

2010-1176

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

TESSERA, INC.

Appellant,

v.

INTERNATIONAL TRADE COMMISSION,

Appellee,

and

ELPIDA MEMORY, INC. and ELPIDA MEMORY (USA), INC.

Intervenors,

and

SMART MODULAR TECHNOLOGIES, INC.,

Intervenor,

and

ACER, INC., ACER AMERICA CORPORATION, NANYA TECHNOLOGY CORPORATION, NANYA TECHNOLOGY CORPORATION U.S.A., and POWERCHIP SEMICONDUCTOR CORPORATION,

Intervenors,

and

RAMAXEL TECHNOLOGY LTD.,

Intervenor,

and

KINGSTON TECHNOLOGY COMPANY, INC.,

Intervenor.

On appeal from the United States International Trade Commission in Investigation No. 337-TA-630.

NONCONFIDENTIAL BRIEF OF INTERVENORS ELPIDA MEMORY, INC. AND ELPIDA MEMORY (USA), INC.

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TABLE OF CONTENTS

	<u>Page</u>
STATEMENT OF RELATED CASES	1
STATEMENT OF JURISDICTION	2
STATEMENT OF THE ISSUES	3
STATEMENT OF THE CASE	4
STATEMENT OF FACTS	6
I. ELPIDA AND ITS PRODUCTS	6
II. THE ASSERTED PATENTS	7
SUMMARY OF THE ARGUMENT	8
ARGUMENT	10
I. STANDARD OF REVIEW	10
II. THE COMMISSION PROPERLY FOUND ELPIDA'S ACCUSED PRODUCTS SUBJECT TO PATENT EXHAUSTION	10
A. All of Elpida's Packagers Are Licensed Under the Asserted Patents to Make, Use, and Sell the Accused Products	12
B. All Of Elpida's Accused Products Are Subject To Patent Exhaustion Because Tessera's Licenses Authorized Their Manufacture And Sale	15
1. Tessera's Licenses Do Not Require Its Licensees To Pre-pay Royalties In Order To Have Authority To Make, Use And Sell	16
a. Provisions Requiring Payment of Royalties Well After Sales Show That Payment Is Not A Condition Precedent to The License	16

TABLE OF CONTENTS

	<u>Page</u>
STATEMENT OF RELATED CASES	1
STATEMENT OF JURISDICTION	2
STATEMENT OF THE ISSUES	3
STATEMENT OF THE CASE	4
STATEMENT OF FACTS.....	6
I. ELPIDA AND ITS PRODUCTS	6
II. THE ASSERTED PATENTS.....	7
SUMMARY OF THE ARGUMENT.....	8
ARGUMENT	10
I. STANDARD OF REVIEW	10
II. THE COMMISSION PROPERLY FOUND ELPIDA'S ACCUSED PRODUCTS SUBJECT TO PATENT EXHAUSTION.....	10
A. All of Elpida's Packagers Are Licensed Under the Asserted Patents to Make, Use, and Sell the Accused Products	12
B. All Of Elpida's Accused Products Are Subject To Patent Exhaustion Because Tessera's Licenses Authorized Their Manufacture And Sale.....	15
1. Tessera's Licenses Do Not Require Its Licensees To Pre-pay Royalties In Order To Have Authority To Make, Use And Sell.....	16
a. Provisions Requiring Payment of Royalties Well After Sales Show That Payment Is Not A Condition Precedent to The License.....	16

b.	The Termination And Cure Provisions Further Demonstrate That Payment Is Not A Condition Precedent To The Licenses From Tessera	20
2.	The Specific License Provisions Relied Upon By Tessera, When Viewed In Their Entirety, Contradict Tessera’s Proffered Contract Interpretation	21
a.	The “License Grant” Provision Does Not Require Pre-payment of Royalties.....	22
b.	The “Exclusion From License” Provision Also Does Not Require Pre-payment of Royalties.	24
3.	Tessera’s Position Contradicts Industry Custom And Practice	26
4.	Any Dispute Regarding Royalty Payment Is A Contract Dispute Between Tessera And Its Licensees	27
C.	Tessera’s Position Would Create Chaos In The Marketplace and Be Unworkable for Customs	30
D.	Tessera’s Legal Arguments Are Moot Because It Has Received All Royalties Owed On Elpida’s Products.....	32
III.	ELPIDA’S LICENSE DEFENSE PROVIDES AN ALTERNATIVE GROUND FOR DENYING TESSERA ANY REMEDY	37
IV.	ELPIDA’S EQUITABLE ESTOPPEL DEFENSE PROVIDES AN ADDITIONAL ALTERNATIVE GROUND FOR DENYING TESSERA ANY REMEDY	39
V.	SUBSTANTIAL EVIDENCE SUPPORTS THE ITC’S FINDING OF NON-INFRINGEMENT OF THE ‘106 PATENT	40

[Material subject to a protective order has been deleted from this page.]

