PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of	
CERTAIN INTEGRATED CIRCUITS, CHIPSETS, AND PRODUCTS CONTAINING SAME INCLUDING TELEVISIONS, MEDIA PLAYERS, AND CAMERAS	Inv. No. 337-TA-709

Order No. 32: Regarding Complainant's Motion No. 709-51 to Strike Certain of Respondents' Affirmative Defenses

On November 15, 2010, complainant Freescale Semiconductor, Inc. (Freescale) moved to strike certain affirmative defenses raised by respondents Panasonic Corporation and Panasonic Corporation of North America (Panasonic); Funai Corporation, Inc. and Funai Electric Co., Ltd. (Funai); Victor Company of Japan, Limited and JVC Americas Corp. (JVC); Best Buy Purchasing, LLC; BestBuy.com, LLC.; Best Buy Stores, L.P. (Best Buy); B & H Foto & Electronics Corp. (B & H Foto); Huppin's Hi-Fi Photo & Video, Inc. (Huppin's); Buy.com Inc. (Buy.com); QVC, Inc. (QVC); Crutchfield Corporation (Crutchfield); Wal-Mart Stores, Inc. (Wal-Mart); and Computer Nerds International, Inc. (Computer Nerds) (respondents). (Motion Docket No. 709-51.)

On November 23, 2010, respondents filed a joint opposition to Freescale's Motion No. 709-51. The Commission Investigative Staff (staff) also filed a response opposing said motion.

Freescale's Motion No. 709-51 seeks to strike a subset of respondents' affirmative defenses alleging that U.S. Patent Nos. 5,467,455 (the '455 patent) and 7,199,306 (the '306 patent) are unenforceable. (CBr at 1.) Said motion raises the threshold issue of the proper legal

standard for pleading an affirmative defense of patent unenforceability at the Commission.

I. The Legal Standard for Pleading an Unenforceability Defense at the Commission

Complainant Freescale argued that the controlling legal standard for pleading the affirmative defenses at issue is found in Exergen Corp. v. Respondents Stores, Inc., 575 F.3d 1312 (Fed. Cir. 2009) (hereafter Exergen). (CBr at 1, 4.) Freescale asserts that the Exergen decision requires respondents to identify a specific individual that acted with deceptive intent and to provide a specific explanation of why an examiner would find a withheld reference to be material. (CBr at 4.) Freescale contends that respondents' pleadings fail the standard in Exergen. (Id.)

Freescale also argued that Commission Rules 210.13(b) mandates that a respondent provide factual support when pleading its defenses at the Commission. (CBr at 1-2.) Freescale cites orders in which administrative law judges have required factual support when pleading defenses under the Commission's Rules. (CBr at 1-2, citing, e.g., Certain NAND Flash Memory Devices and Products Containing Same, Inv. No. 337-TA-553, Order No. 10 (Mar. 1, 2006). Freescale contends that respondents' pleadings are "boilerplate recitals" lacking factual support and are similar to other pleadings rejected at the Commission. (CBr at 2, citing Certain Automotive Fuel Caps and Radiator Caps and Related Packaging and Promotional Materials, Inv. No. 337-TA-319, Order No. 24 (Feb. 21, 1991).)

Respondents argued that Commission Rule 210.13(b) governs the pleading of affirmative defenses at the Commission. (RBr at 3.) Respondents noted that said Rule states that "[a]ffirmative defenses shall be pleaded with as much specificity as possible in the response." (Id., quoting 19 C.F.R. § 210.13(b).) Respondents also noted that Rule 210.13(b)(3) allows an

administrative law judge to waive the requirements imposed by the Rule or impose additional requirements. (RBr at 3, quoting 19 C.F.R. § 210.13(b)(3).) Respondents further argued that their pleadings satisfy Rule 210.13(b). (RBr at 4-19.)

Respondents also argued that their pleadings meet the standard laid out by the Federal Circuit in Exergen, quoting Exergen for the proposition that knowledge and intent "may be averred generally" so long as the pleading includes "sufficient allegations of underlying facts from which a court may reasonably infer" the elements of inequitable conduct. (RBr at 3.)

