

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

CERTAIN 3G MOBILE HANDSETS AND
COMPONENTS THEREOF

Inv. No. 337-TA-613
REMAND

INITIAL DETERMINATION ON REMAND

Administrative Law Judge Theodore R. Essex

(April 27, 2015)

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This is the Administrative Law Judge's Final Initial Determination On Remand on the Issues of Infringement, Affirmative Defense, and Public Interest under Commission Rules 210.42(a) and 210.43-46 pursuant to a Revised Remand Order of March 24, 2014, for the investigation of *In the Matter of Certain 3G Mobile Handsets and Components Thereof*, United States International Trade Commission Investigation No. 337-TA-613. See 19 C.F.R. § 210.42(a).

It is held that the accused Nokia handsets meet the "generated using a same code" limitation and "the message being transmitted only subsequent to the subscriber unit receiving the indication" limitation in the asserted claims of U.S. Patent No. 7,190,966 ("the '966 patent") and in the asserted claim of U.S. Patent No. 7,286,847 ("the '847 patent"). It is held that the 3GPP standard supports a finding that the pilot signal (P-CPICH) satisfies the claim limitation "synchronize to the pilot signal" as recited in the asserted claim of the '847 patent by synchronizing to either the P-SCH or S-SCH signals under the Commission's construction of that claim limitation. It is further held that the currently imported Nokia handsets (1) contain chips that were not previously adjudicated and (2) infringe the asserted claims of U.S. Patent Nos. 7,190,966 and 7,286,847. It is further held that there is no evidence of patent hold-up, that there is evidence of reverse hold-up, and that public interest does not preclude issuance of an exclusion order.

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The following abbreviations may be used in this Initial Determination on Remand:

CDX	Complainants' demonstrative exhibit
CIB	Complainants' initial post-hearing brief
CPX	Complainants' physical exhibit
CRB	Complainants' reply post-hearing brief
CX	Complainants' exhibit
Dep.	Deposition
JX	Joint Exhibit
RDX	Respondents' demonstrative exhibit
RIB	Respondents' initial post-hearing brief
RPX	Respondents' physical exhibit
RRB	Respondents' reply post-hearing brief
RRX	Respondents' rebuttal exhibit
RX	Respondents' exhibit
SIB	Staff's initial post-hearing brief
SRB	Staff's reply post-hearing brief
Tr.	Transcript

I. PROCEDURAL HISTORY

On August 14, 2009, the late Chief Administrative Law Judge (“ALJ”) ALJ Luckern issued his final initial determination in this investigation finding no violation of U.S. Patent Nos. 7,190,966 (“the ’966 patent”) and 7,286,847 (“the ’847 patent”). (Final Initial Determination on Violation (August 14, 2009).) On October 16, 2009, the Commission affirmed the finding of no violation and terminated the investigation. (Notice of Commission Determination to Review in Part a Final Determination Finding No Violation of Section 337 and on Review to Affirm the Administrative Law Judge’s Determination of No Violation; Termination of Investigation (October 29, 2009).)

On August 1, 2012, the Federal Circuit reversed the Commission’s construction of “code” and “increased power level;” the Commission’s finding of no infringement; and the Commission’s finding of no violation. *InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 690 F.3d 1318 (Fed. Cir. 2012). On January 17, 2013, the mandate issued returning jurisdiction back to the Commission.

On February 4, 2013, the Commission ordered the parties to submit comments regarding what further proceedings must be conducted to comply with the Federal Circuit’s remand. (Commission Order (February 4, 2013).)

On February 12, 2014, the Commission issued its remand opinion and order remanding certain issues to the ALJ. (Commission Op. and Order (February 12, 2014).)

On February 14, 2014, the ALJ issued an order seeking comments from the parties on what “proceedings it deems necessary (with a proposed procedural schedule(s)) consistent with Commission order to issue a remand initial determination.” (Order No. 45.)

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On March 5, 2014, the ALJ set the target date and procedural schedule. (Order Nos. 47 and 48.)

On March 24, 2014, the Commission issued a revised remand opinion and order in response to respondents' petition for reconsideration of the Commission's order remanding the investigation. (Revised Commission Op. and Order (March 24, 2014).) The revised remand orders the ALJ to:

1. [...]make findings and issue a remand initial determination ("RID") concerning:

a. whether the accused Nokia handsets meet the "generated using a same code" limitation or "the message being transmitted only subsequent to the subscriber unit receiving the indication" limitation in the asserted claims of the '966 patent and in the asserted claim of the '847 patent;

b. whether the 3GPP standard supports a finding that the pilot signal (P-CPICH) satisfies the claim limitation "synchronize to the pilot signal" as recited in the asserted claim of the '847 patent by synchronizing to either the P-SCH or S-SCH signals under the Commission's construction of that claim limitation; and

2. The investigation is also remanded for the assigned administrative law judge to reopen the evidentiary record and take evidence concerning Nokia's currently imported products, including: (1) whether they contain chips other than those that were previously adjudicated, (2) whether those chips infringe the asserted claims of the patents-in-suit, and (3) whether the chips are licensed.¹

3. The investigation is further remanded for the assigned administrative law judge to:

- a. take evidence concerning the public interest factors as enumerated in sections 337(d) and (f);
- b. take briefing on whether the issue of the standard-essential nature of the patents-in-suit is contested;
- c. take evidence concerning and/or briefing on whether there is patent hold-up or reverse hold-up in this investigation; and
- d. include an analysis of this evidence in the RID.

4. The administrative law judge may reopen the record to receive further briefing on which to base his RID, but is not to reopen discovery except as indicated above in paragraphs (2) and (3).

¹ MMO no longer argues that its chips are licensed. (See generally MMO RIB.)

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(Revised Remand Order at 3-4 (March 24, 2014).)

The evidentiary hearing in this remand proceeding was held on January 26-28, 2015. Complainants InterDigital Communications, Inc. and InterDigital Technology Corporation (collectively “InterDigital”); respondents Microsoft Mobile Oy and Nokia, Inc. (collectively “MMO”); respondent Nokia Corporation (“Nokia”) and the Commission Investigative Staff (“Staff”) all participated in the hearing.

II. Issues Outside the Scope of the Remand Investigation

Pursuant to the procedural schedule, the parties submitted initial and reply post-hearing briefs. In their initial post-hearing briefs, MMO and Nokia set forth arguments relating to jurisdiction, issue preclusion, claim construction, validity, and domestic industry. (*See generally* MMO RIB at 22-32; Nokia RIB at 12-33.) All of the private parties also set forth arguments relating to remedy and bonding.

Staff declined to set forth a position on any of these issues in its initial post-hearing brief as it believed that such issues are outside the scope of the Revised Remand Order. Staff did, however, respond to the arguments in its reply brief while upholding its objection that these issues are either outside the scope of the Revised Remand Order or have already been addressed and/or ruled upon by the ALJ.

As set forth *supra*, the Revised Remand Order explicitly sets forth the issues for consideration, namely infringement and public interest. The ALJ finds that the additional topics briefed by the private parties are either outside the scope of the investigation or have already been addressed in the ALJ’s previous orders. Specifically, the ALJ agrees with Staff that the issue relating to remedy and bonding are outside the scope of the Revised Remand Order and, consequently, he declines to address them. As for issues relating to jurisdiction over Nokia

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Corporation², validity and domestic industry, the ALJ has already ruled that those issues are outside the scope of the Revised Remand Order. (See Order Nos. 49, 50, and 55.) Similarly, MMO's and Nokia's arguments that Chief ALJ Luckern's claim construction should be applied under the Supreme Court's decision in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* was also ruled upon by the ALJ. (See Order No. 58.) Consequently, the ALJ declines to address those arguments as well in this RID. As for the arguments relating to issue preclusion and the finding on non-infringement, the ALJ will address those *infra* in Section III.C.

III. INFRINGEMENT

A. Applicable Law

In a Section 337 investigation, the complainant bears the burden of proving infringement of the asserted patent claims by a preponderance of the evidence. *Certain Flooring Products*, Inv. No. 337-TA-443, Commission Notice of Final Determination of No Violation of Section 337, 2002 WL 448690 at 59, (March 22, 2002); *Enercon GmbH v. Int'l Trade Comm'n*, 151 F.3d 1376 (Fed. Cir. 1998).

Each patent claim element or limitation is considered material and essential. *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538 (Fed. Cir. 1991). Literal infringement of a claim occurs when every limitation recited in the claim appears in the accused device, *i.e.*, when the properly construed claim reads on the accused device exactly. *Amhil Enters., Ltd. v. Wawa, Inc.*,

² The ALJ notes that at no point in Nokia's arguments relating to jurisdiction do they address the the Commission's suggestion that they simply enter into a consent order if Nokia no longer imports, sells for importation or intends to import any of the accused devices into the United States. (See Notice of Determination Not to Review an ID Granting in Part Motion of Nokia and Microsoft Mobile OY to Substitute Parties and Amend Notice of Investigation and Motion of Microsoft Mobile OY to Intervene at 3 ("The Commission notes that pursuant to Commission Rule 210.21(c), 19 C.F.R. § 20.21(c), Nokia Corp. may enter into a consent order to terminate its participation in this investigation.")) Nokia's grievance, *i.e.*, that jurisdiction over it is improper, is of its own making and the remedy for such a grievance (consent order) is completely within its own control. If there is a reason that Nokia has declined to enter into a consent order, it has not been explained to the ALJ or the Commission. As such, Nokia's continued protestations over the Commission's continued jurisdiction because Nokia no longer imports any mobile devices are, at best, puzzling as Nokia can remove itself from the investigation through a consent order.

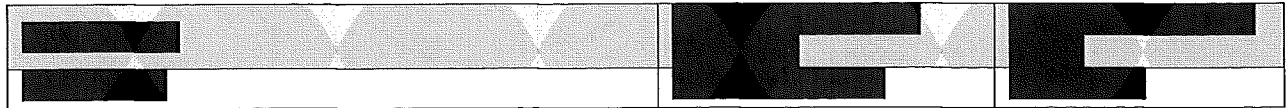
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81 F.3d 1554, 1562 (Fed. Cir. 1996); *Southwall Tech. v. Cardinal IG Co.*, 54 F.3d 1570, 1575 (Fed Cir. 1995).

If the accused product does not literally infringe the patent claim, infringement might be found under the doctrine of equivalents. The Supreme Court has described the essential inquiry of the doctrine of equivalents analysis in terms of whether the accused product or process contains elements identical or equivalent to each claimed element of the patented invention. *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 40 (1997).

Under the doctrine of equivalents, infringement may be found if the accused product or process performs substantially the same function in substantially the same way to obtain substantially the same result. *Valmont Indus., Inc. v. Reinke Mfg. Co.*, 983 F.2d 1039, 1043 (Fed. Cir. 1993). The doctrine of equivalents does not allow claim limitations to be ignored. Evidence must be presented on a limitation-by-limitation basis, and not for the invention as a whole. *Warner-Jenkinson*, 520 U.S. at 29; *Hughes Aircraft Co. v. U.S.*, 86 F.3d 1566 (Fed. Cir. 1996). Thus, if an element is missing or not satisfied, infringement cannot be found under the doctrine of equivalents as a matter of law. *See, e.g., Wright Medical*, 122 F.3d 1440, 1444 (Fed. Cir. 1997); *Dolly, Inc. v. Spalding & Evenflo Cos., Inc.*, 16 F.3d 394, 398 (Fed. Cir. 1994); *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538-39 (Fed. Cir. 1991); *Becton Dickinson and Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 798 (Fed. Cir. 1990).

The concept of equivalency cannot embrace a structure that is specifically excluded from the scope of the claims. *Athletic Alternatives v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996). In applying the doctrine of equivalents, the Commission must be informed by the fundamental principle that a patent's claims define the limits of its protection. *See Charles*



██████████ All of the accused products operate on Wideband Code Division Multiple Access (“WCDMA”) network and comply with the 3GPP WCDMA standard. (CX-0001C at ¶¶ 147, 519-609; Tr. 468:18-469:4.) The accused products can be broken down into two groups those that contain ██████████ processors (“██████ Devices”) and those that contain Qualcomm processors (“Qualcomm Devices”).

