. See Carmichael Tr. 1425-1426.
[

] See Carmichael Tr. 1431. [

] See Carmichael Tr. 1431-1432. Realtek also did not offer evidence that [

] See Carmichael Tr. 1433.

Focusing specifically on Realtek and its business, it is noted that [

] CX-1006C [

] at 9. Yet, a potential licensee, such as Realtek, could have raised the issue [

] See

Carmichael Tr. 1456. Indeed, there is no evidence that LSI has ever refused to offer a license to
the '958 and '867 patents []. In fact, LSI has licensed the

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‘958 and ‘867 patents to [

] CX-1599C (Waskiewicz WS) at Q&A 230-234; Waskiewicz Tr. 178; Carmichael Tr. 1463-1464.

Lack of evidence in important areas of Realtek’s case, and [] undercut its arguments that Complainants breached their RAND obligation under the theory of breach of contract/promissory estoppel.

After briefing was completed in this investigation, Judge Whyte in the United States District Court for the Northern District of California (San Jose Division) issued his “Order Granting Plaintiff Realtek Semiconductor Corporation’s Motion for Partial Summary Judgment and Denying Defendants LSI Corporation and Agere Systems LLC’s Motion to Stay.” *Realtek Semiconductor Corp. v. LSI Corp. et al.*, No. C-12-03451-RMW, Order [Re Docket Nos. 67, 72] (N.D. Cal. May 20, 2013) (“Realtek District Court Order”). The court applied principles set forth in the *Microsoft* litigation (including the holdings of the District Court and the Ninth Circuit) relied on by Respondents in this investigation. *See* Realtek District Court Order at 7-11. The court held with respect to the ‘958 and ‘867 patents that “defendants breached their contractual obligations to IEEE and to Realtek as a third-party beneficiary of that contract by seeking injunctive relief against Realtek before offering Realtek a license. The court’s breach of contract holding is limited to the situation here, where defendants did not even attempt to offer a license, on ‘RAND’ terms or otherwise, until after seeking injunctive relief.” *Id.* at 11. The court enjoined defendants “from enforcing any exclusion order or injunctive relief by the ITC that they might obtain against Realtek with respect to the ‘958 and ‘867 declared essential patents.” *Id.* at 14. In a footnote, the court continued, “This preliminary injunction will only go into effect in the event that the ITC grants an exclusion order or injunctive relief in favor of

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defendants. The ITC may, of course, still analyze Realtek's claims and defenses independently, and may find no Section 337 violation in any event. In that instance, this preliminary injunction will become moot." *Id.* at 14 n.6.

Although the parties informed the administrative law judge of the issuance of the Realtek District Court Order, no motion seeking application of collateral estoppel was filed, nor did any party seek termination of the investigation as to Realtek on any other grounds. Indeed, the Realtek District Court Order contemplates the potential continuation of this investigation as to Realtek, as well as the Commission's independent analysis of the facts. Nevertheless, the question remains as to whether or not the administrative law judge should find that Complainants are barred from enforcing the '958 and '867 patents because Respondents are third-party beneficiaries of a contract whose terms Complainants have yet to satisfy. The administrative law judge has determined that such a finding should not be made for the following reasons.

First, it appears that the facts presented in this investigation are not identical to those presented to the District Court. As discussed above, an offer to license Realtek (and another offer to license Funai) was made by Complainants with respect to each of the asserted SEPs, albeit not necessarily an offer that in and of itself reflected the RAND terms one would find in a negotiated agreement. Furthermore, as also discussed above, the facts presented in this investigation show that the failure of the parties to agree to terms for the licensing of the asserted SEPs cannot be attributed to Complainants.

Second, there is no indication at this time that the Commission, as a matter of law, has determined to treat RAND obligations as contractual obligations, with respondents as third-party beneficiaries, that must be satisfied before relief may be sought at the Commission.

Furthermore, the Commission has not determined whether it has the statutory authority to adopt

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a policy of requiring patent holders to make an offer with RAND terms before filing a complaint at the Commission; nor has the Commission adopted such a policy. Indeed, “[t]he Commission and its ALJs have never adopted [respondent’s] theory that a FRAND undertaking *per se* precludes a determination of violation.” *Wireless Communications Devices*, Comm’n Op. at 46. The Commission also held, “At least one district court has analyzed a FRAND obligation under a contract theory. But to the extent [respondent] relies on a contract defense, [respondent] has not identified the basic elements necessary to prove a contract: the parties, the offer, the acceptance, the consideration, and definite terms.” *Id.* at 48. Nor in this investigation have Respondents presented evidence to define such traditional elements of a contract defense, let alone one that is then extended to third-party beneficiaries.