The staff argued that Freescale has focused on the wrong legal standard for pleading inequitable conduct at the Commission. (SBr at 2.) Thus it contended that Commission Rule 210.13(b) sets the legal standard for pleading inequitable conduct defenses at the Commission. (SBr at 2-3, quoting Certain Video Graphics Display Controllers and Products Containing Same, Inv. No. 337-TA-412, Order No. 10 (Sept. 28, 1998).) The staff further argued that the Federal Circuit's decision in the Exergen is inapplicable because it is based on Federal Rule of Civil Procedure 9(b). (SBr at 2.) The staff also argued that states under Commission Rule 210.13(b), the proper test for respondents' pleadings is whether respondents have stated their defenses with as much specificity as possible. (SBr at 4-5.) It argued Freescale's motion should be denied because Freescale not demonstrated that respondents' pleadings fail that standard. (SBr at 5.)

The Exergen decision arose out of district court litigation and is based on the requirements of Federal Rule of Civil Procedure 9(b), not the Commission Rules. See Exergen, 575 F.3d at 1326. Although the Federal Rules of Civil Procedure may serve as guidelines in Commission proceedings, such guidance is unnecessary with respect to pleading the affirmative defense of patent unenforceability because Commission Rule 210.13(b) specifically addresses

that issue. See Certain Video Graphics Display Controllers and Products Containing Same, Inv. No. 337-TA-412, Order No. 10 (Sept. 28, 1998). Accordingly, the administrative law judge determines that Commission Rule 210.13(b) governs respondents' affirmative defense pleadings in this investigation.

Commission Rule 210.13 requires a respondent to plead affirmative defenses with "as much specificity as possible." Id. If a respondent asserts that the claims of a U.S. patent are unenforceable, then the respondent is "encouraged" to make a showing of "how the prior art renders each claim . . . unenforceable." Id. at § 210.13(b)(3). The Rule also states that the administrative law judge may waive any of the substantive requirements of the Rule or may impose additional requirements. Id.

However, because Commission Rule 210.13(b)(3) authorizes an administrative law judge to waive or add pleading requirements relating to unenforceability, it is largely within the administrative law judge's discretion to determine whether the pleadings at issue in Freescale's motion are adequate. See 19 C.F.R. § 210.13(b)(3). As discussed below, the administrative law judge finds respondents' pleadings to be generally adequate.

II. Allegations of Inequitable Conduct Relating to the '455 Patent

Responses to the Complaint filed by respondents Panasonic, QVC, B & H Foto, Best Buy, Buy.com, Computer Nerds; Crutchfield, Funai, Huppin's, and Wal-Mart raise the affirmative defense that the '455 patent is unenforceable due to inequitable conduct. Respondents' pleadings assert several independent allegations in connection with that defense, and Freescale's motion attacks a subset of those allegations.

At the outset, Freescale moved to strike an allegation that applicants for the '455 patent

failed to disclose U.S. Patent No. 4,719,369 to Asano. (CBr at 9.) Respondents stated, however, that they have withdrawn this defense. (RBr at 1 n. 1.) Accordingly, the allegations relating to Asano patent shall be stricken from respondents' pleadings.

Respondents' pleadings also contended that the inventors, attorneys, or assigns associated with the '455 patent intentionally (1) withheld from the patent examiner U.S. Patent Nos. 5,029,284 and 5;382,841 to Feldbaumer; (2) withheld from the patent examiner U.S. Patent No. 5,859,541 to McMahan (the '541 McMahan patent); and (3) made misleading statements to the examiner. (See, e.g., Amended Response of Panasonic to the Complaint at ¶¶ 277-278, 280-286.) Freescale argues that the pleadings do not contain sufficient detail about these allegations under the standard in Exergen. (CBr at 5-8.) Respondents also contended that the pleadings contain sufficient detail about these allegations to satisfy the Commission Rules. (RBr at 3-12.) The staff stated that the allegations should not be stricken. (SBr at 5.)

It is a fact that Respondents' pleadings specifically identify the prior art that was allegedly withheld from the examiner. (See, e.g., Amended Response of Panasonic to the Complaint at ¶¶ 277-278.) The pleadings also contain a copy of the prior art at issue, as encouraged by Rule 210.13(b). (Id. at Ex. B, C, D.) The pleadings further identify the allegedly misleading statements. (Id. at ¶¶ 280-286.) The pleadings also identify a narrow group of individuals alleged to have engaged in the misconduct: "the named inventors, their attorneys, and/or their assigns." (Id. at ¶¶ 277-278, 280.) The administrative law judge finds respondents' defensive pleadings relating to the '455 patent contain specific factual allegations.

