

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

**In the Matter of**

**CERTAIN SEMICONDUCTOR CHIPS  
WITH MINIMIZED CHIP PACKAGE  
SIZE AND PRODUCTS CONTAINING  
SAME**

**Investigation No. 337-TA-605**

**OPINION**

**I. BACKGROUND**

The Commission instituted this investigation on May 21, 2007, based on a complaint filed by Tessera, Inc. of San Jose, California (“Tessera”) against Spansion, Inc. and Spansion, LLC, both of Sunnyvale, California (collectively “Spansion”); QUALCOMM, Inc. of San Diego, California (“Qualcomm”); ATI Technologies of Thornhill, Ontario, Canada (“ATI”); Motorola, Inc. of Schaumburg, Illinois (“Motorola”); STMicroelectronics N.V. of Geneva, Switzerland (“ST-NV”); and Freescale Semiconductor, Inc. of Austin, Texas (“Freescale”). 72 *Fed. Reg.* 28522 (May 21, 2007). The complaint alleges violations of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 (“Section 337”), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain semiconductor chips with minimized chip package size or products containing same by reason of infringement of one or more claims of U.S. Patent Nos. 5,852,326 (“the ‘326 patent”) and 6,433,419 (“the ‘419 patent”).

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On December 1, 2008, the presiding administrative law judge (“ALJ”) issued his final ID finding no violation of Section 337 by Respondents. On January 30, 2009, the Commission determined to review the final ID in part and requested briefing on the issues it determined to review, remedy, the public interest, and bonding. *74 Fed. Reg.* 6175-6 (Feb. 5, 2009).

On May 20, 2009, the Commission determined to reverse the ID’s determination of no violation of the ‘326 patent and ‘419 patent. *74 Fed. Reg.* 25579-81 (May 28, 2009). Specifically, the Commission reversed the ID’s finding that Respondents’ accused devices do not infringe asserted claims 1, 2, 6, 12, 16-19, 21, 24-26, and 29 of the ‘326 patent and asserted claims 1-11, 14, 15, 19, and 22-24 of the ‘419 patent. The Commission determined that the appropriate form of relief is (1) a limited exclusion order under 19 U.S.C. § 1337(d)(1) prohibiting the unlicensed entry of semiconductor chips with minimized chip package size and products incorporating these chips that infringe one or more of claims 1, 2, 6, 12, 16-19, 21, 24-26, and 29 of the ‘326 patent and claims 1-11, 14, 15, 19, and 22-24 of the ‘419 patent, and are manufactured abroad by or on behalf of, or imported by or on behalf of, Spansion, Qualcomm, ATI, Motorola, ST-NV, and Freescale; and (2) cease and desist orders directed to Motorola,<sup>1</sup> Qualcomm, Freescale, and Spansion.

On June 2, 2009, respondents ATI, Freescale, Qualcomm, Spansion, and ST-NV (collectively “Respondents”) filed a joint motion with the Commission to stay the limited exclusion and cease and desist orders pending the outcome of an appeal of the Commission’s determination to the U.S. Court of Appeals for the Federal Circuit. Tessera and the Commission investigative attorney (“IA”) filed responses opposing the motion on June 12, 2009. On June 18,

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<sup>1</sup> Motorola has since been licensed under the ‘326 and ‘419 patents, and its products are no longer covered by the limited exclusion order or the cease and desist order.

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2009, Respondents filed a motion for leave to file a joint reply in support of their motion to stay. Tessera filed an opposition to this motion on June 26, 2009.

### II. DISCUSSION

The Commission has previously held that section 705 of the Administrative Procedure Act (“APA”) (5 U.S.C. § 705) provides the requisite authority to stay the effective date of its orders. *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower (“Agricultural Tractors”)*, Inv. 337-TA-380, Commission Opinion (Public Version) (April 24, 1997). In determining whether to grant a motion for a stay under section 705 of the APA, the Commission has applied the four-prong test used by courts to determine whether to grant a preliminary injunction. *Id.*; *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices and Products Containing Same (“EPROMs”)*, Inv. No. 337-TA-395, Comm’n Opinion at 88-90, USITC Pub. No. 3392 (February 2001); *see Cuomo v. U.S. Nuclear Regulatory Comm’n*, 772 F.2d 972 (D.C. Cir. 1985); *Washington Metro. Area Transit Comm’n v. Holiday Tours, Inc.*, 559 F.2d 841 (D.C. Cir. 1977).

