

Intervenor.\*

KINGSTON TECHNOLOGY COMPANY, INC.,

and

Intervenor,

RAMAXEL TECHNOLOGY LTD.,

and

Intervenor,

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

and

Intervenor,

SMART MODULAR TECHNOLOGIES, INC.,

and

Intervenor,

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

and

Appellee

INFORMATION TECHNOLOGY COMMISSION

Appellee

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Material has been deleted from pages iv, 14-19, 24-25, 42-52, and 58-60 of the Commission's nonconfidential brief because the material is deemed confidential business information pursuant to 19 U.S.C. § 1337(n); see also 19 C.F.R. § 210.5. The material omitted on those pages contain confidential information about Tessera's TCC license agreements and Elpida's products.

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Two patents at issue in this appeal, United States Patent Nos. 5,679,977 ("the '977 patent") and 6,133,627 ("the '627 patent"), are related to two patents, United States Patent Nos. 5,852,326 and 6,433,419, at issue in *Spanson, Inc. v. International Trade Commission*, Nos. 2009-1460, -1461, -1462, -1465, currently pending before the Court. Appellee, U.S. International Trade Commission ("Commission"), has no other information concerning related cases other than those referenced by Appellant.

## I. STATEMENT OF RELATED CASES

## II. JURISDICTIONAL STATEMENT

The Commission had jurisdiction over Investigation No. 337-TA-630, *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (III)*, under section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). On August 28, 2009, the administrative law judge (“ALJ”) issued a final initial determination (“ID”) finding no violation of section 337 by respondents. JA54-235. On October 30, 2009, the Commission determined to review the ALJ’s ID in part and identified certain issues it intended to review. JA50-51. The Commission did not review the remaining issues, including the ALJ’s holding that complainant Tessera Inc.’s (“Tessera”) patent rights were exhausted with respect to μBGA and WBGA products sold by Tessera’s licensees. The ALJ’s determination with respect to those unreviewed issues became the final determination of the Commission on October 30, 2009. *Id.* See 19 C.F.R. § 210.42(h)(2). On December 29, 2009, the Commission issued its final determination with respect to the issues under review. JA45-49.

This Court has exclusive jurisdiction over “final determinations” of the Commission made under 19 U.S.C. § 1337. *See* 28 U.S.C. § 1295(a)(6); 19 U.S.C. § 1337(c). In this case, there were two final determinations. In the first, made on October 30, 2009, the Commission adopted the ALJ’s determination that complainant Tessera’s patent rights were exhausted with respect to μBGA and

MBGA products sold by Tessera's licensees. The Commission's determination

became final at that time and terminated one respondent Elpida from the

investigation because Elpida was the only respondent that could prove that 100

percent of its products were purchased from Tessera's licensees. Tessera as the

party "adversely affected" by the Commission's final determination was entitled to

appeal to the Federal Circuit. 19 U.S.C. § 1337(c). Because Tessera filed its

notice of appeal on January 28, 2010, more than 60 days after the Commission

adopted the ALJ's findings on patent exhaustion, the appeal as to patent

exhaustion and whether there is a violation by Elpida is untimely and the Court is

without jurisdiction to hear that portion of the appeal. JA51. The Commission

presents its detailed arguments and motion to dismiss-in-part in section VII(C) of

this brief.<sup>1</sup> With respect to the second final determination made on December 29,

2009, where the Commission found that none of the remaining twelve respondents

violated section 337, Tessera timely filed its notice of appeal and the Court has

jurisdiction to hear that portion of the appeal. *Id.*

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<sup>1</sup> Pursuant to the Court's rules, the Commission presents its argument in this brief. FED. CIR. R. 27(f) ("After the appellant or petitioner has filed the principal brief, the argument supporting dismissal for lack of jurisdiction . . . should be made in the brief of the appellee . . .").

