

**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. 33: Initial Determination Granting Complainant's Motion No. 709-57 That  
Its Licensing Activities In The United States Satisfy The Domestic  
Industry Requirements of 19 U.S.C. § 1337(a)(3)(C)

On December 7, 2010, Complainant Freescale Semiconductor Inc. (Freescale) filed a motion for summary determination in which it argued, inter alia, that it has satisfied the requirements of 19 U.S.C. § 1337 (a)(3) in that a domestic industry based on licensing activities exists in the United States for each of the patents in issue in this Investigation, viz. U.S. Patent No. 5,467,455 (the '455 patent); U.S. Patent No. 5,715,014 (the '014 patent); and U.S. Patent No. 7,199,306 (the '306 patent)<sup>1</sup>. (Motion Docket No. 709-57.)

The staff filed a combined response to each of respondent Panasonic's and complainant Freescale's summary determination motions on December 16, 2010. The staff argued that Freescale's motion should be granted because a domestic industry exists for each of the patents in issue in the United States based on Freescale's licensing activities (Staff Response at 2.)

On December 17, 2010, respondents Panasonic, Funai Electric Co., Ltd., Funai

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<sup>1</sup>On December 6, 2010, respondent Panasonic Corporation (Panasonic) filed a motion for summary determination in which it argued, inter alia, that complainant Freescale has not satisfied the domestic industry requirement of 19 U.S.C. § 1337 (a)(3) based on its licensing activities related to the patents in issue. (Motion Docket No. 709-56.)

Corporation Inc., Victor Company of Japan Limited, JVC Americas Corp., BestBuy.com, LLC, Best Buy Purchasing, LLC, Best Buy Stores, L.P., B&H Foto & Electronics Corp., Huppin's Hi-Fi Photo & Video, Inc., Buy.com Inc., QVC, Inc., Crutchfield Corporation, Computer Nerds International, Inc., and Wal-Mart Stores, Inc. (respondents) filed a response in opposition to Complainant Freescale's motion for summary determination that a domestic industry exists.

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 (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;

(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, 100<sup>th</sup> Cong., 1<sup>st</sup> 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; 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).

Complainant Freescale was formed in 2004 when Motorola, Inc. divested its semiconductor products sector, and Freescale is an assignee of Motorola’s semiconductor-related patents. (Exhibit 1, Declaration of Lee Chastain on December 7, 2010, ¶¶ 4-5) (Exh. 1). Freescale is the assignee of the entire interest to the ‘455 patent, ‘306 patent, the ‘014 patent, and

over 6,200 other patents. (Exh. 1 at ¶¶ 6-7.)

{

}

Regarding its licensing activities, complainant Freescale licenses its integrated circuit technology and patents to semiconductor manufacturers, and {

} (Exh. 1 at ¶ 9.) Freescale executes agreements that cover its intellectual property in the form of { } (Exh. 1 at ¶

10.) Said license agreements grant licenses {

} (Exh. 1 at ¶ 11.) These licenses{ } (See Freescale's

Response to Interrogatory Nos. 37, 23, 284.) In 2010, Freescale employed at least { }

involved in licensing of Freescale patents including the patents in issue (Exhibit 2, Declaration of Lee Chastain on February 23, 2010 at ¶ 4) (Exh. 2). Said employees' licensing-related activities include {

} (Exh. 2 at ¶ 4.) In 2009, Freescale attributed approximately { } in payroll costs for employees

engaged in licensing activities related to Freescale patents including the patents in issue (Exh. 2

at ¶ 5.) Also in 2009, Freescale attributed approximately{ } in non-payroll costs related to intellectual property licensing. (Exh. 2 at ¶ 3.)

Regarding the '445 patent, it was specifically discussed at least {

} during licensing negotiations. (Exh. 1 at ¶ 14.) For example, complainant

Freescale identified the '455 patent in a presentation to {

} With respect to the '306 patent, it was {

}

{

} Regarding the '014 patent, this patent

was identified to potential licensees on {

} Overall, complainant

Freescall holds {

} in this investigation

including{

} (Exh. 6 at ¶ 3.)