C. Commission’s Previous Findings on Qualcomm Devices

In Order No. 51, the ALJ denied Respondents’ motion for summary determination that the Qualcomm Devices and ████████ Devices do not infringe the asserted claims of the ’966 Patent and the ’847 Patent. In denying the motion for summary determination, the order stated:

The ALJ disagrees, however, with InterDigital’s implication that the decision and findings in the 613 Remand on the Qualcomm chips need not be resolved against the decisions on the Qualcomm chips in the 800 and 868 Investigations since they are “merely overlapping.” While the argument could certainly be made that the claim terms are different (“signals” vs. “successively [transmits/transmitted] signals” vs. “successively [sends/sent] transmissions”), a review of the claim language of the claims for all of the Power Ramp Up patents across all 3 investigations shows that the element and function that these claim elements describe are, in fact, the same. Thus, the Commission’s directly conflicting findings regarding the ██████████ ██████████ may have to be resolved at some point in time, but the ALJ simply declines to do it at this time and on summary determination.

(Order No. 51 at 5.) Respondents have essentially re-raised the same arguments in their post-hearing briefs arguing that issue preclusion applies and the accused products do not meet the “successively [transmit/transmitted] signal” limitation under the Commission’s construction of this term in Inv. Nos. 337-TA-800 and 337-TA-868. (MMO RIB at 22-27; Nokia RIB at 21-28.)

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The ALJ wholeheartedly agrees that the Commission's conflicting findings, especially as they relate to the Qualcomm Devices and the ██████████ should be resolved. This is especially true since the Federal Circuit has affirmed the Commission's claim construction of "successively sends [or sent] transmissions" and no infringement findings in Inv. No. 337-TA-800. *Interdigital Communications, Inc. v. U.S. Intern. Trade Com'n*, 2015 WL669305 (Fed. Cir. Feb. 18, 2015). However, the ALJ disagrees with MMO and Nokia that he has the power to do so on remand. As previously stated, the scope of this remand investigation is set by the Revised Remand Order and Revised Remand Opinion. While the Revised Remand Order allowed the ALJ to "take evidence concerning Nokia's currently imported products" including whether those products infringe, there was nothing in that Order or in the Revised Remand Opinion that permitted the ALJ to consider any other claim construction other than those set forth in the Revised Remand Opinion. *See Iran Air v. Kugelman*, 996 F.2d 1253, 1262 (D.C. Cir. 1993) ("When the Under Secretary ruled on the [] issue in this case, he correctly called upon the ALJ, on remand, to accept the agency's reading. . . as the "law of the case." (citing Wright, Miller and Cooper, Federal Practice and Procedure).) The Revised Remand Opinion specifically construed certain claim terms, and the ALJ is bound to follow those constructions. Thus, the construction that the ALJ must apply in this Remand Investigation is limited to what the Commission has adopted and set forth in its opinion. In other words, the ALJ is constrained by the Remand Order and cannot adopt the Commission's constructions in Inv. Nos. 337-TA-800 and 337-TA-868. As such, any resolution on the conflicting findings, which essentially turns on the correct claim construction, is outside the scope of the ALJ's authority in this investigation.

D. Claim Construction

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Claim Term	Construction
Code	a sequence of bits (if the ones and zeros are transmitted at the ‘data rate’) or chips (if the ones and zeros are transmitted at the faster ‘chip rate’)
increased power level	including both intermittent and continuous increases in power
Synchronize	establishing a timing reference with the pilot signal transmitted by [the] base station
Signal	a sequence of chips that is transmitted
generated using a same code	produced from the same code
transmission . . . at an increased power level	the power level of a transmission is higher than that of a previous transmission
successively transmits	to transmit one after the other

As noted above, the ALJ declines to adopt the Commission’s construction of “successively [transmits/transmitted] signals” in Inv. Nos. 337-TA-800 and 337-TA-868 as proposed by MMO and Nokia.

E. ■ Devices

The Revised Remand Order ordered the ALJ to determine whether the ■ Devices (1) meet “generated using a same code” limitation and (2) “the message being transmitted only subsequent to the subscriber unit receiving the indication” limitation. (Revised Remand Op. at 3.)

InterDigital argues that the ■ Devices meet the “generated using a same code” limitation and “the message being transmitted only subsequent to the subscriber unit receiving the indication” limitation. (CIB at 18-21.) Staff agrees. (SIB at 32-37.)

MMO argues that all of the accused devices, both the ■ Devices and the Qualcomm Devices, do not satisfy the “generated using the same code limitation.” (MMO RIB at 8-21.) MMO does not dispute whether the accused devices meet the “the message being transmitted only subsequent to the subscriber unit receiving the indication” limitation. (*See generally* MMO RIB 8-29.)

1. The [REDACTED] Devices Satisfy “Generated Using A Same Code”

The ALJ finds that the [REDACTED] Devices meet the “generated using a same code” limitation. As set forth *supra* in Section III.D, “generated using a same code” means produced from the same code. The evidence shows that the [REDACTED] Devices [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

³ Those exhibits marked with an asterisk (*) refer to exhibits submitted in the original phase of the investigation under Judge Luckern.

⁴ MMO’s briefs include two additional arguments that were not raised in its pre-hearing brief, namely (1) that InterDigital applied erroneous claim constructions and (2) that [REDACTED]. (MMO RIB at 10-22.) The ALJ finds that these arguments were not disclosed in MMO’s pre-hearing brief. Consequently, these arguments are deemed waived pursuant to Ground Rules 8.1 and 11.1.

The ALJ finds MMO's arguments unpersuasive. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Therefore, the ALJ finds that the [REDACTED] Devices meet the "generated using the same code" limitation.

2. The [REDACTED] Devices Satisfy "Message Being Transmitted Only Subsequent To The Subscriber Unit Receiving The Indication"

InterDigital argues that the [REDACTED] Devices meet this claim limitation as the devices [REDACTED]

[REDACTED]

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discloses that by synchronizing to the P-SCH or S-SCH, a subscriber unit also synchronizes to (*i.e.*, “establishes a timing reference with”) the P-CPICH pilot signal from the base station. (CX-0010 (3GPP TS 25.211 v.6.10.0 (2009-09)) § 7.) Specifically, by synchronizing to P-SCH or S-SCH, a subscriber unit also establishes a timing reference with the P-CPICH pilot signal from the base station. (*Id.*)

The 3GPP standard shows that the slot and frame timing of the P-SCH and S-SCH is aligned with the slot and frame timing of the P-CPICH. (*Id.* § 7.1 (“SCH (primary and secondary), CPICH (primary and secondary) and P-CCPCH have identical frame timings.”); Tr. at 131:12-132:14 (“[T]he beginning instances of the PSCH are lined up and coordinated with the timing of the CPICH. So if you know where you are in the CPICH, you know whether or not the PSCH is being transmitted, and if transmitted, which chip of it is being transmitted.”).) The 3GPP standard shows that the beginning of each slot and frame is the same for the P-SCH, S-SCH, and “Any CPICH” (including P-CPICH), and there is a fixed timing relationship between these signals:

7 Timing relationship between physical channels

7.1 General

The P-CCPCH, on which the cell SFN is transmitted, is used as timing reference for all the physical channels, directly for downlink and indirectly for uplink.

Figure 29 describes the frame timing of some of the downlink physical channels; the timing of the remaining downlink physical channels and of the uplink physical channels is specified in the remaining subclauses. For the AICH the access slot timing is included. Transmission timing for uplink physical channels is given by the received timing of downlink physical channels.

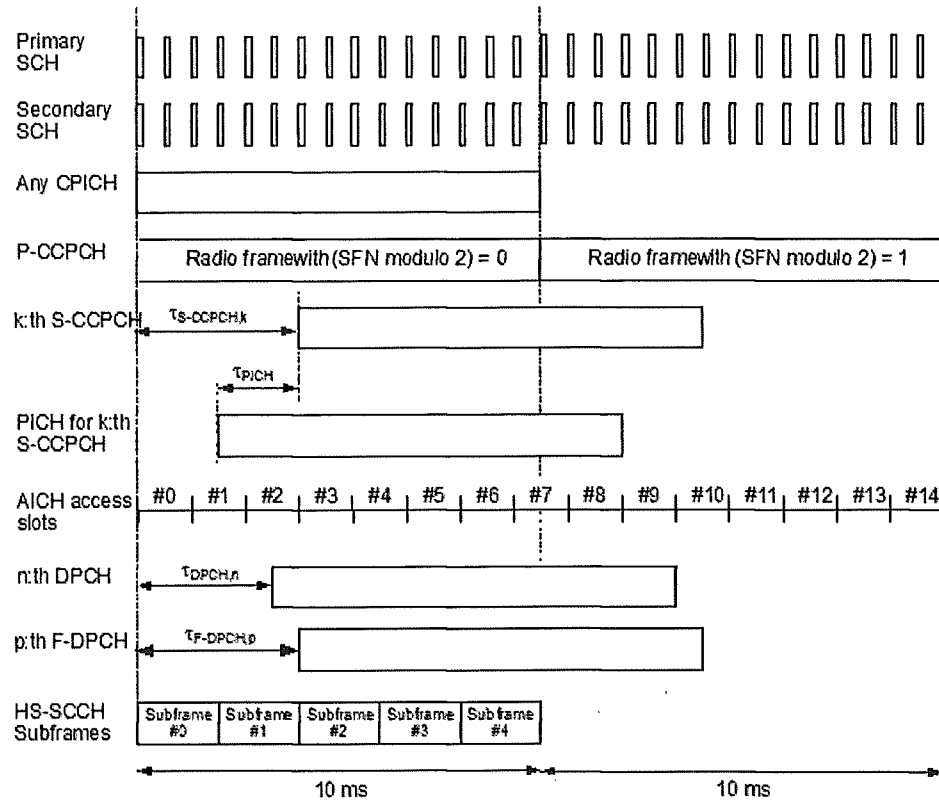


Figure 29: Radio frame timing and access slot timing of downlink physical channels

(CX-0010 (3GPP TS 25.211 v.6.10.0 (2009-09)) § 7 Fig. 29.) Thus, synchronizing to either P-SCH or S-SCH necessarily results in synchronization to P-CPICH. In other words, the end result is that an accused handset using the synchronization method outlined in the 3GPP standard document, including a █ Device, is synchronized to the pilot signal. (Hearing Tr. at 133:2-8; see Remand Op. at 25.)

Thus, the ALJ finds that the pilot signal (P-CPICH) satisfies the claim limitation “synchronize to the pilot signal” by synchronizing either the P-SCH or S-SCH signals under the Commission’s construction of that claim limitation.

G. Qualcomm Devices

MMO argues that the Qualcomm Devices do not meet the “generated from the same code” limitation and the “successively transmit[] signals” limitations

MMO does not dispute that the Qualcomm Devices meet any of the other limitations in claim 1, nor does it dispute that it meets the additional limitations in dependent claims 3 through 11. (*Id.*)

The ALJ finds that the Qualcomm Devices meet the asserted claims of the ’966 and the ’847 patents under the Commission’s claim construction for this Remand proceeding.

1. The ’966 Patent

a) Claim 1

(1) “A wireless code division multiple access (CDMA) subscriber unit comprising”

The ALJ finds that the Qualcomm Devices meet the preamble.