A.	The Method Of Encapsulating Elpida’s Accused wBGA Products Does Not Infringe The ‘106 Patent	42
	■ [Redacted]	
	■ [Redacted]	
B.	Tessera’s Alternative Infringement Theories Are Unsupported By Substantial Evidence	46
	■ [Redacted]	
	■ [Redacted]	
C.	The Commission Was Correct In Excluding The Solder Mask Layer From The “Top Layer” In Its Analysis Of The ‘106 Patent.....	50
D.	Tessera Has Not Met Its Burden Of Proving Infringement Under The Doctrine Of Equivalents.....	51
VI.	THE ITC INCORRECTLY HELD THAT THE PRIOR ART PRESENTED DID NOT ANTICIPATE THE ASSERTED ‘106 PATENT CLAIMS.....	51
A.	Worp ‘366.....	52
	1. The ALJ Misapplied The Clear And Convincing Evidence Standard to Worp ‘366	53
	2. Worp ‘366 Discloses All of the Elements and Limitations of the Asserted Claims, Including “Top Layer,” “A Protective Barrier In Contact With Said Top Layer” and “Compliant Layer”	54
B.	Juskey ‘759.....	59
	1. The ALJ Incorrectly Found That Evidence Showing High Probability Of “Exposed Terminals” In Juskey ‘759 Was Insufficient.....	60

2.	The ALJ Misapplied the Construction of “Protective Barrier” to Juskey ‘759	61
3.	Juskey ‘759 Discloses All of the Elements and Limitations of the Asserted Claims, Including the “Exposed Terminals,” “A Protective Barrier In Contact With The Top Layer” and “Top Layer” Limitations of Asserted Claim 1, and the “Compliant Layer” Limitation of Asserted Claim 34	62
C.	Chia ‘349	63
1.	The ALJ’s Finding That The Pins Of A Pin Grid Array Are Not The Endpoint For Mechanical And Electrical Connection To The Outside Is Unsupported By Substantial Evidence.....	64
2.	Chia ‘349 Discloses a “Top Layer” That Is a “Spaced Distance Above Said Semiconductor Chip” Limitation of Claim 33	65
3.	Chia ‘349 Discloses All of the Elements and Limitations of the Asserted Claims, Including the “Exposed Terminals” of Asserted Claim 1	65
CONCLUSION		66

CONFIDENTIAL MATERIAL OMITTED

The material omitted on page 6 describes technical details of DRAM packages at issue in this action. The material omitted at the bottom of page 6 and on page 7 describes how Elpida packages its products.

The material omitted on pages 11-12 describes the terms of Tessera's license agreements and Tessera's interpretations of same. The material omitted at the bottom of page 12 and on pages 13-14 describes facts about Tessera's license agreements and licensees. The material omitted on pages 15 through 17 and 19 through 27 describes and discusses specific provisions and requirements of Tessera's license agreements regarding payments and termination. The material omitted on page 24 also identifies a specific licensee of Tessera. The material omitted on page 30 describes the termination status of some Tessera licenses. The material omitted near the top of page 31 describes details of Tessera's license agreements.

The material omitted in the last paragraph of page 31 discusses details of Tessera's requested exclusion order relating to payments and information about Tessera's royalty reports. The material omitted at the top of page 32 and on page 33 discusses details of Tessera's royalty reports. The tabular material omitted on page 34, and the textual material omitted at the bottom of page 34, contains annual data regarding royalties received by Tessera on Elpida products.

The material omitted on page 35, the first and last paragraphs of page 36, and page 37 describes information about the timing of royalty payments to Tessera. The material omitted from the second paragraph of page 36 identifies a Tessera licensee.

The material omitted from pages 41 and 43 describes technical findings made by the Commission about Elpida products. The figure omitted on page 42 is a technical diagram showing the design details of an Elpida product. The material omitted from pages 43 through 49, including a technical diagram omitted from page 44, describes and discusses technical details about the layers, substrates, and other design features of Elpida's chip products. The material omitted from page 51 discusses Tessera's contentions regarding the design features of Elpida's chip products.