The four-prong test, as applied by the Federal Circuit in considering whether to issue a stay pending appeal, requires that the movant demonstrate: (1) a likelihood of success on the merits of the appeal; (2) irreparable harm to the movant absent a stay; (3) that the issuance of a stay would not substantially harm other parties; and (4) that the public interest favors a stay. *See Standard Havens Prods. Inc. v. Gencor Indus. Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990); *Holiday Tours*, 559 F.2d at 843. The Commission, however, has held that it need not conclude that its own determination is likely to be overturned on appeal, but may find the first prong satisfied if

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the Commission has ruled on “an admittedly difficult question.” *Agricultural Tractors* at 10 (citing *Holiday Tours, Inc.*, 559 F.2d at 844-45).

With respect to the first factor, Respondents argue that the issues of validity of the patents and infringement present “admittedly difficult legal questions.” Respondents’ Joint Motion and Memorandum to Stay Enforcement of limited Exclusion Order and Cease and Desist Order (Public Version) (June 12, 2009) (“Respondents’ Motion”) at 1. The ‘326 patent is the subject of an *ex parte* reexamination proceeding before the U.S. Patent and Trademark Office’s (“USPTO”). The ‘419 patent is the subject of an *inter partes* reexamination proceedings before the USPTO. During the course of the reexamination proceedings, the USPTO rejected all of the claims in both asserted patents. In responding to the USPTO’s rejections, Tessera amended the specification of both asserted patents, but did not amend any of the claims in either patent. After the Commission issued its final determination finding a violation of Section 337 in this investigation, the USPTO issued final actions in both reexamination proceedings, maintaining its rejection of all claims in both asserted patents. Specifically, the USPTO issued an Advisory Action in the ‘326 reexamination proceeding on June 22, 2009, and a Right of Appeal Notice in the ‘419 reexamination proceeding on June 19, 2009.<sup>2</sup> These actions close the reexamination proceedings before the USPTO’s Central Reexamination Unit and terminate the reexamination proceedings unless Tessera files an appeal in each proceeding to the USPTO’s Board of Patent Appeals and Interferences (“BPAI”). Tessera has until July 22, 2009, to file an appeal in the ‘326 proceeding and until July 19, 2009, to file an appeal in the ‘419 proceeding.

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<sup>2</sup> See Right of Appeal Notice in Reexamination Control No. 95/000,227 (‘419 patent), mailed June 19, 2009; see Ex Parte Reexamination Advisory Action in Reexamination Control No. 90/008,483 (‘326 patent), mailed June 22, 2009.

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Respondents contend that, because the Commission's determination that the asserted claims of the patents-at-issue are not invalid is in conflict with the USPTO's final rejections of all the claims of the patents-at-issue, this case presents a difficult legal question regarding validity. Respondents' Motion at 15. We disagree. Although final rejections were issued against all of the claims of both of the patents-at-issue, none of the claims of either patent have been cancelled. Only if the rejections remain after all appeals from the reexamination proceedings have been exhausted, including any appeals to the BPAI and to the Federal Circuit, will the USPTO issue a certificate canceling the claims of the patents. 35 U.S.C. § 307. Until that occurs, the patents are presumed valid and enforceable. *See In re Bingo Card Minder Corp.*, 152 F.3d 941 (Fed. Cir. 1998). In this case, both of the asserted patents will expire in September 2010. Because of the short time remaining in the life of the '326 and '419 patents, the full reexamination process, including appeals, will take at least the remaining terms of the patents.

Neither are the USPTO's final rejections and the Commission's decision necessarily inconsistent. The USPTO applies a different standard than does a tribunal such as the Commission, or a district court, when determining the validity of claims. While the USPTO applies a "preponderance of the evidence" standard when determining the validity of claims during reexamination proceedings, the Commission must apply the more rigorous "clear and convincing evidence" standard. *See In re Zietz*, 893 F.2d 319, 322 (Fed. Cir. 1989). In applying the appropriate higher standard, both the ALJ and the Commission concluded that Respondents had not presented sufficient evidence to show that the asserted patents were invalid.

