PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of CERTAIN 3G MOBILE HANDSETS AND COMPONENTS THEREOF	)	Investigation No. 337-TA-613

2009 JUL 27 PM 3:55

Order No. 42: Initial Determination Granting Complainants' Renewed Motion No. 613-71 For Summary Determination That A Domestic Industry Based On Licensing Activities Exists In The United States

On February 13, 2009, complainants InterDigital Communications, LLC and InterDigital Technology Corp. (InterDigital) moved for summary determination that InterDigital's licensing activities in the United States satisfy the domestic industry requirements of 19 U.S.C. §1337(a)(3)(C) as to the following patents in issue: U.S. Patent No. 7,117,004 (the '004 patent), U.S. Patent No. 6,973,579 (the '579 patent), U.S. Patent No. 7,190,966 (the '966 patent), and U.S. Patent No. 7,286,847 (the '847 patent). (Motion Docket No. 613-71.)[1]

Respondents Nokia Inc. and Nokia Corporation (Nokia), in a response dated February 27, 2009, argued that Motion No. 613-71 should be denied. It was argued that the technical prong requires the existence of an article protected by the asserted patents (Opposition at 3); that the plain language of 19 U.S.C. § 1337 requires the existence of an article (id. at 3); that Commission authority and rules support the requirement of an existing article (id. at 5-7); that the plain meaning of 19 U.S.C. § 1337 is clear and thus its legislative history is irrelevant (id. at 8);

[1] Included with Motion No. 613-71, were 45 exhibits (Ex.) which included a declaration of Bruce G. Bernstein (Bernstein Dec.) as well as certain responses to certain interrogatories, certain deposition excerpts and certain patents.

that there is no nexus between the asserted patents and its licensing programs (id. at 9); that a broad licensing program cannot satisfy the requirement of a nexus (id. at 9); that InterDigital has not shown that the asserted patents are important to its licensing program (id. at 11); that a genuine issue of material fact exists as to whether InterDigital's investments are substantial as required by 19 U.S.C. § 337(a)(3) (id. at 13); that InterDigital's purported investment total includes activities beyond the patents-in-suit, including licensing of other technology and activities prior to the issuance of the patents-in-suit (id. at 13-14);{

}[2]

The staff, in a submission dated February 27, 2009, stated that it did not oppose Motion No. 613-71 in light of the findings and conclusions made by the administrative law judge in Certain 3G Wideband Code Division Multiple Access (WCDMA) Handsets and Components Thereof (3G Wideband Handsets), Order No. 20, which the Commission did not review and thus adopted. (Response at 3, citing 3G Wideband Handsets, Inv. No. 337-TA-601, Order No. 20

[2] Many of the arguments raised by respondents are identical to the arguments raised by the respondents in 337-TA-601 and rejected by this administrative law judge in that inevstigation. See Certain 3G Wideband Code Division Multiple Access (WCDMA) Handsets and Components Thereof, Inv. No. 337-TA-601, Order No. 20 (June 24, 2008); Notice of Commission Determination Not to Review (July 25, 2008).

(June 24, 2008).)[3]

Commission rule 210.18(a) states that "[a]ny party may move with any necessary supporting affidavits for a summary determination in his favor upon all or any part of the issues to be determined in the investigation" and that summary determination shall be rendered in favor of the moving party "if pleadings and any depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a summary determination as a matter of law."

The moving party bears the initial burden of demonstrating the absence of any genuine issue of material fact and its entitlement to a judgment as a matter of law in a motion for summary determination. Certain Optical Disk Controller Chips and Chipsets and Products Containing Same, Including DVD Players and PC Optical Storage Devices, Inv. No. 337-TA-506, Order No. 27, 2004 ITC LEXIS 986, at *4 (December 6, 2004); Vivid Tech. v. Am. Science and Eng'g, 200 F.3d 795, 806 (Fed. Cir. 1999). The non-moving party "must do more than simply show that there is some metaphysical doubt as to the material facts"; it must show the existence of a genuine issue for trial. Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586-87 (1986).

Section 337 provides that:

> (a)(3) . . . an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned--
>
> (A) significant investment in plant and equipment;

---

[3] In issue in said Order No. 20 were not only the '004 patent, '579 patent, '966 patent, and '847 patent in issue in Motion No. 613-71, but also U.S. Patent No. 6,674,791.

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development, or licensing.