Accordingly, in addition to finding that Complainants are not prevented from enforcing the ‘867, ‘958 and ‘663 patents due to a breach of RAND obligations or equitable estoppel, or due to any form of patent misuse that Respondents have alleged, the administrative law judge does not find that Complainants are prevented from enforcing the aforementioned patents due to contractual estoppel.⁷⁵

B. Breach of Duty to Disclose SEPs to the IEEE

1. Summary of the Parties’ Arguments

Aside from the question of whether or not the asserted patents are unenforceable due to the existence of and/or breach of RAND obligations, Respondents also argue that the ‘958 SEP patent (filed as U.S. Patent Application No. 09/064,188) and ‘867 SEP patent (filed as U.S. Patent Application No. 10/092,295, which is a continuation of U.S. Patent Application No.

⁷⁵ It is unclear whether Respondents assert an affirmative defense of contractual estoppel with respect to the ‘663 patent. *See* GR12 Filing. Nevertheless, the considerations discussed above apply to the ‘663 patent, as well as the to ‘958 and ‘867 patents.

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08/155,661) are unenforceable because complainant Agere's predecessor, Lucent, and the inventors breached their duty to disclose the applications to the IEEE. Resps. Br. at 228-45; Resps. Reply at 86-88.

Respondents argue that, "A member of an open standard setting organization may be equitably estopped or may have impliedly waived its right to assert infringement claims against standard-compliant products." Resps Br. at 229 (citing *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336, 1347-48 (Fed. Cir. 2011)). It is argued that to support a finding of implied waiver in the standard setting organization context, the accused infringer must show that the patentee's "conduct was so inconsistent with an intent to enforce its rights as to induce a reasonable belief that such right has been relinquished." *Id.* (quoting *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1020 (Fed. Cir. 2008) (citation omitted)). Further, Respondents argue that equitable estoppel arises when "[t]he patentee, through misleading conduct, led the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer." *Id.* (quoting *Hynix*, 645 F.3d at 1348). It is also argued that "conduct" may include inaction or silence where there was an obligation to speak. *Id.* (citing *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992)). Specifically, a patentee waives the right to claim infringement, and is estopped from doing so, when (1) the patentee had a duty of disclosure to the standard setting organization, and (2) the patentee breached that duty. *See Id.* (quoting *Hynix*, 645 F.3d at 1348).

With respect to the IEEE, Respondents argue that the SSO's patent policies from 1998 impose a duty to disclose "patent(s), including patent applications." Resps Br. at 230 (quoting RX-0039 (IEEE-SA Standards Board Bylaws (1998)) at LSI-Agere837-00009449). Respondents show that the policies state that the IEEE may only include the "known use of patent(s),

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including patent applications, if there is technical justification in the opinion of the standards-developing committee and provided the IEEE receives assurances from the patent holder that it will license applicants under reasonable terms and conditions.” *Id.* It is pointed out, “[t]he IEEE encourages early disclosure to the working group of patent information that might be relevant to the standard,” and requires members to submit letters of assurance “in the form of either a) A general disclaimer to the effect that the patentee will not enforce any of its present or future patent(s) whose use would be required to implement the proposed IEEE standard against any person or entity using the patent(s) to comply with the standard or b) A statement that a license will be made available to all applicants without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination.” *Resps. Br.* at 230-31 (quoting (RX-2626 (IEEE-SA Standards Board Operations Manual (1998)) at LSIAgere837-00028032 and RX-0039 (IEEE-SA Standards Board Bylaws (1998)) at LSIAgere837-00009449). Respondents argue that this assurance shall be provided “prior to the approval of the standard.” *Id.* at 231 (quoting RX-0039 (IEEE-SA Standards Board Bylaws (1998)) at LSIAgere837-00009449 and citing RX-2626 (IEEE-SA Standards Board Operations Manual (1998)) at LSIAgere837-00028032).

Relying on the opinion of the Federal Circuit in *Qualcomm*, 548 F.3d at 1013 (Fed. Cir. 2008), Respondents argue that the language of the IEEE patent policies plainly shows that the identification of patents, including patent applications, is critical to the development of a standard because the non-disclosure of patents or patent applications would make it impossible for the standards developing committee to determine if there is technical justification for using undisclosed patents or patent applications. It is argued that the non-disclosure of a participant’s patents or patent applications could also put the participant in a position in which it could block

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the use of a published standard by any company unless the company obtained a separate license from the participant. Paraphrasing the *Qualcomm* opinion, Respondents argue that thus “[t]he IEEE encourages early disclosure . . . of patent information that might be relevant to the standard.” Resps. Br. at 231.

Respondents turn to the opinion of the Northern District of California in *Barnes & Noble, Inc. v. LSI Corp.*, 849 F. Supp. 2d 925, 937 (N.D. Cal. 2012), which held, “Such language implies that patent holders must disclose any patents that would be included in standards under consideration so that the IEEE can ensure compliance with its criteria.” Resps. Br. at 232. Respondents argue that moreover, the Federal Circuit found similar policies encouraging disclosure as soon as possible to impose disclosure obligations on participants. *Id.* (citing *Qualcomm*, 548 F.3d at 1013-14 (concerning the Joint Video Team standard-setting organization)). It is argued that the Federal Circuit rejected the argument that similar language merely encourages rather than requires the disclosure of patents because “this language applies to the timing of the disclosure (*i.e.*, ‘encouraged to disclose as soon as possible’), not the disclosure duty itself.” *Id.* (quoting 548 F.3d at 1014). Thus, Respondents argue, the Commission should find, as it was found in *Qualcomm*, that the policies impose a disclosure duty on participants. *Id.* at 232.