TABLE OF AUTHORITIES

FEDERAL CASES

<i>Adams v. Burke</i> , 84 U.S. 453 (1873).....	11, 19
<i>Arachnid, Inc. v. Merit Industries, Inc.</i> , 939 F.2d 1574 (Fed. Cir. 1991)	23
<i>Aro Mfg. Co. v. Convertible Top Replacement Co.</i> , 377 U.S. 476 (1964).....	38
<i>Buildex, Inc. v. Kason Indus., Inc.</i> , 849 F.2d 1461 (Fed. Cir. 1988)	52-53, 60
<i>Corning Glass Works v. ITC</i> , 799 F.2d 1559 (Fed. Cir. 1986)	41
<i>Dow Chem. Co. v. United States</i> , 226 F.3d 1334 (Fed. Cir. 2000)	29, 37
<i>Epistar Corp. v. ITC</i> , 566 F.3d 1321 (Fed. Cir. 2009)	50
<i>Fantastic Fakes, Inc. v. Pickwick Intern., Inc.</i> , 661 F.2d 479 (5th Cir. 1981)	29
<i>FilmTec Corp. v. Allied-Signal, Inc.</i> , 939 F.2d 1568 (Fed. Cir. 1991)	23
<i>Freedman Seating Co. v. Am. Seating Co.</i> , 420 F.3d 1350 (Fed. Cir. 2005)	45
<i>Graham v. James</i> , 144 F.3d 229 (2d Cir. 1998)	28
<i>Honeywell Inc. v. Victor Co. of Japan</i> , 298 F.3d 1317 (Fed. Cir. 2002)	38
<i>In re Howarth</i> , 654 F.2d 103 (CCPA 1981).....	54

<i>Jacob Maxwell, Inc. v. Veeck</i> , 110 F.3d 749 (11th Cir. 2007)	18, 21, 28
<i>Pisle Corp. v. Edwards</i> , 777 F.2d 693 (Fed. Cir. 1985)	20, 38
<i>Living Music Records v. Moss Music Group</i> , 827 F. Supp. 974 (S.D.N.Y. 1993)	28
<i>LizardTech, Inc. v. Earth Resource Mapping, Inc.</i> , 424 F.3d 1336 (Fed. Cir. 2005)	50
<i>Mannington Mills, Inc. v. Congoleum Indus., Inc.</i> , 197 U.S.P.Q. (BNA) 145 (D.N.J. 1977)	38-39
<i>MJK Clearing, Inc. v. Greenblatt</i> , 408 F.3d 512 (8th Cir. 2005)	19
<i>PC Connector Solutions LLC v. SmartDisk Corp.</i> , 406 F.3d 1359 (Fed. Cir. 2005)	51
<i>Personalized Media Commc'ns, LLC v. ITC</i> , 161 F.3d 696 (Fed. Cir. 1998)	10
<i>Quanta Computer, Inc. v. LG Elecs., Inc.</i> , 128 S. Ct. 2109 (2008)	10-11
<i>Spectra-Physics, Inc. v. Coherent, Inc.</i> , 827 F.2d 1524 (Fed. Cir. 1987)	54
<i>SRI Int'l v. Matsushita Elec. Corp of Am.</i> , 775 F.2d 1107 (Fed. Cir. 1985)	40
<i>Standard Havens Prods. v. Gencor Indus.</i> , 953 F.2d 1360 (Fed. Cir. 1992)	61
<i>State Contr. & Eng'g Corp. v. Condetto Am., Inc.</i> , 346 F.3d 1057 (Fed. Cir. 2003)	54
<i>Sun Microsystems, Inc. v. Microsoft Corp.</i> , 188 F.3d 1115 (9th Cir. 1999)	29

<i>Tech., Inc. v. ITC,</i> 12 F.2d 1336 (Fed. Cir. 1986)	10, 51
<i>Instruments v. ITC,</i> 13 F.2d 1165 (Fed. Cir. 1993)	40
<i>Core, LP v. Elec. Transaction Consultants Corp.,</i> 63 F.3d 1271 (Fed. Cir. 2009)	39
<i>United States v. Univis Lens Co.,</i> 316 U.S. 241 (1942).....	10
<i>Wilson v. Sandford,</i> 51 U.S. (101 How.) 99 (1850).....	29
<i>YBM Magnex, Inc. v. ITC,</i> 145 F.3d 1317 (Fed. Cir. 1998)	10
CALIFORNIA CASES	
<i>Frankel v. Board of Dental Examiners,</i> 46 Cal. App. 4th 534 (Cal. Ct. App. 1996).....	18
<i>Harris v. Klure,</i> 205 Cal. App. 2d 574 (Cal. Ct. App. 1962).....	27
<i>In re Harwood,</i> 74 Cal. Rptr. 3d 721 (Cal. Ct. App. 2008).....	37
<i>San Diego Const. Co. v. Mannix,</i> 175 Cal. 548 (Cal. 1917).....	18
REGULATORY CASES	
<i>Certain Sucralose, Sweeteners Containing Sucralose, and Related Intermediate Compounds Thereof, Inv. No. 337-TA-604, 2009 WL 1178470 *17 n.22 (U.S.I.T.C. April 28, 2009).....</i>	40
FEDERAL STATUTES	
5 U.S.C. § 706(2)(A) (1994).....	10
5 U.S.C. § 706(2)(E) (1994)	10