In moving to strike an affirmative defense, it is complainant Freescale's burden to show that respondents could have provided more specific pleadings. See Certain Mobile Telephone

Handsets Wireless Communication Devices, and Components Thereof, Inv. No. 337-TA-578, Order No. 8 (Sept. 22, 2006) (citing Commission Rule 210.13(b) and stating complainant failed to show sufficient cause for striking affirmative defense). The administrative law judge finds Freescale has not met that burden.

Freescale also raised two arguments about the merits of Respondent's defenses. First, Freescale argued that the '541 McMahan patent is cumulative prior art that would not have been material to the examiner. (CBr at 6.) Freescale additionally contended that the allegedly misleading statements in the prosecution history of the '455 patent are attorney argument that do not constitute inequitable conduct. (Id. at 8.) Freescale seeks to strike respondents' defenses for these additional reasons.

The administrative law judge determines that the two arguments on the merits raised by Freescale inherently involve underlying determinations of fact. For example, the question of whether a reference is cumulative and therefore not material is a question of fact. See Halliburton Co. v. Schlumberger Tech. Corp., 925 F.2d 1435, 1439-40 (Fed.Cir.1991). Further, determining whether the statements in the prosecution history identified by respondents were made with an intent to mislead also involves a question of fact. See Eisai Co. Ltd. v. Dr. Reddy's Laboratories, Ltd., 533 F.3d 1353, 1359-60 (Fed. Cir. 2008). Therefore, the administrative law judge will withhold consideration of Freescale's arguments until a complete factual record has been developed.

Based on the findings and conclusions identified above, Freescale's motion to strike respondents' affirmative defense of inequitable conduct in the prosecution of the '455 patent is denied.

III. Allegations of Inequitable Conduct Relating to the '306 Patent

Responses to the Complaint filed by respondents Panasonic, QVC, B & H Foto, Best Buy, Buy.com, Computer Nerds; Crutchfield, JVC, and Wal-Mart raise the affirmative defense that the '306 patent is unenforceable due to inequitable conduct. Freescale moved to strike two allegations supporting that defense. Both allegations relate to the chain of applications that led to the '306 patent.

The first allegation concerns a grandparent application to the '306 patent. The grandparent application issued as U.S. Patent No. 6,465,743 (the '743 patent). Respondents' pleadings allege that persons involved in prosecuting the '743 patent intentionally withheld a material prior art reference (the Kimata reference) until after the Patent Office issued a notice of allowance for the '743 patent. Freescale argues that the Kimata reference was undisputably disclosed during the prosecution of the '743 patent. (CBr at 10.) Therefore, Freescale argued, respondents have not pleaded the threshold levels of materiality and deceptive intent required under the Exegen decision. (CBr at 12).

In the second allegation Freescale moved to strike concerns a parent application to the '306 patent. The parent application issued as U.S. Patent No. 6,710,265 (the '265 patent). Respondents' pleadings allege that persons involved in prosecuting the '265 patent intentionally withheld a material prior art reference, Japansese patent publication H06-112354 (the '354 JP patent). Freescale argued that a U.S. counterpart to the '354 JP patent was disclosed during the prosecution of the '265 patent, making the '354 JP patent cumulative. (CBr at 13.)

In opposing Freescale's motion to strike, respondents argued the merits of their defenses and contend that their pleadings satisfy the Commission Rules. (RBr at 15-19.) The staff stated that the allegations should not be stricken. (SBr at 5.)

As stated above, the relevant standard for evaluating respondents' pleadings is Commission Rule 210.13(b). That Rule requires that affirmative defenses be pleaded with as much specificity as possible. Freescale however does not contend that respondents' defense of inequitable conduct relating to the '306 patent could have been pleaded with more specificity. Accordingly, Freescale has not shown sufficient cause for striking the pleadings. See Certain Mobile Telephone Handsets, Inv. No. 337-TA-578, Order No. 8.

