

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of

**CERTAIN LAPTOPS, DESKTOPS,
SERVERS, MOBILE PHONES, TABLETS,
AND COMPONENTS THEREOF**

Inv. No. 337-TA-1280

**ORDER NO. 27: INITIAL DETERMINATION GRANTING-IN-PART
RESPONDENTS' MOTION FOR SUMMARY DETERMINATION**

(May 3, 2022)

On April 7, 2022, Respondents Amazon.com, Inc., Dell Technologies, Inc., EMC Corporation, Lenovo Group Ltd., Lenovo (United States) Inc., LG Electronics Inc., LG Electronics USA, Inc., Motorola Mobility LLC, Samsung Electronics Co., Ltd., and Samsung Electronics America, Inc. ("Respondents") filed a motion (1280-022), accompanied by a memorandum ("Memo."), for summary determination that Complainant Sonrai Memory Ltd. ("Sonrai") lacks standing to assert U.S. Patent No. 7,159,766 ("766 patent") by virtue of that patent's unenforceability, and that U.S. Patent No. 8,193,792 ("792 patent") is invalid as indefinite. Sonrai timely filed an opposition ("Opp'n"), and the Commission Investigative Staff timely filed a response supporting the motion in its entirety ("Staff Resp.").

Respondents thereafter filed a motion (1280-025) for leave to file a reply in support of their motion for summary determination. The proposed reply pertains only to the 766 patent, and although the motion for leave is granted, the proposed reply has not been considered.

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A. The 766 Patent

1. Background

On January 20, 2004, the original assignee of the 766 patent, Standard Microsystems Corporation, filed two patent applications having apparently identical specifications, one that eventually issued as the 766 patent and one that eventually issued as U.S. Patent No. 7,086,583 (“583 patent”). *See* Memo., Exs. B, O. The 583 patent issued on August 8, 2006, while the 766 patent’s application was still pending, and the Examiner of the 766 patent requested the filing of a terminal disclaimer. *See* Memo., Ex. A at -608. The terminal disclaimer was filed on September 21, 2006, and disclaimed that part of the 766 patent’s term extending beyond the expiration date of the 583 patent. *See id.* at -608, -614.

As particularly relevant here, the terminal disclaimer also stated that the 766 patent “shall be enforceable only for and during such period that it and [the 583 patent] are commonly owned.” *See* Memo., Ex. A at -608. This provision is generally intended to prevent multiplicity of lawsuits by different assignees, and the operative language is set forth in the Manual of Patent Examining Procedure, Section 1490. *See In re Hubbell*, 709 F.3d 1140, 1145 (Fed. Cir. 2013); 37 C.F.R. § 1.321(c)(3). In 2012 both patents were assigned to Microchip Technology Incorporated (“Microchip”) as a result of a corporate merger, and the assignment was filed with the U.S. Patent and Trademark Office (“PTO”) in 2017, with the patents identifiable by their application numbers. *See* Memo., Ex. E at -806; *see also* Memo., Ex. H.

Effective December 20, 2019, Microchip assigned Sonrai certain patents pursuant to a patent sale and assignment agreement (“Agreement”). *See* Memo., Ex. C. It is undisputed that the 766 patent was expressly recited in the agreement and the 583 patent was not. *See id.* at -2924; Opp’n at 11. The assignment of the 766 patent to Sonrai was filed with the PTO on

February 4, 2020, but there is no record of a similar assignment for the 583 patent. *See* Memo., Exs. D, H. Microchip thereafter filed “security interest” assignments relating to the 583 patent on four separate occasions between 2020 and 2021, and in each case either Wells Fargo or JP Morgan Chase was the assignee. *See* Memo, Ex. H.