(2) “[A] transmitter configured such that, when the subscriber unit is first accessing a CDMA network and wants to establish communications with a base station associated with the network over a communication channel to be indicated by the base station, the transmitter successively transmits signals until the subscriber unit receives from the base station an indication that a transmitted one of the signals has been detected by the base station”

(3) “[W]herein each transmission of one of the signals by the transmitter is at an increased power level with respect to a prior transmission of one of the signals”

The ALJ finds that the Qualcomm Devices meet this limitation. As set forth *supra* in Section III.D., “increased power level” includes both intermittent and continuous increases in power. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(4) “[T]he transmitter further configured such that the transmitter transmits to the base station a message indicating to the base station that the subscriber unit wants to establish the communications with the base station over the communication channel to be indicated by the base station, the message being transmitted only subsequent to the subscriber unit receiving the indication”

The ALJ finds that the Qualcomm Devices meet this limitation. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(5) “[W]herein each of the successively transmitted signals and the message are generated using a same code”

The ALJ finds that the Qualcomm Devices meet this limitation [REDACTED]

[REDACTED]

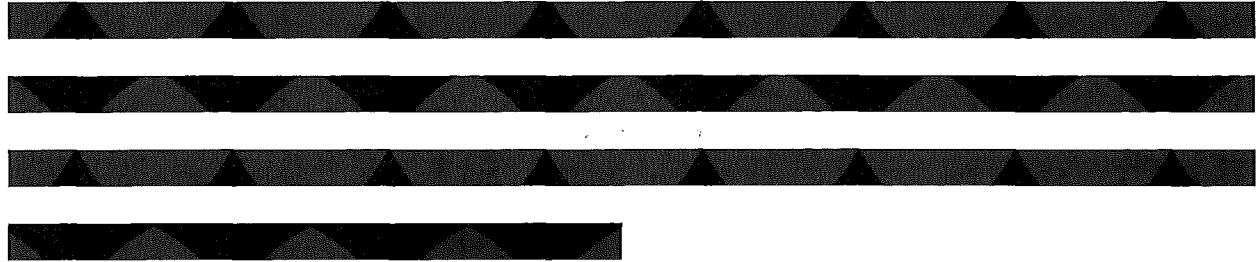
[REDACTED]

[REDACTED]

(6) “Wherein each of the successively transmitted signals is shorter than the message”


The ALJ finds that the Qualcomm Devices meet this limitation. (CX-0001C (Jackson) at

¶ 775-87.) [REDACTED]



Therefore, the ALJ finds that InterDigital has proven by a preponderance of the evidence that the Qualcomm Devices meet each and every limitation of claim 1 under the Commission's Revised Remand Order claim construction.

b) Claim 3: "The subscriber unit of claim 1 wherein some of the transmitted signals are different"

The ALJ finds that the Qualcomm Devices meet the additional limitation of claim 3. 



[REDACTED]

Therefore, the ALJ finds that InterDigital has proven by a preponderance of the evidence that the Qualcomm Devices meet the limitation of claim 3 under the Commission's Revised Remand Order claim construction.

c) Claim 8: "The subscriber unit of claim 1 wherein the transmitter is further configured to transmit the signals such that there is a uniform decibel power level increase between the successively transmitted signals"

The ALJ finds that the Qualcomm Devices meet the additional limitation of claim 8. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Therefore, the ALJ finds that InterDigital has proven by a preponderance of the evidence that the Qualcomm Devices meet the limitation of claim 8 under the Commission's Revised Remand Order claim construction.

d) Claim 9: "The subscriber unit of claim 1 wherein the communication channel is indicated by the base station in response to the message"

The ALJ finds that the Qualcomm Devices meet the additional limitation of claim 9. [REDACTED]

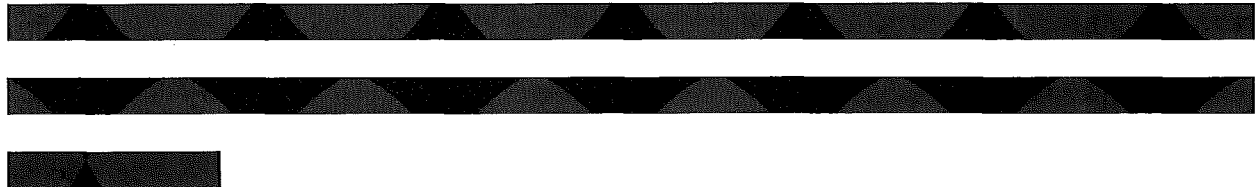
[REDACTED]

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Therefore, the ALJ finds that InterDigital has proven by a preponderance of the evidence that the Qualcomm Devices meet the limitation of claim 9 under the Commission’s Revised Remand Order claim construction.

e) Claim 11: “The subscriber unit of claim 1 wherein the transmitter is further configured such that, subsequent to the subscriber unit receiving the indication, the transmitter transmits a message uniquely identifying the subscriber unit to the base station”

The ALJ finds that the Qualcomm Devices meet the additional limitation of claim 11.



Therefore, the ALJ finds that InterDigital has proven by a preponderance of the evidence that the Qualcomm Devices meet the limitation of claim 11 under the Commission’s Revised Remand Order claim construction.

2. The ’847 Patent

InterDigital argues that the Qualcomm Devices meet each and every element of claim 5 of the ’847 patent. (CIB at 39-42.) Staff agrees. (SIB at 27-31.)

MMO argues that the Qualcomm Devices do not infringe claim 5 of the ’847 patent for the same reasons they do not infringe the ’966 patent, namely that they do not meet the “generated using the same code” limitation and the “successively transmits signals” limitation. For the reasons set forth *supra* in subsections C, E and G.1, MMO’s arguments fail.

As set forth below, the ALJ finds that the Qualcomm Devices meet each and every limitation of claim 5 of the ’847 patent.

a) Claim 5: “A wireless code division multiple access (CDMA) subscriber unit comprising”

The ALJ finds that the Qualcomm Devices meet the preamble. [REDACTED]

[REDACTED]

[REDACTED]

b) “[A] circuit configured to receive and down convert radio frequency signals to produce baseband signals, the baseband signals including a pilot signal and a paging message, the paging message being associated with the subscriber unit”

The ALJ finds that the Qualcomm Devices meet this limitation. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

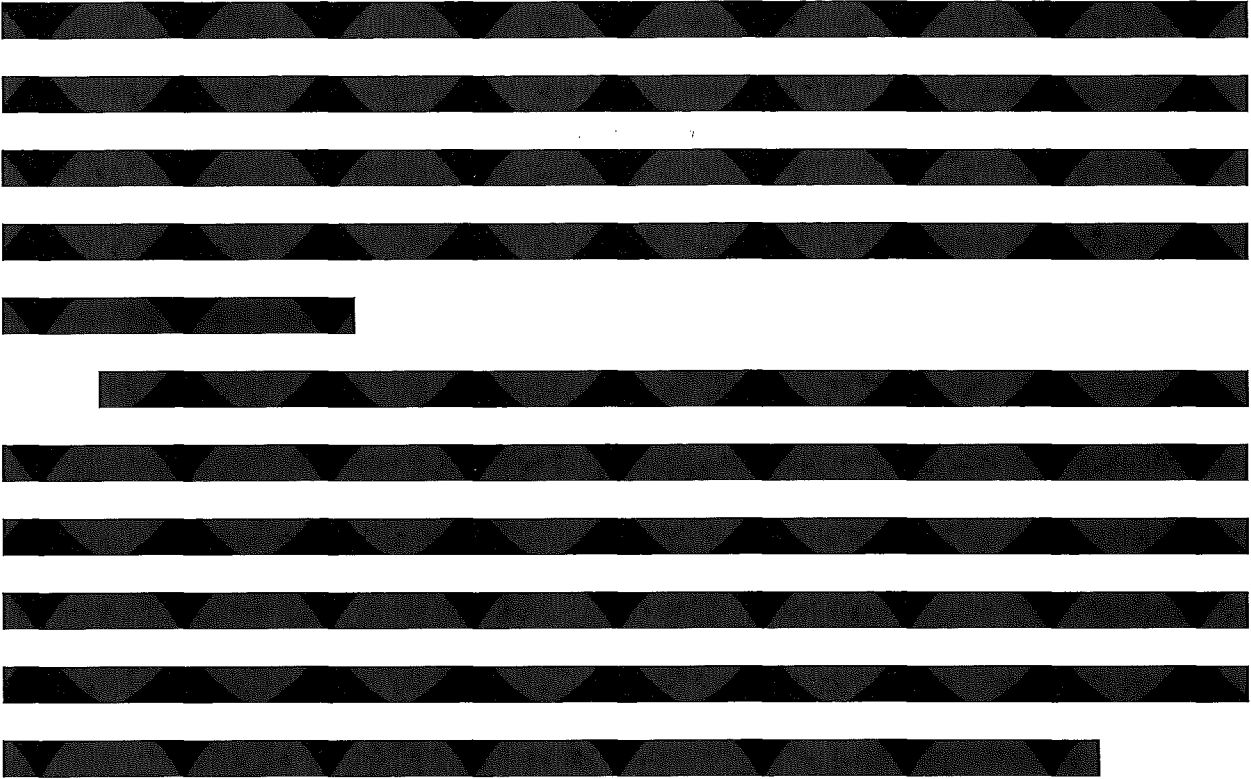
c) “[W]herein the circuit is further configured to synchronize to the pilot signal and demodulate the paging message”

The ALJ finds that the Qualcomm Devices meet this limitation. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



d) “[A] transmitter configured such that, when the subscriber unit is first accessing a cdma network and wants to establish communications with a base station associated with the network over a communication channel to be indicated by the base station, the transmitter successively transmits signals until the subscriber unit receives from the base station an indication that a transmitted one of the signals has been detected by the base station”

As set forth *supra*, in Section III.G.1.a(2), the ALJ finds that the Qualcomm Devices meet this limitation. (See Section III.G.1.a(2); *see also* CX-0001C at ¶ 846-47.)

e) “[W]herein each transmission of one of the signals by the transmitter, other than a transmission of a first one of the signals, is at an increased power level with respect to a prior transmission of another one of the signals”

As set forth *supra*, in Section III.G.1.a (3), the ALJ finds that the Qualcomm Devices meet this limitation. (See Section III.G.1.a(3); *see also* CX-0001C at ¶ 848-49.)

f) “[T]he transmitter further configured such that the transmitter transmits to the base station a message indicating to the base station that the subscriber unit wants to establish the communications with the base station over the

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communication channel to be indicated by the base station, the message being transmitted only subsequent to the subscriber unit receiving the indication”

As set forth *supra*, in Section III.G.1.a(4), the ALJ finds that the Qualcomm Devices meet this limitation. (See Section III.G.1.a(4); *see also* CX-0001C at ¶ 850-51.)

g) “[W]herein the successively transmitted signals and the message are generated using a same code”

As set forth *supra*, in Section III.G.1.a(5), the ALJ finds that the Qualcomm Devices meet this limitation. (See Section III.G.1.a(5) ; *see also* CX-0001C at ¶ 852-53.)

Therefore, the ALJ finds that InterDigital has proven by a preponderance of the evidence that the Qualcomm Devices meet each and every limitation of claim 5 under the Commission’s Revised Remand Order claim construction.

IV. PUBLIC INTEREST

A. Introduction

In the Commission’s Revised Remand Notice of March 24, 2014, the Commission assigned the following issues to the ALJ:

The Commission remands the following issues to the Chief ALJ for assignment to a presiding ALJ to:

* * *

(a) take evidence concerning the public interest factors as enumerated in sections 337(d) and (f); (b) take briefing on whether the issue of the standard-essential nature of the patents-in-suit is contested; (3) take evidence concerning and/or briefing on whether there is patent hold-up or reverse hold-up in this investigation; and (4) include an analysis of this evidence in the remand ID.

(Revised Remand Order at 4.)

In the Commission’s Revised Remand Order, the Commission instructed the Chief ALJ to have the presiding ALJ take evidence concerning the public interest factors as enumerated in

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sections 337(d) and (f). 19 USC §1337(d) and (f) state the factors that the commission must consider:

(d) Exclusion of articles from entry

(1) If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

(2) The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that—

(A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or

(B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

Section (f) applies to Cease and Desist orders, but contains the same 4 factors to be considered for them:

(f) Cease and desist orders; civil penalty for violation of orders

(1) In addition to, or in lieu of, taking action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e) of this section, as the case may be. If a temporary cease and desist order is issued in addition to, or in lieu of, an exclusion order under subsection (e) of this section, the Commission may require the complainant to

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post a bond, in an amount determined by the Commission to be sufficient to protect the respondent from any injury, as a prerequisite to the issuance of an order under this subsection. If the Commission later determines that the respondent has not violated the provisions of this section, the bond may be forfeited to the respondent. The Commission shall prescribe the terms and conditions under which the bonds may be forfeited under this paragraph.

(2) Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem appropriate in the enforcement of such final orders of the Commission.

B. The Effect upon Public Health and Welfare

In arguing that the public interest would be harmed if an exclusion order were to issue, the MMO respondents do not address the public interest factors in the statute, but they cite to them, and then argue a new public interest for this case, based on IDC's possible duty to grant licenses on Fair Reasonable and Non-discriminatory terms (FRAND), Standard Essential Patents ("SEPs") and the possibility of holdup. In doing so, the respondents simply restate the possibility of a hold-up, without providing or citing to any evidence that has been presented in this case. (MMO RIB at 32-33.)⁵ MMO Respondents state that SEPs are endowed with market power unrelated to merit of the actual invention. While many professors and several government agencies have noted that it would be possible for a company with a SEP to be in a position to engage in hold-up, there was no evidence presented in this hearing that IDC had done so.