Further, Freescall's efforts to license its patent portfolio have resulted in a substantial income stream. Freescall received {

} covering one or more of the patents

in issue. (Exh. 3 at ¶ 6.)

Based on the foregoing, the administrative law judge finds that complainant Freescall has

made substantial investments in a domestic licensing, which have resulted in {  
} He  
further finds that Freescale has demonstrated a sufficient nexus between the asserted patents and  
its licensing activities and investments to establish a domestic industry based on said licensing  
activities.

In support of its opposition to complainant Freescale's motion, respondents argued that  
Freescale has failed to demonstrate that its alleged licensing investments are actually related to  
licensing. (Respondents' Opposition at 5 (citing Certain Coaxial Cable Connectors and  
Components Thereof and Products Containing Same, Inv. No. 337-TA-650, Commission  
Opinion at 50 (March 31, 2010) (Coaxial Cable)).) Respondents further argued that complainant  
Freescale's investments in licensing activities impermissibly include payroll expenses for  
"persons attenuated from the actual licensing of the patents-in-suit" and non-payroll expenses for  
office supplies and "other mundane things." (Id. at 6.) Regarding Freescale's alleged payroll  
expenses related to licensing, respondents also argued that Freescale has "provided no job  
descriptions or any other indication that these named individuals actually engaged in licensing  
activities," and{  
} (Id. at 7.)

Additionally, respondents argued that Freescale has not "identified the expenses for the licenses  
[Freescale] relies upon to establish domestic industry{  
} (Id. at 6) Thus, respondents conclude, that  
Freescale has failed "to provide any real or substantial evidentiary support that all the activities  
which form the basis of its purported investments relate to licensing." (Id.)

The administrative law judge finds respondents' arguments unpersuasive. Regarding



respondents' argument that complainant Freescale cannot include "attenuated" personnel such as administrative assistants or "mundane" non-payroll expenses as investments in licensing activity, the administrative law judge finds that Freescale is not only relying on these expenses but is also relying on substantial licensing related expenses that respondents have not categorized as "attenuated" or "mundane." He further finds that respondents have not cited any decision that supports respondents' argument that these expenditures cannot be included as investments in licensing activities. Further, the administrative law judge has found no law to support respondents' argument, and he finds that payroll expenditures on administrative personnel and non-payroll expenditures on office supplies may be related to licensing activities that "take advantage of" the patents in issue through "drafting and sending cease and desist letters, filing and conducting a patent infringement litigation, conducting settlement negotiations, or negotiating, drafting, and executing a license." Coaxial Cable, Commission Opinion at 49-50.

Regarding respondents' arguments that Freescale has provided no proof that its alleged payroll expenses are related to the licenses, the administrative law judge finds that Freescale has provided evidence regarding the activities of the listed personnel. For example, Freescale's 30(b)(6) representative, Lee Chastain, provided a declaration and deposition testimony regarding the activities of Freescale personnel related to Freescale's licensing investments. Said declaration states:

{

}

{ }

(Exh. 2 at ¶ 4.) Further, the administrative law judge finds that said deposition testimony includes questioning regarding the individuals listed and their job functions, including their activities related to licensing in general and activities specifically related to the patents-in-suit. (See Exh. 5 at 211-228.)

Further, regarding respondents' argument that complainant Freescale has not "identified expenses for the licenses it relies upon to establish domestic industry" (Respondents' Opposition at 6), the administrative law judge again finds that respondents have provided no decisional support for their assertion that Freescale must relate its current investments in licensing activities to the licenses it relies upon to establish domestic industry. The administrative law judge has not found any decision that requires that such a connection be made. He further finds that Freescale has provided evidence that relates licensing expenditures to the licenses Freescale relies upon to establish domestic industry. For example, Freescale's 30(b)(6) deposition witness testified regarding personnel responsible for accounting related to licensing revenues. Said testimony includes:

{

}

{

}

(Exh. 5 at 220:2-17 (emphasis added).) Based on the foregoing, the administrative law judge finds that at least {

} and hence,

he also finds respondents' argument unpersuasive.