Respondents argue that IEEE participants also understood and treated the IEEE patent policies as imposing a disclosure duty, and indeed the IEEE took numerous steps to ensure that participants were aware of the policies, that the policies were followed, and that any intellectual property rights that might be relevant to a proposed standard were disclosed during the development of the standard. Resps. Br. at 232-34. Additionally, it is argued that the IEEE patent policies refer to patent information that “might be relevant” to a standard, and courts have

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consistently held, such language requires that participants disclose patents or patent applications that “reasonably might be necessary” to practice the standard. *Id.* at 235 (citing RX-2626 (IEEE-SA Standards Board Operations Manual (1998)) at LSI Agere 837-00028032; *Qualcomm*, 548 F.3d at 1017-18 (rejecting plaintiff’s argument that such language requires that a patent “actually be necessary” in favor of a “reasonably might be necessary” standard); *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1100 (Fed. Cir. 2003)).

Nevertheless, it is argued, in breach of their obligations, Lucent and the inventors waited three years to disclose the ‘188 and ‘661 patent applications, during which time Lucent participated heavily in the development of the 802.11 standard. Resps. Br. at 235-43. Respondents argue that Lucent assured participants that their proposal for the standard could be adopted with fear of patent holdup. Yet, it is argued, within one month of issuance of the ‘958 patent, Complainants [

] sued Intersil Corporation (formally Harris Semiconductor)—the very company it collaborated with during the standard-setting process—for infringement of the ‘958 patent based on the standard. *Id.* at 228, 241-42.

Respondents argue that breaches of the duty to disclose by Lucent and the inventors caused detrimental reliance. In particular, it is argued that by breaching its disclosure duty, Lucent intended to, and did, induce reliance by the IEEE, its members, and companies in the wireless networking industry who rely on 802.11 activities. Resps. Br. at 243 (citing, *inter alia*, *Barnes & Noble*, 849 F. Supp. 2d at 939-40, for the proposition that one may infer reliance). Further, it is argued that [

]

By way of example, it is argued, [

] *Id.* at 244 (citing RX-0011C [] at Q&A 25-38, Q&A 50-52; RX-0012C (Tsai WS) at Q&A 14-25, Q&A 30; RX-2272 (2003 Realtek Annual Report); RX-1327C (Realtek Patents and Patent Applications); RX-1328C (Realtek Sales Data)).

Complainants deny that the ‘958 and ‘867 patents are unenforceable due to an alleged failure to disclose them to the IEEE. Compls. Br. at 430-37. Complainants do not concede that at any time prior to the IEEE’s approval of the 802.11b standard, IEEE members had a duty to disclose pending patent applications. *Id.* at 432-35. Rather, they argue, the written IEEE policies on which Realtek relies did not require disclosure of pending applications, but rather simply required that patent holders provide a letter of assurance that either (a) they would not enforce any present or future standard-essential patents, or (b) they would make a license available to all applicants without compensation or under reasonable and non-discriminatory rates, terms, and conditions. *Id.* at 432 (citing RX-0039 (IEEE Board Bylaws – 1998) at 14; RX-2626 (IEEE Operations Manual – 1998) at 25). They argue that while the written IEEE policies have language that IEEE “encourages” disclosure of patent information, the SSO policy language at issue in *Qualcomm* is easily distinguishable from the language of the IEEE policies at issue in this case. It is argued that in *Qualcomm*, the SSO had a defined written policy that required members to use “best efforts” to declare all relevant patents at the time a proposal was submitted, and required disclosure of all patents relevant to the standard before final approval of the standard. Yet, the IEEE policies only required that participants submit letters of assurance.

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Moreover, it is argued, the court in *Qualcomm* emphasized that the SSO policy in question stated the goal of creating a royalty-free baseline for the standard, which was the critical factor in determining the importance of [the SSO's] members' obligation to disclose patents when making contributions. Yet, in this case, Complainants argue, the IEEE policies did not seek to create a royalty-free standard, but rather explicitly contemplated that standards may include the use of patented technology so long as the IEEE receives assurance from the patent holder that it will license applicants under reasonable terms and conditions for the purpose of implementing the standard. *Id.* at 432-33 (citing RX-0039 (IEEE Board Bylaws – 1998) at 14; RX-2626(IEEE Operations Manual – 1998) at 26).

Complainants also argue that it was not shown during the hearing that IEEE participants understood the IEEE to impose a duty to disclose pending applications because evidence that the written policies were mentioned at meetings does not show that participants had an understanding of the policies that was different from what is reflected in the written manuals. Compls. Br. at 433-34. Further, it is argued, Realtek has not provided testimony from any IEEE participant reflecting that participants viewed the IEEE policies as imposing a duty to disclose pending applications. In view of the above, Realtek has not demonstrated, much less demonstrated by clear and convincing evidence, that IEEE participants had a duty to disclose pending patent applications. *Id.* at 434.