### III. STATEMENT OF THE ISSUES

The Commission limits its statement of the issues to United States Patent No. 5,663,106 ("the '106 patent"), because although Tessera states that it appeals the Commission's determination regarding the '977 and '627 patents, it notes that the appeal relating to those patents will become moot when they expire on September 24, 2010.<sup>2</sup> Tessera Brief at 48. The Commission believes that the issues are properly framed as follows:

1. Does substantial evidence support the Commission's infringement finding that the solder mask layer in the WBGA product fails to meet the "top layer" limitation of claim 1 of the '106 patent, when the patent itself establishes that the solder mask layer is a separate and distinct element from the "top layer" and the evidence shows that another layer (the laminate substrate core) is the top layer?
2. Does the Court have jurisdiction to consider the untimely portion of this appeal regarding patent exhaustion when this appeal was filed on January

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<sup>2</sup> The Commission recognizes that it is unlikely that the Court will reach a decision before those patents expire, and given that Tessera did not present much argument as to why the Commission's findings should be reversed, the Commission focuses its attention on the '106 patent.

28, 2010, a full ninety (90) days after the Commission's October 30, 2009

final determination regarding that issue?

3. Does substantial evidence support the Commission's finding that products

purchased from Tessera's licensees do not violate section 337 because

Tessera exhausted its patent rights by authorizing its licensees to sell those

patented products?

#### IV. STATEMENT OF THE CASE

This appeal is from the Commission's final determination in *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (III)*, Investigation No. 337-TA-630. The Commission instituted this

investigation on January 14, 2008, based on a complaint filed by Tessera, of San Jose, California. JA60; JA4137-5395. The complaint named eighteen

respondents and alleged violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of semiconductor chips with minimized chip package size and

products containing the same by reason of infringement of one or more claims of four patents, including the '106 patent. *Id.*

On August 28, 2009, the ALJ issued his final ID in this investigation.

JA54-235. The ALJ found no violation of section 337 by Respondents with

respect to any of the asserted claims of the asserted patents. JA56. Relevant to

this appeal, the ALJ found that the two-types of accused products,  $\mu$ BGA and

WBGA, do not infringe the asserted claims of the '106 patent and that all chips

Respondents purchased from Tessera's licensees were authorized to be sold by

Tessera and, thus, Tessera's rights in those chips became subject to exhaustion.

AI12-13; JA210. The ALJ, however, found that only one respondent, Elpida, purchased 100 percent of its  $\mu$ BGA and WBGA chips from Tessera's licensees. *Id.* On October 30, 2009, the Commission determined to review the final ID in part. JA50-51. Specifically relevant to this appeal, the Commission determined to review (1) the finding that the claim term "top layer" recited in claim 1 of the '106 patent means "an outer layer of the chip assembly upon which the terminals are fixed," the requirement that "the 'top layer' is a single layer," and the effect of the findings on the infringement, invalidity, and domestic industry analyses; and (2) the finding that the claim term "thereon" recited in claim 1 of the '106 patent requires "disposing the terminals on the top surface of the top layer," and its effect on the infringement, invalidity, and domestic industry analyses. JA51.

Importantly, the Commission stated that it determined not to review the remaining issues decided in the ID, including the ALJ's acceptance of Respondents' patent exhaustion defense concerning  $\mu$ BGA and WBGA products purchased from Tessera's licensees. *Id.* Consequently, the Commission's notice to review in part concluded the investigation with respect to products purchased from Tessera's licensees, leaving only products purchased from non-Tessera- licensees in the investigation. *Id.* Because Elpida purchased 100 percent of its

The '106 patent describes a method of protecting a semiconductor chip assembly by encapsulating it. JA804 (abstract). The method includes establishing an encapsulation area and providing a physical barrier for protecting the terminals on the chip assembly. *Id.* The figure below provides a good illustration of the invention described and claimed in the '106 patent:

**A. The '106 Patent**

Tessera's statement of the facts does not include a description of the relevant findings of the ALJ and the Commission. The Commission therefore provides the following statement of the relevant facts, including a summary of the pertinent findings of the ALJ and the Commission.

**V. STATEMENT OF THE FACTS**

Upon review, the Commission modified, *inter alia*, the ALJ's constructions of certain limitations in the '106 patent. JA47. However, the Commission's modifications did not result in reversing the ALJ's finding of no violation of section 337 by the accused products. *Id.* Tessera now appeals the Commission's decision.

chips from Tessera's licensees, the notice terminated respondent Elpida from the investigation. *Id.*