U.S.C. § 1337..... Passim

U.S.C. § 102(b)..... Passim

STATE STATUTES

CAL. CIV. CODE § 1442.....18

CAL. CIV. CODE § 1641.....24

CAL. CIV. CODE § 1644 (2008).....26

STATEMENT OF RELATED CASES

Tessera's opening brief fails to list several related cases. One patent involved in this appeal, U.S. Patent No. 5,663,106 ("the '106 patent"), is at issue in *Powertech Technology Inc. v. Tessera, Inc.*, No. CV-10-009945-CW (N.D. Cal.). Plaintiff Powertech Technology Inc. ("PTI"), which packages products at issue here for Intervenor Elpida Memory, Inc., has moved for reconsideration of a June 1, 2010 district court order of dismissal for lack of subject matter jurisdiction. One or more patents-in-suit here also are at issue in the following district court actions, currently stayed: *Tessera, Inc. v. A DATA Tech. Co.*, No. 2:07-CV-534 (E.D. Tex.); *Tessera, Inc. v. Advanced Micro Devices, Inc.*, C05-04063-CW (N.D. Cal.); *Siliconware Precision Indus. Co. v. Tessera, Inc.*, No. C08-03667-CW (N.D. Cal.); *ChipMOS Techs. Inc. v. Tessera, Inc.*, No. C08-03827-CW (N.D. Cal.); and *Advanced Semiconductor Eng'g Inc. et al. v. Tessera Inc.*, No. 4:08-CV-03726-CW (N.D. Cal.).

U.S. Patent Nos. 5,679,977 ("977 patent") and 6,133,627 ("627 patent") are related to two other patents at issue in *Spansion, Inc. v. Commission*, Nos. 09-1460, 1461, 1462 & 1465, currently pending before this Court. In light of the different records, different patents, and September 2010 expiration of the '977 and '627 patents, those appeals are unlikely to affect, or be affected by, the Court's decision in this appeal.

The '977 patent currently is undergoing reexamination before the U.S. Patent and Trademark Office in reexamination control nos. 90/008,484, 90/008,528, and 90/008,695. The '627 patent is undergoing reexamination as part of reexamination control nos. 90/008,485, 90/008,696, and 90/009,096. The '106 patent currently is undergoing reexamination as part of reexamination control no. 90/009,215.

STATEMENT OF JURISDICTION

Jurisdiction does not exist for review of Tessera's claims against Intervenors Elpida Memory, Inc. and Elpida Memory (USA) Inc. (collectively "Elpida"), due to Tessera's failure to timely seek review of the Commission's patent exhaustion determinations. Specifically, on October 30, 2009, the Commission adopted and declined to review the Administrative Law Judge's ("ALJ's") finding that Respondents established their patent exhaustion defense to infringement of all patents-in-suit, and that Elpida proved that 100% of its chips were purchased from Tessera's licensees. JA50-51. Based on this finding, the ALJ ruled that Elpida did not violate 19 U.S.C. § 1337 ("Section 337") because all of its products at issue were subject to patent exhaustion. No further review with respect to Elpida could occur after October 30, 2009, except in this Court. Tessera failed to appeal within 60 days of October 30, 2009, thus making its entire appeal with respect to Elpida untimely. Tessera's waiver is addressed more fully in the brief of Appellee U.S.

International Trade Commission (“ITC”), and Elpida agrees with and incorporates that aspect of the ITC’s brief.

STATEMENT OF THE ISSUES

1. Whether this Court has jurisdiction over Tessera’s untimely appeal of the Commission’s determination that Elpida’s products at issue are all subject to patent exhaustion.
2. Whether the Commission correctly concluded that all Elpida products at issue, purchased by Elpida from Tessera’s licensees in good standing, are subject to patent exhaustion where the license agreements unconditionally authorize the licensees to make, use, and sell such products.
3. Whether the Commission erred in finding that Elpida failed to prove its license defense.
4. Whether the Commission erred in failing to consider Elpida’s equitable estoppel defense.
5. Whether the Commission correctly found that all of the wBGA products at issue do not infringe the ‘106 patent.
6. Whether the Commission erred in failing to review the ALJ’s finding that Respondents failed to establish invalidity of the ‘106 patent after revising the ALJ’s claim constructions.

STATEMENT OF THE CASE

Tessera filed a complaint with the ITC, accusing Elpida and others of violating Section 337 of the Trade Act, 19 U.S.C. § 1337, by infringing the '106, '977, and '627 Patents. JA4137-250. Elpida denied infringement and raised defenses of, *inter alia*, patent exhaustion, license, equitable estoppel, and patent invalidity.