⁵ Regarding the public interest factors, Nokia Corp did not address them specifically in their post hearing briefs, so the public interest analysis here applies only to the MMO Respondents.

Respondents even seem to surrender the point in their brief, by arguing that if IDC were to be granted an exclusion order, they could engage in hold-up after the case. (*Id.* at 34.)

While there may be a public health benefit to smart phones in general, there is no evidence presented in this case that the mobile phones at issue, and their operating system provide any public health and safety benefit other smart phones cannot. The evidence also demonstrated that there is enough excess capacity in the market that there will not be a shortage of smart phones in the market if an exclusion order should issue. (Dippon Tr. at 729:21-25 and 730:1-13.)

C. Impact on Competitive Conditions in the United States Economy

While the denial of entry to the products at issue [REDACTED]

[REDACTED]

[REDACTED]. While the threat of the exclusion order may motivate respondents to take a license at a higher rate than if they were successful in limiting the lawful remedies available to their adversary, there has been no proof that such a license would be unfair unreasonable or discriminatory.

MMO has argued that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] There are however, problems with his testimony. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In addition to Dr. Dippon's comments on the availability of other WPOS phones, Dr. Stec presented exhibit CDX 003.038C which was based on CX-1035C. The exhibit showed [REDACTED]

[REDACTED]

D. Impact on the Production of Like or Directly Competitive Articles in the United States

There is no evidence in the record that any like or directly competitive articles are produced in the United States.

E. Impact on United States Consumers

Dr. Stec stated in his witness statement in questions 280 and 281 that of the consumers who have contracts with ATT and Verizon, [REDACTED]

[REDACTED]. (See also CX-1037C and CX-1038C.) [REDACTED]

[REDACTED] (CX0695C at Q. 225.) Dr. Dippon also states the [REDACTED]. (Dippon Tr. at 760:7-10.)

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While most of the smart phones currently in use with WPOS are Nokia phones, there are several other companies, HTC, Samsung, and Huawei that produce smart phones that use the WPOS. [REDACTED]

[REDACTED]

[REDACTED] (Dippon Tr. at 729:8-25 and 730:1-13.) Dr. Dippon bases his analysis of harm not on the absence of the handsets per se, but on the impact the exclusion order would have on the WPOS. (Dippon Tr. at 752:23-25 and 753:1-19.)

Dr. Dippon's testimony and analysis has several flaws. [REDACTED]

[REDACTED]

[REDACTED] There is no evidence in the case to support this contention. There is no evidence to support the idea that Nokia phone users would not be satisfied with another brand, if they wanted to stay with WPOS. [REDACTED]

[REDACTED] There is some evidence that Nokia offers more models than other companies, but that is all.

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The evidence shows that there are alternative handsets using the WPOS with Sprint, Verizon, and ATT, with at least several choices of phones and manufacturers with each system. (CX-0998C, CX-0695.)

So the impact of an exclusion order, if any, would affect a very small portion of the entire US smartphone market. As to the overall market, the US smartphone market is highly competitive with a variety of companies vigorously competing. (Dippon Tr. at 728:6-25 and 729:1-7.) Given the strength of the overall market, the availability of other smartphones, operating systems, and other handsets that use the WPOS the impact on US consumers would be negligible.

Dr. Dippon ignored another factor that is important in assessing the impact of any potential exclusion order regarding the handsets at issue. The '966 patent has a priority date of June 29, 1996. The '847 patent a priority date of June 27, 1996. [REDACTED]

[REDACTED]

[REDACTED] (Dippon Tr. at 771-773.) As the final determination in this matter is not due until August 2015; Nokia is not looking at having their entire infringing handsets excluded, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. (Dippon

Tr. at 772-773.)

F. Briefing on Whether the Issue of the Standard Essential Patent Nature of the Patents-in-Suit is Contested

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MMO has contested the nature of the patents throughout the proceeding, presenting evidence at hearing and briefing in both their post-hearing brief and post hearing reply brief that they do not infringe IDC's patents. (MMO RIB at 2-29.) Nokia Corp has also argued that the products in the case do not infringe the patents. (Nokia RIB at 12-20.) By arguing that the products do not practice the patents, the respondents are arguing that the patents are not Standard Essential Patents. This complicates the analysis, because if the patents in question are not SEPs, then IDC has no duty to offer a license under FRAND terms.

The declarations that are made in the intellectual property right (IPR) INFORMATION STATEMENT AND LICENSING DECLARATION to ETSI do not declare that the IPR claimed by the member is standard essential, but rather the declarations state:

IPR INFORMATION STATEMENT

In accordance with Clause 4.1 of the ETSI IPR Policy the Declarant and/or its AFFILIATES hereby informs ETSI that it is the Declarant's and/or its AFFILIATES' present belief that the IPR(s) disclosed in the attached IPR Information Statement Annex **may be or may become ESSENTIAL** in relation to at least the ETSI Work Item(s), STANDARD(S) and/or TECHNICAL SPECIFICATION(S) identified in the attached IPR Information Statement Annex.

The Declarant and/or its AFFILIATES (check one box only):

are the proprietor of the IPR(s) disclosed in the attached IPR Information Statement Annex.

are not the proprietor of the IPR(s) disclosed in the attached IPR Information Statement Annex.

IPR LICENSING DECLARATION

In accordance with Clause 6.1 of the ETSI IPR Policy the Declarant and/or its AFFILIATES hereby irrevocably declares the following (check one box only, and subordinate box, where applicable):

To the extent that the IPR(s) disclosed in the attached IPR Information Statement Annex are or become, and remain ESSENTIAL in respect of the ETSI Work Item, STANDARD and/or TECHNICAL SPECIFICATION identified in the attached IPR Information Statement Annex, the Declarant and/or its AFFILIATES are prepared to grant irrevocable licences under this/these IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy.

This irrevocable undertaking is made subject to the condition *that those who seek licences* agree to reciprocate (check box if applicable).

(CX-0566 (ETSI IPR Policy) Appx. A at IDC613ITC00278648.)

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This declaration does not prove that patents so declared before ETSI are actually SEPs. This fact is illustrated by many cases that have found patents so declared un infringed: 337-TA-800; 337-TA-868; *see also Core Wireless Licensing Sarl v. Apple Inc.* (E.D. Tex. February 22, 2013). The IPR information statement and licensing declarations do not create a duty that any such patent so declared must be licensed on FRAND terms, but rather the agreement is one that has multiple contingencies: “To the extent that the IPR(s) disclosed in the attached IPR Information Statement Annex *are or become, and remain* (emphasis added) ESSENTIAL in respect of the ETSI Work Item, STANDARD and/or TECHNICAL SPECIFICATION identified in the attached IPR Information Statement Annex, the Declarant and/or its AFFILIATES are prepared to grant irrevocable licences under this/these IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy.”

So far as this ALJ is aware, no court has declared the '966 or '847 to be SEPs. ETSI does not use the term SEP but rather uses an equivalent term, “essential IPR”. ETSI defines essential IPR as:

In simpler terms, an "essential IPR" is an IPR which has been included within a standard and where it would be impossible to implement the standard without making use of this IPR. The only way to avoid the violation of this IPR in respect of the implementation of the standard is therefore to request a license from the owner.

(CX-0566 at 53.)

Respondents in this case have vigorously asserted that the patents in issue are not essential, but rather are not infringed. By so claiming, they risk losing the benefit of any defense they may have under the ETSI agreement regarding FRAND rights that protect the interests of third parties. If the patents are valid and infringed, but not SEPs, then respondents would have no rights regarding licensing under the ETSI agreement, the duty to license under FRAND terms

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is only triggered if the IPRs are or become and remain essential to the standard (there are other requirements as well, such as the respondents must be willing to license its portfolio to complainants. The duty to license on FRAND terms, if there is one, is a springing duty. MMO states that because IDC has declared the patents essential, then they must be essential if infringed, and therefore the duty is triggered to offer them under FRAND terms. (MMO RIB at 32 FN4; RX-1265C Q. 32.) They are mistaken. First, Mr. Jarosz did not use the same definition of SEPs in his answer that ETSI used in the declaration. The respondents also rely on RX 1263C, Dr. Champine's witness statement question and answer 5:

Did you rely on any other assumptions in preparing this witness statement?

A: Yes. I also assume for purposes of my analysis that the complainants InterDigital Communications, Inc., InterDigital Technology Corporation, and IPR Licensing, Inc., which I will refer to as the IDC Companies, are subject to a commitment to license their SEPs on fair, reasonable and non-discriminatory, or FRAND, terms. Based on discussions with Dr. Kenney, I understand that the IDC Companies contend that compliance with the 3G WCDMA standard allegedly means the asserted patents are necessarily infringed and thus that those patents are standard essential. I also understand that the IDC Companies have relied on multiple sources of evidence to contend infringement, and that the IDC Companies rely on this evidence to demonstrate compliance of the accused products with the 3G WCDMA standard.

Dr. Champine is mistaken in his assumption, in that IDC is committed to license its SEP as he assumes only if the proposed licensee agrees to other terms, including cross-license if requested, in addition the declaration they sign under the ETSI agreement doesn't state that each IPR declared is standard, essential, only that it might be.

The ALJ's analysis is consistent with that of the Staff:

The Staff is of the view, however, that each of the asserted claims *is* infringed by Respondents' accused products. *See* Parts II and III above. Thus, in this case the operation of Respondents' accused products sheds no light on whether the asserted claims of the patents-in-suit are necessarily essential to practicing the

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relevant standards. There may be circumstances in which a product may practice the 3G standard without infringing the asserted claims, or there may not. In this investigation, the only evidence regarding the standard-essential nature of the asserted claims is InterDigital's declaration to ETSI that the patents-in-suit *may* be essential to practicing the WCDMA standard. While this is not a statement that the patents are *actually* essential, it is evidence that the patent holder believed that the patents could be standard-essential

(SIB at 42.)

The declaration is not proof the patents are standard essential, and there is no evidence that they have been tested or judged to be standard essential in the case.

The ITC rules on conducting a hearing provide:

19 CFR § 210.37 Evidence.

(a) Burden of proof. The proponent of any factual proposition shall be required to sustain the burden of proof with respect thereto.

MMO has stated that IDC has a duty to license the patents at issue on FRAND terms. They have argued extensively that IDC has not done so, and therefore, among other things, is not entitled to an exclusion order if the patents are found valid and infringed. There is another outcome possible this does not take account of: The patents could be valid, not essential to the Standard, and yet still be infringed, so the carrying of the burden of proof that these patents are standard essential is an issue that must be considered by the ALJ. As the respondents have presented no evidence that the patents are standard essential, they have failed to prove they are standard essential, and that they are entitled to claim the rights available under the ETSI FRAND policy. MMO states in their brief that "IDC seeks to collapse the public interest inquiry to compliance with the terms of the ETSI IPR Policy, (Merritt Tr. at165:1-7), which it contends impose virtually no constraint on its conduct." The public policy issue must not be used in place of the law, nor should a party be allowed to shift the burden of persuasion in the name of public policy. The ETSI agreement is vital, because any rights a third party may assert flow from the agreement.

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The source to examine to determine the rights and duties of the parties is the Standard Setting Organizations (SSO) agreement. *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201, 1231 (Fed. Cir. 2014). The CAFC stated in *Ericsson*:

Trial courts should also consider the patentee's actual RAND commitment in crafting the jury instruction. *Ericsson* agrees that it is under a binding obligation to license the patents at issue on the RAND terms it pledged to the IEEE. The district court should have turned to the actual RAND commitment at issue to determine how to instruct the jury.

"RAND terms" vary from case to case. A RAND commitment limits the market value to (what the patent owner can reasonably charge for use of) the patented technology. The court therefore must inform the jury what commitments have been made and of its obligation (not just option) to take those commitments into account when determining a royalty award.

Id.