The specification states that the semiconductor chip assembly 10 includes a semiconductor chip 12 and a chip carrier 14. JA812 (5:7-11). The chip carrier is described as being made up of a top layer 16 and an elastomeric pad 20 disposed between the top layer and the semiconductor chip 12. The patent states that leads 22 are electrically connected to terminals 26 which protrude as 'bumps' from the top surface 18 of the chip carrier 14." *Id.* (5:16-19). The patent further describes the use of a solder mask 30 which is in contact with and preferably connected to the top side of the walls of can 28 and the top surface 18 of the chip carrier 14. *Id.* (5:42-44). Throughout the patent, the solder mask 30 is depicted as a separate and distinct element from the top layer 16 of the chip carrier. JA805-12 FIGS. 1-3, 7, 9, 10B, 10C, 13; 1:50-52, 5:7-11, 6:5-10). Indeed, the patent does

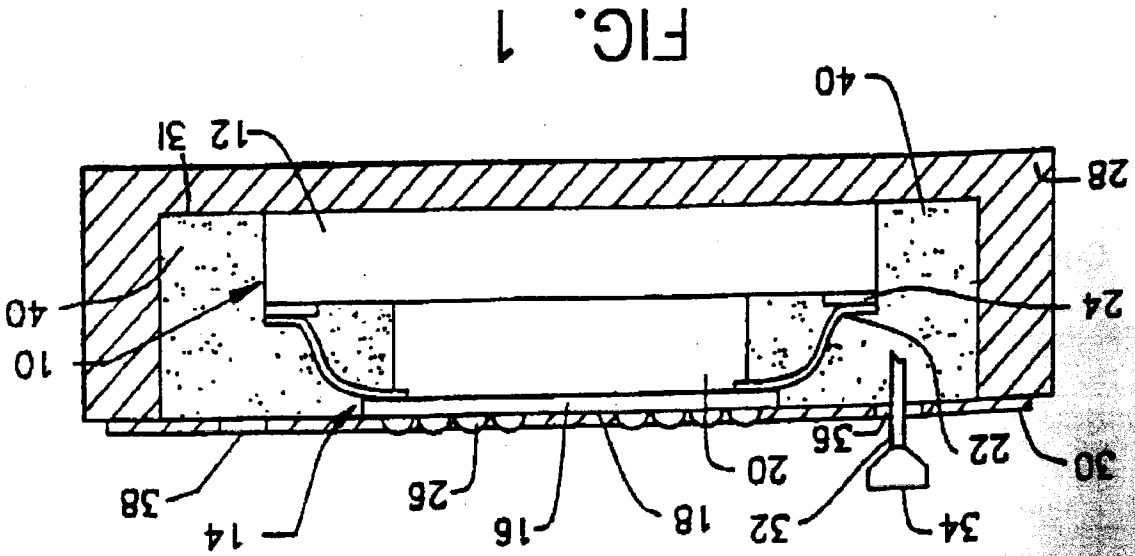


FIG. 1

not describe the solder mask layer as being part of the chip carrier 14 or the entire semiconductor assembly. *Id.* Instead, the patent refers to the solder mask as the protective barrier, and all of the embodiments disclosed in the patent that have a solder mask use it as a protective barrier. *Id.* (FIGS. 1-3, 7, 9, 10A-C, 13; 2:24-25). Other protective barriers disclosed by the patent include a dam, a cap, a cover, or any other means which protects the exposed terminals on the top layer of the semiconductor assembly. *Id.* (FIGS. 5, 8; 2:58-64). In other words, the patent depicts the protective barrier, of which the solder mask is a type, as a distinct and separate element from the top layer.

Asserted claim 1 (from which asserted claims 2-4, 9, 10, and 33-35 depend) recites:

1. A method of encapsulating a semiconductor chip assembly having a top layer with an array of exposed terminals thereon, the terminals being electrically connected to the chip, said method comprising the steps of:

placing an encapsulant barrier adjacent the semiconductor chip assembly, said encapsulant barrier at least partially defining an encapsulation area;

providing a protective barrier in contact with said top layer for protecting the terminals on the top layer from an encapsulation material; and

introducing an encapsulation material into at least a portion of the encapsulation area so that the

A47. The Commission found that "by adding the word 'outer' to his claim

On review, the Commission determined to modify the ALJ's construction.

barrier. JA82-83.

distinguishes the different layers, e.g., top layer and elastomeric layer of the chip

consistent with the specification, stating that the specification explicitly

single layer." JA83. The ALJ found that this proposed construction was

assembly upon which the terminals are fixed," adding that "the 'top layer' is a

The ALJ construed the term "top layer" to mean "an outer layer of the chip

**1. Construction of "Top Layer"**

modification did not alter the ALJ's ultimate conclusion of no violation. JA45-49.

