

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

**CERTAIN OPTOELECTRONIC
DEVICES, COMPONENTS THEREOF,
AND PRODUCTS CONTAINING THE
SAME**

Investigation No. 337-TA-669

COMMISSION OPINION

I. INTRODUCTION

On March 12, 2010, the presiding administrative law judge (“ALJ”) issued his final initial determination (“ID”) in the above-captioned investigation, finding a violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, as amended (“section 337”). The ID included his recommended determination (“RD”) on the issues of remedy and bonding during the period of Presidential review. The Commission determined not to review the ALJ’s finding of violation on May 13, 2010. *75 Fed. Reg.* 28060-61 (May 19, 2010). The investigation is now before the Commission to consider the issues of remedy, the public interest, and bonding.

II. BACKGROUND

The Commission instituted this investigation on March 10, 2009 based on a complaint filed on February 3, 2009, by Avago Technologies Fiber IP (Singapore) Pte. Ltd. of Singapore; Avago Technologies General IP (Singapore) Pte. Ltd. of Singapore; and Avago Technologies Ltd. of San Jose, California (collectively, “Avago”). *74 Fed. Reg.* 10278-79 (March 10, 2009). The complaint, as supplemented, alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation,

and the sale within the United States after importation of certain optoelectronic devices, components thereof, or products containing the same by reason of infringement of one or more of claims 1-3 and 5 of U.S. Patent No. 5,359,447 (“the ‘447 patent”) and claim 8 of U.S. Patent No. 5,761,229 (“the ‘229 patent”). The complaint further alleges that an industry in the United States exists as required by subsection (a)(2) of section 337. The complaint names a single respondent, Emcore Corporation (“Emcore”) of Albuquerque, New Mexico.

On December 7, 2009, the Commission issued notice of its determination not to review the presiding administrative law judge’s (“ALJ”) (Judge Essex) initial determination (“ID”) granting Avago’s motion for summary determination on its ownership of the asserted patents.

On March 12, 2010, the ALJ issued his final ID finding a violation of section 337 by Emcore by reason of infringement of one or more of claims 1-3 and 5 of the ‘447 patent. He found no violation with respect to the ‘229 patent. He also issued his recommendation on remedy and the amount of bond to be set during the period of Presidential review. On March 29, 2010, Emcore filed a petition for review of the final ID. The Commission investigative attorney (“IA”) and Avago filed responses to the petition on April 6, 2010.

On May 13, 2010, the Commission issued notice of its determination not to review the ALJ’s final ID and requested written submissions on the issues of remedy, the public interest, and bonding from the parties and interested non-parties. *75 Fed. Reg.* 28060-61 (May 19, 2010).

Complainant Avago, respondent Emcore, and the IA filed briefs and reply briefs on the issues for which the Commission requested written submissions on May 24 and June 1, 2010, respectively.

III. DISCUSSION

A. Remedy

The Commission is authorized to issue relief when it determines that there is a violation of section 337. 19 U.S.C. § 1337(d) and (f). The Commission has broad discretion in selecting the form, scope, and extent of the remedy in a section 337 proceeding. *See Fuji Photo Film v. United States Int'l Trade Comm'n*, 386 F.3d 1095, 1106-1107 (Fed. Cir. 2004). For the reasons set forth below, we have determined to adopt the ALJ's recommendations on remedy. *See* ID/ RD at 112-15.

The ALJ recommended that the Commission issue a limited exclusion order and cease and desist order that cover all accused products, *i.e.*, optoelectronic devices, components thereof, and products containing the same, that infringe one or more of claims 1, 2, 3, and 5 of the '447 patent, and are manufactured abroad or imported by or on behalf of Emcore, or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns. *Id.* The ALJ recommended the cease and desist order in view of evidence demonstrating that Emcore maintains commercially significant inventories of the accused products in the United States. *Id.*; *citing Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, USITC Pub. 2391, Comm'n Op. on Remedy, the Public Interest and Bonding at 37-42 (June 1991).