While the ITC does not have juries, the principles the court articulated are sound for our purpose as well; we must look at the patentee's actual FRAND commitment. We need not be stampeded into abandoning the rule of law, or burden of proof simply because the respondents shout "FRAND". The agreement that binds IDC is also the agreement to examine to determine what the actual commitment of the parties is. There is nothing in the ETSI agreement that would shift the burden of proof in a hearing at the ITC.

G. Even if the Patents are Standard Essential, the Evidence does not Demonstrate IDC acted in Bad Faith

The ALJ stated in 337-TA-868 that the agreement created by ETSI did not reach the level of a contract.

It is important to note the ETSI Rules of Procedure is not a contract, but it contains rules to guide the parties in their interactions with the organization, other members and third parties. The first goal of the policy is that the IPR owner be "adequately and fairly rewarded for the use of their IPRs in the implementation of STANDARDS and TECHNICAL SPECIFICATIONS."

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It is also important to note that The IPR owner does not agree to license the intellectual property owned under FRAND terms, but only agrees to do so under certain conditions. The agreement itself does not define what “adequate and fairly rewarded” means, nor does it provide any mechanism to determine what those words mean. The agreement in paragraph 12, Law and Regulation states: “Any right granted to, and any obligation imposed on, a MEMBER which derives from French law and which are not already contained in the national or supranational law applicable to that MEMBER is to be understood as being of solely a contractual nature.” Under the French law of contract, the agreement is not a contract itself, but rather an agreement in principal. (CX-3934.) While there is French law that allows a contract to be made without including the price in the contract, (RX-0075-0077) the ETSI documents in question create many more factors that must be examined before the FRAND obligation is triggered

Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof, Inv. No. 337-TA-868, Initial Determination at 110 (June 13, 2014).

While the ALJ still believes the paragraphs are correct, the CAFC and other courts have clearly demonstrated that contract analysis is the proper way to examine the agreements in cases involving FRAND or RAND obligations. *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201, 1231-34 (Fed. Cir. 2014); *Realtek v. LSI* 946 F. Supp.2d 998 (Uses breach of contract analysis) *Microsoft Corp. v. Motorola Inc.*, 696 F.3d 872 (9th Cir. 2012). Therefore, we will look at the parties’ conduct as a matter of the contractual obligations created as members of ETSI.

IDC has [REDACTED]. Whether these were “FRAND” offers has never been determined by a court, nor have the parties agreed that they were, or were not within the FRAND range. Even assuming the offers did not meet the FRAND requirement (ETSI sets no criteria for determining this, relying instead on the parties’ home country law if they do not reach agreement) the offers demonstrate IDC was trying to reach a licensing agreement. The ETSI agreement does provide guidance to follow to resolve disputes:

4.3 Dispute Resolution

ETSI Members should attempt to resolve any dispute related to the application of the IPR Policy bilaterally in a friendly manner.

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Should this fail, the Members concerned are invited to inform the ETSI GA in case a friendly mediation can be offered by other ETSI Members and/or the ETSI Secretariat.

However, it should be noted that once an IPR (patent) has been granted, in the absence of an agreement between the parties involved, the national courts of law have the sole authority to resolve IPR disputes.

(JX-0008C at 116.)

When the parties sign the letters agreeing to license their IPR at ETSI, they not only do not know what a FRAND rate is, they cannot know. Absence agreement, there is no such rate, nor can it exist absent an agreement until a court determines the rate for the parties. To prove a violation of FRAND, as it is defined in ETSI, there must be voluntary agreement or a trial in a district court, and only after the court determines a rate, could we look retrospectively at the negotiations and determine if the offers were within the FRAND range (FRAND contracts provide for a range of acceptable results. While some offers could be clearly outside the range, there is no mechanism for finding the range prior to litigation). Even then, there would be difficulty in determining if a party was acting in bad faith, because reasonable minds do differ on what may constitute a FRAND rate. The court rulings have given some guidance as to our analysis. *Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023 (W.D. Wash. Jun 06, 2012), found that while the RAND agreements created enforceable contracts between Motorola and the SSO, the court held that a user, in this case Microsoft can enforce the contract as a third party beneficiary. It required that offers to license the SEPs be made in good faith, however found that initial offers do not have to be on RAND terms so long as a RAND license eventually issues. *Id.* at 1038.

H. Evidence of Hold-up or Hold-out

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2013 WL 4046225, at *25–26 (“Defendants failed to present any evidence of *actual* hold-up or royalty stacking.” (emphasis in original)).” Respondents in this case fail to carry that burden. The Respondents cite Dr. Huber to prove that the definition of FRAND is not in the SSO agreement: “IDC and the Staff seek to shield IDC’s licensing scheme behind its alleged compliance with the ETSI IPR Policy under French law. (See IDC Br. at 46, 50; Staff Br. at 46.) But SSO IPR policies do not even define what FRAND is.” (CX-1051C (Huber WS) QQ. 43-44; IDC Br. at 24.) But IDC and Staff are correct, this is confirmed by Nokia Inc. MMO’s own witness. Richard Buttrick stated only when you have been through a negotiation in good faith and both parties have agreed what the FRAND terms are that you can say you have FRAND terms and that it’s not possible beforehand to predict what those terms might be. (Hearing Tr. at 705:4-25.) Mr. Buttrick also testified as to other elements that are permitted under the ETSI agreement. He stated there was no preference for any particular licensing model, that the agreement was written to allow a diverse range of licensing regimes, including both monetary and nonmonetary remuneration, licenses that included both standard essential and non-standard essential patents, that the nature and coverage of the license was completely up to the parties. (Hearing Tr. at 707-712.) Mr. Buttrick also testified when asked if SEP holders (or potential SEP holders in this case) had to offer a FRAND rate that:

I don't think that it's actually meaningful to determine what is FRAND between two parties until you get to the end of the negotiation. So what a party offers on either side may or may not be in their perspective a FRAND offer. What is certainly FRAND is when the parties agree that the outcome is FRAND.

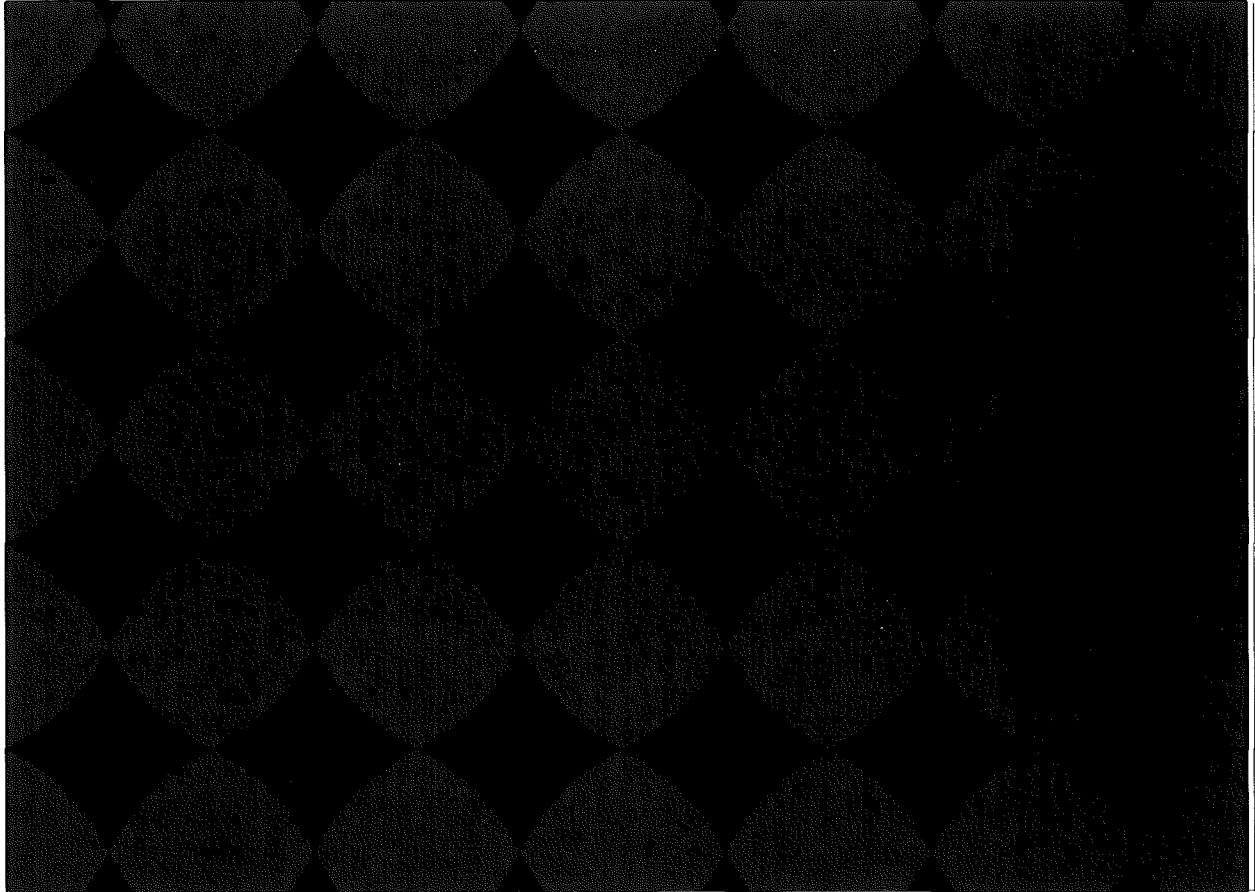
(*Id.* at 713 lines 11-20.) MMO’s other witnesses also provide evidence that there is no proof in this case that a FRAND violation has occurred. Dr. Allan Shampine testified that he did not reach the conclusion that IDC had violated a FRAND commitment in this case; that he had concerns that there is holdup, and that if an exclusion order were granted that holdup was a grave

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concern. (Hearing Tr. at 529-30 18-25 1-2 7-12) He goes on to admit he did not attempt to determine the value of the patents based on the method he would prefer, an “ex ante” value, and stated he did not attempt to assign a specific FRAND rate to them. He did not attempt to determine a specific ex ante FRAND rate for any IDC patent. (Hearing Tr. at 533 3-14.) He goes on to state that just because rates would be higher in a system where exclusion orders are more likely than where they are less likely, that as a mathematical statement it does not mean such rates are above a FRAND rate. (Hearing Tr. at 535-536 lines 20-25 1-15.) He concludes that his concerns are those that are articulated by the FTC and DOJ in their letters. While Dr. Shampine voiced his concerns, he stated under questioning by the ALJ that he was not aware of any lawsuit, bankruptcy hearing or complaint to a standard-setting organization where a party alleged that they were forced to sign a non-FRAND agreement and needed to obtain relief from the agreement on the basis it violated the SSO agreement. (Hearing Tr. at 602 5-14.) He also was not aware of any company making a complaint to ETSI that an IPR owner was not negotiating in good faith. Ibid 15-20. The ALJ asked Dr. Shampine if he could cite even one solid example of a holdup resulting in a non-FRAND contract. Dr. Shampine replied, “We do not have a solid example of that occurring yet.” (Hearing Tr. at 603-604 lines 21-25 1.)