In fact, Complainants argue, the '958 patent and '867 patents both issued several years after the adoption of the 802.11b standard, and the '867 patent was not even filed prior to adoption of the standard. Compls. Br. at 434 (citing RX-0019C (IEEE Std 802.11b-1999) at 1 (approved Sept. 1999); JX-0003 ('958 Patent) at 1 (issued Sept. 2002); JX-0005 ('867 patent) at 1 (issued Mar. 2004); JX-0005 ('867 patent) at 1 (filed Mar. 2002)). It is argued that inasmuch

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as IEEE policies did not require disclosure of pending applications, individuals employed by Lucent could not have had a duty to disclose the '958 application or the '867 parent application. *Id.* at 435.

In any event, Complainants argue, the evidentiary record does not show that Lucent or any of its employees breached what duties did exist under IEEE's policies, because Lucent in fact submitted a letter of assurance with respect to the 802.11b standard. Compls. Br. at 435 (citing CX-1257C (Lucent-IEEE Letter, Apr. 29, 1998)). Complainants argue that such a letter is all that was required, and is comparable to other letters of assurance submitted to the IEEE during the 1997-1998 time period (including an earlier letter submitted by Lucent). *Id.* at 435-36 (citing RX-2214 (Hayes – IPR Letters Received for 802.11) at 6-7, 12, 15-16, 24 (letters of assurance from AT&T, Digital Ocean, Lucent, Norand, Novell, and Symbol)). Further, Complainants argue that Lucent also provided the IEEE with letters of assurance for the subsequent 802.11g and 802.11n standards, among others. *Id.* at 436 (citing CX-1261C (Agere-IEEE Letter, Jan. 24, 2003); CX-1263C (Agere-IEEE Task Group Letter, Jan. 24, 2003); CX-1271C (Agere-IEEE Letter, Feb. 13, 2007)). It is argued that Lucent's actions are in stark contrast to the facts in Qualcomm, which involved a knowing and intentional nondisclosure of patents to the SSO. *Id.*

Complainants argue that Realtek's equitable estoppel defense fails for additional reasons. It is argued that the evidentiary record does not show that Realtek relied on any conduct by Lucent or Complainants in connection with taking some action, or that Realtek will be prejudiced if Complainants are allowed to proceed with their claims. It is argued that any alleged silence by Lucent or its employees during the 802.11b standard setting process was not a communication to Realtek that could trigger estoppel, and in light of Lucent's April 1998 letter

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of assurance, CX-1257C (Lucent-IEEE Letter, Apr. 29, 1998), which declared that Lucent would license any issued or pending standard-essential patents at a 5% royalty rate, neither the IEEE, its members, nor Realtek could have reasonably inferred that Lucent did not intend to enforce its patent rights. At most, it is argued, Realtek could have relied on Lucent's assurance to license on fair and reasonable terms, which Complainants have honored. Specifically with respect to prejudice, it is argued that Realtek has not provided any documents or other support [

] Accordingly, Complainants argue, Realtek has not demonstrated reliance or prejudice by clear and convincing evidence. Compls. Br. at 436-37 (citing, *inter alia*, RX-0011C (Chen WS) at Q&A 26-38).

2. Discussion and Ruling

In *Wireless Communications Devices*, the Commission was presented with an affirmative defense of unenforceability due to an alleged failure to disclose patents to an SSO (which in that case was ETSI, or the European Telecommunications Standards Institute). The Commission looked to *Qualcomm* (as have the parties in their briefing in this investigation) to hold that in order to establish such implied waiver, a respondent needed to establish four points: (1) that under the SSO policy the complainant had a duty as a participant to disclose patents on essential technology to the SSO; (2) that the asserted patents fell within the scope of that duty; (3) that the complainant had breached its disclosure duty by failing to disclose the asserted patents in a timely manner; and (4) that appropriate circumstances existed justifying a decision to hold the asserted patents unenforceable against products practicing the SSO's standard at issue. *Wireless Communications Devices*, Comm'n Op. at 65 (citing *Qualcomm*, 548 F.3d at 1012).

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Complainant has made a strong case for differentiating the requirements of the IEEE from those applicable in *Qualcomm*.⁷⁶ Yet, as discussed below, Respondents' affirmative defense in this investigation fails for at least three independent reasons.