The Administrative Law Judge (ALJ) issued an Initial Determination, 2009 WL 3092628 (U.S.I.T.C. Aug. 28, 2009) (JA54-235), finding that: Elpida purchased 100% of its products at issue from suppliers licensed by Tessera, and therefore all Elpida products were subject to patent exhaustion; Elpida failed to prove its license defense; Elpida's equitable estoppel defense was moot in view of the exhaustion finding; Tessera failed to prove infringement by any of Respondents' products; and Respondents failed to prove invalidity of any asserted claims of the '106, '977 and '627 patents.

On October 30, 2009, the Commission determined not to review the ALJ's findings on exhaustion, license and equitable estoppel. JA50-53. The Commission determined to review certain patent claim constructions adopted by the ALJ, and the ALJ's findings on non-infringement and invalidity. JA50-53.

The Commission subsequently issued an Opinion, 2010 WL 686377 (U.S.I.T.C. Feb. 24, 2010) (JA1-44), which: (1) modified the ALJ's construction

of the claim terms “top layer” and “thereon” recited in claim 1 of the ‘106 patent; (2) reversed the ALJ’s finding that Elpida’s μ BGA products do not infringe the ‘106 patent, but affirmed the finding that those products do not infringe due to patent exhaustion; (3) affirmed the ALJ’s finding that Respondents’ wBGA products do not infringe the ‘106 patent; (4) affirmed the ALJ’s finding of no infringement of the ‘977 and ‘627 patents; (5) affirmed the ALJ’s findings of validity, except for certain findings relating to prior art asserted as anticipating claims of the ‘977 and ‘627 patents; (6) affirmed the ALJ’s findings on domestic industry, and (7) adopted the Initial Determination to the extent not inconsistent with the Opinion.

Tessera appealed the Commission’s determination of no violation of Section 337. Tessera acknowledges that its appeal regarding the ‘977 and ‘627 patents will be moot when those patents expire on September 24, 2010, but argues that this Court should vacate the Commission’s finding of no violation with regard to the ‘977 and ‘627 patents. Brief of Appellant Tessera, Inc. (“Tessera Br.”) at 48-49. The appropriate action, however, is to dismiss Tessera’s appeal without vacating the Commission’s conclusion.

STATEMENT OF FACTS

ELPIDA AND ITS PRODUCTS

[Material subject to a protective order has been deleted from this page.]

Elpida designs and manufactures silicon integrated circuits (“ICs”) that are packaged as dynamic random access memory (“DRAM”) components, also known as “chips.” The packaged DRAM chips may be mounted on small circuit boards to create modules for use in products such as personal computers.

Two types of DRAM packages are at issue in this appeal:

[Redacted]

were accused of infringing the ‘977 and ‘627 patents, but not the ‘106 patent, which is directed to

[Redacted]

products accused of infringing the ‘106 patent have

[Redacted]

JA142798-99, JA142863-69 (QQ78, 82, 259-278 Goosey)

[Redacted]

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[Redacted]

II. THE ASSERTED PATENTS

Tessera alleged infringement of its '106 patent, '977 patent and '627 patent. The '977 and '627 patents expire September 24, 2010, so the '106 patent is the only patent substantively at issue in this appeal.

The '106 patent is directed to preventing contamination of exposed terminals of semiconductor assemblies during encapsulation through use of a "protective barrier" that comes in contact with the "top layer" and protects the terminals from the encapsulant. JA142783-84 (Q27). The claims of the '106 patent require, among other things, (1) a semiconductor chip assembly with exposed terminals on a top layer referred to as the "top layer," and (2) encapsulation using a "protective barrier" in contact with the top layer to prevent the encapsulant from contaminating the exposed terminals. JA113289-90 ('106 Pat. 9:33-11:31).

SUMMARY OF THE ARGUMENT

Tessera failed to timely appeal the Commission's determination of patent exhaustion as to all of Elpida's products, and therefore has waived its right to appeal on this issue. Even if jurisdiction existed, the Commission's finding of exhaustion should be affirmed based on evidence of record showing that *all* of Elpida's DRAM products at issue were packaged by Tessera's licensees, and Tessera received and accepted royalty payments for those products. As found by the Commission, this results in a complete defense precluding any finding of a Section 337 violation by Elpida.

In addition to establishing patent exhaustion, the evidence establishes that all of Elpida's accused products are licensed by the agreements between Tessera and Elpida's packagers. The ALJ's finding that Elpida's licensing defense did not

is contrary to this evidence, and the Commission erroneously failed to
use this finding. Based on this alternative ground, Tessera is not entitled to any
remedy, regardless of the Commission's findings on exhaustion. The Commission
erred by not addressing Elpida's equitable estoppel defense, which likewise
supports Tessera's claims.