Emcore argues that the limited exclusion order should cover only optical communication networks incorporating Emcore-manufactured optical transmitters because the ALJ's infringement finding was limited to systems with Emcore transmitters. Also, Emcore contends that no cease and desist order is warranted in this case because any final testing of its products within the United States occurs only after ordering and purchase by the customer.

The IA and Avago support the ALJ's recommendation that the remedial orders should extend to all of Emcore's accused products in this investigation which include, but are not limited to, vertical-cavity surface-emitting laser ("VCSEL") transmitters and optical networks, VCSEL transceivers, transmitter/receiver sets, transmitter/receiver optical subassemblies, VCSEL arrays and photodiode arrays, and other optoelectronic assemblies made by Emcore. They contend that Emcore's argument that only systems should be excluded ignores the fact that the Commission found that Emcore's products indirectly infringed the '447 patent by contributory and induced infringement, and that Emcore's customers directly infringed the patent. Regarding the recommended cease and desist order, Avago and the IA submit that the relevant fact is that Emcore possesses accused products in the United States which undermine the effectiveness of any exclusion order, regardless of whether these products have been pre-sold to U.S. customers. They also contend that the testimonial evidence refers to all 12-channel products and that other contrary evidence presented by Emcore was not before the ALJ and conflicts with the testimonial evidence.

The Commission adopts the ALJ's recommendation that the appropriate relief includes a limited exclusion order and a cease and desist order directed to all accused products, *i.e.*, infringing optoelectronic devices, components thereof, and products containing the same, that are manufactured abroad or imported by or on behalf of Emcore, or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns. There is no distinction between direct or indirect infringement in Commission remedial orders and the language "covered by," found in the Commission's orders, applies to both types of infringement. Accordingly, any Emcore optoelectronic components, *e.g.*, transceivers, transmitter/receiver sets,

VCSEL transmitter/receiver optical subassemblies, VCSEL arrays and photodiode arrays, and other optoelectronic assemblies, that indirectly infringe one or more of claims 1, 2, 3, and 5 of the '447 patent are covered by the remedial orders.

A cease and desist order is appropriate because it is undisputed that Emcore is in possession of infringing products in the United States. *See* JX-32C at 2-3; Carson, Tr. at 855, 862-63. The evidence clearly establishes that Emcore conducts final testing of accused products in the United States. *Id.* Particularly, Emcore's own documentary evidence indicates that respondent conducts the final testing, [[

]]. *See* JX-32C at 2-3.

The Commission views this evidence of final testing of the accused products in the United States, just prior to delivery to U.S. customers, as equivalent to evidence of the quantity and value of accused products, and it therefore supports a finding of a "commercially significant" inventory of accused goods in the United States in accordance with Commission precedent. *See Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, USITC Pub. 2391, Comm'n Op. on Remedy, the Public Interest, and Bonding at 37-42 (June 1991); *citing Certain Erasable Programmable Read-Only Memories ("EPROMs")*, 337-TA-276, USITC Pub. 2196, Comm'n Op. on Violation, and Remedy, Bonding, and the Public Interest at 130-31 (May 1989). Specifically, the Commission in *EPROMs* issued cease and desist orders based on evidence of product testing as it stated that "the evidence concerning [respondents'] production processes, which involve testing in the United States prior to sale, suggest that there are inventories of work in progress. On the record of this investigation, we determine this is sufficient to justify cease and desist orders . . ." *See EPROMs*, USITC Pub. 2196 at 130-31. We also note that

Commission cease and desist orders prohibit a number of activities in the United States, including distribution and transfer of infringing devices. Thus, a cease and desist order is appropriate even if Emcore's products in the United States have been pre-sold.