First, in *Wireless Communications Devices*, the Commission found that, even assuming the complainants had a duty to disclose the asserted patents under the *Qualcomm* standard, the respondent's equivocation concerning the question of whether or not the asserted patents were actually essential undercut its claim that the patents were essential and therefore triggered a duty to disclose. *Wireless Communications Devices*, Comm'n Op. at 65. In *Wireless Communications Devices*, the respondent specifically argued in one part of its petition for review that the complainant was wrong to declare the asserted patents essential, but in another part of its petition argued that the complainant failed to disclose them in a timely manner. *See id.* In this investigation, Respondents' arguments also equivocate on the question on essentiality. By the nature of their non-infringement arguments, which are discussed and in large part adopted by the administrative law judge above, Respondents call into question whether the asserted patents are actually essential to the relevant IEEE standards; yet, at the same time they argue that Lucent and the inventors breached a duty of disclosure to the IEEE.

Second, "patent holdup" is a key component of Respondents' arguments, as set forth in their briefing and as detailed above in the summary of the parties' arguments. In fact, Respondents argue that Lucent promoted the adoption of their proposal for the IEEE standard by assuring participants that there would be no holdup. *See Resps. Br.* at 231, 242. Such a concern was also important in *Wireless Communications Devices*, in which it was held that to the extent

⁷⁶ Complainants do not dispute Respondents' argument that a patent could be unenforceable based on misconduct relating to the underlying patent application.

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timely disclosure was based on a concern about patent holdup from a company hiding intellectual property rights during the standard adoption process, the evidence showed that such a concern was not present in that case because the complainant had prospectively announced to the SSO that it would offer FRAND licenses to any of its patents that read on a standard adopted by the SSO. Indeed, it was noted that the complainant had already licensed its SEPs, including the asserted patents, to numerous companies. *See Wireless Communications Devices*, Comm'n Op. at 66. In this investigation, the evidence shows that Lucent (or Lucent's predecessor, Agere) in fact submitted a letter of assurance with respect to the 802.11b standard, as well as the subsequent 802.11g and 802.11n standards, among others. *See* CX-1257C (Lucent-IEEE Letter, Apr. 29, 1998); CX-1261C (Agere-IEEE Letter, Jan. 24, 2003); CX-1263C (Agere-IEEE Task Group Letter, Jan. 24, 2003); CX-1271C (Agere-IEEE Letter, Feb. 13, 2007). Additionally, Complainants have, in fact, conducted negotiations with, and have licensed, numerous companies under their patents, including the '958 and '867 patents. *See, e.g.*, CX-1599C (Waskiewicz WS) at Q&A 38-89; CX-1599C (Waskiewicz RWS) at Q&A 13-14, Q&A 56-61; CX-758C ([REDACTED]) at 2; CX-36C ([REDACTED]) PLA) at 3, 4, 18; CX-37C ([REDACTED]) PLA Amendment) at 2; CX-762C ([REDACTED]) at 22; CX-763C ([REDACTED]) at 19; CX-27C ([REDACTED]) PLA) at 3-4, 13-15; CX-765C ([REDACTED]) at 15-24; CX-766C ([REDACTED]) at 4; CX-1557C ([REDACTED]) at 80-119; CX-768C ([REDACTED]) at 86-94, 103; CX-38C ([REDACTED]) PLA) at 14-17; CX-1115C ([REDACTED]) at 2, 19-21, 27-35)).

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Third, as detailed above, Respondents argue that breaches of the duty to disclose caused detrimental reliance by Realtek, [

] *See* Resps.

Br. at 244 (and the exhibits cited therein). Yet, the evidence provided by Realtek, and cited in its brief, does not show that reliance was a factor [

] At most, it shows that [

] There is no contemporaneous evidence to show

[] and it remains unclear whether any change in the assurances and declarations made by Lucent, Agere, or its employees would have caused Realtek to change the way that [] *See* [] Tr. 1268-1269. In any event, Realtek could have relied on Lucent's April 1998 letter of assurance [] and as discussed above with respect to Respondents' RAND defenses, could have continued to negotiate a license with Complainants for a license.

Consequently, it has not been proven that the '958 and '867 patents are unenforceable due to a breach of a duty to disclose their underlying applications to the IEEE.

C. Equitable Estoppel As to Realtek

1. Summary of the Parties' Arguments

In addition to the other estoppel defenses, Realtek argues that Complainants cannot assert the '958 and '867 patents against it due to an estoppel created when they abandoned prior infringement allegations, specifically [

] Resps. Br. at 245-54. It is argued that [

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] It is also argued that [

] *Id.* at 245 (citing, *inter alia*, CX-1007C []

Realtek argues that to assert its infringement claim broadly, [

] Indeed, it

is argued, while the application that resulted in the '867 patent [],

Complainants declared the patent standard-essential through its notice to the IEEE and its allegation in this investigation. *Id.* at 245-46.