although it modified the ALJ's claim constructions (as detailed below), the

asserted claims. JA56. The Commission reviewed the ALJ's ID in part and,

not violate section 337 because their accused products failed to infringe the

The ALJ determined that the respondents in the underlying investigation did

**The Commission's Determination Regarding the '106 Patent**

A803 (9:32-48) (emphasis added).

encapsulation material flows to fill the encapsulation area and then cures to a substantially solid condition, the protective barrier preventing the encapsulation material from contacting the terminals on the top layer.

construction, the ALJ impermissibly broadened the claim, and by requiring a single layer, the ALJ impermissibly narrowed the claim.” JA18. The Commission therefore modified] the ALJ’s claim construction by reversing his substitution of “outer” for “top” and reversing his requirement that “the ‘top layer’ is a single layer.” *Id.*

The ‘106 patent incorporates by reference two United States patents: United States Patent No. 5,148,265 (“the ‘265 patent”) and United States Patent No. 5,477,611 (“the ‘611 patent”). The Commission, relying primarily on the ‘265 patent, found that “top” as recited in the patent modifies “layer” by providing specific directional reference, and the ALJ’s construction, substituting the word “outer” for “top” rendered the claim term “top” meaningless because “outer” does not provide any directional reference. JA18-19.

The Commission further noted that neither the specification of the ‘106 patent, the ‘265 patent, nor the ‘611 patent include any language indicating that the patentees expressly limited the claim term to a single layer, and the patentees did not explicitly disavow the use of a composite or multi-tiered layer during prosecution of the patent application. JA19-21. Absent clear indication that the patentees intended to limit the scope of the claim term to a single layer, the

are only imported by respondent, Elpida, and packages having laminate based packages having a polyimide-based package substrate ( $\mu$ BGA packages) which in that substrate. JA19543. The products can be divided into two main groups: and (3) the chip is electrically bonded to the package substrate through a window chips where the chip nearest the package substrate is in a face-down orientation characteristics: (1) BGA (ball-grid array) packages, (2) that contain one or more Products accused of infringing the '106 patent have the following

**C. The Commission's Infringement Determination**

layer" other than the top surface, such as on the bottom or side surfaces. JA22. is broad enough to encompass locating the terminals on other surfaces of the "top layer." JA52-22, JA109. The Commission concluded that the scope of the claim term by requiring the terminals to be "'on or upon'—on the top of—the 'top products, however, the ALJ resorted, incorrectly, to a narrow meaning of the claim review, the Commission found that in applying the claim term to the accused "thereon," concluding that construction of the term was unnecessary. JA85. On The ALJ stated that he would adopt the ordinary meaning of the claim term

**2. Construction of "Thereon"**

Commission found that the ALJ impermissibly limited the claim term to a single

layer. *Id.*

The ALJ identified the laminate substrate core in the accused WBGA packages as the "top layer," finding that the record evidence showed that it was the layer that the terminals appeared to be "on or upon." JA109-10. The ALJ then found that the accused packages met the claimed "a top layer with an array of exposed terminals thereon," namely the "solder ball pads on the substrate core layer in WBGA products." *Id.* The ALJ, however, concluded that the accused packages did not infringe because the "protective barrier" [*i.e.* second mold chase] never comes into contact with the core substrate layer. JA110-11, JA17740-41, JA8751-52. The parties did not dispute that the second mold chase fails to come

**2. WBGA Packages**

section 337. *Id.*

The Commission concluded, based on its updated claim construction, that the  $\mu$ BGA packages sold only by Elpida meet all the claim limitations of the '106 patent. JA27-28. However, in light of the Commission's adoption of the ALJ's finding that all of Elpida's products were purchased from Tessera's licensees thereby exhausting Tessera's patent rights, the Commission found no violation of

**1.  $\mu$ BGA Packages**

of the respondents. JA17737-39. substrates that utilize solder masks (WBGA packages), which are imported by all

into contact with the laminate substrate core. Instead, the dispute centered on whether the top layer could include the solder mask layer. *Id.*; JA19572