The Commission properly found that Elpida's wBGA products do not
infringe the '106 patent. Neither of Tessera's alternative infringement theories
comport with the evidence, which establishes that no layer of the accused wBGA
products possesses the attributes required by claim constructions that Tessera
sought, *i.e.*, a layer "disposed on the active side of the chip which carries the
terminals" on one of its surfaces. JA21-22.

Tessera attacks the Commission's non-infringement determination based on
purported misapplication of the broader claim constructions that Tessera advocated
in response to the ALJ's initial determination of no infringement. However, under
Tessera's contentions, the '106 patent claims would be invalid based on prior art of
record. In any case, the Commission's ultimate conclusion of no remedy under
Section 337 should be affirmed.

ARGUMENT

STANDARD OF REVIEW

This Court reviews the factual findings of the Commission under the “substantial evidence” standard. *See* 5 U.S.C. § 706(2)(E) (1994); *Personalized Media Commc’ns, LLC v. ITC*, 161 F.3d 696, 702 (Fed. Cir. 1998). Under this standard, this Court should not disturb the Commission’s factual findings if they are supported by “such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” *Surface Tech., Inc. v. ITC*, 801 F.2d 1336, 1340-41 (Fed. Cir. 1986). Only the Commission’s legal determinations are reviewed *de novo* by this Court. *See* 5 U.S.C. § 706(2)(A) (1994); *YBM Magnex, Inc. v. ITC*, 145 F.3d 1317, 1320 (Fed. Cir. 1998).

II. THE COMMISSION PROPERLY FOUND ELPIDA’S ACCUSED PRODUCTS SUBJECT TO PATENT EXHAUSTION

Supreme Court precedent establishes that where a patented item lawfully passes into the hands of the purchaser under the auspices of the patentee, the item is no longer within the limits of the patent monopoly. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 128 S. Ct. 2109, 2115 (2008) (“The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.”); *United States v. Univis Lens Co.*, 316 U.S. 241, 249 (1942) (same). Once the patentee has authorized a sale in exchange for the bargained-for consideration, the patentee can no longer assert a claim of

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ingement. *Adams v. Burke*, 84 U.S. 453, 456 (1873) (“[T]he patentee or his licensee having in the act of sale received all the royalty or consideration which he claims for the use of his invention in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly of the patentees.”). Thus, as even Tessera concedes, the proper focus for the patent exhaustion analysis here is solely whether sales of Elpida’s accused products were authorized by Tessera. *Quanta*, 128 S. Ct. at 2122.

The record conclusively shows that all of Elpida’s accused products were obtained from packagers licensed by Tessera, and that these licenses

[Redacted]

The sale and subsequent importation of Elpida’s accused products were thus authorized under Tessera’s own license agreements, thereby exhausting Tessera’s rights and defeating its infringement claims.

[Redacted]

To rule otherwise would unfairly subject innocent downstream buyers,

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such as Elpida, to claims of infringement, even though Elpida's purchases were made under the authorization of Tessera's own licenses.

[Redacted] As a result, substantial evidence supports the Commission's determination that all of Elpida's products at issue are subject to exhaustion and cannot be lawfully excluded.

A. All of Elpida's Packagers Are Licensed Under the Asserted Patents to Make, Use, and Sell the Accused Products

As found by the ITC, each of Elpida's packagers or their parent companies have a license from Tessera under the patents at issue pursuant to agreements with Tessera. JA212; JA28 (upholding ALJ's conclusion as to patent exhaustion for all Elpida products). See Statement of Facts, *supra* (citing to record regarding license for each of Elpida's packagers).

[Redacted]

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100989-94 (1125:10-1130:13 Griffin); JA101014-15 (1150:16-1151:22 Griffin);

JA171294-95 (QQ145-49 Murtha). [Redacted] JA183665-99 at 183695;

JA103031-37 (3162:4-3168:6 Griffin); JA131136-37.

[Redacted] As to these two, Tessera asserts that the ALJ “created two grand-new license relationships out of thin air.” Tessera Br. at 70. Tessera’s argument is flatly contradicted by the record.

First, Tessera fails to acknowledge the critical fact that

[Redacted]

Second, [Redacted] Tessera’s

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argument that [Redacted] are subject to exclusion absent an *express* agreement to be bound by the terms of their parents' agreements (Tessera Br. at 69) should be rejected because the licenses clearly do not contain any such requirement. JA182366-89 at 182367(¶I.H-I); JA182474-93 at 182475(¶I.I); *see also* JA211 rejecting Tessera's similar argument before the ITC that [Redacted] had to agree to be bound in writing to be licensed, noting that no such requirement was contained in the license agreements).

Third, both [Redacted] *See, e.g.,* JA182366-89 at 182369(¶III.B); JA182409-13 at 182413; JA182414-15; JA171663-65; JA173393-96; JA182494-95; JA182626-28; JA171319-22 (QQ316-50); JA10371-73 (RFF1011-20); JA101030-43 (1168:3-1179:13 Griffin); JA182390-96; JA182397-408. Substantial evidence thus supports the ALJ's finding that [Redacted] are Tessera licensees and their fully-paid-for products are subject to exhaustion.