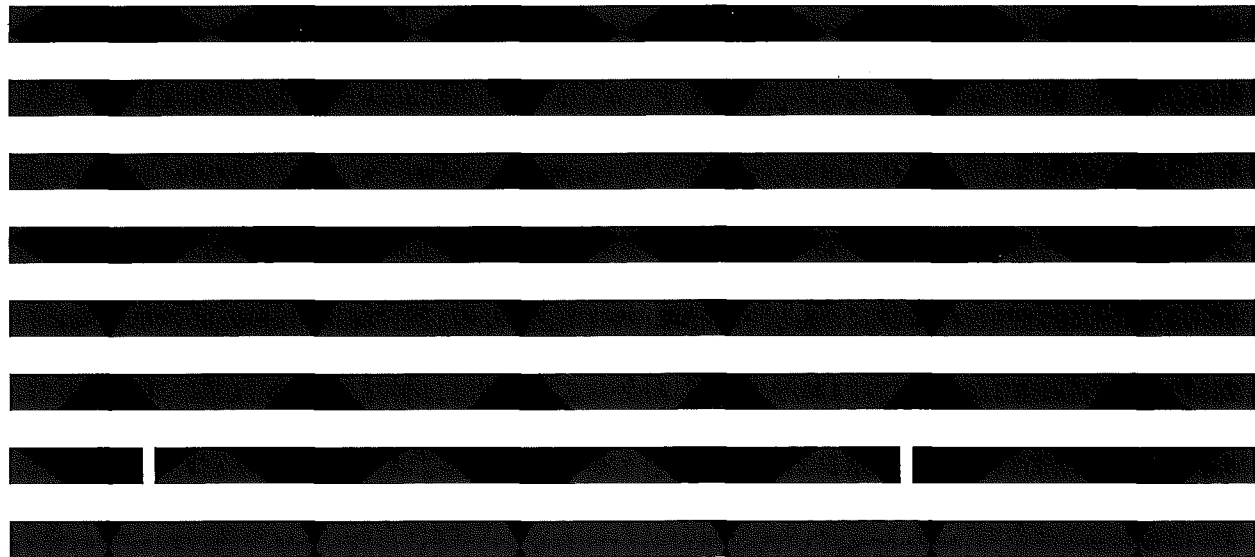
Dr. Putnam, an economic witness for the complainants, agreed with Dr. Shampine to the extent that he also could not offer an explanation as to what was meant by “FRAND” When asked if he was offering any opinion as to the meaning of FRAND, he answered “no.” (Hearing Tr. at 314 19-21.)

Mr. John C. Jarosz, another MMO economic witness was called, and he also stated he was offering no opinion that IDC’s offers to Nokia and MMO were unfair or unreasonable, but that he did consider information in assessing the holdup and reverse holdup hypotheses.



RDX-0001C

The ALJ noted several problems with the exhibit. It was offered as part of Jan Sandstrom's testimony for the respondent's, with Q. 71 of his witness statement. [REDACTED]



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the case in the 868 investigation the evidence presented does not support the Respondents' position that InterDigital has violated a FRAND obligation by filing this complaint at the ITC. The negotiation has continued in good faith, and there are many more issues than the rate of payment to be made, as the evidence presented by both sides has demonstrated. The obligation that InterDigital has taken has been fulfilled, and the ETSI agreement anticipates that the parties if necessary will fall back on the national law involved. [REDACTED]

[REDACTED] Under these facts there is there is no proof of a violation of a FRAND duty by IDC.

Turning to hold-out, the record demonstrates that this has been a complicated case, and does not lend itself simple findings. It is best in analyzing the evidence to divide the period this case has been pending into two time periods. The first period is from the beginning of the case, and is best summed up by the Commission record:

SUPPLEMENTARY INFORMATION: The Commission instituted Inv. No. 337-TA-613 on September 11, 2007, based on a complaint filed by InterDigital Communications Corp. of King of Prussia, Pennsylvania and Interdigital Technology Corp. of Wilmington, Delaware (collectively, "InterDigital") on August 7, 2007. 72 Fed. Reg. 51838 (Sept. 11, 2007). The complaint, as amended, alleged violations of section 337 of the Tariff Act of 1930 (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 3G mobile handsets and components thereof by reason of infringement of certain claims of U.S. Patent Nos. 7,117,004 ("the '004patent"); 7,190,966 ("the '966 patent"); and 7,286,847 ("the '847 patent"); and 6,693,579 ("the '579 patent"). The notice of investigation named Nokia Corporation of Espoo, Finland and Nokia Inc. of Irving, Texas (collectively, "Nokia") as respondents.

On August 14, 2009, the ALJ issued his final ID, finding no violation of section 337. In particular, he found that the asserted claims of the patents-in-suit are not

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infringed and that they are not invalid. The ALJ further found that there is no prosecution laches relating to the '004, '966, and '847 patents and that the '579 patent is not unenforceable. Remand Notice.

(Notice of Commission Determination to Remand Investigation to the Chief Administrative Law Judge Pursuant To Remand From The U.S. Court Of Appeals For The Federal Circuit (February 12,2014).) Judge Luckern found no violation of 337, and that the claims of the '966 and the '847 Patent were valid, but not infringed. (*Id.*) This decision was issued on August 14, 2009. As of that date, Nokia had a powerful reason to not sign any agreement, except under extremely favorable terms. The ID was the work product of ALJ Paul J. Luckern, one of the most respected and experienced ALJs to ever serve at the ITC. As of that date, Nokia had a determination that they did not infringe the patents at issue, and therefore the patents were not SEPs. (This also undermines their argument that IDC was engaging in holdup, as if the patents are not SEPs, there is no FRAND duty). On October 16, 2009, the Commission affirmed the ID's determination of no violation of section 337, but determined to review the Final ID in part. 74 Fed. Reg. 55068-69 (Oct. 26, 2009). The Commission upheld the determination of no violation of 337, and terminated the investigation. During this time frame, the ALJ believes there could be no holdout, as Nokia Corp and later MMO had a decision in their favor that said these were not SEPs and they were not infringers. From August 14 2009, until August 1, 2012, Nokia and MMO had every reason to be difficult negotiators with IDC, as they had a Commission determination in hand that they did not infringe the patents in dispute. There is no showing that their actions were in bad faith in light of these facts. The exercise of legal rights by a party cannot amount to "holdout", and there is no evidence of bad faith on the part of respondents in this case at that time.

1. The Change in Claim Construction by the CAFC Changes the Duty

On August 1, 2012, the Federal Circuit reversed the Commission's construction of the claim limitations "code" and "increased power level" in the '966 and '847 patents, reversed the Commission's determination of non-infringement as to the asserted claims of those patents, and remanded to the Commission for further proceedings. *InterDigital Commc'ns, LLC v. Int'l Trade Comm.*, 690 F.3d 1318 (Fed. Cir. 2012). From that date, based on the claim construction provided by the court, MMO should have been aware that the patents were valid, and infringed.

Thus, by its plain language the term "code" is broad enough to cover both a spreading code and a non-spreading code. (*Id.* at 1324), consequently, we hold that the administrative law judge should have construed "increased power level" to include both intermittent and continuous increases in power. (*Id.* at 1328.)

As of the release of this opinion, the respondents no longer had a decision in their favor, and should have realized they may have to take a license or face an exclusion order.

"Reverse hold-up" describes a situation in which a manufacturer that is using standard-essential patented technology refuses to enter into a license agreement with the patent owner or otherwise to pay compensation. (*See, e.g.,* RX-0679 (USTR Letter) at 3.)

[REDACTED]

[REDACTED] Since the CAFC reversed the non-infringement finding, and changed the claim construction, the respondents were on notice that they infringed, and needed to take a license on the patents. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]. In its brief MMO suggests that the concept of reverse hold-up, or hold-out is less well defined than hold-up.

In his letter disapproving the issuance of an exclusion order in Investigation No. 337-TA-794, the USTR referred to so-called “reverse” patent hold-up. RX-0679 at 3. Seizing on this amorphous concept, IDC suggests that Respondents’ refusal to capitulate to IDC’s non-FRAND demands means that they are “unwilling licensees” and engaged in “reverse” hold-up. The evidence is to the contrary.

(MMO RIB at 57.)

There is nothing “amorphous” about the concept. Where a respondent uses the technology covered by a patent, and refuses to take a license to the technology or refuses to negotiate in a meaningful way there is reverse holdup. (RX-0679 at 3.) Throughout this case, and in its briefs the respondents have repeatedly made the claim that the complaints have failed to make an offer on FRAND terms, and that their offers have been FRAND compliant. This is not supported by the evidence, and the statements cannot be made in good faith. Not one of the witnesses in this case offered any opinion as to what the FRAND rates might be, including those offered by the respondents: Under questioning, Mr. Merritt of IDC said there was not a FRAND rate for the two patents. (Hearing Tr. at 192:8-11.) Dr. Shampine stated he did not have a legal opinion on meaning of the ETSI FRAND commitment. (Hearing Tr. at 529:2-11.) Mr. Buttrick, another respondent’s witness testified you only know it is a FRAND rate once the parties reach agreement. (Hearing Tr. at 712:10-12.) He also stated that a SEP holder could cover SEP and other patents as well (Hearing Tr. at 712:8-12, 25 and 713:1-2.) This witness testified that the parties could offer non-FRAND rates, as long as the result was FRAND. (Hearing Tr. at 713:13-20.) Finally this witness, Mr. Buttrick stated the possibility of an exclusion order could move the

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license rate away from FRAND, but also could move it closer to FRAND. (Hearing Tr. at 713:14-25 and 714:1-14.)

The ALJ goes through these facts in some detail here to once more emphasize that in this case, there was no evidence produced that anyone who testified could say what the FRAND range was for these patents. Nor was there any evidence that IDC did not act in good faith. The respondents argued at length the IDC violated FRAND, against the testimony of their own witnesses. They argued the offers were not FRAND for a variety of reasons, but had no evidence to support even one assertion. There is however, one course of action that can clearly demonstrate bad faith, and that is a failure to meaningfully negotiate. This was the case in *Realtek v. LSI*, 946 F.Supp. 2d 998 (E.D. Cal. 2013) (LSI made no offer for a license prior to filing a complaint at the ITC) and is the case here. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Other evidence that supports the finding of reverse holdup is the clear gain that occurs daily for MMO. There is a statute of limitations covering damages in patent cases:

35 U.S. Code § 286 - Time limitation on damages Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

Each day that the respondents use the patents without taking a license, IDC loses money that it will not be able to recover. Dr. Putnam testified that MMO would benefit further because when

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the respondents delay in taking a license it results in “unfair downward pressure on the payments that InterDigital could expect to realize from any license agreement resulting in a lower than FRAND rate.” (CX-1050C (Putnam witness stmt.) ¶ 29; Hearing Tr. at 430:14-432:21 (Putnam) (past sales typically compensated at lower rate than future sales; downward pressure potentially affects negotiations with third parties as well, to InterDigital’s detriment).) In failing to negotiate in a meaningful way, and refusing to take a license, MMO is currently an unwilling licensee that “is unable or refuses to take a FRAND license[.]” (RX-0679 (USTR Letter) at 2 n.3.)

I. Analysis of Public interest and FRAND evidence

Under the ETSI agreement, there is no duty not to seek an exclusion order. ETSI had mandatory mediation to determine FRAND rate in 1993, and removed it from their policy. They considered barring parties from injunctive relief, but did not do so. The respondent’s witness, Richard Buttrick was a member of drafting group that helped draft ETSI policy between 1990 and 1994. (RX 1267C at Q. 8.) He was vice chairman of a special committee that ETSI put up to resolve people's concerns. (Hearing Tr. at 715 1-5.)

Throughout his testimony Mr. Buttrick states his opinion of the view of the members, to the general effect that exclusionary relief would not be favored. (Hearing Tr. 692 6-17.) While he states this as his view of the general opinion of members, there is no support for this view in the agreements the committee produced. Mr. Buttrick stated that at the time, the committee was aware that the national laws of at least some of the countries involved did allow injunctive relief. “Yes I can speak as a patent attorney that injunctive relief as a general concept is available in the U.K. “Oh, yes, we were aware that injunctive relief was available. It was of concern to us.” (Hearing Tr. at 724 5-9.) Mr. Buttrick also testified that ETSI had, prior to 1994, a provision in its rules that eliminated the possibility of exclusion orders or injunctions.

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JUDGE ESSEX: My understanding and my memory from the 1993 ETSI regulation is it provided for binding arbitration, did it not?

THE WITNESS: That is correct, your Honor.

JUDGE ESSEX: And then '94 that was removed?

THE WITNESS: Yes, your Honor, it was one of those issues which caused objection from certain ETSI members, and the discussions I referred to in 1994.”

JUDGE ESSEX: I assume that was when it was replaced by the national law? Yes. There wasn't a way of finding compromise or consensus in an alternative one.

(Hearing Tr. 723 lines 8-20.)

As the courts have made clear, the SSO agreement is to be viewed under contract law.

There may have been views that some members of the organization, or members of its committees held, and expressed during negotiations, however these views were not incorporated in the final agreement. The Restatement of contracts states:

RESTATEMENT (SECOND) OF CONTRACTS
TOPIC 3. EFFECT OF ADOPTION OF A WRITING

§ 209. Integrated Agreements

(1) An integrated agreement is a writing or writings constituting a final expression of one or more terms of an agreement.

(2) Whether there is an integrated agreement is to be determined by the court as a question preliminary to determination of a question of interpretation or to application of the parol evidence rule.