To the extent that complainant Freescale's motion argues the merits of '306 patent defenses, the administrative law judge determines that the merits of the defenses would be more properly resolved after further development of the factual record. For example, the question of whether the applicants for the '743 patent intended to deceive the Patent Office by delaying disclosure of a prior art reference is a question of fact. See Eisai, 533 F.3d at1359 ("failure to communicate must be coupled with an intent to deceive," and intent is a "question[ ] of fact"). Further, the question of whether a reference is cumulative and therefore not material is a question of fact. See Halliburton, 925 F.2d at 1439-40.

Based on the findings and conclusions identified above, Freescale's motion to strike respondents' affirmative defense of inequitable conduct in the prosecution of the '306 patent is denied.

III. Allegation of Unclean Hands

Freescale argued that respondents' pleadings contain only a boilerplate recitation of an unclean hands defense. (CBr at 13-14.) Respondents contend that their unclean hands defense has been pleaded sufficiently because it is based on its detailed pleadings of inequitable conduct. (RBr at 19-20.) The staff suggested that respondents should be ordered to provide factual support for its defenses by a date certain.

Rather than strike respondents' unclean hands defense entirely, the administrative law judge is requiring respondents to amend their pleadings with as much specificity as possible if they want to continue to pursue this defense. See Certain Mobile Telephone Handsets, Inv. No. 337-TA-578, Order No. 8. Accordingly, respondents shall amend their pleadings regarding the unclean hands by 5:00 p.m. on December 15, 2010. This timing is necessary to allow all parties to address the defense in prehearing statements, which are due December 17. (See Order No. 4.)

IV. Allegation of Patent Misuse

Freescale argued that respondents' pleadings list only a boilerplate patent misuse defense. (CBr at 14.) Respondents stated that they have withdrawn this defense. (RBr at 1 n. 1.) Accordingly, Freescale's motion with respect to this defense is granted. Respondents' affirmative defense of patent misuse shall be stricken from the pleadings.

Based on the foregoing, Freescale's motion to compel is granted as follows: 1) respondents' allegation of inequitable conduct for failure to disclose the Asano patent is stricken from the pleadings; 2) respondents' allegation of patent misuse is stricken from the pleadings; 3) respondents shall plead their unclean hands affirmative defense with as much specificity as possible by 5:00 p.m. on December 15, 2010; otherwise the defense will be stricken

from the pleadings. The administrative law judge emphasizes that he is making no decision on the merits of respondents' defenses in this order.

On December 9, 2010, each of the parties received a copy of this order.

This order will be made public unless a bracketed confidential version is received by the administrative law judge no later than the close of business on December 16, 2010.

Paul J. Luckern
Administrative Law Judge

Issued: December 9, 2010

CERTAIN INTEGRATED CIRCUITS, CHIPSETS, AND PRODUCTS CONTAINING SAME INCLUDING TELEVISIONS, MEDIA PLAYERS, AND CAMERAS **337-TA-709**

PUBLIC CERTIFICATE OF SERVICE

I, James R. Holbein, hereby certify that the attached **Public Version Order** has been served by hand upon the Office of Unfair Import Investigations, and the following parties as indicated, on July 28, 2011.

James R. Holbein, Secretary
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Complainant Freescale Semiconductor, Inc.:

Alan D. Albright, Esq.
BRACEWELL & GUILIANI LLP
111 Congress Avenue, Suite 2300
Austin, TX 78701-4061
P-512-472-7800
F-512-479-3920

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

For Respondents Funai Electric Co., Ltd; Funai Corporation, Inc.; Best Buy Purchasing, LLC; BestBuy.Com, Inc., Best Buy Stores, L.P. :

Paul Devinsky
McDERMOTT WILL & EMERY LLP
600 13th Street, NW 12th Floor
Washington, DC 20005-3096
P-202-756-8000
F-202-756-8087

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

For Respondent Wal-Mart Stores, Inc.:

Janine A. Carlan, Esq.
ARENT FOX LLP
1050 Connecticut Avenue, NW
Washington, DC 20036
P-202-715-8506
F-202-857-6395

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

PUBLIC MAILING LIST

Heather Hall LEXIS-NEXIS 9443 Springboro Pike Miamisburg, OH 45342	( ) Via Hand Delivery ( ) Via Overnight Mail (x) Via First Class Mail ( ) Other: _____
Kenneth Clair Thomson West 1100 Thirteen Street, NW, Suite 200 Washington, DC 20005	( ) Via Hand Delivery ( ) Via Overnight Mail (x) Via First Class Mail ( ) Other: _____