Sonrai filed the Complaint in this investigation on August 2, 2021, and the Notice of Institution issued on August 31, 2021. On February 7, 2022, after Respondents notified Sonrai of their contention that the two patents were not commonly owned, and two days before the deposition of Sonrai’s corporate representative, Sonrai and Microchip executed an addendum (“Addendum”) to the Agreement. *See* Memo., Ex. M; Opp’n, Ex. 2 (Padian Tr.). The Addendum purports to “clarify” the Agreement such that the Agreement “includes” the 583 patent. Memo., Ex. M. The Addendum was filed with the PTO on April 15, 2022, after the filing of the present motion. *See* Opp’n, Ex. 1.

2. Discussion

As a threshold matter, Respondents do not argue merely that the patent was unenforceable between December 2019 and April 2022, with all the consequences flowing from that unenforceability. Respondents instead argue that: (1) because Sonrai owned the 766 patent but not the 583 patent at the time it filed the Complaint, the 766 patent was unenforceable at that time; (2) because the 766 patent was unenforceable at that time, Sonrai lacked standing to assert infringement of the 766 patent in this investigation; (3) Sonrai’s subsequent efforts to establish standing are ineffective; and (4) the 766 patent therefore must be terminated. *See* Memo. at 2, 6, 15.

The Commission “strictly reads the federal standing precedent into its rules.” *SiRF Technology, Inc. v. ITC*, 601 F.3d 1319, 1326 n.4 (Fed. Cir. 2010) (citation omitted). A

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complainant lacks standing unless it holds “enforceable title to the patent at the inception of the lawsuit,” and if it lacks standing the action must be dismissed. *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010) (citation omitted). Although there is some authority for the proposition that standing must be evaluated at the time of institution, rather than the time the Complaint is filed, the distinction makes no difference here, because nothing of relevance changed between August 2 and August 31, 2021. *See Certain Wireless Devices, Including Mobile Phones and Tablets II*, Inv. No. 337-TA-905, Order No. 12 at 10 (May 1, 2014). Lack of standing cannot be cured by a retroactive assignment. *See Abraxis*, 625 F.3d at 1365-66; *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998).

Under this standard, Sonrai possessed title to the 766 patent, but the patent was not enforceable, and its post-inception efforts to cure that defect have been ineffective and irrelevant. Sonrai cites a few cases suggesting that “enforceability” and “enforceable title” refer to different legal doctrines, and that “standing does not require a [complainant] to have a right to enforce a patent at the time a complaint is filed.” *See* Opp’n at 24-27 (discussing cases) (emphasis omitted). The Commission case most on point, however, is to the contrary. *See Certain Digital Cable and Satellite Products, Set-Top Boxes, Gateways and Components Thereof*, Inv. No. 337-TA-1049, Initial Determination (Oct. 19, 2017) (“*Digital Cable*”). In *Digital Cable*, the same terminal disclaimer language was at issue, involving an earlier-issued patent that was never commonly owned with the asserted patent because it had been identified erroneously in the terminal disclaimer. *See id.* at 6. Citing *Abraxis*, the administrative law judge held that the lack of common ownership rendered the asserted patent “unenforceable at the time Complainants filed their complaint, [so] they lacked standing to bring infringement claims . . . [and] [t]his

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jurisdictional defect cannot now be cured, even if Complainants . . . somehow obtain ownership” of the asserted patent. *Id.* at 12.

That principle applies with equal force here: the 766 patent was unenforceable at the time the investigation began in July or August 2021, Sonrai therefore lacked standing, and that lack of standing cannot be cured, by the February 2022 Addendum or otherwise. Sonrai argues that *Digital Cable* is “inconsistent with” a later-issued Federal Circuit case, *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225 (Fed. Cir. 2019). *See* Opp’n at 23-28. Other than that they both address standing, however, the two cases possess little overlap. *Digital Cable*, as noted, pertains to the jurisdictional effect from triggering the unenforceability clause of a terminal disclaimer; *Lone Star*, by contrast, pertains to the jurisdictional effect of an assignment that did not convey all of a patent’s substantial rights. *See* 925 F.3d at 1235.