19 U.S.C. § 1337(a)(3). The domestic industry requirement is satisfied by meeting **any one** of the three prongs of 19 U.S.C. § 1337(a)(3). Certain Plastic Encapsulated Integrated Circuits, Inv. No. 337-TA-315, Initial Determination, 1991 ITC LEXIS 1134, at *124-125 (November 20, 1991) (portion adopted by Commission). Thus, a Section 337 complainant can satisfy the domestic industry requirement solely by demonstrating licensing activities related to the patent or patents asserted in the investigation. See Certain Digital Processors and Digital Processing Systems, Components Thereof, and Products Containing Same, Inv. No. 337-TA-559, Order No. 24 (Public Version) at 84 (Initial Determination, domestic industry decision unreviewed) (June 21, 2007) (finding domestic industry based on licensing alone (Digital Processors); Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same, Inv. No. 337-TA-432, Order No. 13 (Public Version) at 13 (unreviewed Initial Determination) (June 6, 2002) (granting summary determination that licensing domestic industry exists) (Semiconductor Chips); Certain Digital Satellite System (DSS) Receivers and Components Thereof, Inv. No. 337-TA-392, Initial Determination (Public Version) at 9-12, U.S.I.T.C. Pub. 3418 (April 2001) (finding domestic industry based on licensing alone) (DSS).

Prong (C), supra, was specifically added to Section 337 to expand the definition of "domestic industry" beyond manufacturers to include "universities and other intellectual property owners who engage in extensive licensing of their rights to manufacturers." See, e.g., DSS, supra, at 10, and Semiconductor Chips, supra, at 12, both quoting S. Rep. No. 71, 100th Cong.,

1st Sess., at 129 (1987) (Senate Report). The statute does not require a complainant "to manufacture the patented product nor does it require that a complainant show that a product covered by the . . . patent is made by the complainant's licensees." Id.; see also Semiconductor Chips, supra, at 13; see also Digital Processors, supra, at 85 (noting that a domestic industry under prongs (A) and (B) requires complainant to satisfy the economic and technical prongs, but "[w]hen a complainant relies on the existence of a licensing program to satisfy subsection (C), the complainant need not show that it or one of its licensees practices the patent-in-suit in order for the Commission to find a domestic industry.") The text of prong (C) does look for "substantial investment in its exploitation." 19 U.S.C. § 1337(a)(3)(C).

A complainant may satisfy the domestic industry requirement by demonstrating that it has invested a substantial amount of money in a licensing program to exploit the asserted patents. Semiconductor Chips, supra, at 13; see also DSS, supra, at 10-11 (finding existence of a domestic industry based on complainant's investment of substantial amounts of money in its overall licensing program). However, the complainant must "show a connection or 'nexus' between the asserted patent or patents and the alleged domestic licensing industry." Digital Processors, supra, at 85 (internal citations omitted).

InterDigital is a large, public company with hundreds of employees that is traded on the NASDAQ Global Select Market. (Bernstein Dec., ¶ 31.) It is undisputed that{ } InterDigital has been engaged in the research, development, engineering, and licensing of Code Division Multiple Access (CDMA) technology in the United States which work later transitioned into research, development, engineering, and licensing of Wideband CDMA technology (WCDMA). (Bernstein Dec., ¶ 5.) WCDMA is one of the wireless technologies often referred to

commercially as "3G." (Id.) Through its ongoing research and development, InterDigital developed proprietary technology that was ultimately incorporated into the wireless communication standards referred to generally as 3G. (Bernstein Dec., ¶ 6.)

At the current time, InterDigital licenses its wireless technology and patents to significant handset and device manufacturers throughout the world..[4] (Bernstein Dec., ¶ 7.) Currently, InterDigital has{

} In 2007,{

} In 2007, {

}

[4] In this investigation, it has been determined that InterDigital's research and development leading to chipset design satisfies the economic prong of the domestic industry. (See Order No. 26 (March 26, 2008); Notice of Commission Determination Concerning Complainant's Motion for Summary Determination That It has Satisfied the Economic Prong of the Domestic Industry Requirement (May 5, 2008).)

InterDigital employs individuals that attend and participate in standards bodies, including standards relating to 3G technology and the subject matter of the patents-in-suit. (Bernstein Dec., ¶ 8; Ex. 11, InterDigital's Response to Samsung Interrogatory No. 217.) That participation includes{

}

InterDigital's licenses{

} InterDigital has{

} InterDigital continues to negotiate agreements with companies that wish to make, use, and sell products using 3G technology. Indeed, while this investigation has been pending,{ }

{

}

{

}

{

}[5] {

}

As part of its overall licensing efforts,{

}

The '579 patent in issue, or the patent application that ultimately led to that patent,{

}

The '004, '996 and '847 patents in issue claim priority to the same initial application i.e.