B. Bonding

Section 337(j) provides for entry of infringing articles during the sixty (60) day period of Presidential review upon posting of a bond and states that the bond is to be set at a level "sufficient to protect the complainant from any injury." 19 U.S.C. § 1337(j)(3); *see also* 19 C.F.R. § 210.50(a)(3). The ALJ recommended a bond of three (3) percent of the entered value of the covered products based on a reasonable royalty rate for the '447 and '229 patents that he ascertained from a 2003 Patent Cross-License Agreement between Avago's predecessor, Agilent, and Emcore's customer, E2O Communications Incorporated. RD at 114-15; *citing Certain Integrated Circuit Telecommunication Chips and Products Containing Same, Including Dialing Apparatus*, Inv. No. 337-TA-337, USITC Pub. 2670, Comm'n Op. at 41 (Aug. 1993).

Avago argues that the bond amount should adjust upwardly to one hundred (100) percent if Emcore attempts to adversely impact Avago's market by: (1) suddenly increasing the quantities of imported components above the lowest quantity level at which it imported products during the pendency of this investigation; or (2) suddenly decreasing its prices below the highest price at which it sold products during this investigation. The IA and Emcore support the ALJ's recommended bond of three (3) percent.

We agree with the ALJ that a three (3) percent bond is appropriate here because the previous cross-license agreement between Avago's predecessor and Emcore's customer establishes this reasonable royalty rate for the bond amount. There is no Commission precedent

to support a contingent trigger that would upwardly adjust the bond amount in the event of price-fixing or increased importation by respondent, especially where no evidence of such conduct has been presented by complainants.

C. Public Interest

When issuing an exclusion order under section 337(d), the Commission must weigh the remedy sought against the effect such a remedy would have on the following public interest factors: (1) the public health and welfare; (2) the competitive conditions in the United States economy; (3) the production of articles in the United States that are like or directly competitive with those subject to the investigation; and (4) United States consumers. *See* 19 U.S.C. § 1337(d)(1).

We find that the issuance of a limited exclusion order and cease and desist order directed to infringing optoelectronic devices, components thereof, and products containing the same produced by Emcore, would not be contrary to the public interest. No evidence exists in the record that issuance of the Commission's orders would harm public health, welfare, or safety. Moreover, nothing in the evidentiary record indicates that Avago and others cannot meet the demand for the types of optoelectronic devices at issue.

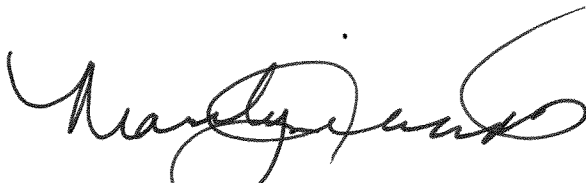
We have included a certification provision in the limited exclusion order allowing importation of those optoelectronic devices not produced by, or on behalf of, Emcore. This provision will ease the burden both on legitimate trade and on U.S. Customs' enforcement of the exclusion order.

IV. CONCLUSION

The Commission has determined that there has been a violation of section 337, and has further determined that the appropriate form of relief is: (1) a limited exclusion order prohibiting the unlicensed entry of optoelectronic devices, components thereof, and products containing the same that infringe one or more of claims 1, 2, 3, and 5 of the '447 patent, that are manufactured abroad by or on behalf of, or are imported by or on behalf of, Emcore, or any of its affiliated companies, parents, subsidiaries, licensees, contractors, or other related business entities, or successors or assigns; and (2) a cease and desist order prohibiting Emcore from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, optoelectronic devices, components thereof, and products containing the same that infringe one or more of claims 1, 2, 3, and 5 of the '447 patent.

The Commission further has determined that the public interest factors enumerated in section 337(d)(1) (19 U.S.C. § 1337(d)(1)) do not preclude issuance of the limited exclusion order or the cease and desist orders. Finally, the Commission has determined that a bond of three (3) percent bond of the entered value of Emcore's products should be imposed during the period of Presidential review.

By order of the Commission.



Marilyn R. Abbott
Secretary to the Commission


Issued: July 26, 2010

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THEREOF, AND PRODUCTS CONTAINING THE SAME**

337-TA-669

CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **PUBLIC COMMISSION
OPINION** has been served by hand upon the Commission Investigative Attorney,
Christopher G. Paulraj, Esq., and the following parties as indicated, on
July 26, 2010.


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