Tessera acknowledges that the remaining Elpida packagers were licensed under the '106 patent at the time the complaint was filed. Tessera Br. at 70. Thus, the only remaining issue is whether sales of the subject products were authorized

Material subject to a protective order has been deleted from this page.]

Under the license agreements. As summarized below, the record evidence demonstrates that they were authorized and thus properly found subject to patent exhaustion.

B. All Of Elpida's Accused Products Are Subject To Patent Exhaustion Because Tessera's Licenses Authorized Their Manufacture And Sale

Tessera's license agreements with Elpida's suppliers grant a broad license to make, use, and sell TCC licensed products. A typical license-grant provision reads, in pertinent part:

[Redacted]

JA182317-44 at 182319 (¶II.A). The license grant is substantially identical for all of the packagers that supplied Elpida products at issue. JA182345-65 at 182347-48 (¶II.B); JA182366-89 at 182368 (¶II.A); JA182419-44 at 182421 (¶II.A); JA182445-73 at 182447 (¶II.A); JA182474-93 at 182476 (¶II.A); JA182523-26 at 182524 (¶3.A).

Contrary to Tessera's argument, Tessera Br. 55-56, the license grant is not an agreement to grant a license in the future. Instead, it is a contemporaneous

[Redacted] material subject to a protective order has been deleted from this page.]
[Redacted] case [Redacted] granting the authority to make, use, and sell TCC Licensed
products worldwide as of the effective date of the agreements until their
termination or expiration. *See, e.g.*, JA182321 (¶VII.A)); JA102978-84 (3109:8-
15:2 Jager). Tessera's arguments are thus contrary to the clear language of the
agreements, as well as its course of dealings with its licensees.

1. Tessera's Licenses Do Not Require Its Licensees To Pre-pay Royalties In Order To Have Authority To Make, Use And Sell

Tessera argues that patent exhaustion should not apply in this case because its license agreements allegedly require the pre-payment of royalties before a given product is licensed and thus subject to exhaustion. Tessera Br. 55-62. The ALJ thoroughly considered and rejected this asserted interpretation of the license agreements, JA203-10, and the Commission affirmed, JA3 (adopting the Initial Determination to the extent not inconsistent with the Commission's Opinion), JA28. The ITC's determination is supported by the terms of Tessera's agreements, [Redacted]

a. Provisions Requiring Payment of Royalties Well After Sales Show That Payment Is Not A Condition Precedent to The License

[Redacted] JA182320 (¶V.A); JA181781

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A); JA182370 (¶V.A); JA182422 (¶V.A); JA182449 (¶V.A); JA182479 (¶V);
182500 (¶V.A). For example, the license agreement with one Elpida packager,
[Redacted] JA182349 (¶V.A). [Redacted]

It surely could not have been [Redacted] understanding or intention that the
products it makes and sells on a given day are not even licensed (nor its sales
"authorized") for up to [Redacted] after the fact. Such a result would be absurd,
yet this is the interpretation Tessera wants the Court to adopt.

Under Tessera's interpretation, 90% of the DRAM industry would be
importing and/or selling infringing products, because all of Tessera's license
agreements schedule royalty payments [Redacted] by which time most if not all of
those products would have been re-sold and imported. JA171302-04 (QQ190-
200); JA103018-19 (3149:25-3150:5 Griffin). Such consequences could not have
been intended, as licensees would have wanted certainty about the authorized
status of their product sales. JA102975-77 (3106:11-3108:20 Jager); JA102979-82
(3110:12-3113:18 Jager).

Tessera's interpretation is also contrary to California law, which controls the interpretation of Tessera's licenses. That law disfavors conditions precedent, especially where a forfeiture results against innocent, downstream third parties. CIV. CODE § 1442; *San Diego Const. Co. v. Mannix*, 175 Cal. 548, 556 (Cal. 1927) ("Courts are disinclined...to construe the stipulations of a contract as conditions precedent...[a]nd particularly so when the result would be to work a forfeiture."); *Frankel v. Board of Dental Examiners*, 46 Cal. App. 4th 534, 550 (Cal. Ct. App. 1996) ("Conditions precedent are not favored in the law and courts shall not construe a term of the contract so as to establish a condition precedent absent plain and unambiguous contract language to that effect."). Because Tessera contends that royalty payment is a condition precedent to obtaining a license, an unfair forfeiture would befall downstream purchasers should Tessera's licensees, even by accident or inadvertence, fail to pay their royalties months after purchases had been made. For this reason, the ALJ properly construed Tessera's license agreements strictly to find that Tessera's requested interpretation was not clearly and unambiguously supported by the agreement provisions. JA206.