---

[5] {

}

Serial No. 08/670,162, filed on June 27, 1996. That initial application resulted in the first power ramp-up patent in that family, U.S. Patent No. 5,841,768 ('768 patent). (Ex. 30) The second patent in the family, U.S. Patent No. 6,181,949 ('949 patent) issued from a continuation from the initial application. (Ex. 31.) The '004 patent is a descendant of the '768 and '949 patents. See '004 patent, cover page. The '966 and '847 patents, which issued on March 13 and October 23, 2007 respectively, each descended from the application that issued as the '004 patent. In addition to the patents in the direct chain leading to the three asserted power ramp-up patents, there are other branches that extend from the original '768 patent, such as U.S. Patent No. 6,904,294. (Ex. 32) Also, all the power ramp-up patents are subject to a terminal disclaimer that disclaims any term beyond the expiration of the other patents in the family, notably the grandparent '768 patent. As a result, said power ramp-up patent family is found to be closely tied together.

During InterDigital's licensing negotiations,{

}

{ }[6] {

}

{

}

{

}

---

[6] {

}

{

} the '004, '966, and '847 patents all relate to power control. The three related power ramp-up patents, viz. the '004, '966, and '847 patents, all relate to a method of preserving power by ramping up the power during the initial access procedure.[7] Although the titles of those three power ramp-up patents describe generically an "initial access procedure," the title of the original parent patent-the '768 patent-is "A Method of Controlling Initial Power Ramp-Up in CDMA Systems by Using Short Codes."

{

} The administrative law judge finds that the three power ramp-up patents all address power control methods during the initial procedure during which the handset is trying to establish a communication link with the base station, i.e. open loop power control, which is power control that occurs before communication with the base station is established and the base station can send power control signals to the handset.

{

}

---

[7] {

}

{

}

{

} InterDigital has declared each of the five asserted patents to the European Telecommunications Standards Institute ("ETSI"). {

}

{

} InterDigital's licensing program

has been successful. Thus in 2006 InterDigital received the Licensing Achievement Award from the Licensing Executives Society. (Bernstein Dec., ¶ 31; Ex. 2, LES Press Release (Sept. 11, 2006).)

Based on the foregoing and consistent with Order No. 20 in 3G Wideband Handsets, the administrative law judge finds that InterDigital has made substantial investments in licensing

{ }

{

} Thus, Nokia argued, InterDigital has failed to prove a nexus between its licensing activities and the patents-in-suit. (Id. at 12.) The administrative law judge addressed a similar argument in Certain 3G Wideband Handsets, Inv. No. 337-TA-601, Order No. 20 (Public Version) (February 20, 2009). There, the administrative law judge cited to Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same, Inv. No. 337-TA-432, Order No. 13 (Public Version) (June 6, 2002) (non-reviewed by the Commission on February 26, 2001) (Semiconductor Chips), in which the complainant Tessera was involved in nearly the exact same sort of portfolio licensing activities as InterDigital. Tessera did not license its patents individually, but apparently entered into portfolio licenses for its "CSP Technology." See Semiconductor Chips, supra, at 8 ("Tessera's CSP license typically includes rights to the '977 and '326 patents."). Nonetheless, the administrative law judge in Semiconductor Chips reached the conclusion that "a complainant is not required to show that it or one of its licensees practices a patent-in-suit in order to find that a domestic industry exists ...." Semiconductor Chips, supra, at 11. In Semiconductor Chips, Texas Instruments argued that

"Tessera lumps together all royalties, costs, expenses, labor, investments, etc. related to all of its CSP technology to support its argument that [it] has made a substantial investment in licensing the 'technology' of the patents in suit." Id. at 13-14 ("TI notes that Tessera's CSP licenses do not always include the '977 and '326 patents-in-suit, and argues that Tessera failed to tie its investments specifically to the patents-in-suit."). The administrative law judge found a domestic industry existed nonetheless, noting that a number of companies were licensed under the two asserted patents and that Tessera was in the process of negotiating more licenses. He concluded that "[g]iven the large-scale investment that Tessera has made relative to its CSP technology which includes the patents-in-suit, and the large number of companies specifically licensed under the '977 and '326 patents, there is no question that Tessera has made a substantial investment relative to the patents-in-suit." Id. at 14 (emphasis added). He also found that Tessera's portfolio licensing activities demonstrated a substantial investment with respect to the patents-in-suit even "without a specific allocation of Tessera's CSP licensing investment to the '977 and '326 patents." Id. at 14 n.9.