In further support of their opposition, respondents also argued that Freescale has failed to "show that there is a clear link to each of the '455 patent, the '306 patent, and the '014 patent" with respect to its licensing activities and expenditures. (Respondents Opposition at 9 (citing Coaxial Cable at 54-56).) Respondents argued that Freescale cannot meet its burden of satisfying the domestic industry requirement because it has failed to specifically attribute its licensing expenditures to the patents-in-suit and the entirety of its payroll and non-payroll expenses cannot relate to the patents-in-suit. (Id. at 9-10) Respondents noted that Freescale stated it{

} (Id.

at 12-14.) Respondents also argued that{

}<sup>2</sup> (See Exh. 5 at

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<sup>2</sup>{

}

73:14-21, 74:4-14, 75:13-14) are insufficient to demonstrate a nexus between Freescale's licensing investments at the patents-in-suit. (Id.) Further, respondents argued that "[b]ased on the fact that Freescale has not set forth activities and costs pertaining to each of the patents-in-suit, it fails to provide real or substantial evidence that the alleged investment, when taken individually for each of the patents-in-suit, is 'substantial'." (Id. at 15.) Respondents conclude that summary determination is inappropriate at this time because there is a dispute of fact regarding whether Freescale's investments are substantial. (Id. at 16.)

In support of their arguments, respondents rely on two decisions, viz. Coaxial Cable and Certain Hybrid Electric Vehicles and Components Therof., Inv. No. 337-TA-688, Order No. 5 (February 26, 2010). In Coaxial Cable, complainant PPC attempted to show a domestic industry existed based on licensing. (Commission Opinion at 42-43.) PPC was involved in previous patent infringement litigation regarding the patent in issue in a district court case against Arris. Id. While said litigation and the Coaxial Cable investigation involved the same design patent, said litigation was not related to the Coaxial Cable investigation and Arris was not a party in the Coaxial Cable investigation. Said litigation resulted in a judgment against Arris, and two years after said judgment, Arris entered into a license agreement with PPC. Id. In the Coaxial Cable investigation, PPC argued that expenditures related to said litigation with Arris and the subsequent license to Arris constituted substantial investment in the exploitation of the patent through licensing, and thus, a domestic industry existed. With respect to the patent infringement litigation related expenditures relied upon by PPC, the Commission concluded:

We conclude that patent infringement litigation activities alone, i.e., patent infringement litigation activities that are not related to engineering, research and development, or licensing, do

not satisfy the requirements of section 337(a)(3)(C). However, litigation activities (including patent infringement lawsuits) may satisfy these requirements if a complainant can prove that these activities are related to licensing and pertain to the patent at issue, and can document the associated costs. The same holds true for other types of activities that are allegedly related to licensing.

(Commission Opinion at 43-44.) The Commission further stated:

Because we have determined that litigation costs taken alone do not constitute investment in exploitation but that litigation costs related to licensing may, it follows that, in order to establish that a substantial investment in exploitation of the patent has occurred through licensing, a complainant must prove that each asserted activity is related to licensing. A complainant must also show that licensing activities pertain to the particular patent(s) at issue. Depending on the circumstances, such activities may include, among other things, drafting and sending cease and desist letters, filing and conducting a patent infringement litigation, conducting settlement negotiations, and negotiating, drafting, and executing a license. The mere fact, however, that a license is executed does not mean that a complainant can necessarily capture all prior expenditures to establish a substantial investment in the exploitation of the patent. A complainant must clearly link each activity to licensing efforts concerning the asserted patent.

Id. at 50-51. On remand, the Commission stated that

PPC must show that each asserted litigation activity is related to licensing. In addition, PPC must show that these activities are related to the '539 design patent.