Admittedly, *Lone Star* holds that the absence of all such substantial rights does not necessarily negate constitutional standing, so long as the assignee possessed some “exclusionary rights,” and that joinder of the assignor as a plaintiff should be “consider[ed]” as a way of satisfying the statutory prerequisites for redressing infringement. *See* 925 F.3d at 1231, 1234, 1239. But this holding was not new to *Lone Star*. *E.g.*, *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1344 (Fed. Cir. 2007) (“Joining the legal title holder” is available when a plaintiff has “exclusionary rights” rather than “all substantial rights,” but joinder nonetheless “cannot cure constitutional standing deficiencies.”). More importantly, the *Lone Star* court did not address whether a lack of constitutional standing could be cured after the fact. *See* 925 F.3d at 1235. Here, in contrast to the plaintiff in *Lone Star*, Sonrai lacked any rights, substantial or otherwise, that could have been vindicated by the Commission at the time the investigation began, and so did not have standing of any kind at the crucial time. *See* 19 U.S.C. § 1337(a)(1)(B)(i)

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(permitting relief only for infringement only of an “enforceable” U.S. patent). And under *Digital Cable*, a complete lack of standing cannot be cured.

Moreover, because of this complete lack of standing, the *Lone Star* court’s distinction between “constitutional” and “statutory” standing is immaterial. *See* Opp’n at 23 (citing 925 F.3d at 1235). As noted in *SiRF Technology*, the Commission has adopted the same constitutional standing requirement applicable in Article III courts. *See* 601 F.3d at 1326 n.4. And again, Sonrai possessed no exclusionary rights in the 766 patent and thus lacked constitutional standing at the outset of the investigation, which is fatal to its claims. That the Commission as an administrative agency could presumably adopt a less stringent standing requirement is beside the point, because it has not done so.

In sum, if Sonrai owned the 766 patent but not the 583 patent between December 2019 and February 2022, thus rendering the 766 patent unenforceable at the time the investigation began, then the 766 patent must be terminated. The parties vigorously dispute this, but there is no genuine issue of material fact on this point. Simply put, it is undisputed that the Assignment says nothing about the 583 patent, so the 583 patent was not assigned along with the 766 patent and the 766 patent was thereby rendered unenforceable.

Sonrai offers several arguments against this conclusion. First, it argues that the Assignment must be construed such that the “intent of the parties” is effectuated, and the parties’ intent was to convey to Sonrai all of Microchip’s enforcement rights pertaining to the 766 patent. Opp’n at 7-8, 12. The Assignment on its face is governed by New York state law, and Sonrai cites *Greenfield v. Philles Records, Inc.*, 780 N.E.2d 166, 170 (N.Y. 2002), among other cases, for the proposition that “[t]he fundamental, neutral precept of contract interpretation is that agreements are construed in accord with the parties’ intent.” What Sonrai omits, however, is the

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very next sentence in that case: “The best evidence of what parties to a written agreement intend is what they say in their writing.” *Id.* Thus, “a written agreement that is complete, clear and unambiguous on its face must be enforced according to the plain meaning of its terms.” *Id.*

The Assignment is not ambiguous; it conveyed “all of [Microchip’s] right, title, and interest in and to the Assigned Patents,” and the 766 patent was such a patent but the 583 patent was not. Memo., Ex. C at § 2.1. It is entirely plausible that the parties to the Agreement may not “have intended to render the ’766 Patent unenforceable,” but the inescapable conclusion is that they did so, even if inadvertently. Opp’n at 15. Sonrai emphasizes that the Assignment further states that one “right” conveyed by the Assignment was the right to “enforce, and bring actions for all past, present and future infringement of, the Assigned Patents.” *See* Opp’n at 13, 16 (citing Memo., Ex. C at § 2.1). Such language is mere boilerplate, of course, because assignment of “all right, title, and interest” presumptively conveyed whatever rights in the 766 patent Microchip was legally capable of conveying.