A footnote in Semiconductor Chips does articulate an actual "standard" that requires a showing of "importance" of the patents at issue before activities with respect to a portfolio can be relied upon to show a domestic industry for individual patents within that portfolio. However, the opinion merely identifies one set of facts that satisfied the domestic industry requirement. Thus, the opinion states:

> In this case, there is no question that the '977 and '326 patents at issue are part of Tessera's CSP licensing program, and are licensed to numerous semiconductor manufacturers. The question is whether, without a specific allocation of Tessera's CSP licensing investment to the '977 and '326 patents it can be found

> that a substantial investment has been made with respect to those patents-in-suit. As explained, *supra*, in view of the large investment made by Tessera in CSP licensing, and the importance of the patents-in-suit to that licensing program, there is no doubt that Tessera has made a substantial investment in the exploitation of the '977 and '326 patents-in-suit.

Semiconductor Chips, supra, at 14 n.9. (emphasis added) That language states that Tessera's large investment coupled with the supposed "importance" of the patents-in-suit, left "no doubt" that the standard was satisfied. Nothing in that language, however, suggests that showing "importance" is the only way to satisfy the domestic industry requirement when portfolio licensing activities are involved, or that there was any particular way to demonstrate "importance." Moreover the administrative law judge finds no Commission precedent that requires a complainant to establish that each of the asserted patents is more "important" than any others in the portfolio, so long as the licensing activities are substantial and connected to the asserted patents. In addition, the administrative law judge finds that the asserted patents are important parts of InterDigital's licensing program. (Bernstein Dec., ¶ 30.) Thus InterDigital chose to assert said five patents in this investigation against Samsung, one of the largest handset manufacturers in the world, over all other patents in the InterDigital portfolio. In addition, as set forth supra, InterDigital {

}

Nokia also argued that, because the meaning of 19 U.S.C. § 1337(a)(3)(c) is clear, the legislative history is irrelevant. (Opposition at 8.) Thus, Nokia argued, Judge Harris's analysis in Semiconductor Chips, relied upon by the administrative law judge, supra, is incorrect.

Respondents do not cite to any authority that explicitly rejects that analysis, however, and note that the relevant initial determination in Semiconductor Chips has been cited by other decisions. (Opposition at 5.) Furthermore, this administrative law judge has found in Certain 3G Wideband Handsets that licensing programs may be sufficient to satisfy the economic prong. (See Inv. No. 337-TA-601, Order No. 20 at 14-17.) The Commission did not review this finding and thus adopted it. See 19 U.S.C. § 210.42(h).

Based on the foregoing, Motion No. 613-71 is granted.

This initial determination, pursuant to Commission rule 210.42(c), is hereby CERTIFIED to the Commission. Pursuant to Commission rule 210.42(h)(3), this initial determination shall become the determination of the Commission within thirty (30) days after the date of service hereof unless the Commission grants a petition for review of this initial determination pursuant to Commission rule 210.43, or orders on its own motion a review of the initial determination or certain issues therein pursuant to Commission rule 210.44.

This order will be made public unless a bracketed confidential version is received no later than the close of business on March 17, 2009.

Paul J. Luckern
Administrative Law Judge

Issued: March 10, 2009

CERTAIN 3G MOBILE HANDSETS AND COMPONENTS **Investigation No. 337-TA-613**

PUBLIC CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **Public Version Order** was served by hand upon Commission Investigative Attorney, Benjamin Levi, Esq. and upon the following parties as indicated, on July 27, 2009.

Marilyn R. Abbott, Secretary
U.S. International Trade Commission
500 E Street, SW - Room 112
Washington, DC 20436

For Complainant InterDigital Communications LLC; InterDigital Technology Corporation:

Smith R. Brittingham IV, Esq.
Finnegan, Henderson, Farabow
901 New York Avenue, NW
Washington, DC 20001

( ) Via Hand Delivery
(✓) Via Overnight Mail
( ) Via First Class Mail
( ) Other: _____

Respondents Nokia Corporation and Nokia Inc.:

Paul F. Brinkman, Esq.
Alston & Bird, LLP
950 F Street, NW
Washington, DC 20004

( ) Via Hand Delivery
(✓) Via Overnight Mail
( ) Via First Class Mail
( ) Other: _____

CERTAIN 3G MOBILE HANDSETS AND COMPONENTS **Investigation No. 337-TA-613**

PUBLIC MAILING LIST

Heather Hall
LEXIS - NEXIS
9443 Springboro Pike
Miamisburg, OH 45342

( ) Via Hand Delivery
(✓) Via Overnight Mail
( ) Via First Class Mail
( ) Other: _____

Kenneth Clair
Thomson West
1100 Thirteen Street, NW, Suite 200
Washington, DC 20005

( ) Via Hand Delivery
(✓) Via Overnight Mail
( ) Via First Class Mail
( ) Other: _____

(PARTIES NEED NOT SERVE COPIES ON LEXIS OR WEST PUBLISHING)