On review, the Commission affirmed the ALJ's finding that for WBGA products, the laminate substrate core represented the top layer. JA28-29. The Commission noted that Tessera's theory of infringement required the claimed "top layer" to include the solder mask layer, either as a single layer or as part of the "composite laminate substrate." *Id.*; JA19571-72. The Commission, however, found that the '106 patent depicts the solder mask layer and the claimed "top layer" as separate and distinct elements, so the solder mask layer could not be the "top layer." JA28-29. Accordingly, the Commission agreed that the ALJ correctly identified the laminate substrate core as the "top layer" and found no infringement with respect to the WBGA products. *Id.*

**D. The Commission's Patent Exhaustion Determination**

Tessera has entered into a number of license agreements (TCC License Agreement) that authorize various entities to sell products covered by the asserted claims. JA143231 (Q46,48); JA143232 (Q50); JA151020-21; *see, e.g.*, JA156110-38, JA155899-919. Indeed, Tessera prominently displays these entities on its website as licensees. JA131136-37. These license agreements []

]] See, e.g., JA156110,

JA156114.

The TCC License agreement between Tessera and Hitachi Cable, Ltd.

("Hitachi Cable") is representative of the TCC license agreements and for

simplicity, we use it to illustrate the nature of these agreements. JA155899-919.

The agreement states ]]

]] JA155899, JA155903.

The agreement further provides that ]]

]] *Id.*: JA171302 (Q191,192). Thus, under the terms of the agreement, ]]

]] JA171303

(Q194). The agreements further include ]]

]] See, e.g.,

JA155911, JA156119. ]]

]] See JA185693.

Important to this appeal, the license agreements contain an "Exclusion from

License" provision ("Exclusion Provision") that states:

[[

]]

See, e.g., JA182319; JA156113. Tessera argued before the Commission that this provision indicated that products sold pursuant to the agreement were not "licensed" until Tessera received royalties on those products, and that patent exhaustion could not attach to products sold for which Tessera had not yet received royalties. JA204-5. According to Tessera, a product sold by a TCC licensee is merely "potentially licensed" or "quasi-licensed" until the royalty is paid on that article. *Id.*

The ALJ rejected Tessera's argument, emphasizing that the threshold

question is "authority to sell" not whether there is a license. JA203-04. In the

ALJ's view, the investigation presented facts similar to those confronting the

Supreme Court in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617;

128 S. Ct. 2109 (2008). JA204. The ALJ explained:

Respondents are third party purchasers, like Quanta. Respondents assert that their suppliers and packagers had "authority to sell" based on an ongoing license relationship with the patent holder, Tessera. []

[] In *Quanta*, the condition subsequent was third party use of the technology in combination with non-Intel parts. 128 S. Ct. at 2121. []

[]

*Id.*

The ALJ rejected Tessera's argument that the Exclusion Provision renders after-sold items "unlicensed" when the licensee fails to pay royalties. JA205. The ALJ noted instead Respondents argument that the Exclusion Provisions are a []

the Exclusion Provision as []

[] *Id.* The ALJ thus rejected Tessera's construction of

The ALJ further observed that []

[] *Id.*

state law," and []

recognized that "[c]onstruction of [a] licensing agreement is solely a matter of

[] JA206. He

The ALJ found that the TCC Exclusion Provision was ambiguous []

JA156117.

[]

Appellant Tessera challenges several factual findings made by the Commission. Because the Commission's findings are supported by substantial evidence, the Commission respectfully requests that the Court affirm its determination of no violation.

## VI. SUMMARY OF THE ARGUMENT

In rendering his determination, the ALJ analyzed the interpretations offered by the parties and noted that Tessera's interpretation would "create chaos" because secondary purchasers would never be certain that the products they buy are free from third party claims. JA209. He made the point that under Tessera's construction, until a royalty is paid, no entity, including Tessera, can be sure the packages are "licensed," and unless the third party purchaser can account for each chip or package the Tessera's licensee has sold, it cannot be safe from a future action. *Id.* The ALJ therefore determined that Tessera's interpretation was implausible and rejected it. JA209-10. The Commission adopted the ALJ's patent exhaustion finding in its October 30, 2009 notice of partial review. JA50-51.

concluded therefore that Tessera granted its licensees the "authority to sell," thereby extinguishing Tessera's patent rights. JA210.

]] JA204-07. He