Moreover, although the right to enforce a patent is one of the core rights typically conveyed by an assignment, it is analytically distinct from the question of the patent’s enforceability. *See Lone Star*, 925 F.3d at 1232 (“we have treated the exclusive right to sue as significant” in the standing analysis). A patent that is unenforceable because of a terminal disclaimer may have a reduced market value, but that unenforceability may be curable, and the patent remains an item of intellectual property that can be assigned. And whether the right to enforce is conveyed with such an assignment has no bearing on whether the patent is legally enforceable at all. In fact, the assignor may have no effective control over the patent’s enforceability, as in cases of inequitable conduct. *See Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276, 1289 (Fed. Cir. 2011) (en banc) (“a finding of inequitable conduct may

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endanger a substantial portion of a company's patent portfolio"). Thus, a conveyance of all enforcement rights is not a warranty that the patent is enforceable in the first place.

Sonrai also emphasizes that [REDACTED]

See Opp'n at 13-15. This is true, [REDACTED]

Memo., Ex. C at § 5.2. But again, the terms of the Assignment are complete, clear, and unambiguous, so the fact that Microchip (and Sonrai) entered into a contract with an unintended consequence as to a single Assigned Patent (out of many dozens) is irrelevant. The Assignment as a whole is thus not "ineffective," as Sonrai contends. Opp'n at 15-16.

Sonrai further argues that construing the Assignment as not conveying a right to enforce the 766 patent constitutes an "interpret[ation] against the interests of both contracting parties," and that such a result is contrary to New York law. Opp'n at 17 (citing *Cole v. Macklowe*, 953 N.Y.S.2d 21, 23 (N.Y. App. Div. 2012)). To be sure, a contract should not be interpreted "to produce an absurd result, [or] one that is commercially unreasonable." 953 N.Y.S.2d at 23. But it is not clear that the result of the Assignment rises to the level of "absurd" or "commercially unreasonable." Again, the 766 patent is only one of many dozens of Assigned Patents, and it may well have been Microchip's intent (if not Sonrai's) to retain ownership of the 583 patent, which is not subject to a terminal disclaimer, for its own purposes. See Memo., Exs. B, C.

In fact, to the extent extrinsic evidence may even be considered, the most probative such evidence suggests that Microchip benefited from retention of the 583 patent by using it as collateral for loans in 2020 and 2021. See Memo., Ex. H; see generally Memo. at 13-14. Sonrai suggests that Microchip's retention of the 583 patent "necessarily place[d] Microchip in breach of the Agreement." Opp'n at 16 n.1. But if the Agreement were instead construed as effecting an assignment of the 583 patent, then Microchip arguably engaged in bank fraud by assigning to

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its lenders a security interest in a patent it knew it did not own. *See* 18 U.S.C. § 1344 (prohibiting execution of a scheme to obtain money under the custody or control of a financial institution by means of “false or fraudulent pretenses, representations, or promises”).

Sonrai lastly raises several interpretive points in light of certain extrinsic or parole evidence. *See* Opp’n at 17-21. But such evidence may only be considered if the Assignment is ambiguous, which it is not. *See Greenfield*, 953 N.E.2d at 170. And again, the most probative extrinsic evidence indicates that Microchip purposefully retained ownership of the 583 patent. Sonrai’s argument that the security interests Microchip assigned to its lenders do not “evidence[] a corporate ‘understanding’” that Microchip believed it owned the 583 patent is entirely unpersuasive. Opp’n at 21.

The record therefore demonstrates that Sonrai owned the 766 patent but not the 583 patent between December 2019 and February 2022, and the 766 patent was unenforceable at the time the investigation began. There is no genuine of material fact on this point, and Respondents are entitled to summary determination that the 766 patent must be terminated.