Realtek argues that [

] Resps. Br. at 246 (citing CX-1159C [

] and RX-1158C []

Realtek argues that [

] Yet, Realtek argues, [

] *Id.* Realtek argues that in fact [

] Additionally, Realtek argues that [

] *Id.*

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Realtek argues that three elements are required for equitable estoppel to bar a patentee's suit: (1) the patentee, through misleading conduct (or silence), leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer; (2) the alleged infringer relies on that conduct; and (3) the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim. Resps. Br. at 247 (citing *Radio Sys. Corp. v. Lalor*, No. 2012-1233, 2013 WL 811757, at *4 (Fed. Cir. Mar. 6, 2013) (which in turn cites *Aukerman*). It is further argued that misleading silence arises when "a patentee threatened immediate or vigorous enforcement of its patent right but then did nothing for an unreasonably long time." *Id.* (citing *Meyers v. Brooks Shoe, Inc.*, 912 F.2d 1459, 1464 (Fed. Cir. 1990)). It is argued that all three criteria exist here. *Id.* at 247-49. Further, Realtek argues that Complainants have been unable to excuse their long silence, even in its hearing testimony. *Id.* at 249-51. Moreover, it is argued, Realtek's reliance [

] thereby causing Realtek detrimental economic prejudice. *Id.* at 251-54.

Complainants deny that the '958 and '867 patents are unenforceable as to Realtek due to an alleged delay between notice of infringement and filing suit. Compls. Br. at 422-30.

Complainants argue that [

] *Id.* at

422 (citing CX-1007C ([])) at 1; CX-1599C (Waskiewicz WS) at Q&A 174-179). It is argued that [

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] *Id.* (citing CX-1007C [] at 1-2; CX-1599C (Waskiewicz WS) at Q&A 180). It is argued that [] CX-1077C []]. *Id.*

Complainants argue that [] Compls. Br. at 422 (citing CX-1077C []; CX-1599C (Waskiewicz WS) at Q&A 182-185). It is argued that [

] *Id.* (citing CX-0414C [] at 2-13; CX-1599C (Waskiewicz WS) at Q&A 186-191). Complainants state that [

] Compls. Br. at 423 (citing CX-0415C []]. It is argued that [

] *Id.* (citing CX-1075C []]. However, it is argued, []]. *Id.* (citing Waskiewicz Tr.

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185-186 (“[

]”); CX-1599C (Waskiewicz WS) at Q&A 198).

Complainants argue that [

].

It is argued that although Agere did not abandon its intent to license Realtek, it shifted its

resources elsewhere in light of [Further,

Complainants argue, [

]. In fact, it is

argued, Realtek [] prior to institution of this investigation in March

2012. Compls. Br. at 423-24 (citing CX-1645C (Waskiewicz RWS) at Q&A 9-55; [] Tr.

1263-1264, 1277-1278).

Complainants, turning to the Federal Circuit’s opinion in *Forest Labs.*, argue that equitable estoppel may be imposed in a patent case when a patentee induces another party to believe that it will not sue that party for infringement. Like Respondents, they also turn to *Aukerman* to define the elements of equitable estoppel. They argue that the elements normally must be proven by a preponderance of the evidence. Compls. Br. at 424 (citing *Forest Labs., Inc. v. Abbott Labs.*, 339 F.3d 1324, 1329 (Fed. Cir. 2003); *Aukerman*, 960 F.2d at 1028)).

Complainants argue that no estoppel has been shown in this investigation because Realtek has not established any misleading conduct on the part of Complainants, and because the evidentiary record does not show that Agere engaged in any misleading conduct. Indeed, it is argued, where the allegedly misleading conduct is inaction, there must be other facts surrounding

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the inaction that would lead the alleged infringer to infer that the patentee would not seek to enforce its rights. It is argued that silence alone will not give rise to estoppel unless there was a clear duty to speak or the silence somehow reinforced the inference that the patentee would not enforce its patent. Compls. Br. at 425 (citing *Aukerman*, 960 F.2d at 1028, 1042-44).

Complainants argue that silence will typically give rise to estoppel only in cases where a patentee “threatened immediate or vigorous enforcement” of its patent and “then did nothing for an unreasonably long time.” *Id.* (quoting *Meyers v. Asics Corp.*, 974 F.2d 1304, 1309 (Fed. Cir. 1992)). Indeed, Complainants argue, a suggestion of infringement coupled with an offer to license that is followed by silence will not establish equitable estoppel. *Id.* (citing *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1294 n.5 (Fed. Cir. 1992); *Meyers*, 974 F.2d at 1308 (attempts to negotiate licenses followed by period of silence “does not, in itself, constitute the necessary misleading conduct”); *Teradyne, Inc. v. Hewlett-Packard Co.*, No. C-91-0344 MHP, 1994 WL 327213, at *4 to *7 (N.D. Cal. June 24, 1994) (no equitable estoppel based on letter offering to license patents followed by eleven-year period of silence prior to filing suit)).

Furthermore, Complainants argue, it was Realtek, not Agere, that went silent after a series of communications [

]

Indeed, it is argued, Realtek was aware that Complainants were involved in multiple litigations during the period between when [] and when this investigation was filed in 2012. Compls. Br. at 426-27 (citing CX-1645C (Waskiewicz RWS) at Q&A 49-55 (describing litigations); CX-0076 (Realtek Answer, 11cv0179) at 19-21 (2011 pleading showing Realtek’s knowledge of Broadcom and Intersil litigations)). In such

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circumstances, it is argued, an alleged infringer's knowledge of the patentee's litigation against others weighs against finding that the alleged infringer reasonably drew an inference it would not be sued. *Id.* at 427 (citing *Aukerman*, 960 F.2d at 1044).