Respondents further argue that the Commission's validity rulings are erroneous. Their main assertions with respect to validity rest on their argument that Motorola's 1989 68HC11

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OMPAC chip (“OMPAC”) anticipated the ‘326 and ‘419 patents and that the “moveable”/“movement” limitation, which is found in each of the asserted claims of the ‘326 and ‘419 patents, is indefinite. The Commission affirmed the ALJ’s finding that, under the appropriate “clear and convincing evidence” standard, Respondents had not presented sufficient evidence that the data used to model the allegedly anticipatory OMPAC was correct. *See Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605 (“*Semiconductor Chips*”), Commission Opinion (Public Version) (June 3, 2009) (“Comm’n Opinion”) at 59. Moreover, the Commission did not review the ALJ’s finding that because the “moveable”/“movement” limitation could be construed, those terms were not indefinite. *See Semiconductor Chips*, Initial Determination (Public Version) (February 9, 2009) at 104-106. As such, we do not believe that we have ruled on “an admittedly difficult legal question” in reaching our validity determination.

With respect to the Commission’s infringement determination, Respondents argue that the Commission’s finding of infringement lacks evidentiary support and improperly shifts the burden of proof to Respondents. Respondents’ Motion at 19. Although the Commission reversed the ALJ’s finding of non-infringement, the Commission ultimately did reject one of Tessera’s expert’s methods for demonstrating infringement. Comm’n Opinion at 33. But this fact alone is not sufficient to raise the issue of infringement to “an admittedly difficult legal question.” It is the Commission, not the ALJ, that is tasked with making any final decisions regarding whether or not there is a violation of Section 337 in a given investigation. 19 U.S.C. § 1337(c). It is not an unusual practice for the Commission, after reviewing an ALJ’s ID, to determine that some or all of the ALJ’s conclusions are incorrect and should be reversed or

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otherwise modified. Such a practice cannot, in and of itself, lead to a conclusion that there is “an admittedly difficult legal question.”

Respondents also argue that the Commission reached beyond the record to support its finding of infringement and that Tessera presented a new theory of infringement to the Commission that it did not present to the ALJ. Respondents’ Motion at 17-18. We reject both of these contentions. The Commission reviewed the same evidentiary record that was before the ALJ when it determined to review the ALJ’s ID and when it made its final determination. The Commission carefully considered all of the parties’ arguments concerning the issues of infringement and validity, and found no inconsistency with the way in which these issues were presented during the two phases of the investigation. As such, Respondents’ argument is without merit.

With respect to the second factor, Respondents argue that they will be irreparably harmed in the absence of a stay due to the depressed economic climate of the semiconductor industry in general and because they may lose business. *Id.* at 19-20. We acknowledge that some harm will accrue to Respondents because of the exclusion order. We do not believe, however, that this harm rises to the level of irreparable harm. As the record reflects, the vast majority of Respondents’ infringing semiconductor chips are imported into the U.S. inside downstream products, which are manufactured overseas. CX-2609C (Marcucci W.S.) at QQ.27-28, pp. 7-8 (“The large majority of [the] Respondents[‘s] chip packages are sold overseas and imported by product manufacturers into the United States in downstream products.”). The limited exclusion order issued by the Commission, however, restricts importation of only Respondents’ infringing chips themselves and does not cover their downstream products. In this respect, the bulk of

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Respondents' business will be unaffected by the limited exclusion order. Furthermore, any harm that Respondents would suffer due to the limited exclusion order and cease and desist orders could be avoided if Respondents take a license from Tessera, as respondent Motorola has already done. Furthermore, the news articles Respondents submitted along with their joint motion highlight that the semiconductor industry's economic difficulties are due primarily to larger economic and market forces that have been at work for a number of years, and which began long before the Commission issued its limited exclusion order and cease and desist orders. *See* Respondents' Motion at Exhs. A and B.

With respect to the third factor, we believe that Tessera will be seriously harmed if a stay is granted pending appeal of the Commission's final determination. The '326 and '419 patents expire on September 24, 2010. The earliest Respondents can appeal the Commission's determination is July 20, 2009, the day after the period of Presidential review ends. Given the typical schedule of appeals to the Federal Circuit, it is unlikely that an appeal would be completed before mid-2010, giving Tessera only a few months of relief if the Commission's determination is upheld. Accordingly, if we were to grant a stay, Tessera would essentially be denied the relief to which it is entitled under Section 337 during pendency of the appeal.