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PPC cannot rely on its broad allegation that it spent \$1.6 million on its litigation with Arris and that this is a substantial investment in the patent's exploitation through licensing.

Id. at 54. In Hybrid Electric Vehicles, the administrative law judge denied a motion for summary determination that a domestic industry existed because there was a genuine issue of material fact

regarding whether licensing negotiations and related expenditures related to the patent in issue; there was no evidence of a licensing agreement covering the patent; and complainant did not show a sufficient nexus between the alleged licensing activities and the patent. (Order at 17-19.)

Unlike the complainants in Coaxial Cables and Hybrid Electric Vehicles, complainant Freescale, as found supra, has provided evidence to show a substantial investment in a domestic licensing program, which includes significant expenditures beyond litigation expenses and evidence to show a significant nexus between said licensing activities and the patents-in-suit by showing that{

} The administrative law judge further finds that the factual situation in the present investigation is very similar to situations in previous investigations in which the administrative law judge, and the Commission upon non-review, concluded that a domestic industry existed based on licensing activities. In Semiconductor Chips, the complainant Tessera was involved in nearly the exact same sort of portfolio licensing activities as Freescale. Inv. No. 337-TA-432, Order No. 13 (Public Version) (June 6, 2002). Tessera did not license its patents individually, but apparently entered into portfolio licenses for its “CSP Technology.” Id. at 8 (“Tessera’s CSP license typically includes rights to the ’977 and ’326 patents.”). Nonetheless, Tessera’s activities were found to satisfy the domestic industry with respect to the two patents at issue in that investigation. In Semiconductor Chips, Texas Instruments argued that “Tessera’s licensing program focuses on ‘CSP Technology,’ not on the patents-in-suit, and that Tessera fails to establish a nexus or otherwise tie its investments to the patents-in-suit.” Id. at 9. Texas Instruments further 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 in Semiconductor Chips, and the Commission upon non-review, found that 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. The administrative law judge 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.

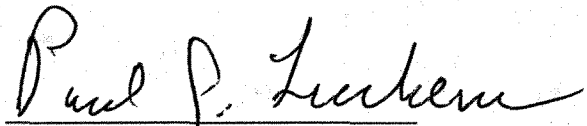
Further, in Certain 3G Wideband Code Division Multiple Access (WCDMA) Handsets and Components Thereof, Inv. No. 337-TA-601, Order No. 20 (Public Version) (February 20, 2009) (Non-reviewed on July 28, 2008) the administrative law judge found that complainant InterDigital satisfied the domestic industry requirement based on its licensing activities. The administrative law judge noted that InterDigital licensed its patents as a portfolio similar to the licensing situation in Semiconductor Chips. *See Id.* at 15.

Based on the foregoing, Motion No. 709-57 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 January 21, 2011.

A handwritten signature in cursive script, reading "Paul J. Luckern", written over a horizontal line.

Paul J. Luckern  
Chief Administrative Law Judge

Issued: January 5, 2011



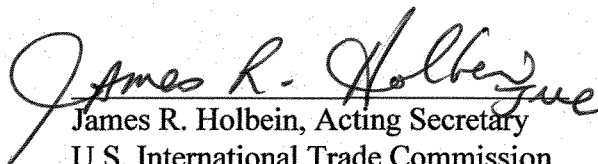
**CERTAIN INTEGRATED CIRCUITS, CHIPSETS, AND  
PRODUCTS CONTAINING SAME INCLUDING TELEVISIONS,  
MEDIA PLAYERS, AND CAMERAS**

**337-TA-709**

**PUBLIC CERTIFICATE OF SERVICE**

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

April 20, 2011

  
James R. Holbein, Acting 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  
☐ 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 13<sup>th</sup> Street, NW 12<sup>th</sup> Floor  
Washington, DC 20005-3096  
P-202-756-8000  
F-202-756-8087

☐ Via Hand Delivery  
☒ Via Overnight Mail  
☐ 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  
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**PUBLIC MAILING LIST**

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

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☐ Other: \_\_\_\_\_

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

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