Complainants argue that in any event, the evidentiary record does not establish that Realtek relied on any conduct by Agere in connection with taking some action. They argue that Realtek's witness [] gave conclusory testimony that [

]; but [] statements are not backed up by any supporting exhibits or other corroboration. Compls. Br. at 428 (citing RX-0011C (Chen WS) at Q&A 44-45). Further, it is argued, [

] *Id.* at 428 (citing [] Tr. 1261-1262 [],

1290 [

], 1268-1269 (

)). Moreover, Complainants argue, [] testified that [

] *Id.* at 428-29 (citing [] Tr. 1263-1264, 1267-1268, 1283, 1287 ([

])). Complainants argue that as in *Meyers*, the evidence here "suggests that [Realtek] ignored or gave little weight to [Agere's] efforts to negotiate licenses." *Id.* at 429 (citing 974 F.2d at 1309). Thus, it is argued, Realtek

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has not demonstrated by a preponderance of the evidence any reliance on Complainants' conduct. *Id.*

Finally, Complainants argue, Realtek has not established any prejudice if Complainants are allowed to proceed with their infringement claims. It is argued that [] testimony provides a discussion of [] and then avers that [] but does not provide any documents or other support for his assertions that [] Compls. Br. at 429 (citing RX-0011C ([]) at Q&A 26-38). Such documentation, Complainants argue, could have easily been provided in the form of a more recent Annual Report; [] conclusory statements are insufficient to establish economic prejudice. Moreover, it is argued, as discussed above, [] clearly testified that [] *Id.* at 429-30.

2. Discussion and Ruling

In applying the standards set forth in *Aukerman*, the administrative law judge has determined that Realtek has not established the required elements of equitable estoppel. Many of the facts, and even much of the relevant law, have already been discussed above in connection with other unenforceability defenses. Yet, a further discussion of the evidence and law focuses more particularly on the defense that concerns the communications, or lack thereof, between Agere and Realtek.

The evidence shows that []

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] CX-1007C ([]).

] *Id.* The letter was neither a mere invitation, as it is characterized by Complainants, nor was it a letter fraught with demands, as it has been characterized by Respondents. In any event, [

].

The cases cited by the parties show that a suggestion of infringement coupled with an offer to license does not constitute a threat of immediate and vigorous enforcement of one's patents, and will not necessarily establish equitable estoppel even if followed by a period of silence. *See Hemstreet*, 972 F.2d at 1294 n.5; *Meyers*, 974 F.2d at 1308; *Teradyne*, No. C-91-0344 MHP, 1994 WL 327213, at *4 to *7; *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 828 F. Supp. 1386, 1388, 1397-98 (E.D. Wis. 1993), *aff'd*, 52 F.3d 1062, 1063-64 (Fed. Cir. 1995). Where it is the alleged infringer, not the patentee, that goes silent following a series of communications, there is no "inaction" or "misleading silence" attributable to the patentee. *Hemstreet*, 972 F.2d at 1295 (where onus was on alleged infringer to respond to patentee's last communication, no misleading conduct by patentee).

In this case, [

]. Waskiewicz Tr. 185-186; CX-1075 ([

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)). While [] Realtek easily could have responded [] to pursue that request. [].

Realtek asserts that the length of time between [] and the complaint in this investigation supports an inference that Agere abandoned its claims. Yet, Realtek was aware of Complainants' other litigations involving the asserted patents during this time period. *See* CX-1645C (Waskiewicz RWS) at Q&A 49-55; CX-0076 (Realtek Answer, 11cv0179) at 19-21; *see also Aukerman*, 960 F.2d at 1044 (alleged infringer's knowledge of patentee's litigation against others weighs against finding reasonable inference that patentee would not enforce its patents).

In addition, as Realtek's witness testified at the hearing, []

Tr. 1268-1269. In contrast, there is no contemporaneous evidence to support Realtek's position.⁷⁷ The evidence does not support Realtek's argument that it relied on silence between Agere and Realtek to [].

Nor has Realtek supported its contention that []

⁷⁷ *Compare Hall v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1558 (Fed. Cir. 1996) (court persuaded by argument that alleged infringer submitted only "post hoc conclusory statements that it relied on [the patentee's] conduct rather than any undisputed contemporaneous evidence demonstrating such reliance"), *with Wafer Shave, Inc. v. Gillette Co.*, 857 F. Supp. 112, 122 (D. Mass. 1993) (alleged infringer presented internal documents corroborating assertion that it had relied on patentee's delay).

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]. In fact, the hearing testimony shows that [

].

Q. [

A.

]

[] Tr. 1287.

Any losses Realtek may incur if the Commission were to find a violation of section 337 would be a result of ongoing infringement rather than any prejudice caused by Complainants or their predecessor.