(3) Where the parties reduce an agreement to a writing which in view of its completeness and specificity reasonably appears to be a complete agreement, it is taken to be an integrated agreement unless it is established by other evidence that the writing did not constitute a final expression

§ 210. Completely and Partially Integrated Agreements

(1) A completely integrated agreement is an integrated agreement adopted by the parties as a complete and exclusive statement of the terms of the agreement.

(2) A partially integrated agreement is an integrated agreement other than a completely integrated agreement.

(3) Whether an agreement is completely or partially integrated is to be determined by the court as a question preliminary to determination of a question of interpretation or to application of the parol evidence rule.

§213. EFFECT OF INTEGRATED AGREEMENT ON PRIOR AGREEMENTS (PAROL EVIDENCE RULE)

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(1) A binding integrated agreement discharges prior agreements to the extent that it is inconsistent with them.

(2) A binding completely integrated agreement discharges prior agreements to the extent that they are within its scope.

Comments:

a. *Parol evidence rule.* This Section states what is commonly known as the parol evidence rule.... It renders inoperative prior written agreements as well as prior oral agreements. Where writings relating to the same subject matter are assented to as parts of one transaction, both form part of the integrated agreement. Where an agreement is partly oral and partly written, the writing is at most a partially integrated agreement. See §209.

Based on the contract, regardless of what the committee members may have said or thought privately, only the terms that made it into the agreement are part of the agreement. Prohibiting exclusion orders or injunctions was specifically considered by the SSO, and rejected in the final agreement. (Hearing Tr. at 724 5-13.)

MMO in their brief have stated without citing any law, that robust protections against hold-up are required in order to protect the public interest. “IDC’s myopic focus on the ETSI contract, and its interpretation that it requires nothing more than “good faith” negotiations, provides no protection against “hold-up” and is contrary to the public interest.” (Respondents Brief at 40.) While the contract may not protect MMO as it wishes it would, it is to the contract we must look to determine the rights that flow from it. If the SSO negotiators want to agree to provide greater protection from exclusion orders or injunctions, it is within their power to do so. ETSI did this until 1994 (ibid) and IEEE has done so more recently. (See Draft IEEE Standards Board Bylaws. Judicial notice taken pursuant to Rule 201. Judicial Notice of Adjudicative Facts (b)(2).)

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IEEE requested a business review letter from the Department of Justice antitrust division which is helpful in considering policy issues as well. In paragraph 2 of the letter the Department of Justice representative, Renata B. Hesse wrote,

It is not the Department's role to assess whether IEEE's policy choices are right for IEEE as a standards-setting organization ("SSO"). SSOs develop and adjust patent policies to best meet their particular needs.⁽²⁾ It is unlikely that there is a one-size-fits-all approach for all SSOs, and, indeed, variation among SSOs' patent policies could be beneficial to the overall standards-setting process. Other SSOs, therefore, may decide to implement patent policies that differ from the Update."

The fourth paragraph of the letter, under **Prohibitive Orders** subtitle states in part:

Although this provision is more restrictive than recent guidance on this issue from the U.S. government, the U.S. government does not dictate patent policy choices to private SSOs. If IEEE determines that these limitations on exclusionary relief will benefit its standards-setting activities, it may decide to implement a policy that includes them, as long as such limitations do not violate the antitrust laws and are otherwise lawful.

While these provisions do not govern the issues in this case, it is important to note that US policy allows SSOs to make differing policy choices in their rules, so long as they are consistent with US law, and that having the variety of choices could be beneficial to the process.

MMO has argued that the policy disfavoring exclusionary relief, as set out by the FTC and DOJ, should trump both the SSO contract, and the ordinary course of law, and prevent the issuing of an exclusion order. The facts in this case are similar to those of 337-TA-868, and that analysis is valid here as there:

The essence of the arguments made by the FTC and PTO/DOJ against the availability of exclusion orders is that by having an exclusion order hanging over the negotiations, there is a risk of "Patent holdup": that is the owner of the IPR may obtain remuneration beyond the value of the IP, because it is a standard. There is no evidence that is the case here.

In *Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof*, Inv. No. 337-TA-745, the FTC expressed its concern that there is the possibility that the owner of IPR may engage in patent holdup. They expressed no opinion as to the facts of that case, and having

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reviewed their statement, the ALJ finds it has no bearing on the facts of this case. First, InterDigital is, by the terms of the ETSI policy agreement, entitled to be adequately and fairly rewarded for its IP. There is no proof that they have been negotiating in bad faith, and in fact it is the respondents that have taken advantage of the complainant and manufactured, marketed, and profited on goods without taking a license to the IP at issue. While there may be a hypothetical risk of holdup, we have evidence that it is not a threat in this case, or in this industry.

When the FTC announced a workshop and requested comments on Standard Setting Issues, they received a letter from the Telecommunications Industry Association (TIA) on the topic. In the letter, the TIA stated they represented a large number of information and Communications technology (ICT) companies and organizations in standards, government affairs, and market intelligence. A major function of TIA is the writing and maintenance of voluntary industry standards and specifications, as well as the formulation of technical positions for presentation on behalf of the United States in certain international standards fora. They represent more than 70 standards formulating committees. These committees are made up of over 1,000 volunteer participants, including representatives from manufacturers of telecommunications equipment, service providers and end-users, including the government.

The TIA stated to the FTC "TIA has never received any complaints regarding such "patent hold-up" and does not agree that "patent holdup" is plaguing the information and telecommunications technology (ICT) standard development processes." The TIA goes on to caution that "[g]overnmental intervention to mandate a generic solution to address presumed "patent hold-up" is likely to generate more unanticipated negative consequences than the perceived problem?" The risk when government agencies state a preference for a particular outcome, or for barring particular remedies under law, as a matter of course, is the agency's actions create pressures in the negotiation that are likely to skew the royalty rate to the bottom of the FRAND scale, or lower.

The Department of Justice and United States Patent and Trademark Office (DOJ and USPTO) in a Policy Statement of January 8, 2013 wrote:
The U.S. Department of Justice, Antitrust Division (DOJ), and the U.S. Patent & Trademark Office (USPTO), an agency of the U.S. Department of Commerce, provide the following perspectives on a topic of significant interest to the patent and standards setting communities: whether injunctive relief in judicial proceedings or exclusion orders in investigations under section 337 of the Tariff Act of 1930 are properly issued when a patent holder seeking such a remedy asserts standards-essential patents that are encumbered by a RAND or FRAND licensing commitment.

They define such FRAND encumbered patents in this manner:

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2 For purposes of this statement, a patent is RAND or FRAND encumbered where a patent holder has voluntarily agreed to license the patent on reasonable and non-discriminatory (RAND) terms or fair, reasonable, and non-discriminatory (FRAND) terms while participating in standards-setting activities at a standards developing organization (SDO). In the United States, SDO members may commit to license all of their patents that are essential to the SDO standard on RAND terms. In other jurisdictions, SDO members may commit to license such patents on FRAND terms. For the purposes of this letter, FRAND refers to both types of licensing commitments. Commentators frequently use the terms interchangeably to denote the same substantive type of commitment.

As a hypothetical this statement is appropriate, but the statement does not take into account the realities of the agreements that are used within the framework created by ETSI. The patents are only encumbered by FRAND if the contingencies set out in the policies are met. In this case, they have not been. The DOJ and USPTO recognize the role patents play, and the importance of protecting IP for the development of industries and economic growth:

As noted in the Administration's 2010 Joint Strategic Plan on Intellectual Property Enforcement, "[s]trong enforcement of intellectual property rights is an essential part of the Administration's efforts to promote innovation and ensure that the U.S. is a global leader in creative and innovative industries." Accordingly, as historically has been the case, exclusion typically is the appropriate remedy when an imported good infringes a valid and enforceable U.S. patent.

In this case, there is no evidence that the Commission ought to go beyond the statute, and assume that the remedy of an exclusion order should be removed from the case. Neither the agreements imposed by ETSI, nor the law nor public policy require Us to offer the Respondents a safe haven, where they are free to avoid their own obligations under the agreements, can manufacture potentially infringing goods without license or consequence, can seek to invalidate the IPR in question, and yet are free from the risk of a remedy under 19 USC 1337. This one sided administration of the law is against both the Administrative Procedure Act 5 USC §554 and Commission regulation 19 CFR § 200.735-101. The regulation cited here bears quoting in full:

“The propose of the regulations in this part is to maintain the highest standards of honesty, integrity, impartiality, and conduct on the part of all employees of the U.S. International Trade Commission and to maintain public confidence that the business of the Commission is being conducted in accordance with such standards.”

For the Commission to adopt a policy that would favor a speculative and unproven position held by other government agencies, without proof that the harm they considered exists or that the risk of such harm was so great that the Commission should violate its statutory duty would damage the Commission's

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reputation for integrity, and violate its duties under the law. We should and must determine the public interest, and the correct outcome of each matter based on the facts presented, and by applying the law to those facts. To take a pre-set position, without hearing evidence, would violate every concept of justice we are tasked to enforce. Within the facts of this case, the Letters of the DOJ/USPTO and FTC do not assist or enlighten.

Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof, Inv. No. 337-TA-868, Initial Determination, at 123-126 (June 13, 2014).

The FTC also made other comments that have been brought to the attention of the ALJ in this matter, such as “The FTC has recognized that the risk of patent “[h]old-up in the standard setting context can be particularly acute.” *The Evolving IP Marketplace*, FTC, March 2011 (MMO RIB at 36.) Once more, however, the FTC provides no data that would demonstrate such holdup is occurring. Respondents also cite to the FTC comments in 337-TA-745 which provided a similar concern that hold-up was a possibility if an exclusion order were to issue. (*See* Third Party U.S. FTC’s Statement on the Public Interest, *Certain Wireless Comm’n Devices, Portable Music and Data Processing Devices, Computers and Components Thereof*, Inv. No. 337-TA-745 (June 6, 2012) (RX-0612); MMO RIB at 33.) Respondents did not note that the FTC took no position as to whether that had happened in the case, and have not found a hold-up in any case since. The Federal Trade Commission’s comment was issued on June 6, 2012. The respondents also cite a U.S. DOJ and USPTO Policy Statement on Remedies for SEPs Subject to Voluntary FRAND commitments (2013) (RX-0675) as bearing on this case. That statement however, deals not with specific facts, but with speculative possibilities that holdup could occur. The letter makes no comments on a FRAND commitment that is contingent on cross-license, such as we are dealing with under ETSI rules. The letter is dated January 8, 2013.

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In 337-TA-868, the ALJ found little reason to give weight to the agencies' comments, as they were speculative as to what could happen, and did not provide any evidence that holdup had occurred. There is now even more reason to give little weight to the concerns voiced by the FTC and DOJ/PTO in these letters. The agencies' (FTC DOJ USPTO) concerns began in 2011, with the FTC, and their latest statement, dated in January 2013 is now more than 2 years old. In that time, the IP community has been vigilant and has kept a watchful eye on the ITC to ensure that patent holdup was not occurring. The result has been not a single case of holdup has been noted. Not one witness in this hearing was able to provide a single example of a holdup due to an exclusion order, or potential exclusion order. After watching for a holdup since 2011, we may be able to consider whether the fact none has occurred allows us to discount the risk today. With the FTC and DOJ/USPTO having weighed in on the risk of exclusion orders at the ITC, there have been many professors, economists and other professionals that have written on the topic. The ALJ believes that these professionals, all voicing concern, may lessen the need for concern. In science the term **observer effect** refers to changes that the act of observation will make on a phenomenon being observed. This is often the result of instruments that, by necessity, alter the state of what they measure in some manner. A commonplace example is checking the pressure in an automobile tire; this is difficult to do without letting out some of the air, thus changing the pressure. This effect can be observed in many domains of physics. The ALJ notes that this effect is also present in human events; few crimes occur in a police station, because the observers would likely change the outcome. In the current state of IP law as it relates to SSOs and IPRs, an owner of a SEP has a long list of government agencies, law professors and companies watching what the company does, and attempting to change the law as to potential outcomes. MMO has stated they are afraid that if IDC obtained an exclusion order, then they would use it to gain

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undue leverage and obtain compensation above the FRAND rate. This is unlikely because too many hostile eyes are watching. The fact that the FTC has been watching since at least 2011, and not found such a violation, makes it unlikely it would happen here for the first time.