Rather than being a condition precedent to the license grant, the obligation to pay royalties is properly viewed as a covenant on the part of the licensee. *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 753-54 (11th Cir. 2007) (finding royalty payments to be a covenant, not a condition, where the license grant was effective

Material subject to a protective order has been deleted from this page.] immediately, and royalty payments were due after the sales). This conclusion is further bolstered by the fact that, once incurred, the licensee's obligation to pay royalties [Redacted]. JA182322 (¶VIII.F.1); JA182354 (¶X.G.1); JA182374 (¶VIII.F.1); JA182425 (¶VIII.F.1); JA182453 (¶X.F.1); JA182481 (¶X.F.1); JA182503 (¶X.F.1).

Thus, the consideration for Tessera's license agreements is the licensee's promise or covenant to pay royalties, not the actual payment. *MJK Clearing, Inc. v. Greenblatt*, 408 F.3d 512, 516 (8th Cir. 2005) ("A promise to perform an act in the future may constitute consideration for a promissory note; in that case the promise, not the performance is the consideration [citation omitted]. Non-performance of an act does not result in failure of consideration in these cases, rather the non-breaching party may have a claim for damages."). As a result, exhaustion applies to authorized sales as soon as they occur, as Tessera receives its bargained-for consideration – a promise to pay royalties to Tessera within the timeframe specified under the contract – every time a licensee sells a product covered by the agreement. JA102659-60 (2791:19-2792:2 Murtha); *Adams*, 84 U.S. at 456.

b. The Termination And Cure Provisions Further Demonstrate That Payment Is Not A Condition Precedent To The Licenses From Tessera

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Tessera's position is also inconsistent with the termination and cure provisions of the license agreements, which expressly provide that **[Redacted]** JA182321 (¶VIII.B); JA182353 (¶X.C); JA182373 (¶VIII.B); JA182424 (¶VIII.B); JA182452 (¶X.B); JA182480 (¶X.B); JA182503 (¶X.B). Tessera's interpretation would render these provisions superfluous because termination would be unnecessary, as non-payment of royalties, by itself, would result in unlicensed products – **[Redacted]**.

The law of this Court contradicts Tessera's position, holding instead that a licensee's failure to make royalty payments does not affect the rights conveyed in the license unless and until the license is terminated pursuant to the termination and cure provisions. *Lisle Corp. v. Edwards*, 777 F.2d 693, 695 (Fed. Cir. 1985) (holding that a third-party purchaser of patented tools from a licensee was not liable for infringement for sale of the tools, even though the licensee failed to abide by all terms of the license, so long as the breach was cured and the license was not terminated).

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[Redacted] JA183665-99 at 183695; JA103036-37 (3167:17-3168:6
fin); JA171294 (QQ145-147 Murtha). Thus, the license grant protects the
activities of the licensee and its customers (such as Elpida), regardless of the
royalty payment status at any given point in time prior to termination. JA171299-
0 (Q174 Murtha); JA102659-61 (2791:6-2793:10 Murtha); JA102975-93
106:11-3107:20, 3110:12-3113:18, 3123:21-3124:16 Jager).

In sum, Elpida's suppliers are licensed and authorized to sell DRAM
packaged chips covered by Tessera's patents even before any royalty payments are
made, and such authorized sales render those products subject to exhaustion.
Jacob Maxwell, 110 F.3d at 753 (holding that agreement to receive royalty
payments after the sale of a covered product was not a waiver of the right to
payment, but was a waiver of the right to sue for infringement while the license
was in effect).

2. The Specific License Provisions Relied Upon By Tessera, When Viewed In Their Entirety, Contradict Tessera's Proffered Contract Interpretation

In an effort to bolster its argument that its licenses require payment before a
sale becomes authorized, Tessera selectively relies on two partial phrases from the
"License Grant" and "Exclusion from License" sections in some of its agreements.

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Tessera Br. 56-57. Review of these provisions in their entirety, however, shows

Tessera's interpretation is misplaced.

a. The "License Grant" Provision Does Not Require Pre-payment of Royalties

A typical "License Grant" provision reads:

[Redacted]

JA182317-44 at 182319 (¶II.A) (emphasis in original). As the entire provision shows, the "subject to" language applies to all of the terms and conditions in the license. The provision simply means that if certain conditions are not met (the payment of royalties being one of them), Tessera may terminate the license. Contrary to Tessera's assertion, Tessera Br. at 56, the ALJ did consider this provision and determined that it granted Tessera's licensees the authority to sell. JA204 (citing JA102952-53 (3083:11-3084:7 Jager); JA102981-84 (3112:12-3113:18, 3114:4-3115:2 Jager)).