Accordingly, it is not found Complainants are estopped from asserting the '958 and '867 patents against Realtek.

XI. Conclusions of Law

1. The Commission has subject matter, personal, and *in rem* jurisdiction in this investigation.
2. The importation requirement is satisfied as to the Funai and Realtek accused products.
3. Funai's accused products directly infringe asserted claims 1, 5, 7-9, and 16 of U.S. Patent No. 5,870,087. Funai is liable for induced infringement of asserted claims 10 and 11 of the '087 patent.
4. Funai's accused products do not infringe asserted claims 1-9 and 11 of U.S. Patent No. 6,982,663; asserted claims 22-26, 29, 32, and 35 of U.S. Patent No. 6,452,958; or asserted claims 20, 23, 24, 26-35, 37-40, 47, 49-56, and 58-61 of U.S. Patent No. 6,707,867.

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5. Realtek's accused products do not infringe asserted claims 22-26, 29, 32, and 35 of the '958 patent; or asserted claims 20, 23, 24, 26-35, 37-40, 47, 49-56, and 58-61 of the '867 patent.

6. It has not been shown by clear and convincing evidence that any asserted claim of the '087, '663, '958, or '867 patent is invalid.

7. The domestic industry requirement is satisfied as to all asserted patents.

8. Respondents have not prevailed on any equitable or RAND defense.

XII. Initial Determination on Violation

Accordingly, it is the Initial Determination of the undersigned that a violation of section 337 of the Tariff Act, as amended, has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation, of certain audiovisual components and products containing the same, with respect to asserted claims 1, 5, 7, 8, 9, 10, 11, and 16 of U.S. Patent No. 5,870,087. It is also the Initial Determination of the undersigned that a violation of section 337 of the Tariff Act, as amended, has not occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation, of certain audiovisual components and products containing the same, with respect to asserted claims 1, 2, 3, 4, 5, 6, 7, 8, 9, and 11 of U.S. Patent No. 6,982,663; asserted claims 22, 23, 24, 25, 26, 29, 32, and 35 of U.S. Patent No. 6,452,958; or asserted claims 20, 23, 24, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 37, 38, 39, 40, 47, 49, 50, 51, 52, 53, 54, 55, 56, 58, 59, 60, and 61 of U.S. Patent No. 6,707,867.

Further, this Initial Determination, together with the record of the hearing in this investigation consisting of (1) the transcript of the hearing, with appropriate corrections as may

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hereafter be ordered, and (2) the exhibits received into evidence in this investigation, is hereby certified to the Commission.

In accordance with 19 C.F.R. § 210.93(c), all material found to be confidential by the undersigned under 19 C.F.R. § 210.5 is to be given *in camera* treatment.

The Secretary shall serve a public version of this ID upon all parties of record and the confidential version upon counsel who are signatories to the Protective Order, as amended, issued in this investigation.

Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall become the determination of the Commission unless a party files a petition for review pursuant to § 210.43(a) or the Commission, pursuant to § 210.44, orders on its own motion a review of the ID or certain issues herein.

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XIII. Order

To expedite service of the public version, each party is hereby ordered to file with the Commission Secretary no later than July 26, 2013, a copy of this Initial Determination with brackets to show any portion considered by the party (or its suppliers of information) to be confidential, accompanied by a list indicating each page on which such a bracket is to be found.⁷⁸ At least one copy of such a filing shall be served upon the office of the undersigned, and the brackets shall be marked in red. If a party (and its suppliers of information) considers nothing in the Initial Determination to be confidential, and thus makes no request that any portion be redacted from the public version, then a statement to that effect shall be filed.



David P. Shaw
Administrative Law Judge

Issued: July 18, 2013

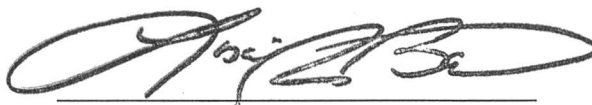
⁷⁸ Confidential business information ("CBI") is defined in accordance with 19 C.F.R. § 201.6(a) and § 210.5(a). When bracketing portions of this Initial Determination to indicate CBI, a high level of care must be exercised in order to ensure that non-CBI portions are not indicated. Other than in extremely rare circumstances, block-bracketing is prohibited. In most cases, bracketing of only discrete CBI words and phrases will be permitted.

**CERTAIN AUDIOVISUAL COMPONENTS
AND PRODUCTS CONTAINING THE SAME**

Inv. No. 337-TA-837

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **INITIAL DETERMINATION** was served upon the following parties as indicated, on **AUG 14 2013**



Lisa R. Barton, Acting Secretary
U.S. International Trade Commission
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FOR RESPONDENTS FUNAI ELECTRIC CO., LTD.; FUNAI CORP. INC.; P&F USA, INC.; AND FUNAI SERVICE CORP.:

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**CERTAIN AUDIOVISUAL COMPONENTS
AND PRODUCTS CONTAINING THE SAME**

Inv. No. 337-TA-837

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