While there is a remote possibility that a holdup could occur in the future, the ITC and the public interest factors are not intended to prevent future acts unrelated to current public interest. While it is right under public interest factors to consider the impact of an exclusion order on the handset market consumers, to consider that such an order would give IDC leverage in future bargaining is not within the 337 factors to consider. Were it however, the ALJ would still find that the Commission should issue an exclusion order if it finds 337 violated in this case. The interests of MMO are protected by the availability of a remedy in District Court should IDC refuse to grant a license under FRAND terms. In addition to the scrutiny from the Federal Agencies that reduce the chances of hold-up, the fact that any respondent subject to hold-up would still have a legal remedy makes it unlikely that IDC, or any party so situated would engage in hold-up, even after obtaining an exclusion or cease and desist order. In *Realtek v. LSI* 946 F.Supp.2d 998 (2013). The court found LSI was contractually bound to offer a RAND contract on its SEPs under its agreement with IEEE (*Id.* at 1005.) This decision also cited *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872 (9th Cir.2012) for support on the obligation of a member of a SSO to offer the patent licenses on RAND terms. In *Microsoft v. Motorola*, Motorola (the declared standard-essential patent holder) sent Microsoft an offer to license certain of its declared standard-essential patents. *Id.* at 877. Microsoft, believing that the offer was unreasonable, instigated a breach of contract action in the U.S. District Court for the Western District of Washington alleging that Microsoft's unreasonable offer was a *per se* breach of its RAND obligations. *Id.* at 878.

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In this case, we have found that IDC has acted in good faith on its FRAND obligations prior to, and throughout the ITC proceedings. Respondents MMO now seem to argue that *if the exclusion and cease and desist order should issue, then IDC will behave in violation of its obligations*. While this court is without power to judge and punish future behavior, the risk seems minimal, and even if it were to occur, MMO would have a remedy against a future violation of contract by IDC. Should IDC, as a result of obtaining an exclusion order, breach its FRAND obligation, respondents have a remedy.

A review of the settlements that have occurred in ITC cases also demonstrates that there is little risk that IDC would abuse its position and attempt to obtain remuneration outside the FRAND range. In 2013, the ITC had 105 respondents settle, found violations with 16, and as a result 95 license agreements were signed. In 2014 a total of 149 respondents settled, 20 were found in violation, and as a result 127 license agreements were signed. (From Electronic Document Information System (EDIS) at the ITC.) While not all agreements that were reached were agreements signed with parties that were part of an SSO and had alleged SEP patents, (EDIS does not capture that data), there were cases that involved standard essential patents. Of all the settlements and licenses that were taken under the “threat” of an exclusion order, not one respondent has gone on to file in a district court that the agreement was outside the range of FRAND. The ITC has not seen such a case, the experts presented at the hearing have not seen such a case, and the respondents did not cite an example of such a case. With that in mind, perhaps now we can relax our guard a little.

There is no evidence presented in this case that patent hold-up is a problem in the telecommunication industry. The Telecommunication Industry Association (TIA) in a June 11, 2011 response to the FTC’s request for comments (Patent Standards Workshop, Project No. P1

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1-1204) stated that: “TIA has never received any complaints regarding such "patent hold-up" and does not agree that "patent holdup" is plaguing the information and telecommunications technology (ICT) standard development processes.” “TIA observes that it is unaware of a uniform definition of ‘patent holdup’... TIA has never received any complaints regarding such ‘patent hold-up’ and does not agree that ‘patent holdup’ is plaguing the information and telecommunications technology (ICT) standard development processes...” (CX-1225 (TIA Ltr. to FTC) at 4.)

They were not the only organization that presented to the FTC Patent Standards Workshop. Project No. PI 1-1204. Microsoft Corporation also presented written materials to the FTC. (CX-1099.) Microsoft Corporation wrote its own comments to the FTC on June 14, 2011 for the Patent Standards Workshop. Project No. PI 1-1204, and they too did not see the risk of hold-up, nor the need to deny any particular relief when there was a FRAND or RAND commitment. Microsoft in its comments to the FTC:

The concept of “patent hold-up” should map to marketplace realities.

The notion that —patent hold-up is a substantial problem that should be addressed by government action seems to stem from a largely theoretical analysis of the situation. If a patent holder can charge implementers more than a reasonable royalty because those implementers are (perhaps) —locked into the standard, then is it not likely that it would take advantage of this opportunity? We believe that this reasoning greatly over-simplifies—and obscures—the realities of standards-related patent licensing. How any individual company will approach patent licensing will depend on many factors, such as:

What is the company’s primary business model implicated by the relevant standard? Is it likely that the company will proactively seek patent licenses (either as a licensor, a licensee or both)?

Who are the likely companies holding essential patent claims, and what are their business models, products and patent portfolios?

What licensing or other agreements are already in place between the parties?

If the parties decide to enter into an agreement, then what are all of the issues (including all of the IPR-related issues) that likely will be negotiated?

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Are there trade-offs that may be made with regard to royalty payments or other financial terms?

For example, there are companies who sometimes are willing to offer their essential patent claims to a particular standard free of charge, but they also include a defensive suspension clause that causes the free license in connection with these patent claims to terminate if the licensee commences litigation against the licensor on any grounds whatsoever.

As a result, we respectfully suggest that a simplified and theoretical approach to defining —patent hold-up‡ may not sufficiently map to complex marketplace realities. It may pull in what are essentially routine business negotiations between two parties. These negotiations almost always include considerations beyond the proposed licensing terms for just the essential claims in a standard (and just the royalty element of any such terms). Many companies question whether these types of business negotiations should be labeled as —patent hold-up and scrutinized by regulators. We believe that there is an important difference between intentional or deceptive conduct in connection with patents that read on standards and routine bilateral disagreements over licensing terms for the use of patented technology.

In the former context, there seems to be a dearth of examples of actual patent hold-up with regard to the essential patent claims reading on a standard. *Microsoft has never been accused of patent hold-up in this regard, nor has it accused any other company of such behavior.*

(CX-1099 at 6-7 (emphasis added).)

Microsoft in its letter also stated that litigation in these matters does occur in good faith, and that the resolution of the matter is best left to the courts:

This is not to say that Microsoft has never been a party to litigation where the parties disagree whether proffered licensing terms were consistent with the relevant patent licensing commitment (such as RAND). When companies have such bilateral disagreements, it may make sense for them to seek resolution in the courts. But such litigation is rarely limited to the proposed licensing terms for just the essential claims reading on a standard; typically such litigation is addressing other patent-related issues or even other business terms that the parties have been unable to reach agreement on.

(CX 1099 at 7.)

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In its June 14 2011 letter to the FTC, Microsoft took a position on whether injunctive relief or relief in the ITC should be available to companies that were committed to license their SEPs on RAND terms.

In addition, the existence of a RAND commitment to offer patent licenses should not preclude a patent holder from seeking preliminary injunctive relief or commencing an action in the International Trade Commission just because the patent holder has made a licensing commitment to offer RAND-based licenses in connection with a standard. Whether such relief is available should be assessed under the current legal framework in the applicable jurisdiction, which often is premised substantially on the specific facts and circumstances at issue. Any uniform declaration that such relief would not be available if the patent holder has made a commitment to offer a RAND license for its essential patent claims in connection with a standard may reduce any incentives that implementers might have to engage in good faith negotiations with the patent holder.

(CX-1099 at 13.)

If SSOs want to bar exclusion or injunctive relief they can easily do so, as ETSI did in 1993, and more recently IEEE has done. Where contracting parties consider terms for a contract, but chose to not include them, one or more of the parties should not be able to recover the rejected terms later by the assistance of a court or commission.

In this matter, the ALJ found nothing in the evidence, viewed in light of the public interest factors that would cause the Commission to find that such articles at issue should not be excluded from entry. There also was no evidence that IDC engaged in holdup, or did not negotiate in good faith. [REDACTED]

[REDACTED]

[REDACTED]

evidence in this case supports a finding that MMO engaged in reverse holdup or holdout. In reviewing and considering the letters written by the FTC, DOJ, and PTO, the ALJ considered the concerns that the agencies raised regarding the potential abuse of the SEP patents, and finds that

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no such abuse occurred in this case. There was no evidence in the case that the risks raised by the agencies occurred in this case. Finally, the evidence demonstrated that ETSI was aware of the possibility of exclusionary relief, either from injunctions or at the ITC, and chose to allow such relief under its SSO agreement. Therefore, there is no evidence in this case, either presented by the parties, within the public interest factors of 19 USC §1337, or in the policy letters, comments or submissions from other agencies or companies that an exclusion order should not be issued.

V. CONCLUSIONS OF LAW

1. The accused Nokia handsets meet the “generated using a same code” limitation in the asserted claims of the ’966 patent and in the asserted claim of the ’847 patent.
2. The accused Nokia handsets meet “the message being transmitted only subsequent to the subscriber unit receiving the indication” limitation in the asserted claims of the ’966 patent and in the asserted claim of the ’847 patent.
3. The 3GPP standard supports a finding that the pilot signal (P-CPICH) satisfies the claim limitation “synchronize to the pilot signal” as recited in the asserted claim of the ’847 patent by synchronizing to either the P-SCH or S-SCH signals under the Commission’s construction of that claim limitation “generated.
4. The Qualcomm Devices infringe the asserted claims of the ’966 and the ’847 Patents.
5. There is no evidence of patent hold-up.
6. There is evidence of reverse hold-up.
7. Public interest does not preclude issuance of an exclusion order.

VI. INITIAL DETERMINATION AND ORDER

Based on the foregoing, it is the REMAND INITIAL DETERMINATION of this ALJ that the accused Nokia handsets meet the “generated using a same code” limitation and “the message being transmitted only subsequent to the subscriber unit receiving the indication” limitation in the asserted claims of U.S. Patent No. 7,190,966 and in the asserted claim of U.S. Patent No. 7,286,847. It is held that the 3GPP standard supports a finding that the pilot signal (P-CPICH) satisfies the claim limitation “synchronize to the pilot signal” as recited in the asserted claim of the ‘847 patent by synchronizing to either the P-SCH or S-SCH signals under the Commission’s construction of that claim limitation. It is further held that the currently imported Nokia handsets (1) contain chips that were not previously adjudicated and (2) infringe the asserted claims of U.S. Patent Nos. 7,190,966 and 7,286,847. It is further held that there is no evidence of patent hold-up, that there is evidence of reverse hold-up, and that public interest does not preclude issuance of an exclusion order.

Further, this Remand Initial Determination, together with the record of the hearing in this investigation consisting of:

- (1) the transcript of the hearing, with appropriate corrections as may hereafter be ordered, and
- (2) the exhibits received into evidence in this investigation, as listed in the attached exhibit lists in Appendix A,

are CERTIFIED to the Commission. In accordance with 19 C.F.R. § 210.39(c), all material found to be confidential by the undersigned under 19 C.F.R. § 210.5 is to be given *in camera* treatment.

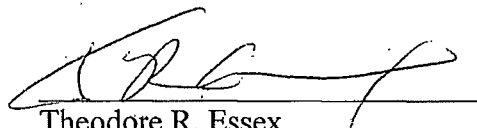
[REDACTED]

The Secretary shall serve a public version of this ID upon all parties of record and the confidential version upon counsel who are signatories to the Protective Order (Order No. 1.) issued in this investigation, and upon the Commission investigative attorney.

Within seven days of the date of this document, each party shall submit to the office of the Administrative Law Judge a statement as to whether or not it seeks to have any portion of this document deleted from the public version. The parties' submissions must be made by hard copy by the aforementioned date.

Any party seeking to have any portion of this document deleted from the public version thereof must submit to this office (1) a copy of this document with red brackets indicating any portion asserted to contain confidential business information by the aforementioned date and (2) a list specifying where said redactions are located. The parties' submission concerning the public version of this document need not be filed with the Commission Secretary.

SO ORDERED.


Theodore R. Essex
Administrative Law Judge

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **INITIAL DETERMINATION** has been served by hand upon the Commission Investigative Attorney, Lisa A. Murray, Esq., and the following parties as indicated, on **May 8, 2015**.



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U.S. International Trade Commission
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