Respondents argue that Tessera can be made whole by money damages. Respondents' Motion at 20. The statute provides, however, that the remedies available for violation of Section 337 are "in addition to any other provision of law...." 19 U.S.C. § 1337(a)(1). Therefore, we reject Respondents' contention that money damages will make up for the loss of Section 337 relief.

With respect to the fourth factor, we believe that a stay would not favor the public interest. Respondents argue that the public will be harmed by the lack of competition during the

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period that the accused products are excluded and that their businesses may fail in the interim. Respondents' Motion at 21. The Commission determined, however, when considering the public interest before determining to issue relief to Tessera, that there are many licensed sources for the packaged semiconductor chips of the type at issue and that there is no evidence that Tessera's licensees would be unable to adequately supply the U.S. market once Respondents' products are excluded. *Semiconductor Chips*, Comm'n Op at 73-74. As to their second argument, Respondents have not demonstrated that being permitted to import the semiconductor packages at issue will affect their economic fate. Respondent Spansion entered bankruptcy before the Final Determination issued and, thus, the limited exclusion order and cease and desist order could not have contributed to the bankruptcy.<sup>3</sup>

Respondents also argue that the public interest is harmed by having conflicting agency determinations on the validity of the same patent claims. Respondents' Motion at 21. There is, in fact, no harm caused by conflicting rulings between the USPTO and the Commission because the Commission does not make final binding rulings on any action relating to patents, including determining their validity. That task is exclusively relegated to federal district courts (28 U.S.C. § 1338) and the USPTO. Rather, the Commission makes validity findings when considering defenses to a complainant's allegations that there has been a violation of Section 337. These validity rulings have no collateral estoppel effect outside of the Commission's own investigations. *See Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996); *see also Corning Glass Works v. United States Int'l Trade Comm'n*, 799 F.2d

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<sup>3</sup> *See* Notice of Commencement of Bankruptcy Proceedings and of Automatic Stay (March 11, 2009). The Commission denied Spansion's request to stay the investigation. *Semiconductor Chips*, Comm'n Opinion at 75.

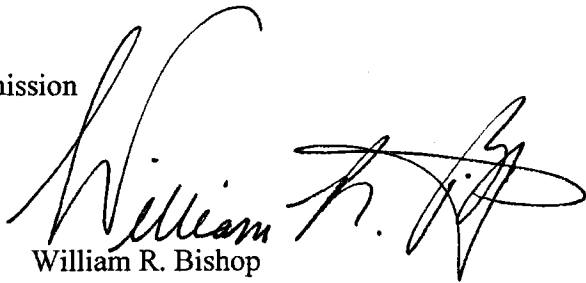
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1559, 1570 n. 12, (Fed. Cir. 1986) (stating that the legislative history of the Trade Reform Act of 1974 supports the position that ITC decisions have no preclusive effect regarding the validity or enforceability of patents in district courts).

Upon consideration of the four stay factors, the Commission denies Respondents' motion for stay of the Commission's remedial orders pending the outcome of any appeal of the Commission's final determination.

Respondents also filed a motion for leave to file a joint reply in support of their motion to stay. Respondents' Motion for Leave to File Joint Reply in Support of Motion to Stay Enforcement of Limited Exclusion Order and Cease and Desist Order (June 18, 2009). Respondents have not supplied a sufficient basis for filing a reply. Respondents' motion for leave is, therefore, denied.

By order of the Commission.  
Marilyn R. Abbott, Secretary to the Commission

  
William R. Bishop  
Acting Secretary to the Commission


Issued: July 29, 2009

**CERTAIN SEMICONDUCTOR CHIPS WITH MINIMIZED  
CHIP PACKAGE SIZE AND PRODUCTS CONTAINING  
SAME**

**337-TA-605**

**PUBLIC CERTIFICATE OF SERVICE**

I, Marilyn R. Abbott, hereby certify that the attached **PUBLIC OPINION** has been served by hand upon the Commission Investigative Attorney, Jeffrey T. Hsu, Esq., and the following parties as indicated, on July 29, 2009.

  
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