B. The 792 Patent

Claim 1 of the 792 patent recites a “circuit section comprising a memory element” that is operable to perform certain functions. Memo., Ex. S (792 patent). This language has been construed as a means-plus-function element, and the parties agreed that there were three functions: (1) receiving a supply voltage subject to certain conditions; (2) receiving a standby voltage subject to certain conditions; and (3) “transition[ing] from [] operating mode to a sleep mode, the transition comprising deactivation of inputs of the circuit section.” Order No. 21 at 31-38 (Mar. 11, 2022). During the *Markman* process Respondents and the Staff argued that the “circuit section” limitation is indefinite because the specification recites insufficient structure to

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perform the third function above. *See id.* at 34-35. No determination on indefiniteness was made at that time because it was not clear that the disclosed “gates” could perform both deactivation and transitioning, and because it was not clear whether additional elements beyond the specification’s “circuit section 300” might qualify as corresponding structure. *See id.* at 38.

Now that expert discovery has closed, Respondents and the Staff renew their positions that there is insufficient corresponding structure. *See* Memo. at 19-29; Staff Resp. at 14-19. Although indefiniteness is a question of law, it is evaluated from the perspective of a skilled artisan. *See Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 789 F.3d 1335, 1340-41 (Fed. Cir. 2015).

Viewing the evidence in the light most favorable to Sonrai, there is a sufficient dispute between the experts that this issue should be heard at the evidentiary hearing. For instance, as to “deactivat[ing],” Sonrai’s expert, Dr. Fayed, opines that a POSITA would understand the specification as teaching the practice of a circuit “deactivat[ing] its own inputs by signaling a switching device” to deactivate the inputs via “specialized hardware” disclosed in the specification. Opp’n, Ex. 9 at ¶¶ 44, 46. The patent describes such a process. *See* Memo., Ex. S at Fig. 1, 5:12-21 (“circuit section 300 can now in turn control the activation and deactivation of the first voltage regulator 100 . . . [and the] switching function of activation and deactivation of the inputs E1, E2, E3 is controlled by the first voltage regulator 100”).

And as to “transition[ing],” Dr. Fayed opines that it was “common” for circuits to “transition from one mode to another by sending a signal . . . to some other circuit . . . to instruct or request the other circuit . . . to actually carry out the specific steps involved in the transition.” Opp’n, Ex. 9 at ¶ 48. He also opines that when a signal output from the circuit section, *en_vdd*, is “de-assert[ed],” it “causes the voltage regulator 100 to deactivate itself . . . thus deactivating the inputs to the circuit section and completing the transition to sleep mode.” *Id.* at ¶ 56. This is

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a fair reading of the relevant portion of the specification. *See* Memo., Ex. S (792 patent) at Fig.1, 5:11-23. Taken together, Sonrai's expert evidence is sufficient to raise a triable issue regarding indefiniteness.

Accordingly, it is my determination that Respondents' motion (1280-022) for summary determination is GRANTED-IN-PART as outlined above. This Initial Determination is hereby certified to the Commission. Respondents' motion (1280-025) for leave to file a reply in support of their motion for summary determination is GRANTED.

Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall be the determination of the Commission thirty (30) days after the date of service of the initial determination, unless a party files a petition for review of the Initial Determination within five (5) business days after service of the initial determination pursuant to 19 C.F.R. § 210.43(a), or the Commission, pursuant to 19 C.F.R. § 210.44, orders, on its own motion, a review of the Initial Determination or certain issues herein. Any issue or argument not raised in a petition for review, or response thereto, will be deemed to have been abandoned and may be disregarded by the Commission in reviewing the Initial Determination pursuant to 19 C.F.R. §§ 210.43(b) and (c).

Within seven days of the date of this document, the parties shall submit to the Office of the Administrative Law Judges a joint statement as to whether or not they seek to have any portion of this document deleted from the public version. If the parties do seek to have portions of this document deleted from the public version, they must submit to this office a copy of this



document with red brackets indicating the portion or portions asserted to contain confidential business information. The submission may be made by email and/or hard copy by the aforementioned date and need not be filed with the Commission Secretary.

SO ORDERED.

A handwritten signature in cursive script, appearing to read "Cameron Elliot".

Cameron Elliot
Administrative Law Judge